

STATE OF ARIZONA

FY 2020

Appropriations Report

June 2019

JLBC

FY 2020 APPROPRIATIONS REPORT

This annual *Appropriations Report* provides detailed information on FY 2020 appropriations, as provided in the General Appropriation Act (Laws 2019, Chapter 263) and other legislative acts. The *Report* also includes the economic and state revenue forecast upon which the budget was based. This *Report* provides information relative to the legislative intent of appropriations.

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BUDGET HIGHLIGHTS

HIGHLIGHTS OF THE FY 2020 BUDGET

The FY 2020 budget is based primarily upon the actions of the 54th Legislature's 1st Regular Session. On May 31, 2019, the Governor signed into law the FY 2020 General Appropriation Act for the year beginning July 1, 2019.

The state's FY 2020 General Fund budget is \$11.85 billion. After accounting for non-General Fund monies, the state's "all funds" budget is \$43.3 billion. *(See the Summary of Appropriated Funds by Agency and Summary of Total Spending Authority for more details.)*

Revised FY 2019 Budget – At the time of publication of the *FY 2020 Appropriations Report* in June 2018 after the 54th Legislature's 2nd Regular Session, the FY 2019 budget was anticipated to have a \$236 million ending balance. By January 2019, the projected FY 2019 ending balance was estimated to be \$945 million. The primary adjustments included:

- Increased balance forward from FY 2018 of \$450 million, or \$245 million above the original forecast.
- Increased FY 2019 ongoing revenues of \$484 million, reflecting the January consensus forecast.
- Decreased FY 2019 one-time revenues of \$(15) million.
- Increased FY 2019 expenditures of \$5 million, including higher prior-year expenditure adjustments partially offset by reduced AHCCCS expenditures.

After January 2019, the state's revenue collections showed signs of not meeting the Baseline forecast. The Legislature adopted a growth rate without any new tax changes of 6.4% as compared to the Baseline's growth rate of 7.0%, which reduced base revenue by \$(66) million. This decrease was offset, however, by the passage of Laws 2019, Chapter 273, which added \$155 million from conforming with the federal tax code.

The revised FY 2019 budget included \$270 million in net new FY 2019 spending. The primary component of this increase was \$271 million deposit into the Budget Stabilization Fund. Additional increases include \$25 million for School Facilities Board (SFB) building renewal grants, \$10 million for caseload and capitation rate adjustments in Department of Economic Security's (DES) Developmental Disabilities program, \$7 million for agriculture infrastructure projects appropriated by Laws 2019, Chapter 1, and \$2 million in other supplementals. This increased spending was offset by \$(37) million in additional caseload savings in AHCCCS and \$(17) million in the Arizona Department of Education (ADE). The revised budget also increased the net reversion estimate – the

projection of unexpended appropriations – by \$(21) million.

Along with other changes, these adjustments result in a projected FY 2019 ending balance of \$764 million. *(Please see the FY 2019 General Fund Adjustments section for further details.)*

Comparison to the JLBC Baseline – At the beginning of session, the JLBC Staff calculated the state's anticipated FY 2020 spending based on existing statutory funding formulas and other technical requirements. The projected spending level was \$10.78 billion.

In comparison, the January Baseline revenues were based on the 4-sector consensus projections. Excluding enacted statutory changes and one-time adjustments, base revenues were forecast to grow 7.0% in FY 2019 and 3.9% in FY 2020. After adjusting for previously enacted tax law changes, additional Urban Revenue Sharing distributions, and other factors, total General Fund revenues were anticipated to be \$12.12 billion in FY 2020. This amount included \$945 million associated with the FY 2019 carry-forward balance.

The final enacted budget reflects a negotiated agreement between the Executive and the Legislature on revenue projections. The budget increased the base FY 2020 revenue growth from 3.9% to 4.4%. Combined with the decrease in the FY 2019 base growth rate to 6.4% as noted above, this change reduced ongoing revenues by \$(17) million compared to Baseline estimates. The budget also includes \$(57) million in new ongoing revenue reductions. Of that amount, Laws 2019, Chapter 273 is estimated to result in a net ongoing revenue reduction of \$(24) million. That legislation generated revenue by conforming the state income tax to the Internal Revenue Code and by requiring the sales tax to be levied on out-of-state sellers. Those higher revenues were offset by individual income tax reductions involving lower rates, revised deductions and a new dependent tax credit. *(Please see the General Fund Revenue section for more information.)* The ongoing changes also included a reduction of \$(24) million for the technical budgetary implementation of the Highway Safety Fee. *(Please see the Department of Public Safety (DPS) narrative for more information on the Highway Safety Fee, which is repealed as of FY 2022.)*

In addition, the budget included \$69 million in a fund transfer from AHCCCS' Prescription Drug Rebate Fund (PDRF) and \$20 million from depositing a portion of a settlement with Wells Fargo into the General Fund. These

increases were partially offset by the one-time loss of \$(28) million associated with not implementing the out-of-state sales tax-related changes until October 1, 2019 and \$(10) million from increasing the transaction privilege tax (TPT) threshold. After further adjusting the estimates for the decrease of the FY 2019 carry-forward from \$945 million to \$764 million, the FY 2020 General Fund budget was based on a revenue level of \$11.92 billion.

The Legislature also made subsequent revisions to the Baseline spending level of \$10.78 billion, which resulted in a final FY 2020 expenditure level of \$11.85 billion. The \$1.07 billion in changes to the Baseline included the following:

Major Ongoing Increases to the Baseline

- \$31 million for increased inmate health care costs at the Arizona Department of Corrections (ADC).
- \$30 million for an increase to ADE's Results-Based Funding program.
- \$20 million for an increase in grants to schools for School Resource Officers and counselors.
- \$26 million for making one-time Developmental Disabilities (DD) provider increases at DES ongoing and providing additional increases.
- \$12 million for long-term care provider rate increases at AHCCCS.
- \$15 million for an Arizona Teachers Academy at the Universities.
- \$8 million for an expansion of the medical school at the University of Arizona (UA).
- \$11 million for 48 new Highway Patrol officers at the Department of Public Safety (DPS).
- \$70 million for pay raises in select state agencies including ADC, DPS, and Department of Child Safety (DCS).

Major Ongoing Decreases from the Baseline

- \$(11) million in net AHCCCS savings associated with caseload savings and a reduction in the amount of PDRF monies used to offset ongoing AHCCCS costs.
- \$(55) million in ADE formula savings.
- \$(24) million from fund shifts to the Highway Safety Fee in DPS.
- \$(22) million for an increase in unspent appropriations.

Major One-Time Increases to the Baseline

- \$68 million to ADE to accelerate the third year of a 5-year plan to eliminate Additional Assistance reductions.
- \$37 million to Community Colleges for a variety of projects and one-time aid.
- \$15 million to Housing for a Housing Trust Fund deposit

- \$27 million to SFB for New Construction, including 2-year advance funding.
- \$63 million to SFB for Building Renewal.
- \$95 million for transportation projects
- \$35 million to the Universities.
- \$50 million to the Department of Water Resources for Drought Contingency Plan and additional infrastructure project costs.
- \$11 million for increases to agency health insurance rates to increase Health Insurance Trust Fund (HITF) balance.
- \$190 million for the payoff sale/leaseback incurred in FY 2010.
- \$271 million for a deposit into the Budget Stabilization Fund in both FY 2019 and FY 2020.

Under the JLBC Baseline, the FY 2020 budget was projected to have a \$1.34 billion ending cash balance, including a \$945 million carry-forward from FY 2019. The revenue changes and net spending reductions result in a FY 2020 projected ending cash balance of \$65 million. *(Please see the General Fund Balance discussion below.)*

(See FY 2020 State General Fund Budget - A Narrative Summary and the General Provisions section for further details on FY 2020 changes.)

Comparison to the FY 2019 Budget – Besides the comparison with the JLBC Baseline, the FY 2020 budget can also be viewed relative to the FY 2019 budget. General Fund revenues, including one-time monies, are projected to increase from \$11.43 billion in FY 2019 to \$11.92 billion in FY 2020. The projected base growth is 4.4%, which will be further modified by the following revenue changes *(see the General Fund Revenue section)*:

- \$57 million loss due to new ongoing revenue changes, primarily associated with the passage of Laws 2019, Chapter 273 and the budgetary implementation of the Highway Safety Fee.
- \$63 million loss due to increased contributions to Urban Revenue Sharing based on state income tax collections from 2 years prior.

The FY 2020 budget also has a net \$817 million in one-time revenues, including a beginning balance of \$764 million, \$71 million of fund transfers, and \$20 million from a settlement with Wells Fargo, offset by a one-time \$(38) million revenue loss. In comparison, FY 2019 one-time revenues were \$550 million.

General Fund spending is projected to increase from \$10.66 billion in FY 2019 to \$11.85 billion in FY 2020, which is an increase of \$1.19 billion, or 11.15%. Compared to the originally-budgeted FY 2019 total of

\$10.39 billion, the FY 2020 budget increases spending by \$1.46 billion, or 14.09%.

The FY 2020 budget includes the following changes compared to the FY 2019 budget, including supplemental changes:

- \$512 million for K-12 education changes, including \$165 million for the second year of a 3-year plan to raise teacher salaries 20%, \$136 million for the second and third years of a 5-year plan to restore Additional Assistance funding, plus 0.4% student growth and a statutorily-mandated inflation increase of 2.0%, \$30 million for an increase in results-based funding, and \$20 million for an increase in School Resource Officers and School Counselors grants.
- \$26 million in increased SFB spending, reflecting a net increase of \$25 million for continued funding for the second year of new school construction of 6 schools and the first year of funding for 10 new schools, a net increase of \$3 million one-time monies for Building Renewal grants, and a decrease of \$(2) million for decreased debt service needs.
- \$49 million in increased University funding, including a net \$27 million increase in one-time funding, \$15 million for the Arizona Teachers Academy, and \$8 million for expansion of the University of Arizona (UA) medical school.
- \$40 million in increased Community College funding, including \$15 million for one-time costs to expand the Pima Community College Aviation Center, \$14 million in one-time rural community college aid, and \$6 million for one-time costs to expand the Maricopa Community College Health Care Specialty program.
- \$20 million in increased AHCCCS spending, including \$31 million for formula adjustments, \$12 million for provider rate adjustments, and \$(26) million to transfer DD behavioral health funding to DES.
- \$3 million in increased DCS spending, including \$2 million to expand the kinship stipend program to all unlicensed caregivers. *(See below for additional employee salary adjustments.)*
- \$87 million in increased DES spending, including \$43 million for DD formula spending, \$17 million for DD provider rate increases (and the continuation of \$13 million of adjustments originally designated as one-time in FY 2019), and \$26 million to transfer DD behavioral health funding from AHCCCS.
- \$32 million in ADC spending, including \$31 million for inmate health care increases, \$5 million for private prison correctional officer salary increases, and \$(3) million for reduced prison debt payments. *(See below for additional employee salary adjustments.)*
- \$14 million in increased Judiciary spending, including \$7 million for the first-year of a previously-approved

phase-in of Maricopa County Superior Court judges' salaries, \$2 million for a one-time increase to cover higher county officer retirement expenses, and \$1 million for probation officers and probation officer salaries.

- \$(34) million in decreased DPS spending, including \$(54) million for a shift to the Arizona Highway Patrol Fund, offset by \$11 million for 48 additional Highway Patrol positions and \$4 million for a one-time Highway Patrol vehicle replacement. *(See below for additional employee salary adjustments.)*
- \$43 million in net one-time Department of Water Resources spending associated with the Drought Contingency Plan.
- \$70 million for pay raises in select state agencies, including \$36 million for ADC, \$22 million for DPS, and \$6 million for DCS.
- \$190 million for paying off debt associated with 2010 operating debt-financing.
- \$95 million in one-time transportation funding.

(See FY 2020 State General Fund Budget - A Narrative Summary for a more detailed list of changes.)

General Fund Balance – Based on \$11.92 billion in revenue and \$11.85 billion in spending, the FY 2020 General Fund cash balance is projected to be a \$65 million balance.

Beyond its cash balance, a budget is also evaluated by the difference between ongoing revenues and expenditures. The state can have a cash balance but a shortfall in ongoing funds by using one-time revenue and/or expenditure savings. As part of its 3-year spending plan, the Legislature labels all funding as ongoing or one-time. Using this legislative definition, the FY 2019 budget has a projected "structural balance" of \$310 million in FY 2020.

The ending cash and structural balance estimates do not reflect the Budget Stabilization Fund (BSF) reserve. The BSF is expected to have a balance of \$1.02 billion at the end of FY 2020 with the combined \$542 million added in FY 2019 and FY 2020.

Long-Term Projections – A.R.S. § 35-125 requires that the General Appropriation Act delineate the revenue and expenditure estimates for the budget year and the following 2 years. The expenditure estimates are based on existing statutory funding requirements, but also incorporate future-year changes, such as statutory changes with effective dates beyond the budget year. The enacted budget's 3-year spending plan provides estimates of FY 2021 and FY 2022 spending. The *Statement of General Fund Revenues and Expenditures* in the *Budget Highlights* section incorporates the FY 2021 and FY 2022 estimates, which were initially based upon

Baseline revenue projections and existing statutory funding requirements. These estimates were modified during the budget process to reflect updated revenue projections. Based on legislative guidance, the FY 2021 and FY 2022 estimates also include the continuation of FY 2020 initiatives which were considered to be ongoing.

The figures reflected in the multi-year analysis in the *Budget Highlights* section differ from the figures listed in the FY 2020 General Appropriation Act due to technical reasons. The General Appropriation Act gives JLBC Staff the authority to make such technical adjustments.

The General Appropriation Act forecasted total FY 2021 revenues to be \$11.51 billion and expenditures to be \$11.47 billion, with a \$42 million balance. After accounting for legislation enacted separately from the budget and technical adjustments, FY 2021 revenues are projected to be \$11.52 billion compared to spending of \$11.47 billion, both figures nearly identical to the original forecast. The FY 2021 balance is estimated to be \$43 million, including the \$65 million FY 2020 ending balance. The "structural balance" for FY 2020 is estimated to be \$139 million.

The FY 2021 spending projection includes statutory formula caseload growth and removal of FY 2020 spending categorized as one-time in the FY 2020 budget process. FY 2021 ongoing revenues are primarily based on a base growth rate of 3.4% as negotiated between the Executive and the Legislature, but also incorporate separately enacted tax law changes. It also reflects new one-time spending, including \$64 million in one-time FY 2021 spending to complete SFB school construction projects started in FY 2020 and start SFB projects anticipated to begin in FY 2021, \$14 million of funding for teacher pay raises that will be funded from an ongoing funding source starting in FY 2022, and \$80 million for the costs of a 27th pay period.

The General Appropriation Act forecasted FY 2022 revenues to be \$11.92 billion and expenditures to be \$11.92 billion, with a \$5 million balance. After accounting for technical adjustments, FY 2022 revenues are projected to be \$11.93 billion compared to spending of \$11.91 billion, both figures nearly identical to the original forecast. The FY 2022 budget is estimated to have a \$12 million balance, including the \$43 million FY 2021 ending balance. The "structural balance" for FY 2021 is estimated to be \$27 million.

The FY 2022 spending includes statutory formula caseload growth and removal of one-time FY 2021 spending. FY 2022 ongoing revenues reflect a negotiated base growth rate of 3.7%, further adjusted for previously enacted tax law changes. It also reflects new one-time spending,

including \$46 million to complete SFB school construction projects anticipated to start in FY 2021 and start SFB projects anticipated to begin in FY 2022 and \$30 million to reduce the K-12 rollover.

Given the multiple years involved in these calculations, long-run estimates are especially sensitive to small percent changes in revenue and spending growth. For example, a 1% change in the growth rate of either revenue or spending in FY 2020 through FY 2022 would change the ending balance calculations by nearly \$700 million in the third year. As a result, these projections are subject to considerable change.

**STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 1/
WITH ONE-TIME FINANCING SOURCES**

	FY 2019 Enacted	FY 2020 Enacted	FY 2021 Estimate	FY 2022 Estimate
REVENUES				
Ongoing Revenues	\$11,398,072,000	\$11,896,447,900	\$12,296,178,400	\$12,752,263,400
Newly Enacted Changes	155,000,000	(57,221,800)	(59,222,100)	(69,191,200)
Urban Revenue Sharing	(674,804,400)	(737,573,600)	(792,281,400)	(827,005,300)
Net Ongoing Revenues	<u>\$10,878,267,600</u>	<u>\$11,101,652,500</u>	<u>\$11,444,674,900</u>	<u>\$11,856,066,900</u>
One-time Financing Sources				
Balance Forward	449,632,000	764,372,400	64,877,900	43,014,900
Wells Fargo Settlement		20,000,000		
Other Tax Law Changes		(38,322,600)	(10,005,000)	(9,974,300)
Water Infrastructure Repayment				20,000,000
Fund Transfers	<u>100,681,700</u>	<u>70,840,700</u>	<u>16,700,000</u>	<u>16,700,000</u>
Subtotal One-time Revenues	<u>\$550,313,700</u>	<u>\$816,890,500</u>	<u>\$71,572,900</u>	<u>\$69,740,600</u>
Total Revenues	\$11,428,581,300	\$11,918,543,000	\$11,516,247,800	\$11,925,807,500
EXPENDITURES				
Operating Budget Appropriations	\$10,200,028,900	\$10,836,398,100	\$11,351,028,800	\$11,873,972,400
FY 2019 Supplementals/Ex-Approp.	(42,838,800)			
Administrative Adjustments	126,000,000	128,000,000	138,000,000	143,000,000
Revertments	<u>(171,000,000)</u>	<u>(173,000,000)</u>	<u>(183,000,000)</u>	<u>(188,000,000)</u>
Subtotal Ongoing Expenditures	<u>\$10,112,190,100</u>	<u>\$10,791,398,100</u>	<u>\$11,306,028,800</u>	<u>\$11,828,972,400</u>
One-time Expenditures				
Capital Outlay	4,959,000	4,575,000		
Transportation Funding		95,310,000		
Reduce K-12 Rollover				30,000,000
Budget Stabilization Fund Deposit	271,107,000	271,107,000		
2010B Debt Payoff		190,000,000		
Operating One-Time Spending	241,996,500	501,275,000	87,204,100	54,837,400
FY 2019 One-Time Supplementals	33,956,300			
Additional (27th) Pay Period			<u>80,000,000</u>	
Subtotal One-time Expenditures	<u>\$552,018,800</u>	<u>\$1,062,267,000</u>	<u>\$167,204,100</u>	<u>\$84,837,400</u>
Total Expenditures	\$10,664,208,900	\$11,853,665,100	\$11,473,232,900	\$11,913,809,800
Ending Balance <u>2/</u>	<u><u>\$764,372,400</u></u>	<u><u>\$64,877,900</u></u>	<u><u>\$43,014,900</u></u>	<u><u>\$11,997,700</u></u>
Structural Balance <u>3/</u>	<u><u>\$766,077,500</u></u>	<u><u>\$310,254,400</u></u>	<u><u>\$138,646,100</u></u>	<u><u>\$27,094,500</u></u>

1/ Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.

2/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

3/ This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments. The Legislature makes the ongoing and one-time classifications as part of its 3-year spending plan. Excludes any Budget Stabilization Fund balance.

**GENERAL FUND SPENDING BY BUDGET UNITS 1/
ONGOING FUNDING**

EXPENDITURES	FY 2019 Enacted	FY 2020 Enacted	FY 2021 Estimate	FY 2022 Estimate
Operating Budget				
-- Department of Administration	\$7,887,900	\$7,822,400	\$7,822,400	\$7,822,400
-- ADOA - Automation Projects Fund	5,000,000	5,000,000	0	0
-- Office of Administrative Hearings	864,600	884,400	884,400	884,400
-- African-American Affairs Commission	126,700	127,600	127,600	127,600
-- Arizona Department of Agriculture	9,579,100	10,049,500	10,119,100	10,119,100
-- AHCCCS	1,776,890,400	1,759,784,600	1,896,680,100	1,969,817,200
-- Attorney General	24,327,500	24,472,200	24,472,200	24,472,200
-- State Board for Charter Schools	1,204,000	1,708,300	2,100,100	2,100,100
-- Department of Child Safety	375,763,700	384,522,200	384,522,200	384,522,200
-- Commerce Authority	21,800,000	16,275,000	16,175,000	16,175,000
-- Community Colleges	57,205,500	60,400,700	62,983,800	65,786,700
-- Corporation Commission	613,900	615,000	615,000	615,000
-- Department of Corrections	1,094,790,700	1,161,991,400	1,161,991,400	1,161,991,400
-- County Funding	7,650,700	10,650,700	10,650,700	10,650,700
-- Schools for the Deaf and the Blind	21,421,200	23,057,300	23,057,300	23,057,300
-- Office of Economic Opportunity	485,300	466,400	466,400	466,400
-- Department of Economic Security	636,289,200	748,153,200	772,986,200	819,992,500
-- State Board of Education	1,144,600	1,157,100	1,157,100	1,157,100
-- Department of Education	4,639,488,200	5,065,507,400	5,506,794,600	5,746,752,600
-- Dept. of Emergency & Military Affairs	11,079,100	12,179,300	12,179,300	12,179,300
-- State Board of Equalization	650,300	657,100	657,100	657,100
-- Board of Executive Clemency	1,133,700	1,146,600	1,146,600	1,146,600
-- Department of Financial Institutions	1,967,600	1,969,200	1,969,200	1,969,200
-- Dept. of Forestry and Fire Management	11,128,800	13,138,900	13,138,900	13,138,900
-- Department of Gaming	1,779,500	1,779,500	1,779,500	1,779,500
-- Office of the Governor	7,008,800	8,663,900	8,663,900	8,663,900
-- Gov's Ofc of Strategic Planning and Budgeting	2,013,900	2,684,100	2,684,100	2,684,100
-- Department of Health Services	89,540,400	92,454,300	92,454,300	92,454,300
-- Arizona Historical Society	3,179,200	3,090,000	3,090,000	3,090,000
-- Prescott Historical Society	826,100	830,100	830,100	830,100
-- Department of Insurance	5,599,600	5,631,400	5,631,400	5,631,400
-- Judiciary	116,367,400	127,408,700	133,428,100	133,428,100
-- Department of Juvenile Corrections	22,518,200	28,243,900	28,243,900	28,243,900
-- State Land Department	11,678,900	11,594,700	11,594,700	11,594,700
-- Legislature				
Auditor General	19,607,000	20,129,300	20,129,300	20,129,300
House of Representatives	13,746,600	16,312,100	16,312,100	16,312,100
Joint Legislative Budget Committee	2,494,900	2,823,500	2,823,500	2,823,500
Legislative Council	8,279,800	8,787,800	8,787,800	8,787,800
Senate	9,687,300	12,884,300	12,884,300	12,884,300
SUBTOTAL - Legislature	\$53,815,600	\$60,937,000	\$60,937,000	\$60,937,000
-- State Mine Inspector	1,249,900	1,262,900	1,262,900	1,262,900
-- Navigable Stream Adjudication Commission	126,600	128,100	128,100	128,100
-- Commission for Postsecondary Education	1,646,800	1,680,900	1,680,900	1,680,900
-- Department of Public Safety	103,918,600	86,641,300	83,982,700	244,692,000

GENERAL FUND SPENDING BY BUDGET UNITS 1/
ONGOING FUNDING

	FY 2019 Enacted	FY 2020 Enacted	FY 2021 Estimate	FY 2022 Estimate
-- Public Safety Personnel Retirement System	6,000,000	6,000,000	6,000,000	6,000,000
-- State Real Estate Department	2,898,900	2,895,700	2,895,700	2,895,700
-- Department of Revenue	30,935,600	31,106,800	31,106,800	31,106,800
-- School Facilities Board	152,650,400	150,251,000	85,558,300	85,557,300
-- Secretary of State	15,517,100	17,311,400	16,288,800	12,904,300
-- Tax Appeals, State Board of	279,300	280,600	280,600	280,600
-- Office of Tourism	7,112,000	8,214,000	8,214,000	9,714,000
-- State Treasurer	1,205,100	1,205,100	1,205,100	1,205,100
-- Governor's Office on Tribal Relations	60,600	62,600	62,600	62,600
-- Universities	712,671,900	737,159,200	736,693,700	737,406,500
-- Department of Veterans' Services	6,067,200	7,766,200	7,766,200	7,766,200
-- Department of Water Resources	13,609,300	14,168,900	14,168,900	14,168,900
-- Phoenix Convention Center Payment	22,996,300	23,500,000	23,997,900	24,498,500
-- Rio Nuevo District	14,000,000	14,000,000	14,000,000	14,000,000
-- Asset Sale/Lease-Back Debt Service	84,112,000	77,709,300	53,701,900	53,704,000
Total - Operating Budget	<u>\$10,200,028,900</u>	<u>\$10,836,398,100</u>	<u>\$11,351,028,800</u>	<u>\$11,873,972,400</u>
-- FY 2019 One-Time Supplementals	33,956,300			
-- Capital Outlay	4,959,000	4,575,000		
-- Reduce K-12 Rollover				30,000,000
-- Budget Stabilization Fund Deposit	271,107,000	271,107,000		
-- 2010 B Debt Payoff		190,000,000		
-- Transportation Funding		95,310,000		
-- Operating One-Time Spending	241,996,500	501,275,000	87,204,100	54,837,400
-- Additional (27th) Pay Period			80,000,000	
-- FY 2019 Supplementals/Ex-Appropriation	(42,838,800)			
-- Administrative Adjustments	126,000,000	128,000,000	138,000,000	143,000,000
-- Revertments	(171,000,000)	(173,000,000)	(183,000,000)	(188,000,000)
Total Spending	<u>\$10,664,208,900</u>	<u>\$11,853,665,100</u>	<u>\$11,473,232,900</u>	<u>\$11,913,809,800</u>

1/ Individual agency spending amounts listed above exclude "Operating One-Time Spending" amounts. These amounts are accounted for in the "Operating One-Time Spending" line and are summarized on page BH-11.

**GENERAL FUND SPENDING BY BUDGET UNITS 1/
COMBINED ONGOING AND ONE-TIME FUNDING**

	FY 2019 Enacted w/ One-Times	FY 2020 Enacted w/ One-Times	FY 2021 Estimate w/ One-Times	FY 2022 Estimate w/ One-Times
EXPENDITURES				
Operating Budget				
-- Department of Administration	\$7,939,100	\$8,147,600	\$7,822,400	\$7,822,400
-- ADOA - Automation Projects Fund	5,000,000	11,100,000	0	0
-- Office of Administrative Hearings	\$868,900	\$889,800	\$884,400	\$884,400
-- African-American Affairs Commission	127,200	128,100	127,600	127,600
-- Arizona Department of Agriculture	9,640,000	10,865,500	10,119,100	10,119,100
-- AHCCCS	1,777,093,500	1,760,748,100	1,896,680,100	1,969,817,200
-- Arts Commission	0	2,200,000	0	0
-- Attorney General	25,940,300	26,082,400	24,472,200	24,472,200
-- State Board for Charter Schools	1,209,800	1,714,500	2,100,100	2,100,100
-- Department of Child Safety	375,838,700	384,653,400	384,522,200	384,522,200
-- Commerce Authority	21,800,000	19,275,000	16,175,000	16,175,000
-- Community Colleges	57,205,500	97,400,700	64,983,800	67,786,700
-- Corporation Commission	814,600	620,800	615,000	615,000
-- Department of Corrections	1,099,670,000	1,167,111,300	1,161,991,400	1,161,991,400
-- County Funding	20,566,200	10,650,700	10,650,700	10,650,700
-- Schools for the Deaf and the Blind	21,659,300	23,214,400	23,057,300	23,057,300
-- Office of Economic Opportunity	488,800	968,300	466,400	466,400
-- Department of Economic Security	650,936,900	749,708,200	772,986,200	819,992,500
-- State Board of Education	1,146,300	1,158,900	1,157,100	1,157,100
-- Department of Education	4,704,652,000	5,200,184,900	5,526,294,600	5,752,152,600
-- Dept. of Emergency & Military Affairs	11,098,200	12,201,600	12,179,300	12,179,300
-- Department of Environmental Quality	0	200,000	0	0
-- State Board of Equalization	652,000	659,000	657,100	657,100
-- Board of Executive Clemency	1,137,000	1,150,000	1,146,600	1,146,600
-- Department of Financial Institutions	1,984,800	1,980,900	1,969,200	1,969,200
-- Dept. of Forestry and Fire Management	11,156,700	15,917,400	13,138,900	13,138,900
-- Department of Gaming	1,779,500	2,509,500	2,509,500	2,509,500
-- Office of the Governor	8,538,800	8,699,900	8,663,900	8,663,900
-- Gov's Ofc of Strategic Planning and Budgeting	2,022,100	2,684,100	2,684,100	2,684,100
-- Department of Health Services	89,931,200	97,158,300	92,954,300	92,954,300
-- Arizona Historical Society	3,195,000	3,107,700	3,090,000	3,090,000
-- Prescott Historical Society	832,700	837,200	830,100	830,100
-- Department of Housing	0	15,000,000	0	0
-- Department of Insurance	5,628,400	5,663,200	5,631,400	5,631,400
-- Judiciary	116,577,000	130,236,500	133,428,100	133,428,100
-- Department of Juvenile Corrections	22,734,500	36,926,500	28,243,900	28,243,900
-- State Land Department	11,733,400	11,654,300	11,594,700	11,594,700
-- Legislature				
Auditor General	19,709,600	20,629,300	20,129,300	20,129,300
House of Representatives	13,835,000	16,407,500	16,312,100	16,312,100
Joint Legislative Budget Committee	2,504,800	2,834,200	2,823,500	2,823,500
Legislative Council	8,304,900	8,814,900	8,787,800	8,787,800
Senate	9,747,200	12,948,900	12,884,300	12,884,300
SUBTOTAL - Legislature	\$54,101,500	\$61,634,800	\$60,937,000	\$60,937,000
-- State Mine Inspector	1,255,800	1,269,300	1,262,900	1,262,900

**GENERAL FUND SPENDING BY BUDGET UNITS 1/
COMBINED ONGOING AND ONE-TIME FUNDING**

	FY 2019 Enacted w/ One-Times	FY 2020 Enacted w/ One-Times	FY 2021 Estimate w/ One-Times	FY 2022 Estimate w/ One-Times
-- Navigable Stream Adjudication Commission	127,400	129,000	128,100	128,100
-- Commission for Postsecondary Education	1,646,800	1,680,900	1,680,900	1,680,900
-- Department of Public Safety	104,241,700	92,350,300	83,982,700	244,692,000
-- Public Safety Personnel Retirement System	7,000,000	6,000,000	6,000,000	6,000,000
-- State Real Estate Department	2,911,700	2,909,500	2,895,700	2,895,700
-- Department of Revenue	31,063,800	31,245,200	31,106,800	31,106,800
-- School Facilities Board	274,700,300	325,650,300	150,032,400	131,764,700
-- Secretary of State	15,568,800	17,367,900	16,288,800	12,904,300
-- Tax Appeals, State Board of	280,400	281,800	280,600	280,600
-- Office of Tourism	7,112,000	8,214,000	8,214,000	9,714,000
-- Department of Transportation	65,000	0	0	0
-- State Treasurer	1,205,100	1,205,100	1,205,100	1,205,100
-- Governor's Office on Tribal Relations	60,900	62,900	62,600	62,600
-- Universities	725,503,700	774,272,000	736,693,700	737,406,500
-- Department of Veterans' Services	6,120,600	7,792,900	7,766,200	7,766,200
-- Department of Water Resources	16,169,800	66,937,700	14,168,900	14,168,900
-- Phoenix Convention Center Payment	22,996,300	23,500,000	23,997,900	24,498,500
-- Rio Nuevo District	14,000,000	14,000,000	14,000,000	14,000,000
-- Asset Sale/Lease-Back Debt Service	84,112,000	77,709,300	53,701,900	53,704,000
-- Unallocated Health Insurance Adjustment	32,400	51,500	0	0
Total - Operating Budget	\$10,442,025,400	\$11,337,673,100	\$11,438,232,900	\$11,928,809,800
-- FY 2019 One-Time Supplementals	33,956,300			
-- Capital Outlay	4,959,000	4,575,000		
-- Reduce K-12 Rollover				30,000,000
-- Budget Stabilization Fund Deposit	271,107,000	271,107,000		
-- 2010 B Debt Payoff		190,000,000		
-- Transportation Funding		95,310,000		
-- Additional (27th) Pay Period			80,000,000	
-- FY 2019 Supplementals/Ex-Appropriation	(42,838,800)			
-- Administrative Adjustments	126,000,000	128,000,000	138,000,000	143,000,000
-- Reversions	(171,000,000)	(173,000,000)	(183,000,000)	(188,000,000)
Total Spending	\$10,664,208,900	\$11,853,665,100	\$11,473,232,900	\$11,913,809,800

1/ Individual agency spending amounts listed above include "Operating One-Time Spending" amounts.

SUMMARY OF ONE-TIME ADJUSTMENTS

	FY 2019 Enacted	FY 2020 Enacted	FY 2021 Estimate	FY 2022 Estimate
Operating				
ADOA - Sierra Vista Public Safety Communications	\$ -	\$ 271,000	\$ -	\$ -
ADOA/Automation Projects Fund - CHILDS		5,100,000		
ADOA/Automation Projects Fund - Business OneStop		1,000,000		
Agriculture - Industrial Hemp		750,000		
AHCCCS - North Country Graduate Medical Education		750,000		
Arts - One-Time Funding		2,000,000		
Arts - Nonprofit Theater Capital Support		200,000		
Attorney General - Criminal Division	1,500,000	1,500,000		
Commerce Authority - Rural Broadband Grants		3,000,000		
Community Colleges - Maricopa Healthcare Expansion		5,800,000		
Community Colleges - Pima Aviation Center		15,000,000		
Community Colleges - Rural Funding		14,200,000		
Community Colleges - Maricopa/Pima STEM Funding		2,000,000	2,000,000	2,000,000
Corporation Commission - Railway Safety Inspectors	196,600			
Counties - DJC Local Cost Sharing Offset	11,260,000			
Counties - Partial EORP Cost Offset	1,655,500			
Economic Opportunity - Small Water Systems Fund Deposit		500,000		
DES - One-Time Prop 206 Funding	11,000,000			
DES - One-Time DD Room and Board	2,000,000			
DES - SNAP Benefit Match Program	400,000			
DES - Food Banks	1,000,000			
DES - Caregiver Grants		1,000,000		
ADE - Gifted Education	1,000,000	1,000,000		
ADE - Prop 301 Bridge	64,100,000	64,100,000	14,100,000	
ADE - Civics Pilot Program		500,000		
ADE - High Quality Teacher Scholarships		400,000	400,000	400,000
ADE - Mingus Unified Consolidation Costs		50,000		
ADE - Yuma Elementary School Construction		800,000		
ADE - CTED Incentive Program			5,000,000	5,000,000
ADE - One-Time DAA/CAA Funding		67,774,700		
DEQ - Maricopa County Dust Supression Pilot Program		200,000		
Forestry - Fire Training Center		1,000,000		
Forestry - Non-Native Vegetation Eradication		1,000,000		
Forestry - Mount Lemmon Water Line		750,000		
Gaming - County Fair Promotion		730,000	730,000	730,000
Governor - Youth Success Fund Deposit	1,500,000			
DHS - Rural Hospital Prenatal Equipment		1,000,000	500,000	500,000
DHS - Restore Emergency Fund To \$500k		106,600		
DHS - Primary Care Clinic - Colorado City		700,000		
DHS - Benson and Northern Cochise Hospitals		1,500,000		
DHS - Loan Repayment Program		750,000		
DHS - Vulnerable Caregiver Workshops		250,000		
Housing - Housing Trust Fund Deposit		15,000,000		
Judiciary - Digitization/Case Management System		250,000		
Judiciary - Superior Court - CORP Increase		2,354,000		
Juvenile Corrections - Maricopa/Pima Cost Sharing Offset		8,450,900		
Legislature - Auditor General - CTED Study		400,000		
DPS - Vehicle Replacement		4,000,000		
DPS - Interoperability Project		1,500,000		
PSPRS - Prescott Fire Deposit	1,000,000			
SFB - Building Renewal Grants	34,417,900	62,790,900		
SFB - New School Construction (FY 18 Authorization)	37,989,800			
SFB - New School Construction (FY 19 Authorization)	49,636,700	36,726,700		
SFB - New School Construction (FY 20 - FY 22 Authorization)		75,875,800	64,474,100	46,207,400
Transportation - West Valley Project	65,000			
Universities - ASU	4,245,000	18,900,000		
Universities - NAU	1,590,200	6,650,000		
Universities - UA	2,164,800	9,450,000		
Universities - NAU Freedom School	500,000			
Universities - ASU/UA Freedom Schools	2,000,000			

SUMMARY OF ONE-TIME ADJUSTMENTS

	FY 2019 Enacted	FY 2020 Enacted	FY 2021 Estimate	FY 2022 Estimate
Universities - Arizona/Mexico Economic Development	250,000			
Veterans' Services - Hyperbaric Oxygen Therapy	25,000			
DWR - Water Study	100,000			
DWR - Water Protection Fund Deposit	400,000	500,000		
DWR - Agriculture Infrastructure Projects	2,000,000			
DWR - Augmentation And Conservation Assistance		2,000,000		
DWR - Water System Conservation Funding		30,000,000		
DWR - Additional Infrastructure Projects		20,000,000		
DWR - Digitization		200,000		
Other - HITF Deposit	10,000,000	10,544,400		
Subtotal - Operating Funding	\$ 241,996,500	\$ 501,275,000	\$ 87,204,100	\$ 54,837,400
Additional (27th) Pay Period - FY 2021			\$ 80,000,000	
Budget Stabilization Fund Deposit	\$ 271,107,000	\$ 271,107,000		
2010B Debt Payoff		\$ 190,000,000		
Reduce K-12 Rollover				\$ 30,000,000
Capital Outlay				
Capital - Agriculture - Mariposa Cold Inspection Facility		700,000		
Capital - DEMA - Tucson Readiness Center	3,759,000			
Capital - DEMA - West Valley Readiness Center		3,875,000		
Capital - DPS - Modular Housing	1,200,000			
Subtotal - Capital Outlay	\$ 4,959,000	\$ 4,575,000	\$ -	\$ -
Supplementals				
DES - Food Banks	950,000			
SFB - Building Renewal Grants	25,000,000			
SOS - Supplemental Operating Funding	700,000			
DWR - Agriculture Infrastructure Projects	7,000,000			
Other - Named Claimants	306,300			
Subtotal - Supplementals	\$ 33,956,300	\$ -	\$ -	\$ -
Transportation Funding				
Additional Projects		77,310,000		
Local Transportation Distribution		18,000,000		
Subtotal - Transportation Funding	\$ -	\$ 95,310,000	\$ -	\$ -
Total - One-time Spending	\$ 552,018,800	\$ 1,062,267,000	\$ 167,204,100	\$ 84,837,400

ENACTED GENERAL FUND BUDGET 4-YEAR ANALYSIS
\$ in Millions

	A	B	C	D
	FY 2019 5/27	FY 2020 5/27	FY 2021 5/27	FY 2022 5/27
1 Beginning Balance	\$ 449.6	\$ 764.3	\$ 64.7	\$ 42.8
Ongoing Revenues				
2 Ongoing Revenues - January Baseline	10,789.3	11,175.8	11,527.4	11,956.7
3 Base Revenue Adjustment	(66.0)	(16.9)	(23.5)	(31.4)
4 Conformity/Wayfair (FY 19 Used for 2010B / FY 20 Used For Offsetting Tax Reduction)	155.0			
5 25% Charitable Deduction for Standard Deduction Filers		(24.0)	(24.0)	(24.0)
6 HSF Revenue Changes - (FY 20 - \$32/FY 21 - \$32/FY 22 - Repealed)		(24.1)	(24.1)	(47.5)
7 Index Dependent Exemption (Starts in '21)		No - Conformity		
8 Charitable Tax Credit (SB 1027)		(1.2)	(1.2)	(1.2)
10 Alternative Fuels; VLT (SB 1332)		Yes - Other Funds		
11 Fertilizer TPT Exemption (Half Year Impact in '20) - (HB 2275 - Amend)		(7.4)	(14.7)	(14.7)
12 Corporate STO Deceleration (SB 1485)		See '21	5.3	18.7
13 Liquor License Fees (Liquor Dept. Issues - Legal, IT, 1 FTE)		(0.2)	(0.2)	(0.2)
14 Treasurer Issues		(0.4)	(0.4)	(0.4)
15 Subtotal - Ongoing Revenues	\$ 10,878.3	\$ 11,101.6	\$ 11,444.6	\$ 11,856.0
One-Time Revenues				
16 TPT Estimated Payment Threshold (\$1 M to \$4.1 M, Thru '23) (HB 2360 - Amend)		(10.3)	(10.0)	(10.0)
17 One-Time Conformity Offset Loss (Wayfair Partial Year Impact In '20)		(28.0)		
18 DWR \$20 M Water Infrastructure Repayment				20.0
<u>Previously Enacted Fund Transfers</u>				
19 '19/'20 Fund Transfers - Already Enacted	100.7	1.8		
<u>New Proposed Fund Transfers</u>				
20 AHCCCS - Prescription Drug Rebate Transfer to General Fund		69.0	16.7	16.7
21 Wells Fargo Settlement		20.0		
22 Subtotal - Newly Enacted Fund Transfers	\$ -	\$ 89.0	\$ 16.7	\$ 16.7
23 Subtotal - One-Time Revenues (Including Beginning Balance)	\$ 550.3	\$ 816.8	\$ 71.4	\$ 69.5
24 Total Revenues	\$ 11,428.6	\$ 11,918.4	\$ 11,516.0	\$ 11,925.5
25 JLBC Baseline - Ongoing Spending	\$ 10,147.6	\$ 10,629.5	\$ 11,269.6	\$ 11,707.7

ENACTED GENERAL FUND BUDGET 4-YEAR ANALYSIS
\$ in Millions

	A	B	C	D
	FY 2019 5/27	FY 2020 5/27	FY 2021 5/27	FY 2022 5/27
Ongoing Changes to JLBC Baseline				
26 Agriculture - Ag Lab Relocation		0.4	0.5	0.5
27 Agriculture - Dairy Inspector Salary Increase (\$137k)		0.1	0.1	0.1
28 AHCCCS - Formula	(8.0)	(65.0)	(83.0)	(117.0)
29 AHCCCS - Federal Match Rate Changes (Begin in FY 21)		Yes	(19.8)	(30.4)
30 AHCCCS - Use PDRF As Transfer Instead of Offset (See Fund Transfers)		53.6	16.7	16.7
31 AHCCCS - Fully Fund KidsCare		1.6	9.4	9.4
32 AHCCCS - DD Behavioral Health Transfer to DES		(26.1)	(26.1)	(26.1)
33 AHCCCS - Prop 206 Funding (Elderly Long-Term Care)		4.8	4.8	4.8
34 AHCCCS - Additional ALTCS Provider Funding		7.0	7.0	7.0
35 AHCCCS - Rural Graduate Medical Education		1.7	3.4	5.0
36 AHCCCS - Urban Graduate Medical Education		1.3	2.7	4.0
37 Charter Board - Additional FTEs (FY 20 5 FTE/FY 21 10 FTE)		0.4	0.8	0.8
38 Commerce Authority - New Trade Offices (2 Mexico/1 Israel) (\$475K)		0.5	0.4	0.4
39 DCS - Kinship Stipend		2.4	2.4	2.4
40 Comm Colleges - Formula Changes		0.2	0.2	0.2
41 Comm Colleges - Dine College Remedial Education		1.0	1.0	1.0
42 Corrections - Inmate Health Care		30.9	30.9	30.9
43 Corrections - Health Care Monitoring Staff (10 FTE)		1.0	1.0	1.0
44 Counties - Rural EORP Assistance		3.0	3.0	3.0
45 DES - Formula Adjustments	3.7		(16.1)	(16.1)
46 DES - Federal Match Rate Changes (Begin in FY 21)		Yes	(6.0)	(9.0)
47 DES - DD FY 19 Cap Rate Increase	6.7	6.7	6.7	6.7
48 DES - Case Management Funding		1.9	1.9	1.9
49 DES - DD Behavioral Health Services Transfer to DES		26.1	26.1	26.1
50 DES - Fund Prop 206 Costs Ongoing		13.0	13.0	13.0
51 DES - Additional DD Provider Funding		13.0	13.0	13.0
52 DES - Local Minimum Wage Increase DD Offsets		BRB		
53 DES - Childcare Block Grant	Other Fund	Other Fund		
54 ADE - Formula Adjustments	(10.0)	(54.7)	(72.0)	(96.0)
55 ADE - Results-Based Funding (\$40 M in Base) - Top 13% AZMerit		30.0	30.0	30.0
56 ADE - SRO/School Counselors Grant Program		20.0	20.0	20.0
57 ADE - Juvenile Detention Education Programs		0.7	0.7	0.7
58 ADE - Excess SFB Debt Service Funds	(6.8)			

ENACTED GENERAL FUND BUDGET 4-YEAR ANALYSIS
\$ in Millions

	A	B	C	D
	FY 2019 5/27	FY 2020 5/27	FY 2021 5/27	FY 2022 5/27
59 DEMA - National Guard Tuition Reimbursement (125 - 400 Guardsman)		1.0	1.0	1.0
60 Forestry - Hazardous Vegetation Removal		1.0	1.0	1.0
61 Forestry - Non-Native Vegetation Eradication (Thru FY 29)		1.0	1.0	1.0
62 Governor - Foster Youth Education Ongoing		1.5	1.5	1.5
63 Governor - Governor's Budget Staff (OSPB) (\$650k)		0.7	0.7	0.7
64 DHS - ASH Temporary Staffing Contract Increase		Other Fund		
65 IRC - JLBC Baseline Has '21/'22 Funding		Remove 21/22 \$	(0.5)	(3.7)
66 Judiciary - Court of Appeals - General Operating Expenses		0.2	0.2	0.2
67 Judiciary - Superior Court - Health/Dental Cost Adjustment (\$54k)		0.1	0.1	0.1
68 Judiciary - Superior Court - Adult Probation Growth		0.2	0.2	0.2
69 Judiciary - Superior Court - Probation Salary Deficit		1.0	1.0	1.0
70 Judiciary - Judicial Nominating Commissions (2 Counties)		0.1	0.1	0.1
71 Judiciary - Employee Salary Increase		1.1	1.1	1.1
72 DJC - Repeal Non-Maricopa/Pima County Cost Sharing Permanently		2.8	2.8	2.8
73 Legislature - Senate Budget		3.2	3.2	3.2
74 Legislature - House Budget		2.5	2.5	2.5
75 Legislature - Legislative Council Budget		0.5	0.5	0.5
76 Legislature - JLBC Budget		0.3	0.3	0.3
77 Postsecondary Ed - Internal IT System Development (\$34k)		0.1	0.1	0.1
78 DPS - Maricopa Night Highway Patrol (6 FTE)		1.5	1.1	1.1
79 DPS - Southern AZ Highway Patrol (12 FTE)		3.0	2.2	2.2
80 DPS - Loop 202 South Mountain Freeway Patrol (30 FTE)		6.4	4.9	4.9
81 DPS - HSF Spending Changes - (FY 20 - \$32/FY 21 - \$32/FY 22 - Repealed)		(24.1)	(24.1)	136.7
82 PSPRS - Prescott Fire Deposit (Thru FY 26)		1.0	1.0	1.0
83 Sec of State - Pres. Preference Election (Baseline - \$5.0 M)		(0.7)		
84 Sec of State - 2 FTE Positions (IT Staff)		0.2	0.2	0.2
85 Sec of State - Election Services (\$100k Petitions/\$3k Training)		0.1	0.1	0.1
86 Sec of State - Uniform Laws Commission		0.1	0.1	0.1
87 Tourism - Marketing Funding Increase (\$100k Wine Promotion)		1.1	1.1	1.1
88 Universities - ABOR - Teacher's Academy		15.0	15.0	15.0
89 Universities - ABOR - Adaptive Athletics (\$160k)		0.2	0.2	0.2
90 Universities - ABOR - Washington Center		0.3	0.3	0.3
91 Universities - NAU - Continue Biomedical Research Funding		3.0	3.0	3.0
92 Universities - NAU - Ongoing Freedom School Funding		0.5	0.5	0.5

ENACTED GENERAL FUND BUDGET 4-YEAR ANALYSIS

\$ in Millions

	A	B	C	D
	FY 2019 5/27	FY 2020 5/27	FY 2021 5/27	FY 2022 5/27
93 Universities - UA Health Sciences Center		8.0	8.0	8.0
94 Veterans' Services - Veteran Suicide Prevention (Incl. \$450k Trauma Training)		1.6	1.6	1.6
95 Water Resources - Staff/Courts Water Master		0.6	0.6	0.6
96 Other - Pay Raise - Agriculture (\$30k)		0.1	0.1	0.1
97 Other - Pay Raise - Attorney General (\$55k)		0.1	0.1	0.1
98 Other - Pay Raise - Child Safety		5.5	5.5	5.5
99 Other - Pay Raise - ADC (Monthly Hiring Report/Quarterly Benchmark/JLBC Review)		40.6	40.6	40.6
100 Other - Pay Raise - Health Services		2.8	2.8	2.8
101 Other - Pay Raise - Insurance (\$20k)		0.1	0.1	0.1
102 Other - Pay Raise - Juvenile Corrections		3.2	3.2	3.2
103 Other - Pay Raise - Dept. of Public Safety		21.5	21.5	21.5
104 Other - 2010 Sale/Leaseback Refinance Savings (2010A Savings Only)		(6.4)	(6.4)	(6.4)
105 Other - 2010 Sale/Leaseback Debt Service Savings - 2010B Payoff		Savings Start in '21	(24.0)	(24.0)
106 Other - ADC/DJC Retirement Adjustments		(3.7)	(3.7)	(3.7)
107 Other - DPS PSPRS Retirement Adjustment		4.1	4.1	4.1
108 Other - Risk Management Adjustments		2.3	2.3	2.3
109 Other - IT Pro Rata Adjustments		1.1	1.1	1.1
110 Other - Agency Rent Adjustments		(0.5)	(0.5)	(0.5)
111 Other - COSF Rental Rate Increase		2.0	2.0	2.0
112 Other - ADOA Shared Services (1740 W Adams)		\$10k	\$10k	\$10k
113 Other - Revertments (Unspent Appropriations)	(21.0)	(22.0)	(18.0)	(22.0)
114 Other Adjustments		0.5	0.3	0.3
115 Subtotal - Ongoing Changes to JLBC Baseline	\$ (35.4)	\$ 161.9	\$ 36.4	\$ 121.3
116 Total Ongoing Spending	\$ 10,112.2	\$ 10,791.4	\$ 11,306.0	\$ 11,829.0
117 JLBC Baseline One-Time Spending	\$ 247.0	\$ 154.9	\$ 168.4	\$ 28.5
One-Time Changes to JLBC Baseline				
118 ADOA - Sierra Vista Public Safety Communications (\$271k)		0.3		
119 ADOA/APF - Business OneStop Shop Web Portal Design Costs		1.0		
120 Agriculture - Mariposa Port of Entry Cold Inspection Facility (Capital)		0.7		
121 AHCCCS - Asset Verification System (No '21/'22 Commitment)		PDRF One-Time		
122 AHCCCS - Electronic Visit Verification System (No '21/'22 Commitment)		PDRF One-Time		

ENACTED GENERAL FUND BUDGET 4-YEAR ANALYSIS
\$ in Millions

	A	B	C	D
	FY 2019 5/27	FY 2020 5/27	FY 2021 5/27	FY 2022 5/27
123 AHCCCS - Provider Management System (No '21/'22 Commitment)		PDRF One-Time		
124 AHCCCS - North Country Graduate Medical Education (\$750k)		0.8		
125 Arts - One-Time Funding		2.0		
126 Arts - Nonprofit Theater Capital Support		0.2		
127 DCS - Automation (CHILDS)		5.1		
128 Commerce - Rural Broadband Grants		3.0		
129 Comm Colleges - Maricopa CCD Healthcare Specialty Expansion		5.8		
130 Comm Colleges - Pima CCD Aviation Center		15.0		
131 Comm Colleges - One-Time Rural Funding (By Student Count)		14.2		
132 Comm Colleges - Maricopa/Pima STEM Funding (Thru FY 22)		2.0	2.0	2.0
133 Economic Opportunity - WIFA - Small Water Systems Fund		0.5		
134 DES - Food Banks (\$950k)	1.0			
135 DES - Caregiver Grants		1.0		
136 ADE - Reduce K-12 Rollover (FY 22 - Eliminate for < 1,350 ADM)				30.0
137 ADE - High Quality Teacher Scholarships (Thru FY 22)		0.4	0.4	0.4
138 ADE - Mingus Unified Consolidation Costs (\$50k)		0.1		
139 ADE - Yuma Elementary School Construction		0.8		
140 ADE - CTED Incentive (One-Time/Non-Lapsing) - JLBC Review			5.0	5.0
141 ADE - One-Time DAA/CAA Acceleration (\$136 M In FY 20)		67.8		
142 ADE - Gifted Education		1.0		
143 DEMA - West Valley Readiness Center (Capital)		3.9		
144 DEQ - WQARF		Other Fund - \$15 M		
145 DEQ - Nogales Wastewater		Other Fund - \$2.6 M		
146 DEQ - Maricopa County Dust Supression Pilot Program		0.2		
147 Forestry - Adjust BSF Firefighting Loan Limit (Currently \$10 M)		\$20 M BSF Limit		
148 Forestry - Fire Training Center (Taylor)		1.0		
149 Forestry - Non-Native Vegetation Eradication		1.0		
150 Forestry - Mount Lemmon Fire District Water Line (\$750k)		0.8		
151 Gaming - County Fair Promotion (\$730k)		0.7	0.7	0.7
152 DHS - Alzheimer's Research		Other Fund - \$2.0 M		
153 DHS - Rural Hospital Prenatal Equipment		1.0	0.5	0.5
154 DHS - Restore Emergency Fund to \$500k		0.1		
155 DHS - Primary Care Clinic - Colorado City		0.7		
156 DHS - Benson and Northern Cochise Hospitals		1.5		

ENACTED GENERAL FUND BUDGET 4-YEAR ANALYSIS
\$ in Millions

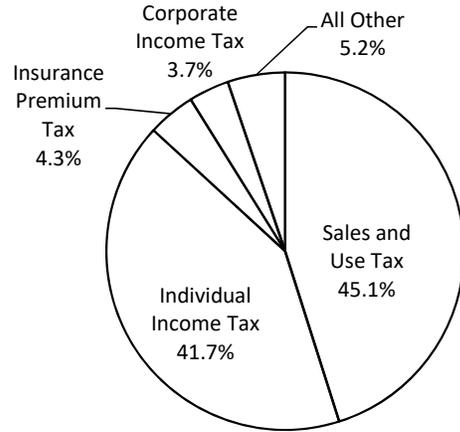
	A	B	C	D
	FY 2019 5/27	FY 2020 5/27	FY 2021 5/27	FY 2022 5/27
157 DHS - Vulnerable Caregiver Workshops (\$250k)		0.3		
158 DHS - Loan Repayment Program (\$750K)		0.8		
159 Housing - Housing Trust Fund Deposit		15.0		
160 Judiciary - Superior Court - CORP Increase		2.4		
161 DJC - One-Time Maricopa/Pima County Cost Sharing Offset		8.5		
162 Leg. - Auditor General - CTED Study		0.4		
163 Parks - Arizona Trail - \$250k		Yes - Other Fund		
164 DPS - AZ POST Funding (Highway Patrol Fund)		Other Fund - \$1.0 M		
165 DPS - Highway Patrol Vehicle Replacement		4.0		
166 DPS - Interoperability Project		1.5		
152 SFB - Advance Funding for New School Construction (2 Year)		16.0	16.8	32.1
153 SFB - Final New School Construction Approvals		10.6	(8.6)	(14.5)
154 SFB - Building Renewal Funding	25.0	62.8		
155 Sec of State - FY 19 Supplemental - Record Storage	0.7			
156 ADOT - I-17 Expansion (State Highway Fund) - (\$40 M/\$45 M/\$45 M)		State Highway Fund	State Highway Fund	State Highway Fund
157 Additional Road Infrastructure (\$18 M Locals/\$77 M Projects)		95.3		
158 Universities - ASU - One-Time Operating Funding		18.9		
159 Universities - NAU - One-Time Operating Funding		6.7		
160 Universities - UA - One-Time Operating Funding		9.4		
161 Water Resources - Water System Conservation Funding (Enacted)		30.0		
162 Water Resources - Agriculture Infrastructure Projects (Enacted)	7.0			
163 Water Resources - Additional \$20 M Infrastructure Projects		20.0		
164 Water Resources - Water Protection Fund Deposit		0.5		
165 Water Resources - Digitization/Case Management System		0.5		
166 Other - 2010B Sale/Leaseback Payoff (SB 1215)		190.0		
167 Other - HITF - State Agencies		8.4		
168 Other - HITF - Universities		2.1		
169 Other - Rainy Day Fund Deposit	271.1	271.1		
170 Other - '21 Additional 27th Pay Period (JLBC Baseline - \$98 M)		See '21	(18.0)	
171 Other - Named Claimants (\$307k) (HB 2495)	0.3			
172 Other Adjustments		(0.4)		
173 Subtotal - One-Time Changes to JLBC Baseline	\$ 305.1	\$ 907.4	\$ (1.2)	\$ 56.2
174 Total One-Time Spending	\$ 552.1	\$ 1,062.3	\$ 167.2	\$ 84.7

ENACTED GENERAL FUND BUDGET 4-YEAR ANALYSIS
\$ in Millions

	A	B	C	D
	FY 2019 5/27	FY 2020 5/27	FY 2021 5/27	FY 2022 5/27
175 Total Spending	\$ 10,664.3	\$ 11,853.7	\$ 11,473.2	\$ 11,913.7
176 Cash Balance	\$ 764.3	\$ 64.7	\$ 42.8	\$ 11.8
177 Structural Balance	\$ 766.1	\$ 310.2	\$ 138.6	\$ 27.0

FY 2020 General Fund Revenue - Where It Comes From

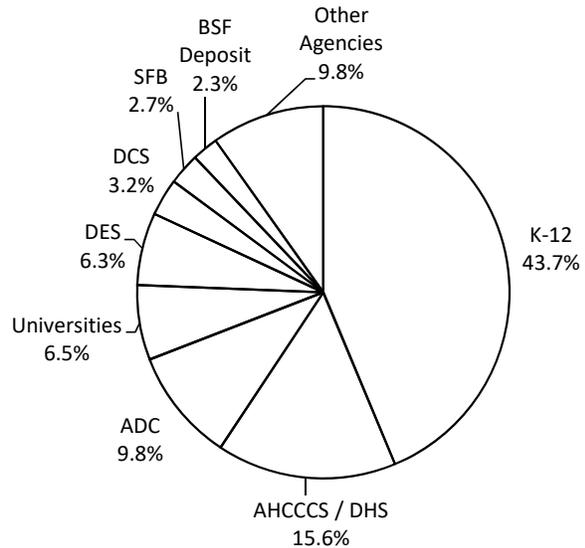
Source	Revenue (Millions)
Sales and Use Tax	\$ 5,364.7
Individual Income Tax	4,960.6
Insurance Premium Tax	513.4
Corporate Income Tax	434.6
Other Ongoing	565.9
One-Time Revenues	52.5
TOTAL REVENUE	\$ 11,891.7 ^{1/2/}



^{1/} Does not include beginning balance of \$764 million
^{2/} \$738 million of this amount is distributed as urban revenue sharing.

FY 2020 General Fund Appropriations - Where It Goes

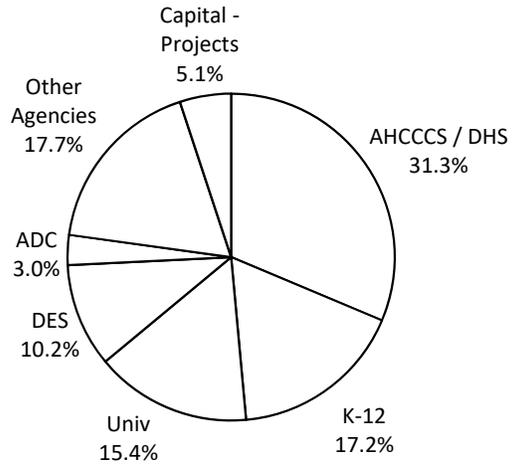
Budget Unit	Appropriation (Millions)
K-12 Education (ADE)	\$ 5,200.2
AHCCCS / DHS	1,857.9
Corrections	1,167.1
Universities	774.3
Economic Security	749.7
Child Safety	384.7
SFB	325.7
BSF Deposit	271.1
Other Agencies	1,168.1
TOTAL BUDGET	\$ 11,898.7 ^{1/}



^{1/} Does not include administrative adjustments and revertments.

FY 2020 Total Spending - All Sources ^{1/}

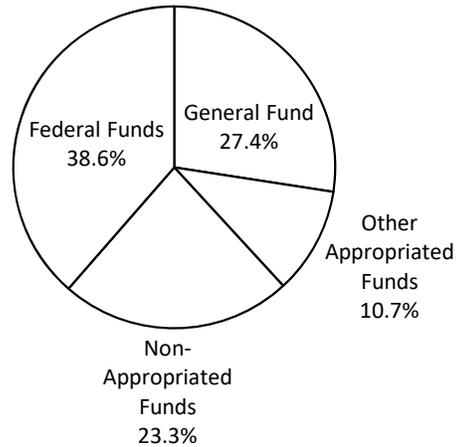
Budget Unit	Spending (Millions)
AHCCCS / DHS	\$ 13,593.3
K-12 Education (ADE)	7,470.3
Universities	6,692.1
Economic Security	4,447.2
Corrections	1,286.4
Other Agencies / Distributions	7,701.5
Capital - Projects	2,199.5
TOTAL	\$ 43,390.3



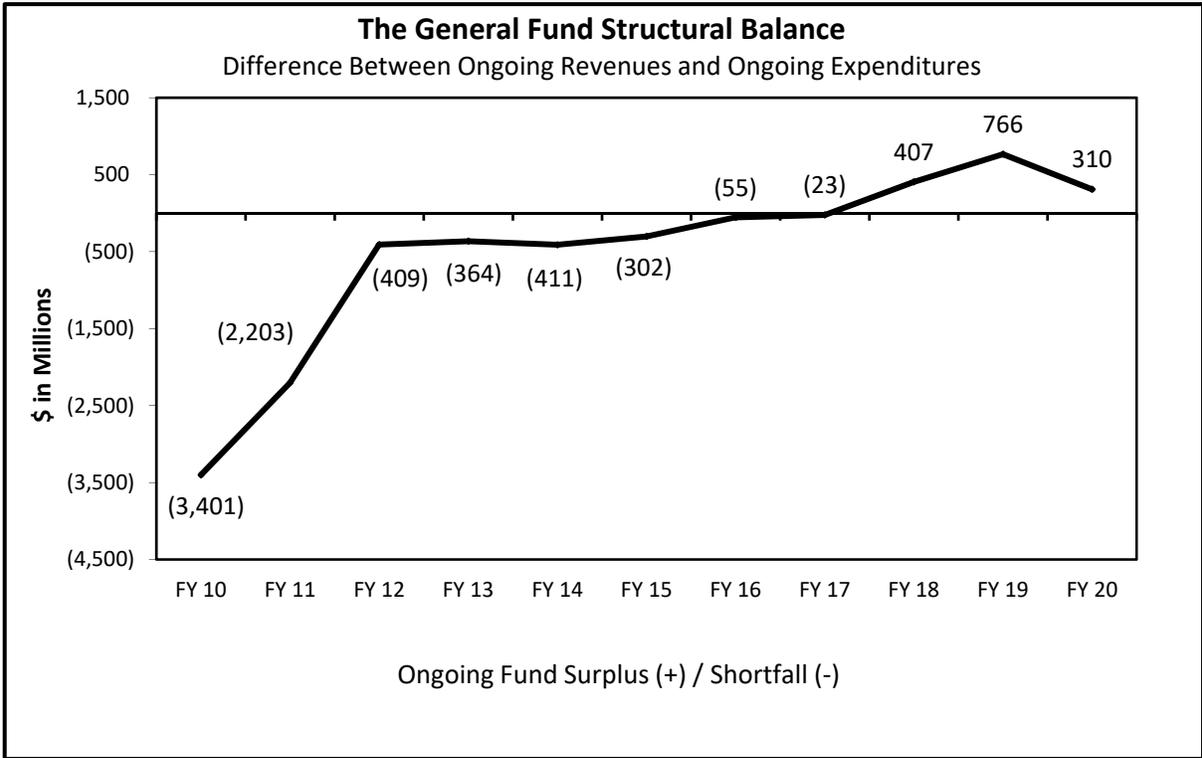
^{1/} Does not include administrative adjustments and revertsments.

FY 2020 Total Spending by Fund Source ^{1/}

Fund Source	Spending (Millions)
General Fund	\$ 11,898.7
Other Appropriated Funds	4,659.7
Non-Appropriated Funds	10,088.6
Federal Funds	16,743.3
TOTAL	\$ 43,390.3



^{1/} Does not include administrative adjustments and revertsments.

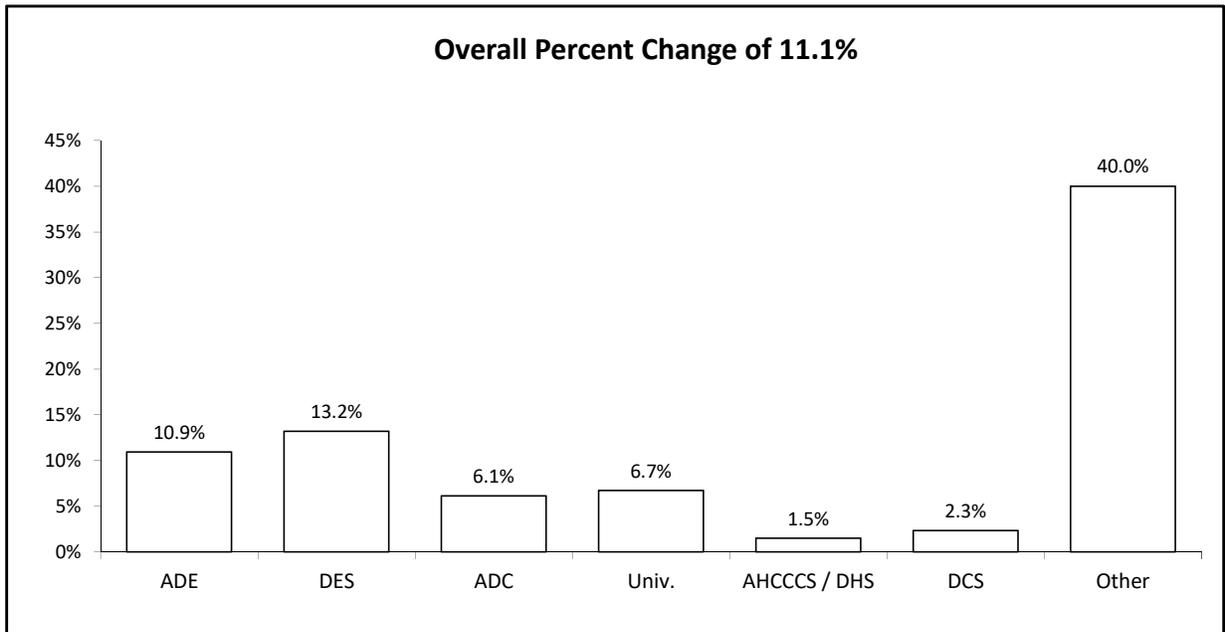
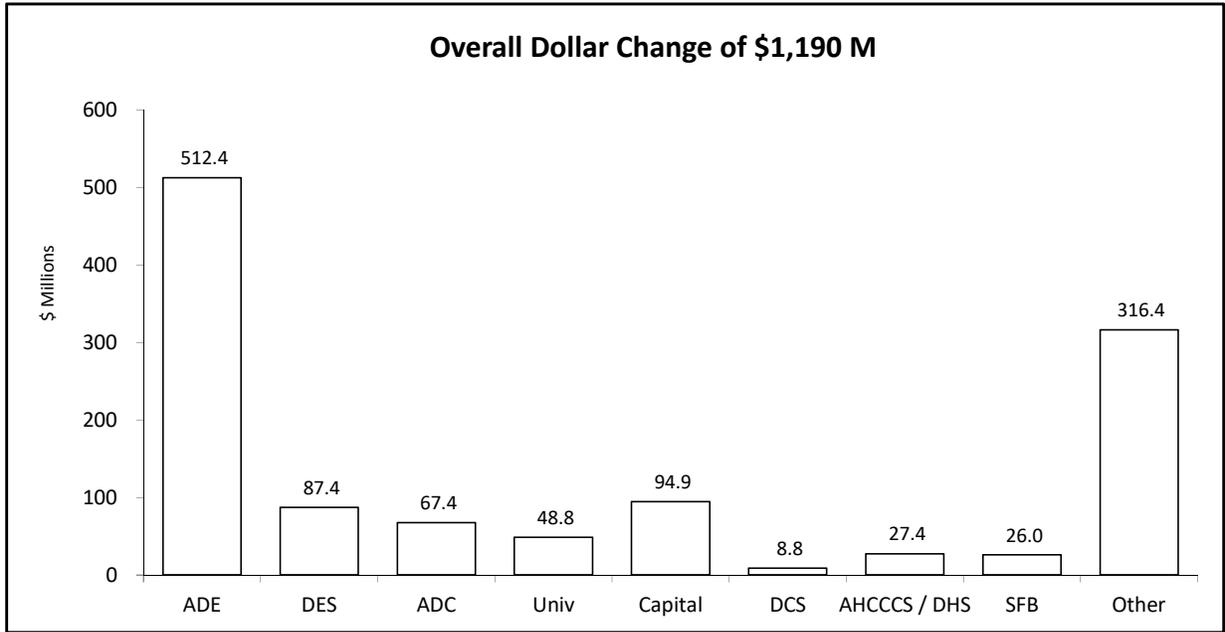


Recent History of Appropriated Ongoing General Fund Structural Balance 1/ (\$ in Millions)

Fiscal Year	Ongoing Revenues	Ongoing Expenditures	Surplus/ (Shortfall)
2010	6,297	9,698	(3,401)
2011	7,191	9,394	(2,203)
2012	7,789	8,198	(409)
2013	8,144	8,508	(364)
2014	8,361	8,772	(411)
2015	8,926	9,228	(302)
2016	9,217	9,272	(55)
2017	9,357	9,380	(23)
2018	10,033	9,626	407
2019	10,878	10,112	766
2020	11,102	10,791	310

1/ Excludes one-time revenues and expenditures.

Changes to Major Agencies' General Fund Budget 1/ FY 2019 to FY 2020



1/ Represents change in General Fund spending from FY 2019 (including supplementals and ex-appropriations) to FY 2020. Excludes changes in Administrative Adjustments and Revertments.

FY 2020 STATE GENERAL FUND BUDGET – A NARRATIVE SUMMARY

General Fund Cash Balances

- Given forecasted FY 2019 General Fund revenues of \$11.43 billion and spending of \$10.66 billion, the budget has a projected FY 2019 cash balance of \$764 million. Given forecasted FY 2020 General Fund revenues of \$11.92 billion and spending of \$11.85 billion, the budget has a projected FY 2020 cash balance of \$65 million.
- Under the 3-year budget projections, there would be a cash balance of \$43 million in FY 2021 and a cash balance of \$12 million in FY 2022.
- The ending balance projections exclude the state's Budget Stabilization Fund reserve. The budget includes deposits of \$271 million in each of FY 2019 and FY 2020 into the Budget Stabilization to raise the fund balance to \$1.0 billion in FY 2020.

General Fund Structural Balances

- The General Fund "structural balance" is the difference between ongoing General Fund revenues and expenditures. The Legislature makes the ongoing versus one-time classifications as part of its 3-year spending plan.
- Under these conditions, the budget has a projected FY 2019 "structural balance" of \$766 million in FY 2019 and \$310 million in FY 2020.
- Under the 3-year budget projections, there would be a "structural balance" of \$139 million in FY 2021 and \$27 million in FY 2022.

General Fund Revenues

- Projected FY 2020 revenues are \$11.92 billion, based on the following assumptions:
 - ⇒ Base revenues are projected to grow by \$498 million, or 4.4%.
 - ⇒ The beginning balance would increase by \$314 million, from \$450 million at the beginning of FY 2019 to \$764 million at the start of FY 2020.
 - ⇒ The state set-aside for urban revenue sharing formula distributions would increase from \$675 million to \$738 million, thereby decreasing revenues by \$(63) million.
 - ⇒ Conforming the state's individual and corporate income taxes to the federal Internal Revenue Code and implementing the *Wayfair* online sales tax legislation are projected to have the following revenue impacts:
 - Conforming the state's individual and corporate income tax with the federal Internal Revenue Code, as amended by the Tax Cuts and Jobs Act of 2017, would increase state revenues by \$155 million in FY 2019 and \$217 million in FY 2020.
 - Statutory changes authorizing collection of Transaction Privilege Tax from out-of-state sellers in conjunction with the Supreme Court's decision in *Wayfair v. South Dakota* would increase state revenues by \$57 million in FY 2020 and \$85 million annually thereafter.
 - The revenue increases from conformity and *Wayfair* are offset in FY 2020 with a series of tax reductions, including an increase in the standard deduction, a new dependent tax credit, and individual income tax rate reductions.
 - ⇒ The budget also includes a new 25% charitable deduction for non-itemizing taxpayers at a cost of \$(24) million.
 - ⇒ One-time revenues including fund transfers would decrease from \$101 million in FY 2019 to \$71 million in FY 2020, decreasing state revenues by \$(30) million.
 - ⇒ Overall net revenues are forecast to increase in FY 2020 by \$490 million, or 4.3%, from \$11.43 billion in FY 2019 to \$11.92 billion in FY 2020.

General Fund Spending

- FY 2020 General Fund spending is projected to be \$11.85 billion, an increase of \$1.19 billion, or 11.1%, above FY 2019.
- The entire FY 2020 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$43.3 billion.

Education

Department of Education

- ADE General Fund spending increases by \$512.4 million, or 10.9%, including:
 - ⇒ \$164.7 million for the second year of a 3-year plan to raise teacher salaries by 20%.
 - ⇒ \$135.5 million for the second and third years of a 5-year plan to restore additional assistance funding (the third installment was originally budgeted for FY 2021).

- ⇒ \$127.6 million for a 2.0% inflation adjustment of funding levels for the per pupil base level, transportation and charter additional assistance.
- ⇒ \$69.0 million for 0.4% unweighted student growth (0.7% weighted) for a total unweighted student count of 1.11 million (1.53 million weighted).
- ⇒ \$(38.3) million for an increase in property tax collections due to new construction.
- ⇒ \$30 million to expand eligibility for Results-Based Funding.
- ⇒ \$20 million to expand the School Safety Program and allow it to also fund school counselors and social workers
- ⇒ \$(13.4) million to offset higher endowment earnings.
- ⇒ \$8.0 million to offset the elimination of a one-time Special Education Fund carry-forward surplus.
- ⇒ \$2.7 million for property tax statutory changes.
- ⇒ \$2.5 million for Special Education Fund base level increases for inflation and teacher pay raises.
- ⇒ \$1.5 million for Empowerment Scholarship Account (ESA) caseload growth.
- ⇒ \$2.4 million in other small adjustments.
- The budget continues to defer \$930.7 million in General Fund spending for school district payments from FY 2020 to FY 2021. It advance appropriates \$30 million in FY 2022, however, to eliminate the rollover for school districts with a student count of less than 1,350 pupils starting that year.

School Facilities Board

- SFB General Fund spending increases by \$26.0 million, or 8.7%, including:
 - ⇒ \$3.4 million to increase in building renewal grant monies from \$76.4 million in FY 2019 to \$79.8 million in FY 2020. Of the latter amount, the FY 2020 budget labels \$62.9 million as one time.
 - ⇒ \$(2.4) million for decreased debt service associated with expiring lease-purchase agreements.
 - ⇒ \$25.0 for increased costs of new school construction. The FY 2020 authorizations include 10 new schools in Chandler, Douglas, Laveen, Maricopa, Pima, Safford, Santa Cruz Valley, Somerton, and Vali that would be completed in FY 2021. The budget will now allow districts to qualify for funding if they are projected to be overcapacity in the next 2 years.
- The budget includes a total of \$112.6 million for new construction, which includes \$36.7 million for the second and final year of new FY 2019 authorizations and \$75.9 million for the first year of 10 new FY 2020 authorizations.

Universities

- The Universities' General Fund spending increases by \$48.8 million, or 6.7%, including:
 - ⇒ \$(8.0) million for the removal of one-time funding for operating or capital expenditures.
 - ⇒ \$35.0 million for new one-time funding for operating or capital expenditures.
 - ⇒ \$8.0 million for expansion of the UA medical school.
 - ⇒ \$160,000 for an Adaptive Athletics program.
 - ⇒ \$300,000 for Washington D.C. internships.
 - ⇒ \$15.0 million for the Arizona Teachers Academy.
 - ⇒ \$(1.7) million in other small adjustments.
- Total university enrollment is expected to be approximately 181,800 full-time equivalent students in FY 2020, or 2.9% above FY 2019.

Community Colleges

- Community College General Fund spending increases by \$40.2 million, or 70.2%, including:
 - ⇒ \$15.0 million for one-time costs to expand the Pima Community College Aviation Center.
 - ⇒ \$14.2 million for one-time rural community college aid.
 - ⇒ \$5.8 million for one-time costs to expand the Maricopa Community College Health Care Specialty program.
 - ⇒ \$1.7 million for formula growth.
 - ⇒ \$2.0 million for STEM and Workforce Development Aid for the Maricopa and Pima districts.
 - ⇒ \$1.0 million for Dine Community College for first time funding of remedial education.
 - ⇒ \$0.5 million for other small adjustments.
- FY 2018 rural district enrollment decreased by (798) full-time equivalent students, or (2.7)%, for a total enrollment of 28,299. Including the Maricopa and Pima districts, total enrollment decreased by (2,525), or (2.2)%, for total enrollment of 113,426.

Health and Welfare

AHCCCS

- AHCCCS' General Fund spending increases by \$20.2 million, or 1.2%, including:
 - ⇒ \$30.7 million for formula adjustments, including 0.2% enrollment growth and a 3.0% capitation rate increase.
 - ⇒ \$11.8 million for long term care provider rate adjustments.
 - ⇒ \$3.0 million for Graduate Medical Education funding in health professional shortage areas.
 - ⇒ \$750,000 for one-time funding of Graduate Medical Education in community health centers in Northern Arizona.
 - ⇒ \$(26.1) million to transfer funding for Developmental Disabilities behavioral health services from AHCCCS to DES.
- AHCCCS enrollment is projected to grow to 1.77 million by June 2020. This level represents a caseload increase of 4,300, or 0.2%, above June 2019.
- The budget includes an FY 2019 ex-appropriation of \$(36.6) million in FY 2019 for lower-than-budgeted caseload growth.

Department of Child Safety

- DCS' General Fund spending increases by \$8.8 million, or 2.3%, including:
 - ⇒ \$5.5 million for a pay raise for caseworkers, case aides, program supervisors, program specialists, and entry-level administration.
 - ⇒ \$2.4 million to expand the Kinship Stipend to all unlicensed kinship caregivers.
 - ⇒ \$1.0 million for statewide adjustments.
- DCS' benchmark is to have fewer than 13,964 children in out-of-home care by the end of FY 2019. As of March 2019, there were 14,036 children in out-of-home care.

Department of Economic Security

- DES General Fund spending increases by \$87.4 million, or 13.2%, including:
 - ⇒ \$43.4 million for Developmental Disabilities (DD) formula adjustments, including 4.7% enrollment growth and a 3.0% capitation rate increase.
 - ⇒ \$26.1 million to transfer DD behavioral health services funding from AHCCCS to DES.
 - ⇒ \$3.9 million for half-year funding of Proposition 206 provider rate adjustments associated with the increase in the minimum wage to \$12.00 per hour effective January 1, 2020.
 - ⇒ No net change to make \$13.0 million of one-time funding for Proposition 206 provider rate increases permanent in FY 2020.
 - ⇒ \$13.0 million for additional developmental disabilities provider rate adjustments.
 - ⇒ \$1.9 million for additional DD state-only case management funding.
 - ⇒ \$1.0 million for a one-time deposit in a new Family Caregiver Grant Fund for financial assistance to caregivers of individuals requiring assistance with activities of daily living.
 - ⇒ \$(2.4) million to remove one-time funding from FY 2019 for food banks and the SNAP benefit match program.
 - ⇒ \$0.6 million for other small adjustments.
- Medicaid Developmental Disability caseloads are projected to grow to 35,547 by June 2020. This level represents a caseload increase of 1,596, or 4.7%, above June 2019.
- TANF Cash Benefits caseloads are projected to decline from 12,349 in June 2019 to 10,358 by June 2020, or a year-over-year decline of (16.1)%.

Criminal Justice/Public Safety

Department of Corrections

- ADC General Fund spending increases by \$67.4 million, or 6.1%, including:
 - ⇒ \$35.5 million for an employee salary increase.
 - ⇒ \$30.9 million for inmate health care rate increases.
 - ⇒ \$5.1 million for a private prison correctional officer salary increase.
 - ⇒ \$(3.1) million for the elimination of a debt payment
 - ⇒ \$(1.9) million for statewide adjustments.
- The systemwide prison population is projected to be 42,200, with no growth above FY 2019. In June 2019, ADC would have a permanent bed shortfall of (3,545). Taking into account 5,298 temporary beds, the shortfall becomes a surplus of 1,753 beds.

Judiciary

- Judiciary General Fund spending increases by \$13.4 million, or 11.7%, including:
 - ⇒ \$7.0 million for the first year of a 2-year phase in of Maricopa County Superior Court Judges salaries.
 - ⇒ \$2.4 million for a one-time increase to cover the increased employer rate for the Corrections Officer Retirement Plan (CORP).
 - ⇒ \$1.4 million for increased probation costs.
 - ⇒ \$1.1 million for an employee salary increase.
 - ⇒ \$1.8 million for other small adjustments.

Department of Juvenile Corrections

- DJC General Fund spending increases by \$14.2 million, or 62.4%, including:
 - ⇒ \$11.3 million for the elimination of county cost sharing, including \$8.5 million for a one-time suspension of county cost sharing for Maricopa and Pima Counties and \$2.8 million for the repeal of local cost sharing for all counties except Maricopa and Pima.
 - ⇒ \$3.2 million for an employee salary increase.
 - ⇒ \$(309,300) in other statewide adjustments.

Department of Public Safety

- DPS General Fund spending decreases by \$(12.1) million, or (11.6)%, including:
 - ⇒ \$(54.1) million for a budget shift to the Arizona Highway Patrol Fund
 - ⇒ \$10.9 million for 48 additional Highway Patrol FTE Positions.
 - ⇒ \$4.0 million for one-time highway patrol vehicle replacement.
 - ⇒ \$21.4 million for an employee salary increase.
 - ⇒ \$4.1 million for a retirement adjustment.
 - ⇒ \$1.7 million for other small adjustments
- The budget eliminates the Highway Safety Fee effective July 1, 2021.

Natural Resources

Department of Water Resources

- Laws 2019, Chapter 1 appropriates \$30.0 million General Fund to the Department of Water Resources (DWR) one-time in FY 2020 to establish contracts with holders of Colorado River Water rights to forgo water deliveries for conservation in Lake Mead pursuant to the Drought Contingency Plan.
- Chapter 1 also appropriates \$7.0 million General Fund to DWR as an FY 2019 supplemental for temporary groundwater and irrigation efficiency projects.
- The General Appropriation Act appropriates an additional \$20.0 million General Fund to DWR in FY 2020 for loans to build groundwater infrastructure, which is to be repaid on or before December 31, 2021.

Local Issues

- The budget includes \$11.3 million to eliminate county cost sharing for the Department of Juvenile Corrections (DJC) budget.
- The budget continues to appropriate \$7.7 million to be allocated equally among counties with a population of less than 900,000 according to the 2010 Decennial Census. With one exception, each county receives \$550,050. Graham County receives \$1,050,050.
- The budget includes an increase of \$1.3 million from the General Fund in FY 2020, reflecting a \$3.0 million distribution to counties to offset increased Elected Officials' Retirement Plan (EORP) liabilities.
- The budget includes \$18.0 million for a one-time across-the-board increase in city/town transportation funding plus \$77.0 million for 6 specific projects.

General Government

Revertments

- The budget assumes projected revertments at \$(173) million, compared to \$(171) million in FY 2019. (Revertments are unspent appropriations.)
- FY 2020 Administrative Adjustments are forecast to be \$128 million, compared to \$126 million in FY 2019.

State Employee Issues

FTE Positions

- The budget increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 289.5 FTE Positions in FY 2020. These adjustments would bring the total FTE Position ceiling to 53,216.5 in FY 2020.
- The budget includes an increase of \$69.7 million to state agency budgets for state employee salary increases.

Statewide Adjustments

- The budget increases state agency budgets by \$5.3 million from the General Fund the following statewide adjustments:
 - ⇒ Risk Management Premium adjustments
 - ⇒ Information Technology Pro-rata agency charges.
 - ⇒ Revised rent payments.
 - ⇒ Employer retirement contributions.
- The budget includes an increase of \$10.5 million from the General Fund (and \$34.4 million in Total Funds) for a one-time FY 2020 state employer health insurance adjustment.

Capital

- The budget includes \$57.4 million for building renewal and capital projects. Of this amount, \$4.6 million is financed from the General Fund and \$52.8 million is financed from Other Funds. These amounts include the following:
 - ⇒ \$38.3 million from Other Appropriated Funds for building renewal at ADC, ADOT, ADOA, Game and Fish, and the State Lottery.
 - ⇒ \$19.1 million including \$4.6 million from the General Fund and \$14.5 million from Other Appropriated Funds for new projects at ADOT, ADOA, DEMA, Game and Fish, the State Fair, State Parks, DPS, and Pioneers' Home.
 - ⇒ \$130.0 million over 3 years, including \$40.0 million in FY 2020, to widen I-17 between Sunset Point and Anthem
 - ⇒ \$95.0 million for local transportation projects, including \$18.0 million for distribution to all cities and towns and \$77.0 million for 6 specific projects.
 - ⇒ \$190.0 million for debt payoff of 2010A, which frees up \$24.0 million in annual debt service payments.

FY 2020 FUNDING FORMULA SUSPENSIONS ^{1/}

	FY 2020 Formula Requirement
<u>Statutory</u>	
Community Colleges - STEM and Workforce Programs State Aid Suspension	\$ 11,854,200 ^{2/}
Community Colleges - Operating State Aid	N/A ^{3/}
Department of Education - District Additional Assistance	128,734,900 ^{4/}
Department of Education - Charter School Additional Assistance	6,814,400 ^{5/}
Department of Environmental Quality - Water Quality Assurance Revolving Fund (WQARF)	15,000,000 ^{6/}
Universities - Arizona Financial Aid Trust	25,757,000 ^{7/ 8/}
 Total - FY 2020 Statutory Funding Formula Suspensions	 \$ 188,160,500
 <u>Non-Statutory</u>	
Department of Administration - Building Renewal	\$ 33,168,500 ^{8/}
Department of Corrections - Building Renewal	17,399,100 ^{8/}
Universities - Building Renewal	161,500,000 ^{8/}
 Total - FY 2020 Non-Statutory Funding Formula Suspensions	 \$ 212,067,600

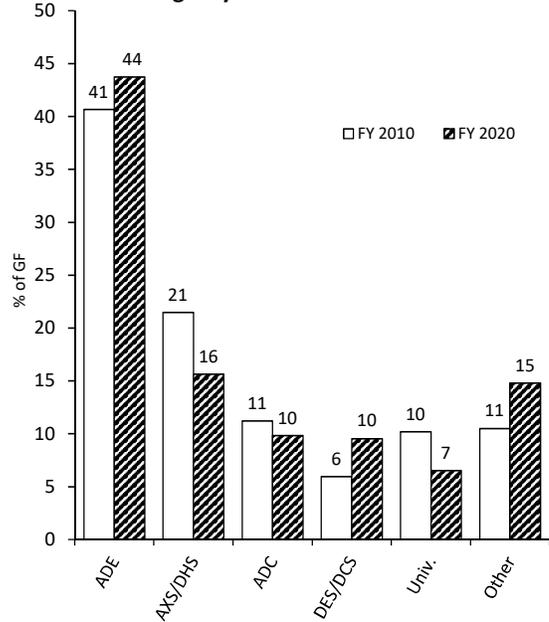
- ^{1/} Represents the General Fund cost of funding formulas that are currently suspended on an annual basis.
- ^{2/} Represents unfunded STEM and Workforce Programs formula amounts of \$652,700 (87.1%) for Pinal, \$1,943,200 (82.9%) for Pima, and \$9,249,300 (85.3%) for Maricopa.
- ^{3/} The dollar value of the suspensions of Operating State Aid for Maricopa and Pima Community Colleges is unknown because formula growth is based on multiplying the change in student count by the current year average state aid per student. Both Maricopa and Pima do not receive funding in FY 2019.
- ^{4/} Represents 28.8% of the formula requirement that is unfunded. Excludes approximately \$9,655,100 suspended in non-state aid districts, which are not funded through the state budget. The FY 2019 budget required phase out of this suspension by FY 2023.
- ^{5/} Represents 1.7% of the formula requirement that is unfunded. The FY 2019 budget required phase out of this suspension by FY 2023.
- ^{6/} In lieu of General Fund, the FY 2020 budget provides a total of \$15,552,000 in total appropriated and non-appropriated funds in FY 2020, compared to the statutory allocation of \$15,000,000.
- ^{7/} Based on the required 2:1 match of state funds for student fees levied by the universities, the total FY 2020 General Fund contribution would be \$35,798,200. Of this amount, the budget assumes the continuation of \$10,041,200 in General Fund support.
- ^{8/} Based on agency estimates. Reflects amount above the appropriation in the FY 2020 budget.

"THEN AND NOW" - FY 2010 vs. FY 2020 General Fund Spending

Comparison of 10 Largest General Fund Budgets ^{1/}
(\$ in Millions)

	FY 10 Actuals	FY 20 Approp.	\$ Change FY 10-20	% Change FY 10-20
K-12 Education (ADE)	\$ 3,162.5	\$ 5,200.2	\$ 2,037.7	64.4
AHCCCS / DHS ^{2/}	1,670.3	1,857.9	187.6	11.2
Corrections	871.3	1,167.1	295.8	33.9
Universities	791.6	774.3	(17.3)	(2.2)
Economic Security	461.7	749.7	288.1	^{3/} 62.4
Child Safety	-	384.7	384.7	^{3/} NA
School Facilities Board	104.7	325.7	221.0	211.0
Judiciary	115.2	130.2	15.1	13.1
Public Safety	39.9	92.4	52.5	131.7
Other	560.6	1,207.6	647.1	115.4
TOTAL	\$ 7,777.7	\$ 11,889.7	\$ 4,112.0	52.9%

Agency Share of General Fund

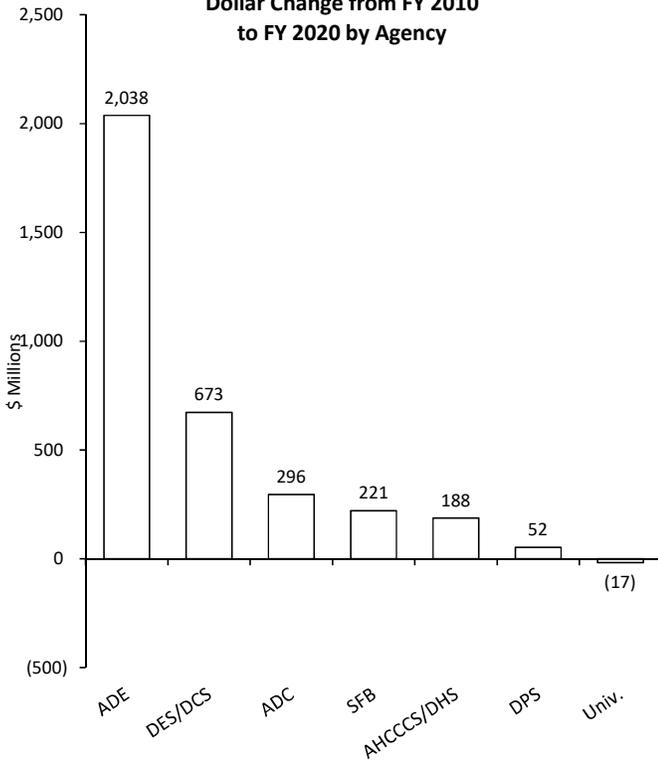


^{1/} Represents individual agency General Fund spending only. Excludes administrative adjustments, revertsments, and any Budget Stabilization Fund deposits.

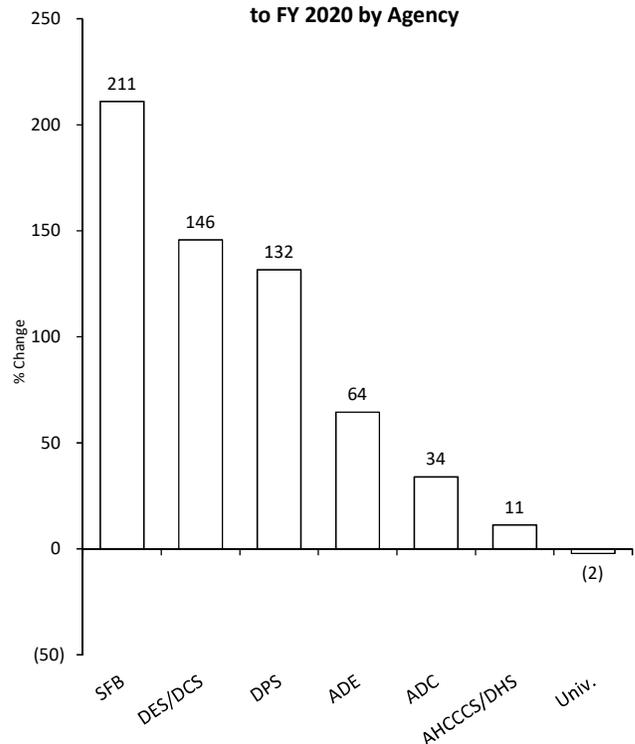
^{2/} AHCCCS and DHS budgets displayed together to provide comparison of total healthcare spending in FY 2010 and FY 2020.

^{3/} DCS was part of DES prior to FY 2015.

Dollar Change from FY 2010 to FY 2020 by Agency



Percent Change from FY 2010 to FY 2020 by Agency



"THEN AND NOW" - FY 2010 vs. FY 2020 General Fund Revenue and Ending Balances

General Fund Revenue, Expenditures and Ending Balances (\$ in Millions)

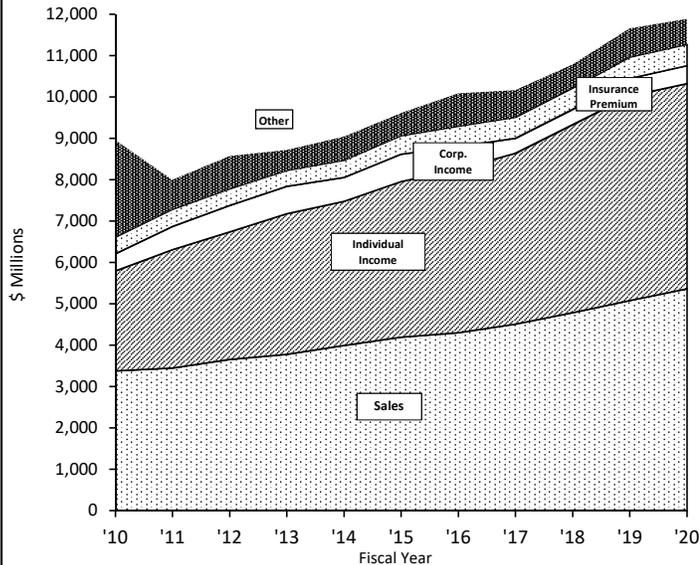
Fiscal Year	Revenue	Expenditures	Ending Balance	Ending Balance as a % of Revenue
2010	7,843.8	7,849.5	(5.7)	-0.1%
2011	8,378.0	8,374.8	3.2	0.0%
2012	9,066.7	8,669.7	397.0	4.4%
2013	9,559.5	8,664.0	895.5	9.4%
2014	9,381.3	8,803.9	577.4	6.2%
2015	9,581.9	9,269.6	312.3	3.3%
2016	9,796.6	9,512.6	284.0	2.9%
2017	9,786.5	9,635.6	150.9	1.5%
2018	10,107.2	9,657.6	449.6	4.4%
2019	11,428.6	10,664.2	764.4	6.7%
2020	11,918.5	11,853.7	64.9	0.5%

General Fund Major Tax Sources as a Percent of Total Revenue 1/2/3/

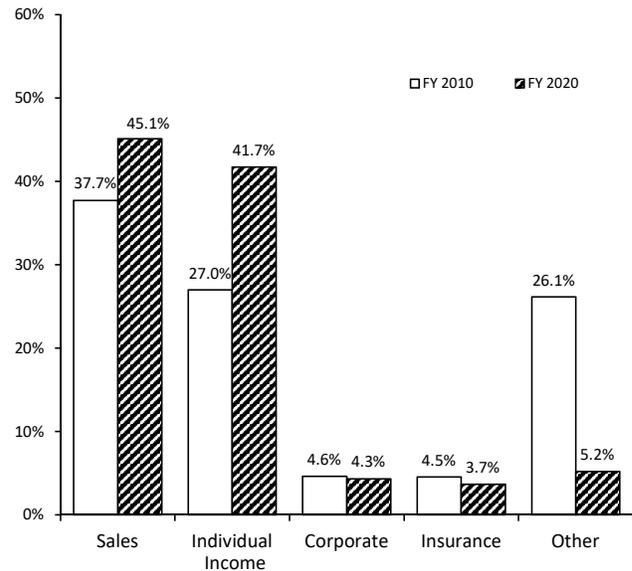
Fiscal Year	Sales	Indiv. Income	Corp. Income	Ins. Premium	Other
2010	37.7%	27.0%	4.6%	4.5%	26.1%
2011 <u>4/</u>	43.1%	35.8%	7.0%	5.2%	8.9%
2012 <u>4/</u>	42.6%	36.0%	7.5%	4.6%	9.3%
2013 <u>4/</u>	43.4%	39.0%	7.6%	4.4%	5.6%
2014	44.2%	38.6%	6.4%	4.6%	6.3%
2015	43.6%	39.1%	6.9%	4.7%	5.7%
2016	42.6%	39.2%	5.4%	4.9%	7.9%
2017	44.3%	40.6%	3.6%	5.0%	6.5%
2018	44.4%	42.1%	3.5%	4.7%	5.3%
2019	43.6%	42.4%	3.6%	4.4%	5.9%
2020	45.1%	41.7%	4.3%	3.7%	5.2%

1/ Excludes balance forward from prior year.
2/ Excludes Budget Stabilization Fund transfers and withdrawals.
3/ Excludes Urban Revenue Sharing distributions.
4/ Excludes temporary 1-cent sales tax.

General Fund Major Tax Sources as a Share of Total Revenue



Major Tax Sources as a Percent of Total Revenue



"THEN AND NOW" - FY 2010 vs. FY 2020 General Fund Revenue and Ending Balances

General Fund Revenue, Expenditures and Ending Balances (\$ in Millions)

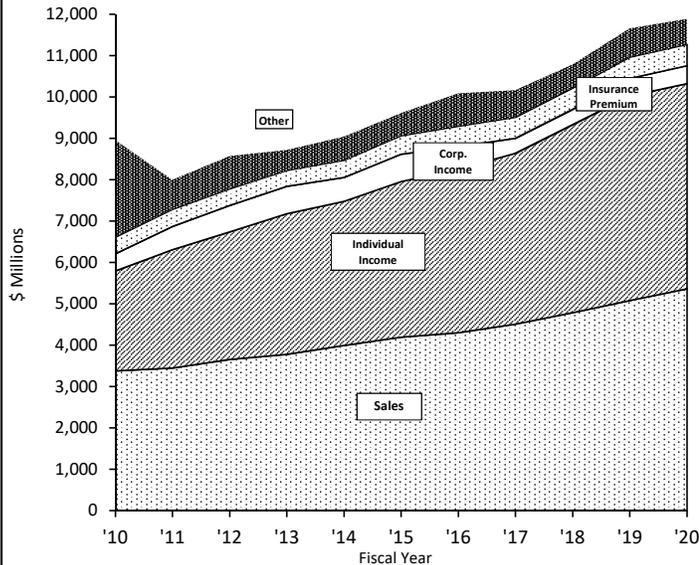
Fiscal Year	Revenue	Expenditures	Ending Balance	Ending Balance as a % of Revenue
2010	7,843.8	7,849.5	(5.7)	-0.1%
2011	8,378.0	8,374.8	3.2	0.0%
2012	9,066.7	8,669.7	397.0	4.4%
2013	9,559.5	8,664.0	895.5	9.4%
2014	9,381.3	8,803.9	577.4	6.2%
2015	9,581.9	9,269.6	312.3	3.3%
2016	9,796.6	9,512.6	284.0	2.9%
2017	9,786.5	9,635.6	150.9	1.5%
2018	10,107.2	9,657.6	449.6	4.4%
2019	11,428.6	10,664.2	764.4	6.7%
2020	11,918.5	11,853.7	64.9	0.5%

General Fund Major Tax Sources as a Percent of Total Revenue 1/2/3/

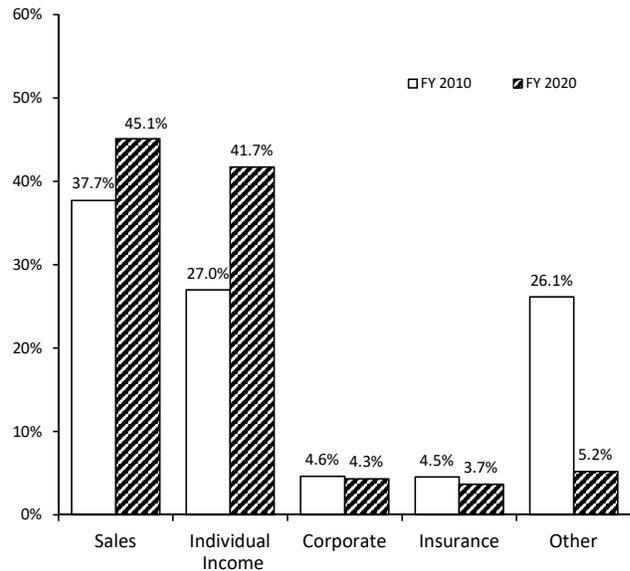
Fiscal Year	Sales	Indiv. Income	Corp. Income	Ins. Premium	Other
2010	37.7%	27.0%	4.6%	4.5%	26.1%
2011 <u>4/</u>	43.1%	35.8%	7.0%	5.2%	8.9%
2012 <u>4/</u>	42.6%	36.0%	7.5%	4.6%	9.3%
2013 <u>4/</u>	43.4%	39.0%	7.6%	4.4%	5.6%
2014	44.2%	38.6%	6.4%	4.6%	6.3%
2015	43.6%	39.1%	6.9%	4.7%	5.7%
2016	42.6%	39.2%	5.4%	4.9%	7.9%
2017	44.3%	40.6%	3.6%	5.0%	6.5%
2018	44.4%	42.1%	3.5%	4.7%	5.3%
2019	43.6%	42.4%	3.6%	4.4%	5.9%
2020	45.1%	41.7%	4.3%	3.7%	5.2%

1/ Excludes balance forward from prior year.
2/ Excludes Budget Stabilization Fund transfers and withdrawals.
3/ Excludes Urban Revenue Sharing distributions.
4/ Excludes temporary 1-cent sales tax.

General Fund Major Tax Sources as a Share of Total Revenue



Major Tax Sources as a Percent of Total Revenue



BUDGET DETAIL

SUMMARY OF APPROPRIATED FUNDS BY AGENCY
Fiscal Years 2019 and 2020 1/

	Fiscal Year 2019			Fiscal Year 2020		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
BUDGET UNITS						
Accountancy, State Board of	\$0	\$2,037,900	\$2,037,900	\$0	\$2,045,300	\$2,045,300
Acupuncture Examiners, Board of	0	171,900	171,900	0	176,000	176,000
Administration, Arizona Department of	7,939,700	204,119,100	212,058,800	8,147,600	204,836,500	212,984,100
- Automation Projects Fund	5,000,000	22,675,100	27,675,100	11,100,000	17,311,000	28,411,000
Administrative Hearings, Office of	868,900	0	868,900	889,800	0	889,800
African-American Affairs, Arizona Commission of	127,200	0	127,200	128,100	0	128,100
Agriculture, Arizona Department of	9,640,000	1,720,200	11,360,200	10,865,500	1,750,200	12,615,700
AHCCCS	1,740,528,600	328,044,500	2,068,573,100	1,760,748,100	339,302,400	2,100,050,500
Arts, Arizona Commission on the	0	2,000,000	2,000,000	2,200,000	0	2,200,000
Athletic Training, Board of	0	123,500	123,500	0	127,000	127,000
Attorney General - Department of Law	25,942,300	49,023,800	74,966,100	26,082,400	55,235,900	81,318,300
Automobile Theft Authority	0	5,308,900	5,308,900	0	5,312,100	5,312,100
Barbers, Board of	0	401,100	401,100	0	406,300	406,300
Behavioral Health Examiners, Board of	0	1,772,300	1,772,300	0	1,770,000	1,770,000
Charter Schools, State Board for	1,209,800	0	1,209,800	1,714,500	0	1,714,500
Child Safety, Department of	375,838,700	197,115,700	572,954,400	384,653,400	193,495,200	578,148,600
Chiropractic Examiners, State Board of	0	429,700	429,700	0	438,600	438,600
Commerce Authority, Arizona	21,800,000	0	21,800,000	19,275,000	2,500,000	21,775,000
Community Colleges, Arizona	57,205,500	0	57,205,500	97,400,700	0	97,400,700
Contractors, Registrar of	0	12,300,100	12,300,100	0	12,368,800	12,368,800
Corporation Commission	814,600	26,965,900	27,780,500	620,800	27,148,000	27,768,800
Corrections, State Department of	1,099,746,600	53,963,100	1,153,709,700	1,167,111,300	53,280,600	1,220,391,900
Cosmetology, Board of	0	1,926,300	1,926,300	0	1,949,100	1,949,100
County Funding	20,566,200	500,000	21,066,200	10,650,700	500,000	11,150,700
Criminal Justice Commission, Arizona	0	7,258,100	7,258,100	0	7,815,400	7,815,400
Deaf and the Blind, Schools for the	21,659,300	13,607,900	35,267,200	23,214,400	12,921,700	36,136,100
Deaf and the Hard of Hearing, Commission for the	0	4,613,500	4,613,500	0	4,624,900	4,624,900
Dental Examiners, State Board of	0	1,300,500	1,300,500	0	1,229,800	1,229,800
Economic Opportunity, Office of	488,800	0	488,800	968,300	0	968,300
Economic Security, Department of	662,286,900	340,174,900	1,002,461,800	749,708,200	336,309,000	1,086,017,200
Education, State Board of	1,146,300	0	1,146,300	1,158,900	0	1,158,900
Education, Department of	4,687,820,500	297,987,500	4,985,808,000	5,200,184,900	304,065,200	5,504,250,100
Emergency and Military Affairs, Department of	11,098,200	1,461,600	12,559,800	12,201,600	1,458,700	13,660,300
Environmental Quality, Department of	0	82,063,500	82,063,500	200,000	84,881,600	85,081,600
Equal Opportunity, Governor's Office of	0	190,700	190,700	0	190,200	190,200
Equalization, State Board of	652,000	0	652,000	659,000	0	659,000
Executive Clemency, Board of	1,137,000	0	1,137,000	1,150,000	0	1,150,000
Exposition and State Fair Board, Arizona	0	12,549,300	12,549,300	0	13,282,200	13,282,200
Financial Institutions, Department of	1,984,800	4,012,600	5,997,400	1,980,900	4,037,200	6,018,100
Forestry and Fire Management, Arizona Department of	11,156,700	0	11,156,700	15,917,400	0	15,917,400
Funeral Directors and Embalmers, Board of	0	443,400	443,400	0	399,700	399,700
Game and Fish Department, Arizona	0	42,752,600	42,752,600	0	43,979,100	43,979,100
Gaming, Department of	1,779,500	15,657,700	17,437,200	2,509,500	16,054,000	18,563,500
Governor, Office of the	8,540,900	0	8,540,900	8,699,900	0	8,699,900

	Fiscal Year 2019			Fiscal Year 2020		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Governor's Office of Strategic Planning and Budgeting	2,022,100	0	2,022,100	2,684,100	0	2,684,100
Health Services, Department of	89,931,200	51,203,700	141,134,900	97,158,300	56,170,300	153,328,600
Historical Society, Arizona	3,195,000	0	3,195,000	3,107,700	0	3,107,700
Historical Society, Prescott	832,700	0	832,700	837,200	0	837,200
Homeopathic and Integrated Medicine Examiners, Board of	0	90,700	90,700	0	46,100	46,100
Housing, Arizona Department of	0	322,200	322,200	15,000,000	322,200	15,322,200
Industrial Commission of Arizona	0	20,001,800	20,001,800	0	20,055,500	20,055,500
Insurance, Department of	5,628,400	0	5,628,400	5,663,200	0	5,663,200
Judiciary						
Supreme Court	19,894,600	30,446,900	50,341,500	20,875,000	30,536,600	51,411,600
Court of Appeals	16,066,500	0	16,066,500	16,765,000	0	16,765,000
Superior Court	80,848,000	11,958,100	92,806,100	92,596,500	11,973,200	104,569,700
SUBTOTAL - Judiciary	116,809,100	42,405,000	159,214,100	130,236,500	42,509,800	172,746,300
Juvenile Corrections, Department of	22,742,500	17,657,400	40,399,900	36,926,500	6,405,600	43,332,100
Land Department, State	11,605,100	8,048,800	19,653,900	11,654,300	8,042,300	19,696,600
Legislature						
Auditor General	19,709,600	0	19,709,600	20,629,300	0	20,629,300
House of Representatives	13,866,400	0	13,866,400	16,407,500	0	16,407,500
Joint Legislative Budget Committee	2,504,800	0	2,504,800	2,834,200	0	2,834,200
Legislative Council	8,304,900	0	8,304,900	8,814,900	0	8,814,900
Senate	9,762,900	0	9,762,900	12,948,900	0	12,948,900
SUBTOTAL - Legislature	54,148,600	0	54,148,600	61,634,800	0	61,634,800
Liquor Licenses and Control, Department of	0	3,086,000	3,086,000	0	3,373,800	3,373,800
Lottery Commission, Arizona State	0	138,586,200	138,586,200	0	146,806,100	146,806,100
Massage Therapy, Board of	0	460,900	460,900	0	471,600	471,600
Medical Board, Arizona	0	6,987,100	6,987,100	0	7,036,900	7,036,900
Mine Inspector, State	1,256,900	112,900	1,369,800	1,269,300	112,900	1,382,200
Naturopathic Physicians Medical Board	0	187,400	187,400	0	193,400	193,400
Navigable Stream Adjudication Commission	127,400	200,000	327,400	129,000	200,000	329,000
Nursing, State Board of	0	4,738,200	4,738,200	0	4,771,000	4,771,000
Nursing Care Institution Administrators Board <u>2</u> /	0	443,600	443,600	0	455,000	455,000
Occupational Therapy Examiners, Board of	0	190,100	190,100	0	199,000	199,000
Opticians, State Board of Dispensing	0	149,100	149,100	0	155,900	155,900
Optometry, State Board of	0	243,800	243,800	0	240,700	240,700
Osteopathic Examiners, Arizona Board of <u>3</u> /	0	903,500	903,500	0	1,012,300	1,012,300
Parks Board, Arizona State	0	14,771,400	14,771,400	0	16,982,800	16,982,800
Personnel Board, State	0	361,000	361,000	0	368,100	368,100
Pharmacy, Arizona State Board of	0	2,190,000	2,190,000	0	2,665,300	2,665,300
Physical Therapy, Board of	0	499,600	499,600	0	503,700	503,700
Pioneers' Home, Arizona	0	6,684,000	6,684,000	0	6,574,200	6,574,200
Podiatry Examiners, State Board of	0	161,900	161,900	0	168,100	168,100
Postsecondary Education, Commission for	1,646,800	1,537,200	3,184,000	1,680,900	1,536,700	3,217,600
Private Postsecondary Education, Board for	0	417,800	417,800	0	423,300	423,300
Psychologist Examiners, State Board of	0	495,000	495,000	0	516,100	516,100
Public Safety, Department of	104,462,800	188,606,100	293,068,900	92,350,300	240,683,100	333,033,400
Public Safety Personnel Retirement System	7,000,000	0	7,000,000	6,000,000	0	6,000,000
Radiation Regulatory Agency	0	0	0	0	0	0
Real Estate Department, State	2,911,700	0	2,911,700	2,909,500	0	2,909,500
Residential Utility Consumer Office	0	1,342,600	1,342,600	0	1,348,600	1,348,600
Respiratory Care Examiners, Board of	0	314,400	314,400	0	322,600	322,600
Retirement System, Arizona State	0	25,030,300	25,030,300	0	24,194,000	24,194,000

	Fiscal Year 2019			Fiscal Year 2020		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Revenue, Department of	31,063,800	47,323,200	78,387,000	31,245,200	49,730,100	80,975,300
School Facilities Board	299,700,300	0	299,700,300	325,650,300	0	325,650,300
Secretary of State	16,270,300	8,823,600	25,093,900	17,367,900	742,800	18,110,700
Tax Appeals, State Board of	280,400	0	280,400	281,800	0	281,800
Technical Registration, State Board of	0	2,291,700	2,291,700	0	2,199,500	2,199,500
Tourism, Office of	7,112,000	0	7,112,000	8,214,000	0	8,214,000
Transportation, Department of	65,000	414,458,800	414,523,800	0	433,177,300	433,177,300
Treasurer, State	1,205,100	5,429,600	6,634,700	1,205,100	5,839,000	7,044,100
Tribal Relations, Governor's Office on	60,900	0	60,900	62,900	0	62,900
Universities						
Board of Regents	6,898,100	0	6,898,100	22,397,700	0	22,397,700
Arizona State University	328,775,800	663,674,600	992,450,400	341,916,800	663,182,400	1,005,099,200
Northern Arizona University	112,095,700	160,958,900	273,054,600	117,250,900	161,100,200	278,351,100
University of Arizona - Main Campus	208,836,400	385,101,700	593,938,100	215,808,900	386,248,600	602,057,500
University of Arizona - Health Sciences Center	68,897,700	53,623,800	122,521,500	76,897,700	53,623,800	130,521,500
SUBTOTAL - Universities	725,503,700	1,263,359,000	1,988,862,700	774,272,000	1,264,155,000	2,038,427,000
Veterans' Services, Department of	6,120,600	35,414,100	41,534,700	7,792,900	35,607,900	43,400,800
Veterinary Medical Examining Board	0	605,500	605,500	0	600,000	600,000
Water Resources, Department of	23,169,800	2,427,100	25,596,900	66,937,700	2,444,500	69,382,200
OPERATING BUDGET SUBTOTAL	\$10,311,851,200	\$4,053,235,200	\$14,365,086,400	\$11,222,412,300	\$4,140,564,800	\$15,362,977,100
Budget Stabilization Fund Deposit	271,107,000	0	271,107,000	271,107,000	0	271,107,000
Unallocated Adjustments	183,400	2,060,200	2,243,600	51,500	(536,600)	(485,100)
2010 B Sale/Leaseback Payoff	0	0	0	190,000,000	0	190,000,000
Capital Outlay Projects	4,959,000	444,089,500	449,048,500	99,885,000	519,698,800	619,583,800
Capital Outlay - 2010 Leaseback Debt Service	84,112,000	0	84,112,000	77,709,300	0	77,709,300
Capital Outlay - Phoenix Convention Center Debt Service	22,996,300	0	22,996,300	23,500,000	0	23,500,000
Capital Outlay - Rio Nuevo District Distribution	14,000,000	0	14,000,000	14,000,000	0	14,000,000
Administrative Adjustments	126,000,000	0	126,000,000	128,000,000	0	128,000,000
Revertments	(171,000,000)	0	(171,000,000)	(173,000,000)	0	(173,000,000)
GRAND TOTAL	\$10,664,208,900	\$4,499,384,900	\$15,163,593,800	\$11,853,665,100	\$4,659,727,000	\$16,513,392,100

1/ This table summarizes FY 2019 and FY 2020 appropriations from the 1st Regular Session of the 54th Legislature and all prior sessions.

2/ The full agency name is the Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers.

3/ The full agency name is the Arizona Board of Osteopathic Examiners in Medicine and Surgery.

SUMMARY OF CAPITAL OUTLAY APPROPRIATIONS
(Capital Outlay Bill and Other Bills with Capital Appropriations) 1/

	FY 2019		FY 2020	
	General Fund	Other Funds	General Fund	Other Funds
ARIZONA DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM				
Administration, Arizona Department of				
Building Renewal for ADOA System (excluding Corrections)		\$11,000,000		\$17,000,000
Air Handler Units				1,000,000
Capital Mall Elevator Replacement		4,100,000 2/		
Mariposa Port of Entry Cold Storage Facility			\$700,000	
Jesse Hayes Road Bridge			2,810,000	
State Route 24			6,500,000	
1275 W. Washington Demolition		1,000,000		
Kingman Traffic Interchanges			20,000,000	
2010B Debt Payoff			190,000,000	
Capitol Mall Consolidation Fund		10,000,000		
Subtotal - Department of Administration	\$0	\$26,100,000	\$220,010,000	\$18,000,000
Corrections, State Department of				
Building Renewal for Corrections Facilities		\$5,464,300		\$6,864,300
Emergency and Military Affairs, Department of				
Readiness Centers	\$3,759,000		\$3,875,000	
Exposition and State Fair Board, AZ				
Capital Improvement Projects		\$1,000,000		\$1,300,000
Civic Building Roof				400,000
Subtotal - Exposition and State Fair Board, AZ	\$0	\$1,000,000	\$0	\$1,700,000
Game and Fish Department, Arizona				
Building Renewal		\$981,400		\$1,043,700
Hatchery Maintenance				400,000
Property Maintenance				300,000
Dam Maintenance				150,000
Capital Improvements		450,000		0
Subtotal - Arizona Game and Fish Department	\$0	\$1,431,400	\$0	\$1,893,700
Lottery Commission, Arizona State				
Building Renewal		\$126,300		\$134,100
Parks Board, Arizona State				
Capital Improvement Projects		\$2,000,000		
Tonto Natural Bridge State Park				\$1,250,000
Buckskin Mountain State Park Project		1,500,000		
Oracle State Park Project		4,000,000		
Rockin' River Ranch State Park Project				
Subtotal - Arizona State Parks Board	\$0	\$7,500,000	\$0	\$1,250,000
Pioneers' Home, Arizona				
Capital Improvements		\$600,000		\$414,000
Public Safety, Department of				
Remove Officer Housing	\$1,200,000	\$800,000		\$2,400,000
Loop 202 Radio Tower				309,000
Subtotal - Department of Public Safety	\$1,200,000	\$800,000	\$0	\$2,709,000
Veterans' Services, Department of				
Flagstaff Veterans' Home Construction		\$4,000,000		
Yuma Veterans' Home Construction		4,000,000		
Subtotal - Department of Veterans' Services	\$0	\$8,000,000	\$0	\$0
SUBTOTAL - ADOA BUILDING SYSTEM	\$4,959,000	\$51,022,000	\$223,885,000	\$32,965,100
ARIZONA DEPARTMENT OF TRANSPORTATION BUILDING SYSTEM				
Arizona Department of Transportation				
Building Renewal		\$5,492,000		\$13,281,700
Airport Planning and Development		18,798,500		33,120,000
State Aviation Fund Deposit			\$10,000,000	
Highway Construction		363,017,000		393,432,000
Interstate 10 Project Reversion		3/		
New Equipment Service Shop in Safford				
Keams Canyon Truck Barn/Office		1,790,000		
Replace and Repair Spreader Rack Bays		1,720,000		
Kingman Materials Test Lab		2,250,000		
Seligman and Williams Maintenance Buildings				2,300,000
Wickenburg Maintenance Facilities				4,600,000
Interstate 10, Phoenix to Casa Grande Widening Study			10,000,000	
Interstate 17, Anthem to Sunset Point				40,000,000
US Route 95, Yuma to Yuma Proving Ground			28,000,000	
Local City and Town Distribution			18,000,000	
Subtotal - ADOT BUILDING SYSTEM	\$0	\$393,067,500	\$66,000,000	\$486,733,700
GRAND TOTAL - ALL APPROPRIATIONS	\$4,959,000	\$444,089,500	\$289,885,000	\$519,698,800
SUMMARY OF CAPITAL APPROPRIATIONS BY SESSION				
Laws 2018, 2nd Regular Session	\$4,959,000	\$439,989,500		
Laws 2019, 1st Regular Session			\$289,885,000	\$523,798,800 2/

1/ This table summarizes all capital appropriations for FY 2019 and FY 2020. Appropriations are listed by the state's "building systems." Capital Outlays are budgeted on an annual basis except under special circumstances.

2/ Laws 2019, Chapter 264 (FY 2020 Capital Outlay Bill) included \$4,100,000 from the from the Legislative, Executive, and Judicial Public Buildings Land Fund in FY 2019 to replace elevators at the House of Representatives, Senate, and Executive Tower buildings at 1700 West Washington Street!

3/ \$12,523,500 for this project was reverted to the General Fund

SUMMARY OF ADDITIONAL OPERATING AND STATUTORY APPROPRIATIONS 1/ 2/

GENERAL FUND

	FY 2019	FY 2020
Administration, Arizona Department of Laws 2019, Ch. 231 (HB 2495) Appropriations; Named Claimants	600	
Agriculture, Department of Laws 2018, Ch. 287 (SB 1098) Industrial Hemp; Licensing		750,000
Attorney General - Department of Law 23-263 - Military Airport Planning; Appropriation	85,000	85,000
Commerce Authority, Arizona 43-409 - Arizona Commerce Authority Income Tax Withholding	21,500,000	15,500,000
Community Colleges 42-5031.01 - Indian Tribal Postsecondary Educational Institutions 15-1469.01 - Rural County Allocation Subtotal - Community Colleges	2,825,000 2,902,300 <u>5,727,300</u>	2,825,000 3,420,800 <u>6,245,800</u>
Corporation Commission Laws 2018, Ch. 333 (SB 1181) Corporation Commission; Railway Safety Inspectors	196,600	
Corrections, State Department of Laws 2019, Ch. 231 (HB 2495) Appropriations; Named Claimants	76,600	
Economic Security, Department of Laws 2018, Ch. 334 (SB 1245) Appropriation; SNAP; Benefit Match; Produce	400,000	
Education, Department of Laws 2018, Ch. 289 (SB 1444) Schools; American Civics Education Laws 2015, 1st Special Session, Ch. 1 (HB 2001) Schools; Base Level; Appropriations Subtotal - Department of Education	500,000 50,000,000 <u>50,500,000</u>	500,000 50,000,000 <u>50,500,000</u>
Emergency and Military Affairs, Department of 26-263 - Military Airport Planning; Appropriation 35-192 - Governor's Emergency Authority Subtotal - Department of Emergency and Military Affairs	90,000 4,000,000 <u>4,090,000</u>	90,000 4,000,000 <u>4,090,000</u>
Environmental Quality, Department of 49-282 - WQARF Priority Site Remediation Laws 2019, Ch. 269 (HB 2753) Environment; Budget Reconciliation; 2019-2020 Laws 2018, Ch. 280 (SB 1525) Environment; Budget Reconciliation; 2018-2019 Subtotal - Department of Environmental Quality	15,000,000 (15,000,000) <u>0</u>	15,000,000 (15,000,000) <u>0</u>
Forestry and Fire Management, Arizona Department of 37-623 - Wild Land Fire Emergency	3,000,000	3,000,000
Juvenile Corrections, Department of Laws 2019, Ch. 231 (HB 2495) Appropriations; Named Claimants	8,000	
Public Safety, Department of Laws 2019, Ch. 231 (HB 2495) Appropriations; Named Claimants	221,100	
Public Safety Personnel Retirement System 38-810 - EORP Closure	5,000,000	5,000,000
Arizona State University 15-1671 - University Infrastructure Capital Financing 15-1670 - University Research Infrastructure Financing Subtotal - Arizona State University	11,927,400 13,478,700 <u>25,406,100</u>	12,165,900 13,456,300 <u>25,622,200</u>
Northern Arizona University 15-1671 - University Infrastructure Capital Financing 15-1670 - University Research Infrastructure Financing Subtotal - Northern Arizona University	4,520,900 5,896,200 <u>10,417,100</u>	4,611,300 5,899,500 <u>10,510,800</u>
University of Arizona - Main Campus 15-1671 - University Infrastructure Capital Financing 15-1670 - University Research Infrastructure Financing Subtotal - University of Arizona - Main Campus	10,551,700 14,251,000 <u>24,802,700</u>	10,762,700 14,250,200 <u>25,012,900</u>

	FY 2019	FY 2020
Veterans' Services, Department of		
Laws 2018, Ch. 98 (HB 2513) Hyperbaric Oxygen Therapy; Veterans; Fund	25,000	
Water Resources, Department of		
Laws 2019, Ch. 1 (SB 1227) Colorado River Drought Contingency Amendments	7,000,000	32,000,000
Laws 2018, Ch. 330 (SB 1039) Appropriation; Arizona Water Protection Fund	400,000	
Laws 2018, Ch. 280 (SB 1525) Environment; Budget Reconciliation; 2018-2019	100,000	
Subtotal - Department of Water Resources	<u>7,500,000</u>	<u>32,000,000</u>
Other		
Laws 2019, Ch. 277 (SB 1215) State Lease-Purchase Agreements; Payoff		190,000,000
9-602 - Phoenix Convention Center Financing	22,996,300	23,500,000
42-5031 - Rio Nuevo Multi-Purpose Facility District	14,000,000	14,000,000
GENERAL FUND TOTAL	<u>195,952,400</u>	<u>405,816,700</u>

OTHER FUNDS

	FY 2019	FY 2020
Administration, Arizona Department of		
Laws 2019, Ch. 231 (HB 2495) Appropriations; Named Claimants	12,300	
Agriculture, Department of		
Laws 2019, Ch. 24 (HB 2004) Nuclear Emergency Management Fund; Appropriation; Assessment		301,400
Laws 2017, Ch. 43 (SB 1091) Nuclear Emergency Appropriations; Assessments	275,000	
County Funding		
Laws 2018, Ch. 342 (SB 1476) County Sheriff; Reentry Planning; Appropriation	500,000	500,000
Criminal Justice Commission, Arizona		
Laws 2018, Ch. 278 (SB 1523) Criminal Justice; Budget Reconciliation; 2018-2019	200,000	
Deaf and the Blind, Schools for the		
Laws 2018, Ch. 291 (HB 2022) Appropriation; ASDB; Education Program	2,070,000	
Economic Security, Department of		
Laws 2018, Ch. 346 (SB 1504) Developmental Disability Rates; Appropriation	1,100,000	
Education, Department of		
Laws 2018, Ch. 290 (SB 1505) Native American Code Writers Program	500,000	
Emergency and Military Affairs, Department of		
Laws 2019, Ch. 24 (HB 2004) Nuclear Emergency Management Fund; Appropriation; Assessment		1,458,700
Laws 2017, Ch. 43 (SB 1091) Nuclear Emergency Appropriations; Assessments	1,461,600	
Environmental Quality, Department of		
Laws 2019, Ch. 269 (HB 2753) Environment; Budget Reconciliation; 2019-2020		13,552,000
Laws 2018, Ch. 280 (SB 1525) Environment; Budget Reconciliation; 2018-2019	13,552,000	
Health Services, Department of		
Laws 2019, Ch. 24 (HB 2004) Nuclear Emergency Management Fund; Appropriation; Assessment		789,700
Laws 2017, Ch. 43 (SB 1091) Nuclear Emergency Appropriations; Assessments	789,700	
Judiciary - Supreme Court		
Laws 2018, Ch. 312 (HB 2527) Ticket Surcharge; Public Safety Equipment	20,000	
Public Safety, Department of		
Laws 2019, Ch. 231 (HB 2495) Appropriations; Named Claimants	285,900	
Laws 2018, Ch. 312 (HB 2527) Ticket Surcharge; Public Safety Equipment	3,053,000	
	<u>3,338,900</u>	<u>0</u>
Revenue, Department of		
Laws 2018, Ch. 305 (HB 2416) Appropriation; Study; Prime Contracting Classification	75,000	
Transportation, Department of		
Laws 2019, Ch. 231 (HB 2495) Appropriations; Named Claimants	500	
Treasurer, State		
Laws 2019, Ch. 154 (HB 2432) State Treasurer's Office; Funds; Consolidation		<u>0</u> ^{3/}
OTHER FUNDS TOTAL	<u>23,895,000</u>	<u>16,601,800</u>

^{1/} All appropriations have been rounded to the nearest \$100.

^{2/} Excludes most General Appropriation Act and Capital Outlay Act appropriations amounts.

^{3/} Laws 2019, Chapter 154 eliminated the State Treasurer's Management Fund and transferred the State Treasurer's Management Fund appropriation of \$295,600 in the FY 2020 General Appropriation Act to the State Treasurer's Operating Fund.

**SUMMARY OF TOTAL SPENDING AUTHORITY BY AGENCY
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
Fiscal Years 2019 and 2020 1/**

	Fiscal Year 2019			Fiscal Year 2020		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
BUDGET UNITS						
Accountancy, State Board of	\$2,037,900	\$0	\$2,037,900	\$2,045,300	\$0	\$2,045,300
Acupuncture Examiners, Board of	171,900	0	171,900	176,000	0	176,000
Administration, Arizona Department of - Automation Projects Fund	212,058,800 27,675,100	1,176,643,600 0	1,388,702,400 27,675,100	212,984,100 28,411,000	1,223,023,500 0	1,436,007,600 28,411,000
Administrative Hearings, Office of	868,900	793,900	1,662,800	889,800	793,900	1,683,700
African-American Affairs, Arizona Commission of	127,200	15,000	142,200	128,100	15,000	143,100
Agriculture, Arizona Department of	11,360,200	21,442,900	32,803,100	12,615,700	21,360,700	33,976,400
AHCCCS	2,068,573,100	10,836,251,600	12,904,824,700	2,100,050,500	11,008,006,200	13,108,056,700
Arts, Arizona Commission on the	2,000,000	2,433,400	4,433,400	2,200,000	2,433,400	4,633,400
Athletic Training, Board of	123,500	0	123,500	127,000	0	127,000
Attorney General - Department of Law	74,966,100	68,430,500	143,396,600	81,318,300	68,430,500	149,748,800
Automobile Theft Authority	5,308,900	8,000	5,316,900	5,312,100	8,000	5,320,100
Barbers, Board of	401,100	0	401,100	406,300	0	406,300
Behavioral Health Examiners, Board of	1,772,300	0	1,772,300	1,770,000	0	1,770,000
Charter Schools, State Board for	1,209,800	61,500	1,271,300	1,714,500	61,500	1,776,000
Child Safety, Department of	572,954,400	440,930,200	1,013,884,600	578,148,600	441,893,600	1,020,042,200
Chiropractic Examiners, State Board of	429,700	0	429,700	438,600	0	438,600
Citizens Clean Elections Commission	0	11,662,200	11,662,200	0	3,562,200	3,562,200
Commerce Authority, Arizona	21,800,000	10,139,900	31,939,900	21,775,000	9,440,300	31,215,300
Community Colleges, Arizona	57,205,500	20,121,600	77,327,100	97,400,700	20,121,600	117,522,300
Constable Ethics Standards and Training Board	0	442,100	442,100	0	442,100	442,100
Contractors, Registrar of	12,300,100	4,666,800	16,966,900	12,368,800	7,366,800	19,735,600
Corporation Commission	27,780,500	825,000	28,605,500	27,768,800	825,000	28,593,800
Corrections, State Department of	1,153,709,700	66,756,700	1,220,466,400	1,220,391,900	66,005,300	1,286,397,200
Cosmetology, Board of	1,926,300	0	1,926,300	1,949,100	0	1,949,100
County Funding	21,066,200	0	21,066,200	11,150,700	0	11,150,700
Criminal Justice Commission, Arizona	7,258,100	12,847,000	20,105,100	7,815,400	12,847,000	20,662,400
Deaf and the Blind, Schools for the	35,267,200	19,376,900	54,644,100	36,136,100	19,161,700	55,297,800
Deaf and the Hard of Hearing, Commission for the	4,613,500	0	4,613,500	4,624,900	0	4,624,900
Dental Examiners, State Board of	1,300,500	0	1,300,500	1,229,800	0	1,229,800
Early Childhood Development and Health Board, Arizona	0	152,925,900	152,925,900	0	147,137,900	147,137,900
Economic Opportunity, Office of	488,800	118,004,700	118,493,500	968,300	118,003,900	118,972,200
Economic Security, Department of	1,002,461,800	3,156,055,400	4,158,517,200	1,086,017,200	3,361,180,500	4,447,197,700
Education, State Board of	1,146,300	0	1,146,300	1,158,900	0	1,158,900
Education, Department of	4,985,808,000	1,938,535,800	6,924,343,800	5,504,250,100	1,966,052,400	7,470,302,500
Emergency and Military Affairs, Department of	12,559,800	80,220,900	92,780,700	13,660,300	64,698,500	78,358,800
Environmental Quality, Department of	82,063,500	82,393,600	164,457,100	85,081,600	82,393,600	167,475,200
Equal Opportunity, Governor's Office of	190,700	0	190,700	190,200	0	190,200
Equalization, State Board of	652,000	0	652,000	659,000	0	659,000

	Fiscal Year 2019			Fiscal Year 2020		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
Executive Clemency, Board of	1,137,000	30,100	1,167,100	1,150,000	30,100	1,180,100
Exposition and State Fair Board, Arizona	12,549,300	0	12,549,300	13,282,200	0	13,282,200
Financial Institutions, Department of	5,997,400	663,000	6,660,400	6,018,100	663,000	6,681,100
Forestry and Fire Management, Arizona Department of	11,156,700	52,225,200	63,381,900	15,917,400	52,225,200	68,142,600
Funeral Directors and Embalmers, Board of	443,400	0	443,400	399,700	0	399,700
Game and Fish Department, Arizona	42,752,600	85,720,300	128,472,900	43,979,100	85,720,300	129,699,400
Gaming, Department of	17,437,200	1,527,900	18,965,100	18,563,500	1,401,400	19,964,900
Governor, Office of the	8,540,900	34,196,000	42,736,900	8,699,900	34,196,000	42,895,900
Governor's Office of Strategic Planning and Budgeting	2,022,100	0	2,022,100	2,684,100	0	2,684,100
Health Services, Department of	141,134,900	331,908,200	473,043,100	153,328,600	331,908,200	485,236,800
Historical Society, Arizona	3,195,000	1,339,500	4,534,500	3,107,700	1,280,300	4,388,000
Historical Society, Prescott	832,700	625,100	1,457,800	837,200	625,100	1,462,300
Homeland Security, Arizona Department of	0	23,114,800	23,114,800	0	23,114,800	23,114,800
Homeopathic and Integrated Medicine Examiners, Board of	90,700	0	90,700	46,100	0	46,100
Housing, Arizona Department of	322,200	118,284,500	118,606,700	15,322,200	115,955,600	131,277,800
Industrial Commission of Arizona	20,001,800	20,514,800	40,516,600	20,055,500	20,514,800	40,570,300
Insurance, Department of	5,628,400	29,553,400	35,181,800	5,663,200	28,861,800	34,525,000
Judiciary						
Supreme Court	50,341,500	24,935,400	75,276,900	51,411,600	24,935,400	76,347,000
Court of Appeals	16,066,500	0	16,066,500	16,765,000	0	16,765,000
Superior Court	92,806,100	6,297,400	99,103,500	104,569,700	6,297,400	110,867,100
SUBTOTAL - Judiciary	159,214,100	31,232,800	190,446,900	172,746,300	31,232,800	203,979,100
Juvenile Corrections, Department of	40,399,900	1,255,900	41,655,800	43,332,100	1,255,900	44,588,000
Land Department, State	19,653,900	711,000	20,364,900	19,696,600	711,000	20,407,600
Legislature						
Auditor General	19,709,600	1,971,700	21,681,300	20,629,300	1,971,700	22,601,000
House of Representatives	13,866,400	0	13,866,400	16,407,500	0	16,407,500
Joint Legislative Budget Committee	2,504,800	0	2,504,800	2,834,200	0	2,834,200
Legislative Council	8,304,900	0	8,304,900	8,814,900	0	8,814,900
Senate	9,762,900	0	9,762,900	12,948,900	0	12,948,900
SUBTOTAL - Legislature	54,148,600	1,971,700	56,120,300	61,634,800	1,971,700	63,606,500
Liquor Licenses and Control, Department of	3,086,000	1,128,400	4,214,400	3,373,800	1,128,400	4,502,200
Lottery Commission, Arizona State	138,586,200	809,412,400	947,998,600	146,806,100	841,831,300	988,637,400
Massage Therapy, Board of	460,900	0	460,900	471,600	0	471,600
Medical Board, Arizona	6,987,100	0	6,987,100	7,036,900	0	7,036,900
Mine Inspector, State	1,369,800	632,200	2,002,000	1,382,200	632,200	2,014,400
Naturopathic Physicians Medical Board	187,400	0	187,400	193,400	0	193,400
Navigable Stream Adjudication Commission	327,400	0	327,400	329,000	0	329,000
Nursing, State Board of	4,738,200	414,700	5,152,900	4,771,000	414,700	5,185,700
Nursing Care Institution Administrators Board <u>3/</u>	443,600	0	443,600	455,000	0	455,000
Occupational Therapy Examiners, Board of	190,100	0	190,100	199,000	0	199,000
Opticians, State Board of Dispensing	149,100	0	149,100	155,900	0	155,900
Optometry, State Board of	243,800	0	243,800	240,700	0	240,700
Osteopathic Examiners, Arizona Board of <u>4/</u>	903,500	0	903,500	1,012,300	0	1,012,300
Parents Commission on Drug Educ. & Prev., Arizona	0	5,246,400	5,246,400	0	5,246,400	5,246,400
Parks Board, Arizona State	14,771,400	21,145,000	35,916,400	16,982,800	21,145,000	38,127,800

	Fiscal Year 2019			Fiscal Year 2020		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
Personnel Board, State	361,000	0	361,000	368,100	0	368,100
Pharmacy, Arizona State Board of	2,190,000	1,679,500	3,869,500	2,665,300	1,679,500	4,344,800
Physical Therapy, Board of	499,600	0	499,600	503,700	0	503,700
Pioneers' Home, Arizona	6,684,000	42,400	6,726,400	6,574,200	42,400	6,616,600
Podiatry Examiners, State Board of	161,900	0	161,900	168,100	0	168,100
Postsecondary Education, Commission for	3,184,000	1,420,300	4,604,300	3,217,600	1,420,300	4,637,900
Power Authority, Arizona	0	27,114,100	27,114,100	0	27,114,100	27,114,100
Private Postsecondary Education, Board for	417,800	249,000	666,800	423,300	249,000	672,300
Psychologist Examiners, State Board of	495,000	0	495,000	516,100	0	516,100
Public Safety, Department of	293,068,900	118,349,500	411,418,400	333,033,400	116,920,400	449,953,800
Public Safety Personnel Retirement System	7,000,000	13,388,700	20,388,700	6,000,000	13,388,700	19,388,700
Real Estate Department, State	2,911,700	356,000	3,267,700	2,909,500	356,000	3,265,500
Residential Utility Consumer Office	1,342,600	0	1,342,600	1,348,600	0	1,348,600
Respiratory Care Examiners, Board of	314,400	0	314,400	322,600	0	322,600
Retirement System, Arizona State	25,030,300	17,625,300	42,655,600	24,194,000	18,129,300	42,323,300
Revenue, Department of	78,387,000	1,938,500	80,325,500	80,975,300	1,938,500	82,913,800
School Facilities Board	299,700,300	66,013,600	365,713,900	325,650,300	64,135,300	389,785,600
Secretary of State	25,093,900	5,118,300	30,212,200	18,110,700	5,118,300	23,229,000
Tax Appeals, State Board of	280,400	0	280,400	281,800	0	281,800
Technical Registration, State Board of	2,291,700	0	2,291,700	2,199,500	0	2,199,500
Tourism, Office of	7,112,000	15,151,900	22,263,900	8,214,000	15,151,900	23,365,900
Transportation, Department of	414,523,800	71,203,400	485,727,200	433,177,300	60,024,900	493,202,200
Treasurer, State	6,634,700	4,022,100	10,656,800	7,044,100	4,022,100	11,066,200
Tribal Relations, Governor's Office on	60,900	18,500	79,400	62,900	18,500	81,400
Universities						
Board of Regents	6,898,100	8,676,100	15,574,200	22,397,700	6,974,700	29,372,400
Arizona State University	992,450,400	2,212,522,400	3,204,972,800	1,005,099,200	2,271,831,500	3,276,930,700
Northern Arizona University	273,054,600	419,452,500	692,507,100	278,351,100	439,694,500	718,045,600
University of Arizona - Main Campus	593,938,100	1,341,700,700	1,935,638,800	602,057,500	1,387,750,700	1,989,808,200
University of Arizona - Health Sciences Center	122,521,500	528,908,300	651,429,800	130,521,500	547,427,500	677,949,000
SUBTOTAL - Universities	1,988,862,700	4,511,260,000	6,500,122,700	2,038,427,000	4,653,678,900	6,692,105,900
Veterans' Services, Department of	41,534,700	8,442,400	49,977,100	43,400,800	8,419,600	51,820,400
Veterinary Medical Examining Board	605,500	0	605,500	600,000	0	600,000
Water Resources, Department of	25,596,900	12,814,700	38,411,600	69,382,200	12,814,700	82,196,900
OPERATING BUDGET SUBTOTAL	\$14,365,086,400	\$24,671,046,600	\$39,036,133,000	\$15,362,977,100	\$25,251,953,500	\$40,614,930,600
Budget Stabilization Fund Deposit	271,107,000	0	271,107,000	271,107,000	0	271,107,000
Unallocated Adjustments	2,243,600	0	2,243,600	(485,100)	0	(485,100)
2010 B Sale/Leaseback Payoff	0	0	0	190,000,000	0	190,000,000
Capital Outlay Projects	449,048,500	1,531,590,000	1,980,638,500	619,583,800	1,579,930,000	2,199,513,800
Capital Outlay - 2010 Leaseback Debt Service	84,112,000	0	84,112,000	77,709,300	0	77,709,300
Capital Outlay - Phoenix Convention Center Debt Service	22,996,300	0	22,996,300	23,500,000	0	23,500,000
Capital Outlay - Rio Nuevo District Distribution	14,000,000	0	14,000,000	14,000,000	0	14,000,000
Administrative Adjustments	126,000,000	0	126,000,000	128,000,000	0	128,000,000
Revertments	(171,000,000)	0	(171,000,000)	(173,000,000)	0	(173,000,000)

	Fiscal Year 2019			Fiscal Year 2020		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds ^{2/}		General and Other Funds	Federal and Other Funds ^{2/}	
GRAND TOTAL	\$15,163,593,800	\$26,202,636,600	\$41,366,230,400	\$16,513,392,100	\$26,831,883,500	\$43,345,275,600

^{1/} This table summarizes FY 2019 and FY 2020 appropriations from the 1st Regular Session of the 54th Legislature and all prior sessions.

^{2/} The amounts shown are generally based on estimates published in the JLBC Staff's *Baseline Book* (January 2019), but may have been updated for later information.

^{3/} The full agency name is the Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers.

^{4/} The full agency name is the Arizona Board of Osteopathic Examiners in Medicine and Surgery.

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2019 and 2020 1/

BUDGET UNITS	Fiscal Year 2019			Fiscal Year 2020		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Accountancy, State Board of	0.0	14.0	14.0	0.0	14.0	14.0
Acupuncture Board of Examiners	0.0	1.0	1.0	0.0	1.0	1.0
Administration, Arizona Department of	114.2	420.9	535.1	114.2	435.9	550.1
Automation Projects Fund	0.0	15.0	15.0	0.0	0.0	0.0
Capital Outlay	0.0	5.0	5.0	0.0	5.0	5.0
SUBTOTAL - Administration, Arizona Department of	114.2	440.9	555.1	114.2	440.9	555.1
Administrative Hearings, Office of	12.0	0.0	12.0	12.0	0.0	12.0
African-American Affairs, Arizona Commission of	3.0	0.0	3.0	3.0	0.0	3.0
Agriculture, Arizona Department of	188.1	17.2	205.3	192.1	17.2	209.3
AHCCCS	460.1	694.1	1,154.2	460.1	694.1	1,154.2
AHCCCS - DES Eligibility	621.2	563.9	1,185.1	621.2	563.9	1,185.1
SUBTOTAL - AHCCCS <u>2/</u>	1,081.3	1,258.0	2,339.3	1,081.3	1,258.0	2,339.3
Athletic Training, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Attorney General - Department of Law	218.6	370.1	588.7	218.6	389.1	607.7
Automobile Theft Authority	0.0	6.0	6.0	0.0	6.0	6.0
Barbers, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Behavioral Health Examiners, Board of	0.0	17.0	17.0	0.0	17.0	17.0
Charter Schools, State Board for	14.0	0.0	14.0	19.0	0.0	19.0
Child Safety, Department of <u>3/</u>	1,503.6	1,689.5	3,193.1	1,503.6	1,689.5	3,193.1
Chiropractic Examiners, State Board of	0.0	5.0	5.0	0.0	5.0	5.0
Contractors, Registrar of	0.0	105.6	105.6	0.0	105.6	105.6
Corporation Commission	6.0	294.9	300.9	6.0	294.9	300.9
Corrections, State Department of	9,535.0	21.0	9,556.0	9,545.0	21.0	9,566.0
Cosmetology, Board of	0.0	24.5	24.5	0.0	24.5	24.5
Criminal Justice Commission, Arizona	0.0	9.0	9.0	0.0	11.0	11.0
Deaf and the Blind, Arizona State Schools for the	263.8	298.4	562.2	284.8	277.4	562.2
Deaf and the Hard of Hearing, Commission for the	0.0	16.0	16.0	0.0	17.0	17.0
Dental Examiners, State Board of	0.0	11.0	11.0	0.0	11.0	11.0
Economic Opportunity, Office of	5.0	0.0	5.0	5.0	0.0	5.0
Economic Security, Department of <u>4/</u>	1,400.2	2,923.6	4,323.8	1,416.2	2,961.6	4,377.8
Education, State Board of	6.0	0.0	6.0	6.0	0.0	6.0
Education, Department of	147.5	48.4	195.9	147.5	48.4	195.9
Emergency and Military Affairs, Department of	64.1	5.5	69.6	64.1	5.5	69.6
Environmental Quality, Department of	0.0	322.0	322.0	0.0	322.0	322.0
Equal Opportunity, Governor's Office of	0.0	4.0	4.0	0.0	4.0	4.0
Equalization, State Board of	7.0	0.0	7.0	7.0	0.0	7.0
Executive Clemency, Board of	14.5	0.0	14.5	14.5	0.0	14.5
Exposition and State Fair Board, Arizona	0.0	184.0	184.0	0.0	184.0	184.0
Financial Institutions, State Department of <u>5/</u>	12.6	60.5	73.1	12.6	60.5	73.1
Forestry and Fire Management, Arizona Department of	88.0	0.0	88.0	88.0	0.0	88.0
Funeral Directors and Embalmers, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Game and Fish Department, Arizona	0.0	273.5	273.5	0.0	273.5	273.5
Gaming, Department of	0.0	155.8	155.8	0.0	155.8	155.8
Governor's Office of Strategic Planning and Budgeting	22.0	0.0	22.0	22.0	0.0	22.0
Health Services, Department of	817.9	287.6	1,105.5	817.9	312.6	1,130.5
Historical Society, Arizona	50.9	0.0	50.9	50.9	0.0	50.9
Historical Society of Arizona, Prescott	13.0	0.0	13.0	13.0	0.0	13.0
Homeopathic and Integrated Medicine Examrs., Bd. of	0.0	1.0	1.0	0.0	1.0	1.0
Housing, Department of	0.0	3.0	3.0	0.0	3.0	3.0
Industrial Commission of Arizona	0.0	235.6	235.6	0.0	235.6	235.6
Insurance, Department of	72.3	0.0	72.3	72.3	0.0	72.3
Judiciary						
Supreme Court	144.6	38.4	183.0	144.6	38.4	183.0
Court of Appeals	136.8	0.0	136.8	136.8	0.0	136.8
Superior Court	128.8	8.7	137.5	226.8	8.7	235.5
SUBTOTAL - Judiciary	410.2	47.1	457.3	508.2	47.1	555.3
Juvenile Corrections, Department of	478.5	260.0	738.5	478.5	260.0	738.5
Land Department, State	126.7	3.0	129.7	126.7	3.0	129.7
Legislature						
Auditor General	195.8	0.0	195.8	200.8	0.0	200.8
Joint Legislative Budget Committee	29.0	0.0	29.0	29.0	0.0	29.0

BUDGET UNITS	Fiscal Year 2019			Fiscal Year 2020		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Legislative Council	55.0	0.0	55.0	55.0	0.0	55.0
SUBTOTAL - Legislature	279.8	0.0	279.8	284.8	0.0	284.8
Liquor Licenses and Control, Department of	0.0	45.2	45.2	0.0	45.2	45.2
Lottery Commission, Arizona State	0.0	98.8	98.8	0.0	98.8	98.8
Massage Therapy, Board of	0.0	5.0	5.0	0.0	5.0	5.0
Medical Board, Arizona	0.0	61.5	61.5	0.0	61.5	61.5
Mine Inspector, State	14.0	0.0	14.0	14.0	0.0	14.0
Naturopathic Physicians Medical Board	0.0	2.0	2.0	0.0	2.0	2.0
Navigable Stream Adjudication Commission, Arizona	2.0	0.0	2.0	2.0	0.0	2.0
Nursing, State Board of	0.0	42.2	42.2	0.0	48.5	48.5
Nursing Care Institution of Administrators, Board of	0.0	6.0	6.0	0.0	6.0	6.0
Occupational Therapy Examiners, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Opticians, State Board of Dispensing	0.0	1.0	1.0	0.0	1.0	1.0
Optometry, State Board of	0.0	2.0	2.0	0.0	2.0	2.0
Osteopathic Examiners, Arizona Board of	0.0	7.2	7.2	0.0	8.0	8.0
Parks Board, Arizona State	0.0	163.0	163.0	0.0	163.0	163.0
Personnel Board, State	0.0	3.0	3.0	0.0	3.0	3.0
Pharmacy, Arizona State Board of	0.0	19.0	19.0	0.0	22.4	22.4
Physical Therapy, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Pioneers' Home, Arizona	0.0	106.3	106.3	0.0	106.3	106.3
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Postsecondary Education, Commission of	0.0	5.0	5.0	0.0	5.0	5.0
Private Postsecondary Education, Board for	0.0	4.0	4.0	0.0	4.0	4.0
Psychologist Examiners, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Public Safety, Department of	695.7	1,271.0	1,966.7	743.7	1,271.0	2,014.7
Real Estate Department, State	37.0	0.0	37.0	37.0	0.0	37.0
Residential Utility Consumer Office	0.0	11.0	11.0	0.0	11.0	11.0
Respiratory Care Examiners, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Retirement System, Arizona State	0.0	245.9	245.9	0.0	240.9	240.9
Revenue, Department of	241.4	639.4	880.8	264.9	615.9	880.8
School Facilities Board	17.0	0.0	17.0	17.0	0.0	17.0
Secretary of State, Department of State	131.1	10.0	141.1	133.1	10.0	143.1
Tax Appeals, State Board of	4.0	0.0	4.0	4.0	0.0	4.0
Technical Registration, State Board of	0.0	25.0	25.0	0.0	25.0	25.0
Tourism, Office of	28.0	0.0	28.0	28.0	0.0	28.0
Transportation, Department of	0.0	4,552.0	4,552.0	0.0	4,554.0	4,554.0
Treasurer, State	0.0	31.4	31.4	0.0	34.4	34.4
Tribal Relations, Governor's Office on	3.0	0.0	3.0	3.0	0.0	3.0
Universities <u>6/7/</u>						
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9
Arizona State University	2,431.9	5,268.0	7,699.9	2,431.9	5,268.0	7,699.9
Northern Arizona University	852.2	1,464.3	2,316.5	852.2	1,464.3	2,316.5
University of Arizona - Main Campus	2,156.6	3,935.9	6,092.5	2,156.6	3,935.9	6,092.5
University of Arizona - Health Sciences Center	727.0	499.3	1,226.3	727.0	499.3	1,226.3
SUBTOTAL - Universities	6,193.6	11,167.5	17,361.1	6,193.6	11,167.5	17,361.1
Veterans' Services, Department of	116.3	381.0	497.3	116.3	381.0	497.3
Veterinary Medical Examining Board, Arizona State	0.0	6.0	6.0	0.0	6.0	6.0
Water Resources, Department of	133.0	6.0	139.0	139.0	6.0	145.0
TOTAL APPROPRIATED FUNDS	<u>24,571.9</u>	<u>28,355.1</u>	<u>52,927.0</u>	<u>24,810.4</u>	<u>28,406.1</u>	<u>53,216.5</u>

- 1/ Full-Time Equivalent (FTE) Positions shown for individual agencies include only those positions funded by appropriated funds. The detail for changes in FTE Positions that occurred between FY 2019 and FY 2020 can be found in the individual agency pages.
- 2/ Includes 1,210.1 FTE Positions in FY 2019 and FY 2020 in the Other Fund FTE Positions columns funded from Federal Medicaid Expenditure Authority.
- 3/ Includes 970.3 FTE Positions in FY 2019 and FY 2020 in the Other Fund FTE Positions columns funded from Expenditure Authority.
- 4/ Includes 1,884.5 FTE Positions in FY 2019 and 1,922.5 FTE Positions in FY 2020 in the Other Fund FTE Positions columns funded from the Long Term Care System Fund and Child Support Enforcement Expenditure Authority.
- 5/ The FY 2019 FTE Position allocations have been rebased to match FY 2020 allocations.
- 6/ The FY 2019 General Appropriation Act originally appropriated 17,706.3 FTE Positions to the Universities for FY 2019. This FTE Position amount has been revised to 17,361.1 to account for changes in projected tuition and fee collections. Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount.
- 7/ The Other Fund FTE Positions are funded by the University Collections Fund, which includes a portion of tuition and fees and a portion of land earnings.

BUDGET UNITS

Arizona State Board of Accountancy

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	734,000	831,500	831,500
Employee Related Expenditures	321,600	354,800	358,700
Professional and Outside Services	189,800	462,700	462,700
Travel - In State	1,500	12,400	12,400
Travel - Out of State	6,100	12,000	12,000
Other Operating Expenditures	212,700	346,200	349,700
Equipment	1,900	18,300	18,300
AGENCY TOTAL	1,467,600	2,037,900	2,045,300 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Accountancy Fund	1,467,600	2,037,900	2,045,300
SUBTOTAL - Other Appropriated Funds	1,467,600	2,037,900	2,045,300
SUBTOTAL - Appropriated Funds	1,467,600	2,037,900	2,045,300
TOTAL - ALL SOURCES	1,467,600	2,037,900	2,045,300

AGENCY DESCRIPTION — The board licenses, investigates, and conducts examinations of certified public accountants and public accountants. The board is also responsible for registering and investigating accounting firms owned by certified public accountants.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$2,045,300 and 14 FTE Positions from the Board of Accountancy Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$7,400 from the Board of Accountancy Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Acupuncture Board of Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	62,000	85,200	85,200
Employee Related Expenditures	14,900	33,000	33,400
Professional and Outside Services	10,400	5,000	5,000
Travel - In State	2,800	3,000	3,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	71,200	40,700	44,400
Equipment	600	0	0
OPERATING SUBTOTAL	161,900	171,900	176,000
SPECIAL LINE ITEMS			
Annual Leave Payout	13,200	0	0
AGENCY TOTAL	175,100	171,900	176,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Acupuncture Board of Examiners Fund	175,100	171,900	176,000
SUBTOTAL - Other Appropriated Funds	175,100	171,900	176,000
SUBTOTAL - Appropriated Funds	175,100	171,900	176,000
TOTAL - ALL SOURCES	175,100	171,900	176,000

AGENCY DESCRIPTION — The Acupuncture Board of Examiners licenses and regulates the practice of acupuncture by individuals who are not licensed to practice acupuncture by another professional board. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$176,000 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Administrative Staff Consolidation

The budget includes a decrease of \$(2,200) from the Acupuncture Board of Examiners Fund in FY 2020 for an administrative staff consolidation by the Acupuncture Board of Examiners and the Board of Homeopathic and Integrated Medicine Examiners.

Statewide Adjustments

The budget includes an increase of \$6,300 from the Acupuncture Board of Examiners Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Department of Administration

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	535.1	535.1	550.1 ^{1/}
Personal Services	26,823,500	29,411,200	29,411,200
Employee Related Expenditures	9,594,400	11,380,800	11,526,000
Professional and Outside Services	13,598,700	6,256,700	6,256,700
Travel - In State	171,400	244,600	244,600
Travel - Out of State	50,300	48,900	48,900
Other Operating Expenditures	27,080,600	40,590,800	46,437,200
Equipment	3,651,100	3,259,800	3,259,800
OPERATING SUBTOTAL	80,970,000	91,192,800	97,184,400 ^{2/}
SPECIAL LINE ITEMS			
Facilities Management			
Utilities	6,232,100	7,649,900	7,649,900
Bolin Plaza Improvements	0	25,300	0
Financial Services			
Arizona Financial Information System	9,401,300	9,447,700	9,418,700
Named Claimants	22,400	12,900	0
Information Technology Services			
Statewide Information Security and Privacy Operations and Controls	837,300	3,470,900	6,356,600
Information Technology Project Management and Oversight	0	1,500,000	1,504,300
Risk Management			
Federal Transfer Payment	14,482,700	9,168,400	0
Risk Management Administrative Expenses	7,284,000	8,747,200	8,747,200 ^{3/}
Risk Management Losses and Premiums	42,231,800	46,178,400	46,178,400
Workers' Compensation Losses and Premiums	24,873,400	31,830,300	31,830,300
Support Services			
Government Transformation Office	1,607,200	1,000,000	2,008,300
Grants and Federal Resources	305,200	0	0
State Surplus Property Sales Agency Proceeds	1,672,600	1,810,000	1,810,000 ^{4/}
Other			
Southwest Defense Contracts	25,000	25,000	25,000 ^{5/}
Public Safety Regional Communications	0	0	271,000 ^{6/}
AGENCY TOTAL	189,945,000	212,058,800	212,984,100 ^{7/}
FUND SOURCES			
General Fund	10,042,600	7,939,700	8,147,600
Other Appropriated Funds			
Administration - AFIS II Collections Fund	305,200	0	0
Air Quality Fund	542,400	927,300	927,300
Arizona Financial Information System Collections Fund	9,401,300	9,447,700	9,418,700 ^{8/}
Automation Operations Fund	23,366,200	25,545,500	31,040,900 ^{9/}
Capital Outlay Stabilization Fund	15,397,200	18,148,200	18,543,600
Corrections Fund	409,800	572,500	573,700
Federal Surplus Materials Revolving Fund	48,000	464,900	465,200
Information Technology Fund	2,631,900	5,547,400	8,443,400
State Monument and Memorial Repair Fund	0	25,300	0
Motor Vehicle Pool Revolving Fund	6,632,000	10,162,600	10,191,200 ^{10/}
Personnel Division Fund	11,863,400	12,747,800	12,723,800
Risk Management Revolving Fund	94,952,700	103,737,900	94,579,900

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
Special Employee Health Insurance Trust Fund	5,035,100	5,283,800	5,291,900
Special Services Revolving Fund	704,100	1,080,100	1,169,000
State Surplus Materials Revolving Fund	2,778,800	2,963,700	2,977,800
State Web Portal Fund	4,368,500	5,548,100	6,844,500
Telecommunications Fund	1,465,800	1,916,300	1,645,600
SUBTOTAL - Other Appropriated Funds	179,902,400	204,119,100	204,836,500
SUBTOTAL - Appropriated Funds	189,945,000	212,058,800	212,984,100
Other Non-Appropriated Funds	1,120,987,000	1,175,534,500	1,222,443,500
Federal Funds	2,408,700	1,109,100	580,000
TOTAL - ALL SOURCES	1,313,340,700	1,388,702,400	1,436,007,600

AGENCY DESCRIPTION — The Arizona Department of Administration (ADOA) provides centralized general support services to state agencies, including accounting, financial, purchasing, building and grounds maintenance, personnel, information technology, motor pool, travel reduction, and risk management services.

FOOTNOTES

- 1/ Includes 46 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ The department may charge state agencies no more than \$10.42 per user per month for the statewide email and calendar service. (General Appropriation Act footnote)
- 3/ The Legislature intends that the Department of Administration not enter into any agreements to pay for any federal reimbursements related to excess balances in the Special Employee Health Insurance Trust Fund established by A.R.S. § 38-654, unless the proposed agreements have been reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 4/ All State Surplus Materials Revolving Fund monies received by the Department of Administration in excess of \$2,977,800 in FY 2020 are appropriated to the department. Before spending State Surplus Materials Revolving Fund monies in excess of \$2,977,800 in FY 2020, the Department of Administration shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 5/ The amount appropriated for Southwest Defense Contracts shall be distributed to a nonprofit organization that advocates for preserving and enhancing critical defense missions and assets in the southwestern United States. (General Appropriation Act footnote)
- 6/ The amount appropriated for the Public Safety Regional Communications line item shall be distributed to the City of Sierra Vista for technology infrastructure maintenance at the Southeastern Arizona Communications Center. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ On or before September 1, 2020, the department shall submit a report for review by the Joint Legislative Budget Committee on the results of pilot projects implemented in FY 2020 for the state employee public transportation service reimbursements pursuant to A.R.S. § 41-710.01, in a vehicle emissions control area as defined in A.R.S. § 49-541 of a county with a population of more than 400,000 persons. (General Appropriation Act footnote)
- 9/ The appropriation from the Automation Operations Fund established by A.R.S. § 41-711 is an estimate representing all monies, including balance forward, revenues and transfers during FY 2020. These monies are appropriated to the Department of Administration for the purposes established in A.R.S. § 41-711. The appropriation is adjusted as necessary to reflect monies credited to the Automation Operations Fund for automation operation center projects. Before spending any Automation Operations Fund monies in excess of \$31,040,900 in FY 2020, the department shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 10/ The Legislature intends that the department not replace vehicles until they have an average of 80,000 miles or more. On or before August 1, 2019, the department shall submit a report to the Joint Legislative Budget Committee on the maintenance savings achieved by replacing vehicles that have an average of 80,000 miles or more. (General Appropriation Act footnote)

Operating Budget

The budget includes \$97,184,400 and 504.1 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$7,851,600
Air Quality Fund	927,300
Automation Operations Fund	29,536,600
Capital Outlay Stabilization Fund (COSF)	10,893,700
Corrections Fund	573,700
Federal Surplus Materials Revolving Fund	465,200
Information Technology Fund	2,086,800
Motor Vehicle Pool Revolving Fund	10,191,200
Personnel Division Fund	12,723,800
Risk Management Revolving Fund	7,824,000
Special Employee Health Insurance Trust Fund	5,291,900
Special Services Revolving Fund	1,169,000
State Surplus Materials Revolving Fund	1,167,800
State Web Portal Fund	4,836,200
Telecommunications Fund	1,645,600

FY 2020 adjustments are as follows:

Enterprise Email and Calendar Solution

The budget includes an increase of \$4,500,000 from the Automation Operations Fund in FY 2020 for costs associated with the consolidation of statewide email systems at ADOA. The increase shifts costs from state agencies to ADOA to pay for licensing and administration for the email system.

Shared Hosted Data Center Operating Costs

The budget includes an increase of \$1,354,300 from the Automation Operations Fund in FY 2020 for operating costs associated moving the State Data Center to a private third-party location.

One-Time Government Website Support

The budget includes a one-time increase of \$250,000 from the State Web Portal Fund in FY 2020 to fund state agency website transformation and operating costs.

Central Services Bureau Shared Services

The budget includes an increase of \$110,600 from the Special Services Revolving Fund in FY 2020 for increased costs associated with shared services in the 1740 W. Adams state office building, including security, Wi-Fi, and conference rooms.

Statewide Adjustments

The budget includes a decrease of \$(223,300) in FY 2020 for statewide adjustments. This amount consists of:

General Fund	(62,500)
Automation Operations Fund	(363,200)
Capital Outlay Stabilization Fund	407,300
Corrections Fund	1,200
Federal Surplus Materials Revolving Fund	300
Information Technology Fund	10,300
Motor Vehicle Pool Revolving Fund	28,600
Personnel Division Fund	(24,000)
Risk Management Revolving Fund	10,800
Special Employee Health Insurance Trust Fund	8,100
Special Services Revolving Fund	(21,700)
State Surplus Materials Revolving Fund	14,100
State Web Portal Fund	38,100
Telecommunications Fund	(270,700)

(Please see the Agency Detail and Allocations section.)

Facilities Management

Utilities

The budget includes \$7,649,900 from the Capital Outlay Stabilization Fund in FY 2020 for Utilities. This amount is unchanged from FY 2019.

This line item funds utility charges, including electric, water, gas, and garbage disposal for state-owned buildings.

Bolin Plaza Improvements

The budget includes no funding in FY 2020 for improvements to Wesley Bolin Plaza. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(25,300) from the State Monument and Memorial Repair Fund in FY 2020 to eliminate one-time funding for improvements to Wesley Bolin Plaza.

Financial Services

Arizona Financial Information System

The budget includes \$9,418,700 and 28 FTE Positions from the Arizona Financial Information System Collections Fund in FY 2020 for the Arizona Financial Information System (AFIS). FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(29,000) from the Arizona Financial Information System Collections Fund in FY 2020 for statewide adjustments.

This line item funds the operation of AFIS including staffing and support, software licensing and maintenance, hosted production and disaster recovery.

Named Claimants

The budget includes no funding in FY 2020 for Named Claimants. FY 2020 adjustments are as follows:

One-Time Named Claimants Funding

The budget includes a decrease of \$(12,846.67) in FY 2020 for the elimination of one-time funding of prior year unpaid claims. This amount consists of:

General Fund	(541.62)
Capital Outlay Stabilization Fund	(11,877.37)
Risk Management Revolving Fund	(427.68)

The state must annually settle unpaid claims against received goods and services. Vendors providing goods and services to the state can make claims against the receiving agencies if invoices are not paid in full. Up to 1 year following receipt, state agencies have the financial authority to pay such claims through administrative adjustments. However, the Legislature must grant special appropriation authority to pay claims older than 1 year.

Monies in this line item are not included in the General Appropriation Act. A separate legislative act usually makes this appropriation. Laws 2019, Chapter 231 appropriated \$12,846.67 in FY 2019 for prior year unpaid claims. (See Other Issues for more information.)

Information Technology Services

Statewide Information Security and Privacy Operations and Controls

The budget includes \$6,356,600 and 3 FTE Positions from the Information Technology (IT) Fund in FY 2020 for Statewide Information Security and Privacy Operations and Controls.

Cybersecurity Controls

The budget includes an increase of \$2,888,600 from the Information Technology Fund in FY 2020 to pay for Statewide IT Security controls.

The IT Fund receives revenue from a pro-rata charge on agency payroll. To pay additional statewide IT security costs, the FY 2020 Budget Procedures Budget Reconciliation Bill (BRB) increases the IT pro-rata charge from 0.3% to 0.43%. The FY 2020 budget appropriated funding to agencies to pay the increased charge. (Please see the Agency Detail and Allocations section for more information.)

Statewide Adjustments

The budget includes a decrease of \$(2,900) in FY 2020 from the IT Fund for statewide adjustments.

As part of the Arizona Strategic Enterprise Technology (ASET) Office, the office performs strategic planning, policy development, and risk assessment to protect the state's information resources.

Information Technology Project Management and Oversight

The budget includes \$1,504,300 and 15 FTE Positions from the Automation Operations Fund in FY 2020 for IT Project Management and Oversight. FY 2020 adjustments are as follows:

APF FTE Positions Shift

The budget includes an increase of 15 FTE Positions from the Automation Operations Fund in FY 2020 for statewide IT project oversight and management. The FY 2019 budget shifted \$1,500,000 from the Automation Projects Fund (APF) to ADOA's operating budget to fund Personal Services and Employee Related Expenditures to manage and oversee IT projects statewide. This shift aligns FTE Positions with the previous funding shift. (Please see the ADOA Automation Projects Fund narrative for a corresponding FTE Position reduction.)

Statewide Adjustments

The budget includes an increase of \$4,300 from the Automation Operations Fund in FY 2020 for statewide adjustments.

This line item funds staffing costs for statewide project management and oversight at the ADOA Arizona Strategic Enterprise Technology Office. A.R.S § 18-104 requires ADOA to approve all IT projects over \$25,000.

Risk Management

Federal Transfer Payment

The budget includes no funding in FY 2020 for one-time payments to the federal government. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(9,168,400) from the Risk Management Revolving Fund in FY 2020 to eliminate FY 2019 payments to the federal government for disallowed costs and for fund transfers in FY 2018.

The FY 2020 General Appropriation Act included an FY 2019 supplemental appropriation of \$9,168,400 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and for fund transfers in FY 2018. In addition, the FY 2020 General Appropriation Act also specifies that it is the intent of the Legislature that ADOA shall not enter into any agreements to pay for any federal reimbursements related to excess retained earnings in HITF, unless the proposed agreements are reviewed by the JLBC.

In order to receive Federal Funds, the state enters into a contractual obligation with the federal government, which restricts the use of these Federal Funds. If the state then uses these funds in restricted ways, the federal government requires that the state pay back a proportional share of these funds. *(Please see the Federal Financial Participation section in Other Issues for more information.)*

Risk Management Administrative Expenses

The budget includes \$8,747,200 from the Risk Management Revolving Fund in FY 2020 for Risk Management Administrative Expenses. This amount is unchanged from FY 2019.

This line item funds financial and actuarial analyses, relevant investigations, and related travel. This line item also funds legal representation from outside the Office of the Attorney General.

Risk Management Losses and Premiums

The budget includes \$46,178,400 from the Risk Management Revolving Fund in FY 2020 for Risk Management Losses and Premiums. This amount is unchanged from FY 2019.

This line item represents estimated payments for liability and property settlements, medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Workers' Compensation Losses and Premiums

The budget includes \$31,830,300 from the Risk Management Revolving Fund in FY 2020 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2019.

This line item accounts for the state's liability in workplace injuries. The funding represents payments for workers' compensation beneficiaries, hospital and medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Support Services

Government Transformation Office

The budget includes \$2,008,300 from the State Web Portal Fund in FY 2020 for the Government Transformation Office (GTO). FY 2020 adjustments are as follows:

GTO Operations

The budget includes an increase of \$1,000,000 in FY 2020 from the State Web Portal Fund for additional staff and resources at the GTO.

Statewide Adjustments

The budget includes an increase of \$8,300 in FY 2020 from the State Web Portal Fund for statewide adjustments.

The GTO assists state agencies in designing and implementing process improvements.

State Surplus Property Sales Agency Proceeds

The budget includes \$1,810,000 from the State Surplus Materials Revolving Fund in FY 2020 for State Surplus Property Sales Agency Proceeds. This amount is unchanged from FY 2019.

This line item separates surplus sales proceeds returned to agencies from the division's operating budget. The surplus property yard returns 90% of sales proceeds to the agency from which the property originated. The yard retains 10% of the proceeds to fund its operations.

Other

Southwest Defense Contracts

The budget includes \$25,000 from the General Fund in FY 2020 for Southwest Defense Contracts. This amount is unchanged from FY 2019.

This line item is for the distribution to a nonprofit organization that advocates for the preservation and enhancement of critical defense missions and assets in the southwestern United States.

Public Safety Regional Communications

The budget includes \$271,000 from the General Fund in FY 2020 for Public Safety Regional Communications. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$271,000 from the General Fund in FY 2020 for one-time funding for Sierra Vista Public Safety Communications.

The amount appropriated for the Public Safety Regional Communications line item shall be distributed to the city of Sierra Vista for technology infrastructure maintenance at the Southeastern Arizona Communications Center.

Other Issues

This section includes information on the following topics:

- FY 2019 Supplemental
- Statutory Changes
- Health Insurance Trust Fund
- Risk Management Revolving Fund
- Federal Financial Participation Repayment

FY 2019 Supplemental

Laws 2019, Chapter 231 provides \$604,834.56 in FY 2019 supplemental funding to various agencies for Named Claimants. This amount consists of:

	<u>Claim Amount</u>
<u>General Fund</u>	
Department of Administration	\$ 541.62
Department of Corrections	76,588.93
Department of Juvenile Corrections	8,000.00
Department of Public Safety	221,079.82

Other Appropriated Funds

Department of Administration	
Capital Outlay Stabilization Fund	11,887.37
Risk Management Revolving Fund	427.68
Department of Transportation	
State Highway Fund	486.72
Department of Public Safety	
Highway Patrol Fund	19,378.39
Criminal Justice Enhancement Fund	2,298.91
Forensics Fund	<u>264,145.12</u>
TOTAL	\$604,834.56

(See Federal Financial Participation Repayment section for another supplemental.)

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As permanent law, eliminate the JLBC review requirement for the AFIS transaction fee.
- As permanent law, modify the requirement that ADOA annually report on the Emergency Telecommunication Services Revolving Fund to include all expenditures and eliminate JLBC review requirement. Previous session law required ADOA to submit a report for review on wireless expenditures.
- As permanent law, amend A.R.S. § 18-421 to expand the allowable uses of the State Web Portal Fund to include operations of the Government Transformation Office
- As permanent law, change the Information Technology pro rata rate from 0.3% to 0.43% beginning July 1, 2019.

Health Insurance Trust Fund

The Health Insurance Trust Fund (HITF) is used to administer state employee health insurance benefit plans. Funding consists of employer and employee medical and dental insurance contributions. Prior to any legislation for FY 2018, the fund was expected to have ongoing revenues of \$820.4 million and ongoing expenditures of \$941.7 million resulting in a structural shortfall of \$(82.9) million in FY 2018. Given this potential shortfall in ongoing revenues, the FY 2018 budget included a one-time increase of \$25.0 million from the General Fund and \$76.4 million in total funds to improve the fund's overall cash balance (*see Table 1*). The FY 2019 budget included \$10.0 million from the General Fund and \$31.2 million in total funds for the one-time employer premium increase.

Table 1

Health Insurance Trust Fund

Balance Sheet

(\$ in millions)

	Actual FY 2018	Estimated FY 2019	Estimated FY 2020
Beginning Balance	\$ 152.8	\$ 147.7	\$ 114.8
Baseline Receipts	\$ 823.2	\$ 832.8	\$ 837.7
Employer One-Time Premium Increase	<u>76.4</u>	<u>31.2</u>	<u>34.4</u>
Net Revenues	\$1,052.4	\$1,011.7	\$ 986.9
Baseline Expenses	\$ 899.4	\$891.6	\$ 929.6
1/20 Plan Revisions	0.0	0.0	(8.0)
Administration	<u>5.3</u>	<u>5.3</u>	<u>5.3</u>
Net Expenses	\$ 904.7	\$ 896.9	\$ 926.9
Structural Balance	(81.5)	(60.1)	(89.2)
Ending Cash Balance	\$ 147.7	\$ 114.8	\$ 60.0

To further reduce costs, ADOA has also implemented changes to employee premiums, copays, and deductibles. At its September 2017 and June 2018 meetings, the JLBC gave unfavorable reviews of ADOA's proposed changes. However, ADOA proceeded with the changes as proposed.

The FY 2020 budget removes the FY 2019 one-time employer premium and replaces it with a new one-time employer premium statewide increase. The FY 2020 budget includes \$10.5 million from the General Fund and \$34.4 million in total funds for the one-time employer premium increase. Under the FY 2020 budget, the cash balance would be \$52.0 million in FY 2020 and the structural shortfall would be \$(97.2) million.

At the June 2019 JLBC meeting, ADOA proposed additional changes to employee deductibles and out-of-pocket maximums. ADOA's Plan Year (PY) 2020 insurance plan includes doubling some deductibles and increasing some out-of-pocket maximums by 50%. These changes would reduce HITF costs by \$(8.0) million in FY 2020 as employees would pay more for medical services. ADOA's PY 2020 changes slightly improve the cash balance and structural shortfall at \$60.0 million and \$(89.2) million, respectfully.

As a self-insured fund, the state assumes the direct risk for payment of claims and should therefore retain a sufficient balance to ensure claims can be paid in the event of fluctuations in cash flow or catastrophic expenses. The recommended reserve is between \$50.0 million to \$100.0 million, equal to approximately 1 month's claim expenses.

Risk Management Revolving Fund

ADOA's Risk Management Division annually levies a charge on all state agencies to provide funding to pay the state's property and liability losses and workers' compensation losses, and to purchase insurance coverage for losses not covered under our self-insured limits. The revenue generated from the charges to agencies is deposited in the Risk Management Revolving Fund.

Property and liability losses, along with workers' compensation losses, comprise the majority of Risk Management Revolving Fund expenditures.

In recent years, Risk Management expenditures have been significantly lower than fund revenue. Even with transfers of Risk Management monies to other agencies and transfers to the General Fund to help balance the budget, the fund has consistently had an ending balance over \$50 million.

Table 2 depicts actual balance, revenue, and expenditure information for FY 2018 as well as the estimated amounts for FY 2019 and FY 2020. Due to the unpredictable nature

Table 2

Risk Management Revolving Fund

(\$ in thousands)

	Actual FY 2018	Estimated FY 2019	Estimated FY 2020
Beginning Balance	76,453.7	69,104.8	59,617.2
Revenues	<u>105,302.0</u>	<u>103,266.8</u>	<u>105,714.4</u>
Total Funds Available	181,755.7	172,371.6	165,331.6
Expenditures			
ADOA	79,140.6	85,400.6	118,817.1
Federal Repayment	<u>15,802.5</u>	<u>9,168.5</u>	<u>0.0</u>
ADOA Subtotal	94,943.1	94,569.1	118,817.1
Other Agencies			
DPS	1,314.2	1,345.3	1,345.3
DCS	2,471.2	3,770.0	0.0
Attorney General	<u>9,968.6</u>	<u>10,070.0</u>	<u>10,070.0</u>
Other Agencies Subtotal	13,754.0	15,185.3	11,415.3
Other Legislative			
Transfers	440.0	0.0	0.0
Admin Adjustment	<u>3,513.8</u>	<u>3,000.0</u>	<u>0.0</u>
Total Expenditures	112,650.9	112,754.4	130,232.4
Ending Balance	69,104.8	59,617.2	35,099.2
Spending Adjustment ^{1/}	-	-	(20,000.0)
Adjusted Expenditures	<u>112,650.9</u>	<u>112,754.4</u>	<u>110,232.4</u>
Revised Balance	69,104.8	47,468.7	55,099.2

^{1/} Would reduce projected expenditures closer to historical ongoing spending levels which would increase the revised ending balance.

of the Risk Management program, ADOA tends to estimate future expenditures above historical spending levels. *Table 2* also includes an adjusted FY 2020 expenditure estimate, which is closer to historical spending levels. Under this adjusted estimate, the FY 2020 ending balance would be \$55.1 million.

As a result of the large balance in the Risk Management Revolving Fund, monies from the fund have been used to support other agencies in recent years. The use of the funding has typically been in circumstances where the lack of funding would result in potential liability to the state. Risk Management funds are used to pay for Department of Public Safety (DPS) Capitol Police salaries and provides funding for the Attorney General to defend the state in most risk management cases regarding agency liability. In addition, the FY 2018 budget included \$2,471,200 for Department of Child Safety (DCS) litigation expenses. The FY 2019 budget also included \$3,770,000 for DCS litigation expenses.

In addition to funding other agencies, the balance was used to refund a portion of certain fund balances to the federal government of \$14,482,700 in FY 2018 and 9,168.5 in FY 2019. *(Please see the Federal Transfer Payment Section above, and the Federal Financial Participation Repayment Section below, for more information.)*

Federal Financial Participation Repayment

In order to receive Federal Funds, the state enters into a contractual obligation with the federal government, which restricts some uses of these Federal Funds. If the state then uses these funds in restricted ways, the federal government requires that the state pay back a proportional share of these funds.

Fund Transfers

As part of its budget balancing, the state transferred monies from several ADOA funds to the General Fund in the past. The federal government contributed to several of those funds. For example, the state's Risk Management Revolving Fund is funded from charges to state agencies. These agencies may use Federal Funds to pay their charge. If part of the fund balance is transferred to the General Fund, the federal government bills the state to have a proportionate share of the transfer paid back to the federal government.

Disallowed Costs

The federal government does not allow the use of Federal Funds to pay state agency charges in certain circumstances. For example, the state's oversight of Information Technology (IT) projects is funded by an

assessment charged to each agency as a percentage of payroll expenses. The federal government disallows the use of Federal Funds to be spent on this type of oversight, because the costs to administer the program are charged proportionately to all agencies, and are not based on a fee-for-service model. As a result, the federal government bills the state a proportionate share if state agencies use Federal Funds to pay for these disallowed costs.

Excess Retained Earnings

Certain enterprise funds carry a balance beyond the annual needs of the fund in order to provide some stability of cash flow. The federal government, however, charges the state for their proportionate share of excess fund balances above any amount that would fund more than 1/6th of the fiscal years' expenditures, or 60 days of working capital. In the past, the state has successfully negotiated not to be charged for excess fund balances in HITF.

FY 2018

The FY 2019 General Appropriation Act included an FY 2018 supplemental appropriation of \$15,802,500 from the Risk Management Revolving Fund to repay the federal government for restricted uses in FY 2017. This amount consists of:

- \$13,977,700 related to fund transfers in FY 2017. This amount consists of:
 - \$10,495,600, for fund transfers from the Health Insurance Trust Fund.
 - \$3,482,100 for fund transfers from 8 ADOA funds for projects funded in the Automation Projects Fund.
- \$1,630,500 related to interest on fund transfers.
- \$194,300 related to excess retained earnings in the IT Fund.

FY 2019

The FY 2020 General Appropriation Act included an FY 2019 supplemental appropriation of \$9,168,400 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and fund transfers in FY 2018. This amount consists of:

- \$3,419,400 related to fund transfers from 3 different funds in FY 2018.
- \$143,900 related to interest on fund transfers.
- \$5,074,400 related to payments made with 2 funds with federal financial participation.
- \$274,200 related to interest on payments.
- \$256,500 related to excess retained earnings in the IT Fund.

Amounts owed for FY 2019 will be paid in FY 2020 through a supplemental appropriation. The final appropriated amount will be determined once ADOA reaches agreement with the federal government. *(Please see the Federal Transfer Payment line item above for information.)*

Arizona Department of Administration - Automation Projects Fund

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
INDIVIDUAL PROJECTS ^{1/2/3/4/5/6/}			
Department of Administration Subaccount			
<i>Full Time Equivalent Positions</i>	15.0	15.0	0
e-Procurement System Replacement ^{2/}	5,003,700	3,000,000	0
Business One-Stop Shop Web Portal	0	0	1,000,000
ASET Initiatives			
State Date Center	6,982,000	4,697,000	0
Security, Privacy, and Risk	3,588,000	0	0
Enterprise Architecture	269,300	0	0
Project Management	1,222,200	0	0
E-Government	700,800	500,000	0
HRIS Replacement Feasibility Study/Upgrade	293,500	821,900	0
ASET Initiatives Subtotal	13,055,800	6,018,900	0
Department of Administration Subtotal	18,059,500	9,018,900	1,000,000
Statewide Board e-Licensing Subaccount			
e-Licensing	595,500	0	0
Department of Agriculture Subaccount			
Weights and Measures IT Assessment	0	0	200,000
Department of Child Safety Subaccount			
CHILDS Replacement	5,562,600	5,000,000	10,100,000
Department of Corrections ^{2/}			
AIMS Replacement	2,908,300	0	0
Department of Education Subaccount			
Education Learning and Accountability System	7,699,800	0	3,000,000
Department of Environmental Quality Subaccount			
e-Licensing	2,765,100	3,200,000	0
Department of Financial Institutions Subaccount			
e-Licensing	0	1,400,000	0
Industrial Commission of Arizona			
Claims Processing System	1,017,400	0	0
Arizona State Lottery Commission			
Information Technology System Upgrade	2,047,400	0	0
Arizona Medical Board Subaccount			
Cloud Migration	0	0	300,000
Department of Public Safety Subaccount			
Arizona Criminal Justice Information System	2,343,000	2,806,200	2,301,000
Microwave System Upgrade	625,000	1,250,000	0
Concealed Weapon Tracking System	0	0	410,000
Department of Public Safety Subtotal	2,968,000	4,056,200	2,711,000
Department of Revenue			
Information Technology Infrastructure	11,000,000	0	0
TOTAL - ALL PROJECTS ^{8/}	54,623,600	22,675,100	17,311,000

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Automation Projects Fund	54,623,600	0	0
Department of Administration APF Subaccount	0	9,018,900	1,000,000
Department of Agriculture APF Subaccount	0	0	200,000
Department of Child Safety APF Subaccount	0	5,000,000	10,100,000
Statewide Board e-Licensing APF Subaccount	0	0	0
Department of Education APF Subaccount	0	0	3,000,000
Department of Environmental Quality APF Subaccount	0	3,200,000	0
Department of Financial Institutions APF Subaccount	0	1,400,000	0
Medical Board APF Subaccount	0	0	300,000
Department of Public Safety APF Subaccount	0	4,056,200	2,711,000
SUBTOTAL - Other Appropriated Funds	54,623,600	22,675,100	17,311,000
SUBTOTAL - Appropriated Funds ^{9/}	54,623,600	22,675,100	17,311,000
TOTAL - ALL SOURCES	54,623,600	22,675,100	17,311,000

AGENCY DESCRIPTION —The Automation Projects Fund (APF) is administered by the Arizona Department of Administration (ADOA). Monies in this appropriated fund are designated to implement, upgrade, or maintain automation and information technology projects for any state agency. Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit an expenditure plan to JLBC for review.

FOOTNOTES

- 1/ General Fund monies are transferred into the Automation Projects Fund to finance certain projects. See *Table 1* for all fund transfers into the APF. These individual transfers are discussed in the narrative as part of the individual projects listed in the Automation Projects Fund.
- 2/ Beginning in FY 2019, APF is divided into subaccounts.
- 3/ Represents expenditures from the APF. The FY 2018 actual column also includes non-lapsing expenditures from FY 2015, FY 2016, and FY 2017 appropriations.
- 4/ Total excludes \$3,000,000 appropriated from the APF in FY 2018 to ADE for K-12 Broadband.
- 5/ The amounts appropriated pursuant to this section from the Automation Projects Fund established by A.R.S § 41-714 in FY 2019 are exempt from the provisions of A.R.S § 35-190, relating to lapsing of appropriations until June 30, 2020. (FY 2019 General Appropriation Act footnote)
- 6/ The amount appropriated pursuant to this section from the Automation Projects Fund established by A.R.S § 41-714 in FY 2020 is exempt from the provisions of A.R.S § 35-190, relating to lapsing of appropriations until June 30, 2021. (General Appropriation Act footnote)
- 7/ For the funding for the Department of Administration e-Procurement system replacement project and the State Department of Corrections Inmate Information Management System Replacement, any remaining balances on June 30, 2017 in the Automation Projects Fund established by A.R.S § 41-714, are appropriated through FY 2020 for the same purpose as specified in FY 2017. (General Appropriation Act footnote)
- 8/ The Department of Administration shall submit to the Joint Legislative Budget Committee, within 30 days after the last day of each calendar quarter, a quarterly report on implementing projects approved by the Information Technology Authorization Committee established by A.R.S § 18-121, including the projects' expenditures to date, deliverables, timeline for completion and current status. (General Appropriation Act footnote)
- 9/ The transfers into the Automation Projects Fund established by A.R.S § 41-714 as outlined in this section are not appropriations out of the Automation Projects Fund. Only direct appropriations out of the Automation Projects Fund are appropriations. (General Appropriation Act footnote)

Background

The APF is administered by ADOA and consists of monies appropriated by the Legislature. Monies in the fund are

used to implement, upgrade, or maintain automation and information technology (IT) projects for any state agency. Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit an expenditure plan to the Joint Legislative Budget Committee (JLBC) for review.

The report must include project costs, deliverables timeline for completion and method of procurement. The FY 2019 Budget Procedures Budget Reconciliation Bill required ADOA to establish subaccounts for each agency that implements an IT project funded through the APF and prohibits monies from being transferred between agency subaccounts. Previously, all agency projects were funded from the lump sum APF appropriation. The subaccounts provide transparency in the accounting of expenditures for each APF project.

Pursuant to A.R.S. § 18-121, the Information Technology Authorization Committee (ITAC) is required to approve or disapprove all IT projects, that exceed a total cost of \$1,000,000 and IT projects that involve more than one state agency if the collective project costs are expected to be more than \$1,000,000.

In addition, pursuant to A.R.S. § 18-104, any large-scale IT projects with a total cost greater than \$5,000,000 must receive relevant third-party analysis from an independent contracted vendor before receiving approval from ITAC. The third-party consultant is required to review and provide guidance on the technology approach, scope, estimated cost, timeline for completion and overall feasibility of the project. Statute also requires budget units to submit quarterly reports from the third-party consultant to ITAC and the JLBC on the project progress within 30 days after the end of the calendar quarter.

The budget continues a General Appropriation Act footnote requiring ADOA to submit quarterly reports, within 30 days of the end of the calendar quarter, to the JLBC on the progress of all APF projects and projects approved by ITAC, including the projects' expenditures to date, deliverables, timeline for completion, and current status.

The FY 2019 budget extended the lapsing status of FY 2018 APF appropriations through FY 2019. In addition, FY 2019 appropriations do not lapse until the end of FY 2020. The FY 2020 budget continues a footnote allowing FY 2020 appropriations to be expended in FY 2021. In addition, the FY 2020 budget extends the lapsing status of the ADOA e-Procurement System Replacement and Arizona Department of Corrections Adult Inmate Management Information System projects through FY 2020.

Department of Administration Subaccount

e-Procurement System Replacement

The budget includes no funding in FY 2020 for the replacement of the state's e-Procurement system. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(3,000,000) from the ADOA APF Subaccount in FY 2020 to eliminate one-time funding to replace the state's e-procurement system.

A total of \$12,000,000 was appropriated between FY 2017 and FY 2019 to replace the state's e-procurement system. The FY 2019 budget made the FY 2017 appropriation non-lapsing through FY 2019.

At the September 2016 JLBC meeting, the Committee favorably reviewed \$300,000 of the allocation for the project's third-party review. In September 2017, the Committee failed to pass a favorable review of ADOA's expenditure plan for the remaining \$8,700,000. ADOA proceeded with the project. In June 2018, the Committee favorably reviewed the FY 2019 \$3,000,000 appropriation to complete the project.

ADOA reported that the total project cost is \$12,081,400 including \$10,381,400 to purchase commercial off-the-shelf software, \$1,000,000 to integrate the software with the Arizona Financial Information System (AFIS), and \$700,000 for internal project costs. The system went live in October 2018.

The state's previous e-Procurement system, ProcureAZ, was implemented in 2010. The system serves as an online, publicly available, official procurement record and allows state agencies to manage solicitations, requisitions, and purchase orders, and notify registered vendors of available solicitations.

Business One-Stop Shop Web Portal

The budget includes \$1,000,000 from the ADOA APF Subaccount in FY 2020 for the Business One-Stop Shop Web Portal. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$1,000,000 from the ADOA APF Subaccount in FY 2020 for design costs associated with the development of a Business One-Stop Shop Web Portal. The web portal would serve as a streamlined application center for starting a business in Arizona including licensing requirements, trade name

registration and TPT and municipal privilege tax registration.

The FY 2020 appropriation of \$1,000,000 will be financed by a transfer from the General Fund into the ADOA APF Subaccount.

ASET Initiatives

The budget includes no funding in FY 2020 for ADOA's Arizona Strategic Enterprise Technology (ASET) Office projects. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(6,018,900) and (15) FTE Positions from the ADOA APF Subaccount in FY 2020 to remove one-time funding for IT projects and align staff with ongoing IT project oversight by the ASET Office in ADOA.

The 15 FTE Positions will shift to the ADOA operating budget and will assist in managing statewide IT projects. The FY 2019 budget already shifted funding for these FTE Positions to the ADOA operating budget. The Baseline continues to fund IT project management in the ADOA operating budget. *(Please see the ADOA section for more information.)*

Statewide Board e-Licensing Subaccount

E-Licensing

The budget includes no funding in FY 2020 for the statewide e-Licensing project.

The FY 2019 budget included \$450,000 from the Statewide Board e-Licensing APF Subaccount to add the Board of Behavioral Health Examiners to the statewide system.

The Director of the board has raised concerns with the e-Licensing project. The FY 2020 budget ex-appropriated the \$450,000 FY 2019 appropriation. The board will not proceed with the project. *(Please see the Board of Behavioral Health Examiners section for more information.)*

Department of Agriculture Subaccount

Weights and Measures IT Assessment

The budget includes \$200,000 from the Department of Agriculture APF Subaccount in FY 2020 for an assessment

of the Weights and Measures IT System. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$200,000 from the Department of Agriculture APF Subaccount in FY 2020 for an assessment to modernize the Weights and Measures IT system. The FY 2020 appropriation of \$200,000 will be financed by a transfer from the Air Quality Fund into the Department of Agriculture APF Subaccount.

The system is used to track and manage licenses, invoices, complaints, and inspections for the Weights and Measures division. The current system was built in-house and is prone to errors due to obsolete code. FY 2020 funding will assist in determining the scope of an upgrade or replacement of the system.

Department of Child Safety Subaccount

CHILDS Replacement

The budget includes \$10,100,000 from the DCS APF Subaccount in FY 2020 to replace the CHILDS system. FY 2020 adjustments are as follows:

Expenditure Alignment

The budget includes an increase of \$5,100,000 from the DCS APF Subaccount in FY 2020 to align expenditures with the continuation of the project. The FY 2020 appropriation of \$10,100,000 will be financed by a transfer from the General Fund into the DCS APF Subaccount.

Through FY 2019, the Legislature appropriated a total of \$25,684,600 for the CHILDS Replacement project. As a result, the \$10,100,000 in the budget increases cumulative state funding for the project to \$35,784,600. Including the 50% federal IV-E match, the budget would result in cumulative total resources for the project of \$71,569,200 through FY 2020. By comparison, DCS estimates a total project funding need of \$86,088,100.

The 3-year spending plan associated with the enacted FY 2020 budget does not provide any additional funding for CHILDS Replacement beyond FY 2020. Based on DCS' cost estimates, the department would need \$7,259,500 in additional state funding (\$14,519,000 Total Funds) above the budgeted funding level to complete the project. The precise magnitude of any additional costs will depend on how DCS' actual expenditures compare to the currently available resources. Through March 2019, DCS expended \$17,878,300 of its state appropriations.

CHILDS is the management information system used to document the status, demographics, location and outcomes for every child in the care of DCS. The system assists with various business processes including hotline intake, initial assessments and investigations, case management, adoptions, eligibility determinations, staff management, provider management and payment processing.

The new system, called Guardian, will be a "synthesized solution" in which a "system integrator" will be responsible for ensuring that each subsystem of Guardian (e.g., the mobile solution, safety and risk assessment tool, hosting environment, case management, financial management, data warehouse and data environment) functions properly together.

To date, DCS has awarded a contract to a vendor to develop the mobile solution, which allows caseworkers to use a mobile device to interface with the existing CHILDS system while in the field. The mobile solution development was completed in December 2017 and will eventually interface with Guardian. DCS also completed the configuration of the Guardian platform through which the system modules will be integrated in July 2017.

In April 2018, DCS awarded a contract to a vendor that will integrate the Guardian modules with the platform (called the "technical integrator"). Because the procurement of the technical integrator was delayed 6 months beyond the original project schedule, the department expects the project to be complete in FY 2021 instead of FY 2020.

Pursuant to A.R.S. § 18-104, DCS has contracted with a third-party vendor to provide additional oversight for the project. The most recent quarterly review from June 2019 indicated that the project continues to be on track.

Department of Corrections

AIMS Replacement

The budget includes no funding in FY 2020 for the replacement of the Adult Inmate Management System (AIMS) at the Department of Corrections (ADC). This amount is unchanged from FY 2019.

The FY 2017 budget included \$8,000,000 from the APF for the third and final year of a \$24,000,000 project to replace the AIMS at ADC. The FY 2018 budget appropriated any remaining FY 2017 AIMS project balances for use in FY 2018. The FY 2019 and FY 2020

budgets subsequently extended the appropriation through FY 2019 and FY 2020, respectively.

The AIMS system assists in the tracking, identification, population management, sentencing calculations, and the appeals and grievances processes for inmates in the correctional system. A contract was awarded to a vendor to oversee the modification of a commercial "off the shelf" system to fit the needs of ADC. Project costs include the off-the-shelf software, configuration, training, and equipment.

The project has encountered several problems that have delayed its completion, including more customization than originally anticipated, a more detailed validation process for data migration, more complex reporting requirements, and a newly discovered sentence calculation change. ADC now expects the project to exceed the original budget by \$6,900,000. To cover this increased cost, ADC plans to utilize \$4,900,000 from its operating budget and \$2,000,000 from the Indirect Cost Fund. The new "go-live" date is November 29, 2019.

ADC has put a freeze on any further change orders prior to the "go live" date. If any further issues are discovered prior to that date, the project cost may continue to rise.

The department estimates an ongoing maintenance cost of \$2,165,000 annually. These costs can be covered from the savings from the previous costs of maintaining the legacy system.

Pursuant to A.R.S. § 18-104, ADC has contracted with a third-party vendor to provide additional oversight for the project.

Department of Education

Education Learning and Accountability System

The budget includes \$3,000,000 from the Arizona Department of Education (ADE) APF Subaccount in FY 2020 for the Education Learning and Accountability System. FY 2020 adjustments are as follows:

Expenditure Alignment

The budget includes an increase of \$3,000,000 from the ADE APF Subaccount in FY 2020 for further development of the Education Learning and Accountability System (ELAS) at ADE. ELAS is intended to allow ADE to collect, compile, maintain, and report student level data for students enrolled in public schools. The funding will begin the replacement of the school finance portions of SAIS

("APOR" and "CHAR") that compute formula funding entitlements for school districts and charter schools.

The FY 2020 appropriation of \$3,000,000 will be financed by a transfer from the Empowerment Scholarship Account Fund into the ADE APF Subaccount.

ADE estimates that an additional \$6,000,000 will be needed over the next 2 years to complete the replacement the school finance portions of SAIS. (See the Department of Education - Education Learning and Accountability System section for more information.)

Department of Environmental Quality Subaccount

E-Licensing

The budget includes no funding in FY 2020 for e-Licensing. FY 2020 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(3,200,000) from the ADEQ APF Subaccount in FY 2020 to eliminate one-time funding for the e-Licensing project.

Between FY 2014 and FY 2019, a total of \$23,200,000 has been appropriated to automate 80 business processes within ADEQ allowing customers to conduct additional permitting, billing, payment, and data submissions online. Beyond FY 2019, ADEQ estimates this project will cost an additional \$16,300,000 and take an additional 3 years to complete. However, DEQ did not request additional funding in FY 2020 and will use current project balances in FY 2020 to continue to the project.

In December 2018, the Committee gave a favorable review for the FY 2019 appropriation to complete Phase 5 of the project.

Department of Financial Institutions Subaccount

E-Licensing

The budget includes no funding in FY 2020 for e-Licensing. FY 2020 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(1,400,000) from the DFI APF Subaccount in FY 2020 to eliminate one-time funding for the e-Licensing system.

In June 2018, DFI reported that it intended to join the statewide e-Licensing project. The Committee gave a

favorable review of the project. The DFI system will integrate the department's document management system and allow constituents to apply for and renew licenses online as well as submit complaints. The project also includes \$86,000 in annual ongoing costs, and is expected to be completed in FY 2019.

Arizona Medical Board Subaccount

Cloud Migration

The budget includes \$300,000 from the Medical Board APF Subaccount in FY 2020 for cloud migration. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$300,000 from the Medical Board APF Subaccount in FY 2020 to migrate board data to the cloud. The board plans to move data from a physical server that supports its daily operations and website to a cloud provider which will reduce hardware needs and increase security.

The FY 2020 appropriation of \$300,000 will be financed by a transfer from the Medical Examiners Board Fund into the Medical Board APF Subaccount.

Department of Public Safety Subaccount

Arizona Criminal Justice Information System

The budget includes \$2,301,000 from the Department of Public Safety (DPS) APF Subaccount in FY 2020 for upgrades to the Arizona Criminal Justice Information System (ACJIS). FY 2020 adjustments are as follows:

Expenditure Alignment

The budget includes a decrease of \$(505,200) from the APF DPS Subaccount in FY 2020 to align expenditures with the continuation of the ACJIS project. The FY 2020 appropriation allows the department to complete the final phase of the project.

The FY 2020 appropriation of \$2,301,000 will be financed by a transfer from Arizona Highway Patrol Fund into the DPS APF Subaccount.

ACJIS is the state's central repository for criminal history information including criminal history records, wanted persons, stolen vehicles, stolen property, and other information used in background checks. These funds will allow DPS to continue the process of upgrading ACJIS applications to a modern coding language which will allow

for increased access by state and local users and help prepare the program for an eventual migration from the mainframe computer to another data storage system.

Microwave System Upgrade

The budget includes no funding in FY 2020 for upgrades to the statewide Microwave Radio System. FY 2020 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(1,250,000) from the DPS APF Subaccount in FY 2020 to eliminate one-time funding for upgrades to the microwave radio system.

The statewide microwave radio system is a series of towers situated on mountain tops and divided into 3 loops that allow law enforcement and other state and local agencies to communicate with dispatch centers while in the field. In CY 2007, DPS began upgrading the statewide microwave radio system from analog to digital technology. Of the 3 loops, work on the southern loop was completed in FY 2011 and work on the western loop was completed in FY 2018.

According to the most recent DPS estimates, completing the northern loop will require \$12,500,000. At its December 2017 meeting, the JLBC favorably reviewed an engineering study of the northern loop. Upon finishing the study, which is expected to be completed in June 2019, DPS will have updated cost estimates on the completion of the microwave project which they will report to the Committee.

Concealed Weapons Tracking System

The budget includes \$410,000 from the DPS APF Subaccount in FY 2020 for upgrades to the Concealed Weapons Tracking System. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$410,000 from the DPS APF Subaccount in FY 2020 to replace the Concealed Weapons Tracking System. The system tracks concealed weapon permits and allows law enforcement to verify permits. The current system is on antiquated mainframe technology. The new system will interface with other law enforcement systems and allow the public to renew permits online

The FY 2020 appropriation of \$410,000 will be financed by a transfer from the Concealed Weapons Permit Fund into the DPS APF Subaccount.

Other Issues

FY 2019 Supplemental

The budget includes a reduction of \$(450,000) from the Statewide Board e-Licensing APF Subaccount in FY 2019 to remove the Board of Behavioral Health Examiners from the statewide project.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ADOA - APF costs are projected to decrease by \$(11.1) million in FY 2021 below FY 2020. No projects are assumed to be funded in FY 2021. However, as noted above, DCS will require an additional \$7.3 million to complete the CHILDS Replacement Project.

Table 1

Automation Projects Fund Transfers ^{1/}
(\$ in thousands)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
<u>Department of Administration Subaccount</u>			
General Fund			1,000.0
Automation Operations Fund	6,703.0	5,330.0	
State Web Portal Fund	5,065.6	3,517.0	
Information Technology Fund	500.0		
Risk Management Revolving Fund	440.0		
Personnel Division Fund		171.9	
<u>Statewide Board e-Licensing Subaccount</u>			
Various Funds (See FY 2018 Appropriations Report)	595.5		
<u>Department of Agriculture Subaccount</u>			
Air Quality Fund			200.0
<u>Department of Child Safety Subaccount</u>			
General Fund	5,000.0	5,000.0	10,100.0
<u>Department of Education Subaccount</u>			
General Fund	7,300.0		
Empowerment Scholarship Fund			3,000.0
<u>Department of Environmental Quality Subaccount</u>			
Underground Storage Tank Revolving Fund	3,200.0	1,400.0	
Permit Administration Fund		1,800.0	
<u>Department of Financial Institutions Subaccount</u>			
Receivership Fund		1,400.0	
<u>Industrial Commission of Arizona</u>			
Administrative Fund	1,017.4		
<u>State Lottery Commission</u>			
State Lottery Fund	3,497.4		
<u>Arizona Medical Board Subaccount</u>			
Medical Examiners Fund			300.0
<u>Department of Public Safety Subaccount</u>			
Public Safety Equipment Fund	1,000.0	1,250.0	
Concealed Weapons Permit Fund	2,500.0		410.0
Fingerprint Clearance Card Fund	1,343.0		
Highway Patrol Fund		2,806.2	2,301.0
<u>Department of Revenue</u>			
Department of Revenue Administrative Fund	4,000.0		
Liability Setoff Program Revolving Fund	4,000.0		

^{1/} FY 2018 transfers represent transfers into the APF. FY 2019 and FY 2020 transfers represent transfers into each agency APF subaccount pursuant to Laws 2018, Chapter 279, Section 28.

Office of Administrative Hearings

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	565,000	565,000	565,000
Employee Related Expenditures	214,900	215,000	216,800
Other Operating Expenditures	91,000	88,900	108,000
AGENCY TOTAL	870,900	868,900	889,800 ^{1/}
FUND SOURCES			
General Fund	870,900	868,900	889,800
SUBTOTAL - Appropriated Funds	870,900	868,900	889,800
Other Non-Appropriated Funds	858,900	793,900	793,900
TOTAL - ALL SOURCES	1,729,800	1,662,800	1,683,700

AGENCY DESCRIPTION — The Office of Administrative Hearings is an independent office whose services and personnel are to be used by all state agencies to conduct administrative hearings, unless exempted by law. All agencies supported by other appropriated or non-appropriated funding sources are to contract for administrative hearing services from the office. The Director shall assign Administrative Law Judges (ALJ) from the office to an agency, on either a temporary or permanent basis, to preside over contested cases in accordance with the special expertise of the ALJ in the subject matter of the agency.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$889,800 and 12 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$20,900 from the General Fund in FY 2020 in statewide adjustments.
(Please see the *Agency Detail and Allocations* section.)

Arizona Commission of African-American Affairs

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	83,100	83,100	83,100
Employee Related Expenditures	32,200	24,900	25,000
Travel - Out of State	0	3,200	3,200
Other Operating Expenditures	8,400	16,000	16,800
AGENCY TOTAL	123,700	127,200	128,100 ^{1/}
FUND SOURCES			
General Fund	123,700	127,200	128,100
SUBTOTAL - Appropriated Funds	123,700	127,200	128,100
Other Non-Appropriated Funds	9,700	15,000	15,000
TOTAL - ALL SOURCES	133,400	142,200	143,100

AGENCY DESCRIPTION — The Arizona Commission of African-American Affairs advises state and federal agencies on policies, legislation and rules that affect the African-American community, and enables the state to be responsive to the needs of the African-American community. The commission is composed of 9 public members and 8 ex-officio members.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$128,100 and 3 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$900 from the General Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Department of Agriculture

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	204.3	205.3	209.3 ^{1/2/3/}
Personal Services	5,451,700	6,005,300	6,299,400
Employee Related Expenditures	2,470,600	2,530,500	2,665,200
Professional and Outside Services	245,900	274,600	274,600
Travel - In State	498,800	634,500	706,900
Travel - Out of State	54,500	39,400	42,100
Other Operating Expenditures	1,442,100	1,329,100	1,676,600
Equipment	158,500	31,800	409,500
OPERATING SUBTOTAL	10,322,100	10,845,200	12,074,300 ^{4/5/}
SPECIAL LINE ITEMS			
Agricultural Consulting and Training	124,700	128,500	128,500
Agricultural Employment Relations Board	23,300	23,300	23,300
Animal Damage Control	65,000	65,000	65,000
Nuclear Emergency Management Program	209,200	275,000	301,400 ^{6/7/}
Red Imported Fire Ant Control	23,200	23,200	23,200
AGENCY TOTAL	10,767,500	11,360,200	12,615,700 ^{8/}
FUND SOURCES			
General Fund	9,225,500	9,640,000	10,865,500
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,332,800	1,445,200	1,448,800
Nuclear Emergency Management Fund	209,200	275,000	301,400
SUBTOTAL - Other Appropriated Funds	1,542,000	1,720,200	1,750,200
SUBTOTAL - Appropriated Funds	10,767,500	11,360,200	12,615,700
Other Non-Appropriated Funds	13,172,800	15,091,400	15,009,200
Federal Funds	5,744,900	6,351,500	6,351,500
TOTAL - ALL SOURCES	29,685,200	32,803,100	33,976,400

AGENCY DESCRIPTION — The Arizona Department of Agriculture administers and enforces agriculture-related statutes. The department regulates certain phases of food production (such as milking, butchering, and harvesting) to guard public health and to ensure product quality. The department administers programs to protect livestock and crops from pests and diseases and to protect farm workers who handle agricultural chemicals. The department also tests certain non-food agricultural products to ensure product quality and content, as well as providing administrative support to several agricultural product promotion groups. The Weights and Measures Service Division inspects, tests, and licenses commercial weighing and measuring devices. The Division of Pest Management licenses and regulates professional pest control companies and conducts examinations of the applicators of structural pesticides.

FOOTNOTES

- 1/ Includes 2.88 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ Includes 2.88 OF FTE Positions appropriated by Laws 2019, Chapter 24.
- 3/ Includes 3 GF FTE Positions appropriated by Laws 2018, Chapter 287.
- 4/ Laws 2018, Chapter 287 appropriated \$750,000 and 3 FTE Positions from the General Fund in FY 2020 for the regulation and licensing of industrial hemp.
- 5/ The Operating Lump Sum appropriation includes \$137,000 and 1 FTE Position for an additional dairy inspector and for Personal Services, Employee Related Expenditures, salary increases, and related expenditures for dairy inspectors. (General Appropriation Act footnote)
- 6/ Laws 2019, Chapter 24 appropriated \$301,376 and 2.88 FTE Positions in FY 2020 and \$280,512 and 2.88 FTE Positions in FY 2021 from the Nuclear Emergency Management Fund.

- 7/ Pursuant to A.R.S. § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations; however any unexpended monies shall be used to reduce the assessment and appropriation in future years.
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$12,074,300 and 206.4 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$10,625,500
Air Quality Fund	1,448,800

FY 2020 adjustments are as follows:

Dairy Inspector Salary Increase

The budget includes an increase of \$137,000 and 1 FTE Position from the General Fund in FY 2020 for an additional dairy inspector as well as a 16% salary increase for the 3 current department dairy inspectors. The increase will fund an average yearly increase of \$7,000 per dairy inspector.

Salary Increase

The budget includes an increase of \$29,900 from the General Fund in FY 2020 for an employee salary increase. The budget requires that the increase be allocated for Livestock Officers but does not specify a percentage amount.

Agricultural Lab Relocation

The budget includes an increase of \$411,900 from the General Fund in FY 2020 for increased rent costs associated with the relocation of the State Agricultural Lab. The State Agricultural Lab was previously located in the state-owned 1520 West Adams building which has been vacated and is set to be demolished by the end of 2019. The State Agricultural Lab will be relocated to private rental space in Chandler. The increased funding will be used to pay the adjusted rent cost associated with leasing private lab space as opposed to public lab space. In FY 2020, the department's rental cost will be prorated to reflect only 10 months of utilization. In subsequent years, the department is expected to be billed for a full 12-month lease agreement. *(Please see Long-Term Budget Impacts section.)*

Industrial Hemp Licensing

The budget includes a one-time increase of \$750,000 and 3 FTE Positions from the General Fund in FY 2020 for the licensing and regulation of industrial hemp. Laws 2018, Chapter 287 authorized the production, manufacturing,

and distribution of industrial hemp for commercial commerce by licensed hemp growers.

Of the \$750,000 amount, \$250,000 and 3 FTE Positions will be allocated to the department's Plant Services Division for laboratory testing related to the quality regulation of industrial hemp. The remaining \$500,000 will be used by the department for the administrative regulation of industrial hemp.

Chapter 287 delayed these appropriations until FY 2020 to allow for rule writing for industrial hemp regulation. Because these monies were appropriated in Chapter 287, they do not appear in the General Appropriation Act. Chapter 287 also established the Industrial Hemp Trust Fund for the purpose of funding the licensing and regulation of industrial hemp. The fund will receive monies from licensing fees to support the ongoing cost of the industrial hemp program.

Statewide Adjustments

The budget includes a decrease of \$(99,700) in FY 2020 for statewide adjustments. This amount consists of:

General Fund	(103,300)
Air Quality Fund	3,600

(Please see the Agency Detail and Allocations section.)

Agricultural Consulting and Training

The budget includes \$128,500 from the General Fund in FY 2020 for the Agricultural Consulting and Training line item. This amount is unchanged from FY 2019.

This line item funds on-site visits to establishments for consultation, interpreting, and applying alternative methods of complying with statutes, rules, regulations, and standards relating to compliance.

Agricultural Employment Relations Board

The budget includes \$23,300 from the General Fund in FY 2020 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2019.

This line item funds accounting and budgeting support for the Agricultural Employment Relations Board. The board

receives and investigates complaints and conducts farm labor union elections.

Animal Damage Control

The budget includes \$65,000 from the General Fund in FY 2020 for the Animal Damage Control line item. This amount is unchanged from FY 2019.

This line item funds agreements with the U.S. Department of Agriculture to control, dispatch, or relocate predatory animals and noxious rodents, which are injurious to livestock, poultry, agriculture, other industries, or the public health.

Nuclear Emergency Management Program

The budget includes \$301,376 and 2.88 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2020 for the Nuclear Emergency Management Program line item. FY 2020 adjustments are as follows:

New NEMF Assessment

The budget includes an increase of \$26,400 from the NEMF in FY 2020 for a new NEMF assessment.

Laws 2019, Chapter 24 appropriates \$301,376 and 2.88 FTE Positions from the NEMF in FY 2020 and \$280,512 and 2.88 FTE Positions in FY 2021. As a result, these monies do not appear in the General Appropriation Act. The Department of Health Services (DHS), the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2019-2021 are displayed in *Table 1*. (Please see the Department of Health Services and the Department of Emergency and Military Affairs narratives for more information.)

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the NEMF appropriation.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and testing necessary to comply with federally prescribed criteria.

Department representatives assist in the planning for off-site responses to an emergency at the Palo Verde Nuclear Generating Station and participate in the annual response exercises, mainly the Ingestion Pathway Zone exercises. The Department of Agriculture is responsible for controlling embargoes of food, water, and milk in the event that there is an emergency that would contaminate those items produced in the areas around the plant.

Red Imported Fire Ant Control

The budget includes \$23,200 from the General Fund in FY 2020 for the Red Imported Fire Ant Control line item. This amount is unchanged from FY 2019.

This line item funds ongoing pest exclusion efforts aimed at preventing the introduction of the red imported fire ant. The state has successfully suppressed isolated infestations of red imported fire ants and continues to be federally certified as free from this pest.

Table 1

Nuclear Emergency Management Fund

Agency	FY 2019		FY 2020		FY 2021	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	5.5	\$1,461,602	5.5	\$1,458,753	5.5	\$1,506,116
Health Services ^{2/}	5.5	789,663	5.5	789,663	5.5	789,663
Agriculture	2.88	275,012	2.88	301,376	2.88	280,512
Total	13.88	\$2,526,277	13.88	\$2,549,792	13.88	\$2,576,291

^{1/} The Emergency and Military Affairs appropriation includes the appropriations for the Maricopa County Department of Emergency Management and the City of Buckeye.

^{2/} Laws 2017, Chapter 313 transferred all responsibilities and unexpended or unencumbered monies of the Arizona Radiation Regulatory Agency to the Department of Health Services on January 1, 2018.

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, authorize the department to re-record livestock brands of the same design that were issued prior to August 3, 2017 without protest.

The Revenue BRB makes the following statutory changes:

- As session law, continue fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2020. The bill continues an intent clause that limits additional revenues to \$357,000.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the Department of Agriculture's General Fund costs are projected to decrease by \$(684,400) in FY 2021 below FY 2020 and remain constant in FY 2022 compared to FY 2021.

These estimates are based on:

- An ongoing increase of \$69,600 to fund the adjusted rent cost associated with the relocation of the State Agricultural Lab from public to private lab space.
- Removal of a one-time FY 2020 appropriation of \$750,000 made by Laws 2018, Chapter 287 for the initial funding for licensing and regulation of industrial hemp. Beginning in FY 2021, revenue from industrial hemp licensing and regulation fees is expected to supplant the initial funding from the General Fund appropriation.

(Please see the Agricultural Lab Relocation and Industrial Hemp Licensing policy issues in the Operating Budget for more information.)

Information Technology Feasibility Study

The budget includes an FY 2020 transfer of \$200,000 from the Air Quality Fund to the Arizona Department of Administration to conduct a feasibility study to replace or upgrade the information systems used by the Department of Agriculture's Weights and Measures Division. *(Please*

see the Department of Administration - Automation Projects Fund narrative for details regarding this information technology project.)

Capital Projects

The FY 2020 Capital Outlay Bill includes \$700,000 from the General Fund for the construction of a cold inspection facility at the Mariposa port of entry in Santa Cruz County Arizona. This amount is available for use through the end of FY 2021. *(Please see the Capital Outlay ADOA Building System section for more information.)*

Arizona Health Care Cost Containment System

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,326.3	2,339.3	2,339.3 ^{1/}
Personal Services	43,695,300	43,277,900	43,277,900
Employee Related Expenditures	18,472,300	18,279,200	18,383,900
Professional and Outside Services	10,904,900	11,146,800	11,146,800
Travel - In State	119,400	117,600	117,600
Travel - Out of State	24,500	24,100	24,100
Other Operating Expenditures	16,294,500	18,064,900	27,995,200
Equipment	569,000	574,800	574,800
OPERATING SUBTOTAL	90,079,900	91,485,300	101,520,300 ^{2/}
SPECIAL LINE ITEMS			
Administration			
ADOA Data Center	15,982,000	19,325,800	19,325,800
DES Eligibility	72,922,300	88,874,500	88,874,500 ^{3/}
Proposition 204 - AHCCCS Administration	17,788,800	13,143,500	13,155,200 ^{4/}
Proposition 204 - DES Eligibility	35,744,700	44,358,700	44,358,700 ^{4/}
Proposition 206 - Network Adequacy Report	61,700	0	0
Medicaid Services			
Traditional Medicaid Services	4,990,029,500	5,330,621,600	5,179,189,700 ^{5/6/7/8/}
Proposition 204 Services	3,587,140,400	3,936,110,800	4,168,410,500 ^{4/7/8/}
Adult Expansion Services	535,974,400	563,077,900	527,018,800 ^{7/8/}
Children's Rehabilitative Services	299,473,400	0	0
Comprehensive Medical and Dental Program	134,885,200	199,914,500	180,729,500 ^{7/}
KidsCare Services	57,555,400	81,846,900	106,516,300
ALTCS Services	1,541,358,300	1,605,757,300	1,796,913,800 ^{9/10/11/}
Behavioral Health Services in Schools	0	9,943,700	9,990,000
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	78,180,000	77,646,900	77,646,900 ^{12/}
Supported Housing	5,330,200	5,324,800	5,324,800
Crisis Services	16,407,200	16,391,300	16,391,300
Substance Use Disorder Services Fund Deposit	10,000,000	0	0
Hospital Payments			
Disproportionate Share Payments	4,859,900	5,087,100	5,087,100 ^{13/}
DSH Payments - Voluntary Match	15,493,600	38,220,300	40,980,200 ^{8/14/}
Graduate Medical Education	272,269,400	375,773,400	303,551,500 ^{8/15/-18/}
Graduate Medical Education - Community Health Centers	0	0	750,000
Rural Hospitals	22,650,000	28,612,400	28,612,400
Safety Net Care Pool	54,663,300	0	0 ^{8/19/}
Targeted Investments Program	19,991,900	70,000,000	90,000,000
AGENCY TOTAL	11,878,841,500	12,601,516,700	12,804,347,300 ^{20/-24/}
FUND SOURCES			
General Fund	1,759,338,500	1,740,528,600	1,760,748,100
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	4,251,300	3,756,200	3,906,400
Children's Health Insurance Program Fund	60,114,000	87,572,700	104,650,200
Prescription Drug Rebate Fund - State	145,284,800	148,458,800	150,526,700
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
TPTF Emergency Health Services Account	17,627,300	17,966,100	16,216,300

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
TTHCF Medically Needy Account	69,486,100	68,040,500	61,752,600
SUBTOTAL - Other Appropriated Funds	299,013,700	328,044,500	339,302,400
SUBTOTAL - Appropriated Funds	2,058,352,200	2,068,573,100	2,100,050,500
<u>Expenditure Authority Funds</u>			
County Funds	315,700,800	315,067,700	336,437,800
Delivery System Reform Incentive Payment Fund	6,149,500	21,773,100	28,062,400
Federal Medicaid Authority	8,408,942,600	9,039,581,900	9,106,639,800
Hospital Assessment Fund	255,421,000	310,023,300	340,871,900
Nursing Facility Provider Assessment Fund	32,501,500	32,989,400	32,989,600
Political Subdivision Funds	114,602,300	138,077,400	113,986,000
Prescription Drug Rebate Fund - Federal	548,393,900	550,507,200	609,060,300
Third Party Liability and Recovery Fund	0	194,700	194,700
Tobacco Litigation Settlement Fund	101,761,000	87,000,000	102,000,000
TPTF Proposition 204 Protection Account	37,016,700	37,728,900	34,054,300
SUBTOTAL - Expenditure Authority Funds	9,820,489,300	10,532,943,600	10,704,296,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	11,878,841,500	12,601,516,700	12,804,347,300
Other Non-Appropriated Funds	97,115,000	110,247,600	110,247,600
Federal Funds	132,182,200	193,060,400	193,461,800
TOTAL - ALL SOURCES	12,108,138,700	12,904,824,700	13,108,056,700

AGENCY DESCRIPTION — The Arizona Health Care Cost Containment System (AHCCCS) operates on a health maintenance organization model in which contracted providers receive a predetermined monthly capitation payment for the medical services cost of enrolled members. AHCCCS is the state's federally matched Medicaid program and provides acute care services, behavioral health services, and long term care services.

FOOTNOTES

- 1/ Includes 619.3 GF and 696.8 EA FTE Positions funded from Special Line Items in FY 2020.
- 2/ Of the amount appropriated for the Operating Lump Sum, \$100,000 shall be used for a suicide prevention coordinator to assist school districts and charter schools in suicide prevention efforts. The AHCCCS Administration, in consultation with the Department of Education, shall report to the Governor, the President of the Senate, the Speaker of the House of Representatives, the Director of the Joint Legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting on or before September 1, 2020 on the suicide prevention coordinator's accomplishments in FY 2020. (General Appropriation Act footnote)
- 3/ The amount appropriated for the DES Eligibility line item shall be used for intergovernmental agreements with the Department of Economic Security for eligibility determination and other functions. The state General Fund share may be used for eligibility determination for other programs administered by the Division of Benefits and Medical Eligibility based on the results of the Arizona Random Moment Sampling Survey. (General Appropriation Act footnote)
- 4/ The amounts included in the Proposition 204 - AHCCCS Administration, Proposition 204 - DES Eligibility and Proposition 204 Services line items include all available sources of funding consistent with A.R.S. § 36-2901.01B. (General Appropriation Act footnote)
- 5/ The AHCCCS Administration shall transfer up to \$1,200,000 from the Traditional Medicaid Services line item for FY 2020 to the Attorney General for costs associated with tobacco settlement litigation. (General Appropriation Act footnote)
- 6/ The AHCCCS Administration shall transfer \$836,000 from the Traditional Medicaid Services line item for FY 2020 to the Department of Revenue for enforcement costs associated with the March 13, 2013 Master Settlement Agreement with tobacco companies. (General Appropriation Act footnote)
- 7/ The Legislature intends that the percentage attributable to administration and profit for the Regional Behavioral Health Authorities be 9% of the overall capitation rate. (General Appropriation Act footnote)
- 8/ The Expenditure Authority fund source includes voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program or treat low-income patients and for payments to qualifying providers affiliated with teaching hospitals. The political subdivision portions of the FY 2020 costs of Graduate Medical Education, Disproportionate Share Payments - Voluntary Match, Safety Net Care Pool, Traditional Medicaid

Services, Proposition 204 Services and Adult Expansion Services line items are included in the Expenditure Authority fund source. (General Appropriation Act footnote)

- 9/ Any federal monies that the AHCCCS Administration passes through to the Department of Economic Security for use in long term care for persons with developmental disabilities do not count against the long-term care expenditure authority above. (General Appropriation Act footnote)
- 10/ Pursuant to A.R.S. § 11-292B, the county portion of the FY 2020 nonfederal costs of providing long term care system services is \$290,276,100. This amount is included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 11/ Any supplemental payments received in excess of \$108,386,600 for nursing facilities that serve Arizona Long Term Care System Medicaid patients in FY 2020, including any federal matching monies, by the AHCCCS Administration are appropriated to the Administration in FY 2020. Before spending these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be spent under this provision. These payments are included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 12/ On or before June 30, 2020, the AHCCCS Administration shall report to the Joint Legislative Budget Committee on the progress in implementing the *Arnold v. Sarn* lawsuit settlement. The report shall include, at a minimum, the Administration's progress toward meeting all criteria specified in the 2014 joint stipulation, including the development and estimated cost of additional behavioral health service capacity in Maricopa County for supported housing services for 1,200 class members, supported employment services for 750 class members, 8 assertive community treatment teams and consumer operated services for 1,500 class members. The Administration shall also report by fund source the amounts it plans to use to pay for expanded services. (General Appropriation Act footnote)
- 13/ The \$5,087,100 appropriation for Disproportionate Share Payments (DSH) for FY 2020 made pursuant to A.R.S. § 36-2903.01O includes \$4,202,300 for the Maricopa County Health Care District and \$884,800 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)
- 14/ Any monies received for Disproportionate Share Hospital payments from political subdivisions of this state, tribal governments and any university under the jurisdiction of the Arizona Board of Regents, and any federal monies used to match those payments, in FY 2020 by the AHCCCS Administration in excess of \$40,980,200 are appropriated to the Administration in FY 2020. Before spending these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
- 15/ Any monies for Graduate Medical Education received in FY 2020, including any federal matching monies, by the AHCCCS Administration in excess of \$303,551,500 are appropriated to the Administration in FY 2020. Before spending these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
- 16/ Notwithstanding A.R.S. § 36-2903.01G9 (a), (b) and (c), the amount for Graduate Medical Education includes \$1,666,700 from the state General Fund and \$3,857,700 from Expenditure Authority for the direct costs of graduate medical education programs located in a county with a population of less than 500,000 persons. The state General Fund amount may supplement, but not supplant, voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program. The Administration shall prioritize distribution to programs at hospitals in counties with a higher percentage of persons residing in a health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)
- 17/ Notwithstanding A.R.S. § 36-2903.01G9 (a), (b) and (c), the amount for Graduate Medical Education includes \$1,333,300 from the state General Fund and \$3,086,000 from Expenditure Authority for the direct costs of graduate medical education programs located in a county with a population of more than 500,000 persons. The state General Fund amount may supplement, but not supplant, voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program. The Administration shall prioritize distribution to programs at hospitals in counties with a higher percentage of persons residing in a health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)
- 18/ Monies appropriated for Graduate Medical Education in this section are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2021. (General Appropriation Act footnote)
- 19/ Any monies received for the Safety Net Care Pool by the AHCCCS Administration in FY 2020, including any federal matching monies, are appropriated to the Administration in FY 2020. Before spending these monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
- 20/ The non-appropriated portion of the Prescription Drug Rebate Fund established by A.R.S. § 36-2930 is included in the federal portion of the Expenditure Authority fund source. (General Appropriation Act footnote)

- 21/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the AHCCCS Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 22/ The AHCCCS Administration shall report to the Joint Legislative Budget Committee on or before March 1, 2020 on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than 2%. Before implementing any changes in capitation rates, the Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before the Administration implements any change in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the Administration shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal impact analysis demonstrates that this change will result in additional state costs of \$500,000 or more for any fiscal year, the Administration shall submit the policy change for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 23/ On or before July 1, 2020, the AHCCCS Administration shall report to the Director of the Joint Legislative Budget Committee the total amount of Medicaid reconciliation payments and penalties received on or before that date since July 1, 2019. (General Appropriation Act footnote)
- 24/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS' FY 2020 General Fund spending increases by \$20,219,500, or 1.2%, from FY 2019. This amount includes:

- \$30,675,400 for formula adjustments;
- \$11,800,000 for long term care provider rate adjustments;
- \$3,000,000 for Graduate Medical Education funding in health professional shortage areas;
- \$750,000 for one-time funding of Graduate Medical Education in community health centers in Northern Arizona;
- \$(26,054,100) to transfer DD behavioral health services to DES; and
- \$48,200 for statewide adjustments

Table 1 summarizes these changes. Below is an overview of FY 2020 formula adjustments. As part of the budget's 3-year spending plan AHCCCS' General Fund costs are projected to increase by \$136,097,000 in FY 2021 above FY 2020 and by \$73,137,100 in FY 2022 above FY 2021. (See the Other Issues section for more information.)

Table 1

AHCCCS General Fund Budget Spending Changes (\$ in millions)

Formula Adjustments ^{1/}

Formula Adjustments	\$ 31
ALTCs Provider Rate Increase	12
GME	3
Community Health Center GME	1
Transfer DD Behavioral Health	(26)
Total Spending Change	\$ 20

^{1/} Numbers do not add to total due to rounding.

Formula Adjustments

Formula adjustments represent changes that occur under current law, including caseload, capitation, and federal match rate revisions. The budget includes \$29,088,500 from the General Fund in FY 2020 for the following AHCCCS formula adjustments.

- Base adjustment for lower-than-budgeted FY 2019 formula growth. (Please see the FY 2019 Ex-Appropriation section for more information.)
- Aggregate FY 2020 caseload growth of 0.2%. Table 2 provides budgeted enrollment growth by AHCCCS program in FY 2020.
- Inflation growth of 3.0%.
- An increase in the regular Federal Medical Assistance Percentage (FMAP) from 69.81% to 70.02% effective October 1, 2019.
- A decrease in the Children's Health Insurance Program (CHIP) match from 100% to 90.51% effective October 1, 2019.
- A decrease in the ACA expansion match rate (Adult Expansion and Proposition 204 Childless Adults) from 93.00% to 90.00% effective January 1, 2020.
- Changes in other revenues that cover state match expenses, including monies from tobacco taxes, county collections, and the Hospital Assessment.
- One-time savings for the suspension of the Affordable Care Act Health Insurer Fee in FY 2020. A federal continuing resolution (P.L. 115-120) imposed a one-time moratorium on the fee in CY 2019.

Table 2

AHCCCS Member Months ^{1/}

Population	June 2018 (Actual)	June 2019 (Actual)	June 2020 (Budgeted)	'19-'20% Change
Traditional	1,016,241	1,009,019	1,000,341	(0.9)%
Prop 204 Childless Adults	305,638	319,925	325,364	1.7
Other Proposition 204	182,069	185,961	189,122	1.7
Adult Expansion	76,207	76,825	78,131	1.7
KidsCare	29,733	34,318	34,901	1.7
CMDP	14,316	13,147	13,147	0.0
ALTCS - Elderly & Physically Disabled ^{2/}	29,734	31,241	31,772	1.7
Emergency Services	110,661	112,234	114,142	1.7
Total Member Months	1,764,599	1,782,670	1,786,921	0.2%

^{1/} The figures represent June 1 enrollment.

^{2/} The ALTCS program funded in AHCCCS. An additional 33,777 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of June 1, 2019.

Operating Budget

The budget includes \$101,520,300 and 1,023.2 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$28,637,600
Children's Health Insurance Program (CHIP) Fund	5,574,000
Prescription Drug Rebate Fund (PDRF) - State	2,728,800
Federal Medicaid Authority (FMA)	64,579,900

FY 2020 adjustments are as follows:

One-Time Funding for IT Operating Expenses

The budget includes an increase of \$9,878,000 in FY 2020 to provide one-time funding for operating expenses associated with AHCCCS' information technology systems for Asset Verification, Electronic Visit Verification, and Provider Management. This amount consists of:

PDRF - State	2,068,000
Federal Medicaid Authority	7,810,000

Statewide Adjustments

The budget includes an increase of \$157,000 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	44,700
CHIP Fund	8,200
PDRF - State	(100)
Federal Medicaid Authority	104,200

(Please see the Agency Detail and Allocations section.)

Administration

ADOA Data Center

The budget includes \$19,325,800 in FY 2020 for the Arizona Department of Administration (ADOA) Data Center. This amount consists of:

General Fund	5,915,400
CHIP Fund	160,000
Federal Medicaid Authority	13,250,400

These amounts are unchanged from FY 2019.

This line item funds charges paid by AHCCCS to ADOA pursuant to an interagency service agreement through which ADOA provides mainframe computing services to AHCCCS, including storage of medical records for AHCCCS enrollees.

DES Eligibility

The budget includes \$88,874,500 and 885 FTE Positions in FY 2020 for DES Eligibility services. These amounts consist of:

General Fund	25,491,200
Federal Medicaid Authority	63,383,300

These amounts are unchanged from FY 2019.

Through an Intergovernmental Agreement, DES performs eligibility determination for AHCCCS programs.

Proposition 204 - AHCCCS Administration

The budget includes \$13,155,200 and 131 FTE Positions in FY 2020 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,209,300
PDRF - State	60,900
Federal Medicaid Authority	8,885,000

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$11,700 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	3,500
Federal Medicaid Authority	8,200

Proposition 204 expanded AHCCCS eligibility. This line item contains funding for AHCCCS' administration costs of the Proposition 204 program.

Proposition 204 - DES Eligibility

The budget includes \$44,358,700 and 300.1 FTE Positions in FY 2020 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,815,800
Budget Neutrality Compliance Fund (BNCF)	3,906,400
Federal Medicaid Authority	23,636,500

FY 2020 adjustments are as follows:

Statutory Adjustments

The budget includes a decrease of \$(150,200) from the General Fund and a corresponding increase of \$150,200 from the BNCF in FY 2020 to reflect an increase of county contributions in FY 2020 as required by A.R.S. § 11-292. (See Table 6 for contributions by county.)

Background – The BNCF is comprised of contributions from Arizona counties for administrative costs of the implementation of Proposition 204. Prior to the proposition, the counties funded and administered the health care program for some of the Proposition 204 population. This line item contains funding for eligibility costs in DES for the Proposition 204 program.

Medicaid Services

AHCCCS oversees acute care, behavioral health services, and long-term care services for Medicaid enrollees. Chart 1 shows the income eligibility limits for each AHCCCS population in FY 2020. A description of program components can be found in the *Other Issues* section.

Traditional Medicaid Services

The budget includes \$5,179,189,700 in FY 2020 for Traditional Medicaid Services. This amount consists of:

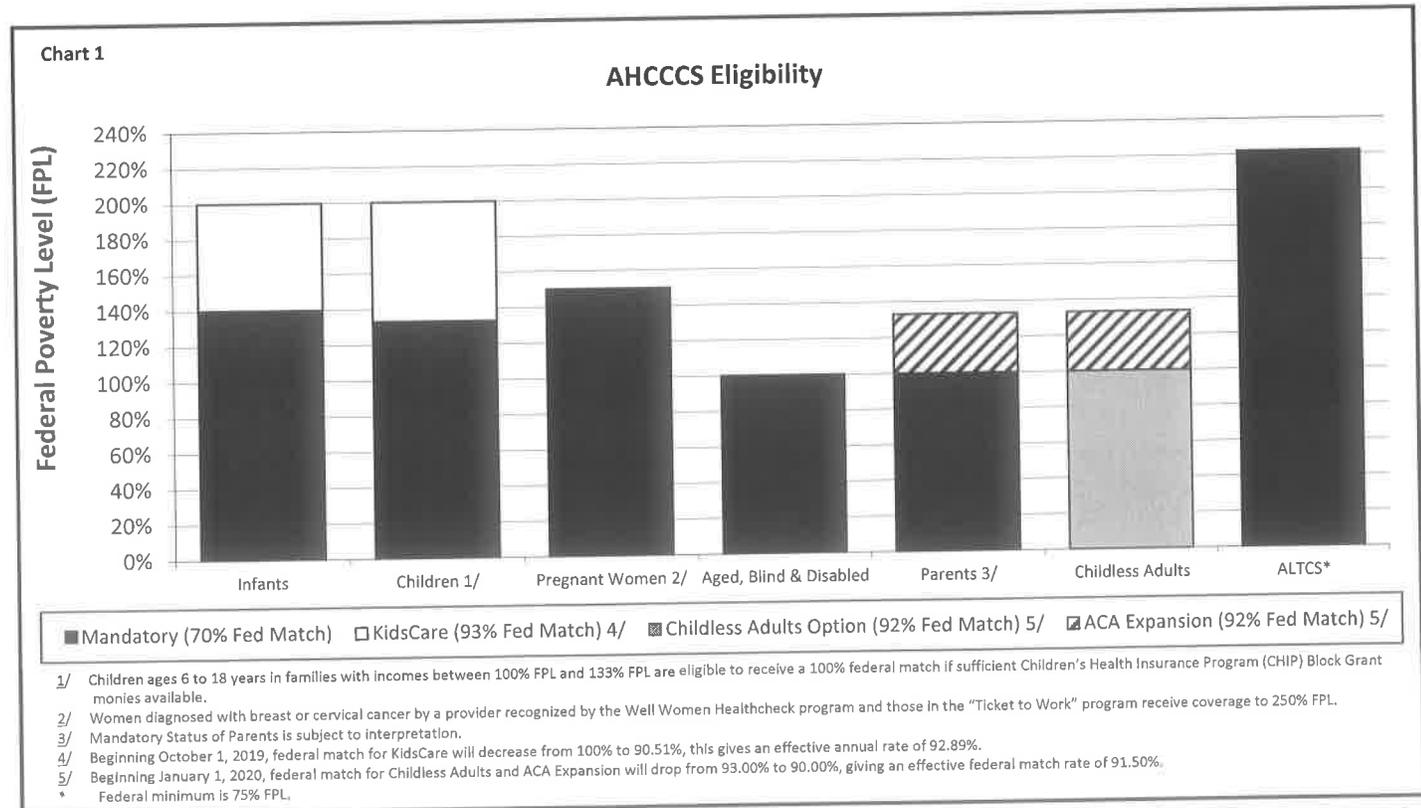
General Fund	1,170,627,100
County Funds	46,161,700
Political Subdivision Funds	10,297,700
PDRF - State	140,158,600
TTHCF - Medically Needy Account	61,752,600
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	3,177,359,000

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(66,064,500) in FY 2020 for formula adjustments. This amount consists of:

General Fund	(5,534,100)
County Funds	(351,200)



Political Subdivision Funds	37,000
TTHCF - Medically Needy Account	(6,287,900)
PDRF - In Lieu of Federal Funds	58,553,100
Federal Medicaid Authority	(112,481,400)

DD Behavioral Health Transfer

The budget includes a decrease of \$(85,367,400) in FY 2020 to transfer funding and administration of behavioral health services for people with developmental disabilities to the Department of Economic Security. This amount consists of:

General Fund	(26,054,100)
Federal Medicaid Authority	(59,313,300)

Background – Traditional Medicaid Services funds acute care and behavioral health services of the following populations (see Chart 1):

- Children less than 1, up to 140% of the federal poverty level (FPL).
- Children aged 1-18, up to 133% FPL.
- Pregnant women, up to 150% FPL.
- Aged, blind, and disabled adults, up to 75% FPL.
- Parents, up to 22% FPL.
- Women diagnosed with breast or cervical cancer by a provider recognized by DHS' Well Women Healthcheck program up to 250% FPL.
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL ("Ticket to Work").

Proposition 204 Services

The budget includes \$4,168,410,500 in FY 2020 for Proposition 204 Services. This amount consists of:

General Fund	95,088,500
Hospital Assessment Fund	303,482,900
Political Subdivision Funds	2,564,700
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	16,216,300
TPTF - Proposition 204 Protection Account	34,054,300
Federal Medicaid Authority	3,615,003,800

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$232,299,700 in FY 2020 for formula adjustments. This amount consists of:

General Fund	9,765,400
Hospital Assessment Fund	21,879,700
Political Subdivision Funds	632,800
Tobacco Litigation Settlement Fund	15,000,000
TPTF - Emergency Health Services Account	(1,749,800)

TPTF - Proposition 204 Protection Account	(3,674,600)
Federal Medicaid Authority	190,446,200

Background – The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population but are below 100% FPL (see Chart 1).

Adult Expansion Services

The budget includes \$527,018,800 in FY 2020 for Adult Expansion Services. This amount consists of:

General Fund	5,393,400
Hospital Assessment Fund	37,389,000
Political Subdivision Funds	179,900
Federal Medicaid Authority	484,056,500

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(36,059,100) in FY 2020 for formula adjustments. This amount consists of:

General Fund	1,529,200
Hospital Assessment Fund	8,968,900
Political Subdivision Funds	56,100
Federal Medicaid Authority	(46,613,300)

Background – Beginning on January 1, 2014, the Adult Expansion Services line item funds Medicaid services for adults from 100% to 133% FPL who are not eligible for another Medicaid program. The federal government paid 100% of the cost of this population in calendar years (CY) 2014 to 2016. The federal share will gradually decline to 90% by CY 2020.

Pursuant to A.R.S. § 36-2901.07 and Laws 2013, First Special Session, Chapter 10, coverage of this population is discontinued if any of the following occur: 1) the federal matching rate for adults in this category or childless adults falls below 80%; 2) the maximum amount that can be generated from the hospital assessment is insufficient to pay for the newly-eligible populations; or 3) the Federal ACA is repealed.

Comprehensive Medical and Dental Program

The budget includes \$180,729,500 in FY 2020 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	54,297,600
Federal Medicaid Authority	126,431,900

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(19,185,000) in FY 2020 for formula adjustments. This amount consists of:

General Fund	(5,916,300)
Federal Medicaid Authority	(13,268,700)

Background – This line item provides coverage to CMDP eligible children. CMDP is the health plan responsible for providing health services for children in foster care. The Department of Child Safety (DCS) administers the physical health services of the population while AHCCCS administers the behavioral health services through contracts with Regional Behavioral Health Authorities (RHBAs). Laws 2019, Chapter 305 authorizes the integration of physical health services and behavioral health services under a single plan administered by DCS (Please see the CMDP Integration section of the Department of Child Safety narrative for additional information.)

KidsCare Services

The budget includes \$106,516,300 in FY 2020 for KidsCare services. This amount consists of:

General Fund	7,523,800
Political Subdivision Funds	76,300
CHIP Fund	98,916,200

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$24,669,400 in FY 2020 for formula adjustments. This amount consists of:

General Fund	7,523,800
Political Subdivision Funds	76,300
CHIP Fund	17,069,300

Background – The KidsCare program, also referred to as the Children’s Health Insurance Program (CHIP), provides health coverage to children in families with incomes between 133% and 200% FPL, above the levels required for the regular AHCCCS program. Families of KidsCare members are charged a monthly premium of \$10 to \$70, depending on level of family income and number of children enrolled in the program.

KidsCare is funded with the federal CHIP Block Grant and state matching dollars. The federal monies are deposited into the CHIP Fund, and the CHIP Fund is then appropriated, along with the General Fund match, to fund

KidsCare. Enrollment in the program was frozen in January 2010.

Laws 2016, Chapter 112 required AHCCCS to submit a state plan amendment to the federal Centers for Medicare and Medicaid Services (CMS) to resume enrollment in the KidsCare program. The bill also eliminated a prior requirement that AHCCCS freeze enrollment in the program if the federal government "significantly reduces the federal funding below the estimated federal expenditures," effectively only mandating a freeze if federal funding for the program was eliminated entirely. CMS approved the request, and AHCCCS resumed enrollment in the program on September 1, 2016.

The FY 2018 Health Budget Reconciliation Bill (BRB) subsequently clarified that AHCCCS would be required to immediately stop processing applications in the program if the federal match rate fell below 100%. Federal legislation effectively decreased Arizona's match rate to 90.51% on October 1, 2019 and 79.21% on October 1, 2020.

The FY 2020 Health BRB amends A.R.S. § 36-2985 to remove the requirement that AHCCCS freeze enrollment when the match rate drops below 100%. The bill authorizes the AHCCCS Director to freeze enrollment if the director determines that state and federal funding for the program are insufficient.

The enacted FY 2020 budget assumes that AHCCCS enrollment would remain unfrozen in FY 2021 and FY 2022. Given the decline in the match rate to 79.21% in FY 2021, the state costs of the program are assumed to rise to rise by \$9.4 million from the General Fund in each of FY 2021 and FY 2022 above the costs of a KidsCare program under frozen enrollment.

ALTCS Services

The budget includes \$1,796,913,800 in FY 2020 for ALTCS services. This amount consists of:

General Fund	234,042,300
County Funds	290,276,100
PDRF - State	7,578,400
PDRF - In Lieu of Federal Funds	36,422,000
Nursing Facility Provider Assessment Fund	32,989,600
Federal Medicaid Authority	1,195,605,400

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$108,569,400 in FY 2020 for formula adjustments. This amount consists of:

General Fund	21,574,900
County Funds	10,565,400
Nursing Facility Provider Assessment Fund	200
Federal Medicaid Authority	76,428,900

Proposition 206 Rate Increase

The budget includes an increase of \$11,562,600 in FY 2020 to fund provider rate increases for minimum wage provisions of Proposition 206. This amount provides a half-year of funding for provider rate increase to address the minimum wage increase to \$12.00/hour, effective January 1, 2020. This amount consists of:

General Fund	1,944,500
County Funds	1,527,800
Federal Medicaid Authority	8,090,300

Additional Provider Rate Increases

The budget includes an increase of \$71,024,500 in FY 2020 to fund additional provider rate increases. This amount consists of:

General Fund	11,800,000
County Funds	9,628,100
Federal Medicaid Authority	49,596,400

This additional funding provides a level of resources that is comparable in magnitude to additional funding within the DES budget for developmental disabilities provider rate increases so as to ensure that provider rate increases implemented in DES and AHCCCS are similar. (Please see the DES narrative for additional information on DD provider rate increases.)

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$27,000 per person. The federal government requires coverage of individuals up to 100% of the Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or \$9,105 per person. In addition to state funding, AHCCCS charges assessments on nursing facilities to receive matching Federal Funds that are used to make supplemental payments to facilities for covered expenditures. Clients contribute to the cost of their care based on their income and living arrangement, with institutionalized members contributing more of their income to the cost of their care. For FY 2019, AHCCCS estimates that client contributions will pay for 5.2% of the cost of care.

From October 1, 2012 to September 30, 2015, Laws 2012, Chapter 213 allowed AHCCCS to set the amount of and charge a provider assessment on health items and services provided to ALTCS enrollees by nursing facilities that are not paid for by Medicare. Laws 2015, Chapter 39 continues the assessment through September 30, 2023. The assessment ranges from \$1.80 to \$15.63 per day of patient care. Pursuant to A.R.S. § 36-2999.52, AHCCCS may not increase rates to a level that generates assessment revenues more than 3.5% of facilities' net patient revenues.

Behavioral Health Services in Schools

The budget includes \$9,990,000 in FY 2020 for Behavioral Health Services in schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	6,990,000

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$46,300 from Federal Medicaid Authority in FY 2020 for a change in the federal match rate.

Background – This line item funds behavioral health services for at or near public school campuses for students that are Medicaid-eligible. AHCCCS plans to use \$1,000,000 of this funding for an interagency service agreement with the Arizona Department of Education of administration of Mental Health First Aid training in public schools. The remaining \$8,990,000 will be allocated to behavior health providers contracted with AHCCCS health plans that work directly in schools.

Non-Medicaid Behavioral Health Services

Non-Medicaid Seriously Mentally Ill Services

The budget includes \$77,646,900 from the General Fund in FY 2020 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2019.

Background – This line item provides funding for Non-Medicaid SMI clients. The state had been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population.

In January 2014, an exit agreement from the litigation was signed by Arizona’s Governor, Maricopa County, and the plaintiffs in the case. The Maricopa County Superior Court approved the agreement in February 2014. The exit

agreement requires the state to begin meeting requirements by June 2016 for providing assertive community treatment, supported housing, supported employment, crisis services, and family and peer support services to individuals with a serious mental illness. (Please see footnotes for more information on service targets established by the exit agreement and see the FY 2015 Appropriations Report for a history of the case.)

Supported Housing

The budget includes \$5,324,800 from the General Fund in FY 2020 for Supported Housing. This amount is unchanged from FY 2019.

Background – This line item funds housing services that enable individuals to live in the community. These funds are distributed to the RBHAs and may serve Medicaid and 100% state funded recipients. Medicaid, however, does not provide a match for housing assistance.

In addition to the \$5,324,800 for Supported Housing in this line item, the RBHAs may also expend monies in the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing services. The RBHAs report expending \$25,021,100 of their allocation from the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing Services in Federal Fiscal Year 2018.

Crisis Services

The budget includes \$16,391,300 in FY 2020 for Crisis Services. This amount consists of:

General Fund	14,141,100
Substance Abuse Services Fund	2,250,200

These amounts are unchanged from FY 2019.

Background – This line item provides funding for persons in need of emergency behavioral health assistance. These services may include 24-hour crisis telephone lines, crisis mobile teams, and facility-based crisis services.

Substance Use Disorder Services Fund Deposit

The budget includes no funding in FY 2020 for the Substance Use Disorder Services Fund Deposit. This amount is unchanged from FY 2019.

Background – Laws 2018, 1st Special Session, Chapter 1 appropriated \$10,000,000 from the General Fund in FY 2018 for deposit in the Substance Use Disorder Services Fund, as created by the act. The Substance Use Disorders

Services Fund is administered by AHCCCS. Monies in the fund are non-lapsing and shall be used for contracted substance use disorder services, with priority for individuals that are ineligible for Medicaid coverage.

AHCCCS plans to spend the entirety of the \$10,000,000 appropriation by the end of FY 2020. Thus far, AHCCCS has contracted with RBHAs and Tribal RBHAs to deliver services, such as doctor visits, lab tests, and methadone administration.

Hospital Payments

These line items represent supplemental payments made to hospitals and other providers separate from Medicaid service payments.

Disproportionate Share Hospital Payments Overview

The Disproportionate Share Hospital (DSH) program provides supplemental payments of federal and state dollars to hospitals that serve a large, or disproportionate, number of low-income patients. The total amount of eligible funding has historically been adjusted for annual changes in prices and the federal match rate.

Reduction in Federal DSH Payments

The federal Affordable Care Act included reductions in federal DSH payments by \$(500) million nationwide in FY 2014 and gradually increased the reductions to \$(5.6) billion by FY 2019. Subsequent federal legislation has delayed and modified the reduction amounts. The Medicare and CHIP Reauthorization Act of 2015 (P.L. 114-10) had previously delayed the DSH cuts until FY 2018. The Bipartisan Budget Act of 2018 (P.L. 115-123) further delayed nationwide DSH payment reductions until FY 2020. DSH cuts of \$(4.0) billion are now scheduled to begin in FY 2020 and would increase to \$(8.0) billion by FY 2021 and each year thereafter.

The \$(4.0) billion and \$(8.0) billion reductions required by the Bipartisan Budget Act of 2018 represent reductions in federal DSH funding of (31.7)% in FY 2020 and (63.4)% in FY 2021, respectively. Arizona's estimated federal DSH allocation in FY 2020 is \$117.3 million without any cuts to the program. As a result, a proportionate (31.7)% reduction in Arizona's DSH allotment would generate a net loss of Federal Funds of \$(37.2) million in FY 2020.

Relative to the FY 2020 budget, if the \$(37.2) million proportionate reduction occurs, the current DSH methodology would result in a \$(28.7) million Federal Funds reduction to eliminate the availability of the DSH - Voluntary program and a \$(8.5) million reduction in the

deposit of federal dollars in the General Fund for uncompensated care at Maricopa Integrated Health System (MIHS) (also called the Maricopa Medical Center).

Given that Congress has enacted multiple delays to the ACA's DSH payment reductions to states, the budget does not incorporate the \$(37.2) million federal funding loss in FY 2020. The budget instead assumes that Arizona's DSH allocation would be adjusted in FY 2020 according to the regular federal formula, as outlined below.

Increase in Uncompensated Care Payments

In FY 2020, the state's total DSH payments are estimated to increase by \$2,759,900, from \$164,884,100 in FY 2019 to \$167,644,000 in FY 2020 due to federal adjustments for inflation and the FMAP. Of the \$167,644,000 of eligible DSH funding in FY 2020, \$129,935,400 is distributed according to the allocations described below and listed in *Table 4*. The remaining \$37,708,600 of eligible funding represents existing expenditures used as part of the state match.

Public Hospital Distributions

Publicly-operated hospitals are required to document uncompensated care costs to the federal government through a Certified Public Expenditure (CPE) process. Those CPEs serve as the state match for the drawdown of Federal Funds. The publicly-operated hospitals are MIHS and DHS' Arizona State Hospital (ASH).

The budget includes an appropriation of \$4,202,300 of the federal draw down for distribution to MIHS. This distribution to MIHS is appropriated in the Disproportionate Share Payments line and is unchanged from FY 2019. The budget continues the state's long-standing practice of depositing any Federal Funds drawn down from MIHS and ASH in excess of \$4,202,300 to the General Fund.

The FY 2019 Health BRB established eligible funding of \$113,818,500 from MIHS and \$28,474,900 from ASH for FY 2018 and FY 2019, which would have resulted in net General Fund deposits of \$95,246,400 in FY 2018 and \$95,132,700 in FY 2019. After the enactment of the budget, AHCCCS informed the JLBC Staff that the actual certifiable uncompensated care from MIHS in FY 2018 was \$97,304,100, or \$(16,514,400) below the eligible funding level assumed in the budget. As a result, the net General Fund deposit in FY 2018 was only \$83,704,600, or \$(11,541,900) less than the amount budgeted. The budget assumes no changes in MIHS' uncompensated care levels in FY 2019 and FY 2020, which would result in net General Fund deposits of \$83,604,000 in FY 2019 and \$83,868,100 in FY 2020.

Table 3

Disproportionate Share Hospital Payments

Eligible Funding ^{1/}	FY 2019	FY 2020
MIHS - CPE ^{2/}	\$97,304,100	\$97,304,100
ASH - CPE	28,474,900	28,474,900
Private Hospitals	884,800	884,800
DSH Voluntary Match ^{3/}	<u>38,220,300</u>	<u>40,980,200</u>
Total Funding	\$164,884,100	\$167,644,000
General Fund		
Retain FF of CPE (via MIHS) ^{2/}	\$ 63,725,700	\$ 63,930,000
Retain FF of CPE (via ASH)	<u>19,878,300</u>	<u>19,938,100</u>
Subtotal - General Fund	\$ 83,604,000	\$ 83,868,100
Other Entities		
State MIHS	\$ 4,202,300	\$ 4,202,300
Private Hospitals	<u>884,800</u>	<u>884,800</u>
Subtotal - Other Entities	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>
Total DSH Distributions	\$ 88,691,000	\$ 88,955,200
Voluntary Match ^{3/}	<u>\$ 38,220,300</u>	<u>\$ 40,980,200</u>
Total Distributions	\$ 126,911,400	\$ 129,935,400

^{1/} Amounts include state and federal match funding.

^{2/} The budget establishes MIHS DSH limit of \$113,818,500 in the FY 2020 Health BRB to maximize the DSH General Fund revenue deposit. As a result, the actual General Fund deposit from MIHS could reach a maximum of \$75,254,400 in FY 2019 and \$75,493,400 in FY 2020.

^{3/} The budget continues a footnote that appropriates any payments in excess of \$40,980,200 for DSH Voluntary Payments in FY 2020.

To maximize the potential General Fund revenues associated with DSH funding, the budget continues to establish an eligible DSH funding level for MIHS of \$113,818,500 in FY 2019 and FY 2020. If MIHS' uncompensated care increases again, the state would be able to deposit additional monies into the General Fund revenues of up to \$11,528,700 in FY 2019 and \$11,563,400 in FY 2020, respectively.

Private Hospital Distribution

The state appropriates General Fund dollars, which receive a drawdown of federal dollars, for DSH payments to private hospitals. The budget includes an \$884,800 total funds appropriation for this distribution in the Disproportionate Share Payments line, including \$265,300 from the General Fund and \$619,500 in Federal Medicaid Authority, and is unchanged from FY 2019.

DSH Voluntary Match Distribution

The state allows local governments, tribal governments and universities to provide the state match in the form of voluntary payments to draw down federal dollars. Any eligible DSH funding remaining after the previously mentioned allocations is made available for voluntary match payments. The budget includes a \$40,980,200 total funds appropriation for this distribution in the DSH Payments - Voluntary Match line, including \$12,285,900

of local voluntary payments and \$28,694,300 in federal expenditure authority. The budget continues a prior year footnote that appropriates any additional payments in excess of \$40,980,200.

Disproportionate Share Payments

The budget includes \$5,087,100 in FY 2020 for Disproportionate Share Payments. This amount consists of:

General Fund	265,300
Federal Medicaid Authority	4,821,800

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$1,800 from Federal Medicaid Authority and a corresponding decrease of \$(1,800) from the General Fund in FY 2020 due to a change in the federal match rate.

Of the \$5,087,100 of total funds appropriated by the budget in the Disproportionate Share Payments line, \$884,800 represents distributions to private hospitals including \$265,300 from the General Fund and \$619,500 in federal expenditure authority. In FY 2018, there were 31 private hospitals that received DSH payments. The remaining \$4,202,300 represents federal matching funds that the state appropriates to MIHS.

DSH Payments - Voluntary Match

The budget includes \$40,980,200 in FY 2020 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	12,285,900
Federal Medicaid Authority	28,694,300

FY 2020 adjustments are as follows:

Increased Funding

The budget includes an increase of \$2,759,900 in FY 2020 for an increase in Arizona's allocation of federal DSH funding. This amount consists of:

Political Subdivision Funds	747,200
Federal Medicaid Authority	2,012,700

Although the FY 2019 General Appropriation Act displays a \$21,705,900 appropriation for FY 2019, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed the JLBC that the actual DSH - Voluntary monies received for FY 2018 was \$36,213,000 due to a lower-than-budgeted level of

uncompensated care at MIHS of \$97,304,100. The FY 2019 appropriation has been adjusted to \$38,220,300, or an increase of \$16,514,400, to reflect the lower level of uncompensated care at MIHS.

Background – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The budget continues provisions from the FY 2019 Health BRB that gives priority to eligible rural hospitals when allocating voluntary match DSH payments and continues to permit AHCCCS to include MIHS in allocations of voluntary match DSH payments if MIHS' CPE and matching Federal Funds exceed \$113,818,500 in FY 2019. In FY 2018, there were 8 hospitals that received voluntary match DSH payments.

Graduate Medical Education

The budget includes \$303,551,500 in FY 2020 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	3,000,000
Political Subdivision Funds	88,581,500
Federal Medicaid Authority	211,970,000

FY 2020 adjustments are as follows:

Remove 2017 Payments

The budget includes a decrease of \$(82,165,600) in FY 2020 for a reduction in GME payments. This amount consists of:

Political Subdivision Funds	(25,640,800)
Federal Medicaid Authority	(56,524,800)

Although the FY 2019 General Appropriation Act displays a \$274,684,900 appropriation for FY 2019, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed JLBC that it expects to expend \$375,773,400 in total GME payments in FY 2019, or \$101,088,500 more than appropriated in the FY 2019 budget.

The FY 2019 appropriation has been adjusted to the \$375,773,400 level. Of that amount, \$82,165,600 represents late payments for medical education costs incurred in calendar year 2017. The budgeted decrease in FY 2020 results from removing this delay in payments.

Increase for Health Professional Shortage Areas

The budget includes an increase of \$9,943,700 in FY 2020 to increase GME payments for hospitals located in health professional shortage areas. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	6,943,700

A General Appropriation Act footnote directs AHCCCS to allocate \$5,524,400 Total Funds of the increase for GME programs located in a county with less than 500,000 persons and the remaining \$4,419,300 to programs in counties with a population of more than 500,000 persons. The \$3,000,000 General Fund amount may supplement, but not supplant, existing political subdivision funds for GME programs. AHCCCS shall prioritize funding for hospitals located in federally-designated health professional shortage areas.

The 3-year spending plan associated with the enacted FY 2020 budget assumes that the General Fund appropriation for Graduate Medical Education program will increase from \$3,000,000 in FY 2020 to \$6,000,000 in FY 2021 and \$9,000,000 in FY 2022. The \$9,000,000 in FY 2022 would include a \$5,000,000 allocation for rural GME program and \$4,000,000 for urban GME programs. The funding phase-in assumes that the recipient hospitals would increase the number of slots for incoming residents in FY 2020 and each successive class thereafter, but that the number of slots for the cohorts already enrolled in the program (i.e., that started in FY 2019 or before) would remain unchanged. As a result, the full phase-in of the larger number of slots would occur incrementally until FY 2022.

Background – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. Besides the use of General Fund monies, A.R.S. § 36-2903.01 allows local, county, and tribal governments, along with public universities to provide state match for GME, and entities may designate the recipients of such funds. In FY 2018, 15 hospitals received a total of \$272,269,500 for Graduate Medical Education.

Graduate Medical Education - Community Health Centers

The budget includes \$750,000 from the General Fund in FY 2020 for Graduate Medical Education - Community Health Centers. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$750,000 from the General Fund in FY 2020 for onetime funding of graduate medical education in community health centers to address health care provider shortages in northern Arizona.

Background – Monies in this line item are distributed to a nonprofit organization with a network of community health centers that includes GME program in Northern Arizona.

Rural Hospitals

The budget includes \$28,612,400 in FY 2020 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	8,578,000
Federal Medicaid Authority	20,034,400

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$60,000 from Federal Medicaid Authority and a corresponding decrease of \$(60,000) from the General Fund in FY 2020 due to a change in the federal match.

Background – This line item includes \$12,158,100 for the Rural Hospital Reimbursement program, which increases inpatient reimbursement rates for qualifying rural hospitals. The remaining \$16,454,300 is for the CAH program, which provides increased reimbursement to small rural hospitals that are federally designated as CAHs. Funding is distributed according to a hospital’s share of the cost in serving Medicaid enrollees during the prior year. In FY 2018, 20 hospitals qualified for funding from Rural Hospital Reimbursement and 10 from CAH.

Safety Net Care Pool

The budget includes no funding in FY 2020 for the Safety Net Care Pool (SNCP) program. This amount is unchanged from FY 2019.

Background – The SNCP program funds unreimbursed costs incurred by hospitals in caring for uninsured and AHCCCS recipients. Local governments or public universities provide the state match, and the voluntary contributions receive an approximate 2:1 match from the federal government.

In April 2012, AHCCCS received federal approval to establish the SNCP program. While this program was originally expected to end on December 31, 2013, the FY 2014 Health and Welfare BRB allowed Phoenix Children’s Hospital (PCH) to continue to participate in the SNCP program through December 31, 2017. The FY 2018 Health BRB further extends the date PCH may participate in the program to December 31, 2020. The federal government, however, ended funding for the program after December

31, 2017. The budget continues a prior year footnote that appropriates any additional payments in FY 2020.

Targeted Investments Program

The budget includes \$90,000,000 in FY 2020 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	28,062,400
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	61,937,600

FY 2020 adjustments are as follows:

Increased Funding

The budget includes an increase of \$20,000,000 in FY 2020 to reflect resources authorized by the federal government for the Targeted Investments Program. This amount consists of:

DSRIP Fund	6,289,300
Federal Medicaid Authority	13,710,700

Background – In January 2017, the Centers for Medicare and Medicaid Services (CMS) approved AHCCCS' request to create a Targeted Investments Program. AHCCCS began using the program in FY 2018 to make incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services. CMS has authorized up to \$300 million in total funds for the program from FY 2018 through FY 2022. The state portion of the program's cost is funded from certified public expenditures for existing state-funded programs and voluntary contributions from local governments and public universities.

Other Issues

This section includes information on the following topics:

- FY 2019 Ex-Appropriation
- Statutory Changes
- Long-Term Budget Impacts
- Prescription Drug Rebate Fund
- Waiver
- SMI Funding
- Affordable Care Act Litigation
- Access to Professional Services Initiative
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2019 Ex-Appropriation

The FY 2020 budget includes an ex-appropriation of \$(36,564,900) from the General Fund in FY 2019, primarily for lower-than-budgeted caseload growth. The enacted FY 2019 budget assumed that Traditional enrollment would decline by (3.1)% in June 2018 compared with June 2017, and would grow by 1.0% by June 2019 compared to June 2018. The actual traditional enrollment change was (4.1)% by June 2018 and (0.8)% by June 2019.

Statutory Changes

The Health Budget Reconciliation Bill makes the following statutory changes:

Rates and Services

- As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels.
- As permanent law, repeal the requirement that AHCCCS freeze enrollment in the KidsCare program when the match rate falls below 100% and restore AHCCCS authority to freeze enrollment if the director determines that state and federal funding for the program is insufficient.
- As permanent law, allow monies in the Seriously Mentally Ill Housing Trust Fund to be expended on rental assistance for seriously mentally ill persons.

Counties

- As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
- As session law, set the County Acute Care contribution at \$46,161,700. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2020 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.
- As session law, set the FY 2020 county Arizona Long Term Care System (ALTCS) contributions at \$290,276,100.

Hospitals

- As session law, continue to establish FY 2020 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (MIHS), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional

Medical Center. Keep the MIHS distribution of \$113,818,500 in FY 2020.

- As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow MIHS to be eligible for Pool 5 allocations, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions.

Available Funding

- As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.

Reports

- As permanent law, continue to require AHCCCS and the Department of Health Services (DHS) to submit a joint report to the Legislature and the Governor by January 2 of each year on hospital costs and charges. This provision had previously been authorized as session law.
- As permanent law, continue to require AHCCCS to report to JLBC on or before January 2 of each year on the availability of inpatient psychiatric treatment and "psychiatric boarding" in emergency rooms for children and adults enrolled in Arizona's Regional Behavioral Health Authorities. This provision had previously been authorized as session law.
- As session law, require AHCCCS to complete a study with a contracted third-party entity on or before January 31, 2022 on the costs and effectiveness of secure behavioral health residential facilities for individuals with a serious mental illness. The study must take into account impacts on outcomes related to health, employment, and interactions with the criminal justice system for such individuals.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, AHCCCS's General Fund spending increases by \$136.1 million in FY 2021 above FY 2020 and by \$73.1 million in FY 2022 above FY 2021 due to enrollment growth, inflation, and federal match rate changes. These amounts also assume an increase in General Fund costs for Graduate Medical Education will increase by \$3.0 million in FY 2021 above FY 2020 and by \$3.0 million in FY 2022 above FY 2021. (Please see the Graduate Medical Education line item for additional information.)

In addition to AHCCCS spending changes, the budget's 3-year spending plan assumes that AHCCCS will transfer \$16.7 million from the Prescription Drug Rebate Fund to the General Fund in FY 2021 and FY 2022.

Prescription Drug Rebate Fund

At the beginning of FY 2019, AHCCCS reported a one-time cash balance of \$102.7 million in the Prescription Drug Rebate Fund (PDRF) - State due to higher-than-forecasted rebates from prior years. To spend down the balance, the budget includes a one-time transfer of \$69.0 million from PDRF to the General Fund in FY 2020. Under the budgeted projections of ongoing fund revenues and disbursements, the PDRF - State balance is estimated to total \$5.6 million at the end of FY 2020 (see Table 4). (Please see the Long Term Budget Impacts section for changes to the Prescription Drug Rebate Fund in FY 2021 and FY 2022.)

Table 4

State Prescription Drug Rebate Fund Sources and Uses		
	FY 2019	FY 2020
Revenues		
Beginning Balance	\$ 102,679,500	\$ 60,896,600
Rebate Collections	<u>159,275,900</u>	<u>165,188,900</u>
Total Revenues	\$261,955,400	\$226,085,500
Budgeted Disbursements		
Operating Budget and Administration	\$ 721,800	\$ 721,700
One-Time IT Operating Expenses	0	2,068,000
Traditional Services	140,158,600	140,158,600
ALTCS Services	<u>7,578,400</u>	<u>7,578,400</u>
<i>AHCCCS Subtotal</i>	<i>\$148,458,800</i>	<i>150,526,700</i>
<i>DHS: One-Time Health Research</i>	<i>0</i>	<i>1,000,000</i>
Total Disbursements	\$148,458,800	\$151,526,700
General Fund Transfer ^{1/}	\$ 52,600,000	\$69,000,000
Projected Ending Balance	\$ 60,896,600	\$ 5,558,800

^{1/} The FY 2019 transfer was enacted by Laws 2018, Chapter 276.

Waiver

Laws 2015, Chapter 7 requires AHCCCS to reapply by March 30 of each year to implement a lifetime limit of 5 years for enrollment of able-bodied adults and a requirement for able-bodied adults to work, actively seek work, or participate in a job training program. The federal government has not previously approved Arizona's waiver application for these provisions. Laws 2018, Chapter 201 revises AHCCCS' required annual waiver submission to exempt American Indians enrolled for services through the Indian Health Service or an Urban Indian Health program from such requirements.

On January 18, 2019 the federal Centers for Medicare and Medicaid Services (CMS) partly approved AHCCCS' waiver

submission. Effective January 1, 2020, AHCCCS enrollees aged 19-49 will be subject to a "community engagement" requirement of 80 hours per month, which may be satisfied with employment, education, job or life skills training, job search activities, or community service. Individuals failing to comply with the requirement will have their AHCCCS coverage suspended for 2 months. Coverage will be automatically reinstated following the 2-month suspension. CMS did not approve the request for a 5-year time limit on coverage.

The waiver exempts several populations from the community engagement requirement, including individuals with an SMI diagnosis, members of federally recognized tribes, and former foster youth. After accounting for the exemptions, AHCCCS estimates that 120,000 enrollees will be subject to the community engagement requirement.

In January 2019, AHCCCS opened a request for proposals (RFP) for a new information technology system called the "AHCCCS Works Portal" that AHCCCS enrollees will use to report their compliance with the community engagement requirement. The costs of the AHCCCS Works portal are not yet known.

SMI Funding

Table 5 shows total Medicaid funding in FY 2020 for the integrated SMI population at an estimated \$1.0 billion for 42,079 recipients. This amount includes all funding for acute care and behavioral health services. State and federal funding for this population is located in the Traditional, Proposition 204, and Adult Expansion line items.

Table 5

FY 2020 Budgeted Medicaid Funding for Integrated SMI

	<u>State Match</u>	<u>Federal Match</u>	<u>Total Funds</u>	<u>Enrollees</u>
Traditional	\$157,524,400	\$367,320,700	\$ 524,845,100	21,139
Proposition 204	83,762,700	412,870,500	496,633,200	19,820
Adult Expansion	<u>2,396,200</u>	<u>25,794,800</u>	<u>28,191,000</u>	<u>1,120</u>
Total ^{1/}	\$243,683,300	\$805,986,000	\$1,049,669,300	42,079

^{1/} Estimates reflect Medicaid capitation spending for acute care and behavioral health services for the SMI population. They do not include any services funded by non-Medicaid state funds, federal grant funds, or county funds.

Affordable Care Act Litigation

A recent federal court ruling has the potential to have a significant impact on the federal Affordable Care Act (ACA). Starting in 2014, this legislation established an "individual mandate" that requires individuals to purchase

health insurance satisfying minimum coverage requirements specified in federal law. Through Tax Year (TY) 2018, individuals that are not in compliance with the mandate are subject to the "Shared Responsibility Payment," which consists of a tax of up to 2.5% of household income. In December 2017, the federal Tax Cuts and Jobs Act (TCJA) established a shared responsibility amount of \$0, effective TY 2019. The individual mandate was not repealed, but now there is no penalty for non-compliance.

On December 14, 2018, a Federal District Court ruled in *Texas v. Azar* that with a \$0 Shared Responsibility Payment established in TCJA, the ACA's individual mandate is unconstitutional and that, by extension, the entirety of the ACA is unconstitutional. The case is currently on appeal. The appeal process is expected to take a considerable amount of time.

If upheld, the *Texas v. Azar* ruling would eliminate several components of the AHCCCS program. Pursuant to Laws 2013, First Special Session, Chapter 10, A.R.S. § 36-2901.07, and A.R.S. § 36-2901.08, AHCCCS is required to discontinue Medicaid eligibility for the Adult Expansion population (adults with incomes from 100% to 133% FPL) and eliminate the Hospital Assessment if either the ACA is repealed or the federal match rate for either the Adult Expansion or Proposition 204 Childless Adults falls below 80%. Coverage would continue for the Proposition 204 population from 0%-100% FPL and for children age 6-18 from 100%-133% FPL. Other major AHCCCS impacts include elimination of authority to collect most prescription drug rebates and elimination of the ACA health insurer fee.

In addition to impacts on AHCCCS, the overturning of the ACA would eliminate coverage on the ACA exchanges and associated federal subsidies, which covered 165,800 enrollees in Arizona in 2018.

The ACA has also been the subject of prior federal litigation, including:

- *National Federation of Independent Businesses v. Sebelius* (2012). The United States Supreme Court held that the ACA's individual mandate was constitutional, but that ACA's Medicaid expansion was optional for states.
- *Burwell v. Hobby Lobby* (2014): The United States Supreme Court ruled that the ACA's mandate that employers cover contraceptives for female employees cannot be applied to closely-held corporations with religious objections to the rule.
- *King v. Burwell* (2015): The United States Supreme Court held that the federal Department of Health and Human Services (HHS) had legal authority to issue

premium tax credits on federally-administered ACA exchanges.

- *U.S. House of Representatives v. Burwell* (2016) A United States District Court ruled that HHS did not receive an appropriation to finance ACA's cost-sharing subsidies for certain low-income individuals receiving coverage through the ACA exchanges. The case was later settled out of court.

Access to Professional Services Initiative

The Access to Professional Services Initiative (APSI) program funds a 40% rate increase for AHCCCS services rendered by select providers at qualifying hospitals. AHCCCS allocates the rate increases to physicians, physician assistants, nurse practitioners, psychologists and other select providers. To qualify for added reimbursement, providers must be affiliated with one of the following types of hospitals:

- GME hospital operated by a special health care district.
- GME hospital that provides 30% or more of services to AHCCCS members and is operated by a university.
- Children's hospital or hospital unit with at least 100 pediatric beds.

The FY 2019 budget included \$12.3 million from Political Subdivision Funds and \$51.2 million Total Funds for APSI in FY 2019. The budget includes an increase of \$725,900

in Political Subdivision Funds and \$3.4 million Total Funds in FY 2020 based on anticipated increases in utilization of the program. Funding for APSI is included in the line items for Traditional Services, Proposition 204 Services, and Adult Expansion Services. AHCCCS reports that 8 hospitals elected to participate in the program in FY 2018.

County Contributions

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in *Table 6*. The counties' single largest contribution is the ALTCS program. Pursuant to A.R.S. § 11-292, the state and the counties share in the growth of the ALTCS program, as defined by the following formula:

1. The growth is split 50% to the state, 50% to the counties.
2. The counties' portion is allocated among the counties based on their FY 2018 ALTCS utilization.
3. Each county's contribution is then limited to 90¢ per \$100 of net assessed property value. In FY 2020, this provision provides 4 counties with a total of \$11,807,500 in relief.
4. In counties with a tribal land population of at least 20%, the contribution is limited by an alternative formula specified in statute. In FY 2020, this provision provides 3 counties with a total of \$14,378,000 in relief.

County	FY 2019			FY 2020		
	BNCF	Acute	ALTCS	BNCF	Acute	ALTCS
Apache	\$123,800	\$268,800	\$644,500	\$128,800	\$268,800	\$720,200
Cochise	230,900	2,214,800	5,288,900	240,200	2,214,800	5,176,200
Coconino	227,800	742,900	1,935,200	236,900	742,900	2,162,200
Gila	93,600	1,413,200	2,239,000	97,300	1,413,200	2,418,200
Graham	66,500	536,200	1,578,400	69,200	536,200	1,684,400
Greenlee	17,100	190,700	49,000	17,800	190,700	8,200
La Paz	35,400	212,100	599,500	36,800	212,100	822,000
Maricopa	0	18,482,600	170,486,100	0	18,131,400	185,791,300
Mohave	266,000	1,237,700	8,479,400	276,500	1,237,700	9,232,700
Navajo	174,300	310,800	2,668,000	181,300	310,800	2,981,000
Pima	1,583,900	14,951,800	41,749,300	1,647,200	14,951,800	45,157,400
Pinal	309,900	2,715,600	13,853,200	322,300	2,715,600	13,755,300
Santa Cruz	73,200	482,800	2,084,400	76,200	482,800	2,266,800
Yavapai	292,800	1,427,800	8,334,500	304,500	1,427,800	8,543,800
Yuma	<u>261,000</u>	<u>1,325,100</u>	<u>8,565,400</u>	<u>271,400</u>	<u>1,325,100</u>	<u>9,556,400</u>
Subtotal	\$3,756,200	\$46,512,900	\$268,554,800	\$3,906,400	\$46,161,700	\$290,276,100
Total			\$318,823,900			\$340,344,200

5. If any county would still pay more under the above provisions than under the previous statutory percentages, that county's contribution is limited by a further alternative formula specified in statute. In FY 2020 no counties qualify for this relief.
6. The state pays for county costs above the average statewide per capita (\$42.17 in FY 2020). In FY 2020 this provision provides 6 counties with a total of \$16,284,700 in relief.

In FY 2020, provisions 3 through 6 of the ALTCS formula result in the state providing a total of \$42,470,200 in relief to 9 counties.

Program Components

Traditional Medicaid, Proposition 204, Adult Expansion, KidsCare, ALTCS, and CMDP services include the following:

Capitation

The majority of AHCCCS payments are made through monthly capitated payments to contracted health plans to cover Medicaid services. In FY 2020, the average capitation rate is expected to be approximately \$489 per member per month (or \$5,868 annually). Of that amount, an average of \$108 is from state match and \$382 from Federal Medicaid Authority.

Reinsurance

Reinsurance is a stop-loss program for health plans and program contractors for patients with unusually high costs. The health plan is responsible for paying all of a member's costs until an annual deductible has been met.

Fee-For-Service

Rather than using Capitation, Fee-For-Service payments are made for 3 programs: 1) federally-mandated services for Native Americans living on reservations; 2) temporary Fee-For-Service coverage for those who leave AHCCCS before enrolling in a capitated plan; and 3) federally-mandated emergency services for unauthorized and qualified immigrants.

Medicare Premiums

AHCCCS provides funding for the purchase of Medicare Part B (supplemental medical insurance) and Part A (hospital insurance). Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, this includes the cost of premiums for certain disabled workers and low-income Qualified Medicare Beneficiaries.

Clawback

AHCCCS is not required to pay for prescription drug costs for members who are eligible for Medicare. Instead,

AHCCCS is required to make "Clawback" payments to Medicare based on 75.0% of the estimated drug costs.

Tobacco Master Settlement Agreement

The budget requires AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2020 to assist in the enforcement of a multi-year settlement reached between tobacco companies and the state over the Master Settlement Agreement (MSA). This transfer amount consists of:

- Up to \$1,200,000 to the Attorney General for costs associated with tobacco settlement litigation. This amount is unchanged from FY 2019.
- \$836,000 to the Department of Revenue to fund 6 positions that perform luxury tax enforcement and audit duties. This amount represents an increase of \$400,000 compared to FY 2019 to reflect actual transfers made by AHCCCS to DOR in FY 2018.

This adjustment does not include the \$816,000 appropriation (\$84,400 General Fund and \$731,600 Consumer Protection-Consumer Fraud Revolving Fund) to the Attorney General for costs associated with tobacco settlement litigation. (*See the Attorney General - Department of Law section for more information.*)

Background – In 1998, the major tobacco companies and 46 states reached a settlement in which the signatory tobacco companies would make an annual payment to compensate the states for Medicaid costs associated with tobacco use. Currently, Arizona receives an annual payment that is distributed to states that diligently enforce the provisions and collection of tobacco tax laws.

In CY 2013, an arbitration panel approved an amended settlement between participating manufacturers and 19 states, including Arizona, to resolve issues relating to the tobacco tax enforcement. CY 2015 was the first year tobacco tax collections came under diligent enforcement scrutiny under the provisions of the amended settlement. The monies provided in the budget allow DOR to comply with the terms of the amended agreement through enhanced auditing capabilities and an automated accounting system.

Tobacco Tax Allocations

The budget projects AHCCCS and DHS will receive \$139.6 million in transfers of tobacco tax collections in FY 2019. This amount represents a decrease of \$(8.9) million (6.0%) from the FY 2019 budgeted amount. *Table 7* summarizes tobacco tax transfers and allocations to the agencies.

Table 7

Summary of Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund

	<u>FY 2018</u>	<u>FY 2019</u>
Medically Needy Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Tax and Health Care Fund	45,599,100	42,071,300
Transfer In - Tobacco Products Tax Fund	24,553,300	22,707,500
Total Funds Available	\$ 70,152,400	\$ 64,778,800
<u>Allocations</u>		
<u>AHCCCS</u>		
AHCCCS State Match Appropriation	\$ 69,486,100	\$ 68,040,500
Total AHCCCS Allocations	\$ 69,486,100	\$ 68,040,500
<u>DHS</u>		
Folic Acid	\$ 380,700	\$ 400,000
Renal, Dental Care, and Nutrition Supplements	285,600	300,000
Administrative Adjustments	0	0
Total DHS Allocations	666,300	700,000
Balance Forward	\$ 0	\$ (3,961,700) *
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	37,016,700	35,322,700
Total Funds Available	\$ 37,016,700	\$ 35,322,700
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 37,016,700	\$ 37,728,900
Administrative Adjustments	0	0
Balance Forward	\$ 0	\$ (2,406,200) *
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	17,627,300	16,820,400
Total Funds Available	\$ 17,627,300	\$ 16,820,400
<u>Allocations</u>		
AHCCCS State Match Appropriation	17,627,300	17,966,100
Administrative Adjustments	\$ 0	\$ 0
Balance Forward ^{1/}	\$ 0	\$ (1,145,700) *
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 5,367,700	\$ 4,281,400
Transfer In - Tobacco Tax and Health Care Fund	16,197,100	13,823,400
Transfer In - Tobacco Products Tax Fund	1,773,200	1,682,000
Total Funds Available	\$ 23,338,000	\$ 19,786,800
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 17,343,200	\$ 17,343,200
Leading Causes of Death - Prevention and Detection	1,713,400	1,713,400
Balance Forward	\$ 4,281,400	\$ 730,200
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 10,416,400	\$ 9,155,800
Transfer In - Tobacco Tax and Health Care Fund	3,278,700	3,005,000
Transfer In - Tobacco Products Tax Fund	4,588,000	4,205,100
Total Funds Available	\$ 18,283,100	\$ 16,365,900
<u>Allocations</u>		
Biomedical Research Support	\$ 2,000,000	\$ 2,000,000
Alzheimer's Disease Research	2,000,000	3,000,000
Biomedical Research Commission ^{2/}	5,127,300	9,247,300
Administrative Adjustments	0	0
Balance Forward	\$ 9,155,800	\$ 2,118,600

^{1/} Any unencumbered funds in Emergency Health Services Account are transferred to Proposition 204 Protection Account at the end of each year.

^{2/} Laws 2017, Chapter 136 repealed the Biomedical Research Commission. DHS reports that monies in the Health Research Account will continue to be spent on initiatives previously reviewed by the commission in FY 2018 and FY 2019, including research grants, research education, biospecimen locator, and public cord blood.

* Actual ending balance will not be negative.

Arizona Commission on the Arts

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
SPECIAL LINE ITEMS			
Arts Trust Fund Deposit	1,500,000	2,000,000	2,000,000
Nonprofit Theater Capital Support	0	0	200,000 ^{1/}
AGENCY TOTAL	1,500,000	2,000,000	2,200,000
FUND SOURCES			
General Fund	0	0	2,200,000
<u>Other Appropriated Funds</u>			
Budget Stabilization Fund	1,500,000	2,000,000	0
SUBTOTAL - Other Appropriated Funds	1,500,000	2,000,000	0
SUBTOTAL - Appropriated Funds	1,500,000	2,000,000	2,200,000
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	1,536,500 ^{2/}	1,602,600 ^{2/}	1,602,600 ^{3/}
Federal Funds	866,600	830,800	830,800
TOTAL - ALL SOURCES	3,903,100	4,433,400	4,633,400

AGENCY DESCRIPTION — The agency promotes arts in the state by offering matching grants to communities and arts organizations, developing programs in-house to showcase artists in all disciplines, and serving as a resource for local artists.

FOOTNOTES

- ^{1/} A. The sum of \$200,000 is appropriated from the state General Fund in FY 2020 to the Arizona Commission on the Arts to distribute to a nonprofit professional theater company in a county with a population of more than 3,000,000 persons that has been in existence for at least 99 years. Monies distributed pursuant to this subsection must be used for capital costs.
- B. The monies appropriated are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- C. Notwithstanding A.R.S. § 41-1252, the appropriation is not subject to review by the Joint Committee on Capital Review. (General Appropriation Act footnote)
- ^{2/} Monies appropriated from the Budget Stabilization Fund for deposit into the Arts Trust Fund pursuant to the FY 2018 and FY 2019 General Appropriation Act are not displayed to avoid double counting of appropriations.
- ^{3/} Monies appropriated from the General Fund for deposit into the Arts Trust Fund pursuant to the FY 2020 General Appropriation Act are not displayed to avoid double counting of appropriations.

Arts Trust Fund Deposit

The budget includes \$2,000,000 from the General Fund in FY 2020 for a one-time deposit into the non-appropriated Arts Trust Fund. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,000,000) from the Budget Stabilization Fund in FY 2020 for the elimination of one-time funding. The FY 2019 General Appropriation Act appropriated this amount from interest income earned on the Budget Stabilization Fund.

One-Time Funding

The budget includes a one-time increase of \$2,000,000 from the General Fund in FY 2020 for funding for the Arts Trust Fund.

Monies in the Arts Trust Fund are used to award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are statutorily used to provide grants to organizations representing handicapped persons or racial or ethnic minorities and organizations representing rural areas.

Nonprofit Theater Capital Support

The budget includes an increase of \$200,000 from the General Fund in FY 2020 for Nonprofit Theater Capital Support. FY 2020 adjustments are as follows:

One-Time Nonprofit Theater Capital Support

The budget includes an increase of \$200,000 from the General Fund in FY 2020 for one-time distribution to a nonprofit professional theater company in a county with

more than 3,000,000 persons that has been in existence for at least 99 years. Section 122 of the FY 2020 General Appropriation Act requires the monies to be used for capital costs.

Board of Athletic Training

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	52,600	63,500	63,500
Employee Related Expenditures	20,000	35,600	36,000
Professional and Outside Services	15,700	0	0
Travel - In State	1,000	1,200	1,200
Other Operating Expenditures	12,900	23,200	26,300
AGENCY TOTAL	102,200	123,500	127,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Athletic Training Fund	102,200	123,500	127,000
SUBTOTAL - Other Appropriated Funds	102,200	123,500	127,000
SUBTOTAL - Appropriated Funds	102,200	123,500	127,000
TOTAL - ALL SOURCES	102,200	123,500	127,000

AGENCY DESCRIPTION — The board examines and licenses athletic trainers, investigates complaints and holds hearings to enforce standards of practice.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$127,000 and 1.5 FTE Positions from the Athletic Training Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,500 from the Athletic Training Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Attorney General - Department of Law

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	580.7	588.7	607.7 ^{1/}
Personal Services	29,226,500	31,094,400	32,098,100
Employee Related Expenditures	11,127,700	12,730,700	13,168,400
Professional and Outside Services	415,500	371,400	371,400
Travel - In State	164,900	155,200	155,200
Travel - Out of State	99,700	101,800	101,800
Other Operating Expenditures	7,857,800	8,494,400	9,429,500
Equipment	1,888,000	280,000	280,000
OPERATING SUBTOTAL	50,780,100	53,227,900	55,604,400 ^{2/3/4/}
SPECIAL LINE ITEMS			
Capital Postconviction Prosecution	579,600	802,300	802,700
Case Management System Upgrade	0	1,489,000	0
Child and Family Advocacy Centers	0	100,000	500,000 ^{5/6/}
Election Litigation Expenses	0	500,000 ^{7/}	0
Federalism Unit	639,700	1,004,500	1,002,000
First Responder Personnel Mental Health Services	0	0	400,000 ^{8/}
Government Accountability and Special Litigation	0	961,400	1,208,700
Human Trafficking Survivor Services	0	0	300,000
Internet Crimes Against Children Enforcement	351,700	1,250,000	1,250,000 ^{9/}
Military Airport Planning	40,800	85,000	85,000 ^{10/}
Multidisciplinary Young Persons Program	0	0	250,000 ^{11/}
National Mortgage Settlement Distribution	353,800	0	0
Opioid Education	0	0	0
Peace Officer Equipment Grants	0	0	2,500,000 ^{12/}
Peace Officer Memorial Fund Deposit	0	0	1,000,000 ^{13/}
Risk Management Interagency Service Agreements	9,089,300	9,570,000	9,590,000
Southern Arizona Law Enforcement	1,203,100	1,205,200	1,525,100
State Grand Jury	176,100	181,000	181,100
Tobacco Enforcement	243,600	823,000	821,600
Victims' Rights	3,337,300	3,766,800	3,767,700
Voter Fraud Unit	0	0	530,000
AGENCY TOTAL	66,795,100	74,966,100	81,318,300 ^{14/}
FUND SOURCES			
General Fund	25,657,600	25,942,300	26,082,400
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	148,500	148,500	148,600
Attorney General Legal Services Cost Allocation Fund	1,810,500	2,102,800	2,105,000
Collection Enforcement Revolving Fund	6,691,400	6,904,500	6,914,700
Consumer Protection - Consumer Fraud Revolving Fund	4,000,900	7,213,600	15,364,400
Consumer Restitution and Remediation Revolving Fund - Consumer Remediation Subaccount	0	1,489,000	0
Court-Ordered Trust Fund	353,800	0	0
Interagency Service Agreements Fund	14,854,100	16,428,600	16,445,500 ^{15/}
Internet Crimes Against Children Enforcement Fund	351,700	900,000	900,000
Risk Management Revolving Fund	9,589,300	10,070,000	9,590,000
Victims' Rights Fund	3,337,300	3,766,800	3,767,700
SUBTOTAL - Other Appropriated Funds	41,137,500	49,023,800	55,235,900
SUBTOTAL - Appropriated Funds	66,795,100	74,966,100	81,318,300

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
Other Non-Appropriated Funds	61,150,200	60,802,000	60,802,000
Federal Funds	5,980,300	7,628,500	7,628,500
TOTAL - ALL SOURCES	133,925,600	143,396,600	149,748,800

AGENCY DESCRIPTION — The Attorney General is an elected constitutional officer. The office provides legal counsel to state agencies, represents the state in juvenile dependency matters, enforces civil rights, environmental, consumer protection and anti-trust laws, and investigates and prosecutes criminal cases, handles criminal appeals, and assists county attorneys.

FOOTNOTES

- 1/ Includes 22.2 GF and 129 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ The sum of \$1,500,000 is appropriated in FY 2020 from the state General Fund to the Attorney General for operating expenses of the Criminal Division. (FY 2018 General Appropriation Act footnote)
- 3/ The sum of \$950,000 in FY 2021, the sum of \$2,350,000 in FY 2022 and the sum of \$2,350,000 in FY 2023 are appropriated from the Consumer Protection-Consumer Fraud Revolving Fund established by A.R.S. § 44-1531.01 to the Attorney General for operating expenses of the Criminal Division. (General Appropriation Act footnote)
- 4/ Within 10 days after receipt of a complaint alleging a violation of A.R.S. § 15-511, the Attorney General shall forward a copy of the complaint to the Governor, the President of the Senate and the Speaker of the House of Representatives. (General Appropriation Act footnote)
- 5/ The amount appropriated for the Child and Family Advocacy Centers line item is allocated to the Child and Family Advocacy Center Fund established by A.R.S. § 41-191.11. (General Appropriation Act footnote)
- 6/ Of the amount appropriated to the Child and Family Advocacy Centers line item, \$400,000 is a one-time appropriation from the Consumer Protection-Consumer Fraud Revolving Fund established by A.R.S. § 44-1531.01 for FY 2020. (General Appropriation Act footnote)
- 7/ The appropriation of \$500,000 to the Attorney General from the Risk Management Revolving Fund in FY 2019 for Election Litigation Expenses made by Laws 2018, Chapter 276, Section 12 is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (General Appropriation Act footnote)
- 8/ The sum of \$400,000 is appropriated from the Consumer Protection-Consumer Fraud Revolving Fund established by A.R.S. § 44-1531.01 in FY 2020 to the Attorney General for distribution to organizations that provide resources and training, including mental health training, for first responders and first responder professionals who are experiencing the effects of stress from traumatic incidents suffered in the line of duty. (General Appropriation Act footnote)
- 9/ The \$900,000 appropriation from the Internet Crimes Against Children Enforcement Fund established by A.R.S. § 41-199 and the \$350,000 appropriation from the state General Fund for the Internet Crimes Against Children Enforcement line item are continuing appropriations and are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, through June 30, 2021. (General Appropriation Act footnote)
- 10/ A.R.S. § 26-263 annually appropriates \$85,000 from the General Fund for Military Airport Planning. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 11/ In addition to any other appropriations made in state FY 2020, the sum of \$250,000 is appropriated from the Consumer Protection-Consumer Fraud Revolving Fund established by A.R.S. § 44-1531.01 in FY 2020 to the Attorney General for distribution to an organization that uses a multidisciplinary program to assess, nurture and sustain young people within their environments. The program must connect each participating child to at least 5 adults who teach, model and provide research-based support to the child. (General Appropriation Act footnote)
- 12/ On or before March 1, 2020, the department shall report to the President of the Senate, the Speaker of the House of Representatives, the Director of the Joint Legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting on the distributions from the Peace Officer Equipment Grants line item. (General Appropriation Act footnote)
- 13/ The amount appropriated to the Peace Officer Memorial Fund Deposit line item is for deposit in the Arizona Peace Officers Memorial Fund established by A.R.S. § 41-1829.02. Before the expenditure of any monies in the line item, the Attorney General shall submit an expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 15/ All monies appropriated to the Attorney General Legal Services line item in the Department of Child Safety budget do not count toward the Attorney General's Interagency Service Agreements Fund appropriation in FY 2020. (General Appropriation Act footnote)

Operating Budget

The budget includes \$55,604,400 and 456.5 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$23,272,300
Antitrust Enforcement Revolving Fund	148,600
Attorney General Legal Services Cost Allocation Fund (LSCAF)	2,105,000
Collection Enforcement Revolving Fund (CERF)	6,914,700
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	6,718,300
Interagency Service Agreements (ISA) Fund	16,445,500

FY 2020 adjustments are as follows:

Rent Restoration

The budget includes an increase of \$884,500 from the CPCF Revolving Fund in FY 2020 to restore rent monies to the Attorney General.

In November 2017, the AG's Office moved from a state-owned space at 1275 W. Washington Street to a privately-leased space on Central Avenue. As a result, the FY 2019 budget removed \$884,500 in funding that had been appropriated for the cost of the state-owned space. The budget restores these monies for rent payments for the privately-leased space.

Shift SAWCCE FTE Positions off ARRF

The budget includes an increase of \$476,000 and 5 FTE Positions from the CPCF Revolving Fund in FY 2020 to shift 5 FTE Positions in the Southern Arizona White Collar & Criminal Enterprise Section (SAWCCE) from the non-appropriated Anti-Racketeering Revolving Fund (ARRF) to the CPCF Revolving Fund. *(Please see the Criminal Division Resources narrative below.)*

Shift Other Criminal Division FTE Positions off ARRF

The budget includes an increase of \$850,000 and 5 FTE Positions from the CPCF Revolving Fund in FY 2020 to shift 5 FTE Positions in the Criminal Division from the non-appropriated ARRF to the CPCF Revolving Fund. *(Please see the Criminal Division Resources narrative below.)*

Salary Increase

The budget includes an increase of \$75,500 in FY 2020 for an employee salary increase. This amount consists of:

General Fund	54,800
CERF	9,000
CPCF Revolving Fund	11,700

The budget requires that the increases be allocated for Investigators but does not specify a percentage amount.

Statewide Adjustments

The budget includes an increase of \$90,500 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	83,800
Antitrust Enforcement Revolving Fund	100
Attorney General LSCAF	2,200
CERF	1,200
CPCF Revolving Fund	(13,700)
ISA Fund	16,900

(Please see the Agency Detail and Allocations section.)

Criminal Division Resources

The budget continues an increase of \$1,500,000 from the General Fund in FY 2020 for additional Criminal Division resources. The FY 2018 General Appropriation Act appropriated this amount for FY 2018, and a footnote continued this funding for both FY 2019 and FY 2020. As a result, this funding does not appear in the FY 2020 General Appropriation Act.

An FY 2020 General Appropriation Act footnote, however, appropriates \$950,000 in FY 2021, \$2,350,000 in FY 2022, and \$2,350,000 in FY 2023 from the CPCF Revolving Fund for the same purposes.

Currently, a portion of the Criminal Division within the AG's Office is funded through ARRF, which receives revenues from civil asset forfeiture and Racketeer Influenced and Corrupt Organizations (RICO) Act monies. These monies are derived from cash and assets that are seized from individuals that are believed to have engaged in a wide array of illicit activities. Due to declining and uncertain revenues from these sources, the additional funds are to support agency efforts to move FTE Positions within the Criminal Division to more stable funding.

Additionally, the FY 2019 Criminal Justice Budget Reconciliation Bill (BRB) authorized the AG to use \$1,400,000 from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2021 to offset operating expenses that would otherwise be paid from RICO funds. The Consumer Remediation Subaccount is a statutorily non-appropriated fund which receives monies from legal settlements. The AG is typically required to submit an expenditure plan to the Joint Legislative Budget Committee for review prior to expending monies from the fund. This review requirement will not apply to the \$1,400,000 in FY 2021 operating resources.

In total, the Attorney General will have received \$1,500,000 in each of FY 2018 and FY 2019 for its Criminal Division. The agency will also receive a total of \$2,350,000 in each of FY 2020, FY 2021, FY 2022, and FY 2023 for these purposes. (Please see Table 1 for more details.)

The additional \$476,000 appropriated to shift FTE Positions in SAWCCE off ARRF brings the FY 2020 total to \$2,826,000.

Table 1

Additional Criminal Division Resources

	19 BRB GF	19 BRB CPCF	20 GAA CPCF ^{1/}	Total CPCF
FY 2018	\$1,500,000			\$1,500,000
FY 2019	1,500,000			1,500,000
FY 2020	1,500,000		\$850,000	2,350,000
FY 2021		\$1,400,000	950,000	2,350,000
FY 2022			2,350,000	2,350,000
FY 2023			2,350,000	2,350,000

^{1/} FY 2020 includes an additional \$476,000 to shift SAWCCE FTE Positions from ARRF.

Capital Postconviction Prosecution

The budget includes \$802,700 and 6 FTE Positions from the General Fund in FY 2020 for Capital Postconviction Prosecution. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$400 from the General Fund in FY 2020 for statewide adjustments.

This line item funds costs associated with prosecuting capital cases after the initial conviction.

Case Management System Upgrade

The budget includes no funding in FY 2020 for upgrades to the AG's Case Management System. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,489,000) from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2020. The FY 2019 budget included funding for an upgrade of the AG's Case Management System and for software licensing compliance. This appropriation does not lapse until the end of FY 2020.

Child and Family Advocacy Centers

The budget includes \$500,000 from the General Fund in FY 2020 for the Child and Family Advocacy Centers line item. This amount consists of:

General Fund	100,000
Antitrust Enforcement Revolving Fund	400,000

FY 2020 adjustments are as follows:

Additional One-Time Funding

The budget includes an increase of \$400,000 from the CPCF Revolving Fund for an additional one-time distribution to child and family advocacy centers.

These monies are deposited into the Child and Family Advocacy Centers Fund. Monies in the fund are for distribution to child and family advocacy centers. Child and family advocacy centers provide victim advocacy, case management, and counseling services to primary and secondary victims of child abuse, domestic violence, sexual assault, elder abuse and homicide.

Pursuant to statute, at least 90.25% of fund monies are allocated to grants to child and family advocacy centers and 4.75% to statewide child and family advocacy center organizations; no more than 5% of the fund may be retained by the AG for administrative costs. To be eligible for funds, a child and family advocacy center must certify to the AG's Office that it meets certain statutory criteria relating to its ability to provide victim services.

Election Litigation Expenses

The budget includes no funding in FY 2020 for Election Litigation Expenses. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(500,000) from the Risk Management Revolving Fund in FY 2020. The FY 2019 budget included funding to support legal costs associated with several lawsuits against the Secretary of State's office.

The FY 2020 budget retrospectively exempts these monies from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.

Federalism Unit

The budget includes \$1,002,000 and 7 FTE Positions from the CPCF Revolving Fund in FY 2020 for the Federalism Unit. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(2,500) from the CPCF Revolving Fund in FY 2020 for statewide adjustments. This line item provides funding for the Attorney General to defend the state in cases related to federal issues. Some of these legal expenses had previously been borne by the Governor's Office.

First Responder Personnel Mental Health Services

The budget includes \$400,000 from the CPCF Revolving Fund in FY 2020 for the First Responder Mental Health Services line item. FY 2020 adjustments are as follows:

First Responder Mental Health Services Funding

The budget includes a one-time increase of \$400,000 from the CPCF Revolving Fund in FY 2020 for mental health services for first responders and first responder professionals.

This funding will be distributed to organizations that provide resources and training for first responders and first responder professionals who are experiencing the effects of stress from traumatic incidents suffered in the line of duty.

Government Accountability and Special Litigation Unit

The budget includes \$1,208,700 and 10 FTE Positions from the CPCF Revolving Fund in FY 2020 for the Government Accountability and Special Litigation (GASL) Unit line item. FY 2020 adjustments are as follows:

Additional FTE Positions

The budget includes an increase of \$250,000 and 2 FTE Positions from the CPCF Revolving Fund for additional support of GASL Unit operations.

Statewide Adjustments

The budget includes a decrease of \$(2,700) from the CPCF Revolving Fund in FY 2020 for statewide adjustments.

A.R.S. § 41-194.01 requires that, at the request of a member of the Legislature, the AG investigate local government ordinances that potentially violate state law. The statute also requires the AG to make a written report of its findings within 30 days of receiving the request. If the local ordinance is found to violate state law, the local governing body has 30 days to resolve the violation. After 30 days, the State Treasurer is instructed to withhold state shared monies from the locality.

In response to this requirement, the AG created the GASL Unit. In addition to handling investigations of local ordinances, GASL engages in a variety of consumer

protection functions that had previously been a part of the AG's Consumer Protection Unit.

Human Trafficking Survivor Services

The budget includes \$300,000 from the CPCF Revolving Fund in FY 2020 for the Human Trafficking Survivor Services line item. FY 2020 adjustments are as follows:

Human Trafficking Survivor Services Funding

The budget includes a one-time increase of \$300,000 from the CPCF Revolving Fund in FY 2020 for services for human trafficking survivors.

This funding will be distributed to organizations that provide resources and services to survivors of human trafficking.

Internet Crimes Against Children Enforcement

The budget includes \$1,250,000 in FY 2020 for the Internet Crimes Against Children (ICAC) Enforcement line item. This amount consists of:

General Fund	350,000
ICAC Enforcement Fund	900,000

These amounts are unchanged from FY 2019.

Laws 2015, Chapter 245 established in A.R.S. § 41-199 the ICAC Enforcement Fund subject to legislative appropriation and administered by the Attorney General. The intent behind Chapter 245 was to provide \$900,000 in FY 2015 and every year thereafter from the proceeds of lottery games sold from a vending machine in age-restricted areas.

A.R.S. § 41-199 also allocates \$100,000 to the Victims' Rights Enforcement Fund from the same proceeds. This fund is continuously appropriated and administered by the Department of Public Safety.

If the lottery games do not produce sufficient funds for the \$900,000 and \$100,000 allocations, then unclaimed lottery prize monies will be used to backfill the difference.

A.R.S. § 41-199 requires the Attorney General to enter into 1 or more intergovernmental agreements to continue operation of the Arizona Internet Crimes Against Children Task Force (AZICAC), led by the Phoenix Police Department. AZICAC is a joint federal/local law enforcement task force that investigates child pornography.

A General Appropriation Act footnote exempts the FY 2020 amount from lapsing until the end of FY 2021. Another General Appropriation Act footnote previously required the AG to submit an annual expenditure plan for monies in this line item to the Joint Legislative Budget Committee for review and specified the fund for deposit. Starting in FY 2020, this review requirement has been eliminated. Appropriations will still be deposited in the fund.

Military Airport Planning

The budget includes \$85,000 and 1 FTE Position from the General Fund in FY 2020 for Military Airport Planning. These amounts are unchanged from FY 2019.

A.R.S. § 26-263 appropriates \$85,000 annually from the General Fund to the Attorney General's Office. Therefore, funding for this line item does not appear in the General Appropriation Act. The legislation sought to preserve the state's military bases by appropriating monies to several state agencies and charging them with certain responsibilities. Monies in this line item pay for the department's duties under the original 2004 legislation, including review and determination of compliance with land use plans.

Multidisciplinary Young Persons Program

The budget includes \$250,000 from the CPCF Revolving Fund in FY 2020 for a multidisciplinary young persons program.

Multidisciplinary Young Persons Program Funding

The budget includes a one-time increase of \$250,000 from the CPCF Revolving Fund in FY 2020 for distribution to a multidisciplinary young persons program.

This funding will be distributed to an organization that uses a multidisciplinary program to assess, nurture, and sustain young people within their environments. To be eligible, the program must connect each participating child to at least 5 adults who teach, model, and provide research-based support to the child.

Opioid Education

The budget includes no funding in FY 2020 for the Opioid Education line item. This amount is unchanged from FY 2019.

Laws 2018, 1st Special Session, Chapter 1 included an FY 2018 Supplemental appropriation of \$400,600 for the Opioid Education line item. This appropriation is exempt

from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.

In July 2018, the AG awarded 2-year grants totaling \$398,600 to MATFORCE, Chicanos Por La Causa, and Intermountain Centers. The grants are to be used for opioid education and prevention efforts.

Peace Officer Equipment Grants

The budget includes \$2,500,000 from the CPCF Revolving Fund in FY 2020 for the new Peace Officer Equipment Grants line item. FY 2020 adjustments are as follows:

Peace Officer Equipment Grants Funding

The budget includes a one-time increase of \$2,500,000 from the CPCF Revolving Fund in FY 2020 for peace officer equipment grants.

Monies in this line item are to be used to provide grants to local and community police departments for the purchase of new equipment. A General Appropriation Act footnote requires the agency to report on distributions from the line item to JLBC Staff and others by March 1, 2020.

Peace Officer Memorial Fund Deposit

The budget includes \$1,000,000 from the CPCF Revolving Fund in FY 2020 for the new Peace Officer Memorial Fund Deposit line item. FY 2020 adjustments are as follows:

One-Time Peace Officer Memorial Fund Deposit

The budget includes a one-time increase of \$1,000,000 from the CPCF Revolving Fund in FY 2020 for deposit into the Peace Officer Memorial Fund.

Monies in this line item are to be deposited into the Peace Officer Memorial Fund. This fund is used to maintain and update the Peace Officer Memorial in Wesley Bolin Memorial Plaza. Monies in the fund may also be used to pay education expenses for family members of fallen officers. A General Appropriation Act footnote requires the agency to submit an expenditure plan for review by JLBC prior to expending monies in the line item.

Risk Management Interagency Service Agreement

The budget includes \$9,590,000 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2020 for the Risk Management Interagency Service Agreement. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$20,000 from the Risk Management Revolving Fund in FY 2020 for statewide adjustments.

This line item provides funding for the Attorney General’s contract with the Risk Management Division of the Arizona Department of Administration. Attorneys from the Attorney General’s Office defend the state in most risk management cases regarding agency liability.

Southern Arizona Law Enforcement

The budget includes \$1,525,100 and 16 FTE Positions in FY 2020 for Southern Arizona Law Enforcement. These amounts consist of:

General Fund	1,206,100
CPCF Revolving Fund	319,000

FY 2020 adjustments are as follows:

Additional FTE Positions

The budget includes an increase of \$319,000 and 3 FTE Positions from the CPCF Revolving Fund for additional support of Southern Arizona Law Enforcement operations.

Statewide Adjustments

The budget includes an increase of \$900 from the General Fund in FY 2020 for statewide adjustments.

This line item provides funding for the Criminal Division’s investigations and prosecutions of fraud, corruption, criminal enterprise, drug trafficking, and money laundering cases in Southern Arizona.

State Grand Jury

The budget includes \$181,100 and 1.6 FTE Positions from the General Fund in FY 2020 for the State Grand Jury. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2020 for statewide adjustments.

This line item funds expenses incurred by the Attorney General to investigate and try matters that are under the jurisdiction of the State Grand Jury.

Tobacco Enforcement

The budget includes \$821,600 and 6.6 FTE Positions in FY 2020 for Tobacco Enforcement. These amounts consist of:

General Fund	85,200
CPCF Revolving Fund	736,400

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(1,400) in FY 2020 for statewide adjustments. This amount consists of:

General Fund	100
CPCF Revolving Fund	(1,500)

This line item funds the Attorney General’s enforcement of the Master Settlement Agreement (MSA). The MSA is a settlement reached by major tobacco companies and 46 states in 1998 that requires these companies to compensate states annually for Medicaid costs associated with tobacco use. In exchange for annual payments from the tobacco companies, states agree to diligently enforce tobacco tax laws.

In addition to the monies provided in this line item, the budget continues to require AHCCCS to transfer up to \$1,200,000 to the Attorney General for MSA enforcement. As a result, the budget includes a total of up to \$2,021,600 for the Attorney General to enforce the MSA in FY 2020.

Victims’ Rights

The budget includes \$3,767,700 and 6 FTE Positions from the Victims’ Rights Fund in FY 2020 for Victims’ Rights. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$900 from the Victims’ Rights Fund in FY 2020 for statewide adjustments.

This line item provides monies to state and local agencies that are required to notify victims during various steps in the criminal justice process. The program previously received a proportion of Criminal Justice Enhancement Fund monies. Laws 2018, Chapter 237 eliminated the CJEF distribution and replaced it with a new \$9 penalty on civil and criminal violations.

Voter Fraud Unit

The budget includes \$530,000 and 4 FTE Positions from the CPCF Revolving Fund in FY 2020 for the new Voter Fraud Unit line item. FY 2020 adjustments are as follows:

Voter Fraud Unit Funding

The budget includes an increase of \$530,000 and 4 FTE Positions from the CPCF Revolving Fund in FY 2020 for the establishment of the Voter Fraud Unit.

This line item provides funding for the development of a public complaint process for allegations of voter fraud and for the investigation of those allegations by the Attorney General's office.

Other Issues

This section includes information on the following topics:

- FY 2019 Supplemental / FY 2020 Adjustment
- Long-Term Budget Impacts
- Attorney General Legal Services Cost Allocation Fund
- Statutory Changes
- Wells Fargo Settlement

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The budget continues an increase of \$2,000 from the General Fund in FY 2020 for employer contribution increases related to the Elected Officials Retirement Plan (EORP). The budget appropriated this amount to the agency as an FY 2019 supplemental and continued this same appropriation in the FY 2020 budget. *(See the Consolidated Retirement Report for more information.)*

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the AG's General Fund costs are not projected to change. The FY 2018 General Appropriation Act appropriated \$1.5 million in FY 2019 and FY 2020 for Criminal Division resources.

The expiration of this General Fund appropriation in FY 2021 will be fully offset by the AG's authorization to use \$1.4 million in FY 2021 from the Consumer Remediation Subaccount and additional funding from the CPCF Revolving Fund.

In FY 2022 and FY 2023, CPCF Revolving Fund monies will again fully offset the expiration of the Consumer Remediation Subaccount funding.

(Please see Criminal Division Resources narrative in the Operating Budget section for more information.)

Attorney General Legal Services Cost Allocation Fund

A.R.S. § 41-191.09 requires agencies to pay annually a flat fee to the Attorney General for general legal counsel as specified by the General Appropriation Act each year. See *Table 2* for a list of agencies and their corresponding FY 2020 Attorney General Legal Services charge. These amounts are unchanged from FY 2019.

The FY 2019 Criminal Justice BRB removed the requirement that each agency report to the Joint Legislative Budget Committee the fund sources used to pay the Attorney General's Legal Services Cost Allocation Fund charges.

Table 2
FY 2020 Attorney General Legal Services Charges

<u>Agency</u>	<u>Charge</u>
Arizona Department of Administration	\$ 127,700
Office of Administrative Hearings	3,000
Commission on the Arts	3,100
Automobile Theft Authority	1,400
Citizens Clean Elections Commission	2,700
State Department of Corrections	2,000
Arizona Criminal Justice Commission	8,700
Arizona Schools for the Deaf and the Blind	100,200
Commission for the Deaf and the Hard of Hearing	4,100
Early Childhood Development and Health Board	47,100
Department of Education	132,000
Department of Emergency and Military Affairs	30,000
Department of Environmental Quality	135,600
Exposition and State Fair Board	20,900
Department of Financial Institutions	1,900
Arizona Department of Forestry and Fire Management	13,400
Department of Gaming	37,300
Department of Health Services	173,800
Arizona Historical Society	700
Department of Housing	19,300
Department of Insurance	10,500
Department of Juvenile Corrections	9,400
State Land Department	2,100
Department of Liquor, Licenses and Control	11,400
Arizona State Lottery Commission	24,800
Arizona State Parks Board	45,800
State Personnel Board	600
Arizona Pioneers' Home	12,100
Commission on Postsecondary Education	1,800
Department of Public Safety	677,400
Arizona State Retirement System	69,100
Department of Revenue	4,900
Secretary of State	1,800
State Treasurer	9,200
Department of Veterans' Services	52,700
Total Legal Services Charges	\$ 1,798,500

(Please see the FY 2015 Appropriations Report for a more detailed history on legal services charges, and the FY 2018 Appropriations Report for changes that occurred after FY 2015.)

Statutory Changes

The Criminal Justice BRB makes the following statutory changes:

- As session law, on June 30, 2019, transfer to the General Fund any unobligated balance from the Colorado River Land Claims Revolving Fund.
- As permanent law, prohibit the use of the Anti-Racketeering Revolving Fund (ARRF) for more than 16 FTE Positions within the Attorney General's office.
- As permanent law, increase the non-appropriated expenditure authority of the Consumer Remediation Subaccount from \$3,500,000 to \$4,000,000.

Wells Fargo Settlement

In December 2018, the attorneys general of all 50 states settled a lawsuit against Wells Fargo for alleged misconduct, including accounts opened without customer knowledge and improperly charged mortgage fees. Arizona's share of the settlement totals \$37.1 million. Of this amount, the agreement requires \$17.1 million to be deposited into the Consumer Protection - Consumer Fraud Revolving Fund and the remaining \$20 million into the Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund.

As a result of the settlement, the 2020 General Appropriation Act transferred \$20 million from the Remediation Subaccount into the General Fund and included new CPCF Revolving Fund spending of \$8.2 million in FY 2020. Ongoing increased spending from the fund is expected to total \$3.5 million in FY 2021, \$4.8 million in FY 2022, and \$4.8 million in FY 2023.

The settlement was reached independently of a federal Consumer Financial Protection Bureau lawsuit seeking direct consumer restitution.

Automobile Theft Authority

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	317,900	340,700	340,700
Employee Related Expenditures	119,700	142,700	144,400
Professional and Outside Services	12,200	16,000	16,000
Travel - In State	6,200	6,300	6,300
Travel - Out of State	3,500	8,500	8,500
Other Operating Expenditures	107,900	112,000	113,500
Equipment	35,800	25,000	25,000
OPERATING SUBTOTAL	603,200	651,200	654,400
SPECIAL LINE ITEMS			
Arizona Vehicle Theft Task Force	3,650,000	3,650,000	3,650,000 ^{1/}
Local Grants	946,500	957,700	957,700 ^{2/}
Reimbursable Programs	0	50,000	50,000 ^{3/}
AGENCY TOTAL	5,199,700	5,308,900	5,312,100 ^{4/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Automobile Theft Authority Fund	5,199,700	5,308,900	5,312,100
SUBTOTAL - Other Appropriated Funds	5,199,700	5,308,900	5,312,100
SUBTOTAL - Appropriated Funds	5,199,700	5,308,900	5,312,100
Other Non-Appropriated Funds	12,400	8,000	8,000
TOTAL - ALL SOURCES	5,212,100	5,316,900	5,320,100

AGENCY DESCRIPTION — The Automobile Theft Authority (ATA) is responsible for analyzing the methods of combating the problem of vehicle theft and promoting successful methods of reducing the number of vehicle thefts in Arizona. The ATA is primarily funded from motor vehicle insurance premium fees.

FOOTNOTES

- 1/ The Automobile Theft Authority shall pay 75% of the Personal Services and Employee Related Expenditures for city, town and county sworn officers who participate in the Arizona Vehicle Theft Task Force. (General Appropriation Act footnote)
- 2/ Local Grants shall be awarded with consideration given to areas with greater automobile theft problems and shall be used to combat economic automobile theft operations. (General Appropriation Act footnote)
- 3/ The Automobile Theft Authority shall submit a report to the Joint Legislative Budget Committee before spending any monies for the Reimbursable Programs line item. The Authority shall show sufficient monies collected to cover the expenses indicated in the report. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$654,400 and 6 FTE Positions from the ATA Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,200 from the ATA Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Vehicle Theft Task Force

The budget includes \$3,650,000 from the ATA Fund in FY 2020 for the Arizona Vehicle Theft Task Force. This amount is unchanged from FY 2019.

Monies in this line item are transferred to the Department of Public Safety which oversees the Arizona Vehicle Theft Task Force. The Arizona Vehicle Theft Task Force is a multi-agency group that works specifically on combating

auto-theft related crimes. (Please see the Other Issues section for more information.)

Local Grants

The budget includes \$957,700 from the ATA Fund in FY 2020 for Local Grants. This amount is unchanged from FY 2019.

This line item provides funding for the 4 categories of local grants that the ATA administers: 1) Vertical Prosecution; 2) Law Enforcement; 3) Professional Training; and 4) Public Awareness grants. ATA issues Vertical Prosecution Grants to county attorneys that are solely dedicated to auto-theft cases, Law Enforcement Grants to local law enforcement agencies for equipment and supplies, Professional Training Grants to pay travel and registration costs associated with going to conferences, and Public Awareness Grants for public education and vehicle identification number etching. (Please see the Other Issues section for more information.)

Reimbursable Programs

The budget includes \$50,000 from the ATA Fund in FY 2020 for Reimbursable Programs. This amount is unchanged from FY 2019.

This line item funds programs such as training seminars, Arizona Vehicle Theft Task Force expenses and “bait car” projects. This line item is funded from donations and grants from the private sector. Since the inception of this program, only \$25,000 for the reimbursement of salary and operational costs of the Arizona Vehicle Theft Task Force has been expended from this line item.

Other Issues

Agency Consolidation

Laws 2019, Chapter 252 merges the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance (DOI) and renames the agency the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly-renamed agency will retain all the same regulatory functions as the previous 3 agencies as Chapter 252 stipulates that DIFI retains the same authority, powers, duties, and responsibilities of DOI, DFI and ATA and transfers all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

Automobile Theft Authority Grants

The ATA was appropriated \$4,607,700 from the ATA Fund in FY 2020 for grants to state and local law enforcement entities. These grants are funded from the Arizona Vehicle Theft Task Force and Local Grants line items.

Table 1 displays the allocations of grants for FY 2019 and estimated FY 2020 distributions by recipient and category.

Recipient	FY 2019	FY 2020 est. ^{1/}
Arizona Vehicle Theft Task Force (DPS)	\$3,650,000	\$3,650,000
Vertical Prosecution Grants		
Maricopa County Attorney	\$ 235,800	\$ 235,800
Pima County Attorney	216,000	216,000
Pinal County Attorney	169,100	169,100
La Paz County Attorney	119,700	119,700
Mohave County Attorney	107,800	109,500
Santa Cruz County Attorney	80,800	80,800
Subtotal	\$ 929,200	\$ 930,900
Law Enforcement Grants		
Unallocated	0	1,000
Subtotal	\$ 0	\$ 1,000
Public Awareness Grants		
Eloy Police Department	\$ 2,100	\$ -
Bullhead City Police Department	1,400	-
Casa Grande Police Department	1,200	-
St. Johns Police Department	1,200	-
Coolidge Police Department	1,400	-
Sierra Vista Police Department	1,200	-
Unallocated	0	23,800
Subtotal	\$ 8,500	\$ 23,800
Professional Training Grants	\$ 5,000	\$ 1,000
Discretionary Grants	\$ 0	\$ 1,000
TOTAL	\$4,592,700	\$ 4,607,700

^{1/} Represents allocations as estimated by the Automobile Theft Authority. Specific awards are yet to be determined for some categories.

Board of Barbers

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	194,100	196,000	196,000
Employee Related Expenditures	86,000	86,000	87,000
Professional and Outside Services	200	1,300	1,300
Travel - In State	5,800	8,700	8,700
Travel - Out of State	4,800	3,300	3,300
Other Operating Expenditures	36,000	105,200	109,400
Equipment	100	600	600
AGENCY TOTAL	327,000	401,100	406,300 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Barbers Fund	327,000	401,100	406,300
SUBTOTAL - Other Appropriated Funds	327,000	401,100	406,300
SUBTOTAL - Appropriated Funds	327,000	401,100	406,300
TOTAL - ALL SOURCES	327,000	401,100	406,300

AGENCY DESCRIPTION — The board licenses barbers, inspects barbering establishments, and investigates violations of sanitation requirements and barbering procedures. It conducts hearings and imposes enforcement actions where appropriate.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$406,300 and 4 FTE Positions from the Board of Barbers Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$5,200 from the Board of Barbers Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Board of Behavioral Health Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	740,400	900,000	900,000
Employee Related Expenditures	311,100	335,000	339,300
Professional and Outside Services	180,900	250,000	250,000
Travel - In State	12,400	20,000	20,000
Travel - Out of State	7,500	15,000	15,000
Other Operating Expenditures	141,200	222,300	215,700
Equipment	2,500	30,000	30,000
AGENCY TOTAL	1,396,000	1,772,300	1,770,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Behavioral Health Examiners Fund	1,396,000	1,772,300	1,770,000
SUBTOTAL - Other Appropriated Funds	1,396,000	1,772,300	1,770,000
SUBTOTAL - Appropriated Funds	1,396,000	1,772,300	1,770,000
TOTAL - ALL SOURCES	1,396,000	1,772,300	1,770,000

AGENCY DESCRIPTION — The board certifies and regulates behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board also licenses and regulates professionals engaged in the practice of psychotherapy.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$1,770,000 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(2,300) from the Board of Behavioral Health Examiners Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

FY 2019 E-Licensing Appropriation

The FY 2019 budget included an appropriation of \$450,000 from the Statewide Board e-Licensing APF Subaccount to the Arizona Department of Administration to add the board to the statewide system. The appropriation was financed by a transfer from the Board of Behavioral Health Examiners Fund. The FY 2020 General Appropriation Act ex-appropriated the \$450,000 FY 2019 appropriation. The board will not proceed with the project. *(Please see the Department of Administration - Automation Projects Fund narrative for details regarding this information technology project.)*

State Board for Charter Schools

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	19.0
Personal Services	602,100	681,200	956,200
Employee Related Expenditures	249,200	280,900	400,000
Professional and Outside Services	47,600	45,700	45,700
Travel - In State	3,000	17,300	17,300
Travel - Out of State	2,600	5,500	5,500
Other Operating Expenditures	162,300	176,200	286,800
Equipment	3,000	3,000	3,000
AGENCY TOTAL	1,069,800	1,209,800	1,714,500 ^{1/2/}
FUND SOURCES			
General Fund	1,069,800	1,209,800	1,714,500
SUBTOTAL - Appropriated Funds	1,069,800	1,209,800	1,714,500
Other Non-Appropriated Funds	61,100	61,500	61,500
TOTAL - ALL SOURCES	1,130,900	1,271,300	1,776,000

AGENCY DESCRIPTION — The board reviews and approves charter school applications, including renewal applications, and monitors the schools that it sponsors for compliance with provisions of their individual charters. It consists of the Superintendent of Public Instruction, 6 members of the general public, 2 members of the business community, a charter school teacher, a charter school operator, and 3 members of the Legislature who serve as advisory members. Currently the board oversees 540 charter schools.

FOOTNOTES

- 1/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- 2/ The sum of \$392,800 and 5 FTE Positions are appropriated from the state General Fund in FY 2021 to the State Board for Charter Schools for charter school accountability. (General Appropriation Act Footnote)

Operating Budget

The budget includes \$1,714,500 and 19 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Charter School Staff

The budget includes an increase of \$392,800 and 5 FTE positions from the General Fund in FY 2020. These new positions may include an audit program manager, financial program managers, and educational program managers. Of this appropriation, an estimated \$25,000 is for one-time costs associated with the new FTE positions.

Statewide Adjustments

The budget includes an increase of \$111,900 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Long Term Budget Impacts

The budget (Laws 2019, Chapter 263, Section 162) appropriates \$392,800 to add 5 additional FTE Positions over and above the FY 2020 level. As a result, the Board's FY 2021 budget will increase by \$785,600 above FY 2019 for 10 new FTE Positions.

Department of Child Safety

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,193.1	3,193.1	3,193.1 ^{1/}
Personal Services	52,519,000	52,577,700	54,581,000
Employee Related Expenditures	24,788,900	21,753,500	22,438,400
Professional and Outside Services	7,435,900	7,497,800	7,497,800
Travel - In State	638,500	620,200	620,200
Travel - Out of State	84,600	202,300	202,300
Other Operating Expenditures	19,072,900	27,069,300	27,900,200
Equipment	2,689,100	436,800	436,800
OPERATING SUBTOTAL	107,228,900	110,157,600	113,676,700 ^{2/-10/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	25,548,300	25,522,800	25,522,800 ^{11/}
Caseworkers	91,837,400	99,850,900	105,428,600
General Counsel	155,500	155,900	156,100
Inspections Bureau	2,185,600	2,479,300	2,483,200
Litigation Expenses	2,471,000	3,770,000	0
New Case Aides	2,745,800	3,073,700	3,185,200
Office of Child Welfare Investigations	8,323,000	9,633,000	9,646,300
Overtime Pay	5,857,900	8,390,900	8,407,700
Records Retention Staff	531,300	594,200	594,300
Retention Pay	1,707,000	1,707,000	0
Training Resources	9,150,000	9,150,000	9,150,000
Out-of-Home Placements			
Congregate Group Care	90,987,800	98,900,100	98,900,100
Foster Home Placement	51,918,600	52,595,500	52,595,500
Foster Home Recruitment, Study and Supervision	33,194,000	32,753,600	32,753,600
Independent Living Maintenance	3,773,300	4,660,000	4,660,000
Kinship Care	2,410,000	2,000,000	5,000,000 ^{12/}
Permanent Placements			
Adoption Services	251,204,900	278,258,500	278,258,500
Permanent Guardianship Subsidy	12,016,900	12,516,900	12,516,900
Support Services			
DCS Child Care Subsidy	48,115,300	55,559,400 ^{13/}	55,559,400
In-Home Mitigation	26,393,500	28,988,100	28,988,100
Out-of-Home Support Services	137,258,500	154,518,900	153,910,900
Preventive Services	15,148,300	15,148,300	15,148,300
AGENCY TOTAL	930,162,800	1,010,384,600	1,016,542,200 ^{14/}
FUND SOURCES			
General Fund	378,567,000	375,838,700	384,653,400
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	700,000	1,459,300	1,459,300
Children and Family Services Training Program Fund	207,100	207,100	207,100
Federal Child Care and Development Fund Block Grant	27,000,000	34,400,000	34,400,000
Federal Temporary Assistance for Needy Families Block Grant	149,472,700	157,279,300	157,428,800
Risk Management Revolving Fund	2,471,000	3,770,000	0
SUBTOTAL - Other Appropriated Funds	179,850,800	197,115,700	193,495,200
SUBTOTAL - Appropriated Funds	558,417,800	572,954,400	578,148,600

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	371,745,000	437,430,200	438,393,600
SUBTOTAL - Expenditure Authority Funds	371,745,000	437,430,200	438,393,600
SUBTOTAL - Appropriated/Expenditure Authority Funds	930,162,800	1,010,384,600	1,016,542,200
Other Non-Appropriated Funds	3,013,000	3,500,000	3,500,000
TOTAL - ALL SOURCES	933,175,800	1,013,884,600	1,020,042,200

AGENCY DESCRIPTION — The department investigates reports of child abuse and neglect, promotes the safety of a child in a stable family or other out-of-home placement in response to allegations of abuse or neglect, works with law enforcement regarding reports that include criminal conduct allegations, and coordinates services to achieve and maintain permanency on behalf of children in the child welfare system.

FOOTNOTES

- 1/ Includes 901.4 GF, 436.5 OF, and 543.3 EA FTE Positions funded from Special Line Items in FY 2020.
- 2/ For the purposes of this section, "backlog case": (1) Means any nonactive case for which documentation has not been entered in the child welfare automated system for at least 60 days and for which services have not been authorized for at least 60 days and any case that has had an investigation, has been referred to another unit and has had no contact for at least 60 days. (2) Includes any case for which the investigation has been open without any documentation or contact for at least 60 days, any case involving in-home services for which there has been no contact or services authorized for at least 60 days and any case involving foster care in which there has been no contact or any documentation entered in the child welfare automated system for at least 60 days. (General Appropriation Act footnote)
- 3/ For the purposes of this section, "open report" means a report that is under investigation or awaiting closure by a supervisor. (General Appropriation Act footnote)
- 4/ On or before September 30, 2019, and on or before the last day of every calendar quarter through June 30, 2020, the Department of Child Safety shall present a report for review by the Joint Legislative Budget Committee on the progress made in meeting the caseload standard and reducing the number of backlog cases and out-of-home children. The report shall include the number of backlog cases, the number of open reports, the number of out-of-home children and the caseworker workload in comparison to the previous quarter. The report shall provide the number of backlog cases by disposition, including the number of backlog cases in the investigation phase, the number of backlog cases associated with out-of-home placements and the number of backlog cases associated with in-home cases. To determine the caseworker workload, the department shall report the number of case-carrying caseworkers at each field office and the number of investigations, in-home cases and out-of-home children assigned to each field office. For backlog cases, the department's quarterly benchmark is 1,000 cases. For open reports, the department's benchmark is to have fewer than 8,000 open reports. For out-of-home children, the department's benchmark is 13,964 children. If the Department of Child Safety has not submitted the quarterly report within 30 days after the last day of the calendar quarter, the Director of the Joint Legislative Budget Committee shall inform the General Accounting Office of the Department of Administration, which shall withhold 2% of the Department of Child Safety's operating lump sum quarterly budget allocation until the Department of Child Safety submits the quarterly report. (General Appropriation Act footnote)
- 5/ The amount appropriated for any line item may not be transferred to another line item or the operating budget unless the transfer is reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 6/ Child Safety Expenditure Authority includes all department funding sources excluding the state General Fund, the Federal Child Care and Development Fund Block Grant, the Federal Temporary Assistance for Needy Families Block Grant, the Child Abuse Prevention Fund and the Children and Family Services Training Program Fund. (General Appropriation Act footnote)
- 7/ The Department of Child Safety may transfer up to 10% of the total amount of Federal Temporary Assistance for Needy Families Block Grant monies appropriated to the Department of Economic Security and the Department of Child Safety to

the Social Services Block Grant. Before transferring federal Temporary Assistance for Needy Families Block Grant monies to the Social Services Block Grant, the Department of Child Safety shall report the proposed amount of the transfer to the Director of the Joint Legislative Budget Committee. This report may be in the form of an expenditure plan that is submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year. (General Appropriation Act footnote)

- 8/ The Department of Child Safety shall provide training to any new child safety FTE Positions before assigning any client caseload duties to any of these employees. (General Appropriation Act footnote)
- 9/ The Legislature intends that the Department of Child Safety use its funding to achieve a 100% investigation rate. (General Appropriation Act footnote)
- 10/ On or before January 2, 2020, the Department of Child Safety shall submit a report to the Joint Legislative Budget Committee on the department's efforts to implement the Family First Prevention Services Act of 2018. The report shall quantify the department's efforts in at least the following areas, including any associated fiscal impacts: (1) Reducing the number of children placed for more than 2 weeks in congregate care settings, excluding qualified residential treatment programs, facilities for pregnant and parenting youth, supervised independent living and specialized programs for victims of sex trafficking. (2) Assisting congregate care providers in attaining status as qualified residential treatment programs. (3) Identifying alternative placements, including therapeutic foster homes, for children who would otherwise be placed in congregate care. (4) Expanding evidence-based, in-home parent skill-based programs and mental health and substance abuse prevention and treatment services. (General Appropriation Act footnote)
- 11/ All expenditures made by the Department of Child Safety for Attorney General legal services shall be funded only from the Attorney General Legal Services line item. Monies in Department of Child Safety line items intended for this purpose shall be transferred to the Attorney General Legal Services line item before expenditure. (General Appropriation Act footnote)
- 12/ The amount appropriated for kinship care shall be used for a stipend of \$75 per month for a relative caretaker, including a grandparent, any level of great-grandparent or any nongrandparent relative, or a caretaker of fictive kinship, if a dependent child is placed in the care of a relative caretaker or caretaker of fictive kinship pursuant to department guidelines. The department shall provide the stipend on behalf of all children placed with an unlicensed kinship foster care parent. The unlicensed kinship foster care parent is not required to file an application to receive the stipend. Before changing the eligibility for the program or the amount of the stipend, the department shall submit a report for review by the Joint Legislative Budget Committee detailing the proposed changes. (General Appropriation Act footnote)
- 13/ This appropriation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations, through June 30, 2020. (General Appropriation Act footnote) This provision only applies to \$7,400,000 that was appropriated on a supplemental basis in FY 2019.
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$113,676,700 and 1,311.9 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<u>FY 2020</u>
General Fund	\$61,015,600
Federal TANF Block Grant	17,005,200
Child Safety Expenditure Authority	35,655,900

FY 2020 adjustments are as follows:

Salary Increase

The budget includes an increase of \$2,586,200 in FY 2020 for an employee salary increase. This amount consists of:

General Fund	2,314,300
Child Safety Expenditure Authority	271,900

The budget requires that the increases be allocated for the positions listed below but does not specify percentage amounts:

- Caseworkers
- Case Aides
- Program supervisors
- Program specialists
- Entry-level administration

Statewide Adjustments

The budget includes an increase of \$932,900 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	886,200
Federal TANF Block Grant	46,700

(Please see the Agency Detail and Allocations section.)

Additional Operating Resources

Attorney General Legal Services

The budget includes \$25,522,800 and 276.2 FTE Positions in FY 2020 for Attorney General Legal Services. These amounts consist of:

General Fund	18,646,000
Federal TANF Block Grant	99,700
Child Safety Expenditure Authority	6,777,100

These amounts are unchanged from FY 2019.

This line item funds the attorneys and support staff in the Attorney General's Protective Services Section (PSS). Attorney General staff represents DCS in dependency, guardianship, severance and adoption proceedings throughout the state. This line item does not include funding for the Attorney General's defense of DCS in ongoing class action litigation. *(Please see the Litigation Expenses Special Line Item for additional information.)*

Caseworkers

The budget includes \$105,428,600 and 1,406 FTE Positions in FY 2020 for caseworkers. These amounts consist of:

General Fund	41,090,300
Children and Family Services Training Program Fund	207,100
Federal TANF Block Grant	30,137,500
Child Safety Expenditure Authority	33,993,700

FY 2020 adjustments are as follows:

Salary Increase

The budget includes an increase of \$5,436,000 in FY 2020 for an employee salary increase. This amount consists of:

General Fund	4,757,900
Child Safety Expenditure Authority	678,100

Statewide Adjustments

The budget includes an increase of \$141,700 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	54,300
Federal TANF Block Grant	87,400

This line item funds caseworker positions I, II, III and IV, including salary, benefits, other operating expenses and in-state travel. Funding for field office staff, including

case aides, caseworker supervisors, program managers, and other support staff, are included in the DCS operating budget.

The Legislature has funded 1,406 caseworkers (direct line staff). *Table 1* displays DCS progress in hiring these staff. As of April 2019, DCS had filled 1,283 of these positions, or (123) fewer filled positions than the funded amount.

Table 1

Direct Line Staff Type	DCS Caseworker Hiring		Difference
	Funded Positions	April 2019	
Case-Carrying Caseworkers	1,190	1,029	(161)
Caseworkers in Training	140	183	43
Hotline Staff	76	71	(5)
Total	1,406	1,283	(123)

General Counsel

The budget includes \$156,100 and 1 FTE Position from the General Fund in FY 2020 for General Counsel. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2020 for statewide adjustments.

Unlike the Attorney General Legal Services line item which funds representation of DCS in administrative or judicial proceedings, this line item funds the DCS General Counsel, who provides legal advice to the Director.

Inspections Bureau

The budget includes \$2,483,200 and 31 FTE Positions in FY 2020 for the Inspections Bureau. These amounts consist of:

General Fund	1,332,000
Federal TANF Block Grant	553,100
Child Safety Expenditure Authority	598,100

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,900 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	1,500
Federal TANF Block Grant	2,400

These monies fund the Office of Quality Improvement, formerly known as the Inspections Bureau, which monitors DCS policies and procedures to ensure they are

being followed by all staff in accordance with federal and state law. The Office of Quality Improvement also reviews vendor invoices to ensure accuracy and compliance with DCS contracts.

Litigation Expenses

The budget includes no funding in FY 2020 for Litigation Expenses. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(3,770,000) from the Risk Management Revolving Fund in FY 2020 for DCS' legal expenses for a federal class action lawsuit. The funding in this line item was designated as one-time in the 3-year spending plan associated with the enacted FY 2019 budget.

This line item was initially funded with \$2,867,600 in FY 2016 and \$2,471,200 in FY 2018. The FY 2019 General Appropriation Act made the FY 2018 amount non-lapsing through June 30, 2019 and the FY 2019 amount non-lapsing through June 30, 2020.

Background – DCS is currently a defendant in a federal class-action lawsuit called *B.K. v. McKay*. The case concerns the adequacy of the state's foster care services, including access to health services for foster children, the availability of family foster placements, investigations of maltreatment within foster placements, and practices to maintain family relationships. The Arizona Health Care Cost Containment System (AHCCCS) and the Department of Health Services (DHS) are also defendants in the case.

The department has used the funds in this line to retain outside counsel for its legal defense, expert witnesses, discovery costs, and other expenses. The case has not yet gone to trial. In April 2019, the federal 9th Circuit Court of Appeals certified the class-action status of the case.

DCS was also a defendant in a second lawsuit (*A.D. v. Washburn*) concerning the Indian Child Welfare Act. That case was dismissed by a federal appellate court in August 2018. In May 2019, the United States Supreme Court declined to hear an appeal to the appellate court's ruling.

New Case Aides

The budget includes \$3,185,200 and 34 FTE Positions in FY 2020 for New Case Aides. These amounts consist of:

General Fund	2,594,100
Child Safety Expenditure Authority	591,100

FY 2020 adjustments are as follows:

Salary Increase

The budget includes an increase of \$107,200 in FY 2020 for an employee salary increase. This amount consists of:

General Fund	93,800
Child Safety Expenditure Authority	13,400

Statewide Adjustments

The budget includes an increase of \$4,300 from the General Fund in FY 2020 for statewide adjustments.

Monies in this line item fund 34 new case aides. These positions are in addition to the 256 case aides funded from the operating budget in May 2016.

Office of Child Welfare Investigations

The budget includes \$9,646,300 and 127 FTE Positions in FY 2020 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	9,544,300
Child Safety Expenditure Authority	102,000

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$13,300 from the General Fund in FY 2020 for statewide adjustments.

OCWI investigates criminal conduct allegations of child abuse in conjunction with local law enforcement. As of April 2019, the department had hired 95 of the 127 appropriated FTE Positions.

Overtime Pay

The budget includes \$8,407,700 in FY 2020 for Overtime Pay. This amount consists of:

General Fund	2,603,700
Federal TANF Block Grant	3,879,400
Child Safety Expenditure Authority	1,924,600

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$16,800 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	3,800
Federal TANF Block Grant	13,000

Monies in this line fund overtime pay for DCS caseworkers.

Records Retention Staff

The budget includes \$594,300 and 5 FTE Positions in FY 2020 for Records Retention Staff. These amounts consist of:

General Fund	497,600
Child Safety Expenditure Authority	96,700

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2020 for statewide adjustments.

This line item funds staff that process information requests about children in the state child welfare system.

Retention Pay

The budget includes no funding in FY 2020 for Retention Pay. FY 2020 adjustments are as follows:

Salary Increase

The budget includes a decrease of \$(1,707,000) from the General Fund in FY 2020 to reallocate retention pay funding to ongoing salary increases for caseworkers and other DCS staff.

The retention stipend previously provided a one-time payment of \$1,000 for 18 months of employment and \$3,000 for 36 months of employment. DCS discontinued the stipend for workers hired after June 2016.

Training Resources

The budget includes \$9,150,000 in FY 2020 for Training Resources. This amount consists of:

General Fund	150,000
Child Safety Expenditure Authority	9,000,000

These amounts are unchanged from FY 2019.

Background – DCS has agreements with Arizona State University (ASU) and Northern Arizona University (NAU) to educate potential caseworkers. As part of that agreement, the federal government provides Title IV-E funding for the universities' social work programs while the universities provide the state match. The federal match rate is 75%.

Students receive scholarships that cover their tuition, books, and university fees. Scholarship degrees include a Bachelors of Social Work (BSW) or a Masters of Social

Work (MSW). The post-graduation DCS work requirement for scholarship students is equal to the length of the academic scholarship. For example, a scholarship student in the 2-year MSW program would be required to work at DCS for 2 years; a senior year-only BSW scholarship student would be obligated to work for 1 year at DCS, although BSW students can receive scholarships starting in their junior year.

The 2-year MSW scholarship value is about \$37,700 (\$10,800 stipend and \$26,900 tuition/fees). Students who withdraw from the scholarship, do not fulfill their contractual obligation, or do not meet the employment requirement of DCS at the time of hiring are technically required to repay DCS the scholarship amount.

DCS reports that 164 ASU/NAU social work students received scholarships in FY 2018, including 73 BSW students and 91 MSW students.

Out-of-Home Placements

DCS places children in out-of-home care when the department determines, after investigating a report of child abuse or neglect, that no services or interventions can adequately ensure the child's health and safety in the home. *Table 2* shows out-of-home placements by setting each year.

Table 2

	Out-of-Home Placements		
	June 2017	June 2018	March 2019
Kinship Care ^{1/}	6,511	5,566	5,217
Foster Home	6,545	5,875	5,809
Congregate Care	2,563	2,232	2,174
<i>Group Home</i>	1,880	1,669	1,633
<i>Emergency Shelter</i>	239	112	90
<i>Behavioral Health Placement</i>	444	451	451
Independent Living	476	455	464
Other ^{2/}	540	361	372
Total	16,635	14,489	14,036
<i>June Benchmark</i>		15,191	13,964

^{1/} Includes unlicensed relative and non-relative placements.

^{2/} Includes runaways, children with no identified placement, and trial home visits.

Since FY 2017, the General Appropriation Act has established a benchmark for the reduction in DCS' out-of-home population. The first benchmark required a reduction in the out-of-home population to 15,191 by June 30, 2018, which was based on a 2% reduction in the out-of-home population relative to the actual December 31, 2016 population of 17,149. The actual June 2018 out-

of-home population, as shown in *Table 2*, was 14,489, or (702) children below the required reduction.

For FY 2019, the benchmark is 13,964 out-of-home children by June 30, 2019. DCS had not met the benchmark as of March 2019. The FY 2020 budget continues the benchmark of 13,964.

Congregate Group Care

The budget includes \$98,900,100 in FY 2020 for Congregate Group Care. This amount consists of:

General Fund	36,028,000
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	41,449,100

These amounts are unchanged from FY 2019.

Caseload – In FY 2018, DCS served a monthly average caseload of 2,495 in congregated care placements. At an average monthly cost of \$3,120 per placement, funding in this line is sufficient for an average monthly caseload of 2,641 placements in FY 2020.

Background – This line item funds short-term placement at shelter facilities for children removed from their homes, usually for 21 days or less; group home placements; and placements at behavioral health facilities licensed by the Department of Health Services, such as behavioral health group homes and residential treatment centers. DCS pays the cost of behavioral health facility placements for non-Medicaid CMDP children and pays for the room and board expenditures for Medicaid-eligible children. All other behavioral health facility costs are funded by the RBHAs within the AHCCCS budget.

Foster Home Placement

The budget includes \$52,595,500 in FY 2020 for Foster Home Placement. This amount consists of:

General Fund	23,187,500
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	22,434,900

These amounts are unchanged from FY 2019.

Caseload – In FY 2018, a monthly average of 5,989 clients received licensed foster home services. The average monthly cost of the maintenance subsidy for FY 2018 was \$697. At an average monthly cost of \$697, the funding in this line item is sufficient for 6,288 foster home placements in FY 2020.

Background – The Foster Home Placement line item provides funding for the placement of children in the child welfare system into foster homes. This line item includes the cost of the maintenance payments for licensed foster homes. Unlicensed foster homes are funded in the Kinship Care line item.

Foster Home Recruitment, Study and Supervision

The budget includes \$32,753,600 in FY 2020 for Foster Home Recruitment, Study and Supervision. This amount consists of:

General Fund	19,980,800
Child Safety Expenditure Authority	12,772,800

These amounts are unchanged from FY 2019.

Background – This line item funds contracts with child welfare licensing agencies that recruit foster families, complete home studies to ensure that foster homes comply with requirements for licensure and provide ongoing monitoring and oversight of foster homes.

Independent Living Maintenance

The budget includes \$4,660,000 in FY 2020 for Independent Living Maintenance. This amount consists of:

General Fund	2,969,300
Child Safety Expenditure Authority	1,690,700

These amounts are unchanged from FY 2019.

Caseload – In FY 2018, a monthly average of 498 clients received the Independent Living Subsidy. At an average monthly cost of \$626, the funding in this line item is sufficient to fund 620 placements in FY 2020.

Background – The independent living subsidy program provides a monthly stipend to foster youths who are living on their own and enrolled in a postsecondary program or employed while voluntarily electing to remain in the custody of the department. The subsidy becomes available once the child turns age 18 and can be paid until the recipient turns 21. Of the 806 youths aged 18 or older voluntarily remaining in DCS custody as of March 2019, the department reports that 461 were residing in independent living settings. The other 345 youths continue to reside in other out-of-home placements, including congregated care (200), foster homes and kinship homes (125), and other placements (20). DCS plans to submit a IV-E state plan amendment in FY 2020 that would allow the department to begin receiving federal funds for the independent living subsidy and for

other out-of-home youth age 18 or older under the IV-E Extended Foster Care program. Laws 2019, Chapter 262 authorizes DCS to establish an Extended Foster Care program for young adults aged 18-21 that turned age 18 while in DCS custody. Participating youth may continue to receive services and supports from the department on condition of enrolling in an education program, employment, participation in a program that promotes employment, or be unable to be a full-time student or work due to a documented medical condition.

DCS believes the eligibility criteria established in Chapter 262 will allow the department to qualify for federal reimbursement. Based on a consultant's analysis, the department estimates it will receive an estimated \$6.6 million in additional Federal Funds in FY 2020 for the program.

Kinship Care

The budget includes \$5,000,000 in FY 2020 for Kinship Care. This amount consists of:

General Fund	4,392,000
Federal TANF Block Grant	608,000

FY 2020 adjustments are as follows:

Kinship Expansion

The budget includes an increase of \$3,000,000 in FY 2020 to expand availability of the kinship stipend to all unlicensed kinship caregivers. This amount consists of:

General Fund	2,392,000
Federal TANF Block Grant	608,000

A General Appropriation Act footnote requires DCS to provide the stipend on behalf of all children placed with an unlicensed kinship foster care parent and permits such caregivers to receive the stipend without filing an application. The stipend was previously limited to caregivers with incomes below 200% of the Federal Poverty Level and required caregivers to apply before receiving the stipend.

Caseload – In FY 2018, a monthly average of 3,082 enrollees received the Kinship Stipend with an average monthly cost of \$71. At that monthly cost, this line item is sufficient to fund a monthly average of 5,869 children in FY 2020. In comparison, the full caseload of children in unlicensed kinship care was 5,217 as of March 2019.

Background – This line item funds the Kinship Stipend, which provides a \$75 monthly stipend per child to unlicensed kinship caregivers. Unlicensed kinship

caregivers may include relatives as well as non-relative caregivers of fictive kinship. "Fictive kin" are caregivers that have a meaningful relationship with the child but are not related by blood or by marriage.

Permanent Placements

DCS subsidizes the care of children who exit out-of-home care for placements in adoptive homes or for custody with permanent guardians. Table 3 shows the total caseload for permanent placements. In FY 2018, 34% of children exiting out-of-home care were adopted and 7% entered permanent guardianship. Most of the remaining children exiting care are reunified with their biological parents.

Table 3

	Permanent Placements		
	June 2017	June 2018	April 2019
Adoption	27,070	29,500	31,051
Permanent Guardianship	2,582	2,608	2,751
Total	29,652	32,108	33,802

Adoption Services

The budget includes \$278,258,500 in FY 2020 for Adoption Services. This amount consists of:

General Fund	86,145,800
Federal TANF Block Grant	23,163,500
Child Safety Expenditure Authority	168,949,200

These amounts are unchanged from FY 2019.

Caseload – In FY 2018, a monthly average of 28,433 clients received adoption subsidies; the average monthly cost for FY 2018 was \$723. At that monthly cost, the budget is sufficient for 32,072 total placements in FY 2020.

Background – The program subsidizes the adoption of children who otherwise would entail high financial risks to prospective parents because of physical, mental, or emotional disorders or who would be otherwise difficult to place in adoption because of age, sibling relationship, or racial or ethnic background. The funding provides for maintenance subsidies, special services subsidies, expenditures related to the legal process of adopting a child, and adoption home recruitment costs.

Permanent Guardianship Subsidy

The budget includes \$12,516,900 in FY 2020 for the Permanent Guardianship Subsidy. This amount consists of:

General Fund	10,573,900
Federal TANF Block Grant	1,943,000

These amounts are unchanged from FY 2019.

Caseload – In FY 2018, a monthly average of 2,655 clients received permanent guardianship subsidies; the average monthly subsidy for FY 2018 was \$374. At \$374 monthly, the funding in this line item is sufficient to fund 2,789 total placements in FY 2020.

Background – The Guardianship Subsidy program supports permanent placements for children who cannot return home and for whom adoption is not an option. The guardianship subsidy is intended to be only a partial reimbursement for expenses involved in the care of the child. The funding only provides for maintenance subsidies, which are provided to assist with the expenses involved in addressing the special needs of the child.

Support Services

DCS Child Care Subsidy

The budget includes \$55,559,400 in FY 2020 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,000,000
Federal CCDF Block Grant	34,400,000
Child Safety Expenditure Authority	14,159,400

FY 2020 adjustments are as follows:

Child Care Rate Increase

The budget includes no net change in FY 2020 to continue a FY 2019 supplemental increase of \$7,400,000 from the Federal CCDF Block Grant to increase child care provider rates on behalf of children referred by DCS to DES for child care services. Effective June 1, 2019, DES increased provider rates for DES/DCS child care subsidies from the 75th percentile of the 2000 market survey rates to the 25th percentile of the 2018 market survey rates. The agency estimates the adjustment will bring the average monthly DCS subsidy to \$477, or a 17.5% increase above the prior rates.

Caseload – In FY 2018, a monthly average of 9,755 children received DCS child care. At \$470 monthly, the

funding in this line item is sufficient for an average monthly caseload of 9,851 children in FY 2020.

Background – This line item funds child care for children in the DCS system. DES continues to administer the state's child care program, so this funding is passed through to DES. Children who qualify for the DCS child care subsidy are not subject to a time limit, copay, or waiting list. DCS child care is provided for children in both licensed and unlicensed foster care. (Please see the Child Care Subsidy line item in the DES narrative for other state child care funding.)

In-Home Mitigation

The budget includes \$28,988,100 and 1 FTE Position in FY 2020 for In-Home Mitigation. These amounts consist of:

General Fund	15,794,000
Child Abuse Prevention Fund	1,459,300
Federal TANF Block Grant	5,911,200
Child Safety Expenditure Authority	5,823,600

These amounts are unchanged from FY 2019.

Background – This line item funds DCS' in-home services program for families with a child at risk of out-of-home placement. Contracted in-home services provide a wide range of voluntary services for up to 120 days intended to ensure that children remain safely at home, including parent education, counseling, domestic violence intervention, behavioral management, home management, and linkages to community resources. DCS reports that there were 4,180 new referrals to the in-home services program in FY 2018.

Out-of-Home Support Services

The budget includes \$153,910,900 in FY 2020 for Out-of-Home Support Services. This amount consists of:

General Fund	36,952,400
Federal TANF Block Grant	45,732,100
Child Safety Expenditure Authority	71,226,400

FY 2020 adjustments are as follows:

Kinship Transfer

The budget includes a decrease of \$(608,000) from the Federal TANF Block Grant in FY 2020 to transfer resources to the Kinship Care line item. The decrease makes permanent a line item transfer requested by the department from Out-of-Home Support Services into Kinship Care from both FY 2018 and FY 2019.

Background – This line item funds services for children in out-of-home care and their families, including supervised visitation, parent aide, health care services, allowances, transportation, substance abuse treatment, and independent living services.

Preventive Services

The budget includes \$15,148,300 in FY 2020 for Preventive Services. This amount consists of:

General Fund	4,000,000
Child Safety Expenditure Authority	11,148,300

These amounts are unchanged from FY 2019.

Background – This line item funds broad-based prevention programs to reduce the risk of involvement with DCS for at-risk families. The programs include the Healthy Families, which is an in-home visiting program, and the Building Resilient Families program, which provides follow-up services to families that were previously the subject of a DCS report.

Other Issues

This section includes information on the following topics:

- FY 2019 Supplemental
- Statutory Changes
- CHILDS Replacement Project
- CMDP Integration
- Line Item Transfers
- Family First Prevention Services Act
- DCS Funding

FY 2019 Supplemental

The FY 2020 budget includes an FY 2019 supplemental appropriation of \$7,400,000 from the Federal CCDF Block Grant for a child care provider rate increase. *(Please see DCS Child Care Subsidy for further details.)*

Statutory Changes

The Human Services Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, continue to require the department to report to the JLBC on or before February 1 of each year with the Early Childhood Development and Health Board on collaborative

efforts on child welfare issues. This provision had previously been authorized as session law.

CHILDS Replacement Project

The budget includes an FY 2020 transfer of \$10,100,000 from the General Fund to the Arizona Department of Administration for the CHILDS Replacement Project. *(Please see the Department of Administration - Automation Projects Fund narrative for details regarding this information technology project.)*

CMDP Integration

Children in foster care receive coverage for physical health and behavioral health care through the Comprehensive Medical & Dental Program (CMDP). Currently, DCS serves as the health plan for physical health, while behavioral health is covered separately covered through Regional Behavioral Health Authorities (RBHAs) contracted with AHCCCS.

Laws 2019, Chapter 305 transfers coverage of behavioral health services for foster children from the RBHAs to DCS conditional on authorization of state and federal funding by February 1, 2024. In its review of capitation funding for the CMDP program in April 2019, the Joint Legislative Budget Committee's review included a provision stating that it is the intent of the Legislature that DCS and AHCCCS request any funding changes associated with the creation of an integrated health plan as part of each agency's FY 2021 budget submittal.

Integrating behavioral health services under DCS would likely increase DCS' CMDP administrative expenses. According to a February 2018 Mercer study, the department could incur administrative costs of up to \$21.6 million Total Funds for administration of an integrated CMDP health plan, including the addition of 198 FTE Positions, if DCS administered all managed care health plan functions (e.g. medical management, network development, claims processing, etc.). By comparison, AHCCCS reports that existing administrative spending of the RBHAs is approximately \$12.0 million, or \$(9.6) million below the estimate from the 2018 study.

The plan could also impact behavioral health utilization. DCS would gain responsibility for "clinical operations," such as prior authorization and care coordination for behavioral health, so if DCS authorizes more services than the RBHAs do under current practice, foster care behavioral health expenses could increase. The magnitude of such changes is unknown.

Family First Prevention Services Act

The federal Bipartisan Budget Act of 2018 (P.L. 115-123) enacted in February 2018 incorporated provisions from previously introduced legislation called the Family First Prevention Services Act, which makes changes to federal IV-E financing of state and local child welfare services. The major changes include:

- Beginning October 1, 2019, states will have the option of receiving uncapped IV-E federal reimbursement for in-home preventive services for families of children at risk of being placed in foster care, including mental health and substance abuse prevention and treatment services as well as in-home parent skill-based programs. The federal match rate will be 50% and will only be applied to state expenditures above a state maintenance-of-effort requirement.
- Beginning October 1, 2019, federal IV-E reimbursement for congregate care placements will be limited to 2 weeks, except for children with serious behavioral or emotional disorders that are placed in "Qualified Residential Treatment Programs" meeting certain criteria.
- Delays the full phase-out of income eligibility standards for children age 2 or under in the IV-E adoption program until July 1, 2024. Prior federal legislation had originally scheduled a full phase-out by October 1, 2017.

A General Appropriation Act footnote requires DCS to report on its implementation of the legislation by January 2, 2020. The department shall quantify its efforts, including any fiscal impacts, associated with the 2-week federal funding limitation on most congregate care placements, its efforts to assist current congregate care providers attain status as qualified residential treatment programs, identification of alternative placements, such as therapeutic foster care, for children who would otherwise be placed in congregate care, and implementation of in-home skill-based parenting programs and mental health and substance abuse treatment for families with DCS involvement.

Line Item Transfers

Appropriations for state agencies delineate specific amounts for programs by line items. Agencies are generally permitted to shift funds among line items without further legislative review.

Since FY 2017, however, the General Appropriation Act has required DCS to seek review prior to implementing line item transfers to provide the Legislature with

additional oversight of such requests. The review requirement was originally enacted following transfers of substantial resources into the Out-of-Home Support Services line item in FY 2015 and FY 2016. DCS partially financed these transfers by reducing funding for in-home support services. These transfers raised concerns that DCS' expenditures were not consistent with the Legislature's intent to expand availability of in-home services. The budget continues this footnote for FY 2020.

The budget makes permanent a \$608,000 transfer of Federal TANF Block Grant monies from the Out-of-Home Support Services line item to the Kinship Care line item. DCS has not requested any General Fund line item transfers for FY 2019.

Table 4

FY 2020 Child Safety Expenditure Authority by Federal Fund Source and Line Item
(\$ in Millions)

Federal Fund Source	Operating Budget	Caseworkers	New Case Aides	Attorney General	Inspections Bureau	OCWI	Overtime Pay	Records Retention	Training Resources
AHCCCS	\$9.4	\$2.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
AIPP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPTA	0.6	0.6	0.0	0.0	0.1	0.0	0.0	0.0	0.0
CBCAP	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chafee ETV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chafee IL	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HF FTF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HF Lottery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HF MIECHV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SSBG	0.0	5.5	0.0	0.0	0.0	0.0	2.4	0.0	0.0
IV-B I CWS	1.5	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IV-B II FPSS	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IV-E Adoption	3.2	1.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0
IV-E Foster Care	16.8	12.0	0.2	5.8	0.3	0.0	0.9	0.1	5.0
Over/(Under) Allocated Authority	3.6	9.1	0.4	1.0	0.1	0.1	(1.5)	0.0	4.0
Total	\$35.7	\$34.0	\$0.6	\$6.8	\$0.6	\$0.1	\$1.9	\$0.1	\$9.0

Table 4 (Continued)

FY 2020 Child Safety Expenditure Authority by Federal Fund Source and Line Item
(\$ in Millions)

Federal Fund Source	Adoption Services	Congregate Group Care	Foster Care	Foster HRSS	Independent Living	Child Care	In-Home Mitigation	Preventive Services	Out-of-Home Services	Total
AHCCCS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$36.9	\$48.8
AIPP	7.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.7
CAPTA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3
CBCAP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Chafee ETV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.5
Chafee IL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1	3.3
HF FTF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2
HF Lottery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.1	0.0	6.1
HF MIECHV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.4	0.0	4.4
SSBG	0.0	5.8	0.0	0.0	0.0	0.0	1.2	0.0	0.0	14.9
IV-B I CWS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.8
IV-B II FPSS	1.6	0.0	0.0	0.0	0.0	0.0	4.9	0.0	0.0	6.6
IV-E Adoption	159.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	163.4
IV-E Foster Care	0.0	30.6	21.2	13.1	1.6	9.0	0.0	0.0	15.1	131.7
Over/(Under) Allocated Authority	0.6	5.0	1.2	(0.3)	0.1	5.2	(0.3)	0.4	14.6	43.4
Total	\$168.9	\$41.4	\$22.4	\$12.8	\$1.7	\$14.2	\$5.8	\$11.1	\$71.2	\$438.4

State Board of Chiropractic Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	202,100	209,700	209,700
Employee Related Expenditures	87,000	93,300	94,300
Professional and Outside Services	31,100	36,800	36,800
Travel - In State	0	1,000	1,000
Travel - Out of State	5,500	9,000	9,000
Other Operating Expenditures	77,300	79,900	87,800
Equipment	7,300	0	0
AGENCY TOTAL	410,300	429,700	438,600^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Chiropractic Examiners Fund	410,300	429,700	438,600
SUBTOTAL - Other Appropriated Funds	410,300	429,700	438,600
SUBTOTAL - Appropriated Funds	410,300	429,700	438,600
TOTAL - ALL SOURCES	410,300	429,700	438,600

AGENCY DESCRIPTION — The board licenses, investigates, and regulates chiropractors who practice a system of therapy in which disease is considered the result of neural malfunction. Manipulation of the spinal column and other structures is the preferred method of treatment.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$438,600 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$8,900 from the Board of Chiropractic Examiners Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Citizens Clean Elections Commission

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	4,851,000	11,662,200	3,562,200
TOTAL - ALL SOURCES	4,851,000	11,662,200	3,562,200

AGENCY DESCRIPTION — As authorized by a 1998 ballot initiative, the Citizens Clean Elections Commission provides full public funding to qualified candidates who agree to abide by the commission's guidelines. To qualify for funding, participating candidates must adhere to spending and contribution limits, and gather \$5 qualifying contributions from district constituents who are registered voters. Participating candidates also agree to attend required debates. The commission is not subject to legislative appropriation.

Other Issues

Clean Elections Fund Transfer to the General Fund

Pursuant to a 1998 ballot proposition (A.R.S. § 16-954B), the CCEC is instructed to return excess monies to the General Fund if it determines that anticipated revenues exceed anticipated expenses. The CCEC determines this on an annual basis by projecting revenues and expenses over the next 4 years and designating monies above the amount needed to meet current and future expenses as "excess monies" to be transferred to the General Fund.

The most recent transfer was in FY 2012, when \$10 million was transferred to the General Fund. For a complete list of Citizens Clean Elections Fund transfers to the General Fund, please see *Table 1*.

Table 1
Clean Elections Fund Transfers to General Fund

<u>Fiscal Year</u>	<u>Transfer</u>
FY 2003	\$ 1,774,600
FY 2004	3,828,000
FY 2005	973,900
FY 2006	2,500,000
FY 2008	18,876,200
FY 2009	7,000,000
FY 2010	10,000,000
FY 2011	20,000,000
FY 2012	<u>10,000,000</u>
Total	\$74,952,700

Table 2

CCEC Available Revenues and Expenditures

	FY 2018 <u>Actual</u>	FY 2019 <u>Estimate</u>
Funds Available		
Balance Forward	\$26,665,000	\$29,111,800
Revenue:		
Civil Fine 10% Surcharge	\$ 7,364,800	7,364,800
\$5 Qualifying Contributions	89,400	89,400
Other Fines, Forfeitures, Penalties	<u>1,200</u>	<u>1,200</u>
Total Revenue	\$ 7,455,400	\$ 7,455,400
Total Funds Available	\$34,120,400	\$36,567,200
Expenditures:		
Personal Services	\$ 572,600	\$ 572,600
Employee Related Expenditures	193,700	193,700
Professional & Outside Services	2,238,700	2,038,700
Travel - In State	4,900	4,900
Candidate Funding	1,388,800	6,800,000
Other Operating Expenses	428,700	2,028,700
Equipment	21,100	21,100
Transfers	<u>2,500</u>	<u>2,500</u>
Total Funds Expended	\$ 4,851,000	\$11,662,200
Admin. Adjustments	\$ 157,600	\$ 157,600
Transfer to General Fund	\$ 0	\$ 0
Year-End Fund Balance	\$29,111,800	\$24,747,400

Arizona Commerce Authority

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET	10,000,000	10,000,000	10,000,000 ^{1/}
SPECIAL LINE ITEMS			
Applied Research Centers	0	0	2,500,000 ^{2/}
Arizona Competes Fund Deposit	11,500,000	11,500,000	5,500,000 ^{1/}
Rural Broadband Grants	0	0	3,000,000 ^{3/}
Trade Offices	300,000	300,000	775,000 ^{4/}
AGENCY TOTAL	21,800,000	21,800,000	21,775,000
FUND SOURCES			
General Fund	21,800,000	21,800,000	19,275,000
<u>Other Appropriated Funds</u>			
State Web Portal Fund	0	0	2,500,000
SUBTOTAL – Other Appropriated Funds	0	0	2,500,000
SUBTOTAL - Appropriated Funds	21,800,000	21,800,000	21,775,000
Other Non-Appropriated Funds	4,765,200	8,294,300	7,919,500
Federal Funds	1,806,600	1,845,600	1,520,800
TOTAL - ALL SOURCES	28,371,800	31,939,900	31,215,300

AGENCY DESCRIPTION — The Arizona Commerce Authority (ACA) promotes economic, community, and workforce development. The Authority's duties include: support statewide for business expansion and attraction; workforce development and job training; online assistance for new business start-ups; tax credit administration.

FOOTNOTES

- ^{1/} Pursuant to A.R.S. § 43-409, \$15,500,000 of the state General Fund withholding tax revenues is allocated in FY 2020 to the Arizona Commerce Authority, of which \$10,000,000 is credited to the Arizona Commerce Authority Fund established by A.R.S. § 41-1506, and \$5,500,000 is credited to the Arizona Competes Fund established by A.R.S. § 41-1545.01. (General Appropriation Act footnote)
- ^{2/} A. The sum of \$2,500,000 is appropriated from the State Web Portal Fund established by A.R.S. § 18-421 in FY 2020 to the Arizona Commerce Authority to distribute to applied research centers and institutes located in this state that specialize in blockchain or wearable technology or automated mobility, to be allocated as follows: 1) \$1,250,000 for distribution to applied research centers that specialize in blockchain technology, 2) \$750,000 for distribution to applied research centers that specialize in wearable technology, and 3) \$500,000 to the Institute for Automated Mobility.
- B. Subject to available funding, the authority shall distribute monies appropriated in subsection A of this section to any applied research the center or institute in increments of up to \$250,000 within 30 days after the applied research center or institute notifies the authority in writing that the applied research center or institute has received a matching amount of at least \$250,000 from sources other than this state.
- C. An applied research center or institute that receives a distribution pursuant to this section must collaborate with universities, nonprofit business associations, health science research centers, institutes or other technology businesses that do business in this state. On or before September 15, 2022, the applied research center or institute shall return to the authority all monies received by the applied research center of institute pursuant to this section that remain unexpended and unencumbered on September 1, 2022. The authority shall deposit the returned monies in the State Web Portal Fund. The authority shall notify the President of the Senate and the Speaker of the House of Representatives on or before July 1, 2020 and July 1, 2021 if the authority has not distributed any monies pursuant to this section.
- D. An applied research center or institute that receives monies pursuant to this section shall annually submit an expenditure and performance report to the authority. The authority shall transmit the report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before February 1 of each year. E. For the purposes of this act, the authority is exempt from the procurement code requirements of Title 41, Chapter 23, Arizona Revised Statutes.

- F. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations, except that any amounts that remain unexpended and unencumbered on June 30, 2023 revert to the State Web Portal Fund. (General Appropriation Act Footnote)
- 3/ A. The sum of \$3,000,000 in one-time funding is appropriated from the state General Fund in FY 2020 to the Arizona Commerce Authority for the purpose of providing rural broadband grants. The Arizona Commerce Authority shall report to the Joint Legislative Budget Committee on or before January 31, 2020 on its plan for distributing these grants.
- B. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to the lapsing of appropriations. (General Appropriation Act Footnote)
- 4/ A. The sum of \$500,000 is appropriated from the state General Fund in FY 2020 to the Arizona Commerce Authority to operate a trade office in Mexico City and to establish and operate new trade offices in Guanajuato and Chihuahua.
- B. The sum of \$275,000, which includes \$100,000 of one-time funding, is appropriated from the state General Fund in FY 2020 to the Arizona Commerce Authority to establish and operate a new trade office in Israel.
- C. The Legislature intends that the appropriations made in Subsections A and B of this section, excluding the one-time funding, be considered ongoing funding in future years.
- D. The appropriations made in subsection A of this section are exempt from the provisions of A.R.S. § 35-190 relating to the lapsing of appropriations. (General Appropriation Act Footnote)

Operating Budget

The budget includes \$10,000,000 from the General Fund in FY 2020 for the operating budget. This amount is unchanged from FY 2019.

In FY 2018, ACA expended the full amount of this General Fund deposit.

Applied Research Centers

The budget includes \$2,500,000 from the State Web Portal Fund in FY 2020 for one-time funding for Applied Research Centers. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$2,500,000 from the State Web Portal Fund in FY 2020 for disbursement to applied research centers and the Institute for Automated Mobility.

The one-time funding in this line item will be distributed in increments up to \$250,000 as follows:

- \$1,250,000 to applied research centers that specialize in blockchain technology.
- \$750,000 to applied research centers that specialize in wearable technology.
- \$500,000 to the Institute for Automated Mobility.

Any monies distributed to entities that is unused and unencumbered by September 1, 2022 will revert to the State Web Portal Fund.

ACA is required to report to the President of the Senate and the Speaker of the House of Representatives by July 1 of both 2020 and 2021 if it has not distributed any of the \$2,500,000.

Arizona Competes Fund Deposit

The budget includes \$5,500,000 from the General Fund in FY 2020 for deposit into the Arizona Competes Fund. FY 2020 adjustments are as follows:

Competes Fund Deposit Reduction

The budget includes a decrease of \$(6,000,000) from the General Fund in FY 2020 for a reduction in the deposit to the Arizona Competes Fund.

In FY 2017 through FY 2019, The Arizona Competes Fund received an annual appropriation of \$11,500,000 in income tax withholding from the General Fund. The FY 2019 Revenues Budget Reconciliation Bill (BRB) reduced this deposit to \$5,500,000 starting in FY 2020. Additionally, the fund also receives a non-appropriated deposit of \$3,500,000 in lottery revenues pursuant to A.R.S. § 4-572. In total, the fund will receive deposits of \$9,000,000 in FY 2020 and thereafter. *(Please see the FY 2018 Appropriations Report for more information on the history of the Competes Fund deposit.)*

At least 30% of monies appropriated to the Arizona Competes Fund are to be used for rural and small business grants. Of this amount, 30%, up to \$1,000,000, is reserved for microenterprise development. Microenterprises are businesses that employ 10 or fewer employees including start-ups, home-based businesses, and self-employed businesses.

A further 25% of the monies are reserved for businesses not located in Maricopa County with preference given to a county located on the Arizona-Mexico border, a county in which a military facility is located, or projects on tribal lands. The 25% allocation is no longer reserved for these purposes after March 31 of each fiscal year.

Monies in the Arizona Competes Fund are utilized to issue grants to attract, retain, and support businesses in Arizona. (Please see Other Issues section for Arizona Competes Fund Expenditures by year and list of FY 2018 and FY 2019 award recipients.)

Rural Broadband Grants

The budget includes \$3,000,000 from the General Fund in FY 2020 for one-time funding for Rural Broadband Grants. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$3,000,000 from the General Fund in FY 2020 for one-time funding for rural broadband grants.

These monies will be granted to local partnerships or ventures for rural broadband projects. A General Appropriation Act footnote requires that the Arizona Commerce Authority report to the Joint Legislative Budget Committee by January 31, 2020 on its plan for distributing these grants.

Trade Offices

The budget includes \$775,000 from the General Fund in FY 2020 to establish and operate trade offices in Mexico and Israel. FY 2020 adjustments are as follows:

Trade Office Expansion

The budget includes an increase of \$475,000 from the General Fund in FY 2020 to establish and operate additional trade offices. Of this amount, \$100,000 is labeled as one-time.

In FY 2015 through FY 2019, this line item has received an annual appropriation of \$300,000 which has been used to lease a 2-story building in central Mexico City that services as the Mexico City Trade Office and hire 4 contract workers to run the office.

The FY 2020 budget increased funding for this line item by \$475,000. Of this amount, \$200,000 will be used to establish and operate trade offices in Guanajuato and Chihuahua, Mexico. The Legislature intends this amount to be ongoing. The remaining \$275,000, of which

\$100,000 is one-time, will be used to establish and operate a trade office in Israel.

Other Issues

Arizona Competes Fund Grants and Expenditures

ACA made \$77.2 million in commitments and expended \$49.3 million from the Competes Fund from FY 2012 through April 30, 2019. See Table 1 for expenditures and commitments by fiscal year and Table 2 for new grants awarded since the beginning of FY 2018. (For FY 2017 grant recipients, please see the FY 2019 Baseline Book. For a full list of grant recipients prior to FY 2017, please see the FY 2018 Appropriations Report.)

Currently, 3 types of grants are awarded from the fund: 1) Competes Fund grants for businesses that are expanding in or relocating to Arizona; 2) Arizona Innovation Challenge grants for early-stage start-up companies; and 3) Rural Economic Development grants for local governments to improve infrastructure and attract businesses.

Table 1
Arizona Compete Fund Commitments and Expenditures by Award Year

<u>Award Year</u>	<u>Commitments</u>	<u>Expenditures</u>
FY 2012	\$ 7,097,000	\$ 6,445,500
FY 2013	7,953,000	7,638,400
FY 2014	10,029,200	7,942,700
FY 2015	10,180,100	6,856,600
FY 2016	6,350,000	4,451,600
FY 2017	13,551,500	7,098,100
FY 2018	17,300,000	8,423,700
FY 2019 ^{1/}	<u>4,750,000</u>	<u>468,000</u>
Total	\$77,210,800	\$49,324,600

^{1/} Represents commitments and expenditures through April 30, 2019.

Table 2

Arizona Competes Fund: FY 2018 - FY 2019 Grant Commitments

<u>Recipients</u>	<u>Commitment</u>
Competes Fund Grants for Expansion/Relocation	
<u>FY 2018</u>	
MUFG Union Bank, N.A.	\$ 5,000,000
Bank of the West	3,000,000
Benchmark Electronics, Inc.	1,800,000
Raytheon Company	5,000,000
ZipRecruiter, Inc.	250,000
Ball Metal Beverage Container Corp.	750,000
<u>FY 2019</u>	
Deloitte Consulting LLP	2,500,000
Boeing Company	<u>750,000</u>
Total	\$19,050,000
Arizona Innovation Challenge Grants	
<u>FY 2018</u>	
GT Medical Technologies Inc.	\$ 250,000
Life365, Inc.	250,000
Paradox, LLC	250,000
Resonea, Inc.	250,000
Renewlogy	250,000
SimpleWan, Inc.	250,000
<u>FY 2019</u>	
Breezing Sciences	150,000
eTrack Tech, Inc.	150,000
Innovative Climatec Technologies (Air2o)	150,000
Mindset Medical	150,000
Paradigm Diagnostics	150,000
Perosa	150,000
Quote Countertops	150,000
Quick	150,000
Trainual	150,000
Virtuous Software, LLC.	<u>150,000</u>
Total	\$ 3,000,000
Rural Economic Development Grants	
N/A	\$ _____ 0
Total FY 2018 - FY 2019 Commitments	\$22,050,000

Arizona Community Colleges

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	4,589,600	4,677,300	4,623,500
Coconino	1,731,100	1,749,200	1,703,400
Gila	298,400	324,900	293,700
Graham	2,288,300	2,357,900	2,389,600
Mohave	1,195,500	1,152,700	1,175,300
Navajo	1,649,000	1,576,500	1,567,700
Pinal	1,621,400	1,507,800	1,452,000
Santa Cruz	96,800	84,100	0
Yavapai	639,400	589,900	601,400
Yuma/La Paz	2,622,100	2,613,500	2,399,500
<i>Subtotal - Operating State Aid</i>	<u>16,731,600</u>	<u>16,633,800</u>	<u>16,206,100</u>
STEM and Workforce Programs State Aid			
Cochise	986,400	1,010,800	996,200
Coconino	409,000	415,600	399,200
Gila	136,500	146,200	135,000
Graham	609,000	634,400	645,800
Maricopa	0	0	1,600,000 ^{1/}
Mohave	462,500	446,900	455,000
Navajo	369,100	342,600	339,500
Pima	0	0	400,000 ^{1/}
Pinal	96,500	96,500	96,500
Santa Cruz	67,000	62,400	26,900
Yavapai	717,000	699,000	703,100
Yuma/La Paz	845,500	843,100	1,030,200
<i>Subtotal - STEM and Workforce Programs State Aid</i>	<u>4,698,500</u>	<u>4,697,500</u>	<u>6,827,400</u>
Equalization Aid			
Cochise	5,210,200	5,848,200	6,389,500
Graham	15,028,600	15,717,800	16,506,200
Navajo	6,672,100	7,107,100	7,751,900
<i>Subtotal - Equalization Aid</i>	<u>26,910,900</u>	<u>28,673,100</u>	<u>30,647,600</u>
Rural Community College Aid^{2/}			
Cochise	0	0	3,140,100
Coconino	0	0	1,003,100
Gila	0	0	343,200
Graham	0	0	1,568,100
Mohave	0	0	1,152,100
Navajo	0	0	889,200
Pinal	0	0	1,795,400
Santa Cruz	0	0	64,200
Yavapai	0	0	1,761,300
Yuma/La Paz	0	0	2,483,300
<i>Subtotal - Rural Community College Aid</i>	<u>0</u>	<u>0</u>	<u>14,200,000</u>
Rural County Allocation	2,596,700	2,902,300	3,420,800 ^{3/}
Rural County Reimbursement Subsidy	1,273,800	1,273,800	1,273,800 ^{4/}
Tribal Community Colleges	2,625,000	2,825,000	2,825,000 ^{5/}
Additional Gila Workforce Development Aid	250,000	200,000	200,000
Diné College Remedial Education	0	0	1,000,000 ^{5/}
Maricopa Health Care Specialty Expansion	0	0	5,800,000 ^{2/}
Pima Aviation Center Expansion	0	0	15,000,000 ^{2/}
AGENCY TOTAL	<u>55,086,500</u>	<u>57,205,500</u>	<u>97,400,700^{1/}</u>

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
FUND SOURCES			
General Fund	55,086,500	57,205,500	97,400,700
SUBTOTAL - Appropriated Funds	55,086,500	57,205,500	97,400,700
Other Non-Appropriated Funds	20,121,600	20,121,600	20,121,600
TOTAL - ALL SOURCES	75,208,100	77,327,100	117,522,300

AGENCY DESCRIPTION — The Arizona community college system is comprised of 10 college districts and 2 provisional districts. Arizona’s community colleges provide programs and training in the arts, sciences and humanities, and vocational education leading to an Associate’s degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

FOOTNOTES

- 1/ The following amounts are appropriated from the state General Fund in each of FY 2020, FY 2021 and FY 2022 to the following Arizona community college districts for STEM and workforce development:
 1. Maricopa \$1,600,000
 2. Pima \$400,000
- 2/ Appropriated for FY 2020 by Laws 2019, Chapter 263, Section 134.
- 3/ A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost of students attending community colleges who are from counties that are not part of an established community college district, and then the state will withhold these counties’ sales tax revenues to offset that cost. In FY 2020, that amount is estimated to be \$3,420,800. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 4/ Of the \$1,273,800 appropriated to the Rural County Reimbursement Subsidy line item, Apache County receives \$699,300 and Greenlee County receives \$574,500. (General Appropriation Act footnote)
- 5/ A.R.S. § 42-5031.01 directs the State Treasurer to annually transmit to the tribal colleges 10% of Transaction Privilege Tax (TPT) revenues collected from sources located on the reservation, or \$1,750,000, whichever is less, as well as 5% of TPT revenues collected on the reservation, or \$875,000, whichever is less, to a technical college on the same reservation. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 6/ On or before October 15, 2020, the Diné college board of regents shall submit to the Governor, the Speaker of the House of Representatives, the President of the Senate, the Secretary of State and the Joint Legislative Budget Committee a report that details the course completion rate for students who received remedial education during the 2019-2020 academic year. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

Operating State Aid

The budget includes \$16,206,100 from the General Fund in FY 2020 for Operating State Aid. FY 2020 adjustments are as follows:

Enrollment Changes

The budget includes a decrease of \$(427,700) from the General Fund in FY 2020 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (798), or (2.7)%, decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 1). The (798) net FTSE decrease consists of a (709) FTSE decrease in non-dual enrollment students and an (89) FTSE decrease in dual enrollment students. A.R.S. § 15-1466.01 requires dual enrollment students be funded at 50% for

state aid purposes. Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit.

The FY 2020 budget has no Operating State Aid for the Santa Cruz Provisional Community College District (SCPCCD) for FY 2020. The Operating State Aid formula adjusts a community college’s Operating State Aid appropriation for FY 2020 based on the FTSE change from FY 2017 to FY 2018 multiplied by the statewide average Operating State Aid provided in FY 2019 (\$588). Given the SCPCCD (170) FTE reduction, their operating reduction would be \$(100,000). SCPCCD, however, only has \$84,100 in Operating State Aid. As a result, Santa Cruz will qualify for \$0 in FY 2020 in Operating State Aid.

Table 1

Community College Enrollment

District	FY 2017 FTSE	FY 2018 FTSE	Percentage Change
Cochise	6,353	6,258	(1.5)%
Coconino	2,048	1,999	(2.4)%
Gila	735	684	(6.9)%
Graham	3,075	3,125	1.6%
Mohave	2,270	2,296	1.1%
Navajo	1,827	1,772	(3.0)%
Pinal	3,688	3,578	(3.0)%
Santa Cruz	298	128	(57.0)%
Yavapai	3,498	3,510	0.3%
Yuma/La Paz	5,305	4,949	(6.7)%
Total	29,097	28,299	(2.7)%

Background – With the exception of Maricopa and Pima, the Operating State Aid line items provide each community college district with funds for continuing operating and maintenance expenses pursuant to A.R.S. § 15-1466. The Operating State Aid formula adjusts state aid in an amount that reflects changes in the FTSE enrollment count. This enrollment adjustment is calculated by multiplying the change in the most recent year’s actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. (For FY 2020, the last actual FTSE data was from FY 2018.)

As permanent law, the FY 2016 Higher Education Budget Reconciliation Bill (BRB) eliminated Operating State Aid for Maricopa and Pima. The FY 2018 Higher Education BRB subsequently restored Maricopa and Pima County’s eligibility for FY 2019 Operating State Aid in permanent law. Since then, however, a session law provision has suspended the formula. As a result, Maricopa and Pima County continued to receive no Operating State Aid. The FY 2020 Higher Education BRB continues to suspend Maricopa and Pima Operating State Aid funding in FY 2020.

The full formula funding for Maricopa and Pima County cannot be calculated for FY 2020. The Operating State Aid formula adjusts the prior year’s appropriation based on the changes in FTSE enrollment count. Maricopa and Pima County have not received Operating State Aid since FY 2015.

STEM and Workforce Programs State Aid

The budget includes \$6,827,400 from the General Fund in FY 2020 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid (formerly Capital Outlay State Aid). FY 2020 adjustments are as follows:

Enrollment Changes

The budget includes an increase of \$129,900 from the General Fund in FY 2020 to fund increased formula costs for STEM and Workforce Programs State Aid. As permanent law, the FY 2018 Higher Education BRB restored eligibility for FY 2019 STEM and Workforce Programs State Aid funding for Maricopa and Pima County that was eliminated by Laws 2015, Chapter 16. Session law, however, has continued to suspend the program’s funding formula and instead funded the amounts specified in the General Appropriation Act. The General Appropriation Act included no STEM and Workforce Programs State Aid funding for Maricopa and Pima County in FY 2020.

The FY 2020 Higher Education BRB continues to fully fund the STEM and Workforce Program State Aid formula for all rural districts except for Pinal, which will continue to be kept flat at \$96,500. If Pinal was fully funded, it would cost an additional \$652,700. If the formula were fully funded for FY 2020, Maricopa would receive \$10,849,300 and Pima would receive \$2,343,200 in FY 2020.

Maricopa and Pima Funding

The budget includes a one-time increase of \$2,000,000 from the General Fund in FY 2020 to fund STEM and workforce development in Maricopa and Pima Community College Districts. Of the \$2,000,000, Maricopa is appropriated \$1,600,000 and Pima is appropriated \$400,000. The FY 2020 General Appropriation Act (Section 134) appropriates these amounts in each of FY 2020, FY 2021 and FY 2022.

Background – The STEM and Workforce Programs State Aid line items provide the community college districts with funds for partnerships, faculty, technology equipment, student services, facilities, and property needs pursuant to A.R.S. § 15-1464.

The STEM and Workforce Programs State Aid formula provides per capita funding to districts based on the district’s size and the most recent year’s actual audited FTSE. The statutory formula provides \$210 per FTSE for districts with 5,000 or less FTSE or \$160 per FTSE for districts with greater than 5,000 FTSE.

Equalization Aid

The budget includes \$30,647,600 from the General Fund in FY 2020 for Equalization Aid. FY 2020 adjustments are as follows:

Property Value Changes

The budget includes an increase of \$1,974,500 from the General Fund in FY 2020 to reflect increased formula costs

for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in *Table 2*.

<u>District</u>	<u>FY 2019</u>	<u>Year-over- Year Change</u>	<u>FY 2020</u>
Cochise	\$ 5,848,200	\$541,300	\$ 6,389,500
Graham	15,717,800	788,400	16,506,200
Navajo	<u>7,107,100</u>	<u>644,800</u>	<u>7,751,900</u>
Total	\$28,673,100	\$1,974,500	\$30,647,600

Background – The Equalization Aid line items provide additional state aid to community college districts with property tax bases that are less than the minimum assessed value specified in A.R.S. § 15-1402. Under the Equalization Aid formula, the minimum assessed valuation is revised by the average change in actual assessed valuation for the most recent year for all rural districts with populations of less than 500,000 persons. For the FY 2020 Equalization Aid formula calculation, the minimum assessed valuation increased 4.1% to approximately \$1.4 billion. (See *Table 3* for the calculation of the growth rate.)

<u>District</u>	<u>TY 2017 Primary AV</u>	<u>TY 2018 Primary AV</u>	<u>TY 2017- 2018 % Growth</u>
Cochise*	\$ 913,002,900	\$ 928,290,400	1.7 %
Graham*	192,589,700	189,842,100	(1.4)%
Navajo*	821,107,800	828,848,100	0.9 %
Coconino	1,648,531,000	1,726,579,800	4.7 %
Mohave	1,739,751,600	1,811,189,500	4.1 %
Pinal	2,239,027,300	2,355,433,500	5.2 %
Yavapai	2,463,150,000	2,599,537,800	5.5 %
Yuma/LaPaz	<u>1,358,691,500</u>	<u>1,401,182,900</u>	<u>3.1 %</u>
Total	\$11,375,851,800	\$11,840,904,100	4.1 %
Minimum AV	\$1,339,876,700	\$1,394,677,700	4.1 %

* These districts qualify to receive Equalization Aid under the state funding formula.

Equalization Aid is paid based on the difference between the minimum assessed valuation and the most recent actual assessed valuation for the district. Equalization Aid is calculated at the lesser of \$1.37 per \$100 of the district's assessed valuation or the district's levy rate.

As noted in *Table 3*, the average rural district assessed values all increased by 4.1% in TY 2017. In comparison, Cochise increased by 1.7%, Graham declined by (1.4)%,

and Navajo increased by 0.9%. Because their primary assessed value increased by less than the average rural district, Cochise, Graham, and Navajo qualify for more aid.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.39 billion in FY 2020), 2) whether the district's change in assessed value was less than the rural districts' average change, and 3) the applicable tax rate.

Rural Community College Aid

The budget includes \$14,200,000 from the General Fund in FY 2020 for Rural Community College Aid. The FY 2020 adjustments are as follows:

One-Time Rural Funding

The budget includes a one-time increase of \$14,200,000 from the General Fund in FY 2020 for aid to the 10 rural community college districts.

FY 2020 funding was allocated by Section 134 of the General Appropriation Act to the 10 rural community college districts based on each district's share of actual FY 2018 enrollment.

Rural County Allocation

The budget includes \$3,420,800 from the General Fund in FY 2020 for Rural County Allocation. FY 2020 adjustments are as follows:

Enrollment Increase

The budget includes an increase of \$518,500 from the General Fund in FY 2020 to fund increased student enrollment.

Background – The Rural County Allocation line item facilitates payment to community college districts for students enrolled from counties that are not a part of an established community college district. If a county is not part of a community college district, it is responsible for the cost of their students attending community college in another county. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and then the state will withhold these counties' sales tax revenues to offset that cost; therefore, there is no net General Fund impact. The payments made on behalf of the counties are not included in county expenditure limits established in the Arizona Constitution. The county payments are partially offset by a state subsidy. (See *next line item*.)

Each year, the amount is determined by enrollment counts submitted to the JLBC Staff. The JLBC Staff is required by A.R.S. § 15-1469D to report the county withholdings to the Treasurer by May 15 for the upcoming fiscal year. In May 2019, the JLBC Staff reported the amount to be \$3,420,800 for FY 2020.

Monies for the Rural County Allocation are authorized by A.R.S. § 15-1469.01, and therefore do not appear in the General Appropriation Act.

Rural County Reimbursement Subsidy

The budget includes \$1,273,800 from the General Fund in FY 2020 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2019.

This funding partially offsets the cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee Counties. The budget allocates \$699,300 to Apache and \$574,500 to Greenlee.

Tribal Community Colleges

The budget includes \$2,825,000 from the General Fund in FY 2020 for Tribal Community Colleges. This amount is unchanged from FY 2019.

The budget assumes a distribution of \$2,625,000 to the Navajo Nation, comprised of \$1,750,000 for Diné College, and \$875,000 for Navajo Technical College. For the Navajo Nation, the budget assumes the maximum amounts allowed under statute since a net of 15% of their current TPT revenues would exceed the statutory distribution limits as described below. The budget assumes \$200,000 for the Tohono O'Odham Community College in FY 2020 based on a projection of 10% of the collected TPT revenues from the reservation.

Background – This funding is limited to qualified tribes that instituted a compact with the state before September 1, 2017 to receive a portion of Transaction Privilege Tax (TPT) revenues for support of tribe's postsecondary institution(s). A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the TPT revenues collected from all sources located on the reservation, whichever is less. A.R.S. § 42-5031.01 also allows any additional technical college located on the same reservation to receive \$875,000, or 5% of the TPT revenues collected from sources located on the reservation, whichever is less. Actual amounts for FY 2020 will depend on FY 2020 collections. Given the language of A.R.S. § 42-5031.01,

these monies do not appear in the General Appropriation Act.

The state has compacts with the Navajo Nation and the Tohono O'Odham Nation. Laws 2016, Chapter 148 set a 20-year term for compacts entered into by a qualified tribe and the Executive; a compact can be renewed during the fourth year prior to the compact's expiration for an additional term of 20 years or more. The renewal requires JLBC review.

The initial compact for Diné College was signed October 19, 1999, and the JLBC Committee favorably reviewed a 10-year renewal term in April 2009. The compact was amended to include Navajo Technical College in February 2014, and renewal was extended until June 30, 2020. On June 1, 2018, the Executive and the Navajo Nation signed a 20-year compact for the 2 institutions that is effective from July 1, 2020 to June 30, 2040; the next JLBC review would be in 2036.

The Tohono O'Odham entered into an initial compact with the Executive in 2017; the next JLBC review would be in 2033.

Additional Gila Workforce Development Aid

The budget includes \$200,000 from the General Fund for Additional Gila Workforce Development Aid in FY 2020. This amount is unchanged from FY 2019.

Background – As a provisional community college district, Gila County is not eligible for a \$200,000 annual Workforce Development allocation from Proposition 301 monies (see A.R.S. § 42-5029). In FY 2018, the General Appropriation Act provided an additional one-time appropriation of \$50,000 for this purpose.

Diné College Remedial Education

The budget includes \$1,000,000 from the General Fund in FY 2020 for Diné College Remedial Education. FY 2020 adjustments are as follows:

Diné College Remedial Education

The budget includes an increase of \$1,000,000 from the General Fund in FY 2020 for Diné College. A footnote in the General Appropriation Act requires the Dine board of regents to submit a report by October 15, 2020 that details the course completion rate for students who received remedial education during the 2019-2020 academic year.

Maricopa Health Care Specialty Expansion

The budget includes \$5,800,000 from the General Fund in FY 2020 for Maricopa Health Care Specialty Expansion. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$5,800,000 from the General Fund in FY 2020 for costs associated with the expansion of the health care specialty program in the Maricopa County Community College District.

This funding is expected to double the enrollment capacity at the Paradise Valley Community College's Integrated Health Science Center. The expansion would focus on 6 specialty areas: operating room, emergency care, telemetry, oncology, intensive care unit, and home care.

Pima Aviation Center Expansion

The budget includes \$15,000,000 from the General Fund in FY 2020 for Pima Aviation Center Expansion. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$15,000,000 from the General Fund in FY 2020 for costs related to the expansion of the Pima Community College District Aviation Center.

This appropriation funds the construction of a new hangar, 5 classrooms, additional lab space, and offices. This expansion is expected to double the program's student capacity.

Other Issues

Statutory Changes

The Higher Education BRB makes the following statutory changes:

- As session law, continue to suspend the Operating State Aid funding formula in FY 2020 for Maricopa and Pima Counties.
- As session law, continue to suspend Science, Technology, Engineering and Mathematics and Workforce Programs funding formula for FY 2020 and specify the funding in the General Appropriation Act, which for Pinal would again equal \$96,500.
- As permanent law, prohibit community college district employees from being compensated for work

performed on behalf of an elected employee representative organization.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the Arizona Community College General Fund costs are projected to increase by \$2,583,100 in FY 2021 above FY 2020 and \$2,802,900 in FY 2022 above FY 2021. These estimates assume:

- Flat enrollment growth (so no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2020 and FY 2021).
- No funding changes for Operating State Aid or STEM and Workforce Programs State Aid for Maricopa, Pima, and Pinal County.
- An increase of \$2,583,100 for Equalization Aid in FY 2021 and \$2,802,900 in FY 2022. These estimates assume Net Assessed Value (NAV) growth of 4.9% in FY 2020 and FY 2021 based on the state-wide average. The counties receiving aid would see a 2.3% increase in FY 2020 and 2.4% NAV increase in both years for the counties that receive Equalization Aid. This would cause NAV in those districts to grow farther from the statewide NAV average for rural counties in both years, entitling them to more Equalization Aid in both years.

Community College Revenue Sources

In addition to state General Fund monies, Arizona's community colleges receive revenues from a number of other sources, including student tuition and fees, local property taxes, grants, and other monies generated by the colleges. Of the total, the community colleges receive 2.9% of their revenues (excluding bond proceeds) from state aid.

For FY 2019, base operating revenues from all sources are estimated to be \$1,738,467,300, which would be an increase of 3.9% from FY 2018. (See Table 4 for a summary of FY 2019 total revenue estimates.)

Table 4

Total Estimated Community College Revenues – FY 2019

District	State Aid	Tuition/Fees	Property			FY 2019	FY 2018	% Change from FY 2017
			Taxes	Grants	Other ^{1/}	Total ^{2/}	Total ^{3/}	
Cochise	\$11,536,300	\$9,726,700	22,300,300	12,879,000	\$1,205,800	\$57,648,100	\$51,864,400	11.2%
Coconino	2,164,800	7,845,200	10,288,000	5,394,400	1,018,300	26,710,700	25,722,400	3.8%
Gila ^{4/}	471,100	0	4,725,200	375,000	325,000	5,896,300	5,836,500	1.0%
Graham	18,710,100	8,539,800	6,316,000	9,541,600	9,971,500	53,079,000	46,026,600	15.3%
Maricopa	-	239,207,400	555,988,400	199,719,900	50,345,600	1,045,261,300	1,009,481,200	3.5%
Mohave	1,599,600	9,105,900	24,291,700	8,566,200	853,000	44,416,400	43,240,700	2.7%
Navajo	9,026,200	4,860,000	15,055,200	5,657,400	2,282,900	36,881,700	35,831,700	2.9%
Pima	-	48,772,000	116,532,800	48,630,000	6,820,200	220,755,000	208,225,900	6.0%
Pinal	1,604,300	11,675,000	43,853,400	16,007,500	2,040,000	75,180,200	90,905,200	-17.3%
Santa Cruz ^{4/}	146,500	10,000	1,621,500	45,100	16,500	1,839,600	1,782,300	3.2%
Yavapai	1,288,900	11,355,000	50,403,300	12,945,200	8,955,900	84,948,300	78,155,400	8.7%
Yuma/La Paz	<u>3,456,600</u>	<u>13,133,800</u>	<u>35,977,600</u>	<u>25,156,900</u>	<u>8,125,800</u>	<u>85,850,700</u>	<u>75,873,200</u>	<u>13.2%</u>
Total	\$50,004,400	\$364,230,800	\$887,353,400	\$344,918,200	\$91,960,500	\$1,738,467,300	\$1,672,945,500	3.9%

^{1/} Includes auxiliary programs, interest income, workforce development funds, and transfers.

^{2/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,051,396,800 for FY 2019.

^{3/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,737,121,800 for FY 2018.

^{4/} Gila Provisional Community College contracts with Graham County's Eastern Arizona College in order to provide degree programs. Therefore, Gila's tuition and fee revenues are collected by Graham according to their contract agreement. Santa Cruz Provisional Community College contracts with Pima County's Community College in order to provide degree programs. Therefore, Santa Cruz's tuition and fee revenues are collected by Pima according to their contract agreement.

Table 5

Community College Tax Rates – FY 2019

District	Primary Rate	Secondary Rate	Combined Rate	% Change Combined Rate from FY 2018
Cochise	\$2.40	\$0.00	\$2.40	1.2%
Coconino	0.47	0.12	0.60	-3.0%
Gila	0.96	0.00	0.96	2.3%
Graham	3.33	0.00	3.33	6.0%
Maricopa	1.17	0.20	1.38	-2.4%
Mohave	1.34	0.00	1.34	-0.1%
Navajo	1.82	0.00	1.82	0.5%
Pima	1.40	0.00	1.40	0.7%
Pinal	2.18	0.19	2.36	-7.1%
Santa Cruz	0.49	0.00	0.49	-1.0%
Yavapai	1.76	0.19	1.95	-1.8%
Yuma/La Paz	2.22	0.35	2.57	3.2%

Property taxes are the single largest revenue source for the community colleges, accounting for 51% of their revenues. There are 2 types of property taxes: primary and secondary. For the community colleges, primary property taxes are levied for operating purposes and secondary property taxes are levied to pay for capital outlay expenses. Both taxes are levied on limited property values. Each community college district determines its primary and secondary property tax rates. (See Table 5 for a summary of FY 2019 property tax rates.)

In 2012, Proposition 117 capped annual property value increases on any single parcel of real property to 5% starting in FY 2016 (see the FY 2017 Appropriations Report for more information). The existing 2% "levy limit" remains in place. Under A.R.S. § 42-17051, community colleges are allowed to collect 2% more in property tax revenues annually, not including revenue from new construction.

Any increase over 2% requires voter approval, unless the district has foregone increases in prior years and consolidates those increases into a single year.

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 21.0% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2019 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is \$2,550 if a full-time student attends for 30 hours a year. The FY 2019 amount represents an increase of 0.1% from FY 2018. (See Table 6 for FY 2019 resident tuition and fee rates.)

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 19.8% of community college revenues. Grants traditionally come from the federal government, including: the U.S. Department of Education, Small Business Administration, National Science Foundation, and Health and Human Services.

Table 6

Community College Resident Tuition and Fees – FY 2019

District	Cost Per Credit Hour	Annual Cost ^{1/}	% Change from FY 2018
Cochise	\$85	\$2,550	3.7%
Coconino	109	3,270	3.8%
Gila	80	2,400	-5.9%
Graham	90	2,700	5.9%
Maricopa	85	2,550	-1.2%
Mohave	81	2,430	0.0%
Navajo	74	2,220	2.8%
Pima	83	2,475	1.2%
Pinal	86	2,580	0.0%
Santa Cruz	83	2,475	1.2%
Yavapai	87	2,610	4.8%
Yuma/La Paz	84	2,520	2.4%
Weighted Average	\$85	\$2,550	0.1%

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

Revenue listed in the “other” category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

Total Community College Expenditures

Table 7 shows total budgeted FY 2019 community college expenditures. In FY 2019, total budgeted expenditures are \$2,051,396,800. As mentioned previously, base operating revenues for FY 2019 are \$1,738,467,300; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,051,396,800. Of the total \$2,051,396,800 in budgeted expenditures, \$1,563,704,900, or 76.2%, of these expenditures are from the community colleges’ General and Restricted Funds. This includes about \$493,210,900, or 24%, for instruction and \$298,084,600, or 14.5%, for administrative support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$152,918,000, or 7.5% of the total. Plant Fund expenditures, which generally include capital costs, are \$188,323,300, or 9.2% of the total. The remaining \$146,450,600 is for debt service.

Community College Expenditure Limitation - Laws 2016, Chapter 58 modified the method for calculating community college expenditure limits, excludes certain types of expenditures from counting against the limit, and allows for an adjustment to the base expenditure limit. (See FY 2018 Appropriations Report for more information.)

Table 7

Community Colleges - FY 2019 Budgeted Expenditures

General/Restricted Funds	Total	% of Total
Instruction	\$493,210,900	24.0%
Public Service	\$24,478,500	1.2%
Academic Support	\$144,919,700	7.1%
Student Services	\$160,705,200	7.8%
Institutional Support	\$298,084,600	14.5%
Operation & Maintenance	\$112,164,600	5.5%
Scholarships/Grants	\$282,801,600	13.8%
Contingency	\$47,339,800	2.3%
Subtotal	\$1,563,704,900	76.2%
Auxiliary Enterprises Fund	\$152,918,000	7.5%
Plant Fund	\$188,323,300	9.2%
Debt Service	\$146,450,600	7.1%
Total	\$2,051,396,800	100%

Constable Ethics Standards and Training Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	203,500	442,100	442,100
TOTAL - ALL SOURCES	203,500	442,100	442,100

AGENCY DESCRIPTION — The board establishes and enforces the code of conduct for constables throughout the state. The board also administers funding for constable training and equipment. The Arizona Association of Counties currently manages the board’s administrative responsibilities. The board receives fees from every writ collected on behalf of a Justice of the Peace.

Registrar of Contractors

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	4,736,900	5,670,600	5,670,600
Employee Related Expenditures	1,957,700	2,431,100	2,458,300
Professional and Outside Services	457,900	405,300	405,300
Travel - In State	231,400	301,000	301,000
Travel - Out of State	10,600	11,800	11,800
Other Operating Expenditures	768,600	1,945,700	1,987,200
Equipment	142,600	517,000	517,000
OPERATING SUBTOTAL	8,305,700	11,282,500	11,351,200
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	363,600	1,017,600	1,017,600
AGENCY TOTAL	8,669,300	12,300,100	12,368,800 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Registrar of Contractors Fund	8,669,300	12,300,100	12,368,800
SUBTOTAL - Other Appropriated Funds	8,669,300	12,300,100	12,368,800
SUBTOTAL - Appropriated Funds	8,669,300	12,300,100	12,368,800
Other Non-Appropriated Funds	1,860,300	4,666,800	7,366,800
TOTAL - ALL SOURCES	10,529,600	16,966,900	19,735,600

AGENCY DESCRIPTION — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

Monies in this line item are transferred from the Registrar of Contractors to OAH for services provided by OAH.

The budget includes \$11,351,200 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$68,700 from the Registrar of Contractors Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Office of Administrative Hearings Costs

The budget includes \$1,017,600 from the Registrar of Contractors Fund in FY 2020 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2019.

Corporation Commission

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	300.9	300.9	300.9 ^{1/}
Personal Services	15,658,400	15,906,100	15,919,500
Employee Related Expenditures	6,010,900	6,256,700	6,317,300
Professional and Outside Services	1,292,600	1,021,900	1,021,900
Travel - In State	164,500	225,000	225,000
Travel - Out of State	126,200	151,000	151,000
Other Operating Expenditures	2,955,800	2,960,000	3,070,100
Equipment	255,700	282,000	282,000
OPERATING SUBTOTAL	26,464,100	26,802,700	26,986,800
SPECIAL LINE ITEMS			
Corporation Filings, Same-Day Service	0	401,200	402,000 ^{2/}
Railroad Safety Inspectors	0	196,600	0
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000 ^{3/}
AGENCY TOTAL	26,464,100	27,780,500	27,768,800 ^{4/}
FUND SOURCES			
General Fund	621,000	814,600	620,800
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	51,600	50,700	50,700
Investment Management Regulatory and Enforcement Fund	717,600	714,700	718,000
Public Access Fund	6,222,000	6,713,000	6,771,800
Securities Regulatory and Enforcement Fund	4,964,600	5,038,200	5,115,800
Utility Regulation Revolving Fund	13,887,300	14,449,300	14,491,700
SUBTOTAL - Other Appropriated Funds	25,843,100	26,965,900	27,148,000
SUBTOTAL - Appropriated Funds	26,464,100	27,780,500	27,768,800
Federal Funds	693,500	825,000	825,000
TOTAL - ALL SOURCES	27,157,600	28,605,500	28,593,800

AGENCY DESCRIPTION — The Arizona Corporation Commission (ACC) was established by Article 15 of the Arizona Constitution and consists of 5 statewide elected Commissioners, each serving 4-year terms. The commission has 3 primary responsibilities. The Corporations Division provides public access to corporate annual reports, articles of incorporation, and corporate status change documents. The Securities Division regulates securities dealers and investment advisers. The Utilities Division monitors approximately 500 public service corporations operating in Arizona and establishes public utility rates. Other functions of the commission include inspecting gas pipelines and railroad track.

FOOTNOTES

- 1/ Includes 2 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ The \$402,000 appropriated from the Public Access Fund for the Corporation Filings, Same-Day Service line item reverts to the Public Access Fund established by A.R.S. § 10-122.01 at the end of FY 2020 if the commission has not established a same-day service pursuant to A.R.S. § 10-122. (General Appropriation Act footnote, as adjusted for statewide allocations).
- 3/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act Footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$26,986,800 and 298.9 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$620,800
Arizona Arts Trust Fund	50,700
Investment Management Regulatory and Enforcement Fund	718,000
Public Access Fund	6,369,800
Securities Regulatory and Enforcement Fund	5,115,800
Utility Regulation Revolving Fund	14,111,700

FY 2020 adjustments are as follows:

Salary Increase

The budget includes an increase of \$18,500 in FY 2020 for an employee salary increase. This amount consists of:

Investment Management Regulatory and Enforcement Fund	2,900
Securities Regulatory and Enforcement Fund	15,600

The budget requires that the increases be allocated for Securities Division – Special Investigators but does not specify a percentage amount.

Statewide Adjustments

The budget includes an increase of \$165,600 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	2,800
Investment Management Regulatory and Enforcement Fund	400
Public Access Fund	58,000
Securities Regulatory and Enforcement Fund	62,000
Utility Regulation Revolving Fund	42,400

(Please see the Agency Detail and Allocations section.)

Corporation Filings, Same-Day Service

The budget includes \$402,000 and 2 FTE Positions from the Public Access Fund in FY 2020 for Corporation Filings, Same-Day Service. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$800 from the Public Access Fund in FY 2020 for statewide adjustments.

A footnote in the General Appropriation Act specifies that monies in this line item revert to the Public Access Fund if the commission has not established a same-day service pursuant to A.R.S. § 10-122. The fee for same-day and next-day services must be determined by a supermajority vote of the Commissioners. To date, such a fee has not been set and same-day and next-day services have not been implemented.

Railroad Safety Inspectors

The budget includes no funding from the General Fund in FY 2020 for the Railroad Safety Inspectors line item. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(196,600) from the General Fund in FY 2020 to remove one-time funding.

Laws 2018, Chapter 333 appropriated \$196,600 of one-time funding from the General Fund in FY 2019 for 2 railroad safety inspector positions. Railroad safety inspectors are responsible for inspecting rail track and rail crossings throughout the state for safety and compliance with state laws.

FY 2019 was the first year of funding for this line item.

Utilities Audits, Studies, Investigations & Hearings

The budget includes \$380,000 from the Utility Regulation Revolving Fund in FY 2020 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2019.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

State Department of Corrections

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,541.0	9,556.0	9,566.0 ^{1/}
Correctional Officer Personal Services	298,692,000	316,906,200	339,176,700
Health Care Personal Services	2,750,700	2,860,600	3,560,600
All Other Personal Services	64,983,700	64,067,600	66,250,200
Personal Services Subtotal	366,426,400	383,834,400	408,987,500
Employee Related Expenditures	201,207,600	239,796,500	247,144,600
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	64,585,800	15,528,400	15,528,400
Health Care All Other Operating Expenditures			
Professional and Outside Services	1,838,800	2,025,000	2,025,000
Travel - In State	8,300	24,000	24,000
Travel - Out of State	6,100	8,000	8,000
Other Operating Expenditures	609,500	642,700	661,900
Equipment	35,000	3,000	3,000
Health Care Operating Subtotal	2,497,700	2,702,700	2,721,900
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	10,139,300	6,153,000	6,153,000
Travel - In State	419,700	305,500	305,500
Travel - Out of State	96,900	96,000	96,000
Food	37,616,200	40,320,000	40,320,000
Other Operating Expenditures	105,972,800	111,054,700	109,104,400
Equipment	3,792,500	4,036,200	3,078,200
Non-Health Care Operating Subtotal	158,037,400	161,965,400	159,057,100
OPERATING SUBTOTAL	792,754,900	803,827,400	833,439,500 ^{2/}
SPECIAL LINE ITEMS			
Community Corrections	0	19,584,200	20,747,400
Private Prison Per Diem	153,170,300	166,409,800	171,493,300 ^{3/4/}
Inmate Health Care Contracted Services	140,287,800	163,811,700	194,711,700 ^{5/}
Named Claimants	16,000	76,600	0
AGENCY TOTAL	1,086,229,000	1,153,709,700	1,220,391,900 ^{6/-14/}
FUND SOURCES			
General Fund	1,056,137,600	1,099,746,600	1,167,111,300
Other Appropriated Funds			
Alcohol Abuse Treatment Fund	511,100	555,500	555,500
Corrections Fund	16,953,000	30,312,300	30,312,300
Inmate Store Proceeds Fund	3,800	1,340,400	1,341,300
Penitentiary Land Fund	1,341,700	2,507,400	2,780,300 ^{15/}
Prison Construction and Operations Fund	6,071,100	12,500,000	12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,273,900	3,079,500	2,661,800 ^{16/}
State Education Fund for Correctional Education	667,700	727,900	729,300 ^{17/}
Transition Program Fund	2,269,100	2,940,100	2,400,100
SUBTOTAL - Other Appropriated Funds	30,091,400	53,963,100	53,280,600
SUBTOTAL - Appropriated Funds	1,086,229,000	1,153,709,700	1,220,391,900

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
Other Non-Appropriated Funds	54,077,100	57,505,600	56,965,600
Federal Funds	1,375,400	9,251,100	9,039,700
TOTAL - ALL SOURCES	1,141,681,500	1,220,466,400	1,286,397,200

AGENCY DESCRIPTION — The Arizona Department of Corrections (ADC) maintains and administers a statewide system of prisons for adult and minor offenders legally committed to the department. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.

FOOTNOTES

- 1/ Includes 184 GF FTE Positions funded from Special Line Items in FY 2020.
- 2/ Of the amount appropriated in the operating lump sum, \$408,987,500 is designated for Personal Services and \$247,144,600 is designated for Employee Related Expenditures. The department shall submit an expenditure plan to the Joint Legislative Budget Committee for review before spending these monies other than for Personal Services or Employee Related Expenditures. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ Of the amount appropriated for the Private Prison Per Diem line item, \$17,466,700 shall be used to make a debt service payment on the financing agreement authorized by Laws 2016, Chapter 119, Section 24. (General Appropriation Act footnote)
- 4/ The Private Prison Per Diem line item includes an increase of \$5,083,500 from the state General Fund in FY 2020 for a 10% salary increase for private prison correctional officers effective July 1, 2019. (General Appropriation Act footnote)
- 5/ Before implementing any changes in contracted rates for Inmate Health Care Contracted Services, the State Department of Corrections shall submit its expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 6/ On or before August 1, 2019 and February 1, 2020, the State Department of Corrections shall submit a report to the Joint Legislative Budget Committee on the status of the performance measures tracked by the department as required by the *Parson v. Ryan* stipulation agreement, a copy of any court-ordered compliance reports filed by the department or a contracted provider during the reporting period and a copy of any report produced by a court-appointed monitor regarding the delivery of health services during each reporting period. The report shall include the number of performance measures in total and by facility with which the department is not in substantial compliance, an explanation for why the department is not in substantial compliance and the department's plans to comply with the measures. The report shall also list the measures the department is no longer required to track as a result of compliance with the stipulation. (General Appropriation Act footnote)
- 7/ Before placing any inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in this state and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- 8/ The State Department of Corrections shall forward to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee a monthly report comparing department expenditures for the month and year-to-date as compared to prior-year expenditures on or before the 30th of the following month. The report shall be in the same format as the prior fiscal year and include an estimate of potential shortfalls, potential surpluses that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. The report shall include the number of filled and vacant correctional officer and medical staff positions departmentwide and by prison complex. (General Appropriation Act footnote)
- 9/ On or before August 1, 2019, the State Department of Corrections shall provide a report on bed capacity to the Joint Legislative Budget Committee for its review. The report shall reflect the bed capacity for each security classification by gender at each state-run and private institution, divided by rated and total beds. The report shall include bed capacity data for June 30, 2018 and June 30, 2019 and the projected capacity for June 30, 2020, as well as the reasons for any change within that time period. Within the total bed count, the department shall provide the number of temporary and special use beds. The report shall also address the department's rationale for eliminating any permanent beds rather than reducing the level of temporary beds. If the department develops a plan after its August 1 report to open or close state-operated prison rated beds or cancel or not renew contracts for privately operated prison beds, the department shall submit a bed plan detailing the proposed bed closures for review by the Joint Legislative Budget Committee before implementing these changes. (General Appropriation Act footnote)

- 10/ On or before August 1, 2019, the State Department of Corrections shall transfer to the Public Safety Personnel Retirement System via the Arizona Department of Administration its estimated required annual contribution to the Corrections Officer Retirement Plan for FY 2020. (General Appropriation Act footnote)
- 11/ On or before August 31, 2019, and on or before the last day of November, February and May in FY 2020, the State Department of Corrections shall present a report for review by the Joint Legislative Budget Committee on the progress made in meeting the staffing needs for correctional officers. The report due on August 31, 2019 shall include the department's recommended benchmarks through June 30, 2020 and how the department plans to reach those benchmarks. Each quarterly report shall include the number of filled correctional officer positions, the number of vacant correctional officer positions, the number of people in training, the number of separations and the number of hours of overtime worked during the quarter. The report shall detail these amounts both departmentwide and by prison complex. (General Appropriation Act footnote)
- 12/ Any monies used for the replacement of the Adult Inmate Management System are subject to review by the Arizona Strategic Enterprise Technology Office and the Information Technology Authorization Committee pursuant to A.R.S. § 18-121. (General Appropriation Act footnote)
- 13/ Before spending any monies for the replacement of the Adult Inmate Management System, the Arizona Strategic Enterprise Technology office shall submit, on behalf of the State Department of Corrections, an expenditure plan to the Joint Legislative Budget Committee for review. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with the department's prior reports for its appropriations from the Automation Projects Fund pursuant to A.R.S. § 41-714. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 15/ One hundred percent of land earnings and interest from the Penitentiary Land Fund shall be distributed to the State Department of Corrections in compliance with the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 16/ Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund shall be distributed to the State Department of Corrections in compliance with the Enabling Act and the Constitution of Arizona to be used to support state penal institutions. (General Appropriation Act footnote)
- 17/ Before spending any State Education Fund for Correctional Education monies in excess of \$729,300, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Summary

The budget increases the Arizona Department of Corrections (ADC)'s General Fund spending by \$67,364,700 in FY 2020 for:

- \$35,479,300 for an employee salary increase.
- \$30,900,000 for an inmate health care contract adjustment.
- \$5,083,500 for a private prison correctional officer salary increase.
- \$985,900 for 10 new inmate health care monitor positions.
- \$(3,072,900) for the elimination of a debt payment on state prison beds.
- \$(76,600) for named claimants.
- \$(1,934,500) for statewide adjustments.

Operating Budget

The budget includes \$833,439,500 and 9,382 FTE Positions in FY 2020 for the operating budget. This amount consists of:

	FY 2020
General Fund	\$823,738,500
Alcohol Abuse Treatment Fund	250,000
Corrections Fund	3,000,800
Inmate Store Proceeds Fund	1,341,300
Penitentiary Land Fund	717,800
Prison Construction and Operations Fund	2,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,161,800
State Education Fund for Correctional Education	729,300

FY 2020 adjustments are as follows:

Employee Salary Increase

The budget includes an increase of \$34,239,500 from the General Fund in FY 2020 for an employee salary increase. The budget funds the following percentage increases in salaries for the specified positions below:

Security/Correctional Officers	10.00%
Education/Teachers	9.17%
Correctional Records	5.00%

Counseling/Treatment 13.16%
 Religion 5.00%

Inmate Health Care Monitoring Bureau Expansion

The budget includes an increase of \$985,900 and 10 FTE Positions from the General Fund in FY 2020 to expand the Inmate Health Care Monitoring Bureau. This expansion will allow the department to add 1 program evaluation specialist to each of the 10 state prisons to monitor inmate health care.

Remove COP Payment

The budget includes a decrease of \$(3,072,900) from the General Fund in FY 2020 for the elimination of a debt payment from a FY 2004 refinance to pay for the increase of 1,000 beds at the following facilities: ASPC - Douglas, ASPC - Perryville, and ASPC - Tucson.

Remove One-Time Funding

The budget includes a decrease of \$(540,000) from the Transition Program Fund in FY 2020 to remove a one-time appropriation for equipment costs associated with expanding the substance abuse staff treating inmates.

Remove One-Time Funding

The budget includes a decrease of \$(418,000) from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2020 to remove a one-time appropriation for equipment costs associated with inmate education programs.

Statewide Adjustments

The budget includes a decrease of \$(1,582,400) in FY 2020 for statewide adjustments. This amount includes:

General Fund	(1,857,900)
Inmate Store Proceeds Fund	900
Penitentiary Land Fund	272,900
State Charitable, Penal and Reformatory Institutions Land Fund	300
State Education Fund for Correctional Education	1,400

(Please see the Agency Detail and Allocations section.)

The Criminal Justice Budget Reconciliation Bill (BRB) continues to require the department to report actual FY 2019, estimated FY 2020, and requested FY 2021 expenditures as delineated in the prior year when the department submits its FY 2020 budget request.

A General Appropriation Act footnote states that of the amount appropriated in the operating lump sum, \$408,987,500 is designated for Personal Services and \$247,144,600 is designated for Employee Related

Expenditures. The department is required to submit an expenditure plan to the Joint Legislative Budget Committee for review before spending these monies other than for Personal Services or Employee Related Expenditures.

Community Corrections

The budget includes \$20,747,400 and 184 FTE Positions in FY 2020 for Community Corrections. This amount consists of:

General Fund	18,041,800
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,100

FY 2020 adjustments are as follows:

Employee Salary Increase

The budget includes an increase of \$1,239,800 from the General Fund in FY 2020 for an employee salary increase.

Statewide Adjustments

The budget includes a decrease of \$(76,600) in from the General Fund in FY 2020 for statewide adjustments.

Background – Monies in this line item are used to monitor offenders on community supervision or parole, operate 2 reentry centers, pay for the Transition Program, coordinate with other state parole offices, and provide electronic monitoring for certain offenders. In addition to the \$20,747,400 in FY 2020 appropriated funds, ADC projects that they will utilize an additional \$10,548,400 in non-appropriated funds for these activities in FY 2020.

As of June 20, 2019, ADC has responsibility for 5,520 offenders overseen by community correctional officers. The majority of offenders are released after serving 85% of their sentence and serve a period under community supervision. A very small number of offenders sentenced prior to January 1, 1994 are released on parole at the discretion of the Board of Executive Clemency.

The monies in this line item pay for:

- ADC Staffing: The majority of the line item funds the staffing costs for correctional officers that oversee offenders on community supervision and staffing for the Reentry Centers. The department also uses the appropriated monies for contracted drug testing, behavioral needs testing, and other programming. ADC utilizes additional non-appropriated monies for these costs as well.
- Transition Program: Offenders that meet statutory considerations and behavioral standards may be

released 90 days prior to their community supervision release date and participate in the Transition Program. Participants reside in homes or half-way houses across the state, and receive substance abuse counseling and case management services. This program is funded by the Transition Program Fund, which receives revenue from a share of inmate wages and a required \$17 transfer from other ADC funds based on the number of bed days served by participants in a quarter. The funding included in the Community Corrections line item is dedicated to this programming. *(Please see the Transition Program section in Other Issues for more information.)*

- **Reentry Centers:** If offenders violate the terms of supervision, they may be returned to custody to serve out the remainder of their term. As an alternative to immediate return to custody, ADC operates the Maricopa Reentry Center (MRC) and the Pima Reentry Center (PRC) that provide an intensive treatment program for inmates and sanctions beds. At the Pima facility, ADC also houses homeless offenders that do not have a secure placement. ADC reported FY 2018 expenditures of \$2.1 million for the Maricopa Reentry Center and \$2.6 million for the Pima Reentry Center.

Table 1

FY 2018 Community Corrections Program Expenditures ^{1/2/}

	<u>Approp.</u>	<u>Non-Approp.</u>	<u>Total</u>
Comm. Supervision	\$12,882,900	\$5,655,600	\$18,538,500
Transition	2,490,400	72,700	2,563,100
Pima Reentry	2,575,800	0	2,575,800
Maricopa Reentry	<u>1,733,500</u>	<u>377,400</u>	<u>2,110,900</u>
Total	\$19,682,600	\$6,105,700	\$25,788,300

^{1/} The Community Corrections SLI was created in FY 2019. These amounts represent FY 2018 expenditures from the programs included in the SLI starting in FY 2019.

^{2/} These amounts include \$50,500 in Risk Management costs distributed proportionally across the 4 programs.

Private Prison Per Diem

The budget includes \$171,493,300 in FY 2020 for Private Prison Per Diem. This amount consists of:

General Fund	142,119,300
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

FY 2020 adjustments are as follows:

Private Correctional Officer Salary Increase

The budget includes an increase of \$5,083,500 from the General Fund in FY 2020 for a private correctional officer

salary increase. A General Appropriation Act footnote states that the increase is for a 10% increase effective July 1, 2019.

Background – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 8,538 beds. Administrative expenses related to monitoring private prison contracts are included in the department’s operating budget.

ADC will usually own the facilities after a specified amount of time (typically 20 years) because the per diem rate includes a portion of the facilities’ purchase cost. Two private prison contracts (Marana and Kingman) are solely for management services. The state owns the Marana facility outright. The Kingman facility is being lease-purchased by the state. In order to more accurately display the level of spending related to private prison facilities, the \$17,466,700 FY 2020 debt service amount paid by the state is shown in the Private Prison Per Diem line item rather than in the department’s operating budget.

Inmate Health Care Contracted Services

The budget includes \$194,711,700 in FY 2020 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	183,211,700
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,500,000

FY 2020 adjustments are as follows:

Inmate Health Care Adjustment

The budget includes an increase of \$30,900,000 from the General Fund in FY 2020 for increased contract costs.

In January 2019, the department announced it had signed a 2-year contract with a new vendor to provide inmate health care beginning July 1, 2019. The contract allows for three 1-year extensions.

A General Appropriation Act footnote requires ADC to submit a report on or before August 1, 2019 and February 1, 2020 to the Joint Legislative Budget Committee on the status of the performance measures tracked by the department as required by the *Parsons v. Ryan* stipulation and other documents related to the case.

Background – ADC previously provided healthcare to inmates in state facilities based on a variable per diem rate. As of July 1, 2019, the contract is based on a fixed inmate population of 33,777 and guarantees the vendor

approximately \$205 million per year. In addition to the appropriated funds, ADC also receives reimbursement from Medicaid for the costs of outside health care that can be utilized to pay vendor costs. In FY 2018 the department received \$11.8 million in Medicaid reimbursement. The budget assumes ADC will receive \$10.0 million in Medicaid reimbursement in FY 2020. The line item funds the costs of the contract; ADC expenditures for monitoring the contracted services are included within the department's operating budget. A footnote continues to require review of any changes to the per diem. The current contract can be amended for changes to scope, and the vendor may request adjustments for inflation.

Named Claimants

The budget includes no funding for FY 2020 for Named Claimants. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(76,588.93) from the General Fund in FY 2020 for the elimination of one-time funding. *(Please see the Named Claimants section in ADOA Other Issues.)*

Other Issues

This section includes information on the following topics:

- FY 2019 Supplemental
- Statutory Changes
- Transition Program
- Bed Capacity Issues
 - Inmate Growth Rate
 - Bed Capacity
 - Bed Surplus/Shortfall

FY 2019 Supplemental

The budget includes a FY 2019 supplemental appropriation of \$76,588.93 from the General Fund for a one-time named claimants appropriation.

Statutory Changes

The Criminal Justice BRB makes the following statutory changes:

- As session law, continue to require the department to report actual FY 2019, estimated FY 2020, and requested FY 2021 expenditures as delineated in the

prior year when the department submits its FY 2021 budget request pursuant to A.R.S. § 35-113. 12 22.

- As permanent law, exempt correctional officers from jury duty until January 1, 2022.

Transition Program

A.R.S. § 31-254 requires that 5% of non-DUI inmate wages be deposited to the Transition Program Fund to operate the program. Additionally, A.R.S. § 31-285 requires that \$17 per bed day saved be transferred to the Transition Program Fund to pay for the vendor costs of the program. Statute does not specify from which fund. ADC has transferred money from the State DOC Revolving Fund to meet this requirement. In FY 2018, the program saved a total of 95,242 bed days.

In FY 2018, the Transition Program Fund received revenue of about \$2.8 million. Of this amount, about \$1.2 million came from the inmate wage allocation, and \$1.6 million came from the \$17 transfer. According to AOC, the vendor costs to run the program in FY 2018 were about \$28 per inmate per day.

Program Expansion

Laws 2018, Chapter 344 expanded the Transition Program to include inmates convicted of the possession or use of marijuana, a dangerous drug, a narcotic drug, or drug paraphernalia and who are not serving a concurrent sentence. This law defines distinct qualifying conditions for eligible offenders. Statute will require additional transfers to the Transition Program Fund commensurate with additional bed days saved. However, the FY 2019 budget did not provide any additional expenditure authority from the Transition Program Fund.

Medicaid/AHCCCS Coverage

In October 2018, ADC and the vendor agreed to a contract amendment that would require the vendor to seek coverage from Medicaid/AHCCCS or private insurance for assessments and treatments prior to billing ADC. This has resulted in additional savings to the program, but the magnitude of the savings is not known.

Bed Capacity Issues

Inmate Growth Rate

On June 30, 2018, the total inmate population was 42,113. This is a decrease of (87) inmates since the June 30, 2017 population of 42,200. *Table 2* shows the year-end populations from FY 2014 to FY 2018.

Based on recent history, the budget assumes comparable population estimates through FY 2020. As of May 31, 2019, the population was 42,400.

<u>Year</u>	<u>Population</u>
FY 2014	41,773
FY 2015	42,611
FY 2016	42,902
FY 2017	42,200
FY 2018	42,113

Bed Capacity

In measuring ADC’s ability to house its inmate population, there are 2 methods of defining bed capacity:

- “Rated” beds are permanent and were originally designed for housing prisoners. This amount was 38,655 public and private beds on June 30, 2018, a decrease of (620) from the 39,275 on June 30, 2017. This was entirely due to the deactivation of 3 units at ASPC - Douglas. As of December 2018, the department projects an increase of 199 rated beds in FY 2019. This increase includes the closing of some beds at ASPC - Florence, ASPC - Perryville, and ASPC - Tucson. ADC is also planning to upgrade a perimeter fence at ASPC - Douglas in order to reactivate 240 minimum security beds and reclassify them as medium security.
- Operating Capacity represents “rated” beds plus temporary beds. The latter may be located in areas not originally intended for housing prisoners or double-bunked beds in areas intended for single bed cells. During FY 2018, the department decreased its total operating capacity by (535) beds, from 44,573 to 44,038. As of June 30, 2018, public and private prisons had a total of 5,383 temporary beds, unchanged from June 30, 2017. The department also projects 5,383 temporary beds in use at the end of FY 2019 as shown on *Table 4* for a total operating capacity of 44,237. The projected operating capacity for FY 2020 is expected to remain the same at 44,237.

In addition, special use beds are employed for investigative detention, disciplinary isolation, maximum behavior control, mental health observation, or medical inpatient care. Due to their short-term usage, these beds are not counted as part of ADC’s operational capacity. The number of special use beds in public and private prisons was 1,820 as of June 30, 2018, 96 beds more than on June 30, 2017.

The department has flexibility in establishing or decommissioning beds (or shifting between inmate classification) as discussed in this section. A footnote continues to require the department to provide a report to the JLBC for its review regarding bed counts and

reasons for changes in the number or classification of beds; this footnote also clarifies when the department needs to provide closure plans to the JLBC for its review after submitting the bed plan above. The FY 2020 budget further modified the footnote to require the report to address the rationale for the creation or elimination of any permanent beds rather than reducing the level of temporary beds.

Bed Surplus/Shortfall

At the end of FY 2018, the department had a total rated bed shortfall of (3,458). After adjusting for the 5,383 temporary beds in the overall ADC system, the rated bed shortfall became a 1,925-bed surplus as shown in *Table 3*.

The department projects a total rated bed shortfall of (3,259) for FY 2019. After adjusting for temporary beds, the shortfall becomes a 2,124-bed surplus as shown in *Table 4*.

Assuming no growth from FY 2019 to FY 2020, the rated bed shortfall and operating capacity is projected to be the same in FY 2020.

Bed shortfall estimates vary by level of security (e.g. minimum, medium, or maximum), and by gender. Based on the ADC estimate of 42,113 inmates, there would be an overall male custody bed surplus of 1,954 beds in FY 2019 and beyond, with a surplus at every custody level as shown in *Table 3*.

The department may be able to use temporary beds, reopen beds, or reallocate beds to meet unanticipated growth.

<u>Custody</u>	<u>FY 2019</u>
Minimum	865
Medium	365
Close	458
Maximum	203
Reception	<u>63</u>
Total	1,954

Table 4

Fiscal Year-End Operating Capacity

State	FY 2018 Actual			FY 2019 Estimate			FY 2020 Estimate		
	Rated	Temporary	Operating Capacity	Rated	Temporary	Operating Capacity	Rated	Temporary	Operating Capacity
Douglas	1,435	343	1,778	1,805	343	2,148	1,805	343	2,148
Eyman	3,976	1,610	5,586	3,976	1,610	5,586	3,976	1,610	5,586
Florence	3,440	645	4,085	3,284	645	3,929	3,284	645	3,929
Perryville	4,214	36	4,250	4,204	36	4,240	4,204	36	4,240
Phoenix	552	168	720	552	168	720	552	168	720
Lewis	5,104	870	5,974	5,104	870	5,974	5,104	870	5,974
Safford	1,453	160	1,613	1,453	160	1,613	1,453	160	1,613
Tucson	4,605	493	5,098	4,600	493	5,093	4,600	493	5,093
Winslow	1,626	-	1,626	1,626	-	1,626	1,626	-	1,626
Yuma	4,350	420	4,770	4,350	420	4,770	4,350	420	4,770
Subtotal	30,755	4,745	35,500	30,954	4,745	35,699	30,954	4,745	35,699
Private (Per Diem)									
Kingman (\$40.37)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$49.28)	400	100	500	400	100	500	400	100	500
Marana (\$47.44)	500	-	500	500	-	500	500	-	500
Florence West (\$44.98 - 55.79)	600	150	750	600	150	750	600	150	750
Florence II (\$67.22)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$65.89) ^{1/}	2,000	-	2,000	2,000	-	2,000	2,000	-	2,000
Subtotal ^{2/}	7,900	638	8,538	7,900	638	8,538	7,900	638	8,538
Total - All Beds ^{3/}	38,655	5,383	44,038	38,854	5,383	44,237	38,854	5,383	44,237
State Prison Population									
Female	4,090		4,090	4,090		4,090	4,090		4,090
Male	29,747		29,747	29,747		29,747	29,747		29,747
Subtotal	33,837		33,837	33,837		33,837	33,837		33,837
Private Prison Population									
Male	8,276		8,276	8,276		8,276	8,276		8,276
Total Population ^{4/}	42,113		42,113	42,113		42,113	42,113		42,113
Bed Surplus/(Shortfall)									
	(3,458)		1,925	(3,259)		2,124	(3,259)		2,124
Male	(3,602)		1,745	(3,393)		1,954	(3,393)		1,954
Female	144		180	134		180	134		180
Bed Surplus/(Shortfall) (% of Beds)	-9%		4%	-8%		5%	-8%		5%

^{1/} ADC signed amendment consolidating 2,000 beds into one contract with a \$65.89 per diem. In previous reports these beds were referred to as Eloy I and Eloy II.

^{2/} The base rate for the private (per diem) bed rate for each facility is listed. ADC may be charged a lower rate due to amendments or contract provisions that grant lower rates for temporary beds or beds used over an occupancy threshold. Marana and Kingman are management only contracts.

^{3/} Excludes special use beds totaling 1,820 as of June 30, 2018.

^{4/} The chart excludes prisoners awaiting transfer from county jail.

Board of Cosmetology

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	752,500	869,400	869,400
Employee Related Expenditures	387,500	426,700	431,300
Professional and Outside Services	190,600	201,100	196,100
Travel - In State	15,700	26,800	26,800
Travel - Out of State	2,400	7,000	7,000
Other Operating Expenditures	396,800	353,000	376,200
Equipment	8,900	8,100	8,100
OPERATING SUBTOTAL	1,754,400	1,892,100	1,914,900
SPECIAL LINE ITEMS			
Annual Leave Payout	900	34,200 ^{1/}	34,200 ^{2/}
AGENCY TOTAL	1,755,300	1,926,300	1,949,100 ^{3/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Cosmetology Fund	1,755,300	1,926,300	1,949,100
SUBTOTAL - Other Appropriated Funds	1,755,300	1,926,300	1,949,100
SUBTOTAL - Appropriated Funds	1,755,300	1,926,300	1,949,100
TOTAL - ALL SOURCES	1,755,300	1,926,300	1,949,100

AGENCY DESCRIPTION — The board administers licensing examinations and licenses; inspects salons and schools; and investigates violations of sanitation requirements and procedures. It conducts hearings and imposes enforcement actions where appropriate.

FOOTNOTES

- 1/ Notwithstanding Laws 2018, Chapter 276, Section 23, the \$34,200 appropriated to the Board of Cosmetology by Laws 2018, Chapter 276, Section 23 from the Board of Cosmetology Fund for the Annual Leave Payout line item is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations, until June 30, 2023. (General Appropriation Act footnote)
- 2/ The amount appropriated for the Annual Leave Payout line item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, until June 30, 2023. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$1,914,900 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(75,000) from the Board of Cosmetology Fund in FY 2020 for the elimination of one-time document scanning funding.

The FY 2019 budget provided a one-time increase of \$75,000 for the first portion of Phase 2 of a licensing files digitization project. Phase 1 was funded through \$50,900

from the department's base FY 2018 operating lump sum appropriation.

One-Time Licensing Files Digitization

The budget includes a one-time increase of \$70,000 from the Board of Cosmetology Fund in FY 2020 for the licensing files digitization project. This amount funds the second portion of Phase 2 of the project, which will complete document scanning, paper file destruction and document management system development. Phase 2 completes the overall \$195,900 project.

Statewide Adjustments

The budget includes an increase of \$27,800 from the Board of Cosmetology Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

<i>Annual Leave Payout</i>

The budget includes \$34,200 from the Board of Cosmetology Fund in FY 2020 for an annual leave payout. This amount is unchanged from FY 2019.

The Board of Cosmetology anticipated payment of accrued annual leave balances to 7 retirement-eligible employees from FY 2018 through FY 2019. However, only 2 of those employees retired in FY 2018 with 3 planning to retire in FY 2019. The board reports that the 2 remaining employees may not retire until FY 2023. The budget provides non-lapsing status to the board's FY 2019 and FY 2020 Annual Leave Payout appropriations until the end of FY 2023 to account for uncertainty of when these retirements will occur. The line item is intended to be removed from the budget in FY 2021, as the non-lapsing appropriations provide sufficient funds for the payouts.

County Funding

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
SPECIAL LINE ITEMS			
County Sheriff Reentry Planning	0	500,000	500,000
Department of Juvenile Corrections Offset	8,000,000	11,260,000	0
Elected Officials Retirement Plan Offset	0	1,655,500	3,000,000
Small County Assistance	7,650,700	7,650,700	7,650,700
AGENCY TOTAL	15,650,700	21,066,200	11,150,700
FUND SOURCES			
General Fund	15,650,700	20,566,200	10,650,700
<u>Other Appropriated Funds</u>			
State Charitable, Penal and Reformatory Institutions Land Fund	0	500,000	500,000 ^{1/2/}
SUBTOTAL - Other Appropriated Funds	0	500,000	500,000
SUBTOTAL - Appropriated Funds	15,650,700	21,066,200	11,150,700
TOTAL - ALL SOURCES	15,650,700	21,066,200	11,150,700

AGENCY DESCRIPTION — The Arizona Department of Administration (ADOA) distributes these monies to counties for maintenance of county services and to offset local cost sharing and Elected Officials Retirement Plan liabilities. This section also includes monies for County Sheriff Reentry Planning Services.

FOOTNOTES

- 1/ Laws 2018, Chapter 342 appropriated \$500,000 from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2019, FY 2020, and FY 2021 for County Sheriff Reentry Planning Services.
- 2/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

County Sheriff Reentry Planning

The budget includes \$500,000 from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2020 for County Sheriff Reentry Planning. This amount is unchanged from FY 2019.

Laws 2018, Chapter 342 appropriates \$500,000 from the State Charitable, Penal and Reformatory Institutions Land Fund for County Sheriff Reentry Planning Services in FY 2019, FY 2020, and FY 2021. As a result, monies in this line item are not included in the General Appropriation Act. These appropriations are non-lapsing.

This line item provides funding for the administration of release coordination reentry planning services for persons in custody of a county sheriff. This funding is appropriated to the county sheriff of a county with a population of more than 205,000 but less than 300,000 (Yavapai).

Department of Juvenile Corrections Offset

The budget includes no funding in FY 2020 for the Department of Juvenile Corrections (DJC) Offset. FY 2020 adjustments are as follows:

Remove One-Time DJC Offset

The budget includes a decrease of \$(11,260,000) from the General Fund in FY 2020 for the elimination of a one-time distribution of \$11,260,000 to counties to fully offset contributions for the cost of the Department of Juvenile Corrections (DJC).

The FY 2016 Criminal Justice Budget Reconciliation Bill (BRB) created the DJC Local Cost Sharing Fund with annual deposits from each county. The FY 2020 Criminal Justice BRB repealed the requirement in statute for all counties (except Maricopa and Pima) to pay their proportional share of \$11,260,000 according to their population. The FY 2020 Criminal Justice BRB suspends the \$8,450,900 in county cost sharing for Maricopa and Pima Counties on a one-time basis in FY 2020. *(Please see the Department of*

Juvenile Corrections section for details regarding these county cost sharing requirements.)

The offset was initially funded at \$8,000,000 in FY 2017 and FY 2018. The offset was increased to \$11,260,000 in FY 2019. In each year, the Legislature labeled the funding as one-time.

Elected Officials Retirement Plan Offset

The budget includes \$3,000,000 from the General Fund in FY 2020 for the Elected Officials Retirement Plan Offset. FY 2020 adjustments are as follows:

One-Time EORP Offset Increase

The budget includes an increase of \$1,344,500 from the General Fund in FY 2020 for a one-time distribution of \$3,000,000 to offset increased Elected Officials Retirement Plan (EORP) liabilities. This amount is allocated equally among counties with a population of less than 300,000. Each of the 12 smallest counties receives \$250,000 (see Table 1).

One-Time EORP Offset		
County	FY 2019	FY 2020
Apache	\$141,900	\$250,000
Cochise	195,900	250,000
Coconino	-	250,000
Gila	110,400	250,000
Graham	212,600	250,000
Greenlee	297,600	250,000
La Paz	243,500	250,000
Mohave	-	250,000
Maricopa	-	-
Navajo	217,600	250,000
Pima	-	-
Pinal	-	-
Santa Cruz	236,000	250,000
Yavapai	-	250,000
Yuma	-	250,000
Total	\$1,655,500	\$3,000,000

FY 2019 was the first year of funding for this item. In FY 2019, the EORP employer contribution rate increased from 23.5% to 61.5%.

Small County Assistance

The budget includes \$7,650,650 from the General Fund in FY 2020 for assistance to small counties. This amount is unchanged from FY 2019.

This line item provides funding for counties with populations less than 900,000 according to the 2010

Decennial Census. With one exception, each county receives \$550,050 (see Table 2). Graham County receives \$1,050,050.

County	Ongoing Distribution	2010 Census Population
Apache	\$ 550,050	71,518
Cochise	550,050	131,346
Coconino	550,050	134,421
Gila	550,050	53,597
Graham	1,050,050	37,220
Greenlee	550,050	8,437
La Paz	550,050	20,489
Maricopa	-	3,817,117
Mohave	550,050	200,186
Navajo	550,050	107,449
Pima	-	980,263
Pinal	550,050	375,770
Santa Cruz	550,050	47,420
Yavapai	550,050	211,033
Yuma	550,050	195,751
Total	\$ 7,650,650	6,392,017

Other Issues

Statutory Changes

The Revenue Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As session law, continue to allow counties with a population of less than 250,000 according to the 2010 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY 2020, up to \$1,250,000 of county revenue for each county. The bill also requires counties using this authority to report to the Director of the Joint Legislative Budget Committee (JLBC) on the intended amount and sources of funds by October 1, 2019.

The FY 2019 Revenue BRB included the same provision. Of the 12 eligible counties, 2 reported using the flexibility in FY 2019:

- Apache County: \$1.25 million from the Community College District, Library District, and Juvenile Jail District to the General Fund and Adult Jail District for law enforcement and Jail District operations.
- Navajo County: \$1.25 million from the Flood Control District and Library District to the General Fund for operating expenses.

The following 10 eligible counties are not utilizing this provision: Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Mohave, Santa Cruz, Yavapai, and Yuma Counties.

Table 3 shows the utilization of the county flexibility language since FY 2014.

County Flexibility Language Utilization FY 2014 - FY 2019*							
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Total</u>
Apache	\$ 500,000	\$ 500,000	\$ 400,000	\$1,200,000	\$1,250,000	\$1,250,000	\$ 5,100,000
Cochise		36,700	23,000				59,700
Coconino			10,634,800	493,700	1,250,000		12,378,500
Gila							-
Graham							-
Greenlee							-
La Paz		5,012,500	992,500	596,500			6,601,500
Maricopa							-
Mohave					500,000		500,000
Navajo	580,300	1,430,300	1,200,000	1,200,000		1,250,000	5,660,600
Pima							-
Pinal			1,000,000				1,000,000
Santa Cruz							-
Yavapai							-
Yuma	<u>56,000</u>	<u>29,700</u>	<u>10,200</u>	<u>51,000</u>	<u>27,100</u>		<u>174,000</u>
Total	\$1,136,300	\$7,009,200	\$14,260,500	\$3,541,200	\$3,027,100	\$2,500,000	\$31,474,300

*As reported by county governments to JLBC. Reporting to JLBC began in FY 2009.

Arizona Criminal Justice Commission

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9.0	9.0	11.0
Personal Services	512,700	512,400	512,400
Employee Related Expenditures	176,800	186,700	189,400
Professional and Outside Services	178,300	325,800	325,800
Travel - In State	7,000	7,000	7,000
Travel - Out of State	38,700	25,000	25,000
Other Operating Expenditures	164,700	202,100	206,100
Equipment	26,300	3,000	3,000
OPERATING SUBTOTAL	1,104,500	1,262,000	1,268,700
SPECIAL LINE ITEMS			
Criminal History Repository Upgrade	0	600,000	600,000 ^{1/}
Criminal Justice Statistics Pilot Program	0	200,000	0
Felony Pretrial Intervention Programs	2,750,000	0	750,000
State Aid to County Attorneys	781,800	973,700	973,700
Victim Compensation and Assistance	3,908,000	4,222,400	4,223,000
AGENCY TOTAL	8,544,300	7,258,100	7,815,400 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	510,800	650,000	655,500
Drug and Gang Prevention Resource Center Fund	593,700	812,000	613,200
Fingerprint Clearance Card Fund	0	600,000	600,000
Inmate Store Proceeds Fund	750,000	0	0
Penitentiary Land Fund	1,000,000	0	0
State Aid to County Attorneys Fund	781,800	973,700	973,700 ^{3/}
State Charitable, Penal and Reformatory Institutions Land Fund	1,000,000	0	0
Transition Program Fund	0	0	750,000
Victim Compensation and Assistance Fund	3,908,000	4,222,400	4,223,000 ^{4/}
SUBTOTAL - Other Appropriated Funds	8,544,300	7,258,100	7,815,400
SUBTOTAL - Appropriated Funds	8,544,300	7,258,100	7,815,400
Other Non-Appropriated Funds	4,942,900	4,703,200	4,703,200
Federal Funds	6,854,900	8,143,800	8,143,800
TOTAL - ALL SOURCES	20,342,100	20,105,100	20,662,400

AGENCY DESCRIPTION — The commission was created to enhance the effectiveness and coordination of the criminal justice system in Arizona. The commission may identify needed revisions in the system and make reports. It receives 1.57% of Criminal Justice Enhancement Fund (CJEF) monies.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 3/ All monies received by the Arizona Criminal Justice Commission in excess of \$973,700 in FY 2020 from the State Aid to County Attorneys Fund established by A.R.S. § 11-539 are appropriated to the State Aid to County Attorneys Program. Before spending any State Aid to County Attorneys Fund monies in excess of \$973,700, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

4/ All Victim Compensation and Assistance monies received by the Arizona Criminal Justice Commission in excess of \$4,223,000 in FY 2020 are appropriated to the Crime Victims Program. Before spending any Victim Compensation and Assistance Fund monies in excess of \$4,223,000 in FY 2020, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes \$1,268,700 and 11 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<u>FY 2020</u>
CJEF	\$655,500
Drug and Gang Prevention Resource Center Fund	613,200

FY 2020 adjustments are as follows:

FTE Positions for the Statistical Analysis Center

The budget includes an increase of 2 FTE Positions in FY 2020 for the Statistical Analysis Center. The increase in FTE Position authority will allow ACJC to fund 2 additional statistical analysis and research positions from monies already appropriated in the budget.

Statewide Adjustments

The budget includes an increase of \$6,700 in FY 2020 for statewide adjustments. This amount consists of:

CJEF	5,500
Drug and Gang Prevention Resource Center Fund	1,200

(Please see the Agency Detail and Allocations section.)

Criminal History Repository Upgrade

The budget includes \$600,000 from the Fingerprint Clearance Card Fund in FY 2020 for a Criminal History Repository Upgrade. This amount is unchanged from FY 2019.

This appropriation is non-lapsing. The FY 2019 General Appropriation Act appropriates \$600,000 from the Fingerprint Clearance Card Fund for this purpose in FY 2019, FY 2020, and FY 2021.

This line item provides funding for the Arizona Computerized Criminal History Repository Upgrade in which ACJC coordinates with the Department of Public Safety, law enforcement agencies, county attorneys, and courts to develop and implement a data exchange system to allow for the electronic transfer and submission of

criminal history record information to the Arizona Computerized Criminal History Repository within 24 hours. Priority is given to entities based on deficiencies in dispositions and volume of cases.

Criminal Justice Statistics Pilot Program

The budget includes no funding in FY 2020 for the Criminal Justice Statistics Pilot Program. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(200,000) from the Drug and Gang Prevention Resource Center Fund in FY 2020 for the removal of one-time funding for a Criminal Justice Statistics Pilot Program.

The FY 2019 Criminal Justice Budget Reconciliation Bill appropriated \$200,000 from the Drug and Gang Prevention Resource Center Fund in FY 2019 for a Criminal Justice Statistics Pilot Program. This appropriation is non-lapsing.

This line item provides funding for a distribution to the Pinal and Yavapai County Attorneys Offices to cover the cost associated with the Criminal Justice Statistics Pilot Program.

Felony Pretrial Intervention Programs

The budget includes \$750,000 from the Transition Program Fund in FY 2020 for Felony Pretrial Intervention Programs. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$750,000 from the Transition Program Fund in FY 2020 for a one-time distribution to the Yavapai County Sheriff's Office to administer felony pretrial intervention programs, probation surveillance, and case management.

Felony pretrial intervention programs may provide substance abuse treatment including medically assisted treatment with mandatory drug testing, cognitive behavioral therapy, and case management services for non-dangerous, non-repeat offenders.

This line item last received funding in FY 2018 in which \$2,750,000 was distributed proportionately to county attorney offices in all counties except Maricopa County.

State Aid to County Attorneys

The budget includes \$973,700 from the State Aid to County Attorneys Fund in FY 2020 for State Aid to County Attorneys. This amount is unchanged from FY 2019.

This line item provides funding for the various offices of county attorneys throughout Arizona to improve the processing of criminal cases. The line item receives funds from a 15.44% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals. ACJC is required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population.

Victim Compensation and Assistance

The budget includes \$4,223,000 from the Victim Compensation and Assistance Fund in FY 2020 for Victim Compensation and Assistance. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$600 from the Victim Compensation and Assistance Fund in FY 2020 for statewide adjustments.

This line item provides funding for 2 crime victim grant programs: the Victim Compensation Program and the Victim Assistance Program. Victim compensation monies are distributed to county compensation boards that award cash compensation to crime victims for specified expenses resulting from their victimization. Revenues for victim compensation grant monies come from 3 sources: a \$9 penalty on criminal and civil violations, monies collected from a 10% assessment of a worker's gross compensation, and unclaimed victim restitution. Victim assistance monies are granted to local government and not-for-profit agencies on a competitive basis and are used for operating expenses related to their victim assistance programs. Revenues for victim assistance grants come from community supervision fees and interstate compact fees.

Other Issues

Indigent Defense

The budget includes \$700,000 from the State Aid to Indigent Defense Fund in the Department of Public Safety (DPS) budget in FY 2020 for operational costs associated with the Arizona Counter Terrorism Information Center. This amount is unchanged from FY 2019 for DPS.

The State Aid to Indigent Defense Fund receives funding from a 14.66% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals.

Prior to FY 2012, ACJC was required to distribute the Indigent Defense monies to each county based on a composite index formula using Superior Court felony filings and county population. Since that time, the fund has been used for other purposes. In FY 2020, projected annual revenues are \$700,000, sufficient to fund the \$700,000 DPS appropriation.

Anti-Racketeering Revolving Fund Report

A.R.S. § 13-2314.01 and A.R.S. § 13-2314.03 require the Attorney General and departments and state agencies, including counties, that use the Anti-Racketeering Revolving Fund (ARRF) to report quarterly to ACJC on the sources of all monies and all expenditures.

In the first 3 quarters of FY 2019, the ARRF received revenues totaling \$24.3 million and had expenditures totaling \$22.7 million. Revenues for investigating and prosecuting agencies were highest in Maricopa County at \$8.7 million. Agencies participating in Maricopa County cases also accounted for the highest expenditure total with \$6.5 million in ARRF monies spent.

In the first 3 quarters of FY 2019, there were \$12.1 million in net collections from seized assets originally valued at \$19.1 million. Net collections were highest in Maricopa County at \$2.4 million, which derived from forfeitures, valued at \$2.8 million. Some assets and properties were released back to the owner, but most were retained or sold by law enforcement.

ARRF consists of monies derived from seized property and assets that result from judgments pursuant to anti-racketeering statutes. Once a settlement or conviction is reached, the Attorney General disperses the monies to the involved state and local investigative and

prosecutorial agencies. Additionally, assets seized as part of a federal investigation are deposited into the fund and used in accordance with state and federal guidelines. Monies in ARRF are used to help fund the investigation and prosecution of any offense defined as racketeering pursuant to Arizona statutes

Arizona State Schools for the Deaf and the Blind

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
PROGRAM BUDGET			
Administration/Statewide	5,162,500	5,162,000	6,500,900
Phoenix Day School for the Deaf	10,667,800	10,041,400	10,041,400
Preschool/Outreach Programs	4,232,500	6,302,500	5,832,500
Regional Cooperatives	4,300	0	0
Tucson Campus	13,110,900	13,761,300	13,761,300
AGENCY TOTAL	33,178,000	35,267,200	36,136,100
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	541.2	562.2	562.2
Personal Services	17,665,100	19,514,700	20,256,300
Employee Related Expenditures	8,554,500	8,995,300	9,373,200
Professional and Outside Services	1,841,700	1,552,700	1,605,200
Travel - In State	77,500	76,000	77,900
Travel - Out of State	29,900	29,800	30,500
Food	229,500	13,500	19,700
Other Operating Expenditures	3,482,000	3,307,600	3,442,600
Equipment	569,600	1,039,600	592,700
OPERATING SUBTOTAL	32,449,800	34,529,200	35,398,100
SPECIAL LINE ITEMS			
School Bus Replacement	728,200	738,000	738,000
AGENCY TOTAL	33,178,000	35,267,200	36,136,100 ^{1/}
FUND SOURCES			
General Fund	21,800,700	21,659,300	23,214,400
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	11,377,300	11,537,900	12,921,700 ^{2/}
Telecommunication Fund for the Deaf	0	2,070,000	0
SUBTOTAL - Other Appropriated Funds	11,377,300	13,607,900	12,921,700
SUBTOTAL - Appropriated Funds	33,178,000	35,267,200	36,136,100
Other Non-Appropriated Funds	16,445,000	17,282,300	17,067,100
Federal Funds	1,952,400	2,094,600	2,094,600
TOTAL - ALL SOURCES	51,575,400	54,644,100	55,297,800

AGENCY DESCRIPTION — The Arizona State Schools for the Deaf and the Blind (ASDB) provides comprehensive educational programs for students with sensory impairments from birth to age 22. ASDB has 2 main campuses, a day school in Phoenix and a residential campus in Tucson, satellite preschools in the Tucson and Phoenix Metropolitan areas, and 5 regional offices from which cooperative programs with school districts are operated. ASDB also serves infants and toddlers throughout the state. As of December 2018, ASDB served approximately 2,007 children: 393 students in the K-12 programs (134 in Tucson and 259 in Phoenix), 103 children in preschools, 421 infant/toddlers in regional areas, and 1,090 children through the 5 existing regional cooperatives.

FOOTNOTES

- ^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.
- ^{2/} Before spending any Schools for the Deaf and the Blind Fund monies in excess of \$12,921,700 in FY 2020, the Arizona State Schools for the Deaf and the Blind shall report to the Joint Legislative Budget Committee the intended use of the monies. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes \$35,398,100 and 562.2 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<u>FY 2020</u>
General Fund	\$22,476,400
Schools for the Deaf and the Blind Fund	12,921,700

FY 2020 adjustments are as follows:

Enrollment Change

The budget includes no change in funding from the Schools for the Deaf and the Blind (ASDB) Fund in FY 2020 for enrollment change. ASDB’s FY 2019 appropriation assumed an enrollment of 489 students. Based on Fall 2018 monthly data, the FY 2020 student enrollment preliminarily is projected to be 496 students (virtually the same as the budgeted count). The budget therefore includes no funding increase or decrease for enrollment changes for ASDB for FY 2020. These estimates are based on enrollment trends shown in *Table 1. (Please see Other Issues for additional enrollment information.)*

ASDB receives funding from the Arizona Department of Education (ADE), as its students qualify for K-12 formula funding. These monies are deposited into the ASDB Fund and the non-appropriated Regional Cooperatives Fund.

Base Adjustment

The budget includes an increase of \$695,100 from the ASDB Fund in FY 2020 for a base adjustment due to higher-than-budgeted costs for special education vouchers for FY 2019. The higher-than-budgeted costs are primarily due to the teacher salary increase included in the overall K-12 budget for FY 2019. That increase was not formally incorporated into the ASDB budget for FY 2019, but ASDB is receiving funding for it and can spend those additional monies in FY 2019 under budget flexibility provided to it through an ongoing General Appropriation Act footnote. *(Please see FY 2019 Teacher Salary Increase narrative in the FY 2019 Appropriations Report for more details.)*

Base Level Increase - Inflation

The budget includes an increase of \$244,700 from the ASDB Fund in FY 2020 for a base level increase for inflation. A.R.S. § 15-901.01 requires annual increases for inflation in the per pupil “base level” in the Basic State Aid (BSA) formula. That BSA base level also serves as the base level for the ASDB Voucher Fund formula, so BSA base level increases for inflation also increase ASDB’s voucher funding. The budget increases the BSA base level by 2.0% for inflation in FY 2020, which will increase special

education voucher funding into the ASDB Fund by an estimated \$244,700 in FY 2020.

Base Level Increase - Teacher Pay Raise

The budget also includes an increase of \$321,500 from the ASDB Fund in FY 2020 for an additional base level increase for teacher pay raises. The base level increase for teacher pay raises statewide for FY 2020 (including for ASDB) is \$111.16 per pupil. That amount is expected to increase ASDB’s formula funding for FY 2020 by approximately \$693,200 including an estimated \$321,500 increase for the appropriated ASDB Fund and \$371,700 increase for the non-appropriated Regional Cooperatives Fund. *(See ASDB Increase portion of Teacher Salary Increases narrative in the Department of Education budget for more information.)*

Monies from the additional \$111.16 base level increase for FY 2020 are intended to increase average teacher salaries at ASDB by an additional 5% for FY 2020.

ASDB received an estimated \$1,386,400 in FY 2019 for teacher salary increases. That amount included an estimated \$630,300 for its appropriated ASDB Fund and \$756,100 for its non-appropriated Regional Cooperatives Fund.

The \$321,500 increase in the budget from the ASDB Fund for teacher pay raises for FY 2020 equals 50% of the estimated \$630,300 amount cited above to reflect an intended 5% pay raise for FY 2020 versus 10% for FY 2019, plus 2% for inflation ($\$630,300 \times 50\% \times 1.02 = \$321,500$).

The FY 2019 budget advance appropriated funding in FY 2020 and FY 2021 to ADE provide additional teacher pay raises in those years for public schools including ASDB. That funding is intended to provide a cumulative 20% increase in average teacher salaries by FY 2021.

Background – Special education voucher monies in the ASDB Fund represent ASDB’s reimbursement from ADE for educational costs based on its enrollment. As with school districts, ASDB’s ADE funding is determined by statutory formula.

Remove One-Time Funding

The budget includes a decrease of \$(470,000) from the Telecommunication Fund for the Deaf in FY 2020 to remove one-time funding for the Early Childhood and Family Education Program.

Shift Funding Source

The budget includes no net change in FY 2020 to align expenditures with a fund shift approved in the FY 2019 budget. This amount consists of:

Telecommunication Fund for the Deaf	(1,600,000)
General Fund	1,600,000

Laws 2018, Chapter 291 appropriated \$2,070,000 and 21 FTE Positions from the Telecommunication Fund for the Deaf in FY 2019 to fund additional early intervention specialists in the Early Childhood and Family Education Program.

The FY 2019 budget's 3-year spending plan included \$1,600,000 of General Fund monies in FY 2020 and beyond to replace the use of the Telecommunication Fund for the Deaf.

Statewide Adjustments

The budget includes an increase of \$77,600 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	(44,900)
ASDB Fund	122,500

(Please see the Agency Detail and Allocations section.)

Assistive Technology Devices

The budget includes no change in funding from the General Fund in FY 2020 for assistive technology devices. The budget includes a total of \$253,100 from the General Fund in FY 2020 for this equipment, which may include: electronic dictionaries for visually impaired students, mobile classroom computer labs for visually disabled students, interactive whiteboards for hearing impaired students, and computer and software upgrades for computers used by visually impaired students.

Foundation for Blind Children

The budget maintains funding in FY 2020 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

School Bus Replacement

The budget includes \$738,000 from the General Fund in FY 2020 for School Bus Replacement. This amount is unchanged from FY 2019.

Monies in this line item are used for the purchase of new school buses. According to the School Facilities Board rules for ASDB, a gasoline-powered bus should be replaced after 10 years or 150,000 miles.

In September 2017, the Arizona Attorney General and the Volkswagen Group of America reached a settlement in a lawsuit filed by the Attorney General's Office against Volkswagen that relates to the marketing, advertising, selling and leasing of certain 'clean diesel' Volkswagen

vehicles for model years 2009-2016. As part of the settlement, the state of Arizona will receive approximately \$57 million over 10 years to fund eligible mitigation activities. ASDB was included as one of the state beneficiaries and received \$900,000 from the Volkswagen settlement. Of that amount, ASDB received \$700,000 in FY 2019 and will receive the remaining \$200,000 in FY 2020.

Because the agency was able to use monies from the Volkswagen settlement for school bus replacements in FY 2019, it shifted \$369,000 from the School Bus Replacement line item to its operating budget for FY 2019 to purchase 15 new general-fleet vehicles in FY 2019.

In FY 2020, the agency plans to use the FY 2020 Volkswagen settlement monies to purchase 2 new school buses and again shift \$369,000 from the School Bus Replacement line item to its operating budget to purchase an additional 15 new general-fleet vehicles.

Other Issues

Statutory Changes

The K-12 Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, remove the requirement that monies from the Enterprise Fund be used exclusively for operating ASDB facilities.

Capital Projects

Emergency Gas Line Repair - Tucson Campus

In March of 2018, ASDB reported 2 gas line leaks at the ASDB Tucson campus. Repairs were made to seal the leaks, but the recent leaks combined with other age and deterioration factors resulted in the need for an emergency project to replace the natural gas lines at the Tucson campus.

An "emergency" project is defined by the Joint Committee on Capital Review's (JCCR) standard Building Renewal Procedures as unforeseen, critical in nature, and of immediate time sensitivity. Per the Arizona Department of Administration's (ADOA) Building System renewal guidelines, the Chairman of the JCCR may allow ADOA to move forward with an emergency project of greater than \$50,000 without JCCR review. The JCCR Chairman approved the emergency project for the Tucson gas lines without Committee review in September 2018.

The total cost of the project was \$1,000,000. ASDB contributed \$500,000 to the emergency repairs project from the Schools for the Deaf and the Blind Fund, which had an FY 2018 ending balance of \$4,542,300. ADOA provided the remaining half of the funding by utilizing the entirety of the \$304,000 Contingency Allocation from the ADOA FY 2019 building renewal plan (reviewed by JCCR in June 2018) in addition to \$196,000 from the \$5,800,000 Major Building Services Allocation in ADOA's FY 2019 building renewal plan (also reviewed by JCCR in June 2018).

Repairs to replace the gas lines were completed in February 2019. Monies for the emergency gas line replacement are not displayed in the agency's budget table.

Enrollment Projections

Table 1 shows average annual enrollment data for ASDB's Tucson, Phoenix, and Preschool campuses since FY 2016. FY 2019 estimates are based on preliminary enrollment data for FY 2019. The budget assumes that FY 2020 enrollment levels for ASDB will be unchanged from FY 2019.

	ASDB Average Annual Enrollment			
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Tucson	138	129	130	134
Phoenix	266	283	270	259
Preschool	<u>98</u>	<u>99</u>	<u>89</u>	<u>103</u>
Total	502	511	489	496 ^{1/}

^{1/} Enrollment as of December 2018.

Commission for the Deaf and the Hard of Hearing

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	16.0	16.0	17.0
Personal Services	979,000	1,066,000	1,066,000
Employee Related Expenditures	362,600	435,800	440,900
Professional and Outside Services	529,700	650,000	650,000
Travel - In State	8,900	12,000	12,000
Travel - Out of State	19,700	21,500	21,500
Other Operating Expenditures	963,800	1,955,200	1,961,500
Equipment	226,300	281,000	281,000
OPERATING SUBTOTAL	3,090,000	4,421,500	4,432,900
SPECIAL LINE ITEMS			
Support Services for the Deaf-Blind	0	192,000	192,000
AGENCY TOTAL	3,090,000	4,613,500	4,624,900 ^{1/}

FUND SOURCES

Other Appropriated Funds

Telecommunication Fund for the Deaf	3,090,000	4,613,500	4,624,900
SUBTOTAL - Other Appropriated Funds	3,090,000	4,613,500	4,624,900
SUBTOTAL - Appropriated Funds	3,090,000	4,613,500	4,624,900
TOTAL - ALL SOURCES	3,090,000	4,613,500	4,624,900

AGENCY DESCRIPTION — The agency acts as an information and referral resource for the deaf and the hard of hearing and provides educational materials to the general public; administers a statewide telephone access program, the Telecommunication Devices for the Deaf (TDD) Relay Program; and licenses interpreters for the deaf and the hard of hearing. The commission is supported by the Telecommunication Fund for the Deaf, which derives monies from the Telecommunication Services Excise Tax.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$4,432,900 and 17 FTE Positions from the Telecommunication Fund for the Deaf in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Public Research and Policy Position

The budget includes an increase of 1 FTE Position from the Telecommunication Fund for the Deaf in FY 2020. The new position will act as a legislative and community liaison for the commission. The commission will fund the position with existing resources, so there is no net change in appropriated funding.

Statewide Adjustments

The budget includes an increase of \$11,400 from the Telecommunication Fund for the Deaf in FY 2020 for

statewide adjustments. (Please see the Agency Detail and Allocations section.)

Support Services for the Deaf-Blind

The budget includes \$192,000 from the Telecommunication Fund for the Deaf in FY 2020 for the Support Services for the Deaf-Blind line item. This amount is unchanged from FY 2019.

Monies in this line item fund a support services program (SSP) which provides 5 hours per week of support services to 35 deaf-blind adults at no cost to the individual. Deafblindness is any combination of visual and auditory loss which requires special strategies and skills. Examples of support services provided include transportation assistance, sighted guides, independent living assistance, and communication facilitators. Funding for this line item was originally authorized in the FY 2018 budget. The

commission did not provide these services in FY 2018 because they did not select a contracted vendor to manage the program. As a result, the commission began providing SSP services directly on July 1, 2018.

State Board of Dental Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	514,300	547,300	547,300
Employee Related Expenditures	240,300	158,100	160,700
Professional and Outside Services	142,300	299,200	211,400
Travel - In State	2,900	3,200	3,200
Travel - Out of State	4,600	5,500	5,500
Other Operating Expenditures	151,500	263,500	278,000
Equipment	5,900	23,700	23,700
AGENCY TOTAL	1,061,800	1,300,500	1,229,800 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Dental Board Fund	1,061,800	1,300,500	1,229,800
SUBTOTAL - Other Appropriated Funds	1,061,800	1,300,500	1,229,800
SUBTOTAL - Appropriated Funds	1,061,800	1,300,500	1,229,800
TOTAL - ALL SOURCES	1,061,800	1,300,500	1,229,800

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$1,229,800 and 11 FTE Positions from the Dental Board Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time Document Scanning

The budget includes a decrease of \$(87,800) from the Dental Board Fund in FY 2020 for one-time costs associated with scanning licensing documents.

Statewide Adjustments

The budget includes an increase of \$17,100 from the Dental Board Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Early Childhood Development and Health Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	134,414,400	143,329,800	146,792,600
Federal Funds	8,876,500	9,596,100	345,300
TOTAL - ALL SOURCES	143,290,900	152,925,900	147,137,900

AGENCY DESCRIPTION — As authorized by a 2006 ballot initiative (Proposition 203), the Arizona Early Childhood Development and Health Board (ECDHB) is funded from an 80 cents per pack cigarette tax, plus taxes on other tobacco products. The board funds early childhood development programs and services for children prior to kindergarten and their families. The agency is also commonly known as “First Things First.”

Background

Early Childhood Development and Health Fund

Enacted in 2006, Proposition 203 implemented an additional 80 cents per pack cigarette tax to fund ECDHB, also known as “First Things First.” Revenues from the tobacco tax are deposited into the Early Childhood Development and Health (ECDH) Fund and go into 2 accounts: 90% of funds are allocated to the Program Account and 10% of funds to the Administrative Costs Account.

Of the annual Program Account budget set by the board each year, 10% (or 9% of the statewide total) may be spent on statewide programs with the remaining funds allocated to the Regional Councils (81% of the statewide total). Of the amount made available to regions, 60.8% is allocated to the various regions based on the total population aged 5 and under and the population under 5 living below the poverty line. The board uses its discretion to allocate the other 20.2% to regions.

In FY 2018, ECDHB’s largest expenditure was **Child Care Scholarships** at \$66.1 million, as displayed in *Table 1*, serving an average of 5,924 children monthly, up from 4,593 in FY 2017. ECDHB has increased the number of child care facilities it rates as 3 to 5 stars, which results in a higher reimbursement rate for these facilities.

State-funded child care is provided through 3 agencies: the Department of Economic Security (DES), the Department of Child Safety (DCS), and ECDHB. DES and ECDHB provide child care for lower-income working families, while DCS provides child care for child welfare cases. ECDHB requires lower-income families to accept a DES subsidy if it is available. DES child care is offered as only a partial subsidy requiring a family copayment that varies based on a family’s income level. ECDHB lower-income working child care is offered as a full “scholarship” without a copayment.

Table 1

FY 2018 ECDHB Fund Expenditures by Category^{1/}
(\$ in Millions)

<u>Expenditure Category</u>	<u>Amount</u>	<u>Percent</u>
Child Care Scholarships	\$66.1	49%
Family Support	31.1	23%
Health	14.9	11%
Administration	9.3	7%
Professional Development	6.3	5%
Community Awareness	2.8	2%
Research & Evaluation	2.5	2%
System Coordination	0.9	1%
Other Funds (Grants, Gifts, etc.)	0.5	0%
Total	\$134.4	100%

^{1/} Does not include federal grant expenditures.

ECDHB child care expenditures are also used to meet federal child care funding requirements. The maintenance-of-effort requirement for the federal Child Care and Development Fund Block Grant (CCDF) is state child care spending of about \$10 million annually. In addition, the state must put up approximately \$20 million in matching funds to draw down the entire CCDF allocation. ECDHB disbursements largely fulfill both of these federal conditions.

Family Support mainly consists of voluntary in-home services for infants, children and their families, focusing on parenting skills, early physical and social development, literacy, health and nutrition; it also includes classes on parenting, food boxes, parent kits, and other services.

The **Health** category provides mental health consultations to teachers and caregivers, oral health services to families, case management to families, child care health consultations to child care providers, obesity prevention to families, prenatal outreach to women and families, and other services.

The **Administration** category funds about 119 filled FTE Positions.

Professional Development includes training, scholarships, and financial incentives for professionals who provide education and early care to children.

Community Awareness is media and community outreach efforts. **Research and Evaluation** spending is used to evaluate the effectiveness of ECDHB programs. **System Coordination** establishes partnerships and expands services and programs for families with young children.

As shown in *Table 2*, the estimated FY 2019 expenditures leave the fund with a projected balance of \$353.2 million at the end of FY 2019. The board intends to use the balance in future years to offset ongoing revenue losses that may occur if tobacco use (and the corresponding tax collections) continues to decline.

Other Issues

Statutory Changes

The Human Services Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, continue to require the department to report to the JLBC on or before February 1 of each year with the Department of Child Safety on collaborative efforts on child welfare issues. This provision had previously been authorized as session law.

Table 2

ECDH Fund ^{1/2/3/}				
(\$ in Millions)				
	FY 2017	FY 2018	FY 2019	FY 2020
	Actual	Actual	Estimate	Estimate
Revenues				
Beginning Balance	\$370.9	\$371.0	\$366.3	\$353.2
Ongoing Revenues ^{3/}	<u>132.0</u>	<u>129.6</u>	<u>130.3</u>	<u>130.5</u>
Total Revenues	\$502.9	\$500.6	\$496.6	\$483.7
Expenditures				
Administrative	\$13.2	\$13.3	\$15.0	\$15.0
Program ^{3/}	<u>118.7</u>	<u>121.1</u>	<u>128.4</u>	<u>131.8</u>
Total Expenditures	\$131.9	\$134.4	\$143.3	\$146.7
Ending Balance	\$371.0	\$366.3	\$353.2	\$337.0

^{1/} Data from ECDHB.
^{2/} Numbers may not add due to rounding.
^{3/} Does not include federal grant revenue or expenditures.

Office of Economic Opportunity

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	296,200	313,900	313,900
Employee Related Expenditures	101,700	105,900	107,400
Professional and Outside Services	4,100	4,000	4,000
Travel - In State	100	0	0
Travel - Out of State	800	0	0
Other Operating Expenditures	55,700	55,000	33,000
Equipment	100	10,000	10,000
OPERATING SUBTOTAL	458,700	488,800	468,300
SPECIAL LINE ITEMS			
Small Drinking Water Systems Fund Deposit	0	0	500,000 ^{1/}
AGENCY TOTAL	458,700	488,800	968,300 ^{2/}
FUND SOURCES			
General Fund	458,700	488,800	968,300
SUBTOTAL - Appropriated Funds	458,700	488,800	968,300
Other Non-Appropriated Funds	220,071,300	73,227,900	73,227,100
Federal Funds	24,186,600	44,776,800	44,776,800
TOTAL - ALL SOURCES	244,716,600	118,493,500	118,972,200

AGENCY DESCRIPTION — The Office of Economic Opportunity (OEO) is responsible for monitoring the state's tax competitiveness, evaluating the effectiveness of state incentive programs, analyzing state and local regulatory costs to businesses, serving as the state's workforce planning coordinator, and providing economic and demographic research and analysis. Also established within OEO is the Arizona Finance Authority, which oversees the Water Infrastructure Finance Authority (WIFA) and the Greater Arizona Development Authority (GADA) in addition to being the state recipient of private activity bonding authority. Additionally, OEO oversees the Arizona Industrial Development Authority which is the sole state issuer of private activity bonds.

FOOTNOTES

- ^{1/} A. The sum of \$500,000 in one-time funding is appropriated from the state General Fund in FY 2020 to the Small Drinking Water Systems Fund established by A.R.S § 49-355 for grants to interim operators, interim managers or owners of small drinking water systems.
 B. The Water Infrastructure Finance Authority of Arizona shall report to the Joint Legislative Budget Committee on or before December 31, 2019, December 31, 2020, and December 31, 2021 on the annual amount of expenditures from the Small Drinking Water Systems Fund established by A.R.S § 49-355 for grants to interim operators, interim managers, or owners of small drinking water systems during the prior fiscal year. (General Appropriation Act Footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$468,300 and 5 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(20,500) from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Small Drinking Water Systems Fund Deposit

The budget includes \$500,000 from the General Fund in FY 2020 for a one-time deposit into the Small Drinking Water Systems Fund. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$500,000 from the General Fund in FY 2020 for a one-time deposit into the Small Drinking Water Systems Fund.

Monies in the fund are for grants to interim operators, interim managers, or owners of small drinking water systems to repair, replace, or upgrade water infrastructure. Monies deposited into the fund are non-lapsing.

The budget requires that the Water Infrastructure Finance Authority, which is housed in the Office of Economic Opportunity, report on annual expenditures from the fund to the Joint Legislative Budget Committee by December 31 in 2019, 2020, and 2021.

The Small Water Systems Fund was originally established by Laws 2015, Chapter 241. Subsequently, Laws 2017, Chapter 213 changed the name of the fund to the Small Drinking Water Systems Fund. The FY 2017 General Appropriation Act appropriated \$500,000 to the fund. As of April 30, 2019, all but \$486,200 of that original deposit had been distributed. The Authority intends to distribute the remaining \$13,800 by the end of FY 2019.

Other Issues

Statutory Changes

The Budget Procedures Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, requires the Arizona Industrial Development Authority to report on its annual revenues, expenditures, and program activity by October 1 annually.

Agency Structure and Funding

Laws 2016, Chapter 372 created 3 new governmental entities: The Office of Economic Opportunity (OEO), the Arizona Finance Authority (AFA), and the Arizona Industrial Development Authority (AIDA). AFA is established in OEO and the AFA board serves as the board of AIDA, thus OEO has statutory supervision over all 3 entities. *Table 1* below displays the estimated FY 2020 FTE allocations and expenditures for the 3 entities as reported by the agencies.

OEO

OEO is the central state agency for economic, population, and unemployment statistical analysis, the administering agency for the Workforce Arizona Council, and oversees the Workforce Data Task Force.

- OEO's statistical analysis arm evaluates employment, population, and unemployment insurance data.

- The Workforce Arizona Council develops the state workforce plan, reviews statewide policies and programs that affect workforce development, and develops allocation formulas for employment and training grants.
- The Workforce Data Task Force oversees the development and maintenance of the state workforce evaluation data system.

Table 1
FY 2020 FTE Positions and Expenditures

<u>Recipient</u>	<u>FTE Positions</u>	<u>Total Funds</u>
OEO	35.6	\$ 6,845,400
AFA	20.7	112,126,800
AIDA ^{1/}	3.5	4,641,800
Total	59.8	\$123,614,000

^{1/} AIDA amounts are an estimate as these figures were not reported in the AFA budget. Additionally, AIDA amounts are not reflected in the above agency summary table as those monies are held in bank accounts of AIDA rather than in state funds.

OEO's funding was originally provided through the transfer of resources tied to the functions shifted to OEO from other agencies, and from fees paid to the Corporation Commission for securities filings that were previously deposited into the Arizona Competes Fund. *(For a more detailed history of the creation of OEO and the transfers from other agencies, please see the FY 2018 Appropriations Report.)*

OEO is estimating annual expenditures of \$6,845,400 in FY 2020. *Table 2* displays OEO's estimated expenditures for FY 2020 by fund source.

Table 2
OEO FY 2020 Estimated Expenditures

<u>Fund Source</u>	<u>Expenditures</u>
General Fund	\$ 468,300
IGA & ISA Fund	909,800
Corporation Commission Fees	2,898,600
Federal Funds	2,568,700
OEO TOTAL	\$6,845,400

Chapter 372 also established the Economic Development Fund consisting of any remaining monies in the AFA Operations Fund or AIDA at the end of each prior fiscal year. The Economic Development Fund received a total of \$5.1 million in FY 2018, which the FY 2019 budget transferred to the General Fund at the end of FY 2018. This fund received a further transfer of \$1.2 million in FY 2019. OEO does not currently have an expenditure plan for these monies. *(Please see the AIDA section of this narrative below for more information about these transfers.)*

AFA

AFA houses the functions of the Water Infrastructure Finance Authority (WIFA), the Greater Arizona Development Authority (GADA), and administers the state’s Private Activity Bond (PAB) authorization. AFA is expected to oversee \$112,126,800 in expenditures in FY 2020 (see Table 3).

- WIFA finances the construction, rehabilitation, and/or improvement of drinking water, waste water, waste water reclamation, and other water quality facilities or projects.
- GADA helps local governments obtain lower than market interest rates on debt incurred for infrastructure development and construction by using the GADA Revolving Fund to guarantee loans.
- As the state's recipient of the PAB authorization (tax exempt bonds allocated by the federal government to the state for certain private use), AFA issues PAB authority to local IDAs to allow the IDAs to issue bonds on behalf of a private entity. The entity uses the proceeds for projects such as school or multi-family home construction, mortgage revenue bonds, manufacturing projects, and qualified student loan projects.

Fund for a deposit into the Small Drinking Water Systems Fund (see *Small Drinking Water Systems Fund Deposit line item description, above*).

AFA will also expend an estimated \$33,000 to partially fund 1.3 FTE Positions from the GADA Revolving Fund to oversee the loan and bonding operations of GADA. This amount is small relative to the amounts expended from the Clean Water Revolving and Drinking Water Revolving Funds since the vast majority of the fund balance in the GADA Revolving Fund is used as collateral for the bonds they issue and is only directly loaned out in small amounts. Currently, the fund balance allows locals to bond at a rate of 30:1 while also providing a lower-than-market rate of interest. The FY 2019 estimated ending balance for the GADA Revolving Fund is \$9,984,300 which will allow for bonding of up to \$299,529,000 at the current leverage ratio.

AIDA

AFA also governs AIDA, which has responsibility for the former activities for the Arizona Housing Finance Authority, Arizona Health Facilities Authority, and the Arizona International Development Authority. In addition, AIDA is authorized to issue PABs for allowable projects not otherwise covered by the other state IDAs.

As a result of the consolidation, all of the existing assets of the 3 state IDAs became assets of AIDA. In FY 2017, these transfers created a surplus of \$5,085,800 above what AIDA needed to operate. Laws 2016, Chapter 372 requires that any unobligated monies within AIDA be transferred to the OEO-administered Economic Development Fund at the end of each fiscal year. As a result, the \$5,085,800 FY 2017 ending balance within AIDA was transferred to the OEO-administered Economic Development Fund in FY 2018. AIDA further transferred its FY 2018 year-end-balance of \$1,178,900 to the Economic Development Fund. (Please see the OEO section of this narrative for more information.)

AIDA does not report its expenditures or revenues as part of the budget request process, as its operations fund is held in a non-state bank account. The Budget Procedures BRB requires AIDA to report on its revenues, expenditures, and program activity by October 1 annually.

Table 4 summarizes the estimated FY 2020 expenditures.

<u>Agency/Fund Source</u>	<u>Expenditures</u>
WIFA	
General Fund	\$ 500,000
Clean Water Revolving Fund	43,864,700
Drinking Water Revolving Fund	25,488,000
Federal Funds	42,208,100
IGA & ISA Fund	25,000
Total WIFA	\$112,085,800
GADA	
GADA Revolving Fund	\$ 33,000
AFA	
AFA Operations Fund	\$ 8,000
AFA TOTAL	\$112,126,800

Funding for the operational costs of AFA is derived from WIFA and GADA proceeds, bond proceeds from issuances of AIDA, and gifts and grants. Monies received from these sources are deposited into the AFA Operations Fund.

The AFA is also responsible for the Clean Water Revolving Fund (\$43,864,700) and the Drinking Water Revolving Fund (\$25,488,000). These 2 funds provide loans to political subdivisions and Indian tribes for drinking water facilities and capital improvements at wastewater treatment facilities. AFA also administers Federal Funds (\$42,208,100) that provide water infrastructure loans to local governments and Indian tribes. In addition, AFA will receive \$500,000 in one-time funding from the General

<u>Fund Source</u>	<u>Expenditures</u>
AIDA IGA & ISA Fund	\$4,641,800 ^{1/}

^{1/} Represents an estimate based on FY 2018 expenditure data. This amount is not reflected in the OEO summary table as the monies are held an AIDA bank account rather than a state fund.

Department of Economic Security

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,289.4	4,323.8	4,377.8 ^{1/}
Personal Services	69,563,500	73,791,600	73,791,600
Employee Related Expenditures	32,758,400	32,959,400	33,298,600
Professional and Outside Services	15,053,000	17,380,700	17,380,700
Travel - In State	375,500	391,700	391,700
Travel - Out of State	70,100	88,900	88,900
Other Operating Expenditures	24,525,100	30,934,500	31,137,100
Equipment	4,376,600	3,070,600	3,070,600
OPERATING SUBTOTAL	146,722,200	158,617,400	159,159,200 ^{2/3/4/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	9,913,700	11,002,700	11,057,700
SNAP Benefit Match Program	0	400,000	0
Aging and Adult Services			
Adult Services	9,431,900	9,902,900	8,731,900
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Services	2,522,600	2,522,600	2,522,600
Domestic Violence Prevention	11,269,000	14,003,700	14,003,700 ^{5/6/}
Family Caregiver Grant Fund Deposit	0	0	1,000,000 ^{7/}
Benefits and Medical Eligibility			
TANF Cash Benefits	22,629,700	22,736,400	22,736,400
Coordinated Hunger Services	1,754,600	1,754,600	1,754,600
One-Time Food Bank Funding	0	1,000,000	0
One-Time Food Bank Storage and Distribution Costs	0	950,000 ^{8/}	0
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	5,132,000	8,740,200	8,740,200
Developmental Disabilities ^{9/-14/}			
DDD Administration	36,419,600	83,504,800	104,821,000 ^{15/}
DDD Premium Tax Payment	26,829,000	30,461,200	35,598,700
Case Management - Medicaid	63,719,600	70,018,100	75,964,500 ^{15/}
Home and Community Based Services - Medicaid	1,081,506,800	1,231,964,300 ^{16/}	1,369,790,300
Institutional Services - Medicaid	23,860,600	45,154,600	50,002,800
Arizona Training Program at Coolidge - Medicaid	18,922,900	0	0
Children's Rehabilitative Services - Medicaid	0	50,390,100	0
Physical and Behavioral Health Services - Medicaid	187,468,900	197,154,900	360,359,100
Medicare Clawback Payments	4,043,000	4,185,100	4,517,800
Targeted Case Management - Medicaid	0	6,614,500	10,708,200
Case Management - State Only	3,913,000	5,313,400	6,194,600 ^{15/}
Home and Community Based Services - State Only	20,028,000	13,709,000	13,589,000
Cost Effectiveness Study Client Services	0	1,100,000	1,220,000
Arizona Early Intervention Program	0	8,219,000	6,319,000
State-Funded Long Term Care Services	28,561,500	34,959,600	35,151,600
Employment and Rehabilitation Services			
Child Care Subsidy	94,396,300	146,796,600 ^{17/}	146,796,600 ^{18/}
Independent Living Rehabilitation Services	1,233,100	1,289,400	1,289,400
JOBS	11,005,600	11,005,600	11,005,600
Rehabilitation Services	7,305,400	7,249,100	7,249,100
Workforce Investment Act Services	65,654,600	53,654,600	53,654,600 ^{19/}
AGENCY TOTAL	1,892,647,900	2,242,778,700 ^{20/}	2,532,342,500 ^{21/22/23/}

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
FUND SOURCES			
General Fund	586,110,200	662,286,900	749,708,200
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	7,917,200	16,973,100	17,094,700
Domestic Violence Services Fund	1,265,300	4,000,000	4,000,000
Federal CCDF Block Grant	103,773,400	158,918,600	158,952,900
Federal TANF Block Grant	67,858,100	65,324,900	65,395,900
Health Services Lottery Monies Fund	2,800,000	1,000,000	0
Long Term Care System Fund (Non-Federal Matched)	26,561,500	26,559,600	26,559,600
Public Assistance Collections Fund	0	422,500	423,400
Special Administration Fund	2,951,800	5,677,300	4,511,200
Spinal and Head Injuries Trust Fund	2,310,900	4,254,400	2,326,800
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	68,040,300	56,044,500	56,044,500 ^{19/}
SUBTOTAL - Other Appropriated Funds	283,478,500	340,174,900	336,309,000
SUBTOTAL - Appropriated Funds	869,588,700	1,002,461,800	1,086,017,200
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund (EA)	35,024,300	42,299,500	42,299,500
Long Term Care System Fund (Federal Match)	988,034,900	1,197,867,400	1,404,025,800
Political Subdivision Funds	0	150,000	0
SUBTOTAL - Expenditure Authority Funds	1,023,059,200	1,240,316,900	1,446,325,300
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,892,647,900	2,242,778,700	2,532,342,500
Other Non-Appropriated Funds	246,524,900	241,858,400	241,375,100
Federal Funds	1,741,347,200	1,673,880,100	1,673,480,100
TOTAL - ALL SOURCES	3,880,520,000	4,158,517,200	4,447,197,700

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration; Developmental Disabilities; Benefits and Medical Eligibility; Child Support Enforcement; Aging and Community Services; and Employment and Rehabilitation Services.

FOOTNOTES

- 1/ Includes 705.5 GF, 237.6 OF, and 1,560.3 EA FTE Positions funded from Special Line Items in FY 2020.
- 2/ The operating lump sum appropriation may be spent on Arizona Health Care Cost Containment System eligibility determinations based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- 3/ All state shares of retained earnings, fees and federal incentives in excess of \$17,094,700 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New FTE Positions may be authorized with the increased funding. Before spending these increased monies, the Department of Economic Security shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ Before the department may spend any monies to replace the child support information technology system, the Arizona Strategic Enterprise Technology Office shall submit, on behalf of the Department of Economic Security, an expenditure plan to the Joint Legislative Budget Committee for review. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with the department's prior reports for its appropriation from the Automation Projects Fund to A.R.S. § 41-714. (General Appropriation Act Footnote)
- 5/ All Domestic Violence Services Fund monies in excess of \$4,000,000 received by the Department of Economic Security are appropriated for the Domestic Violence Prevention line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$4,000,000 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 6/ The Department of Economic Security shall report to the Joint Legislative Budget Committee the amount of state and federal monies available statewide for domestic violence funding on or before December 15, 2019. The report shall

include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)

- 7/ A. The sum of \$1,000,000 is appropriated one-time from the state General Fund in FY 2020 to the Department of Economic Security for deposit in the Family Caregiver Grant Program Fund established by A.R.S. § 46-343.

B. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriations Act footnote)
- 8/ A. In addition to any other appropriations made in FY 2019, the sum of \$950,000 is appropriated from the state General Fund in FY 2019 to the Department of Economic Security for food bank storage and distribution of food.

B. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 9/ The department shall report to the Joint Legislative Budget Committee on or before March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than 2%. Before implementing any changes in capitation rates for the Long-Term Care System, the department shall submit a report for review by the Joint Legislative Budget Committee. Before the department implements any change in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal impact analysis demonstrates that this change will result in additional state costs of \$500,000 or more for any fiscal year, the department shall submit the policy change for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 10/ Before implementing developmental disabilities or Long-Term Care statewide provider rate adjustments that are not already specifically authorized by the Legislature, court mandates or changes to federal law, the department shall submit a report for review by the Joint Legislative Budget Committee that includes, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriation Act footnote)
- 11/ On or before September 1, 2020, the Department of Economic Security shall report to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee any new placement into a state-owned ICF-IID or the Arizona Training Program at the Coolidge campus in FY 2020 and the reason this placement, rather than a placement into a privately run facility for persons with developmental disabilities, was deemed as the most appropriate placement. The department shall also report if no new placements were made. On or before September 1, 2020, the department shall also report to the Director of the Joint Legislative Budget Committee the total costs associated with the Arizona Training Program at Coolidge in FY 2020. (General Appropriation Act footnote)
- 12/ The department shall submit an expenditure plan to the Joint Legislative Budget Committee for review of any new Division of Developmental Disabilities salary adjustments not previously reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 13/ The department shall report to the Joint Legislative Budget Committee on or before August 1, 2019 the number of filled positions for case managers and non-case managers in the Division of Developmental Disabilities as of June 30, 2019. The department shall submit an expenditure plan of its staffing levels for review by the Joint Legislative Budget Committee if the department plans on hiring staff for non-case manager, non-case aide, non-case unit supervisor and non-case section manager positions above the staffing level indicated in the August 1, 2019 report. (General Appropriation Act footnote)
- 14/ Before implementing provider rate increases, the department shall engage community stakeholders regarding the department's plans to increase provider rates. The department shall submit a report to the Joint Legislative Budget Committee on or before August 1, 2019 describing its efforts to engage stakeholders and the department's plans to implement provider rate increases for state FY 2020. (General Appropriation Act footnote)
- 15/ Before transferring any monies in or out of the Case Management - Medicaid, Case Management - State-Only and DDD Administration line items, the department shall submit a report for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 16/ A. In addition to any other appropriations made in FY 2019, the sum of \$500,000 from expenditure authority is appropriated in FY 2019 to the Department of Economic Security for assistance to developmental disabilities services providers. The total includes the following changes by fund: 1) \$150,000 from voluntary payments made by political subdivisions. 2) \$350,000 from Developmental Disabilities Medicaid Expenditure Authority.

B. The department may spend \$2 of the Developmental Disabilities Medicaid Expenditure Authority monies appropriated in subsection A of this section for each \$1 that the city of Flagstaff provides as voluntary payments for this purpose. The department shall distribute the monies to developmental disabilities services providers that

experience the highest mandated labor cost increases for services provided in the city of Flagstaff.

- C. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (General Appropriation Act footnote)
- 17/ A. In addition to any other appropriations made in FY 2019, the sum of \$7,400,000 is appropriated from the Federal Child Care and Development Fund Block Grant to the Department of Child Safety for child care subsidies to increase the number of children served and to increase maximum reimbursement levels.
- B. In addition to any other appropriations made in FY 2019, the sum of \$48,400,000 is appropriated from the Federal Child Care and Development Fund Block Grant to the Department of Economic Security for child care subsidies to increase the number of children served and to increase maximum reimbursement levels.
- C. The appropriations made in subsections A and B of this section are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, through June 30, 2020. (General Appropriation Act footnote)
- 18/ The Legislature intends that the combined number of children in child care assistance authorized pursuant to A.R.S. § 46-803D and F be maintained throughout the year at a minimum of 8,500 children. The Department of Economic Security shall prioritize child care assistance for families that qualify for assistance pursuant to A.R.S. § 46-803F, on the waiting lists established pursuant to A.R.S. § 46-803I. (General Appropriation Act footnote)
- 19/ All Workforce Investment Act Grant monies that are received by this state in excess of \$56,044,500 are appropriated to the Workforce Investment Act Services line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$56,044,500 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 20/ On or after April 1, 2020, the Department of Economic Security may use up to \$25,000,000 from the Budget Stabilization Fund established by A.R.S. § 35-144 for the purpose of providing funding for reimbursement grants. Before using the monies from the Budget Stabilization Fund, the department shall notify the Director of the Joint Legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting. Notwithstanding any other law, this appropriation must be fully reimbursed on or before September 1, 2020 and must be reimbursed in full as part of the closing process for FY 2020. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)
- 21/ The above appropriations are in addition to monies granted to the state by the federal government for the same purposes but are deemed to include the sums deposited in the State Treasury to the credit of the Department of Economic Security pursuant to A.R.S. § 42-5029. (General Appropriation Act footnote)
- 22/ The Department of Economic Security shall forward to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee a monthly report comparing total expenditures for the month and year-to-date as compared to prior-year totals on or before the 30th of the following month. The report shall include an estimate of potential shortfalls in entitlement programs and potential federal and other monies, such as the statewide assessment for indirect costs, and any projected surplus in state-supported programs that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 23/ General Appropriation Act fund are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

The Department of Economic Security's (DES) FY 2020 General Fund spending increases by \$87,421,300, or 13.2% above the FY 2019 appropriation. This amount includes:

- \$38,332,800 for DDD formula adjustments.
- \$5,070,900 to annualize the FY 2019 transfer of funding for DDD Children's Rehabilitative Services from AHCCCS to DES.
- \$3,858,600 for Proposition 206 rate increases to provide 6-month funding for the minimum wage increase from \$11.00/hour to \$12.00/hour in January 2020.
- \$26,054,100 to transfer DD Behavioral Health Services from AHCCCS.
- No net change to continue \$13,000,000 of previously one-time funding as ongoing for DDD Proposition 206 costs and room and board expenses.
- \$13,000,000 for additional DD provider rate increases.
- \$1,861,900 for additional DD state-only case management funding.
- \$1,000,000 for a one-time deposit in a newly-established Family Caregiver Grant Fund.
- \$(1,400,000) to remove one-time capital funding for food banks and the SNAP Benefit Match Program.

- \$(950,000) to remove one-time funding for food bank storage and distribution costs.
- \$593,000 for statewide adjustments.

Operating Budget

The budget includes \$159,159,200 and 1,874.4 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$79,166,000
Child Support Enforcement Administration Fund	13,514,000
Child Support Enforcement Administration Fund (EA)	27,542,200
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,464,000
Federal Child Care and Development Fund (CCDF) Block Grant	12,138,600
Public Assistance Collections Fund	332,300
Special Administration Fund	2,075,300
Spinal and Head Injuries Trust Fund	546,900
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,379,900

FY 2020 adjustments are as follows:

Transfer from AG Legal Services

The budget includes an increase of \$4,000 from the General Fund in FY 2020 from the Attorney General Legal Services line item for Information Technology overhead costs. The transfer results in no net change in resources.

Statewide Adjustments

The budget includes an increase of \$537,800 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	387,800
Child Support Enforcement Administration Fund	66,900
Federal Temporary Assistance for Needy Families (TANF) Block Grant	70,700
Federal Child Care and Development Fund (CCDF) Block Grant	34,300
Public Assistance Collections Fund	600
Special Administration Fund	4,900
Spinal and Head Injuries Trust Fund	(27,400)

(Please see the Agency Detail and Allocations section.)

Administration

Attorney General Legal Services

The budget includes \$11,057,700 and 156.9 FTE Positions in FY 2020 for Attorney General (AG) Legal Services.

These amounts consist of:

General Fund	1,227,700
Child Support Enforcement Administration Fund	2,501,600
Child Support Enforcement Administration Fund (EA)	7,096,200
Federal TANF Block Grant	106,600
Federal CCDF Block Grant	17,700
Public Assistance Collections Fund	91,100
Special Administration Fund	5,000
Spinal and Head Injuries Trust Fund	1,800
Workforce Investment Act Grant	10,000

FY 2020 adjustments are as follows:

Transfer to Operating Budget

The budget includes a decrease of \$(4,000) from the General Fund in FY 2020 to the Operating Budget for IT overhead costs. The transfer results in no net change in resources.

Statewide Adjustments

The budget includes an increase of \$59,000 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	3,900
Child Support Enforcement Administration Fund	54,700
Federal TANF Block Grant	300
Public Assistance Collections Fund	300
Spinal and Head Injuries Trust Fund	(200)

SNAP Benefits Match Program

The budget includes no funding in FY 2020 for the SNAP Benefits Match Program. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(400,000) from the General Fund in FY 2020 to remove one-time funding for a Supplemental Nutrition Assistance Program (SNAP) Benefit Match for Arizona-grown produce purchases. The enacted FY 2019 budget's 3-year spending plan designated this spending as one-time. The monies are non-lapsing through the end of FY 2020. FY 2019 was the first year of funding.

Aging and Adult Services

General Fund 873,100
Federal TANF Block Grant 1,649,500

Adult Services

The budget includes \$8,731,900 from the General Fund in FY 2020 for Adult Services. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,171,000) from the Special Administration Fund in FY 2020 to remove one-time funding for in-home services for the elderly provided by the Area Agencies on Aging. The enacted FY 2019 budget's 3-year spending plan designated this spending as one-time.

DES believes that they can replace this funding with federal Victim of Crimes Act (VOCA) grant monies and did not request any new appropriated funds for this line item.

This line item provides an array of independent living support to elderly persons, as shown in *Table 1*.

Table 1

Independent Living Support	
Services	FY 2020
Adult Protective Contracted Services	\$ 322,700
Supplemental Payments	94,800
Home Care	4,181,500
Older Americans Act	1,905,700
Assessments and Case Management	1,721,800
Respite Care	505,300
Total	\$8,731,900 ^{1/}

^{1/} Numbers do not add due to rounding.

Community and Emergency Services

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2020 for Community and Emergency Services. This amount is unchanged from FY 2019.

Monies in this line item provide funding to 15 community action agencies to deliver a wide range of services related to the needs of low-income families and individuals. In FY 2018, this line item provided short-term crisis services to 1,142 households and energy assistance to 29,859 households.

Coordinated Homeless Services

The budget includes \$2,522,600 in FY 2020 for Coordinated Homeless Services programs. This amount consists of:

These amounts are unchanged from FY 2019.

In FY 2018, this line item provided emergency shelter services to 9,589 individuals, rapid re-housing services to 1,659 individuals, and homeless prevention services to 58 individuals.

Domestic Violence Prevention

The budget includes \$14,003,700 in FY 2020 for Domestic Violence Prevention. This amount consists of:

General Fund 3,283,000
Federal TANF Block Grant 6,620,700
Domestic Violence Services Fund 4,000,000
Special Administration Fund 100,000

These amounts are unchanged from FY 2019.

In FY 2018, this line item, along with non-appropriated funds, served approximately 6,138 women and children in emergency shelters, 308 adults and children in transitional housing, and 12,372 victims with legal and lay legal advocacy.

Family Caregiver Grant Fund Deposit

The budget includes \$1,000,000 from the General Fund in FY 2020 for deposit into the Family Caregiver Grant Fund. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$1,000,000 from the General Fund in FY 2020 for a one-time deposit into the Family Caregiver Grant Fund.

Beginning January 1, 2020, monies in this line item provide grants of up to \$1,000 for expenses that relate directly to caring for or supporting a family member requiring assistance with activities of daily living.

Benefits and Medical Eligibility

TANF Cash Benefits

The budget includes \$22,736,400 from the Federal TANF Block Grant in FY 2020 for TANF Cash Benefits. This amount is unchanged from FY 2019.

As of April 2019, DES served a regular TANF Cash Benefits caseload of 13,605 individual recipients. The budget

assumes a regular caseload of 11,500 individual recipients. The average cost per person is projected to be \$95. In addition, the TANF Diversion program diverts applicants from long-term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis. The April 2019 Diversion caseload was 553. The budget assumes a Diversion caseload of 557 per month. The average diversion payment per person is projected to be \$755.

Monies in this line item provide financial assistance on a temporary basis to dependent children in their own homes, or in the homes of responsible caretaker relatives. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL), or \$5,022 for a family of 4.

The current cumulative lifetime limit on regular TANF Cash Benefits is 24 months. To qualify for the second year of eligibility, a recipient must have received no penalties for violating the work and school attendance requirements. In addition, a recipient can accumulate only 2 penalties before being removed from the program.

The Human Services BRB contains a provision continuing to allow DES to drug test TANF recipients if there is a reasonable suspicion that they are using illegal drugs.

Coordinated Hunger Services

The budget includes \$1,754,600 in FY 2020 for Coordinated Hunger Services programs. This amount consists of:

General Fund	1,254,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2019.

State and federal dollars are used to administer a USDA commodities food program, to assist in statewide food distribution, and for food banks. Monies are also used to provide information on where individuals and families can obtain food. In FY 2018, this funding assisted in the distribution of 8,142,156 congregate meals and 1,652,364 emergency food boxes.

One-Time Food Bank Funding

The budget includes no funding in FY 2020 for One-Time Food Bank Funding. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2020 to remove one-time funding for various food banks across the state. The funding was

distributed for capital needs. The enacted FY 2019 budget's 3-year spending plan designated this spending as one-time.

One-Time Food Bank Storage and Distribution Costs

The budget includes no funding in FY 2020 for One-Time Food Bank Storage and Distribution Costs. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(950,000) from the General Fund in FY 2020 to remove one-time funding for various food banks across the state. The funding was distributed as a supplemental appropriation for FY 2019 to be used for costs related to storage and distribution of excess foods received by food banks via the Federal Trade Mitigation Program. Funds will be used to offset storage costs, hire temporary staff, or pay overtime for existing staff depending on the needs of the individual food banks.

Tribal Pass-Through Funding

The budget includes \$4,680,300 from the General Fund in FY 2020 for Tribal Pass-Through Funding. This amount is unchanged from FY 2019.

Monies in this line item are passed through to Native American tribes operating their own TANF programs. When originally implemented, program funding was designed to be roughly equivalent to what the state was spending on the population when the state still had responsibility for the cash assistance program for any particular tribe.

Child Support Enforcement

The Division of Child Support Enforcement (DCSE) budget includes direct appropriations from the following 4 fund sources: 1) General Fund; 2) State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received TANF Cash Benefits; 3) Federal incentives and 4) Fees from non-custodial parents.

The last 3 fund sources are deposited in the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund. In addition to the General Fund and CSEA Fund appropriations, the displayed amounts also include Federal Expenditure Authority for DCSE. The federal monies received by DCSE generally match state funds at a ratio of 66% federal to 34% state. *Table 2* details the sources and uses of the CSEA Fund.

Table 2

CSEA Fund Sources and Uses

<u>Sources</u>	<u>FY 2020</u>
State Share of Retained Earnings	\$ 2,751,500
Federal Incentive Payments	6,200,000
Fees	1,769,000
Excess Appropriation Authority ^{1/}	6,374,200
Administration (Non-Appropriated)	<u>2,901,800</u>
Total	\$19,996,500
<u>Uses</u>	
DCSE Administration (DES Operating)	\$13,514,000
Attorney General Legal Services	2,501,600
County Participation	1,079,100
Administration (Non-Appropriated)	<u>2,901,800</u>
Total	\$19,996,500

^{1/} This line is the difference between appropriation authority and expected revenues.

County Participation

The budget includes \$8,740,200 in FY 2020 for County Participation. This amount consists of:

CSEA Fund	1,079,100
CSEA Fund (EA)	7,661,100

These amounts are unchanged from FY 2019.

The division currently contracts with Gila and La Paz Counties to have the counties operate their own child support programs. This line item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match.

Developmental Disabilities

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long Term Care (LTC) program. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the FPL, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for federal Medicaid services.

The LTC program is funded from 2 sources: the General Fund and the Long Term Care System Fund. The Legislature appropriates the division's resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available to the Division of Developmental Disabilities but does not appropriate any specific non-appropriated fund.

As of May 2019, the Division of Developmental Disabilities served 42,565 clients, which includes 33,742 clients in the LTC program and 8,823 clients in the state-only program. The primary disabilities are shown in *Table 3*.

Table 3

Primary Disability of Clients Served

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Intellectual Disability	16,059	37.7%
At Risk	9,528	22.4%
Autism	11,703	27.5%
Cerebral Palsy	3,488	8.2%
Epilepsy	<u>1,787</u>	4.2%
Total	42,565	

Overall DDD Formula Adjustments

The budget includes an increase of \$38,332,800 from the General Fund in FY 2020 for DDD formula changes. Changes are described in further detail below. (Please see *Other Issues* for further details on FY 2021 and FY 2022 formula changes.)

FY 2020 Caseload Growth

The budget includes an increase of \$24,109,700 from the General Fund in FY 2020 for DD caseload changes. Compared to June 2019, LTC caseloads are expected to grow by 4.7% to 35,547 members by June 2020 (this amount excludes state-only clients).

Table 4 shows the number of clients by placement setting for DDD enrollees in June 2018, and the estimated growth in FY 2019 and FY 2020. Approximately 85.9% of clients are currently at home, and 14.1% receive services in a community-based residential setting, such as a group home or developmental home. The remaining 0.3% of clients receive services in an institution, including an intermediate care facility or a skilled nursing facility.

Table 4

DDD June Caseloads and Placement Settings

<u>Placement</u>	<u>FY 18</u>	<u>FY 19 Est</u>	<u>FY 20 est</u>
Home	27,862	29,174	30,545
Group Home	2,981	3,122	3,268
Developmental Home	1,452	1,520	1,592
Institution	100	105	110
Other ^{1/}	<u>29</u>	<u>30</u>	<u>32</u>
Total	32,424	33,951	35,547

^{1/} Includes behavioral health residential facilities and assisted living facilities.

FY 2020 Capitation Rate Adjustments

The budget includes an increase of \$16,775,000 from the General Fund in FY 2020 for a 3.0% net capitation rate increase beginning October 1, 2019. Capitation rates include adjustments for medical inflation, utilization of

services, and other factors. Table 5 shows how the capitation adjustment is allocated by service category.

The capitation adjustment does not include a dedicated provider rate adjustment. Funding for provider rate adjustments associated with Proposition 206 is allocated separately from formula adjustments. (Please see Other Issues for additional information.)

	FY 2019 Capitation Rate ^{1/}	Assumed Growth Rate	FY 2020 Capitation Rate
Administration	242.61	3.0%	249.89
Premium Tax	83.89	3.0%	86.41
Case Management	176.01	3.0%	181.29
HCBS ^{2/}	2,996.01	3.0%	3,085.89
Institutional Care ^{3/}	100.35	3.0%	103.36
Acute Care ^{4/}	634.95	3.0%	654.00
Total	4,233.82	3.0%	4,360.83

^{1/} Revised rate effective January 1, 2019.
^{2/} HCBS line includes PMPM rates for HCBS and Risk Contingency.
^{3/} Institutional Care rate is net of client's share of cost.
^{4/} Acute care rate includes \$39.49 for reinsurance. Does not include behavioral health expenses.

FMAP Adjustments

The budget includes a decrease of \$(2,884,600) from the General Fund in FY 2020 for an increase in the Federal Medical Assistance Percentage (FMAP). The FMAP is the rate at which the federal government matches state contributions to Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During FY 2020, the Medicaid FMAP is projected to increase to 69.97% (0.14% increase).

Medicare Clawback

The budget includes an increase of \$332,700 from the General Fund in FY 2020 for adjustments associated with Medicare Clawback Payments.

DDD Administration

The budget includes \$104,821,000 and 294.3 FTE Positions in FY 2020 for DDD Administration. These amounts consist of:

General Fund	31,477,100
Long Term Care System Fund	73,343,900

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$21,118,400 in FY 2020 for formula adjustments. The formula adjustments include a 4.7% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	6,266,700
Long Term Care System Fund	14,851,700

Statewide Adjustments

The budget includes an increase of \$197,800 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	59,400
Long Term Care System Fund	138,400

Background – This line item includes funding for direct and indirect DDD administrative costs, as well as administrative funding for DES' subcontracted health plans for DD clients.

DDD Premium Tax Payment

The budget includes \$35,598,700 in FY 2020 for the DDD Premium Tax Payment. This amount consists of:

General Fund	10,690,000
Long Term Care System Fund	24,908,700

FY 2020 adjustments are as follows:

Premium Tax Growth

The budget includes an increase of \$5,137,500 in FY 2020 for growth in the premium tax. This amount consists of:

General Fund	1,499,900
Long Term Care System Fund	3,637,600

Background – DES pays a 2% premium tax to the Department of Insurance on capitation payments received from AHCCCS.

Case Management - Medicaid

The budget includes \$75,964,500 and 1,237 FTE Positions in FY 2020 for Case Management - Medicaid. These amounts consist of:

General Fund	22,811,700
Long Term Care System Fund	53,152,800

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$5,709,700 and 54 FTE Positions in FY 2020 for formula adjustments. The formula adjustments include a 4.7% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. These amounts consist of:

General Fund	1,620,100
Long Term Care System Fund	4,089,600

Statewide Adjustments

The budget includes an increase of \$236,700 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	71,100
Long Term Care System Fund	165,600

Background – This line item provides case managers, case aides, case management unit supervisors, and case management area program managers that serve DDD clients enrolled in the ALTCS program. The ALTCS program requires DES to have at least 1 case manager for every 35 DD clients for each ALTCS client added since 2006.

Home and Community Based Services - Medicaid

The budget includes \$1,369,790,300 and 94.5 FTE Positions in FY 2020 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	411,333,000
Long Term Care System Fund	958,457,300

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$82,120,600 in FY 2020 for formula adjustments. The formula adjustments include a 4.7% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	22,929,400
Long Term Care System Fund	59,191,200

Proposition 206 Provider Rate Adjustment

The budget includes an increase of \$12,871,800 in FY 2020 for developmental disabilities provider rate adjustments to address cost increases associated with Proposition 206 minimum wage requirements. These adjustments were funded as part of the FY 2019 budget's 3-year spending plan. This amount consists of:

General Fund	3,858,600
Long Term Care System Fund	9,013,200

Make One-Time Proposition 206 Funding Permanent

The budget includes no net change in FY 2020 to make one-time assistance to address developmental disability provider costs associated with Proposition 206 permanent in FY 2020. The FY 2019 budget included a one-time allocation of \$11,000,000 from the General Fund and \$25,460,100 from the Long Term Care System Fund in FY 2020 for this purpose. DES previously used the funding to make quarterly distributions to DD providers based on their proportionate share of Proposition 206 costs. This funding will now be allocated to ongoing provider rate increases.

Additional Provider Rate Funding

The budget includes an increase of \$43,290,000 in FY 2020 for additional developmental disabilities provider rate adjustments. This amount consists of:

General Fund	13,000,000
Long Term Care System Fund	30,290,000

A General Appropriation Act footnote requires DES to engage with community stakeholders before implementing provider rate adjustments in FY 2020 and to report to JLBC by August 1, 2019 on its efforts to engage stakeholders and its plans to increase provider rates.

Remove One-Time Flagstaff Provider Funding

The budget includes a decrease of \$(500,000) in FY 2020 to remove one-time FY 2019 supplemental funding for providers in the city of Flagstaff. This amount consists of:

Political Subdivision Funds	(150,000)
Long Term Care System Fund	(350,000)

Proposition 414 is a locally enacted ballot initiative that requires the Flagstaff minimum wage to exceed the statewide minimum wage. The current Flagstaff minimum wage is \$12.00/hour compared to \$11.00 statewide. To address the higher local labor costs in Flagstaff, AHCCCS and DES have established long term care provider rates for the city of Flagstaff that exceed the statewide rates by approximately 2.8%.

The budget includes an FY 2019 supplemental of \$500,000 to DES for distribution to Developmental Disabilities providers in the city of Flagstaff experiencing the highest mandated labor cost increases associated with Proposition 414. A General Appropriation Act footnote authorizes DES to use up to \$150,000 of voluntary political subdivision funds provided by the city of Flagstaff to be used as state matching funds to draw down up to

\$350,000 in federal Medicaid matching funds for the purposes of financing the distribution. The appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Statewide Adjustments

The budget includes an increase of \$43,600 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	13,100
Long Term Care System Fund	30,500

Background – This line item funds residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. *Table 6* shows the distribution of home and community-based services by service category for the top 10 most used services in FY 2018. This line item also funds staff in state-operated group homes.

Table 6	
FY 2018 Developmental Disabilities Home and Community-Based Services Expenditures for Top 10 Most Used Services	
<u>Service</u>	<u>Expenditures (\$ in M)</u>
Group Homes	\$290.7
Day Programs	120.3
Attendant Care	112.5
Respite	102.8
Habilitation (In-Home)	73.8
Adult Developmental Homes	46.3
Nurses (In-Home)	42.8
Speech Therapy	27.4
Room and Board (Mostly Group Home)	25.7
Group Supported Employment	24.8

Institutional Services - Medicaid

The budget includes \$50,002,800 and 457.7 FTE Positions in FY 2020 for Medicaid Institutional Services. These amounts consist of:

General Fund	15,015,500
Long Term Care System Fund	34,987,300

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$4,779,900 in FY 2020 for formula adjustments. The formula adjustments include a 4.7% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	1,373,200
Long Term Care System Fund	3,406,700

Statewide Adjustments

The budget includes an increase of \$68,300 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	20,500
Long Term Care System Fund	47,800

Background – Monies in this line item fund Intermediate Care Facilities for Persons with Intellectual Disabilities (ICF-IIDs) or other nursing facilities, both private and state-operated, including the Arizona Training Program at Coolidge (ATP-C). DES reports that ATP-C had December 2018 enrollment of 78. An FY 2019 General Appropriation Act footnote requires DES to report to JLBC by September 1, 2019 on the costs associated with the ATP-C facility. The budget continues this footnote in FY 2020.

Statute requires DES to annually provide their plans for ATP-C to the JLBC for review. In November 2018, DES reported to JLBC that it plans to close the 5 state-operated group homes (SOGHs) on the ATP-C campus by May 2020, which would require the relocation of 19 residents at the facility. The department would offer those residents the choice to either move to an ICF-IID on the ATP-C campus or reside with a private provider.

At its December 2018 meeting, JLBC favorably reviewed DES' Coolidge plan, with the provision that the department provide an update to the Committee on the future use of the 5 SOGH buildings in next year's annual report.

Children's Rehabilitative Services - Medicaid

The budget includes no funding in FY 2020 for Children's Rehabilitative Services (CRS) - Medicaid. FY 2020 adjustments are as follows:

Transfer CRS to Medical Services Line

The budget includes a decrease of \$(50,390,100) in FY 2020 to incorporate CRS funding within the Physical and Behavioral Health Services line to align the budget structure with DDD capitation rates. This amount consists of:

General Fund	(15,212,700)
Long Term Care System Fund	(35,177,400)

The CRS program provides specialized physical and behavioral health services to children with certain disabilities.

Physical and Behavioral Health Services - Medicaid

The budget includes \$360,359,100 and 35.4 FTE Positions in FY 2020 for Medical Services - Medicaid. These amounts consist of:

General Fund	108,632,300
Long Term Care System Fund	251,726,800

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$10,625,000 in FY 2020 for formula adjustments. The formula adjustments include a 4.7% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	2,865,700
Long Term Care System Fund	7,759,300

DD Behavioral Health Transfer

The budget includes an increase of \$85,367,400 in FY 2020 to transfer funding and administration of behavioral health services for DD clients from AHCCCS to DES. This amount consists of:

General Fund	26,054,100
Long Term Care System Fund	59,313,300

Effective October 1, 2019, the DES subcontractor will also provide behavioral health services, which were previously covered by the Regional Behavioral Health Authorities (RBHAs).

Transfer CRS to Medical Services Line

The budget includes an increase of \$50,390,100 in FY 2020 to incorporate CRS funding within the Physical and Behavioral Health Services line to align the budget structure with DDD capitation rates. This amount consists of:

General Fund	15,212,700
Long Term Care System Fund	35,177,400

Annualize CRS Funding

The budget includes an increase of \$16,796,700 in FY 2020 to annualize the transfer of funding for Children's Rehabilitative Services for Developmental Disabilities clients from the Arizona Health Care Cost Containment System (AHCCCS) to DES. This amount consists of:

General Fund	5,070,900
Long Term Care System Fund	11,725,800

Statewide Adjustments

The budget includes an increase of \$25,000 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	7,500
Long Term Care System Fund	17,500

Background – This line item funds DES' subcontracts with AHCCCS health plans to obtain medical services, CRS, and behavioral health services for DD clients in the ALTCS program.

Medicare Clawback Payments

The budget includes \$4,517,800 from the General Fund in FY 2020 for Medicare Clawback Payments. FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$332,700 from the General Fund in FY 2020 for formula adjustments associated with Medicare Clawback Payments.

Background – The federal government pays for the prescription drug costs of DDD clients enrolled in Medicare. To partly offset those costs, the federal government requires each state to make "Clawback" payments to Medicare based on a certain percentage of the estimated drug costs.

Targeted Case Management - Medicaid

The budget includes \$10,708,200 and 76.8 FTE Positions in FY 2020 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	3,259,200
Long Term Care System Fund	7,449,000

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$4,059,100 in FY 2020 for formula adjustments. The formula adjustments include an FY 2019 base adjustment, 4.7% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	1,253,100
Long Term Care System Fund	2,806,000

Statewide Adjustments

The budget includes an increase of \$34,600 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	10,400
Long Term Care System Fund	24,200

Background – The TCM program provides case management services to DDD clients that are financially eligible for AHCCCS acute care services but do not yet meet the functional disability requirements to qualify for ALTCS. The program is funded via capitation from AHCCCS. A monthly average of 4,898 clients received TCM services in FY 2018.

Case Management - State-Only

The budget includes \$6,194,600 and 55.8 FTE Positions from the General Fund in FY 2020 for Case Management - State-Only. FY 2020 adjustments are as follows:

State-Only Caseloads

The budget includes an increase of \$861,900 in FY 2020 for additional state-only case management funding. This amount consists of:

General Fund	1,861,900
Health Services Lottery Monies Fund	(1,000,000)

Statewide Adjustments

The budget includes an increase of \$19,300 from the General Fund in FY 2020 for statewide adjustments.

Background – This line item funds case management services to clients in the state-only DD program who are not eligible for the Targeted Case Management program. A monthly average of 3,849 DD state-only clients received case management state-only services in FY 2018.

Home and Community Based Services - State-Only

The budget includes \$13,589,000 from the General Fund in FY 2020 for State-Only Home and Community Based Services. FY 2020 adjustments are as follows:

Transfer from State-Only Line Item

The budget includes a decrease of \$(120,000) from the Special Administration Fund in FY 2020 to consolidate CES Client services funding within the Cost-Effectiveness Study Client Services line item. (See below.)

Background – This line item funds residential programs, day programs, and support services for DD clients that do not qualify for ALTCS. A monthly average of 8,747 clients were enrolled in the DD state-only program in FY 2018.

Cost-Effectiveness Study Client Services

The budget includes \$1,220,000 from the Special Administration Fund in FY 2020 for Cost-Effectiveness Study (CES) Client Services. FY 2020 adjustments are as follows:

Transfer from State-Only Line Item

The budget includes an increase of \$120,000 from the Special Administration Fund in FY 2020 to consolidate CES Client services funding within the Cost-Effectiveness Study Client Services line item.

Laws 2018, Chapter 346 appropriated \$1,100,000 in FY 2019 to provide additional services on a state-only basis to ALTCS DD clients who experienced service reductions as a result of the CES rate. This amount was in addition to the existing \$120,000 appropriation for CES client services from FY 2018.

The CES rate represents DES' estimate of the cost of an ALTCS DD client's care if the client were placed in an appropriate institutional setting. The federal waiver for the DD program requires a client's home and community-based services costs to be at or below the cost of an institutional setting to ensure that HCBS services are cost-neutral to the federal government. The current annual CES rate ranges from \$216,100 to \$469,400 depending on what the appropriate institutional placement would be for the client in the absence of home and community-based services.

If ALTCS clients have HCBS costs that are at or above the CES rate, DES must either reduce services or place the client in an institutional setting to comply with the waiver. DES projects that the \$1,220,000 is sufficient to fund a monthly average of 45 clients with an average of \$2,250 in monthly costs above the CES rate (\$27,000 annually). The \$27,000 is in addition to the \$216,100 to \$469,400 already funded through the ALTCS program for CES clients. The \$1,220,000 represents a state-only cost.

The Human Services BRB repeals a provision from Chapter 346 that requires the Legislature to annually inflate the appropriation for CES services based on the annual increase in the Phoenix-Mesa Consumer Price Index. As a result, the appropriation is unchanged from FY 2019.

Arizona Early Intervention Program

The budget includes \$6,319,000 from the General Fund in FY 2020 for the Arizona Early Intervention Program (AzEIP). FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,900,000) from the Spinal and Head Injuries Trust Fund in FY 2020 to remove one-time funding associated with higher-than-budgeted screening costs in the AzEIP program. This funding was labeled as one-time, and is therefore removed in accordance with the 3-year spending plan associated with the enacted FY 2019 budget. FY 2019 was the first year of this funding.

DES intends to make changes to AZEIP screening processes to reduce costs. An FY 2019 General Appropriation Act footnote required DES to report to JLBC by December 1, 2018 on its plans to address AzEIP screening costs. The department identified \$(600,000) in potential savings in FY 2020 associated with a re-bid of its contracts for the AzEIP program, or \$(1,300,000) less than the one-time funding for the program included in the FY 2019 budget.

Background – AzEIP provides screening and intervention services for children age 0 to 3 with developmental delays or disabilities. DES receives a capped allotment of Federal Funds for the program through Part C of the Individuals with Disabilities Education Act (IDEA). IDEA Part C is expected to provide \$9,376,600 for AzEIP services in FY 2020. As a result, the total AzEIP funding available in this line is \$16,289,600 in FY 2020. DES reports that there were 16,364 new referrals to AzEIP in FY 2018 and 5,468 referred children were determined eligible.

The funds in this line item represent costs incurred by DES for "AzEIP-Only" children, which include children that are AzEIP-eligible but do not have a qualifying DD diagnosis. AzEIP children with a DD diagnosis continue to be funded within the HCBS State-Only line item. There were 3,569 DD-eligible children enrolled in the AzEIP program as of December 1, 2018.

State-Funded Long Term Care Services

The budget includes \$35,151,600 and 2 FTE Positions in FY 2020 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	8,592,000
Long Term Care System Fund	26,559,600

FY 2020 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$192,000 from the General Fund in FY 2020 for caseload growth in ALTCSE-eligible DD clients receiving residential services with room and board expenses.

Make One-Time Room and Board Rates Permanent

The budget includes no net change in FY 2020 to make permanent a one-time General Fund appropriation of \$2,000,000 from FY 2019. The increase funded a 6.5% rate increase to DD room and board reimbursement for residential services providers. The Legislature funded the \$2,000,000 on a one-time basis in the FY 2018 and FY 2019 budgets.

Background – This line item primarily funds room and board expenses (e.g., rent and food) for DD clients in residential settings. Room and board costs for home and community-based settings are ineligible for Federal Funds reimbursement from AHCCCS.

Employment and Rehabilitation Services

Child Care Subsidy

The budget includes \$146,796,600 from the Federal CCDF Block Grant in FY 2020 for child care subsidies. FY 2020 adjustments are as follows:

Additional CCDF Funding

The budget includes no net change in FY 2020 to continue a FY 2019 supplemental increase of \$48,400,000 from the Federal Child Care and Development Block Grant in FY 2019 for child care subsidies. The appropriation would increase the number of children served and the maximum reimbursement levels.

Background – This line item funds child care subsidies to TANF clients engaged in job activities, low-income working individuals under 85% of the state median income that were below 165% of the FPL at the time of application, and the Transitional Child Care program in which child care subsidies are provided to clients who no longer receive TANF Cash Benefits due to finding employment. DES also processes DCS child care payments, but those monies are appropriated in DCS' budget.

Depending on the population group to which they belong, the length of time for which families are eligible to receive child care subsidies is restricted by statute. For the low-income working population, there is a 60-month cumulative time limit per child. The Transitional Child Care benefit is available for 24 months. The TANF Child Care benefit is available to families as long as they are receiving TANF Cash Benefits, which has a 24-month cumulative lifetime time limit.

Subsidy Rates – DES estimates the average subsidy paid to providers per child for the DES population to be \$444 per

month effective June 1, 2019 and the average subsidy for the DCS population is projected to be \$477 per month. The maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County will now be \$36.74 per day. This reflects increases associated with the \$48.4 million increase in CCDF monies. DES intends to use this funding to increase childcare subsidy rates to the 25th percentile of the 2018 market survey rates.

Families in non-mandatory categories are required to make co-payments to defray the state's share of the cost of care. For families with an income level at or below 100% of the FPL, the required daily co-payment for their first child in care is \$2.00. Using the \$36.74 Maricopa rate, this \$2.00 co-payment would account for 5.4% of the total cost of care (with the state paying the other 94.6%). By comparison, a family at 165% FPL is required to make a co-payment of \$10.00 per child. Using the same scenario as above, a family at 165% FPL would contribute 27.2% of the child's child care costs.

Caseloads – The estimated average number of children receiving child care services in FY 2019 is projected to be 19,100 (see Table 7) excluding DCS-related child care and the additional CCDF funding. (Please see the Other Issues for information on additional CCDF monies.)

Category	FY 18	FY 19 est	FY 20 est ^{1/}
TANF	1,973	2,200	2,300
Low-Income Working	12,374	12,100	16,800
Transitional Child Care	4,990	4,800	5,000
Total Served	19,337	19,100	24,100

^{1/} FY 2020 numbers are DES estimates.

Independent Living Rehabilitation Services

The budget includes \$1,289,400 in FY 2020 for Independent Living Rehabilitation Services. This amount consists of:

General Fund	166,000
Spinal and Head Injuries Trust Fund	1,123,400

These amounts are unchanged from FY 2019.

Background – The line item assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training.

The Independent Living Rehabilitation Services program is expected to serve up to 556 clients in FY 2019 at an

average Total Funds cost per client of \$3,470. In addition to these clients, the division is also expected to serve 90 Independent Living clients at an average annual cost of \$4,870 per client using federal Social Services Block Grant monies.

JOBS

The budget includes \$11,005,600 and 93 FTE Positions in FY 2020 for JOBS. These amounts consist of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2019.

This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well as to former TANF recipients. These services are contracted out to third-party vendors. Table 8 highlights total estimated expenditures for the JOBS line item.

Expenditures	Amount
Case Management	\$ 7,971,400
Job Training	1,439,100
FLSA Supplement	126,900
Work-Related Transportation	1,214,300
Job Search Stipends	253,900
Total	\$11,005,600

Rehabilitation Services

The budget includes \$7,249,100 in FY 2020 for Rehabilitation Services. This amount consists of:

General Fund	6,594,400
Spinal and Head Injuries Trust Fund	654,700

These amounts are unchanged from FY 2019.

DES categorizes Vocational Rehabilitation (VR) clients into 3 priority categories. Priority 1 clients have a severe physical or mental impairment that limits 3 or more functional capacities, Priority 2 clients have a severe physical or mental impairment that limits 1 or more functional capacities, and Priority 3 clients have an impairment that does not seriously limit functional capacities. Currently DES provides VR services to all Priority 1 and 2 clients.

Background – This line item funds services for the physically disabled to return them to the workforce. The

federal government provides 78.7% of funding for every 21.3% of state match. The program is expected to serve up to 11,151 clients in FY 2019 at an average Total Funds cost of \$15,422 per client.

Third-party partnerships with government and non-governmental agencies provide portions of the state match. These partnerships include the Transition School to Work program, Behavioral Health Services operated out of AHCCCS, and DES' Blind Enterprise Program.

Workforce Investment Act Services

The budget includes \$53,654,600 from the Workforce Investment Act (WIA) Grant in FY 2020 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2019.

Background – These monies are the state’s allotment of the federal WIA Grant for job training activities of dislocated workers and disadvantaged adults and youth. Of the total grant received by the state, 85% is allocated to local governments and 15% is retained at the state level. There is no income eligibility for the program. For eligible adults, priority is given to veterans and their spouses, individuals who are below the poverty line, individuals receiving public assistance, and those who were recently laid off.

Eligible youths must be between the ages of 14 and 24 and have at least one barrier to employment such as homelessness, pregnancy, incarceration, or a disability. The projected allocation of the WIA Grant for workforce-related programs in FY 2020 is shown in *Table 9*.

<u>Category</u>	<u>Amount</u>
WIA Line Item	\$53,654,600
Operating Budget	2,379,900
AG Legal Services	10,000
Total	\$56,044,500

Other Issues

This section includes information on the following topics:

- FY 2019 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Proposition 206
- DD Rate Rebase
- CCDF Additional Funding
- Federal TANF Block Grant

FY 2019 Supplemental

The FY 2020 budget includes the following FY 2019 supplemental appropriations:

- \$10,400,000 from the General Fund, \$1,000,000 from the Health Services Lottery Monies Fund, and \$24,071,300 from the Long Term Care System Fund for higher-than-budgeted capitation and caseload growth in the Developmental Disabilities (DD) program.
- \$150,000 from Political Subdivision Funds and \$350,000 from the Long Term Care System Fund for distribution to developmental disabilities services providers that experience the highest mandated labor cost increases for services provided in the City of Flagstaff. The department may expend \$2 of Long Term Care System Fund monies for every \$1 of voluntary political subdivision funds provided by the City of Flagstaff. This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations
- \$48,400,000 from the Federal CCDF Block Grant for child care subsidies to increase the number of children served and to increase maximum reimbursement levels. This appropriation is nonlapsing until June 30, 2020.
- \$950,000 from the General Fund for one-time assistance to food banks for storage and distribution of food. This appropriation is nonlapsing.

Statutory Changes

The Human Services Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable suspicion the recipient uses illegal drugs.
- As permanent law, continue to permit DES to reduce income eligibility levels for all child care programs, and require DES to report to the JLBC within 15 days of any change in levels. This provision had previously been authorized as session law.
- As session law, continue to allow the Special Administration Fund to be used for purposes other than administration of unemployment benefits.
- As permanent law, repeal the requirement in A.R.S. § 36-2960B to provide an inflation adjustment to the appropriation for DD Cost-Effectiveness Study Client Services.

- As permanent law, increase the annual fee for never-assisted child support cases from \$25 to \$35 pursuant to federal Bipartisan Budget Act of 2018.

The Health BRB makes the following statutory changes:

- As permanent law, establish the Family Caregiver Grant Program beginning January 1, 2020 within DES to provide grants of up to \$1,000 for expenses that relate directly to caring for or supporting a family member requiring assistance with activities of daily living.
- As session law, notwithstanding A.R.S. § 36-108.01 in order to allow DES to use the Health Services Lottery Monies Fund for a DDD shortfall in FY 2019.

The Revenue BRB makes the following statutory changes:

- As permanent law, require state agencies to include cost estimates associated with local minimum wages exceeding the statewide minimum wage in their budget submissions and permit the Legislature to allocate an amount to be collected by ADOA from counties, cities, and towns that raise their minimum wage above the statewide minimum wage, which would reimburse the state for cost increases of state services resulting from local minimum wages. Counties, cities, and towns that do not comply with ADOA's collection would have the monies withheld from their Transaction Privilege Tax (TPT) distributions.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, DES' General Fund Developmental Disabilities formula costs are projected to increase by \$23.0 million in FY 2021 above FY 2020 and \$50.0 million in FY 2022 above FY 2021.

Proposition 206

In November 2016, Arizona voters approved Proposition 206, or the Fair Wages and Healthy Families Act. The initiative raised Arizona's minimum wage from \$8.05 to \$10.00 on January 1, 2017, and will provide increases of between \$0.50-\$1.00 each year until the minimum wage reaches \$12.00 on January 1, 2020. Further annual increases will be tied to inflation. The initiative also required most employers to begin providing paid sick leave to their employees on July 1, 2017.

As shown in *Table 10*, the FY 2019 budget included appropriations of \$40.2 million from the General Fund (\$123.9 million Total Funds) above the pre-Proposition 206 budget (FY 2016) to address provider cost increases associated with minimum wage increases and paid sick leave. These appropriations fund the following rate adjustments:

- 8.2% increase in January 2017.
- 1.7% increase in July 2017 to address costs associated with Proposition 206 paid sick leave requirements. Providers in the Flagstaff area received an increase of 3.3% to address the local Proposition 414 minimum wage increase to \$10.50 per hour.
- 1.2% increase in January 2018 to address the minimum wage increase from \$10.00/hour to \$10.50/hour.
- 1.4% increase in January 2019 for the minimum wage increase from \$10.50 to \$11.00/hour.
- One-time distribution of \$13.0 million from the General Fund (\$38.5 million Total Funds) in FY 2019 to DD providers to address additional Proposition 206 impacts, including \$2.0 million General Fund for a one-time 6.5% increase in room and board rates for DD residential services providers. This distribution was also funded at a level of \$12.0 million from the General Fund (\$35.0 million Total Funds) in FY 2018.

Table 10

DES Appropriations for Proposition 206 Costs

	FY 2019		FY 2020 Budget Above FY 2019 ^{1/}		FY 2020 Budget Total	
	General Fund	Total Funds	General Fund	Total Fund	General Fund	Total Fund
Ongoing	27,190,500	85,440,700	31,798,100	101,227,700	58,988,600	186,668,400
One-Time	13,000,000	38,460,100	(13,000,000)	(38,460,100)	0	0
Total	40,190,500	123,900,800	18,798,100	62,767,600	58,988,600	186,668,400

^{1/} The FY 2020 General Appropriation Act does not direct DES to implement rate increases for specific service categories. As a result, the share of funding directed towards services affected by Proposition 206 is to be determined. A General Appropriation Act footnote requires DES to engage with community stakeholders prior to implementing any FY 2020 rate increases and requires DES to report its rate increase plans and engagement efforts to JLBC by August 1, 2019.

The FY 2020 budget makes permanent the \$13.0 million in funding designated as one-time from FY 2019, annualizes the January 2019 rate increase (\$1.9 million General Fund included in base capitation adjustment), adds \$3.9 million for a half-year of funding for an additional rate adjustment in January 2020 when the minimum wage increases to \$12.00/hour, and provides a new \$13.0 million. After these adjustments, the net new funding for Proposition 206 adjustments would be \$59.0 million from the General Fund (\$186.7 million Total Funds) in FY 2020 above FY 2016.

DD Rate Rebase

A.R.S. § 36-2959B requires DES to contract with a consultant to conduct a complete study of DD provider rates every 5 years. The department's consultant completed the required rate study in October 2018. *Table 11* shows how the new proposed rates for FY 2020 compare to current rates adopted by DES for FY 2019 for the service categories with the highest spending. To meet the benchmark rates for the top 10 most used services, DES would need to increase DD provider rates by 9%-45% depending on the service category. The budget includes \$26.0 million from the General Fund for additional DD provider rate increases in FY 2020, which will increase the adopted rates relative to the benchmark. The impact by service category is unknown as of this writing.

Table 11

FY 2019 Rates for Top 10 Most Used Services as a percentage of FY 2020 Benchmark Rates

<u>Service</u>	<u>Adopted Rate as Percent of FY 2020 Benchmark</u>
Group Homes	67%
Day Programs	78%-91%
Attendant Care	62%
Respite	61%
Habilitation	76%
Adult Developmental Homes	71%
Nursing Services	55%-75%
Speech Therapy	58%-61%
Room and Board	60%-75%
Group Supported Employment	59%-68%

CCDF Additional Funding

The federal Consolidated Appropriations Act of 2018 included an additional \$55.8 million for CCDF allocated in Federal Fiscal Year (FFY) 2018. Due to the requirements of CCDF, this money can only be used to 1) expand the number of children who receive a child care subsidy; 2)

increase the rate for providers; or 3) increase the quality of child care programs in Arizona. The higher funding level was approved for a second consecutive year in the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act of 2019. While the funds may be allocated in FY 2020, the funding is available for use in FY 2019. Funding from the 2019 appropriation must be spent by September 30, 2021.

The Legislature approved \$55.8 million as a supplemental for FY 2019 and \$55.8 million for FY 2020. Of this amount, \$7.4 million was appropriated to DCS and \$48.4 million was appropriated to DES.

Effective June 1, 2019, DES increased provider rates for child care subsidies from the 75th percentile of the 2000 market survey rates to the 25th percentile of the 2018 market survey rates. DES estimates this will increase the average monthly reimbursement rate from \$360 to \$444, a 23.3% increase.

DES has operated the child care program with a waitlist to ensure that the program remains within its existing appropriation. Statute authorizes the use of the waitlist. DES has released families off the waitlist intermittently throughout FY 2018 and FY 2019 and the waitlist has ranged from 400 to 2,200 children. As of June 3, 2019, the child care waitlist was suspended. Families eligible for child care assistance could begin services immediately.

DES estimates the additional CCDF funds will allow them to increase the number of children served by 5,000 by the end of FY 2020.

If a household is put on a wait list at DES, they can then request Early Childhood Health and Development Board (ECHDB) assistance. ECHDB serves households below 200% of FPL and, unlike DES's LIW program, provides the full cost of child care for participants through a scholarship. By law, if a child is offered a LIW subsidy, they must accept that in lieu of any scholarship provided by ECHDB. The ECHDB program served an average of 5,900 children monthly in FY 2018.

Federal TANF Block Grant

The budget appropriates \$222.6 million of the state's Federal TANF Block Grant allocation in FY 2019. *Table 12* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

Table 12

TANF Block Grant Spending

	Actual FY 2018	Estimate FY 2019	Estimate FY 2020
Revenues			
Beginning Balance	\$ -	\$ 4,271,400	\$ 3,269,400
TANF Base Revenues	199,407,300	199,407,300	199,407,300
TANF Contingency Fund Revenues	22,194,900	22,194,900	22,194,900
Total TANF Available	\$ 221,602,200	\$ 225,873,600	\$ 224,871,600
Expenditures			
Department of Child Safety			
DCS Operating	\$ 16,928,000	\$ 16,958,500	\$ 17,005,200
Line Items			
Caseworkers	30,000,000	30,050,100	30,137,500
Attorney General Legal Services	99,400	99,700	99,700
Inspections Bureau	549,700	550,700	553,100
Overtime	3,859,500	3,866,400	3,879,400
Adoption Services	20,445,700	23,163,500	23,163,500
Congregate Group Care	16,423,000	21,423,000	21,423,000
Foster Home Placement	6,973,100	6,973,100	6,973,100
Kinship Care	0	0	608,000
Permanent Guardianship Subsidy	1,943,000	1,943,000	1,943,000
In-Home Mitigation	5,911,200	5,911,200	5,911,200
Out-of-Home Support Services	46,340,100	46,340,100	45,732,100
TOTAL - DEPARTMENT OF CHILD SAFETY	\$ 149,472,700	\$ 157,279,300	\$ 157,428,800
Department of Economic Security			
DES Operating	\$ 20,315,600	\$ 20,393,300	\$ 20,464,000
Line Items			
Administration			
Attorney General Legal Services	106,100	106,300	106,600
Adult and Aging Services			
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Programs	1,649,500	1,649,500	1,649,500
Domestic Violence Prevention	6,620,700	6,620,700	6,620,700
Benefits and Medical Eligibility			
TANF Cash Benefits	22,629,700	22,736,400	22,736,400
Coordinated Hunger Program	500,000	500,000	500,000
Employment and Rehabilitative Services			
Child Care Subsidy	2,717,800	-	-
JOBS	9,594,700	9,594,700	9,594,700
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 67,858,100	\$ 65,324,900	\$ 65,395,900
TOTAL - STATEWIDE	\$ 217,330,800	\$ 222,604,200	\$ 222,824,700
Ending Balance	\$ 4,271,400	\$ 3,269,400	\$ 2,046,900

State Board of Education

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	412,500	473,500	473,500
Employee Related Expenditures	126,400	142,700	143,400
Professional and Outside Services	206,800	206,800	206,800
Travel - In State	3,600	20,500	20,500
Travel - Out of State	8,500	20,000	20,000
Other Operating Expenditures	188,000	267,800	279,700
Equipment	7,700	15,000	15,000
AGENCY TOTAL	953,500	1,146,300	1,158,900 ^{1/}
FUND SOURCES			
General Fund	953,500	1,146,300	1,158,900
SUBTOTAL - Appropriated Funds	953,500	1,146,300	1,158,900
TOTAL - ALL SOURCES	953,500	1,146,300	1,158,900

AGENCY DESCRIPTION — The State Board of Education establishes programs, initiates policies and enforces laws and regulations relating to schools and the educational development of the individual child as provided in A.R.S. § 15-203. The board is composed of 11 members: the Superintendent of Public Instruction, the president of a state university or college, 4 lay members, a president or chancellor of a community college district, a charter school administrator, a high school district superintendent, a teacher, and a county school superintendent. The board members other than the Superintendent of Public Instruction are appointed by the Governor for 4-year terms.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$1,158,900 and 6 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$12,600 from the General Fund in FY 2020 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Department of Education

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	171.9	195.9	195.9 ^{1/}
Personal Services	4,219,400	4,554,800	4,554,800
Employee Related Expenditures	1,508,700	1,653,100	1,673,900
Professional and Outside Services	1,121,300	3,337,200	3,337,200
Travel - In State	21,000	16,800	16,800
Travel - Out of State	17,900	18,800	18,800
Other Operating Expenditures	5,181,800	4,893,500	4,952,000
Equipment	116,100	26,800	26,800
OPERATING SUBTOTAL	12,186,200	14,501,000	14,580,300 ^{2/3/4/5/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	3,893,908,700	4,452,121,900	4,895,454,900 ^{6/-12/}
State Aid Supplement	50,000,000	50,000,000	50,000,000 ^{13/14/}
Additional Teacher Salary Increase	32,250,300	0	0
Results-Based Funding	39,106,500	38,600,000	68,600,000
Rural Assistance	2,600,000	0	0
Special Education Fund	32,242,100	25,529,200	36,029,200
Other State Aid to Districts	201,900	983,900	983,900
Classroom Site Fund	511,829,000	574,995,000	602,511,600 ^{15/}
Instructional Improvement Fund	27,337,800	45,000,000	45,000,000 ^{16/}
Property Tax Relief			
Additional State Aid	410,546,000	413,665,500	426,944,900
Non-Formula Programs			
Accountability and Achievement Testing	16,423,600	16,422,500	16,422,500 ^{17/18/}
Adult Education	4,504,100	4,634,400	4,634,400
Alternative Teacher Development Program	500,000	500,000	500,000
American Civics Education Pilot Program	0	0	500,000 ^{19/}
Arizona Structured English Immersion Fund	4,960,400	4,960,400	4,960,400
Broadband Expansion	3,000,000	0	0
Code Writers Initiative Pilot Program	0	500,000	0
College Credit by Examination Incentive Program	3,822,200	5,000,000	5,000,000
Computer Science Pilot Program	0	1,000,000	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 ^{20/-22/}
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 ^{23/}
Early Literacy	8,000,000	12,000,000	12,000,000
Education Learning and Accountability System	0	5,300,000	5,300,200
English Learner Administration	6,519,000	6,509,500	6,509,600 ^{24/}
Geographic Literacy	100,000	100,000	100,000 ^{25/}
Gifted Education	0	1,000,000	1,000,000
Jobs for Arizona Graduates	100,000	100,000	100,000 ^{26/}
Mingus Unification Assistance	0	0	50,000 ^{27/}
School Safety Program	11,947,600	11,946,900	31,947,000 ^{28/}
State Block Grant for Vocational Education	11,438,400	11,576,300	11,576,300
Teacher Certification	2,101,500	2,387,000	2,387,000
Teacher Professional Development Pilot	300,000	0	400,000 ^{29/}
Tribal College Dual Enrollment Program Fund	211,000	250,000	250,000
Yuma Elementary School Construction	0	0	800,000 ^{30/}
AGENCY TOTAL	5,088,136,300	5,701,583,500	6,247,542,200 ^{31/-35/}

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
FUND SOURCES			
General Fund	4,201,507,900	4,687,820,500	5,200,184,900
<u>Other Appropriated Funds</u>			
Automation Projects Fund	3,000,000	0	0
Budget Stabilization Fund	2,600,000	0	0
Department of Education Empowerment Scholarship Account Fund	1,202,000	1,246,100	1,283,400
Department of Education Professional Development Revolving Fund	361,700	2,700,000	2,700,000
Permanent State School Fund	235,339,100	277,115,300	290,489,100
Proposition 301 Fund	7,000,000	7,000,000	7,000,000
State School Trust Revenue Bond Debt Service Fund	0	6,833,400	0
State Web Portal Fund	0	500,000	0
Teacher Certification Fund	1,967,300	2,342,700	2,342,700
Tribal College Dual Enrollment Program Fund	211,000	250,000	250,000
SUBTOTAL - Other Appropriated Funds	251,681,100	297,987,500	304,065,200
SUBTOTAL - Appropriated Funds	4,453,189,000	4,985,808,000	5,504,250,100
<u>Expenditure Authority Funds</u>			
Proposition 301	515,445,800	531,057,900	579,683,600
Proposition 301/Classroom Site Fund – Land Trust	92,163,700	103,425,500	103,550,100
Proposition 301/Classroom Site Fund – Carryforward	0	36,292,100	15,058,400
Tribal Gaming	27,337,800	45,000,000	45,000,000
SUBTOTAL - Expenditure Authority Funds	634,947,300	715,775,500	743,292,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	5,088,136,300	5,701,583,500	6,247,542,200
Other Non-Appropriated Funds	16,505,100	16,582,800	16,582,800
Federal Funds	1,121,804,100	1,206,177,500	1,206,177,500
TOTAL - ALL SOURCES	6,226,445,500	6,924,343,800	7,470,302,500

AGENCY DESCRIPTION — The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. ADE currently oversees 236 school districts, accommodation districts and Career Technological Education Districts and 440 charter schools that provide public education for students in grades K-12.

FOOTNOTES

- 1/ Includes 86.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ The operating lump sum appropriation includes \$683,900 and 8.5 FTE Positions for average daily membership auditing and \$200,000 and 2 FTE Positions for information technology security services. (General Appropriation Act footnote)
- 3/ The amount appropriated for the department's operating budget includes \$500,000 for technical assistance and state-level administration of the K-3 Reading program established pursuant to A.R.S. § 15-211. (General Appropriation Act footnote)
- 4/ Any monies available to the Department of Education pursuant to A.R.S. § 42-5029E, paragraph 8, for the Failing Schools Tutoring Fund established by A.R.S. § 15-241, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 8. (General Appropriation Act footnote)
- 5/ Any monies available to the Department of Education pursuant to A.R.S. § 42-5029E, paragraph 6, for character education matching grants pursuant to A.R.S. § 15-154.01, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 6. (General Appropriation Act footnote)
- 6/ Includes K-12 rollover appropriation of \$930,727,700 from Laws 2018, Chapter 276.
- 7/ The above appropriation provides basic state support to school districts for maintenance and operations funding as provided by A.R.S. § 15-973 and includes an estimated \$290,489,100 in expendable income derived from the Permanent State School Fund and from state trust lands pursuant to A.R.S. § 37-521B for FY 2020. (General Appropriation Act footnote)
- 8/ Monies derived from the Permanent State School Fund and any other non-state General Fund revenue source that is dedicated to fund Basic State Aid shall be spent, whenever possible, before spending state General Fund monies. (General Appropriation Act footnote)

- 9/ Except as required by A.R.S. § 37-521, all monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, income from investing permanent state school funds as prescribed by the Enabling Act and the Constitution of Arizona and all monies received by the Superintendent of Public Instruction from whatever source, except monies received pursuant to A.R.S. § 15-237 and 15-531, when paid into the State Treasury are appropriated for apportionment to the various counties in accordance with law. An expenditure may not be made except as specifically authorized above. (General Appropriation Act footnote)
- 10/ Any monies available to the Department of Education pursuant to A.R.S. § 42-5029E, paragraph 5, for the increased cost of Basic State Aid due to added school days in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 5. (General Appropriation Act footnote)
- 11/ The Basic State Aid appropriation for FY 2020 includes a state General Fund increase of \$164,700,000, which the Legislature and Governor intend to be used for teacher salary increases that are in addition to teacher salary increases provided for FY 2019. (General Appropriation Act footnote)
- 12/ Laws 2018, Chapter 276 appropriated \$164,700,000 in FY 2020 and \$289,200,000 in FY 2021 from the General Fund for Basic State Aid.
- 13/ Laws 2015, 1st Special Session, Chapter 1 appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 from the General Fund for school districts and charter schools.
- 14/ The Department of Education shall allocate the appropriated amount to school districts and charter schools on a pro rata basis using the weighted student count for the school district or charter school for the fiscal year pursuant to A.R.S. § 15-943, paragraph 2, subdivision (a) and increase the budget limits pursuant to A.R.S. § 15-947 accordingly. For the purposes of this subsection, the weighted student count for a school district that serves as the district of attendance for nonresident pupils shall be increased to include nonresident pupils who attend school in the school district. (Laws 2015, 1st Special Session, Chapter 1, Section 6 footnote)
- 15/ Any monies available to the Department of Education for the Classroom Site Fund pursuant to A.R.S. § 37-521B, paragraph 4 and A.R.S. § 42-5029E, paragraph 10, in excess of expenditure authority amounts are allocated for the purposes of A.R.S. § 37-521B, paragraph 4 and A.R.S. § 42-5029E, paragraph 10. (General Appropriation Act footnote)
- 16/ Any monies available to the Department of Education from the Instructional Improvement Fund established by A.R.S. § 15-979, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 15-979. (General Appropriation Act footnote)
- 17/ Before making any changes to the Achievement Testing program that will increase program costs, the Department of Education and the State Board of Education shall submit the estimated fiscal impact of those changes to the Joint Legislative Budget Committee for review. (General Appropriation Act footnote)
- 18/ Any monies available to the Department of Education for accountability purposes pursuant to A.R.S. § 42-5029E, paragraph 7, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 7. (General Appropriation Act footnote)
- 19/ Laws 2018, Chapter 289 appropriated \$500,000 from the General Fund for the American Civics Education Pilot Program.
- 20/ Monies appropriated for career technical education district completion grants are intended to help fund program completion for students who complete at least 50% of a career technical education program before graduating from high school and who successfully complete the career technical education district program after graduating from high school. The Department of Education shall develop application procedures for the career technical education district completion grant program. The procedures shall award grant funding only after an eligible student has successfully completed a career technical education district program. (General Appropriation Act footnote)
- 21/ If the appropriated amount is insufficient to fund all grant requests from career technical education districts, the Department of Education shall reduce grant amounts on a proportional basis in order to cap total statewide allocations at \$1,000,000. (General Appropriation Act footnote)
- 22/ The appropriated amount is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations through FY 2021. (General Appropriation Act footnote)
- 23/ The Department of Education shall distribute the appropriated amount to career technical education districts with fewer than 2,000 average daily membership pupils for soft capital and equipment expenses. The appropriated amount shall be allocated on a pro rata basis based on the average daily membership of eligible career technical education districts. (General Appropriation Act footnote)
- 24/ The Department of Education shall use the appropriated amount to provide English language acquisition services for the purposes of A.R.S. § 15-756.07 and for the costs of providing English language proficiency assessments, scoring and ancillary materials as prescribed by the Department of Education to school districts and charter schools for the purposes of Title 15, Chapter 7, Article 3.1, Arizona Revised Statutes. The Department of Education may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of A.R.S. § 15-756.07. Notwithstanding A.R.S. § 41-192, the Superintendent of Public Instruction also may use a portion of the appropriated amount to contract with one or more private attorneys to provide legal services in connection with the case of Flores v. State of Arizona, No. CIV 92-596-TUC-RCC. (General Appropriation Act footnote)

- 25/ The Department of Education shall use the appropriated amount to issue a grant to a statewide geographic alliance for strengthening geographic literacy in the state. (General Appropriation Act footnote)
- 26/ The Department of Education shall use the appropriated amount to issue a grant to a nonprofit organization for a Jobs for Arizona Graduates program. (General Appropriation Act footnote)
- 27/ The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to the lapsing of appropriations, until July 1, 2022. (General Appropriation Act footnote)
- 28/ Any monies available to the Department of Education for school safety pursuant to A.R.S. § 42-5029E, paragraph 6, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 6. (General Appropriation Act footnote)
- 29/ A. The sum of \$400,000 is appropriated from the state General Fund in each of FY 2020, FY 2021 and FY 2022 to the Superintendent of Public Instruction to provide scholarships or grants, or both, to qualified applicants to complete high-quality teacher professional development at a qualifying postsecondary institution. The Department of Education shall use \$100,000 of each fiscal year appropriation to provide scholarships or grants, or both, to qualified applicants in counties with a population of less than 375,000 persons.
- B. The appropriations made in subsection A of this section are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (General Appropriation Act footnote)
- 30/ A. The sum of \$800,000 is appropriated from the state General Fund in FY 2020 to the Superintendent of Public Instruction to distribute to an elementary school district that operates a school on a proving ground that is operated by the United States Army and that encompasses at least 1,000 square miles in this state.
- B. The monies appropriated in subsection A of this section may be used only to demolish an existing or former school that is located on a proving ground operated by the United States Army or to construct a new replacement school on that same proving ground.
- C. The monies appropriated in subsection A of this section may be spent only if the United States Department of Defense provides matching monies for this purpose in an amount that is equivalent to at least 80% of the total project cost.
- D. Notwithstanding A.R.S. § 35-190, the appropriation made in subsection A of this section does not lapse until the purpose for which the appropriation is made is accomplished or abandoned unless the appropriation stands until October 1, 2029 without an expenditure or encumbrance. In addition, all monies remaining unexpended and unencumbered on October 1, 2029 revert to the state General Fund. (General Appropriation Act footnote)
- 31/ A. In addition to any other appropriation made in FY 2021 and FY 2022, the sum of \$5,000,000 is appropriated from the state General Fund in each of FY 2021 and FY 2022 to the Superintendent of Public Instruction for deposit in the Arizona Industry Credentials Incentive Fund established by A.R.S. § 15-249.15 for incentive payments to career technical education programs for each high school graduate who earns a select industry certification. The Superintendent of Public Instruction shall transfer \$10,000 of the appropriated amount in each of FY 2021 and FY 2022 to the Office of Economic Opportunity to conduct an annual skill profile analysis.
- B. The appropriations made in subsection A of this section are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (General Appropriation Act footnote)
- 32/ In addition to any other appropriation made in FY 2022, the sum of \$30,000,000 is appropriated from the state General Fund in FY 2022 to the Superintendent of Public Instruction for Basic State Aid to eliminate the K-12 rollover for school districts with a student count of less than 1,350 pupils. (General Appropriation Act footnote)
- 33/ After review by the Joint Legislative Budget Committee, in FY 2020, the Department of Education may use a portion of its FY 2020 state General Fund appropriations for Basic State Aid, Additional State Aid or the Special Education Fund to fund a shortfall in funding for Basic State Aid, Additional State Aid or the Special Education Fund, if any, that occurred in FY 2019. (General Appropriation Act footnote)
- 34/ The department shall provide an updated report on its budget status every 3 months for the first half of each fiscal year and every month thereafter to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, the Director of the Joint legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting. Each report shall include, at a minimum, the department's current funding surplus or shortfall projections for Basic State Aid and other major formula-based programs and is due 30 days after the end of the applicable reporting period. (General Appropriation Act footnote)
- 35/ Within 15 days after each apportionment of state aid that occurs pursuant to A.R.S. § 15-973B, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data. (General Appropriation Act footnote)
- 36/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

ADE's FY 2020 General Fund spending increases by \$512,364,400, or 10.9% above the revised FY 2019 appropriation. The budget includes funding changes for prior year base adjustments, current law formula adjustments, a non-formula change, the elimination of one-time funding, policy changes, and standard changes:

Prior Year Base Adjustments

- An increase of \$2,059,900 for higher-than-budgeted Homeowner's Rebate and 1% Cap costs for FY 2019 ("base adjustment").
- An increase of \$6,883,400 to replace one-time Basic State Aid funding for FY 2019 from the State School Trust Revenue Bond Debt Service Fund.
- A decrease of \$(9,008,000) for lower-than-budgeted enrollment growth for FY 2019.

The prior year base adjustments total to \$(64,700).

Current Law Formula Adjustments

- An increase of \$69,010,900 for 0.4% Average Daily Membership (ADM) growth (unweighted) in FY 2020 (0.7% weighted).
- An increase of \$127,554,200 for a 2.0% inflator.
- A decrease of \$(49,471,000) for local property tax growth due to new construction offset by Homeowner's Rebate impact of \$11,219,500.
- An increase of \$2,700,000 for property tax statutory changes.
- A decrease of \$(13,373,800) to offset higher available endowment earnings under Proposition 123.
- An increase of \$1,547,500 for Empowerment Scholarship Accounts (ESAs).
- An increase of \$8,000,000 to restore \$(8,000,000) in Special Education Fund funding that was reduced on a one-time basis for FY 2019 due available fund balances.
- An increase of \$2,500,000 for Special Education Fund base level increases for inflation and teacher pay raises
- An increase of \$164,700,000 for an additional 5% increase in the statewide average teacher salary.
- An increase of \$67,774,700 to continue to restore currently suspended District Additional Assistance (DAA) and Charter Additional Assistance (CAA). An additional \$67,774,700 in restoration funding appears below under "Policy Changes."

The current law formula adjustments total to \$392,162,000.

Non-Formula Change

- An increase of \$500,000 for a new American Civics Education Pilot Program established by Laws 2018, Chapter 289.

Eliminate One-Time Funding

- A decrease of \$(1,000,000) to eliminate one-time funding for Gifted Education (restored below as a policy change, again on a one-time basis).

Policy Changes

- An increase of \$67,774,700 (above the \$67,774,700 listed above under formula adjustments) to accelerate the restoration of currently-suspended District Additional Assistance and Charter Additional Assistance funding.
- An increase of \$30,000,000 to expand eligibility for Results-Based Funding to additional schools.
- An increase of \$20,000,000 to expand the School Safety Program and allow it to fund school counselors and school social workers.
- A one-time increase of \$1,000,000 to continue one-time funding for Gifted Education for an additional year.
- A one-time increase of \$800,000 to fund replacement of an elementary school on a military proving ground near Yuma.
- An increase of \$700,000 for revisions to the education funding formula for county juvenile detention centers.
- A one-time increase of \$400,000 (repeated on a one-time basis for FY 2021 and FY 2022) for a high-quality teacher professional development pilot program.
- A one-time increase of \$50,000 for consolidation-related expenses for the proposed Mingus Unified School District.

The policy changes total to \$120,724,700.

Standard Changes

An increase of \$42,400 for standard changes related to Employee Related Expenditures and agency operations funding.

As part of the budget's 3-year spending plan, ADE General Fund costs are projected to increase by \$326,162,500 in FY 2021 above FY 2020 and \$255,858,000 in FY 2022 above FY 2021. (*See Other Issues for more information.*)

Operating Budget

The budget includes \$14,580,300 and 74.9 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$8,895,400
Department of Education Empowerment Scholarship Account Fund	1,283,400
Department of Education Professional Development Revolving Fund	2,567,700
Teacher Certification Fund	133,800
Proposition 301 Expenditure Authority	1,700,000

FY 2020 adjustments are as follows:

ESA Administration

The budget includes no change in funding from the Department of Education Empowerment Scholarship Account Fund (DEESAF) in FY 2020 for administration of the Empowerment Scholarship Account (ESA) program authorized in A.R.S. § 15-2402. This would continue to provide the department with \$1,283,400 in ESA administration funding for FY 2020, including funding for standard changes described below.

The DEESAF is funded with monies retained from Basic State Aid pursuant to A.R.S. § 15-2402C. That law allows ADE to retain for ESA program administration 5% of the sum of the base support level (BSL) and additional assistance prescribed in A.R.S. § 15-185 and A.R.S. § 15-943 for each ESA student, which for FY 2020 would be as much as \$4,529,900 (an estimated \$90,598,800 in ESA costs for FY 2020 X 5%).

A.R.S. § 15-2402C requires ADE to transfer 1/5th of the 5% to the State Treasurer to fund the latter's costs for ESA fund processing. The actual expenditure, however, is subject to legislative appropriation. *(See State Treasurer budget for State Treasurer's ESA administration funding.)*

(See Empowerment Scholarship Accounts policy issue under Basic State Aid for more information regarding Empowerment Scholarship Account Administration.)

Proposition 301

The budget includes no change in funding from Proposition 301 Expenditure Authority for the department's operating budget for FY 2020. This will provide the department's operating budget with \$1,700,000 in Proposition 301 funding for FY 2020. The \$1,700,000 total includes \$1,500,000 for the Failing Schools Tutoring Fund and \$200,000 for Character Education, as allocated by Proposition 301 (A.R.S. § 42-5029E).

Statewide Adjustments

The budget includes an increase of \$79,300 in FY 2019 for statewide adjustments. This amount consists of:

General Fund	42,000
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Department of Education Empowerment Scholarship Account Fund	37,300
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(Please see the Agency Detail and Allocations section.)

Formula Programs

Basic State Aid

The budget includes \$4,895,454,900 in FY 2020 for Basic State Aid. This amount consists of:

General Fund	4,518,685,300
Permanent State School Fund	290,489,100
Proposition 301 Expenditure Authority	86,280,500

The \$4,895,454,900 total does not include local property taxes that will help fund K-12 formula costs for FY 2020, as they are non-appropriated *(see Table 1)*. In addition, it excludes separately-appropriated monies for the State Aid Supplement established by Proposition 123 and for programs such as Results-Based Funding, Early Literacy and the College Credit by Examination Incentive Program, as they are appropriated through separate line items apart from Basic State Aid.

(See Other Issues for background information regarding the Basic State Aid formula.)

FY 2020 adjustments are as follows:

Base Adjustment - Replace One Time Funding

The budget includes an increase of \$6,883,400 from the General Fund and decrease of \$(6,883,400) from the State School Trust Revenue Bond Debt Service Fund in FY 2020 to replace one-time funding from the State School Trust Revenue Bond Debt Service Fund that helped fund Basic State Aid costs in FY 2020 on a one-time basis. Section 112 of the General Appropriation Act appropriated \$6,883,400 from the State School Trust Revenue Bond Debt Service Fund to Basic State Aid for FY 2019 to spend down monies that remained in the fund after all related bonds were retired. Those monies could only be spent on Basic State Aid pursuant to A.R.S. § 37-521B3.

Base Adjustment - Enrollment Growth

The budget includes a decrease of \$(9,008,000) from the General Fund in FY 2020 for lower-than-budgeted enrollment growth from FY 2019. That slower growth reduces starting point costs for Basic State Aid by an estimated \$(9,008,000) for FY 2020.

Table 1

FY 2020 Basic State Aid Formula Summary (estimated)

General Fund

FY 2019 Appropriation (after ex-appropriations)	\$4,081,892,700
Base Adjustment - Replace One-Time Funds	6,883,400
Base Adjustment - FY 2019 Enrollment Growth	(9,008,000)
Enrollment Growth @ 0.4% (unweighted)	69,010,900
2.0% Inflator	127,554,200
Property Taxes from New Construction	(49,471,100)
Property Tax - Statutory Changes	2,700,000
Endowment Earnings	(13,373,800)
Additional Assistance	135,549,400
Teacher Salary Increase	164,700,000
Empowerment Scholarship Accounts	1,547,500
Juvenile Detention Center Education	700,000
FY 2020 budget	\$4,518,685,300

Permanent State School Fund

FY 2019 Appropriation	\$ 277,115,300
Estimated FY 2020 Growth	13,373,800
FY 2020 budget	\$ 290,489,100

Prop 301 Sales Tax (no change) ^{1/}

\$ 86,280,500

Local Property Taxes ^{1/}

FY 2019 Base - estimated	\$2,547,395,100
Property Taxes from New Construction	49,471,000
Non-State Aid Districts - 2% Inflator	8,928,800
Non-State Aid Districts - DAA Increase	9,488,500
Non-State Aid Districts - Teacher Salary Increase	11,529,000
Non-State Aid Districts - Enrollment Declines	(7,178,100)
FY 2020 Estimated ^{2/}	\$2,619,634,300

Grand Total (all sources) ^{3/4/}

\$7,515,089,200

^{1/} Non-appropriated, so excluded from appropriated totals.^{2/} An estimated \$426,944,900 of this total will be funded by the state through Homeowner's Rebate and 1% cap funding.^{3/} Statutory formula cost would be approximately \$145,037,600 higher without the District Additional Assistance (DAA) and Charter Additional Assistance (CAA) reductions that are assumed to continue in the budget on a session law basis, including the impact on non-state aid districts.^{4/} Does not include \$50,000,000 for State Aid Supplement, as it is appropriated to a separate line item apart from Basic State Aid. Also excludes separately appropriated funding for programs such as Results-Based Funding, Early Literacy, and the College Credit by Examination Incentive Program.

Enrollment Growth

The budget includes an increase of \$69,010,900 from the General Fund in FY 2020 for enrollment growth. This assumes that unweighted K-12 ADM will increase by approximately 0.4% in FY 2020 (see Table 2) and that weighted ADM will increase by approximately 0.8% (see Table 3).

The estimated increase of 11,625 weighted ADM for FY 2022 from Table 3 would increase Base Support Level (BSL) costs within the Basic State Aid formula by approximately \$48,825,000 for FY 2020 (11,625 X \$4,200 approximate average base level per pupil for FY 2020 = \$48,825,000). BSL funding is computed based on

Table 2

K-12 ADM (unweighted) ^{1/}

Fiscal Year	District ^{2/}	Charter ^{3/}	Total	Change	% Change
2013	910,476	140,199	1,050,675	9,152	0.9%
2014	912,920	152,158	1,065,078	14,403	1.4%
2015	920,209	159,032	1,079,241	14,163	1.3%
2016	920,359	164,588	1,084,947	5,706	0.5%
2017	915,585	179,622	1,095,207	10,260	0.9%
2018	913,558	189,419	1,102,977	7,770	0.7%
2019 est	905,886	201,049	1,106,935	3,958	0.4%
2020 est	900,051	211,604	1,111,655	4,720	0.4%
2021 est	895,472	222,301	1,117,773	6,118	0.6%
2022 est	891,220	233,105	1,124,325	6,552	0.6%

^{1/} Actuals for FY 2013 through FY 2018 and estimates for FY 2019 are from ADE payment data as of June 2019. Numbers shown for FY 2014 and FY 2015 have been adjusted by JLBC Staff in an attempt to compensate for data anomalies caused by charter conversions for those fiscal years. Numbers for other years are current JLBC Staff estimates. Excludes students enrolled at the Arizona State Schools for the Deaf and the Blind (ASDB).

^{2/} Includes district-sponsored charter schools.^{3/} Excludes district-sponsored charter schools.

Table 3

K-12 ADM (weighted) ^{1/}

Fiscal Year	District ^{2/}	Charter ^{3/}	Total	Change	% Change
2013	1,234,975	194,950	1,429,926	26,159	1.9%
2014	1,236,299	211,469	1,447,767	17,842	1.2%
2015	1,255,483	222,264	1,477,746	29,979	2.1%
2016	1,239,545	229,130	1,468,675	(9,071)	(0.6)%
2017	1,239,310	248,424	1,487,734	19,059	1.3%
2018	1,242,145	262,050	1,504,195	16,461	1.1%
2019 est	1,237,125	277,606	1,514,731	10,536	0.7%
2020 est	1,232,141	294,216	1,526,356	11,625	0.8%
2021 est	1,227,324	311,871	1,539,194	12,838	0.8%
2022 est	1,222,676	330,642	1,553,318	14,124	0.9%

^{1/} Actuals for FY 2013 through FY 2018 and estimates for FY 2019 are from ADE payment data as of June 2019. Data for FY 2014 through FY 2016 reflect one-time changes from district-sponsored charter schools. Data for FY 2016 - FY 2018 reflect one-time changes from the elimination of small school weights for multi-site charter schools. Excludes students enrolled at the Arizona State Schools for the Deaf and the Blind (ASDB).

^{2/} Includes district-sponsored charter schools.^{3/} Excludes district-sponsored charter schools.

weighted ADM counts. The statutory per pupil base level for FY 2020 is \$4,150.43 but most school districts qualify for a 1.25% increase in that amount pursuant to A.R.S. § 15-952.

The estimated increase of 10,555 unweighted charter ADM for FY 2020 (estimated 211,604 unweighted charter ADM for FY 2020 from Table 2 minus corresponding 201,049 estimate for FY 2019 = 10,555) would increase Charter Additional Assistance (CAA) costs within Basic State Aid by approximately \$20,054,500 for FY 2020 (10,555 X \$1,900 approximate CAA average per pupil = \$20,054,500). CAA funding is computed based on unweighted ADM counts.

Together the estimated \$48,825,000 BSL increase and estimated \$20,054,500 CAA increase for FY 2020 would account for \$68,879,500 of the assumed \$69,010,900 increase in state General Fund costs for enrollment growth under the Basic State Aid formula for FY 2020. The remaining \$222,400 would be due to factors such as caseload changes for District Additional Assistance (DAA). Caseload changes typically have little impact on DAA costs, however, because school district unweighted ADM counts in the aggregate are relatively stable. (Both CAA and DAA funding are based on *unweighted* ADM counts.) Changes in DAA costs due to DAA restorations for FY 2020 are discussed separately below.

2.0% Inflation Adjustment

The budget includes an increase of \$127,554,200 from the General Fund in FY 2020 for a 2.0% inflation increase in the per pupil base level prescribed in A.R.S. § 15-901B2, the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school Additional Assistance amounts prescribed in A.R.S. § 15-185B. The 2.0% inflation adjustment increases the base level by \$79.20.

In addition, the budget increases the base level by an additional \$111.16 to distribute \$164,700,000 for additional teacher salary increases for FY 2020, as discussed separately below. This results in a total base level increase of \$190.36 for FY 2020, which increases the base level to \$4,150.43 for the budget year. A.R.S. § 15-901.01 (established by Proposition 301) requires the Legislature to increase the “base level or other components of the Revenue Control Limit” (RCL) by 2% or by the change in the GDP price deflator for the most recent prior calendar year, whichever is less. The FY 2020 adjustment of 2.0% equals the GDP price deflator for calendar year 2018. A.R.S. § 15-901.01 prohibits the Legislature from setting a base level that is lower than the FY 2002 base level of \$2,687.32.

(See the FY 2016 Appropriations Report for background information regarding the related Cave Creek, et. al. v Ducey lawsuit.)

Section 7 of the K-12 BRB also deletes obsolete definitions of "base level" from A.R.S. § 15-901B2. That term is updated annually to reflect ongoing inflation adjustments.

Property Taxes from New Construction

The budget includes a decrease of \$(49,471,000) from the General Fund in FY 2020 due to a projected 2.31% increase in statewide Net Assessed Value (NAV) from new construction in FY 2020. This will increase local property tax revenues from the K-12 “Qualifying Tax Rate” (QTR) and State Equalization Tax Rate (SETR) by an estimated

\$49,471,000 in FY 2020. It also will decrease state costs by \$(49,471,000), since QTR and SETR revenues offset state formula costs on a dollar for dollar basis.

Statewide NAV for property already on the tax rolls (“existing property”) currently is estimated to increase by 3.83% in FY 2020, resulting in a net 6.14% NAV increase for new construction and existing property combined for FY 2020.

The projected 3.83% NAV increase for existing property will not affect net QTR or SETR collections in FY 2020 because A.R.S. § 41-1276 (the “Truth in Taxation” or “TNT” law) requires the QTR and SETR to be adjusted each year to offset NAV changes for existing properties. As a result, the QTR will decrease to an estimated \$3.79 (from \$3.94 currently) and the SETR will decrease to an estimated \$0.4566 (from \$0.4741 currently) in FY 2020 to offset the estimated 3.83% NAV increase for existing property (*see Table 4*).

TNT Tax Rates				
Tax Rate	FY 2019	FY 2020 Published	FY 2020 Corrected	
Qualifying Tax Rate (QTR)				
• High School districts and elementary districts located within a high school district	\$1.9679	\$1.9125	\$1.8954	
• Unified districts and elementary districts not located within a high school district	\$3.9358	\$3.8250	\$3.7908	
• State Equalization Tax Rate (SETR)	\$0.4741	\$0.4608	\$0.4566	

On a related note, Section 18 of the K-12 Education BRB updates the Qualifying Tax Rate and State Equalization Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2020 under that section. (*See Statutory Changes section for more information.*)

Proposition 117 from the November 2012 General Election, capped annual growth in property values at 5% starting in FY 2016. (*See the FY 2016 Appropriations Report for more information.*)

Property Tax Statutory Changes

The budget includes an increase of \$2,700,000 from the General Fund in FY 2020 for property tax statutory changes. Laws 2017, Chapter 220 expands accelerated depreciation provisions in A.R.S. § 42-14403 beginning in FY 2020 to include qualifying broadband infrastructure property, such as cables, telecommunications equipment, and other property used in the electronic transmission of data. The reduction to statewide net assessed valuation under Chapter 220 will increase General Fund costs for state aid to school districts by an estimated \$2,700,000 annually starting in FY 2020.

Endowment Earnings Growth

The budget includes a decrease of \$(13,373,800) from the General Fund and an increase of \$13,373,800 from the Permanent State School Fund in FY 2020 for endowment earnings funding for Basic State Aid. The General Fund savings assumes that K-12 endowment earnings for Basic State Aid from the State Land Department and State Treasurer combined under Proposition 123 will equal \$290,489,100 for FY 2020, which would be \$13,373,800 more than the \$277,115,300 total assumed for FY 2019 (see Table 5).

Source	FY 2019	FY 2020	Change
Original 2.5% ^{2/}	\$72,263,000	\$72,263,000	\$0
New 4.4% ^{2/}	<u>204,852,300</u>	<u>218,226,100</u>	<u>13,373,800</u>
Total	\$277,115,300	\$290,489,100	\$13,373,800

^{1/} K-12 Endowment Earnings also help fund the Classroom Site Fund (see Table 15).
^{2/} The October 2015 Special Session increased the state trust land distribution percentage in the State Constitution from 2.5% to 6.9% (an increase of 4.4%) if voters approved Proposition 123 in May 2016, which did occur.

A.R.S. § 37-521 caps the amount of K-12 endowment earnings that may be used for SFB debt service and Basic State Aid combined at the FY 2001 level of endowment earnings, which was \$72,263,000. Starting in FY 2019, however, the entire \$72,263,000 became available to fund Basic State Aid because the affected SFB bonds were paid off by the end of FY 2018. This increased by \$24,903,500 the amount of K-12 Endowment Earnings available to fund Basic State Aid starting in FY 2019.

All endowment earnings above \$72,263,000 go to the Classroom Site Fund established by A.R.S. § 15-977, except that Laws 2015, 1st Special Session, Chapter 1 appropriates for Basic State Aid any increase in State Treasurer land trust distributions from the new 4.4% distribution starting in FY 2016. (See the FY 2017 Appropriations Report for more information on the October 2015 Special Session and Proposition 123.) (See Other Issues for more information on Endowment Earnings.)

Rollover

The budget includes no change from the General Fund in FY 2020 for the K-12 rollover. This continues to defer through the General Appropriation Act \$930,727,700 of current year (now FY 2020) state aid payments until the following fiscal year (now FY 2021).

Section 164 of the General Appropriation Act, however, appropriates \$30,000,000 from the General Fund to the department for Basic State Aid for FY 2022 to eliminate

the rollover for school districts with a student count of less than 1,350 pupils starting in FY 2022.

The FY 2020 rollover will affect only school districts with more than 600 students, as has been the policy since FY 2013. The budget continues to exempt small districts from the K-12 rollover in FY 2020, which continues it at the \$930,727,700 level.

Laws 2018, Chapter 276 advance appropriated \$930,727,700 from the General Fund in FY 2020 to fund the \$930,727,700 deferred obligation from FY 2019. Those monies, therefore, do not appear in the FY 2020 General Appropriation Act. Section 170 of the Act, however, advance appropriates \$930,727,700 from the General Fund in FY 2021 to fund the deferred FY 2020 obligation.

Additional Assistance

The budget includes an increase of \$135,549,400 from the General Fund in FY 2020 for Additional Assistance. This amount provides "two years-worth" of DAA and CAA restoration monies for FY 2020 relative to the DAA and CAA restorations originally required by Sections 27 and 28 of the FY 2019 K-12 Education BRB. Those sections required only \$67,774,700 of combined DAA and CAA restoration monies to be appropriated for FY 2020.

Because of this increase, the budget decreases the DAA and CAA suspensions to \$(128,734,900) and \$(6,814,400), respectively, for FY 2020. These are the levels that Sections 27 and 28 of the FY 2019 K-12 Education BRB originally required to be reached by FY 2021 rather than FY 2020. The budget therefore reaches those lower suspension levels one year earlier than was required by the FY 2019 budget.

Sections 27 and 28 of the FY 2020 K-12 Education BRB (which, coincidentally, are the same section numbers as addressed this issue for FY 2019 in the FY 2019 K-12 Education BRB) amend sections 27 and 28 of the FY 2019 K-12 Education BRB to require the now-lower suspension levels for FY 2020. They leave unchanged, however, the suspension levels that the FY 2019 K-12 Education BRB established for FY 2021 through FY 2023. As a result, the DAA and CAA suspension amounts established for FY 2021 will be identical to the now-revised suspension amounts for FY 2020 and no additional restoration funding will be required for that year (see Tables 6 and 7).

The FY 2020 K-12 Education BRB does not repeat language in Sections 27 and 28 of the FY 2019 K-12 Education BRB that already require the following through FY 2023: 1) eliminate DAA reductions for school districts with fewer than 1,100 students, and 2) require non-state aid districts

Table 6

DAA Suspensions & Restorations Through FY 2023 ^{1/}

Fiscal Year	Prior Year Suspension	Restoration	Current Year Suspension
2019	(352,442,700)	94,972,800	(257,469,900)
2020 ^{2/}	(257,469,900)	64,367,500	(193,102,400)
2020 ^{3/}	(257,469,900)	128,735,000	(128,734,900)
2021 ^{2/}	(193,102,400)	64,367,500	(128,734,900)
2021 ^{3/}	(128,734,900)	0	(128,734,900)
2022	(128,734,900)	64,367,400	(64,367,400)
2023	(64,367,400)	64,367,400	0

1/ Excluding non-state aid districts.

2/ As originally mandated by Sections 27 & 28 of the FY 2019 K-12 Education BRB.

3/ As amended by Sections 27 and 28 of the FY 2020 K-12 Education BRB.

Table 7

CAA Suspensions & Restorations Through FY 2023

Fiscal Year	Prior Year Suspension	Restoration	Current Year Suspension
2019	(18,656,000)	5,027,200	(13,628,800)
2020 ^{1/}	(13,628,800)	3,407,200	(10,221,600)
2020 ^{2/}	(13,628,800)	6,814,400	(6,814,400)
2021 ^{1/}	(10,221,600)	3,407,200	(6,814,400)
2021 ^{2/}	(6,814,400)	0	(6,814,400)
2022	(6,814,400)	3,407,200	(3,407,200)
2023	(3,407,200)	3,407,200	0

1/ As originally mandated by Sections 27 & 28 of the FY 2019 K-12 Education BRB.

2/ As amended by Sections 27 and 28 of the FY 2020 K-12 Education BRB.

to reduce their budgets by the amount that their state aid would be reduced under continuing DAA suspensions if they qualified for state aid (see *Statutory Changes section*).

School districts will receive an estimated \$307,463,700 of DAA funding in FY 2020 under the budget including approximately \$21,829,900 self-funded by non-state aid districts. If fully funded, they instead would receive an estimated \$446,037,300 in DAA funding for FY 2020, including approximately \$31,668,600 self-funded by non-state aid districts. DAA is authorized by A.R.S. § 15-961, which establishes DAA funding amounts (if fully funded) of \$450.76 to \$601.24 per pupil depending on the pupil's grade level and the size of their school district.

Charter schools will receive an estimated \$401,149,200 of CAA funding in FY 2020 under the enacted budget. If fully

funded, they instead would receive an estimated \$407,963,600. CAA is authorized by A.R.S. § 15-185B4, which establishes CAA per pupil funding amounts that historically have been adjusted for inflation each year in the K-12 Education BRB. The FY 2020 K-12 Education BRB increases the CAA statutory amounts (if fully funded) by 2.0% for inflation to \$1,843.14 per pupil for Grades K-8 and \$2,148.15 per pupil for Grades 9-12 for FY 2020.

DAA suspensions began at \$(144,000,000) for FY 2010 but increased to \$(352,442,700) for FY 2016 where they remained through FY 2018. CAA suspensions began at \$(10,000,000) for FY 2011 but increased to \$(18,656,000) for FY 2016 where they likewise remained through FY 2018.

Teacher Salary Increases

The budget includes an increase of \$164,700,000 from the General Fund in FY 2020 for teacher salary increases. It will be allocated to schools through an additional \$111.16 base level increase for FY 2020 which is the estimated increase needed to allocate the \$164,700,000. Monies from the additional base level increase for teacher salaries are intended to increase average teacher salaries by an additional 5% for FY 2020 above the 10% increase budgeted for FY 2018 and FY 2019 combined.

The FY 2019 General Appropriation Act appropriated funding in FY 2020 and FY 2021 to provide additional base level increases for teacher pay raises in those years. That funding is intended to provide a cumulative 20% increase in average teacher salaries by FY 2021. (See *Table 8 and "Additional Funding" section below for more information on the teacher salary increase budgeted for FY 2020. See the FY 2019 Appropriations Report for additional information regarding the FY 2019 teacher salary increase.*)

The \$164,700,000 amount required for teacher salary increases for FY 2020 does not appear in the FY 2020 General Appropriation Act because it has already been appropriated by Laws 2018, Chapter 276, as described above.

Original 2.12%

The \$306,017,700 appropriation for teacher salary increases for FY 2019 included \$65,419,100 from the General Fund for the 2.12% teacher salary increase originally enacted by the FY 2018 budget. That budget appropriated \$34,000,000 to a separate "Additional Teacher Salary Increase" line item for a 1.06% teacher salary increase for FY 2018. It also included language stating that the Legislature and Governor intended to

Table 8

Teacher Pay Raise Summary ^{1/}

Source	Amount
Original 2.12% Increase	\$65,419,100
Additional Funding	176,200,000
"Bridge to Prop 301"	64,100,000
ADC & DJC Increase	<u>298,600</u>
Total - FY 2019 ^{2/}	\$306,017,700
Additional Increase - FY 2020	<u>164,700,000</u>
Total - FY 2020 ^{2/}	\$470,717,700
Additional Increase - FY 2021 ^{2/3/}	<u>174,500,000</u>
Total - FY 2021	\$645,217,700

^{1/} Excludes amounts self-funded by non-state aid school districts, which will add approximately 7% to totals shown, except for funding to ADC & DJC.

^{2/} Excludes funding for teacher pay raises at the Arizona State Schools for the Deaf and the Blind (ASDB), which is allocated through the Special Education Fund, rather than Basic State Aid. That funding is estimated at \$1,386,400 for FY 2019, \$2,079,600 for FY 2020 and \$2,772,800 for FY 2021.

^{3/} Includes \$50,000,000 available from the Classroom Site Fund in FY 2021 due to the retirement of debt service payments on School Facilities Board Proposition 301 bonds in FY 2020.

provide funding for an additional 1.06% teacher pay raise in FY 2019 for a total 2-year increase of 2.12%. Based on updated data, the FY 2019 budget assumed that the cumulative cost of the original 2.12% teacher pay raise would be \$65,419,100 in FY 2019.

The FY 2019 budget funded the \$65,419,100 through the base level for FY 2019, along with the other teacher pay raise monies shown in *Table 8*. Those monies collectively funded the additional \$210.50 base level increase for teacher pay raises for FY 2019.

Additional Funding

The \$306,017,700 appropriation for teacher salary increases for FY 2019 also included an increase of \$176,200,000 from the General Fund in FY 2019 to help fund the \$210.50 base level increase for teacher pay raises for FY 2019.

In addition, Sections 136 and 137 of the FY 2019 General Appropriation Act appropriated \$164,700,000 in FY 2020 and \$289,200,000 in FY 2021 for additional teacher pay raises in those years. The \$289,200,000 amount represents an increase of \$124,500,000 above the FY 2020 amount, not including an additional \$50,000,000 available from the Classroom Site Fund. The total increase for FY 2021 therefore is \$174,500,000

(\$124,500,000 + \$50,000,000). (See *Table 8 and Bridge to Proposition 301 narrative below for more information.*)

Those monies are intended to fund a cumulative 20% increase in average teacher salaries by FY 2021. The base level increase required for FY 2021 to allocate the \$174,500,000 for additional teacher pay raises that year will be calculated during the spring of 2020 based on student counts and other formula funding factors available at that time. It will be calculated using the same methods used to compute the \$210.50 and \$111.16 base level increase for teacher pay raises for FY 2019 and FY 2020, respectively. (See *Background section below for more information.*)

"Bridge to Proposition 301"

The \$306,017,700 appropriation for teacher salary increases for FY 2019 also included an increase of \$64,100,000 from the General Fund in FY 2019 for "Bridge to Proposition 301." These recurring one-time monies are funding \$64,100,000 of base level increases until FY 2022, when an equivalent amount can be obtained from the Classroom Site Fund pursuant to Laws 2018, Chapter 74.

Chapter 74 renews the current 0.6 cent Proposition 301 sales tax through June 30, 2041 and will redirect to the Classroom Site Fund \$64,100,000 of 0.6 cent sales tax monies starting in FY 2022. The redirected monies historically have been used to pay debt service on School Facilities Board bonds authorized by Proposition 301. Those bonds will be paid off by the end of FY 2020.

Only about \$50,000,000 of the \$64,100,000 will be available to fund teacher pay raises in FY 2021 because Universities and Community Colleges will be entitled to receive a portion of the newly-available \$64,100,000 for that year only, since Chapter 74 will not take effect until FY 2022. In addition, a portion of the \$64,100,000 will need to fund pay raises for non-state aid districts in FY 2021 only. The latter will occur because the pay raise portion of the \$64,100,000 for FY 2021 will come from the Classroom Site Fund, rather than the Basic State Aid. Only the latter formula generates local savings from non-state aid districts.

ADC and DJC Increase

The \$306,017,700 appropriation for teacher salary increases for FY 2019 included an increase of \$298,600 from the General Fund in FY 2019 for teacher salary increases at the Department of Corrections (ADC) and Department of Juvenile Corrections (DJC). ADC and DJC receive Basic State Aid funding under formulas prescribed by A.R.S. § 15-1372 (DOC) and A.R.S. § 15-1371 (DJC). The

\$210.50 base level increase for teacher salary increases for FY 2019 increased their formula funding collectively by an estimated \$298,600 for FY 2019. The \$111.16 base level increase for teacher salary increases for FY 2020 is expected to increase their collective formula funding by approximately \$149,300 for FY 2020.

ASDB Increase

The FY 2019 budget also provided an increase of \$1,386,400 from the General Fund for teacher pay raises at the Arizona State Schools for the Deaf and the Blind (ASDB) for FY 2019. That funding was appropriated to the Special Education Fund rather than Basic State Aid, however, because ASDB's formula costs are funded through the Special Education Fund rather than Basic State Aid. The \$1,386,400 amount therefore does not appear in Table 8. (See narrative for Special Education Fund for more information).

The \$111.16 base level increase for teacher salary increases for FY 2020 is expected to increase ASDB's formula funding for FY 2020 by approximately \$693,200.

Background – See the FY 2019 Appropriations Report for additional background.

Empowerment Scholarship Accounts

The budget includes an increase of \$1,547,500 from the General Fund in FY 2020 for Basic State Aid costs related to Empowerment Scholarship Accounts (ESAs) authorized by A.R.S. § 15-2402. This assumes an increase of 1,458 ESAs for FY 2020, which was the increase reported for FY 2018. It also assumes that 44% of new ESAs under trend line growth would go to students who qualify for high cost special education Group B weights based on FY 2018 data.

The \$1,547,500 estimate additionally assumes different per pupil costs or savings for different categories of ESA students based on formula modeling. The state fiscal impact of a new ESA varies depending on a student's grade level, whether they have special needs and whether they would be in a school district, charter school or private school apart from the program.

The budget assumes no incremental ESA growth in FY 2020 from the ESA expansion bill from the 2017 Legislative Session (Laws 2017, Chapter 139), since voters did not allow it to take effect by passing Proposition 305 in November 2018 pursuant to A.R.S. § 19-101. (See the FY 2018 Appropriations Report for more information on Chapter 139.)

Overall Estimated ESA Costs for FY 2020

The overall cost of ESAs is projected to increase by \$16,598,800 in FY 2020, growing from an estimated \$74,000,000 in FY 2019 to \$90,598,800 in FY 2020 (see Table 9). Except for the assumed \$1,547,500 increase for caseload growth described above, this higher estimated cost is expected to be offset by reductions in regular Basic State Aid costs for ESA students who otherwise would be attending public schools.

Fiscal Year	Program Enrollment	Total Awards
FY 2012	144	\$1,576,000
FY 2013	302	\$5,209,200
FY 2014	761	\$10,200,000
FY 2015	1,311	\$17,733,700
FY 2016	2,175	\$28,590,800
FY 2017	3,360	\$44,517,700
FY 2018	5,042	\$58,711,200
FY 2019 (est)	6,500	\$74,000,000
FY 2020 (est)	7,958	\$90,598,800

^{1/} Figures shown for FY 2012 through FY 2018 are from ADE as of December 2018. Estimates for FY 2019 and FY 2020 are from the JLBC Staff. "Total Awards" represent estimated ESA allocations rather than the net General Fund impact of the program after related Basic State Aid savings are deducted. The latter amount depends in part on where individual ESA recipients would have attended school apart from the program, which is unknown.

The estimated \$90,598,800 cost for ESAs for FY 2020 represents the projected total amount of ESA allocations for the year rather than the net General Fund impact of the program after related Basic State Aid savings are deducted for students leaving public schools due to ESAs. The latter amount is unknown because it would depend in part on where individual ESA recipients would have attended school apart from the program, which is unknown.

Background – Eligible students can use ESA monies to attend private school or fund other educational expenses, such as textbooks and tutoring. ESAs are funded primarily with Basic State Aid monies that a school district or charter school otherwise would have received for a student if they had remained in public school.

The program is open to Arizona resident students who meet at least one of the requirements listed below in addition to being either a full-time Arizona public school student in the prior year, a previous ESA participant, the child of a resident member of the armed forces who is on active duty or was killed in the line of duty, or an incoming kindergartner or disabled preschooler:

- A child with a disability.
- A child who is a ward of the juvenile court and is residing in prospective permanent placement foster care.
- A child who is a ward of the juvenile court and who achieved permanency through adoption.
- A child who is the sibling of a current ESA recipient.
- A child who in the prior year attended a school with a letter grade of D or F pursuant to A.R.S. § 15-241, which evaluates schools primarily based on their students' AzMERIT test scores.
- An incoming Kindergartner who resides within the boundaries of a school with a letter rating of D or F.
- The child of a resident member of the armed forces who is on active duty or was killed in the line of duty.
- A previous ESA participant.
- A child who received or was eligible to receive a Displaced or Disabled School Tuition Organization (STO) scholarship in the prior year and who attended a public school full-time for at least 90 days or one full semester in the prior year.
- A child who resides on an Arizona Indian reservation.
- A child of a parent who is legally blind, deaf or hard of hearing.

(See the FY 2015 Appropriations Report for historical information on changes in program eligibility.)

A.R.S. § 15-2402C authorizes the department to retain for ESA administration an amount equal to 5% of the sum of the base support level (BSL) and additional assistance prescribed in A.R.S. § 15-185 and A.R.S. § 15-943 for each ESA student. It is required to transfer 1/5th of that amount to the State Treasurer, leaving it with a net 4% for ESA administration. *(See the ESA Administration policy issue in the agency's Operating Budget narrative for more information.)*

Any of the department's retained monies for ESA administration that are not appropriated or spent are carried forward in the Department of Education Empowerment Scholarship Account Fund to the next fiscal year. At the end of FY 2018 the fund had a carry-forward balance of \$4,195,500.

Juvenile Detention Center Education

The budget includes an increase of \$700,000 from the General Fund in FY 2020 to fund formula changes for juvenile detention center education programs pursuant to A.R.S. § 15-913. The K-12 Education BRB amends that statute to increase its formula funding "base amount" to \$100,000 per county versus \$20,000 currently and its formula funding "variable" amount to \$25 per student per day versus \$15 currently. The K-12 Education BRB also requires any excess monies in a county's Detention Center

Education Fund to be used to supplement classroom spending.

Additional School Days

The budget includes no change from Proposition 301 Expenditure Authority in FY 2020 for Additional School Days pursuant to A.R.S. § 42-5029E5. This provides the department with \$86,280,500 in Proposition 301 funding for Additional School Days for FY 2020.

Prior to FY 2019, Proposition 301 monies for Additional School Days were included in the department's non-appropriated funds totals in prior years. The FY 2019 budget, however, displays them and other non-appropriated monies that the department receives from Proposition 301 and Indian gaming as "Expenditure Authority" funds for greater transparency. The budget continues this practice for FY 2020.

This change does not affect the department's access to funding from Proposition 301 or Indian gaming, as it may spend whatever funding is available to it from them (*see, for example, the footnote for the School Safety Program line item in the Footnotes section*).

State Aid Supplement

The budget includes \$50,000,000 from the General Fund in FY 2020 for State Aid Supplement funding. This amount is unchanged from FY 2019.

Laws 2015, 1st Special Session, Chapter 1 appropriated \$50,000,000 from the General Fund in FY 2016 for State Aid Supplement funding. It also advances appropriated \$50,000,000 annually for FY 2017 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 for State Aid Supplement funding. *(See the FY 2017 Appropriations Report for more information regarding Proposition 123.)*

Chapter 1 included a footnote instructing the department to allocate the State Aid Supplement monies for FY 2016 to school districts and charter schools on a pro rata basis using the weighted student count for the school district or charter school for the fiscal year pursuant to A.R.S. § 15-943(2a) and to increase budget limits accordingly. The footnote also stipulates that a school district's weighted student count is to include non-resident students who attend school in the district. It further stipulates that a school district may budget its State Aid Supplement funding in either its Maintenance and Operation (M&O) or Unrestricted Capital Outlay Fund. These footnote provisions also were enacted into law in advance for FY 2017 through FY 2025 by Laws 2015, 1st Special

Session, Chapter 1. They therefore do not appear in the FY 2020 General Appropriation Act.

In addition, the State Aid Supplement amounts for FY 2016 through FY 2025 do not appear in the General Appropriation Acts for those years, since they already were advance appropriated by Chapter 1.

Results-Based Funding

The budget includes \$68,600,000 from the General Fund in FY 2020 for Results-Based Funding. FY 2020 adjustments are as follows:

Expanded Eligibility

The budget includes an increase of \$30,000,000 from the General Fund in FY 2020 for expanded eligibility. As session law, the K-12 Education BRB (Section 25) expands program eligibility for FY 2020 for schools with free and reduced-price lunch (FRPL) eligibility rates of less than 60% to schools with spring 2018 AzMERIT test results in the top 13% versus top 10% for FY 2019. For schools with FRPL eligibility rates of 60% or more it expands program eligibility in FY 2020 to schools with spring 2018 AzMERIT test results in the top 27% versus top 10% in FY 2019. These changes are expected to increase program costs by approximately \$30,000,000 for FY 2020.

As session law, the K-12 Education BRB also establishes per-pupil funding levels of \$225 for qualifying schools with less than 60% FRPL eligibility and for schools with 60% or higher FRPL eligibility that have AzMERIT results in the top 27%, but not the top 13% of schools with 60% or higher FRPL eligibility. Qualifying schools with 60% or higher FRPL eligibility and with AzMERIT results in the top 13% of schools with 60% or higher FRPL eligibility will receive \$400 per pupil.

In addition, the K-12 Education BRB as session law provides alternative schools with \$400 per pupil if their reported spring 2018 AzMERIT scores for both math and English language arts and its average pass rate for those 2 tests combined equaled or exceeded the average combined pass rate observed for the top 27% of all schools with 60% or higher free or reduced-price lunch eligibility rates. In prior years alternative schools instead received \$400 per student if they were assigned the equivalent of a letter grade of "A" in 2014.

These various session law changes notwithstanding, for FY 2020 only, language in A.R.S. § 15-249.08 that otherwise would have made schools eligible for program funding in FY 2020 if they had "a letter designation of A pursuant to A.R.S. § 15-241."

The K-12 Education BRB amends A.R.S. § 15-249.08 (the program's authorizing statute) to also make the following permanent law changes to the program: 1) exclude from its FRPL eligibility rate calculations for individual schools any student who is not eligible to be included in the school's student count for Basic State Aid, 2) clarify allowable uses for program monies, and 3) establish annual reporting requirements for the program.

Section 106 of the FY 2019 General Appropriation Act allowed the Superintendent of Public Instruction to transfer up to \$1,600,000 of the state General Fund appropriation for Basic State Aid for FY 2018 to this program, if needed, without JLBC review, to address an anticipated funding shortfall for the program for FY 2018. A.R.S. § 15-901.03 otherwise would have required JLBC review of the transfer. The budget maintains similar language for FY 2020 to provide flexibility for FY 2019 in case the program again experienced a funding shortfall for FY 2019. A funding shortfall was not anticipated for FY 2019, however, as the department estimated as of December 2018 that the program would cost \$38,304,200 for FY 2019, which would have been less than its FY 2019 appropriation of \$38,600,000.

Background – The program provides additional funding to individual schools under a formula prescribed in A.R.S. § 15-249.08. That law also establishes the Results-Based Funding Fund, which consists of legislative appropriations and is administered by the department. Monies in the fund are continuously appropriated. (*See the FY 2018 Appropriations Report for additional information on program requirements.*)

Special Education Fund

The budget includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2020 for the Special Education Fund Special Line Item. FY 2020 adjustments are as follows:

Funding Restoration

The budget includes an increase of \$8,000,000 from the General Fund in FY 2020 to restore funding reduced on a one-time basis for FY 2019 due to the availability carry-forward monies in the Special Education Fund (SEF) established by A.R.S. § 15-1202. The SEF had \$8,688,200 in one-time carry-forward monies at the end of FY 2018.

Base Adjustment

The budget includes an increase of \$804,200 from the General Fund in FY 2020 for a base adjustment due to higher-than-budgeted costs for special education vouchers for FY 2019. The latter are due to base level increases for inflation and teacher pay raises for FY 2019

that were not reflected in the FY 2019 budget. Those unbudgeted costs are expected to be funded with remaining carry-forward monies in FY 2019 but will require additional ongoing funding starting in FY 2020.

Base Level Increases

The budget includes an increase of \$1,695,800 from the General Fund in FY 2020 for additional base level increases for teacher pay raises and inflation for FY 2020. The per pupil base level in the Basic State Aid formula, which also drives special education voucher costs, is increasing by \$70.20 (2%) for inflation and by an additional \$111.16 for teacher pay raises in FY 2020. Those base level increases will increase program costs by an estimated \$1,695,800 for FY 2020. (See 2% Inflation Adjustment and Teacher Salary Increase narrative under Basic State Aid for more information.)

Background - The Special Education Fund provides funding for special education costs of students from 1) Arizona State Schools for the Deaf and the Blind, 2) Arizona State Hospital (ASH), or 3) programs for the developmentally disabled operated by DES (A.R.S. § 15-1202). It also funds costs of residential education for students who require a private residential special education placement, or who are placed in a residential education facility by a state placing agency.

Other State Aid to Districts

The budget includes \$983,900 from the General Fund in FY 2020 for Other State Aid to Districts. This amount is unchanged from FY 2019.

This amount includes \$880,200 (unchanged) for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 (unchanged) for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

Classroom Site Fund

The budget includes \$602,511,600 in FY 2020 for the Classroom Site Fund (CSF). This amount consists of:

Proposition 301 Expenditure Authority	483,903,100
Proposition 301/CSF - Land Trust Expenditure Authority	103,550,100
Proposition 301/CSF - Carry-Forward Balance Expenditure Authority	15,058,400

FY 2020 adjustments are as follows:

Caseload and Revenue Changes

The budget includes an increase of \$48,625,700 from Proposition 301 Expenditure Authority for estimated caseload and revenue changes for the CSF for FY 2020. This and other CSF expenditure authority changes for FY 2020 assume a CSF per pupil amount of \$434 for FY 2020 (versus \$423 for FY 2019), as determined by the JLBC Staff pursuant A.R.S. § 15-977G1. That law requires the JLBC Staff to determine the per pupil amount for each fiscal year by March 30 of the prior fiscal year.

Caseload and Revenue Changes

The budget includes an increase of \$124,600 from Proposition 301/CSF - Land Trust Expenditure Authority for estimated caseload and revenue changes for the CSF for FY 2020.

Carry-Forward Changes

The budget includes a decrease of \$(21,233,700) from Proposition 301/CSF - Carry-Forward Balance Expenditure Authority for estimated changes in CSF carry-forward balances for FY 2020.

Background - The CSF is established by A.R.S. § 15-977 and provides additional funding to public schools from Proposition 301 and K-12 endowment earnings. Prior to FY 2019, CSF monies were included in the department’s non-appropriated funds totals in prior years. The budget, however, now displays them and other non-appropriated monies that the department receives from Proposition 301 and Indian gaming as “Expenditure Authority” funds for greater transparency.

This change does not affect the department’s access to funding from Proposition 301 or Indian gaming, as a General Appropriation Act footnote allows the department to spend whatever funding is available to it from them (see, for example, the footnote for the School Safety Program line item in the Footnotes section).

Instructional Improvement Fund

The budget includes \$45,000,000 from the Tribal Gaming Expenditure Authority in FY 2020 for the Instructional Improvement Fund. This amount is unchanged from FY 2019.

Prior to FY 2019, Tribal Gaming monies were included in the department’s non-appropriated fund totals. The budget, however, continues to display them and other non-appropriated monies that the department receives from Proposition 301 as “Expenditure Authority” funds for greater transparency.

This change does not affect the department’s access to funding from Proposition 301 or Indian gaming, as a General Appropriation Act footnote allows the department to spend whatever funding is available to it from them (*see, for example, the footnote for the School Safety Program line item in the Footnotes section*).

The Instructional Improvement Fund (IIF) is established by A.R.S. § 15-979 and receives shared revenues from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. IIF monies are distributed to school districts, charter schools and the Arizona State Schools for the Deaf and the Blind based on their student counts.

Property Tax Relief

Additional State Aid

The budget includes \$426,944,900 from the General Fund in FY 2020 for Additional State Aid. FY 2020 adjustments are as follows:

Prior Year Base Adjustment

The budget includes an increase of \$2,059,900 from the General Fund in FY 2020 to reflect higher-than-budgeted costs for Additional State Aid for FY 2019. The FY 2019 budget assumed that Additional State Aid would cost \$413,665,500 for FY 2019 for the Homeowner’s Rebate and 1% Cap combined. The actual combined cost, however, was \$415,725,400 (\$2,059,900 more), as reported by the Arizona Department of Revenue (DOR) in October 2018 pursuant to A.R.S. § 15-972H. Starting point costs for Additional State Aid for FY 2020 therefore were \$2,059,900 more than the FY 2019 appropriation.

New Homes

The budget includes an increase of \$11,219,500 from the General Fund in FY 2020 for increased Additional State Aid costs associated with new home construction. The \$11,219,500 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2020 and that the Homeowner’s Rebate percentage will remain at 47.19% for FY 2020. The latter would not change for FY 2020 under current law.

On a related note, the K-12 Education BRB amends A.R.S. § 15-972B to reflect the current 47.19% Homeowner’s Rebate percentage, which was established by DOR for FY 2017 and subsequent years pursuant to Laws 2011, 2nd Special Session, Chapter 1, Section 127 but was not reflected in statute.

Background – The Additional State Aid program funds the Homeowner’s Rebate and any portion of a homeowner’s primary property taxes for all taxing jurisdictions combined (not just schools) that exceeds 1% of the full cash value of their home (the “1% Cap”).

The Homeowner’s Rebate is authorized by A.R.S. § 15-972 and pays 47.19% of each homeowner’s QTR taxes, up to a maximum of \$600 per parcel. The “1% cap” pertains to Article IX, Section 18 of the State Constitution, which caps Class 3 primary property taxes at no more than 1% of a home’s full cash value and was added to the State Constitution in 1980. It applies any time a homeowner’s net combined primary property tax rate for all taxing jurisdictions combined exceeds \$10 per \$100 of NAV even after the Homeowner’s Rebate is applied.

The 1% cap historically has been implemented by having the state backfill any primary property tax costs for homeowners that exceed the 1% cap, rather than by requiring all taxing jurisdictions in an area (such as cities, counties, school districts and community colleges) to coordinate their respective primary property tax rates to keep their combined primary rate below \$10 per \$100 of NAV. Related language in the State Constitution, however, does not specify a mechanism for enforcing the 1% cap.

The FY 2019 Revenue BRB required school district desegregation programs to be funded with secondary rather than primary property taxes starting in FY 2019. This reduced 1% cap costs by an estimated \$(18,952,700) in FY 2019 because the 1% cap does not apply to secondary property taxes. Primary property taxes for desegregation programs accounted for the majority of 1% cap costs prior to FY 2019.

Non-Formula Programs

Accountability and Achievement Testing

The budget includes \$16,422,500 and 24.4 FTE Positions in FY 2020 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,422,500
Proposition 301 Fund (Appropriated)	7,000,000

These amounts are unchanged from FY 2019.

Program costs for FY 2020 will be affected by the first-time implementation of state contracts for Menu of Assessments (MOA) testing. That testing is authorized by A.R.S. § 15-741.02 which has allowed school districts and

charter schools to administer MOA tests rather than the "standard" statewide assessment (AzMERIT) to their high school students starting in FY 2019. For FY 2019 MOA tests were funded locally, by a private foundation, with monies from the Commission for Postsecondary Education, or with unspent monies from the College Credit by Examination Incentive Program. Starting in FY 2020, however, the state will pay for MOA tests directly through contracts with test vendors.

On March 25, 2019 the State Board of Education (SBE) approved contracts for high school MOA testing for FY 2020 with 3 test vendors. Per pupil costs under those contracts are summarized in *Table 10*. Total state costs for MOA testing for FY 2020 are unknown, however, because the number of high school pupils who will take the optional MOA tests for FY 2020 is highly uncertain.

<u>Vendor</u>	<u>Cost/ Student</u>	<u>Notes</u>
ACT	\$39	Excludes Writing (would be \$55 with it)
Cambridge	\$135	\$67.50 per test (1 math & 1 English)
Pearson	\$22-\$39	Depends on volume & online versus paper

^{1/} MOA testing is optional but all high school students must take AzMERIT Math and English Language Arts tests as 10th Graders.

A.R.S. § 15-741.02 originally required MOA tests to be made available also to pupils in Grade 3-8 beginning in FY 2020. Laws 2019, Chapter 86 extends that deadline to no later than the 2023-2024 school year.

MOA exams must be approved by the State Board of Education (SBE) pursuant to A.R.S. § 15-741.02A. For FY 2019 the SBE approved for MOA testing all tests approved by the Arizona Board of Regents (ABOR) for the College Credit by Examination Incentive Program (CCEIP) authorized by A.R.S § 15-249.06. This included Advanced Placement, International Baccalaureate, Cambridge International, ACT, SAT, and Grand Canyon Diploma qualifying exams.

A total of 55 schools participated in MOA testing for FY 2019. Of that total, 44 chose the ACT and 11 chose the SAT. None of the other SBE-approved tests was selected by schools for MOA testing for FY 2019.

For FY 2020, only the 3 tests listed in *Table 10* have been approved by the SBE for MOA testing.

The SBE recently approved a 5-year plan for K-12 assessments which is summarized in *Table 11*.

<u>Fiscal Year</u>	<u>Grades 3 – 8</u>	<u>High School</u>
2019	AzMERIT	AzMERIT (Grades 9 - 11) or MOA exam (SAT or ACT)
2020	AzM2 ^{2/}	AzM2 ^{2/} (Grade 10 only) (mandatory) + MOA exam (optional) (ACT, Cambridge, Pearson)
2021	AzM2 ^{2/}	AzM2 ^{2/} (Grade 10 only) (mandatory) + MOA exam (optional) (ACT, Cambridge, Pearson & TBD)
2022 - 2024	New Single Statewide Assessment (NSSA) ^{3/}	Nationally Recognized College Entrance Assessment administered in 9 th or 10 th Grade and 11 th Grade OR different (MOA) Nationally Recognized College Entrance Assessment Administered in 9 th or 10 th and 11 th Grade

^{1/} Starting in FY 2020.
^{2/} Previously called AzMERIT.
^{3/} Possibly with optional "menu of assessments" exam for Grades 3-8.

The 5-year assessment plan requires a renamed AzMERIT ("AzM2") test to continue to be administered in FY 2020 and FY 2021. After FY 2021 the AzM2 test would be replaced with a new single statewide assessment that would continue to exist in parallel with MOA exams.

MOA exams currently exist only for high school pupils. The 5-year plan indicates that it is uncertain whether they also will be offered for pupils in Grades 3-8 starting in FY 2022.

The 5-year plan requires all 10th Graders to take AzM2 tests in Math and English Language Arts (ELA) during FY 2020 and FY 2021. After FY 2021 high school students (not just 10th Graders) instead would be required to take a "Nationally Recognized College Entrance Assessment" (currently only the ACT and SAT meet that description) which students would take in the 9th or 10th Grade (such as the PSAT) and 11th Grade (such as the SAT). At that time the MOA exam for high school students would become whichever of the 2 "Nationally Recognized College Entrance Assessments" (ACT or SAT) was *not* chosen to be the "default" high school assessment. Current MOA exams that are not a "Nationally Recognized College Entrance Assessment" (such as Cambridge exams) and that do not achieve that status prior to FY 2022 would not be authorized as MOA exams after FY 2021.

Prior to FY 2019, high school students took AzMERIT Math and ELA tests 3 times rather than once. For FY 2019, AzMERIT testing was made optional for high school students if they instead took a MOA exam. The U.S.

Department of Education, however, informed ADE in April 2019 that making AzMERIT optional for high school students violated federal testing requirements. The SBE 5-year plan therefore re-establishes mandatory AzMERIT testing for high school pupils, but for 10th Graders only.

Background – AzMERIT tests were administered to Arizona public school students for the first time during the spring of 2015. ADE indicates that the test will cost approximately \$16,100,000 in FY 2019 and estimates that it will cost approximately \$12,900,000 in FY 2020 (see Table 12).

	FY 2019	FY 2020
Estimated Costs 1/		
AzMERIT	\$16.1	\$12.9
AIMS Science Testing	1.6	2.2
AZELLA 2/	7.1	7.0
Alternative Special Needs Exam (MSAA)	0.2	0.2
Information Technology Support	1.3	1.5
Staff and Administration	1.9	1.9
Menu of Assessments 3/	3.0	3.0
Alternative English Learner Assessment	N/A	1.0
Total	\$31.2	\$29.7
Estimated Available Funding 4/		
General Fund	\$14.3	\$14.3
Proposition 301 - School Accountability 5/	13.2	13.2
Federal Funds	4.0	4.0
Total	\$31.5	\$31.5

1/ ADE estimates as of December 2019 (updated for AzMERIT only in June 2019). FY 2020 estimates are preliminary.
 2/ Arizona English Language Learner Assessment funded through the English Learner Administration line item.
 3/ Cost for FY 2020 currently unknown. ADE's FY 2019 estimate is being used as a placeholder.
 4/ Estimates assume that \$6.2 million of School Accountability carry-forward monies from Proposition 301 will be available to help fund the program in both FY 2019 and FY 2020. Surplus School Accountability monies can be carried forward to subsequent years.
 5/ Includes carry-forward monies.

The Achievement Testing program, however, includes components other than AzMERIT and MOA tests. It also includes AIMS Science Tests, AZELLA testing for English Learners, alternative exams for special needs students, information technology support and program administration. ADE estimates the cost of these other functions plus AzMERIT and the MOA combined at \$31,200,000 in FY 2019 and \$29,700,000 for FY 2020 (see Table 12).

The budget continues an existing General Appropriation Act footnote that requires JLBC review of any changes to the Achievement Testing program that will increase program costs. It also continues a footnote added in FY 2019 stipulating that any monies available to the

department for accountability pursuant to A.R.S. § 42-5029E7 in excess of Expenditure Authority amounts are allocated for use pursuant to A.R.S. § 42-5029E7 (see footnotes for this program in agency summary table).

This line item funds costs of developing, administering and scoring achievement tests required by A.R.S. § 15-741. The Proposition 301 amount of \$7,000,000 for Achievement Testing is from the “up to \$7 million” allowable appropriation for School Accountability in A.R.S. § 42-5029E7.

(See English Learner Administration line item for more information about AZELLA testing.)

(See Other Issues in FY 2016 Appropriations Report for more information regarding AzMERIT testing.)

Adult Education

The budget includes \$4,634,400 and 3 FTE Positions in FY 2020 for Adult Education. These amounts consist of:

General Fund	4,502,100
Department of Education Professional Development Revolving Fund	132,300

These amounts are unchanged from FY 2019.

The program provides instruction in the following areas to adult learners who are at least 16 years of age: 1) English language acquisition; 2) adult basic education, including GED preparation; 3) adult secondary education; 4) civics; and 5) basic computer literacy skills. Program monies are distributed through a competitive grant process. In FY 2019, 23 school districts, community colleges, counties and community-based organizations are operating state-funded Adult Education programs.

The program also received \$13,443,100 in federal funding in FY 2019. Its federal monies are subject to non-supplanting and maintenance-of-effort requirements stipulated in federal law.

Alternative Teacher Development Program

The budget includes \$500,000 from the General Fund in FY 2020 for an Alternative Teacher Development Program. This amount is unchanged from FY 2019.

The program is authorized by A.R.S. § 15-552, which requires the establishment of an alternative teacher development program for accelerating the placement of highly qualified individuals into low income schools.

Monies in the line item are distributed to the Teach for America program.

American Civics Education Pilot Program

The budget includes \$500,000 from the General Fund in FY 2020 for an American Civics Education Pilot Program. FY 2020 adjustments are as follows:

New Program

The budget includes an increase of \$500,000 from the General Fund in FY 2020 for a new American Civics Education Pilot Program.

Laws 2018, Chapter 289 established the American Civics Education Fund (ACEF) in session law and advance appropriated \$500,000 to it for FY 2020 for an American Civics Education Pilot Program. Chapter 289 requires the department to develop a 5-year pilot program to begin in FY 2020 for American Civics Education in Grades 9-12 to enhance the focus on American Civics Education for schools selected to participate in the pilot program.

Chapter 289 established the ACEF in session law as an appropriated fund which would have required the Legislature to appropriate monies out of ACEF even though it already appropriated monies into it in Chapter 289. The K-12 Education BRB makes the ACEF a non-appropriated fund so that the Legislature will no longer have to appropriate monies both into and out of it (*see Statutory Changes section*).

Program funding for FY 2020 does not appear in the FY 2020 General Appropriation Act, since it was already appropriated by Chapter 289.

Arizona Structured English Immersion Fund

The budget includes \$4,960,400 from the General Fund in FY 2020 for the Arizona Structured English Immersion Fund. This amount is unchanged from FY 2019.

The Arizona Structured English Immersion Fund was established by Laws 2006, Chapter 4 (A.R.S. § 15-756.04). Monies in the fund are distributed to school districts and charter schools based on amounts that they request pursuant to A.R.S. § 15-756.04C. The department distributed \$4,452,700 to public schools from the fund in FY 2018.

Broadband Expansion

The budget includes no funding from the Automation Projects Fund in FY 2020 for Broadband Expansion. This

amount is unchanged from FY 2019. (*See "Other Issues" section for more information.*)

Code Writers Initiative Pilot Program

The budget provides no funding from the State Web Portal Fund in FY 2020 for a Code Writers Initiative Pilot Program. FY 2020 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(500,000) from the State Web Portal Fund in FY 2020 to eliminate one-time funding. Laws 2018, Chapter 290 appropriated \$500,000 in one-time funding from the Web Portal Fund in FY 2019 for a Code Writers Initiative Pilot Program. The program also received a one-time appropriation of \$500,000 for FY 2017. (*See the FY 2019 Appropriations Report for more information.*)

College Credit by Examination Incentive Program

The budget includes \$5,000,000 from the General Fund in FY 2020 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2019.

The CCEIP provides incentive bonuses to teachers, school districts and charter schools for students who obtain a passing score on a qualifying examination for college credit while in high school pursuant to A.R.S. § 15-249.06. The bonus is \$450 per passing score for a student who is enrolled in a school district or charter school where at least 50% of students are eligible for free or reduced-price lunches under the Federal School Lunch program; otherwise, it is \$300 per passing score. Bonuses shall be reduced proportionately if the appropriated amount is insufficient to fully fund them.

Laws 2019, Chapter 98 amends A.R.S. § 15-249.06 to require a wider sharing of program awards among teachers who taught a student subjects related to awarded monies. It also establishes a College Credit by Examination Development Fund (CCEDF) consisting of program monies not distributed by the end of a fiscal year. Chapter 98 requires the department to use CCEDF monies to increase program participation by schools with eligibility rates of 50% or more for the federal free or reduced-price lunch program.

The K-12 Education BRB also amends A.R.S. § 15-249.06. It allows the department to withhold up to \$10,000 of the program's annual appropriation each year to address allocation appeals by school districts and charter schools. It also requires the department to distribute program awards to schools by March 1 each year and requires

school districts and charter schools to appeal the allocation of bonus monies no later than August 1 of each year. The changes are retroactive to June 30, 2018. Laws 2018, Chapter 315, Section 4 required the department to use surplus CCEIP monies from FY 2018, if any, to reimburse school districts and charter schools for optional menu of assessment (MOA) tests, such as the ACT, that they could administer to high school students starting in FY 2019 pursuant to Laws 2018, Chapter 262, Section 6.

The department reported in April 2019 that CCEIP awards for FY 2018 cost \$4,210,200. As a result, \$789,800 of the program's \$5,000,000 appropriation for FY 2018 was available at that time for menu of assessment reimbursements for FY 2019. Starting in FY 2020 MOA tests will be funded directly by the state through contracts with test vendors (*see Accountability and Achievement Testing narrative for more information*).

On a related note, the FY 2018 budget appropriated \$235,000 in one-time funding from the General Fund to the Commission for Postsecondary Education (CPSE) for a College-Readiness Examination Pilot Program for FY 2018. That program also helped school districts and charter schools fund college-readiness exams, such as the ACT, on a one-time basis. The FY 2019 budget did not continue funding for the College-Readiness Examination Pilot Program, so it likewise is not funded in the FY 2020 budget. (*See CPSE budget pages for more information.*)

Computer Science Pilot Program

The budget includes \$1,000,000 from the General Fund in FY 2020 for a Computer Science Pilot Program. This amount is unchanged from FY 2019.

The program is authorized by A.R.S. § 15-249.12, which also establishes the Computer Science Professional Development Program Fund (CSPDPF). It requires the department to distribute program grants on a first-come, first-served basis to schools that currently do not provide high school computer science instruction. It also requires the second 50% of state General Fund funding for the program each year to be matched with private monies or in-kind donations and establishes reporting requirements for the program.

CTED Completion Grants

The budget includes \$1,000,000 from the General Fund in FY 2020 for CTED Completion Grants (formerly JTED Completion Grants). This amount is unchanged from FY 2019.

Laws 2018, Chapter 311 changed the term Joint Technical Education District (JTED) to Career Technical Education District (CTED), which results in a name change for this program.

A footnote in the General Appropriation Act stipulates that program monies are intended to help fund program completion for students who complete at least 50% of a CTED program before graduating from high school and who successfully complete the program after graduating from high school. It further requires the department to award grant funding only after an eligible student has successfully completed a CTED program. It also stipulates that if the appropriated amount is insufficient to fund all grant requests from CTEDs, the department shall reduce grant amounts on a proportional basis to cap total statewide allocations at \$1,000,000. It further stipulates that program funding is non-lapsing for 1 year beyond the budget year. The budget makes the program's FY 2020 appropriation non-lapsing through FY 2021.

A.R.S. § 15-393D4c prohibits CTEDs from including in their ADM counts students who have already graduated from high school or received a general equivalency diploma or who are over 21 years of age.

On a related note, the K-12 Education BRB establishes a new Arizona Industry Credential Incentive Program (A.R.S. § 15-249.15) that will provide awards of up to \$1,000 per student to a student's school district, charter school or CTED if the student obtains an eligible CTE certification, credential, or license through a CTE program prior to graduation. The awards will be provided only for CTE certifications related to "high demand" occupations identified by Office of Economic Opportunity (OEO) and reviewed by a Quality Skills Commission composed of individuals from the OEO, Department of Education, Arizona Commerce Authority, school districts, charter schools, CTEDs, industry partners and business organizations.

Program monies may be spent on the following items: 1) instructional costs and professional development for CTE teachers; 2) certification costs for CTE students; 3) costs related to creating, expanding or improving eligible CTE programs; 4) instructional hardware, software or supplies required for eligible CTE programs; and 5) career exploration and awareness activities. (*See the Statutory Changes section for more information.*)

Section 163 of the General Appropriation Act appropriates \$5,000,000 in non-lapsing monies from the General Fund in both FY 2021 and FY 2022 for the new program.

CTED Soft Capital and Equipment

The budget includes \$1,000,000 from the General Fund in FY 2020 for CTED Soft Capital and Equipment (formerly JTED Soft Capital and Equipment). This amount is unchanged from FY 2019.

Laws 2018, Chapter 311 changed the term Joint Technical Education District (JTED) to Career Technical Education District (CTED), which results in a name change for this program.

The line item provides additional funding to small CTEDs for soft capital and equipment. A footnote in the General Appropriation Act requires the department to distribute the appropriated amount to CTEDs with fewer than 2,000 ADM pupils on a pro rata basis for soft capital and equipment expenses. The budget continues this footnote for FY 2020.

Early Literacy

The budget includes \$12,000,000 from the General Fund in FY 2020 for Early Literacy. This amount is unchanged from FY 2019.

The program is authorized by A.R.S. § 15-249.09, which establishes a new Early Literacy Grant Program Fund (ELGPF) to provide support to improve reading skills, literacy and proficiency for students in Kindergarten through 3rd Grade. (*See the FY 2018 Appropriations Report for more information.*)

Education Learning and Accountability System

The budget includes \$5,300,200 and 24.2 FTE Positions from the General Fund in FY 2020 for the Education Learning and Accountability System (ELAS) line item. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2020 for statewide adjustments.

The \$5,300,200 and 24.2 FTE Positions would be for continued maintenance and operation of ELAS, but not for further ELAS development. Section 167 of the General Appropriation Act, however, transfers \$3,000,000 from the Department of Education Empowerment Scholarship Account Fund (DEESAF) established by A.R.S. § 15-2402 for deposit in the Department of Education subaccount in the Automation Projects Fund (APF) established pursuant to A.R.S. § 41-714 for further ELAS development for FY 2020.

From FY 2014 - FY 2018, ELAS funding was appropriated to the Arizona Department of Administration (ADOA) Automation Projects Fund (APF) rather than ADE. FY 2019 marked the first year that the department received ongoing ELAS funding in its budget.

Laws 2011, Chapter 29 authorized development of ELAS, to "collect, compile, maintain and report student level data for students attending public educational institutions that provide instruction to pupils in preschool programs, kindergarten programs, grades 1 through 12 and postsecondary educational programs in this state" (A.R.S. § 15-249A). ELAS is intended to replace the department's prior data system - the Student Accountability Information System (SAIS).

ADE estimated in August 2018 that an additional \$9,000,000 would be needed from the General Fund over the next 3 years to replace the school finance portions of SAIS ("APOR" and "CHAR") that compute formula funding entitlements for school districts and charter schools. The current systems are 19 years old and are based on software no longer supported by Microsoft. The department indicates that they are error-prone, costly to maintain and at high risk of catastrophic failure. The estimated \$9,000,000 one-time cost to replace APOR and CHAR would be in addition to the \$5,300,000 in ongoing funding currently provided to the department for ELAS maintenance and operation. The FY 2020 budget provides \$3,000,000 of the estimated \$9,000,000 through the \$3,000,000 DEESAF to APF transfer described above.

Through FY 2020 ELAS will have received approximately \$71,700,000 in total funding from all sources combined since its inception, including the \$5,300,000 appropriated from the General Fund for FY 2019 but excluding the \$3,000,000 DEESAF to APF transfer for FY 2020 described above. The General Fund will have provided \$56,400,000 of the total through FY 2020, with the remainder coming from temporary fees from university and community college students (approximately \$8,000,000 cumulatively) and Federal Funds (approximately \$7,300,000 cumulatively) (*see Table 13*).

To date, project funding has been used primarily for the following purposes:

- Develop and partially implement data "dashboards" (AZDash) that can provide graphical depictions of data to aid in decision-making, such as to guide instruction. (Full functionality not yet implemented.)
- Develop and partially implement a new data-collection and retrieval system (AzEDS) to eliminate redundant data collection and make data more

Table 13

ELAS Funding by Fiscal Year
(\$ in Millions)

Fiscal Year	General Fund ^{1/}	Higher Ed Fees ^{2/}	Federal Grants ^{3/}	Total
2012	5.0	1.6	0.1	6.7
2013	5.0	1.6	1.8	8.4
2014	5.4	1.6	2.8	9.8
2015	10.4	1.6	2.6	14.6
2016	5.4	1.6	0.0	7.0
2017	7.3	0.0	0.0	7.3
2018	7.3	0.0	0.0	7.3
2019	5.3	0.0	0.0	5.3
2020 4/	5.3	0.0	0.0	5.3
Total	56.4	8.0	7.3	71.7

- 1/ General Fund appropriations for ELAS were made to the Department of Administration Automation Projects Fund in FY 2014 – FY 2018.
- 2/ Generated from a \$6 per FTSE fee from university and community college pupils. The FY 2012 and FY 2013 budgets appropriated \$1.2 million based on initial estimates. Amount generated above those totals were carried forward into subsequent years.
- 3/ Included \$5.0 million from a statewide longitudinal data system (SLDS) grant and \$2.3 million from a "Race to the Top" grant.
- 4/ Does not include \$3.0 million transferred from the Department of Education Empowerment Scholarship Account Fund to the Department of Administration Automation Projects Fund for FY 2020 for further ELAS development.

retrievable for multiple purposes. (Implemented in FY 2017; full functionality not yet completed.)

- Develop and partially implement a Statewide Student Information System (SSIS) that school districts and charters can opt into to purchase student information system services at a state-contracted rate. (Discontinued for FY 2019)
- Automate school finance calculations for components computed manually under SAIS, such as for Classroom Site Fund per pupil allocations.
- Begin to plan replacement of APOR and CHAR.

Starting in FY 2017, all schools submitted student data through AzEDS rather than through SAIS for the first time and school payments were based on student counts from AzEDS rather than SAIS. SAIS continues to be used to calculate formula payments for individual school districts and charter schools using AzEDS data, however, since the SAIS APOR and CHAR systems have not yet been replaced.

Pursuant to A.R.S. § 18-104, ADE contracted with a third-party vendor to provide additional oversight for the project from FY 2013 - FY 2018. While ADE has awarded a new 5-year contract, it did not execute the contract in FY 2019, stating that third-party oversight was a condition for approval of ELAS development activities and no further ELAS development was funded for FY 2019. ADE stated, however, that the contract would remain in place for use if additional ELAS development funding was appropriated to it in the future.

English Learner Administration

The budget includes \$6,509,600 and 13.5 FTE Positions from the General Fund in FY 2020 for English Learner Administration. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2020 for statewide adjustments.

The program is responsible for administering the Arizona English Language Learner Assessment ("AZELLA") test, which is used to determine whether a student should be classified as an "English Language Learner" (ELL) as defined in A.R.S. § 15-901B9. Students who are classified as ELLs are required to enroll in English language education programs prescribed by A.R.S. §§ 15-751, 15-752 and 15-753 and qualify for ELL weight funding authorized in A.R.S. § 15-943. Approximately 123,500 students were expected to take the AZELLA in FY 2019, including 42,000 for initial testing and 81,500 for retesting to see if they should continue to be classified as ELLs.

The English Learner Administration program was originally authorized by Laws 2006, Chapter 4 to address the *Flores v. State of Arizona* litigation. The lawsuit was filed in federal court in 1992 by parents of children enrolled in the Nogales Unified School District. Litigation in the case continued until March 2013, when a federal judge dismissed it. Plaintiffs appealed the federal judge's ruling, but in June 2015 the federal appellate court upheld the earlier dismissal. In June 2015, the plaintiff attorneys asked for a rehearing in the case. (See FY 2011 Appropriations Report for additional history on this issue.)

The line item funds costs associated with implementing the English Language Education requirements in A.R.S. § 15-751 through 15-757. Those requirements pertain primarily to additional testing, teacher training and instructional services prescribed for English Learners.

(See the Accountability and Achievement Testing line item narrative for more information.)

Geographic Literacy

The budget includes \$100,000 from the General Fund in FY 2020 for Geographic Literacy. This amount is unchanged from FY 2019.

The budget adds a footnote to the FY 2020 General Appropriation Act stipulating that the department shall use the amount appropriated to the program to issue a grant to a statewide geographic alliance for strengthening geographic literacy in the state. This would reflect the

program's current use, but that use is not specified currently in a statute or footnote.

The program funds a statewide geographic alliance for strengthening geographic literacy in this state.

Gifted Education

The budget includes \$1,000,000 in one-time funding from the General Fund in FY 2020 for Gifted Education. This amount is unchanged from FY 2019.

Section 124 of the FY 2019 General Appropriation Act appropriated \$1,000,000 in one-time funding for the program for FY 2019. The budget continues that one-time funding for an additional fiscal year.

The program provides additional funding for gifted programs pursuant to A.R.S. § 15-779.03. FY 2019 was the first recent year of funding for this program.

Jobs for Arizona Graduates

The budget includes \$100,000 from the General Fund in FY 2020 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2019.

The budget adds a footnote to the FY 2020 General Appropriation Act stipulating that the department shall use the amount appropriated to the program to issue a grant to a nonprofit organization for a Jobs for Arizona graduates program. This would reflect its current use, but that use currently is not specified in a statute or footnote.

The program funds a Jobs for Arizona Graduates program.

Mingus Unification Assistance

The budget includes \$50,000 from the General Fund in FY 2020 for Mingus Unification Assistance. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$50,000 from the General Fund in FY 2020 to assist with the costs of implementing a proposed new Mingus Unified School District in Yavapai County. Section 136 of the General Appropriation Act makes the appropriated amount exempt from lapsing until July 1, 2022.

School Safety Program

The budget includes \$31,947,000 and 4 FTE Positions in FY 2020 for the School Safety program. These amounts consist of:

General Fund	24,147,000
Proposition 301 Expenditure Authority	7,800,000

FY 2020 adjustments are as follows:

Program Expansion

The budget includes an increase of \$20,000,000 from the General Fund in FY 2020 to enable more schools to participate in the program. In addition, the K-12 Education BRB amends A.R.S. § 15-154 to allow schools to hire school counselors and social workers with program monies. Previously they could hire only school resource officers (SROs) and juvenile probation officers with program funds. For FY 2019, participating schools hired 87 SROs.

The K-12 Education BRB requires the department to review grant proposals for school counselor and school social worker funding under the expanded program in cooperation with school administrators, principals, teachers, parents and community mental health professionals. It also establishes additional administrative requirements for the program in general and stipulates that a school district or charter school that receives approval for a 3-year program may annually submit a modified spending plan for its approved program.

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2020 for statewide adjustments.

Proposition 301 Expenditure Authority monies for School Safety were included in the department's non-appropriated funds totals in years prior to FY 2019. In FY 2019, they were displayed as "Expenditure Authority" funds for greater transparency. The budget continues this practice.

This change does not affect the department's access to funding from Proposition 301 or Indian gaming, as it may spend whatever funding is available to it from them (*see the footnote for this line item in the Footnotes section*).

The School Safety Program has existed in Arizona since FY 1995. (*See the FY 2015 Appropriations Report for program history.*)

All available state General Fund and Proposition 301 funding for the program is allocated annually by the

Department of Education subject to review and approval by the State Board of Education pursuant to A.R.S. § 15-154. Monies are awarded on a competitive grant basis on a 3-year cycle.

FY 2018 was the first year of the current cycle. A total of 203 schools applied for SRO funding for the current cycle but only 87 schools received funding awards for it due to funding constraints. The department will open the program to additional participants for FY 2020, however, because of the \$20,000,000 funding increase provided for the program starting that year.

Program funding is used primarily to pay officer salaries and benefits. Law enforcement agencies typically cover associated costs for police cars, uniforms and equipment. School districts and charter schools typically pay costs for related overhead, supervision and supplies.

State Block Grant for Vocational Education

The budget includes \$11,576,300 and 27 FTE Positions from the General Fund in FY 2020 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2019.

The program provides block grants to school districts and charter schools that have Career and Technical Education (CTE) programs. ADE also receives federal funding each year for CTE programs pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006, most of which is passed on to local CTE programs. For FY 2019, the department is receiving approximately \$28,612,700 in Perkins funding. Perkins funding is subject to a federal maintenance-of-effort (MOE) provision that requires a state to continue to spend at least as much on CTE in a given fiscal year as it did in the prior fiscal year.

Teacher Certification

The budget includes \$2,387,000 and 22.9 FTE Positions in FY 2020 for Teacher Certification. These amounts consist of:

General Fund	178,100
Teacher Certification Fund	2,208,900

These amounts are unchanged from FY 2019.

The program processes applications for teacher and administrator certification, including certification renewal. It is funded through fees paid by certification applicants pursuant to A.R.S. § 15-531.

Teacher Professional Development Pilot

The budget includes \$400,000 in one-time funding (through FY 2022) from the General Fund in FY 2020 for a Teacher Professional Development Pilot Program. FY 2020 adjustments are as follows:

One-Time Pilot Program

The budget includes a one-time increase of \$400,000 from the General Fund in FY 2020 for a Teacher Professional Development Pilot Program. These monies are appropriated by Section 137 of the General Appropriation Act. Section 137 also appropriates \$400,000 in one-time funding from the General Fund for the program annually in both FY 2021 and FY 2022.

The program also received a one-time appropriation of \$300,000 from the General Fund for FY 2018 from Laws 2017, Chapter 284. That law established the pilot program through July 1, 2020. The K-12 Education BRB amends Chapter 284 to extend the pilot program through July 1, 2023. It also allows the department to retain up to 3% of program monies for administration.

Chapter 284 requires the pilot program to issue scholarships or grants, or both, on a competitive basis that would support certificated teachers in gaining additional credentials and certifications at a regionally or nationally accredited public or private institution to teach math, science, technology, engineering or career and technical education in a public school.

Program scholarships and grants may not exceed \$2,000 per applicant. Recipients shall agree to teach in an Arizona public school for at least 3 additional years after completing their professional development program. If that commitment is not met, the recipient shall be required to fully pay back their scholarship.

On or before November 1 of each year of the pilot program the department shall submit to the Governor, President of the Senate and Speaker of the House of Representatives a report that summarizes the results of the pilot program.

Tribal College Dual Enrollment Program Fund

The budget includes \$250,000 from the Tribal College Dual Enrollment Program Fund in FY 2020 for the Tribal College Dual Enrollment Program Fund program. This amount is unchanged from FY 2019.

A.R.S. § 15-244.01 establishes the Tribal College Dual Enrollment Program Fund and authorizes it to annually receive 15% of unclaimed lottery prize monies up to

\$250,000, subject to legislative appropriation, pursuant to A.R.S. § 5-568, plus any other appropriations, gifts, grants, devices and other contributions. The fund compensates tribal colleges for tuition and fees that they waive for high school students who are dual enrolled in tribal college classes.

(See Arizona State Lottery Commission narrative for more information on lottery funding.)

Yuma Elementary School Construction

The budget includes \$800,000 in one-time funding from the General Fund in FY 2020 for Yuma Elementary School Construction. FY 2020 adjustments are as follows:

One-Time Construction Funding

The budget includes a one-time increase of \$800,000 from the General Fund in FY 2020 to replace an elementary school that is located on a proving ground operated by the United States Army near Yuma. These monies are appropriated by Section 135 of the General Appropriation Act which requires a funding match of at least 80% from the U.S. Department of Defense.

Section 135 makes the one-time appropriation non-lapsing until October 1, 2029 unless the school is replaced or the projected is abandoned prior to that date.

Other Issues

This section includes information on the following topics:

FY 2019 Supplemental

Statutory Changes

General Issues

- Long-Term Budget Impacts

Ballot Proposition

- Endowment Earnings
- Proposition 123 Triggers
- Aggregate Expenditure Limit

Basic State Aid

- Basic State Aid Formula Description

Broadband

- Broadband Program Description

Non-General Fund Programs

- Proposition 301
- Budget Overrides

Information on these various issues is as follows:

FY 2019 Supplemental

EORP Contribution Adjustment

The budget includes an increase of \$1,900 from the General Fund in FY 2020 for employer contribution increases related to the Elected Officials Retirement Plan (EORP). The budget appropriated this amount to the agency as an FY 2019 supplemental and continued this same appropriation in the FY 2020 budget. (See the Consolidated Retirement Report for more information.)

Basic State Aid Supplemental

The FY 2020 budget includes an FY 2019 supplemental appropriation of \$6,833,400 from the State School Trust Revenue Bond Debt Service Fund for Basic State Aid for FY 2019. That fund is no longer needed due to the recent retirement of \$246,600,000 in State School Trust Revenue Bonds and surplus debt service monies in the Fund could only be used to fund Basic State Aid pursuant to A.R.S. § 37-521B1.

Basic State Aid Ex-Appropriation

The FY 2020 budget includes an FY 2019 ex-appropriation of \$(16,833,400) from the General Fund for Basic State Aid. This includes a \$(10,000,000) reduction for lower-than-budgeted enrollment growth for FY 2019 and a \$(6,833,400) reduction due to the availability of \$6,833,400 of surplus funding from the State School Trust Revenue Bond Debt Service Fund to fund Basic State Aid costs for FY 2019.

Statutory Changes

Formula Requirements

- As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school "Additional Assistance" amounts (A.R.S. § 15-185B4) by 2.0% for standard inflation.
- As permanent law, increase the base level by an additional \$111.16 (2.8%) to incorporate into Basic State Aid \$164,700,000 for teacher salary increases already appropriated for FY 2020 by Section 136 of the FY 2019 General Appropriation Act.
- As permanent law, modify the Basic State Aid funding formula for education programs in county juvenile detention centers to increase the "base amount" to \$100,000 per county versus \$20,000 currently and the "variable" amount per student within each county program to \$25 per day versus \$15 per day currently. As permanent law, require any excess monies in a county's Detention Center Education Fund to be used to supplement classroom spending.

- As session law, amend Laws 2018, Chapter 285, Sections 27 and 28 to reduce the District Additional Assistance suspension for FY 2020 by an additional \$(64,366,500) and the Charter Additional Assistance suspension for FY 2020 by an additional \$(3,407,200).

Results-Based Funding

- As session law, allocate Results-Based Funding using the same formula that was used in FY 2019, but based on AzMERIT test results from spring 2018 rather than spring 2017. Under permanent law, the Results-Based Funding instead would be distributed in FY 2020 to schools with a letter grade A under the A-F performance rating developed by the State Board of Education.
- As session law, expand eligibility to schools with AzMERIT test results in the top 13% versus top 10% currently for schools with less than 60% of students eligible for free and reduced-price lunch (FRPL) and to the top 27% versus top 10% currently for schools with 60% or higher FRPL eligibility.
- As session law, establishes per-pupil funding levels of \$225 for qualifying schools with less than 60% FRPL eligibility and for schools with 60% or higher FRPL eligibility that have AzMERIT results in the top 27%, but not the top 13% of schools with 60% or higher FRPL eligibility. Qualifying schools with 60% or higher FRPL eligibility and with AzMERIT results in the top 13% of schools with 60% or higher FRPL eligibility would receive \$400.
- As session law, provide an alternative school with \$400 per student if it reported AzMERIT scores for both math and English language arts for spring 2018 testing and its average pass rate for those 2 tests combined equaled or exceeded the average combined pass rate observed for the top 27% of schools with 60% or higher free or reduced-price lunch eligibility rates. In prior years an alternative school instead received \$400 per student if it was assigned the equivalent of a letter grade of "A" in 2014.
- As permanent law, exclude from free and reduced-price lunch eligibility percentage calculations students who are not eligible to be included in a school's student count (primarily preschool students). Clarifies allowable uses of program funding and adds reporting requirements.

CTE Industry Credential Incentive Program

- As permanent law, establish the Arizona Industry Credential Incentive Program to provide awards of up to \$1,000 per student for school districts, charter schools or career and technical education districts for high school graduates who obtain a certification, credential, or license that is accepted by a vocation or industry through a career and technical education

program. Establishes the Industry Credentials Incentive Fund to be administered by ADE.

- As permanent law, require the Office of Economic Opportunity to provide a list to the Department of Education by September 1 annually that identifies and ranks the top occupations in each industry that addresses a critical statewide, regional or local economic need. Following publication of the September 1 list, ADE shall align the in-demand list to ADE's credential list and by February 1, the Quality Skills Commission shall review the list.
- As permanent law, require the department to report by February 1 annually to the President of the Senate, the Speaker of the House, the Governor and the Secretary of State on student participation in the program and the distribution of awards by school.
- As permanent law, require the department to publish by March 1 annually the list of CTE certificates, credentials or licenses qualifying for a \$1,000 award from the program in the subsequent fiscal year and submit it to the JLBC for review.
- As permanent law, allow program awards to school districts, charter schools, and career and technical education districts to be expended on instructional costs and professional development for a CTE teacher, offset the costs of the certification to the student, development costs related to creating, expanding or improving an approved site of a certificate, credential license career and technical program courses, instructional hardware, software or supplies required for the certification, and career exploration and awareness activities for parents, students and the community.

Other

- As session law, continue stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.
- As permanent law, make the American Civics Education Fund a non-appropriated fund to eliminate the need for the Legislature to appropriate monies both into and out of it.
- As permanent law, delete the definition of "base level" for FY 2017 and prior years from A.R.S. § 15-901B2, as they are no longer needed. (A new definition of "base level" is added to A.R.S. § 15-901B2 each year for the upcoming fiscal year.)
- As permanent law, replace obsolete references to the Homeowners Rebate percentage in A.R.S. § 15-972B with the current rebate percentage of 47.19% that was established by DOR for FY 2017 and subsequent years pursuant to Laws 2011, 2nd Special Session, Chapter 1, Section 127.

- As permanent law, update the Qualifying Tax Rate and State Equalization Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2020 under it.
- As permanent law, amend A.R.S. § 15-249.06B and F to make the annual report on the College Credit by Examination Incentive Program not subject to JLBC review.
- As permanent law, modify A.R.S. 15-249.06 to require ADE to make payments to schools no later than March 1 each year. Permit schools to appeal allocation of bonus monies no later than August 1 each year. Permit ADE to withhold up to \$10,000 of bonus monies to address allocation appeals. Retroactive to July 1, 2018.
- As permanent law, amend A.R.S. § 15-154 to allow school safety monies to also be used for school counselors or social workers and add program definitions.
- As session law, amend Laws 2017, Chapter 284 to 1) extend the High-Quality Teacher Professional Development Pilot Program, which provides scholarships and grants of up to \$2,000 for teachers in high-need content areas, until July 1, 2025 versus July 1, 2022 currently, and 2) allow the Department of Education to retain up to 3% of monies appropriated for the pilot program to offset administrative costs.
- As session law, notwithstanding A.R.S. § 15-185 to require the Department of Education to allocate the full amount of the small school weight through FY 2020 to charter schools sponsored by entities other than the State Board for Charter Schools. Prohibits the department from seeking repayment of small school weight monies paid to such schools in prior years. The department would pay 67% of the small school weight to such schools in FY 2021 and 33% of the weight in FY 2022. Addresses ASU Preparatory Charter School.
- As permanent law, set the K-12 State Equalization Tax Rate (SETR) for a county for a given fiscal year at the lesser of the “normal” statutory rate or the rate that would have generated for its school districts collectively in the prior fiscal year the amount needed to backfill any of their K-12 formula costs not funded by Qualifying Tax Rate (QTR) revenues.
- As session law, give Duncan Unified and Blue Elementary additional “budget capacity” (spending authority) for FY 2020 and require them to fund that additional budget capacity with carry-forward monies rather than through tax rate increases. The additional capacity could only be expended upon capital.
- As permanent law, stipulate for purposes of concurrent enrollment that every 3 credits that a K-12 student earns at a community college or university

course shall generate one-eighth of an Average Daily Membership under the Basic State Aid funding formula.

- As permanent law, require the department to hire a third-party administrator to assist it in the financial administration of Arizona Empowerment Scholarship Accounts.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ADE General Fund costs are projected to increase by \$326,162,500 in FY 2021 above FY 2020 and \$255,858,000 in FY 2022 above FY 2021. These estimates are based on:

- 0.6% ADM growth (unweighted) in both FY 2021 and FY 2021 consisting each year of approximately (4,400) fewer district ADM and 10,700 more charter ADM.
- GDP inflators of 2% for both FY 2021 and FY 2022 (currently projected at 2.3% for FY 2021 and 2.4% for FY 2022; statute funds the lesser of 2% or the actual rate).
- A \$25 million increase in State Aid Supplement funding in FY 2021, from \$50 million to \$75 million, as required by Proposition 123.
- New construction NAV growth of 2.24% for FY 2021 and 2.29% for FY 2022.
- General Fund decreases of \$(9.5) million in FY 2021 and \$(8.4) million in FY 2022 for higher endowment earnings.
- Approximately \$1.6 million per year for Empowerment Scholarships Account caseload growth.
- An increase of \$1.8 million in FY 2021 and \$0.8 million in FY 2022 for Special Education Vouchers due to inflation (both years) and an additional base level increase for teacher pay raises (FY 2021 only).
- An increase of \$124.5 million (plus an additional \$50 million from the Classroom Site Fund) for additional teacher pay raises in FY 2021.
- No increase for Additional Assistance restorations in FY 2021 but an increase of \$67.8 million in FY 2022.

Endowment Earnings

In FY 2018, endowment earnings from state trust lands funded approximately \$358.7 million of Basic State Aid, School Facilities Board bond debt service and K-12 Classroom Site Fund costs.

Endowment earnings originate from the sale or lease of lands that the federal government deeded to Arizona in the Enabling Act in 1910 to provide support for public functions such as education. Approximately 9.2 million of

the original 11.0 million acres of state trust lands remain, of which approximately 87% (8.1 million acres) are for the benefit of public schools. The rest are designated mostly for the benefit of universities and corrections. K-12 education therefore is by far the largest beneficiary of earnings generated from state trust lands.

The State Land Department and State Treasurer both generate endowment earnings from state trust lands. The State Land Department generates endowment earnings primarily by selling or leasing state trust lands and natural products from trust lands. The State Treasurer generates endowment earnings by investing monies received from the State Land Department from the sale of state trust lands and related natural products in stocks, bonds and other income-earning investments.

State trust land earnings are considered either “permanent” or “expendable” depending on whether they are one-time in nature. Only expendable monies are distributed to beneficiaries, as permanent monies are considered to be part of the original endowment and must be reinvested rather than distributed to beneficiaries. Permanent monies include one-time proceeds from the sale of state trust lands and natural products from state trust lands.

Expendable monies include ongoing income that the State Land Department generates from leases, permits and interest from sales contracts and a portion of investment returns generated by the State Treasurer.

The portion of Treasurer land trust earnings that is considered expendable is determined by a formula prescribed in the State Constitution, since the value of invested land trust monies fluctuates daily. Prior to voter approval of Proposition 123 in May 2016, the State Constitution required the State Treasurer to distribute annually to each beneficiary (such as public schools) a flat 2.5% of the average monthly market value of the beneficiary’s permanent fund for the immediately preceding 5 calendar years.

The 2.5% factor has been superseded through FY 2025 by a new 6.9% factor required by Proposition 123. After FY 2025, Proposition 123 reestablishes the 2.5% factor on a permanent basis.

In FY 2018, public schools received \$358.7 million of expendable land trust monies from the State Land Department and State Treasurer combined. That total included \$63.9 million from the Land Department and \$294.8 million from the State Treasurer (see Table 14).

Table 14

Source of K-12 Endowment Earnings by Fiscal Year
(\$ in Millions)

Source	2015 ^{1/}	2018	2019 est	2020 est ^{2/}
Land Department	53.2	63.9	49.7	49.7
Treasurer	76.0	294.8	321.2	342.2
Total	129.2	358.7	370.9	391.9

^{1/} Final year prior to Proposition 123.

^{2/} Assumes no change in trust land lease revenues for FY 2020.

Table 14 shows that K-12 endowment earnings are estimated to equal \$370.9 million in FY 2019 and \$391.9 million in FY 2020.

Of the \$358.7 million in K-12 expendable earnings generated for FY 2018, \$235.3 million was used to fund Basic State Aid pursuant to A.R.S. § 37-521B3 and \$24.9 million to fund the School Facilities Board debt service pursuant to A.R.S. § 37-521B2 (see Table 15). The remaining \$98.5 million was deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4. The latter law dedicates to the Classroom Site Fund all growth in K-12 expendable endowment earnings above the FY 2001 level, which was \$72.3 million. (See Proposition 301 narrative below for more information on the Classroom Site Fund and Proposition 301.)

Table 15

Use of K-12 Endowment Earnings by Fiscal Year
(\$ in Millions)

Source	2015	2018	2019 ^{1/}	2020 ^{1/}
Basic State Aid	47.3	235.3	277.1	290.5
SFB Debt Service	25.0	24.9	0 ^{2/}	0 ^{2/}
Classroom Site Fund	56.9	98.5	93.8	101.4
Total	129.2	358.7	370.9	391.9

^{1/} Estimated.

^{2/} \$24.9 million annual SFB debt service payments ended after FY 2018.

Proposition 123 Triggers

Proposition 123 allows the state to temporarily suspend future inflation increases during periods of economic slowdown in which sales tax revenue and employment both grew more than 1% but less than 2% in the prior year [if only one factor falls into the 1-2% range, there is no suspension]. It would require this suspension if sales tax revenue and employment both grew less than 1%. Since 1992, economic conditions would have met the 1-2% threshold in 1 year and would have met the 1% threshold in 3 years.

The proposition also allows the state to reduce the 6.9% distribution rate to no less than 2.5% for the following fiscal year if the 5-year average balance of the State Land Trust Permanent Fund fell below the average balance of

the preceding 5 years. The criteria for reducing the distribution rate would not have been met in the last 10 years, as no 5-year period since 2001 has averaged a lower balance than the preceding 5 years.

Beginning in FY 2026, the proposition allows (but does not require) the suspension of the annual inflation adjustment and a reduction in K-12 funding for the next fiscal year equal to the current year inflation adjustment if K-12 spending surpassed 49% of the total state General Fund appropriations. If K-12 spending surpassed 50%, the state could temporarily suspend the annual inflation adjustment and reduce K-12 funding for the next fiscal year by twice the current year inflation amount. For FY 2020, budgeted K-12 spending constitutes approximately 43.9% of total state General Fund appropriations.

(Please see the FY 2017 Appropriations Report for more information on Proposition 123.)

Aggregate Expenditure Limit

Article IX, Section 21 of the State Constitution establishes an Aggregate Expenditure Limit (AEL) that caps spending for all school districts combined at the FY 1980 statewide level adjusted for subsequent statewide enrollment growth and inflation plus 10%. The AEL does not apply to exempted items like overrides, bonding and Proposition 301 funding or to charter schools.

Pursuant to A.R.S. § 15-911B, the Department of Education computed in November 2018 that budgeted expenditures for school districts collectively for FY 2019 were \$(317.3) million below the AEL. The difference for FY 2018 was \$(672.6) million.

The gap between school district's budgeted spending and the AEL decreased in FY 2019 because funding for teacher pay raises and Additional Assistance restorations caused district spending statewide to grow faster than enrollment and inflation combined for that year. This is expected to occur again in FY 2020 due to additional teacher pay raises and additional assistance restorations budgeted for FY 2020. Under preliminary calculations, however, it appears that school district expenditures statewide are likely to remain below the AEL for FY 2020. This will not be known definitively until November 1, 2019, however, when the department is required to report school districts' AEL status for FY 2020 pursuant to A.R.S. § 15-911B.

A.R.S. § 15-911C2 allows the Legislature to authorize statewide school district spending above the AEL for that year with a two-thirds majority vote in both the House of Representatives and Senate. A permanent increase in the

AEL would require a voter-approved change to the State Constitution.

Basic State Aid Formula Description

Basic State Aid funding is based on a statutory formula enacted in 1980 and substantially modified in 1985. This formula "equalizes" formula funding among school districts, enabling them all to spend approximately the same amount of formula money per pupil from state and local sources combined. (Non-formula funding, such as from bonds and overrides, is not equalized.) Districts with a very strong local property tax base can generate their entire formula funding entitlement from local property taxes alone. Most school districts, however, require "Basic State Aid" monies to receive full formula funding.

The equalization formula for school districts consists of 3 components: the Base Support Level (BSL), Transportation Support Level (TSL), and District Additional Assistance (DAA). BSL and DAA funding are computed by multiplying specific dollar amounts in statute by a school district's student count, adjusted for various weights. The TSL instead is computed by multiplying specific dollar amounts per route mile in statute by a district's pupil transportation route miles. The sum of the 3 formula components equals what is referred to as a school district's "equalization base," which is its total funding entitlement under the K-12 equalization funding formula.

After a school district's equalization base is determined, its net assessed property value (NAV) is multiplied by the statutory "Qualifying Tax Rate" (QTR) (A.R.S. § 15-971B) to determine the portion of its formula funding that is assumed to come from QTR taxes. This amount, plus the district's share of State Equalization Tax Rate (SETR) revenues (A.R.S. § 15-994), if any, are then subtracted from its equalization base.

If the district's combined QTR and SETR revenues exceed its equalization base, the district is not entitled to Basic State Aid. If, however, its "local share" funding does not exceed its equalization base, the district receives Basic State Aid funding to make up the difference. The actual local property tax rate for schools may be lower than the QTR (such as if the QTR would raise more than the district's formula funding entitlement), or higher if the district can budget for items outside of its "Revenue Control Limit" (RCL) pursuant to A.R.S. § 15-910.

Basic State Aid is also provided to charter schools, which are schools that do not have geographic boundaries, operate under terms specified in a "charter," and are sponsored by an entity such as the State Board for Charter Schools. The equalization funding formula for charter

schools does not include DAA or separate transportation funding and instead consists only of BSL and Charter Additional Assistance (CAA) funding. BSL funding for charter schools is determined under the same formula prescribed for traditional public schools in A.R.S. § 15-943. CAA funding amounts are established separately in A.R.S. § 15-185B4 and for FY 2020 equal \$1,843.14 per pupil for Grades K-8 and \$2,148.15 per pupil for Grades 9-12. Charter schools receive all their equalization funding through Basic State Aid, since they do not have authority to generate funding through local property taxes.

Broadband Expansion

The FY 2018 General Appropriation Act included a one-time \$3 million appropriation to the newly-established Broadband Expansion Fund (BEF) for state matching contributions for broadband construction projects for schools and libraries. (See the FY 2018 Appropriations Report for more information.)

In addition, the Arizona Corporation Commission (ACC) on March 14, 2017 approved a temporary 12-month surcharge on Arizona consumers' phone bills to generate \$8 million of additional state matching funds. Together, the \$3 million legislative appropriation and the \$8 million surcharge are intended to provide \$11 million of state matching contributions to draw down approximately \$116 million in federal "E-Rate" monies that support broadband construction projects.

Before any state matching funds were released, each project proposal had to be certified by ADE and approved for federal E-Rate funding by the Universal Service Administrative Company (USAC), which administers the program.

As of June 2019, the department had allocated all \$11 million of state funding for broadband projects, including funding for resubmitted projects originally denied in 2018. The department also indicated at that time that 3 remaining projects had received federal approval for 2019-2020 and 2 were awaiting federal approval.

Estimated summary statistics for the program as of June 2019 (including funding from anticipated federal approvals for 2019-2020) appear in *Table 16*. It shows that the program was expected to have served 282,253 pupils cumulatively upon completion and to have drawn down \$115.6 million of federal e-rate funding and \$1.1 million of local funding with the \$11.0 million of state funding. This was expected to result in total final project funding of approximately \$127.8 million.

Table 16
Arizona Broadband for Education Initiative Summary ^{1/}

Item	2017	2018	2019	Total
Students Served	96,668	152,425	33,160	282,253
Funding Summary ^{2/}				
E-Rate Portion	12.4	55.2	48.1	115.6
State Portion	1.0	4.7	5.3	11.0
School Portion ^{3/}	0.1	1.0	0.0	1.1
Total Funded ^{4/}	13.6	60.8	53.4	127.8

^{1/} Arizona Department of Education data as of June 2019.

^{2/} Dollars in millions.

^{3/} Schools not meeting certain poverty thresholds must provide local backfill funding.

^{4/} Totals may not match due to rounding.

The federal E-Rate program may continue to be available in future years, so the Legislature could also make additional appropriations to draw down more Federal Funds in subsequent years if deemed necessary.

Proposition 301

Proposition 301, which was passed by voters in November 2000, amended A.R.S. § 42-5010 to increase the state Transaction Privilege Tax (TPT) ("sales tax") rate on most purchases from 5% to 5.6% through FY 2021 to generate more funding for public education. It also amended A.R.S. § 42-5029 to prescribe how the new sales tax revenues would be allocated (see *Table 17*).

Starting in FY 2022, Laws 2018, Chapter 74 extends the additional 0.6% sales tax through June 30, 2041 and redirects to the Classroom Site Fund \$64.1 million of 0.6% sales tax monies previously needed for debt service on School Facilities Board bonds authorized by Proposition 301. All other distributions remain unchanged.

As shown in *Table 17*, Proposition 301 revenues are earmarked for the following items through FY 2021:

- Debt service on \$794.7 million of School Facilities Board bonds used for deficiencies correction, which will be paid off by the end of FY 2020. (Chapter 74 redirects these monies to the Classroom Site Fund starting in FY 2022. For FY 2021, 12% will go to universities, 3% to community colleges, with equivalent per pupil distributions going to tribal community colleges, and the remainder will go to the Classroom Site Fund.)
- Universities (12% of the remainder after SFB debt service).
- Community colleges (3% of the remainder).
- Tribal Colleges (same formula as community colleges).

Table 17

PROPOSITION 301 SALES TAX REVENUES		Proposition 301 Monies (FY 2018 Actual) (\$ in Millions)
Recipient	Amount	Comment
School Facilities Board	\$64.1	For debt service on \$794.7 million of bonds authorized by Proposition 301 for school repairs and updates.
Universities	77.4	Receive 12% of monies remaining after SFB debt service is deducted.
Community Colleges	19.3	Receive 3% of monies after SFB debt service.
Tribal Colleges	0.8	Same formula as for community colleges.
Income Tax Credit	<u>25.0</u>	For income tax credit authorized by A.R.S. § 43.1072.01.
Subtotal - Non-ADE Programs	\$186.6	
Additional School Days	\$86.3	To add 5 days to K-12 school year (180 days total).
School Safety and Character Education	8.0	\$7.8 million for School Safety (A.R.S. § 15-154) and \$0.2 million for Character Education (A.R.S. § 15-154.01).
School Accountability	7.0	For school accountability pursuant to A.R.S. § 15-241 and § 15-1041.
Failing Schools	1.5	To Failing Schools Tutoring Fund (A.R.S. § 15-241CC).
Classroom Site Fund	<u>419.7</u>	Established by A.R.S. § 15-977. Receives all monies remaining after other distributions are made. Also receives all expendable K-12 endowment earnings above \$72.3 million.
Subtotal - ADE Programs	\$522.5	
Total - Prop 301 Sales Tax	\$709.1	
CLASSROOM SITE FUND EXPENDITURES (ALL SOURCES)		
Prop 301 Sales Tax (from above)	419.7	
Prop 301/CSF - Land Trust	92.1	
Prop 301/CSF - Carry-Forward	<u>0.0</u>	
Total - Classroom Site Fund	\$511.8^{1/}	

^{1/} Total disbursements reported for FY 2018 in ADE's FY 2020 budget request from August 2018. Does not match estimated amounts in JLBC Staff Classroom Site Fund (CSF) memo dated 3/29/2018, as the latter were estimates based on data available at the time rather than year-end actuals.

- Income tax credit for sales tax paid by low income households (to offset the additional 0.6¢ sales tax rate).
- Additional School Days.
- School Safety and Character Education.
- School Accountability.
- Failing Schools.
- Classroom Site Fund (A.R.S. § 15-977).

Proposition 301 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies remaining after all other distributions are made. Its share equaled \$419.7 million (59.2%) of the \$709.1 million collected for FY 2018 (see Table 17).

Classroom Site Fund

Proposition 301 also amended A.R.S. § 37-521B4 to dedicate to the Classroom Site Fund all growth in K-12 expendable land trust earnings above the amount generated by the State Treasurer and State Land Department combined for FY 2001 (the last year before Proposition 301 took effect), which equaled \$72.3 million.

Total reported expenditures from the CSF for FY 2018 were \$511.8 million (see Table 17).

Budget Overrides

Current law permits school districts to exceed statutory budget limits through "budget override" elections. This includes Maintenance and Operation (M&O) overrides (A.R.S. § 15-481E&F), Special Program overrides (A.R.S. § 15-482) and District Additional Assistance overrides (called Capital Overrides prior to FY 2014) (A.R.S. § 15-481L&M).

M&O and Special Program overrides together are capped at 15% of a district's Revenue Control Limit (RCL). ("RCL" essentially equals a district's total funding under the Basic State Aid formula minus its District Additional Assistance funding, pursuant to A.R.S. § 15-947.) District Additional Assistance overrides are capped at 10% of a district's RCL.

M&O and Special Program overrides provide additional funding for school district operating expenses, such as teacher salaries. District Additional Assistance overrides

instead must be used for the capital improvements listed in the publicity pamphlet for the override, except that up to 10% of the override proceeds may be used for general capital expenses, including cost overruns of proposed capital improvements, pursuant to A.R.S. § 15-481X. Overrides are funded with additional local property taxes. All 3 types of overrides may be authorized for up to 7 years. M&O and Special Program overrides are phased down over the last 2 years of authorization unless re-approved by voters.

For FY 2019, 93 districts statewide had M&O overrides pursuant to A.R.S. § 15-481, 1 had a “Special Program” override pursuant to A.R.S. § 15-482, and 25 had District Additional Assistance overrides. The total amounts budgeted for overrides for FY 2019 included \$530.7 million for M&O overrides, \$0.9 million for Special Program overrides and \$85.9 million for District Additional Assistance overrides. Grand total budgeted override funding for FY 2019 therefore equaled \$617.5 million, which was \$42.1 million above the \$575.4 million amount budgeted for all overrides collectively in FY 2018 (see Table 18). (See the School Facilities Board budget narrative for a related summary on K-12 Capital Bonding.)

<u>Type of Override</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Change</u>
M&O	490.7	530.7	40.0
Special Program	1.3	0.9	(0.4)
Additional Assistance	83.4	85.9	2.5
Total	575.4	617.5	42.1

A.R.S. § 15-249.04 requires ADE to report by November 30 of each year the amount budgeted for school district budget overrides by district and type of override for the current fiscal year. The data cited in Table 18 are from the related ADE reports for FY 2018 and FY 2019.

Department of Emergency and Military Affairs

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
PROGRAM BUDGET			
Administration	1,909,400	1,784,200	1,887,600
Emergency Management	7,703,400	7,735,800	7,732,900
Military Affairs	2,657,700	3,039,800	4,039,800
AGENCY TOTAL	12,270,500	12,559,800	13,660,300
OPERATING BUDGET			
Full Time Equivalent Positions	69.6	69.6	69.6 ^{1/2/}
Personal Services	1,770,600	1,843,000	1,843,000
Employee Related Expenditures	591,600	595,300	602,200
Professional and Outside Services	26,600	6,000	6,000
Travel - In State	63,600	55,000	55,000
Travel - Out of State	15,000	10,000	10,000
Other Operating Expenditures	2,648,100	1,218,500	1,315,000
Equipment	98,000	37,100	37,100
OPERATING SUBTOTAL	5,213,500	3,764,900	3,868,300
SPECIAL LINE ITEMS			
Emergency Management Matching Funds	1,538,100	1,543,300	1,543,300
Governor's Emergency Fund	4,000,000	4,000,000	4,000,000 ^{3/}
Nuclear Emergency Management Program	1,430,400	1,461,600	1,458,700 ^{4/5/}
Military Airport Planning	88,500	90,000	90,000 ^{6/}
National Guard Matching Funds	0	1,700,000	1,700,000 ^{7/}
National Guard Tuition Reimbursement	0	0	1,000,000
AGENCY TOTAL	12,270,500	12,559,800	13,660,300 ^{8/}
FUND SOURCES			
General Fund	10,840,100	11,098,200	12,201,600
<u>Other Appropriated Funds</u>			
Nuclear Emergency Management Fund	1,430,400	1,461,600	1,458,700
SUBTOTAL - Other Appropriated Funds	1,430,400	1,461,600	1,458,700
SUBTOTAL - Appropriated Funds	12,270,500	12,559,800	13,660,300
Other Non-Appropriated Funds	84,200	210,000	53,200
Federal Funds	57,779,700	80,010,900	64,645,300
TOTAL - ALL SOURCES	70,134,400	92,780,700	78,358,800

AGENCY DESCRIPTION - The department's Emergency Management Program prepares and coordinates emergency response plans for the state. The Military Affairs Program operates the Arizona National Guard and the Military Installation Fund Program.

FOOTNOTES

- ^{1/} Includes 5.5 FTE Positions in FY 2020 and FY 2021 appropriated by Laws 2019, Chapter 24 and 1 FTE Position appropriated by A.R.S. § 26-263.
- ^{2/} Includes 1 GF and 5.5 OF FTE Positions funded from Special Line Items in FY 2020.
- ^{3/} Includes expenditures authorized by A.R.S. § 35-192, which states that up to \$4,000,000 may be spent on disaster prevention and mitigation. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- ^{4/} Laws 2019, Chapter 24 appropriated \$1,458,753 and 5.5 FTE Positions in FY 2020 and \$1,506,116 and 5.5 FTE Positions in FY 2021 from the Nuclear Emergency Management Fund to DEMA.

- 5/ Pursuant to A.R.S. § 26-306.02, the Nuclear Emergency Management Program appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriation; any unexpended monies, however, shall be used to reduce the assessment and appropriation in future years.
- 6/ A.R.S. § 26-263 annually appropriates \$90,000 and 1 FTE Position from the General Fund for the administration of the Military Installation Fund. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 7/ The \$1,700,000 National Guard Matching Funds appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2020 monies remaining unexpended and unencumbered on December 31, 2020 revert to the State General Fund. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

Operating Budget

The budget includes \$3,868,300 and 63.1 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$103,400 from General Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Emergency Management Matching Funds

The budget includes \$1,543,300 from the General Fund in FY 2020 for Emergency Management Matching Funds. These amounts are unchanged from FY 2019.

The line item provides funding for the required 1:1 match for the Federal Emergency Management Performance Grant (EMPG) not covered with existing DEMA resources. EMPG monies are allocated to DEMA who then either expends them or passes monies on to other state, county, and municipal agencies to help provide planning, training, and other preparation for natural hazards and emergencies. In FFY 2018, DEMA was awarded \$7,077,300 by the federal government.

In FY 2018, the state match for these monies was funded by \$735,000 from the General Fund operating budget appropriation, \$1,438,900 from the Emergency Management Matching Funds line item appropriation, and \$735,500 of the Nuclear Emergency Management Fund appropriation, and a \$4,167,900 match from the local government sub-recipients.

In FY 2019, DEMA expects to receive \$7,077,300 in EMPG funds.

Governor's Emergency Fund

The budget includes \$4,000,000 from the General Fund in FY 2020 for the Governor's Emergency Fund. This amount is unchanged from FY 2019.

Under A.R.S. § 35-192, the Governor may, through emergency declarations, authorize up to \$4,000,000 annually from the General Fund for disaster prevention and mitigation without specific appropriation authority. Monies in this line item, therefore, are not included in the General Appropriation Act.

Nuclear Emergency Management Program

The budget includes \$1,458,753 and 5.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2020 for the Nuclear Emergency Management Program line item. FY 2020 adjustments are as follows:

New NEMF Assessment

The budget includes a decrease of \$(2,900) from NEMF in FY 2020 for a new NEMF assessment.

Laws 2019, Chapter 24 appropriates \$1,458,753 and 5.5 FTE Positions from NEMF in FY 2020 and \$1,506,116 and 5.5 FTE Positions in FY 2021. As a result, these monies did not appear in the General Appropriation Act. The Department of Health Services, the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2019-2021 are displayed in *Table 1*. *(Please see the Department of Agriculture and the Department of Health Services for more information.)*

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the NEMF appropriation.

Table 1

Nuclear Emergency Management Fund

Agency	FY 2019		FY 2020		FY 2021	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	5.5	\$1,461,602	5.5	\$1,458,753	5.5	\$1,506,116
Health Services ^{2/}	5.5	789,663	5.5	789,663	5.5	789,663
Agriculture	<u>2.88</u>	<u>275,012</u>	<u>2.88</u>	<u>301,376</u>	<u>2.88</u>	<u>280,512</u>
Total	13.88	\$2,526,277	13.88	\$2,549,792	13.88	\$2,576,291

^{1/} The Emergency and Military Affairs appropriation includes the appropriations for the Maricopa County Department of Emergency Management and the City of Buckeye.

^{2/} Laws 2017, Chapter 313 transferred all responsibilities and unexpended or unencumbered monies of the Arizona Radiation Regulatory Agency to the Department of Health Services on January 1, 2018.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and testing necessary to comply with federally prescribed criteria.

Military Airport Planning

The budget includes \$90,000 and 1 FTE Position from the General Fund in FY 2020 for Military Airport Planning. These amounts are unchanged from FY 2019.

Prior to receiving a one-time deposit of \$2,500,000 in FY 2015, the Military Installation Fund had received no General Fund appropriation since FY 2011. The FY 2012 General Government Budget Reconciliation Bill (BRB) eliminated the annual \$2,025,000 General Fund deposit into the Military Installation Fund in statute. A.R.S. § 26-263 retained the annual \$90,000 and 1 FTE Position administrative appropriation to the department and an annual \$85,000 appropriation to the Attorney General. Since these monies are appropriated in statute, they do not appear in the General Appropriation Act.

As of June 2019, the fund had an unreserved balance of \$816,600.

Of the monies deposited into the Military Installation Fund, DEMA is required to award 80% to acquire private property, real estate, property rights, and related infrastructure. The remaining 20% is awarded to cities, towns, and counties. The purchasing entity — whether it is the state or a local government — owns the property and state properties are managed by DEMA.

National Guard Matching Funds

The budget includes \$1,700,000 from the General Fund in FY 2020 for the National Guard Matching Funds line item. This amount is unchanged from FY 2019.

The line item provides state funding to DEMA that serves as a match to federal grants for the operational and maintenance costs associated with National Guard facilities. These matching funds are for military grants, whereas the Emergency Management Matching Funds line item is for emergency-related grants. These military grants have a matching requirement of 5-50%.

The operations and maintenance for these facilities are paid through service contracts. The budget continues to make this appropriation exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2020 monies remaining unexpended and unencumbered on December 31, 2020 revert to the state General Fund.

In FY 2018, DEMA received \$35,461,700 in National Guard Military Operations and Maintenance Projects monies. Of this amount, \$1,800,500 required a 50% match, or \$900,300; \$3,720,000 required a 25% match, or \$930,000; and \$2,861,700 required a 5% match, or \$143,100, for a total required match of \$1,973,400.

In FY 2018, DEMA utilized \$1,341,300 from the State Match appropriations, \$459,300 from the Military Affairs appropriation and \$172,800 was provided by the Arizona Department of Administration (ADOA) building renewal appropriation.

DEMA estimates their FY 2019 match expenditures will be \$1,700,000.

National Guard Tuition Reimbursement

The budget includes \$1,000,000 from the General Fund in FY 2020 for the National Guard Tuition Reimbursement line item. FY 2020 adjustments are as follows:

Restore Funding

The budget includes an increase of \$1,000,000 from General Fund in FY 2020 for National Guard Tuition Reimbursement.

The line item restores funding to the Arizona National Guard Postsecondary Education Reimbursement Program, which reimburses eligible National Guardsmen for qualifying higher education expenses. The last appropriation received for this line item was for \$1,446,000 in FY 2009.

DEMA estimates that the \$1,000,000 appropriation will provide tuition reimbursement to 369 National Guardsmen.

Other Issues

Statutory Changes

The Criminal Justice BRB makes the following statutory changes:

- As session law, extend to FY 2020 the lapsing date of the FY 2019 appropriation of \$1.25 million from the Military Installation Fund for the construction of a new Readiness Center.

Department of Environmental Quality

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	322.0	322.0	322.0
Personal Services	15,200,700	19,651,600	19,651,600
Employee Related Expenditures	5,800,000	7,892,100	8,030,000
Professional and Outside Services	889,600	5,004,700	5,004,700
Travel - In State	289,300	430,200	430,200
Travel - Out of State	47,400	95,200	95,200
Other Operating Expenditures	11,366,000	12,242,300	12,343,300
Equipment	232,300	273,800	273,800
OPERATING SUBTOTAL	33,825,300	45,589,900	45,828,800
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	21,232,500	21,119,500	21,119,500
Maricopa County Dust Suppression Pilot Program	0	0	200,000
Nogales Wastewater Project	0	0	2,569,300
Safe Drinking Water Program	1,593,100	1,802,100	1,812,000
WQARF Priority Site Remediation	13,536,900	13,552,000	13,552,000 ^{1/2/3/}
AGENCY TOTAL	70,187,800	82,063,500	85,081,600 ^{4/}
FUND SOURCES			
General Fund	2,823,600	0	200,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	6,700,000	9,382,900	8,295,900
Emergency Response Fund	113,600	132,800	132,800
Emissions Inspection Fund	27,001,300	33,087,700	30,657,300
Hazardous Waste Management Fund	1,514,200	1,742,400	1,748,200
Indirect Cost Recovery Fund	12,098,800	13,524,900	13,615,900 ^{5/}
Permit Administration Fund	8,424,500	7,146,800	8,155,700 ^{6/}
Recycling Fund	1,951,800	3,411,300	3,513,800
Safe Drinking Water Program Fund	1,603,200	1,802,100	1,812,000
Solid Waste Fee Fund	961,400	1,245,800	1,247,800
Underground Storage Tank Revolving Fund	0	30,200	5,126,700
Water Quality Fee Fund	6,995,400	10,556,600	10,575,500
SUBTOTAL - Other Appropriated Funds	67,364,200	82,063,500	84,881,600
SUBTOTAL - Appropriated Funds	70,187,800	82,063,500	85,081,600
Other Non-Appropriated Funds	40,244,100	65,718,000	65,718,000
Federal Funds	16,569,400	16,675,600	16,675,600
TOTAL - ALL SOURCES	127,001,300	164,457,100	167,475,200

AGENCY DESCRIPTION — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the cleanup (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.

FOOTNOTES

^{1/} A.R.S. § 49-282 requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it would be shown here as a General Fund expenditure. The Environment Budget Reconciliation Bill reduced this transfer to \$0 in FY 2020, but

utilizes balances of \$2,800,000 from the Emissions Inspection Fund, \$2,600,000 from the Air Quality Fund, \$5,000,000 from the Underground Storage Tank Revolving Fund Revolving Fund, \$1,000,000 from the Permit Administration Fund, and \$2,152,000 from the Recycling Fund to increase total appropriated WQARF funding to \$13,552,000.

- 2/ The Department of Environmental Quality shall report annually on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. The department shall submit the FY 2020 report to the Joint Legislative Budget Committee on or before September 1, 2019. This report shall also include a budget for the WQARF program that is developed in consultation with the WQARF Advisory Board. This budget shall specify the monies budgeted for each listed site during FY 2020. In addition, the department and the advisory board shall prepare and submit to the Joint Legislative Budget Committee, on or before October 1, 2019, a report in a table format summarizing the current progress on remediation of each listed site on the WQARF registry. The table shall include the stage of remediation for each site at the end of FY 2019, indicate whether the current stage of remediation is anticipated to be completed in FY 2020 and indicate the anticipated stage of remediation at each listed site at the end of FY 2020, assuming FY 2020 funding levels. The department and advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)
- 3/ Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2021 budget for the Water Quality Assurance Revolving Fund before September 1, 2019, for review by the Senate and House of Representatives Appropriations Committees. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 5/ All Indirect Cost Recovery Fund monies received by the Department of Environmental Quality in excess of \$13,615,900 in FY 2020 are appropriated to the department. Before spending Indirect Cost Recovery Fund monies in excess of \$13,615,900 in FY 2020, the department shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 6/ All Permit Administration Fund monies received by the Department of Environmental Quality in excess of \$8,155,700 in FY 2020 are appropriated to the department. Before spending Permit Administration Fund monies in excess of \$8,155,700 in FY 2020, the department shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes \$45,828,800 and 322 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<u>FY 2020</u>
Air Quality Fund	\$4,395,900
Emergency Response Fund	132,800
Emissions Inspection Fund	5,468,500
Hazardous Waste Management Fund	1,748,200
Indirect Cost Recovery Fund	13,615,900
Permit Administration Fund	7,155,700
Recycling Fund	1,361,800
Solid Waste Fee Fund	1,247,800
Underground Storage Tank Revolving Fund	126,700
Water Quality Fee Fund	10,575,500

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$238,900 in FY 2020 for statewide adjustments. This amount consists of:

Air Quality Fund	13,000
Emissions Inspection Fund	300

Hazardous Waste Management Fund	5,800
Indirect Cost Recovery Fund	91,000
Permit Administration Fund	8,900
Recycling Fund	2,500
Solid Waste Fee Fund	2,000
Underground Storage Tank Revolving Fund	96,500
Water Quality Fee Fund	18,900

(Please see the Agency Detail and Allocations section.)

The FY 2019 General Appropriation Act included a transfer of \$993,900 in both FY 2019 and FY 2020 from the Air Quality Fund to the General Fund, accompanied by an Air Quality Fund appropriation reduction of \$(993,900). Air Quality Fund expenditures would be backfilled with Volkswagen (VW) Settlement monies in FY 2019 and FY 2020. *(Please see the Other Issues section for more information about Air Quality Fund Transfers. Please see the FY 2019 Appropriations Report Attorney General narrative for more information about the Volkswagen Settlement monies.)*

The Environment Budget Reconciliation Bill (BRB) continues to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank Revolving (UST) Fund for department administrative expenses.

Additionally, the provision allowing the fund to be used for remediating sewage discharge issues in Naco, Arizona is expanded to allow the fund to also be used for sewage discharges in other border areas of Arizona.

Emissions Control Contractor Payment

The budget includes \$21,119,500 from the Emissions Inspection Fund in FY 2020 for the Emissions Control Contractor Payment. This amount is unchanged from FY 2019.

Monies appropriated to this line item are used to pay the Emissions Control Program contractor. Under the contract, the contractor remits the entire amount of the fee to ADEQ for deposit in the Emissions Inspection Fund. ADEQ then determines the amount due to the contractor, based on the number of vehicles inspected, and makes payments to the contractor on a regular basis.

The Emissions Control Program is operated by an independent contractor in the Phoenix Metropolitan Area and the Tucson Metropolitan Area with the purpose of identifying and repairing polluting motor vehicles. The program is funded through test fees that are charged to motorists at the time of inspection. Statute does not specify a fee level. The Director of ADEQ has the statutory authority to specify the fees required to pay for the full cost of the Vehicle Emissions Inspection Program.

The Environment BRB continues to reduce emissions inspection fees by \$3.00 in Area A, which refers to the Phoenix Metropolitan Area and includes Maricopa County as well as portions of Pinal and Yavapai Counties. *(Please see Other Issues for more information.)*

Maricopa County Dust Suppression Pilot Program

The budget includes \$200,000 from the General Fund in FY 2020 for the Maricopa County Dust Suppression Pilot Program. FY 2020 adjustments are as follows:

One-Time Pilot Program Funding

The budget includes a one-time increase of \$200,000 from the General Fund in FY 2020 for the Maricopa County Dust Suppression Pilot Program. The monies will fund a pilot program in Sun Lakes, Arizona.

Nogales Wastewater Project

The budget includes \$2,569,300 in FY 2020 for the Nogales Wastewater Project. This amount consists of:

Air Quality Fund	1,300,000
Emissions Inspection Fund	1,269,300

FY 2020 adjustments are as follows:

One-Time Pipeline Project Funding

The budget includes a one-time increase of \$2,569,300 in FY 2020 for the Nogales Wastewater Project. This amount consists of:

Air Quality Fund	1,300,000
Emissions Inspection Fund	1,269,300

This line item funds the Nogales Wash and International Outfall Interceptor (IOI) pipeline project. The project repairs the damaged 8.8-mile IOI pipeline running under the Nogales Wash that carries approximately 12 million gallons of raw sewage each day from Sonora, Mexico, to the Nogales International Wastewater Treatment Plant. Leaks from the IOI pipeline have discharged raw sewage into the Santa Cruz River.

The estimated total cost of the IOI project is \$28 million. The International Boundary and Water Commission is providing \$21 million, or 78% of the cost of the project. The other \$6 million, or 22%, is being provided by local governments, the state, federal grants, and nonprofits.

Safe Drinking Water Program

The budget includes \$1,812,000 from the Safe Drinking Water Program Fund in FY 2020 for the Safe Drinking Water Program. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$9,900 from the Safe Drinking Water Program Fund in FY 2020 for statewide adjustments.

The Safe Drinking Water Program Fund receives the first \$1,800,000 of Public Water System (PWS) tax revenues. ADEQ's expenditures for the Safe Drinking Water Program appear in *Table 1*.

Position or Function	Actual FY 2018	Estimated FY 2019
Direct Personnel	\$1,057,400	\$1,096,400
Indirect Cost Fund	473,100	490,500
Contracting	16,700	67,100
Travel	25,600	37,000
Other	30,400	111,100
Total	\$1,603,200	\$1,802,100

WQARF Priority Site Remediation

The budget includes \$13,552,000 in FY 2020 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount consists of:

Air Quality Fund	2,600,000
Emissions Inspection Fund	2,800,000
Permit Administration Fund	1,000,000
Recycling Fund	2,152,000
Underground Storage Tank Revolving Fund	5,000,000

FY 2020 adjustments are as follows:

WQARF Funding Shifts

The budget includes no net change in FY 2020 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount consists of:

Air Quality Fund	(2,400,000)
Emissions Inspection Fund	(3,700,000)
Permit Administration Fund	1,000,000
Recycling Fund	100,000
Underground Storage Tank Revolving Fund	5,000,000

Table 2 shows the WQARF Program funding levels in FY 2020 compared to the FY 2019 appropriation.

WQARF Funding		
Fund	FY 2019	FY 2020
Air Quality Fund	\$ 5,000,000	\$ 2,600,000
VEI Fund	6,500,000	2,800,000
Permit Admin Fund	0	1,000,000
Recycling Fund	2,052,000	2,152,000
UST Fund	0	5,000,000
Total Appropriation	\$13,552,000	\$13,552,000
Non-Appropriated	\$ 2,000,000	\$ 2,000,000
Total Funds	\$15,552,000	\$15,552,000

A.R.S. § 49-288 requires WQARF to be funded from an annual \$15,000,000 transfer from the Corporate Income Tax (CIT). In addition, WQARF generates other revenue from various license and registration fees. A.R.S. § 49-282 directs the State Treasurer to adjust the \$15,000,000 CIT transfer so that, when combined with the WQARF fee-generated revenue, the program receives \$18,000,000 annually.

The Environment BRB continues to notwithstanding these statutory provisions and establishes the FY 2020 appropriations in session law. Additionally, the Environment BRB included a legislative intent statement that these amounts are to be supplemented by

\$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees. With \$2,000,000 of non-appropriated funds, total WQARF funding would be \$15,552,000.

The WQARF program is similar to the federal Superfund program in that it is designed to monitor and remediate contaminated groundwater at specified sites. Program expenditures include searching for responsible polluters, conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

Other Issues

Statutory Changes

The Environment BRB makes the following statutory changes:

- As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2020 for department administrative expenses and for sewage remediation.
- As session law, continue to suspend the requirement to appropriate \$15,000,000 from the state General Fund to the Water Quality Assurance Revolving Fund (WQARF). The fund sources for WQARF would be as follows: \$5,000,000 from the Underground Storage Tank Revolving Fund, \$2,800,000 from the Vehicle Emissions Inspection Fund, \$2,600,000 from the Air Quality Fund, \$2,152,000 from the Recycling Fund, and \$1,000,000 from the Permit Administration Fund to WQARF, for a total of \$13,552,000. With \$2,000,000 of non-appropriated funds, total WQARF funding would be \$15,552,000.
- As session law, continue to include a legislative intent statement that the WQARF appropriations are being supplemented by \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.
- As session law, continue the FY 2019 level of vehicle emissions inspection fees in FY 2020 (FY 2019 fees are \$3 less than FY 2016 in Area A, which includes Maricopa County and portions of Pinal and Yavapai Counties).
- As permanent law, amend A.R.S. § 49-544 to allow the department to use the Vehicle Emissions Inspections Fund to pay for the travel reduction programs in Maricopa and Pima Counties.
- As permanent law, allow monies in the Permit Administration Fund to be used for staff support to the Oil and Gas Conservation Commission.

Fund Transfers

The FY 2019 budget included transfers to the General Fund in FY 2019 and FY 2020. This included the following transfer in FY 2020:

	<u>FY 2020</u>
Air Quality Fund	\$993,900

VW Settlement monies would fund the Air Quality Program's personnel costs and monies from the Air Quality Fund would be transferred to the General Fund.

Vehicle Emissions Inspection (VEI) Fees

Travel Reduction Program

In June 2018, the Auditor General released a procedural review of ADEQ. The Auditor General found that during the review period of July 1, 2017 through February 28, 2018 ADEQ paid approximately \$790,000 from the VEI Fund for the Travel Reduction Program (TRP), which was not an allowable expenditure from this fund under A.R.S. § 49-544.

The TRP attempts to reduce vehicle emissions from commuting to work places and schools in the Phoenix and Tucson Metropolitan areas by requiring employers to assist their employees with the use of alternatives to single-occupant-vehicle commuting.

ADEQ stated that they reimbursed all expenditures inappropriately made from the VEI Fund for TRP with federal grant monies for Air Pollution Control Program Support.

The Environment BRB amends A.R.S. § 49-544 to allow the department to use the Vehicle Emissions Inspections Fund to pay for the travel reduction programs in Maricopa and Pima Counties.

Fund Sources and Uses

The VEI Program generates more in fees than the cost of administering the program, but total expenditures match or exceed fees when factoring in monies used from the fund for other programs, as shown in *Table 3*.

The Environment BRB continues to reduce emissions inspection fees by \$3.00 in Area A. This does not affect Area B, which refers to the Tucson Metropolitan Area. Area A's onboard diagnostic (OBD) test fee is reduced from \$20.00 to \$17.00, its steady state and idle test fee is reduced from \$19.00 to \$16.00, and its heavy-duty diesel test fee is reduced from \$28.00 to \$25.00. The change is estimated to reduce fees on over 1.2 million tests

conducted annually and reduce VEI Fund revenues by approximately \$(3.7) million annually.

Table 3

Emissions Inspection Fund

	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>
<u>Revenues</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Balance Forward	\$12,896,100	\$11,666,800	\$6,130,500
Fees	<u>26,866,500</u>	<u>27,551,400</u>	<u>27,551,400</u>
Total Revenues	\$39,762,600	\$39,218,200	\$33,681,900
<u>Expenditures</u>			
Contractor Payment	\$21,232,500	\$21,119,500	\$21,119,500
Operating Expenses	2,863,300	5,468,200	5,468,200
WQARF	<u>4,000,000</u>	<u>6,500,000</u>	<u>2,800,000</u>
Total Expenditures	\$28,095,800	\$33,087,700	\$29,387,700
Total Balance	\$11,666,800	\$ 6,130,500	\$4,294,200

Phoenix Metropolitan Area and Tucson Metropolitan area vehicle owners pay different rates as outlined below:

- Vehicle owners in the Phoenix area pay \$17.00 for the OBD test, while those in the Tucson area pay \$12.25 for the same test. Regardless of location, ADEQ pays its contractor \$13.85 for each diagnostic test.
- Owners of heavy-duty diesel trucks in the Phoenix area pay \$25.00 for each test, while those in the Tucson area pay \$12.25 for each test. Regardless of location, ADEQ pays its contractor \$23.50 for each heavy-duty diesel test.

Governor's Office of Equal Opportunity

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	137,700	133,300	133,300
Employee Related Expenditures	50,600	50,900	50,400
Travel - In State	100	1,200	1,200
Other Operating Expenditures	2,000	4,500	4,500
Equipment	0	800	800
AGENCY TOTAL	190,400	190,700	190,200 ^{1/}

FUND SOURCES

General Fund	190,400	0	0
<u>Other Appropriated Funds</u>			
Personnel Division Fund	0	190,700	190,200
SUBTOTAL - Other Appropriated Funds	0	190,700	190,200
SUBTOTAL - Appropriated Funds	190,400	190,700	190,200
TOTAL - ALL SOURCES	190,400	190,700	190,200

AGENCY DESCRIPTION — The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$190,200 and 4 FTE Positions from the Personnel Division Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(500) from the Personnel Division Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Equalization

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	239,700	274,200	274,200
Employee Related Expenditures	81,100	78,000	78,600
Professional and Outside Services	8,200	35,000	35,000
Travel - In State	16,000	16,000	16,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	154,100	228,800	235,200
Equipment	7,800	15,000	15,000
AGENCY TOTAL	506,900	652,000	659,000 ^{1/}
FUND SOURCES			
General Fund	506,900	652,000	659,000
SUBTOTAL - Appropriated Funds	506,900	652,000	659,000
TOTAL - ALL SOURCES	506,900	652,000	659,000

AGENCY DESCRIPTION — The State Board of Equalization consists of 41 seats. The board hears property tax appeals for Maricopa and Pima Counties. Property tax appeals in other counties continue to be heard by the respective County Boards of Equalization. Of the 32 current members, the 13 gubernatorial appointments also hear appeals of centrally-valued properties and equalization orders by the Department of Revenue.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$659,000 and 7 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$7,000 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Board of Executive Clemency

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.5	14.5
Personal Services	488,300	645,800	645,800
Employee Related Expenditures	181,200	215,600	216,500
Professional and Outside Services	1,200	32,400	32,400
Travel - In State	400	13,600	13,600
Other Operating Expenditures	194,500	219,600	231,700
Equipment	4,000	10,000	10,000
AGENCY TOTAL	869,600	1,137,000	1,150,000 ^{1/2/}
FUND SOURCES			
General Fund	869,600	1,137,000	1,150,000
SUBTOTAL - Appropriated Funds	869,600	1,137,000	1,150,000
Other Non-Appropriated Funds	23,800	30,100	30,100
TOTAL - ALL SOURCES	893,400	1,167,100	1,180,100

AGENCY DESCRIPTION — The board consists of 1 full-time chairman and 4 full-time members. The board makes decisions regarding the discretionary release of inmates convicted prior to January 1, 1994 who are parole and/or home arrest eligible. The board holds hearings for the revocation of parole or community supervision for crimes convicted on or after January 1, 1994, and determines the modification of release conditions and release decisions. The board considers executive clemency actions such as pardons, commutations, and absolute discharges for eligible offenders.

FOOTNOTES

- 1/ On or before November 1, 2019, the Board of Executive Clemency shall report to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting the total number and types of cases the board reviewed in FY 2019. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$1,150,000 and 14.5 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$13,000 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Caseload Data

Pursuant to a footnote in the FY 2019 General Appropriation Act, the board submitted a report on its FY 2018 caseload. The board conducted 3,047 case hearings in FY 2018, as described below:

- Phases 1 and 2 Commutation (230): After reviewing an inmate's request to have their sentence commuted, the board can decide to deny the request or allow the request to move to a Phase 2 Commutation hearing.
- Pardon (17): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (12): The board can discharge a person from imprisonment or parole supervision prior to the sentence expiration date or prior to the expiration of parole.
- Modification (0): The board can recommend to the Governor that an inmate's sentence be modified or commuted.
- Reprieve (0): The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate's punishment.
- Parole (501): These hearings only apply to offenders sentenced prior to 1994. The board may place these offenders on parole or deny their application for

parole and return them to the Department of Corrections.

- Violator (2,287): These hearings are conducted when an offender has violated the terms of community supervision.

Arizona Exposition and State Fair Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	4,076,600	4,506,800	4,579,100
Employee Related Expenditures	1,042,500	1,042,500	1,073,300
Professional and Outside Services	350,400	350,400	350,400
Travel - In State	2,500	2,500	2,500
Travel - Out of State	26,800	26,800	26,800
Other Operating Expenditures	6,532,100	6,532,100	6,596,900
Equipment	88,200	88,200	653,200
AGENCY TOTAL	12,119,100	12,549,300	13,282,200 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Exposition and State Fair Fund	12,119,100	12,549,300	13,282,200
SUBTOTAL - Other Appropriated Funds	12,119,100	12,549,300	13,282,200
SUBTOTAL - Appropriated Funds	12,119,100	12,549,300	13,282,200
TOTAL - ALL SOURCES	12,119,100	12,549,300	13,282,200

AGENCY DESCRIPTION — The Arizona Exposition and State Fair (AESF) Board is custodian of the 96-acre State Fairgrounds and Memorial Coliseum properties. The board directs and conducts the annual Arizona State Fair and leases the coliseum and fairgrounds facilities for special events, including the annual Arizona National Livestock Show.

FOOTNOTES

1/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$13,282,200 and 184 FTE Positions from the AESF Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Proposition 206 Minimum Wage Increase

The budget includes an increase of \$90,600 from the AESF Fund in FY 2020 for salary adjustments associated with minimum wage increases from Proposition 206. The board hires outside vendors and temporary employees during the State Fair and these wage levels are impacted by the higher minimum wages established by Proposition 206.

Increased Security

The budget includes an increase of \$565,000 from the AESF Fund in FY 2020 for additional funding to contract with third-party vendors for security and increased security measures at fairground entrances.

Statewide Adjustments

The budget includes an increase of \$77,300 from the AESF Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Capital Projects

The FY 2020 Capital Outlay Bill includes a combined \$1,700,000 from the AESF Fund for 2 AESF capital appropriations. This amount is available for use through the end of FY 2021. *(Please see the Capital Outlay ADOA Building System section for more information.)*

Department of Financial Institutions

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	69.1	73.1	73.1
Personal Services	2,646,800	3,475,200	3,475,200
Employee Related Expenditures	993,800	1,285,900	1,301,700
Professional and Outside Services	319,400	411,500	411,500
Travel - In State	1,800	500	500
Travel - Out of State	13,600	42,800	42,800
Other Operating Expenditures	595,800	719,000	735,900
Equipment	110,200	62,500	50,500
OPERATING SUBTOTAL	4,681,400	5,997,400	6,018,100
SPECIAL LINE ITEMS			
Real Estate Appraisal	92,400	0	0
AGENCY TOTAL	4,773,800	5,997,400	6,018,100 ^{1/2/}
FUND SOURCES			
General Fund	1,467,900	1,984,800	1,980,900
<u>Other Appropriated Funds</u>			
Board of Appraisal Fund	92,400	0	0
Financial Services Fund	3,213,500	3,962,600	3,986,600
Revolving Fund	0	50,000	50,600
SUBTOTAL - Other Appropriated Funds	3,305,900	4,012,600	4,037,200
SUBTOTAL - Appropriated Funds	4,773,800	5,997,400	6,018,100
Other Non-Appropriated Funds	1,140,200	663,000	663,000
TOTAL - ALL SOURCES	5,914,000	6,660,400	6,681,100

AGENCY DESCRIPTION — The department regulates state-chartered financial entities. The regulated entities include money transmitters, motor vehicle dealers, holding companies, trust companies, sales finance companies, collection agencies, escrow agents, debt management companies, consumer lenders, mortgage bankers, mortgage brokers, premium finance companies, credit unions and banks. The department also regulates real estate appraisal entities.

FOOTNOTES

- 1/ The Department of Financial Institutions shall assess and set fees to ensure that monies deposited in the state General Fund will equal or exceed the department's expenditure from the state General Fund. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$6,018,100 and 73.1 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$1,980,900
Financial Services Fund	3,986,600
Revolving Fund	50,600

FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(12,000) from the Financial Services Fund in FY 2020 for the elimination of one-time equipment.

Statewide Adjustments

The budget includes an increase of \$32,700 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	(3,900)
Financial Services Fund	36,000
Revolving Fund	600

(Please see the Agency Detail and Allocations section.)

Other Issues

Agency Consolidation

Laws 2019, Chapter 252 merges the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance (DOI) and renames the agency the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly renamed agency will retain all the same regulatory functions as the previous 3 agencies as Chapter 252 stipulates that DIFI retains the same authority, powers, duties, and responsibilities of DOI, DFI and ATA and transfers all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

Arizona Department of Forestry and Fire Management

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	88.0	88.0	88.0 ^{1/}
Personal Services	1,950,600	1,938,500	1,938,500
Employee Related Expenditures	763,500	775,400	775,700
Professional and Outside Services	42,800	45,000	45,000
Travel - In State	73,000	75,000	75,000
Travel - Out of State	17,200	15,000	15,000
Other Operating Expenditures	186,000	162,900	170,500
Equipment	9,800	7,500	72,500
OPERATING SUBTOTAL	3,042,900	3,019,300	3,092,200
SPECIAL LINE ITEMS			
Environmental County Grants	250,000	250,000	250,000
Fire Suppression	8,493,600	3,265,000	3,200,000 ^{2/}
Hazardous Vegetation Removal	611,400	2,000,000	3,000,000 ^{3/}
Inmate Firefighting Crews	654,400	692,400	693,200
Mount Lemmon Fire District	0	0	750,000 ^{4/}
Nonnative Vegetation Species Eradication	0	0	2,000,000 ^{5/}
Post-Release Firefighting Crews	822,900	1,009,500	1,010,700
State Fire Marshal	744,700	747,900	748,600
State Fire School	169,000	172,600	172,700
Taylor Fire Training Center	0	0	1,000,000 ^{6/}
AGENCY TOTAL	14,788,900	11,156,700	15,917,400 ^{7/}
FUND SOURCES			
General Fund	14,788,900	11,156,700	15,917,400
SUBTOTAL - Appropriated Funds	14,788,900	11,156,700	15,917,400
Other Non-Appropriated Funds	50,222,200	52,225,200	52,225,200
TOTAL - ALL SOURCES	65,011,100	63,381,900	68,142,600

AGENCY DESCRIPTION — The Arizona Department of Forestry and Fire Management (DFFM) is responsible for the prevention and suppression of forest fires on State Trust Land and private land outside incorporated municipalities (about 22 million acres total). The department includes the Office of the State Fire Marshal, which enforces the state fire codes and provides training and education for fire personnel and the general public. All training provided by the department must comply with safety standards prescribed by the National Fire Protection Association and the Occupational Safety and Health Administration of Arizona.

FOOTNOTES

- 1/ Includes 45 GF FTE Positions funded from Special Line Items in FY 2020.
- 2/ A.R.S. § 37-1305 annually appropriates \$3,000,000 from the General Fund to the Fire Suppression Revolving Fund. Because this authorization is in permanent statute, \$3,000,000 of the appropriated amount is not included in the General Appropriation Act.
- 3/ The appropriation for the Hazardous Vegetation Removal line item is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, through June 30, 2021. (General Appropriation Act footnote)
- 4/ A. In addition to any other appropriation made in FY 2020, the sum of \$750,000 is appropriated from the state General Fund in FY 2020 to the Arizona Department of Forestry and Fire Management to distribute to the Mount Lemmon Fire District to construct a water line.
B. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, except that all monies of the appropriation remaining unexpended and unencumbered on December 31, 2021 revert to the state General Fund. (General Appropriation Act footnote)

- 5/ The sum of \$1,000,000 is appropriated from the state General Fund in each of FY 2021, FY 2022, FY 2023, FY 2024, FY 2025, FY 2026, FY 2027, FY2028, and FY 2029 to the Arizona Department of Forestry and Fire Management for deposit in the Nonnative Vegetation Species Eradication Fund established by A.R.S. § 37-1309 to assist in preventing wildland fire and flooding. (General Appropriation Act footnote)
- 6/ The appropriation for the Taylor Fire Training Center line item is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. Monies appropriated for the Taylor Fire Training Center line item shall be distributed to the Navajo County Community College District to fund a public safety and emergency services training facility, which must be available to both public and private entities for training. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$3,092,200 and 43 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Shift Fire Suppression Software Funding

The budget includes an increase of \$65,000 from the General Fund in FY 2020 to shift funding for fire management software from the Fire Suppression line item to DFFM's operating budget. *(Please see the Fire Suppression line item for more information.)*

Statewide Adjustments

The budget includes an increase of \$7,900 from the General Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Environmental County Grants

The budget includes \$250,000 from the General Fund in FY 2020 for Environmental County Grants. This amount is unchanged from FY 2019.

Monies in this line item have been used by Greenlee, Graham, Gila, Navajo, and Apache Counties for environmental projects that impact economic development in those counties. DFFM must approve any project prior to expenditure of the monies. In FY 2019, this funding supported the following 10 projects:

- \$37,500 for the *Four Forest Restoration Initiative* which supports large scale forest restoration and the implementation of a successor strategy to the White Mountain Stewardship Contract.
- \$37,500 to address *Threatened and Endangered Species* concerns with a focus on the Mexican Gray Wolf recovery and experimental population programs. These monies will also be used to conduct a National Environmental Policy Act analysis of species listings, habitat designation, and recovery programs in eastern Arizona.

- \$25,000 for *Watershed Restoration Issues* with a focus on the development and implementation of the Black River Stewardship Agreement project and the restoration of the C.C. Craigin reservoir watershed.
- \$25,000 for *Infrastructure Projects* to fund the protection, development, and management of eastern Arizona electrical generation, water collection, and transportation infrastructures.
- \$25,000 for *Recreation Projects* to support the existing motorized recreation activity and promote greater recreation-based economic development. These monies will also be used to further develop a connected trails system along the Mogollon Rim for off-highway vehicles.
- \$25,000 for *Energy Projects* for development and implementation of renewable energy production facilities and other energy-based economic development projects. These monies will also be used to convert eastern Arizona coal power plants nearing the end of their operational lifespan into natural gas facilities.
- \$25,000 for *Natural Resource Planning* for development and implementation of comprehensive Natural Resources Management Plans.
- \$12,500 for *Public Lands* for participation in the development and implementation of ecologically and economically sustainable management plans for public lands in Arizona and the West.
- \$25,000 for *Water Projects* for development and implementation of strategies for water usage including the development of a long-term sustainability plan for Arizona's water balance, implementing conservation and augmentation measures, and the preservation of rural and agricultural Arizona interests and economies.
- \$12,500 for *Emerging Issues* to develop and implement effective planning and execution strategies for emerging issues.

Fire Suppression

The budget includes \$3,200,000 from the General Fund in FY 2020 for Fire Suppression. FY 2020 adjustments are as follows:

Shift Fire Suppression Software Funding

The budget includes a decrease of \$(65,000) from the General Fund in FY 2020 to shift funding used to upgrade and maintain fire suppression software from the fire suppression line item to DFFM's operating budget as this line item should consist only of reimbursement costs for wildfire suppression.

Monies in this line item are used for fire suppression on state trust land and rural private land. A.R.S. § 37-1305 provides an annual appropriation of up to \$3,000,000 from the General Fund for fire suppression. Because this authorization is in permanent statute, only \$200,000 of the appropriated amount is included in the General Appropriation Act.

Hazardous Vegetation Removal

The budget includes \$3,000,000 from the General Fund in FY 2020 for a Hazardous Vegetation Removal program. FY 2020 adjustments are as follows:

Additional Funding

The budget includes an increase of \$1,000,000 from the General Fund in FY 2020 to provide additional funding for the program. The additional funding will be used to increase the number of fuel reduction grants DFFM issues to contractors to remove vegetation that fuels wildland fires.

This line item supports hazardous material removal programs that treat state and private lands through prescribed burning or thinning of flammable vegetation. This work can be conducted by DFFM crews or through fuel reduction grants to contractors. The FY 2020 amount is non-lapsing through June 30, 2021.

Inmate Firefighting Crews

The budget includes \$693,200 and 13 FTE Positions from the General Fund in FY 2020 for Inmate Firefighting Crews. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$800 from the General Fund in FY 2020 for statewide adjustments.

These monies provide firefighting training for 12 inmate fire crews. The crews act as first responders and are used for fuel treatment and fire suppression.

Mount Lemmon Fire District

The budget includes \$750,000 from the General Fund in FY 2020 for the Mount Lemmon Fire District line item. FY 2020 adjustments are as follows:

Construction of New Water Line

The budget includes a one-time increase of \$750,000 from the General Fund in FY 2020 for the creation of a new Mount Lemmon Fire District line item.

Nonnative Vegetation Species Eradication

The budget includes \$2,000,000 from the General Fund in FY 2020 for the Nonnative Vegetation Species Eradication line item. FY 2020 adjustments are as follows:

Funding for Nonnative Vegetation Removal

The budget includes an increase of \$2,000,000 from the General Fund in FY 2020 for the creation of a new Nonnative Vegetation Species Eradication line item. Of this amount, \$1,000,000 is one-time. The FY 2020 General Appropriation Act appropriated \$1,000,000 from the General Fund in each of FY 2020 through FY 2029 to DFFM for deposit into the Nonnative Vegetation Species Eradication Fund to assist in preventing wildland fire and flooding.

Monies in this line item will be used to provide grants to other state agencies, cities, towns, counties, Indian tribes, and other political subdivisions and nonprofit organizations to fund projects that will assist in the prevention of wild fires and flooding and promote restoration of wildlife habitats by removing nonnative vegetation and replacing it with native vegetation. Saltcedar plants are an example of a nonnative vegetation species.

Post-Release Firefighting Crews

The budget includes \$1,010,700 and 20 FTE Positions from the General Fund in FY 2020 for Post-Release Firefighting Crews. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,200 from the General Fund in FY 2020 for statewide adjustments.

Monies in this line item provide firefighting training for recently released inmates who previously participated in

Inmate Firefighting Crews (*see Inmate Firefighting Crews line item*). The Post-Release Firefighting Program allows program participants to work towards completing their wildland firefighting certification following release from Department of Corrections custody.

State Fire Marshal

The budget includes \$748,600 and 11 FTE Positions from the General Fund in FY 2020 for the State Fire Marshal. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$700 from the General Fund in FY 2020 for statewide adjustments.

The Office of the State Fire Marshal enforces the state fire codes and provides training and education for fire personnel and the general public.

State Fire School

The budget includes \$172,700 and 1 FTE Position from the General Fund in FY 2020 for the State Fire School. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2020 for statewide adjustments.

Monies in this line item primarily subsidize smaller rural volunteer fire departments attending Arizona State Fire School workshops which provide firefighting education. Generally, fire departments pay for tuition, but the firefighters pay for their room and board to attend the 4-day Fire School. The Arizona State Fire Training Committee, a non-profit organization, coordinates and manages the Fire School. The majority of Fire School workshops take place at the Mesa Convention Center in downtown Mesa with the exception of a few workshops that must be held at designated off-site locations.

Besides \$100,000 for subsidizing these costs, the remaining \$72,700 and 1 FTE Position is used for liaison work with the Arizona State Fire Training Committee and other firefighter training activities.

Taylor Fire Training Center

The budget includes \$1,000,000 from the General Fund in FY 2020 for the Taylor Fire Training Center line item. FY 2020 adjustments are as follows:

New Fire Training Center

The budget includes a one-time increase of \$1,000,000 from the General Fund in FY 2020 for the creation of a new Taylor Fire Training Center line item.

Monies in this line item will be distributed to the Navajo County Community College District to fund a public safety and emergency services training facility in Taylor. The facility will be available to both public and private entities for training.

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, increase the maximum loan that the Department of Forestry and Fire Management may receive from the Budget Stabilization Fund for federal wildland fire claims expenses awaiting reimbursement from the federal government from \$10,000,000 to \$20,000,000.
- As permanent law, establish the Nonnative Vegetation Species Eradication Fund to provide grants to other state agencies, cities, towns, counties, Indian tribes, other political subdivisions, and non-profit organizations for projects that will assist in preventing fire and flooding. The fund would be non-appropriated and would consist of legislative appropriations. On or before September 1 of each year, the department shall report to JLBC Staff and the Governor's Office of Strategic Planning and Budgeting the expenditures from the previous year's grants as well as the benefits of each project to the treated lands.

Budget Stabilization Fund Statutory Cap Increase

The Budget Stabilization Fund (BSF) functions as the state's "Rainy Day Fund" and is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth.

Beginning in FY 2016, A.R.S. § 35-144 authorized DFFM to use up to \$10.0 million in BSF monies to pay wildland fire suppression claims. The balance consists of the cumulative amount DFFM has used for fire suppression claims less the amount it has reimbursed to the State Treasurer. Federal agencies maintain a single cooperative agreement with the state through DFFM while the department maintains over 200 cooperative agreements

with local fire districts. Because of this cooperative agreement structure, there is no mechanism for local districts to seek federal reimbursement outside of going through DFFM.

In FY 2018, DFFM'S outstanding balance increased by \$6.5 million. Combined with prior year FY 2016 and FY 2017 year-end outstanding balances of \$3.5 million, the FY 2018 year-end outstanding balance was effectively at the \$10.0 million statutory cap. Because DFFM was at the statutory cap, there was little to no fluidity to process additional claims. As of February 2019, there were approximately 660 claims totaling \$9.9 million from local districts waiting to be processed into the BSF but were pending due to the fund's statutory capacity limit. To address this, Laws 2019, Chapter 269 increased the statutory cap from \$10.0 million to \$20.0 million. *(Please see the Budget Stabilization Fund section for more information.)*

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, DFFM's General Fund costs are projected to decrease by \$(2,750,000) in FY 2021 below FY 2020 and remain constant in FY 2022 compared to FY 2021. These estimates are based on the elimination of the following one-time FY 2020 appropriations of:

- \$750,000 to distribute to the Mount Lemmon Fire District for construction of a water line.
- \$1,000,000 to deposit in the Nonnative Vegetation Species Eradication Fund.
- \$1,000,000 to distribute to the Navajo County Community College District to fund a training facility.

State Board of Funeral Directors and Embalmers

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	168,100	214,100	214,100
Employee Related Expenditures	73,500	65,400	66,300
Professional and Outside Services	0	100,000	25,000
Travel - In State	1,400	5,000	5,000
Travel - Out of State	900	5,000	5,000
Other Operating Expenditures	67,700	53,900	73,000
Equipment	500	0	0
OPERATING SUBTOTAL	312,100	443,400	388,400
SPECIAL LINE ITEMS			
Retirement Payout	0	0	11,300
AGENCY TOTAL	312,100	443,400 ^{1/}	399,700 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Funeral Directors' and Embalmers' Fund	312,100	443,400	399,700
SUBTOTAL - Other Appropriated Funds	312,100	443,400	399,700
SUBTOTAL - Appropriated Funds	312,100	443,400	399,700
TOTAL - ALL SOURCES	312,100	443,400	399,700

AGENCY DESCRIPTION — The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

- ^{1/} Of the \$441,700 appropriated to the State Board of Funeral Directors and Embalmers from the Board of Funeral Directors' and Embalmers' Fund in FY 2019 by Laws 2018, Chapter 276, Section 40, the sum of \$75,000 is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2020 for the purpose of paying document digitization costs. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$388,400 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time Document Scanning

The budget includes a decrease of \$(75,000) from the Board of Funeral Directors' and Embalmers' Fund in FY 2020 for the removal of a one-time FY 2019 increase for scanning and digitizing licensing documents.

Statewide Adjustments

The budget includes an increase of \$20,000 from the Board of Funeral Directors' and Embalmers' Fund in FY

2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Retirement Payout

The budget includes \$11,300 from the Board of Funeral Directors' and Embalmers' Fund in FY 2020 for a retirement payout. FY 2020 adjustments are as follows:

Retirement Payout

The budget includes a one-time increase of \$11,300 from the Board of Funeral Directors' and Embalmers' Fund in FY 2020 for an annual leave payout for one retirement-eligible employee.

Arizona Game and Fish Department

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	12,988,600	14,961,400	15,350,000
Employee Related Expenditures	10,459,400	12,632,700	13,428,500
Professional and Outside Services	1,363,200	1,661,000	1,661,000
Travel - In State	235,900	250,600	250,600
Travel - Out of State	140,200	145,800	145,800
Other Operating Expenditures	10,709,700	9,186,500	9,228,600
Equipment	376,500	856,600	856,600
OPERATING SUBTOTAL	36,273,500	39,694,600	40,921,100
SPECIAL LINE ITEMS			
Pittman-Robertson/Dingell-Johnson Act	0	3,058,000	3,058,000
Game and Fish Trucks	475,800	0	0
Watercraft Safety Equipment	450,500	0	0
AGENCY TOTAL	37,199,800	42,752,600	43,979,100 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Capital Improvement Fund	1,001,100	1,001,200	1,001,200
Game and Fish Fund	31,303,800	36,558,300	37,758,600
Game, Non-Game, Fish and Endangered Species Fund	103,900	347,200	347,700
Watercraft Licensing Fund	4,791,000	4,829,700	4,855,400
Wildlife Endowment Fund	0	16,200	16,200
SUBTOTAL - Other Appropriated Funds	37,199,800	42,752,600	43,979,100
SUBTOTAL - Appropriated Funds	37,199,800	42,752,600	43,979,100
Other Non-Appropriated Funds	31,199,900	36,290,800	36,290,800
Federal Funds	41,618,200	49,429,500	49,429,500
TOTAL - ALL SOURCES	110,017,900	128,472,900	129,699,400

AGENCY DESCRIPTION — The Arizona Game and Fish Department (AGFD) manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. A 5-member commission appointed by the Governor oversees department operations.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$40,921,100 and 273.5 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
Capital Improvement Fund	\$1,001,200
Game and Fish Fund	34,700,600
Game, Non-Game, Fish and Endangered Species Fund	347,700
Watercraft Licensing Fund	4,855,400

Wildlife Endowment Fund 16,200

FY 2020 adjustments are as follows:

Salary Increase

The budget includes an increase of \$485,700 in FY 2020 for an employee salary increase. This amount consists of:

Game and Fish Fund	478,600
Watercraft Licensing Fund	7,100

The budget requires that the increases be allocated for the positions listed below but does not specify percentage amounts:

Wildlife Law Enforcement
Wildlife Managers

Statewide Adjustments

The budget includes an increase of \$740,800 in FY 2020 for statewide adjustments. This amount consists of:

Game and Fish Fund	721,700
Game, Non-Game, Fish and Endangered Species Fund	500
Watercraft Licensing Fund	18,600

(Please see the Agency Detail and Allocations section.)

The operating budget includes the \$1,000,000 transfer of Watercraft Licensing Fund monies from the Watercraft Grants line item to the operating budget favorably reviewed by JLBC in September 2018.

Pittman-Robertson/Dingell-Johnson Act

The budget includes \$3,058,000 from the Game and Fish Fund in FY 2020 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2019.

This line item funds the state's 25% match for federal aid matching funds for wildlife restoration projects. The department also uses \$2.6 million in non-appropriated funds to match Pittman-Robertson/Dingell-Johnson Act grants.

Department of Gaming

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	155.8	155.8	155.8 ^{1/}
Personal Services	4,364,600	4,686,100	4,686,100
Employee Related Expenditures	1,745,800	1,609,500	1,634,800
Professional and Outside Services	459,100	1,177,500	1,177,500
Travel - In State	260,500	250,700	250,700
Travel - Out of State	58,100	30,000	30,000
Other Operating Expenditures	1,039,000	1,104,600	1,115,700
Equipment	153,100	266,300	266,300
OPERATING SUBTOTAL	8,080,200	9,124,700	9,161,100
SPECIAL LINE ITEMS			
Additional Operating Expenses	34,900	0	0
Arizona Breeders' Award	250,000	250,000	250,000
Casino Operations Certification	1,594,700	2,091,300	2,098,300
County Fairs Livestock and Agriculture Promotion	1,779,500	1,779,500	2,509,500 ^{2/}
Division of Racing	1,515,900	1,901,100	2,252,400
Problem Gambling	2,228,100	2,290,600	2,292,200
AGENCY TOTAL	15,483,300	17,437,200	18,563,500 ^{3/}
FUND SOURCES			
General Fund	1,779,500	1,779,500	2,509,500
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	10,043,200	11,115,300	11,153,300
Racing Regulation Fund	1,765,900	2,151,100	2,402,400
Racing Regulation Fund - Unarmed Combat Subaccount	0	0	100,000
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,594,700	2,091,300	2,098,300
SUBTOTAL - Other Appropriated Funds	13,703,800	15,657,700	16,054,000
SUBTOTAL - Appropriated Funds	15,483,300	17,437,200	18,563,500
Other Non-Appropriated Funds	645,000	1,527,900	1,401,400
TOTAL - ALL SOURCES	16,128,300	18,965,100	19,964,900

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts. The agency is funded by the Arizona Benefits Fund, which receives a portion of tribal gaming revenues to pay for regulation of tribal gaming and prevention of problem gambling. The agency is also responsible for certifying casino employees and vendors working with casinos. The department receives monies from the Tribal-State Compact Fund through casino employee and vendor certification application fees. The department's responsibilities include the Division of Racing.

FOOTNOTES

- 1/ Includes 73.5 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ The amount appropriated to the County Fairs Livestock and Agriculture Promotion line item is for deposit in the County Fairs Livestock and Agriculture Promotion Fund established by A.R.S. § 5-113, and to be administered by the Office of the Governor. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Administrative Expenses

The budget includes \$9,161,100 in FY 2020 for administrative expenses. The appropriation serves as a

cap on the level of spending. The department's permissible spending level will be determined by the level of gaming revenues. Pursuant to the Gaming ballot

initiative (A.R.S. § 5-601.02) and the Tribal-State Gaming Compacts, the department’s administrative expenses from the Arizona Benefits Fund, excluding Problem Gambling, are limited to the greater of \$8,000,000, or 9% of state tribal gaming revenues.

In FY 2020, 9% of tribal gaming revenues are forecasted to be \$8,805,900. *(See Gaming Revenues for further details.)*

The budget includes expenditure authority for \$9,161,100 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2020 for the operating budget. The department cannot expend above the actual 9% level.

Problem Gambling

The budget includes \$2,292,200 in FY 2020 for Problem Gambling, which consists of \$1,992,200 from the Arizona Benefits Fund and \$300,000 from the State Lottery Fund.

The department’s permissible spending level for Problem Gambling from the Arizona Benefits Fund will be determined by the level of gaming revenues. Pursuant to the Gaming ballot initiative and the Tribal-State Gaming Compacts, the department’s Problem Gambling expenses from the Arizona Benefits Fund are limited to 2% of revenues.

In FY 2020, 2% of tribal gaming revenues are forecasted to be \$1,956,900. The budget includes Arizona Benefits Fund expenditure authority for \$1,992,200 in FY 2020. The department cannot expend above the actual 2% level or the expenditure authority level, whichever is lower.

Operating Budget

The budget includes \$9,161,100 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$36,400 from the Arizona Benefits Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Breeders’ Award

The budget includes \$250,000 from the Racing Regulation Fund in FY 2020 for the Arizona Breeders’ Award. This amount is unchanged from FY 2019.

This line item funds awards to the breeder of every winning horse foaled in the state. In FY 2019, this line item will fund awards equal to 40% of the purse won by the horse.

Casino Operations Certification

The budget includes \$2,098,300 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2020 for Casino Operations Certification. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$7,000 from the Tribal-State Compact Fund in FY 2020 for statewide adjustments.

The department has the responsibility for investigating and certifying all vendors that provide over \$10,000 per month of goods and services to tribal gaming facilities and all tribal gaming employees, excluding food and beverage personnel who are certified by the relevant tribal gaming office. Certification application fees provide funding for the Casino Operations Certification Special Line Item.

County Fairs Livestock and Agriculture Promotion

The budget includes \$2,509,500 from the General Fund in FY 2020 for County Fairs Livestock and Agriculture Promotion. FY 2020 adjustments are as follows:

Additional One-Time Funding

The budget includes a one-time increase of \$730,000 from the General Fund in FY 2020 to provide additional funding for the County Fairs Livestock and Agriculture Promotion line item.

Monies in this line item are deposited in the County Fairs Livestock and Agriculture Promotion Fund in the Office of the Governor. The fund is used to promote Arizona’s livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center.

Division of Racing

The budget includes \$2,252,400 and 40.5 FTE Positions in FY 2020 for operating costs associated with the Division of Racing. These amounts consist of:

Racing Regulation Fund	2,152,400
Racing Regulation Fund - Unarmed Combat Subaccount	100,000

FY 2020 adjustments are as follows:

Yavapai Racetrack Staffing

The budget includes an increase of \$252,000 from the Racing Regulation Fund in FY 2020 to provide funding for

staff at the Yavapai Racetrack in Prescott Valley. The Yavapai Racetrack (also referred to as Arizona Downs) reopened in May 2019. In order to staff the Yavapai Racetrack, the department is utilizing staff who currently work only part of the year at the Turf Paradise track in Phoenix. The increased funding will go to pay for the additional work hours along with travel, lodging, and other per diem expenses while the Phoenix-based staff are in Prescott.

Unarmed Combat Subaccount

The budget includes an increase of \$100,000 from the Racing Regulation Fund - Unarmed Combat Subaccount in FY 2020 to provide funding for the Division of Boxing and Mixed Martial Arts.

Laws 2018, Chapter 318 converted the non-appropriated Racing Regulation Fund - Mixed Martial Arts Subaccount into the appropriated Racing Regulation Fund - Unarmed Combat Subaccount beginning in FY 2019. The *FY 2019 Appropriations Report* displayed funding for the Division of Boxing and Mixed Martial Arts as part of the agency's non-appropriated funding amount due to a provision in the FY 2019 Revenue Budget Reconciliation Bill (BRB) which allowed monies in the Unarmed Combat Subaccount to be continuously appropriated in FY 2019.

The *FY 2020 Baseline Book* displayed the Unarmed Subaccount as appropriated starting in FY 2020, thus increasing the department's overall appropriation amount, but not the total level of spending for the department. In the FY 2020 budget, the appropriation for the Division of Boxing and Mixed Martial Arts has been adjusted downward by \$(26,500) compared to the amount in the *FY 2020 Baseline Book* to realign the division's appropriation with expected FY 2020 expenditures.

Statewide Adjustments

The budget includes a decrease of \$(700) from the Racing Regulation Fund in FY 2020 for statewide adjustments.

The Racing Wagering Assessment (RWA) is a regulatory assessment from each commercial racing permittee payable from amounts deducted from pari-mutuel pools by the permittee. All monies received from the RWA are deposited into the Racing Regulation Fund, which is the primary funding source for the Division of Racing.

The Division of Racing regulates the pari-mutuel horse racing industries through the supervision of race meetings, screening of license applicants, collection of taxes and fees, and assessment of fines or other penalties. It also oversees the Arizona Boxing and Mixed Martial Arts Commission, which is responsible for licensing,

investigating, and regulating professional boxing, Toughman, and nontraditional fighting contests within Arizona.

Problem Gambling

The budget includes \$2,292,200 and 5 FTE Positions in FY 2020 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	1,992,200
State Lottery Fund	300,000

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,600 from the Arizona Benefits Fund in FY 2020 for statewide adjustments.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, 2% of tribal revenues received by the state shall be appropriated from the Arizona Benefits Fund to the department to provide problem gambling prevention, treatment, and education programs. The budget includes \$1,992,200 in FY 2020 from the Arizona Benefits Fund. *(See Table 2 for more information on projected state revenues and department allocations.)*

Other Issues

Statutory Changes

The Revenue Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2020 only.

Additional Horse Racing Legislation

Laws 2019, Chapter 197 makes the following statutory changes:

- As permanent law, requires the Department of Gaming to allocate 1% of the horse racing handle to the Arizona Thoroughbred Breeders Association (ATBA) on a monthly basis. The bill also requires the ATBA to contribute up to \$25,000 annually to the Retired Racehorse Adoption Fund. The 1% allocation will be phased in according to the following schedule:
 - 34% of the 1% in FY 2020
 - 67% of the 1% in FY 2021
 - 100% of the 1% in FY 2022 and subsequent years

- As permanent law establishes the Retired Racehorse Adoption Fund and establishes the Arizona Horse Breeders' Fund to receive monies from the 1% handle allocation.

Laws 2019, Chapter 293 makes the following statutory changes:

- As permanent law, allows a permittee-commercial racetrack in a county with a population between 700,000 and 1.5 million to conduct simulcast wagering for more than 20 days.
- As permanent law, establishes criteria for the simulcasting of live horse races as well as the conditions for entering into simulcasting agreements as overseen by the Racing Commission.

Gaming Devices

The Arizona Tribal-State Gaming Compacts regulate tribal gaming activity of Class III, or casino style, gaming on tribal lands in Arizona. The current Compacts were passed in November 2002 as Proposition 202.

In May 2017, the Compacts were amended as a result of a litigation settlement between the Tohono O'odham Nation and the State of Arizona. The state agreed to grant a Class III gaming license to the Desert Diamond West Valley Casino in exchange for the Tohono O'odham Nation's agreement to not build any additional casinos in the Metro Phoenix area. As of June 2019, the Desert Diamond West Valley Casino only offers Class II gaming as it undergoes a facilities expansion project. The Casino expects to be able to offer Class III gaming by the end of 2019.

There are currently 16 tribes operating a total of 24 Class III casinos in Arizona. There are also 6 additional tribes which do not have casinos but have slot machine rights that they may lease to tribes with casinos. *Table 1* displays the maximum number of gaming devices allowed under the Tribal-State Gaming Compacts.

Gaming Revenues

From FY 2018 to FY 2019, state gaming revenues increased by 4.1% to \$97,843,700. Gaming revenues are assumed to remain flat at a level of \$97,843,700 in FY 2020. This estimate serves as the basis for calculating the projected FY 2020 amounts available for administrative expenses and problem gambling. (See *Administrative Expenses and Problem Gambling* sections for further details. See *Table 2* for more information on projected state revenues and department allocations. See *Table 3* for FY 2019 Tribal Gaming Distributions.)

Table 1

Class III Gaming Devices Statewide

	<u>FY 2006</u>	<u>FY 2019</u>	<u>Allowed by Compacts</u>
Poker and Blackjack Tables	455	465	3,318 ^{1/}
Slot Machines	<u>12,354</u>	<u>15,643</u>	<u>18,158</u> ^{2/}
Total	12,809	16,108 ^{3/}	21,476

^{1/} While the Compacts set the statewide limit at 3,318 betting tables, the Compacts also set a limit of no more than 119 betting tables at any one casino.

^{2/} While the Compacts set the statewide limit at 18,158 slot machines, the Compacts also set a limit of no more than 1,301 slot machines at any one casino.

^{3/} Figures as of June 2019. This amount does not include the Desert Diamond West Valley Casino which is currently undergoing a \$400 million facilities expansion which includes adding 75 betting tables and 1,090 slot machines by the end of 2019.

Table 2

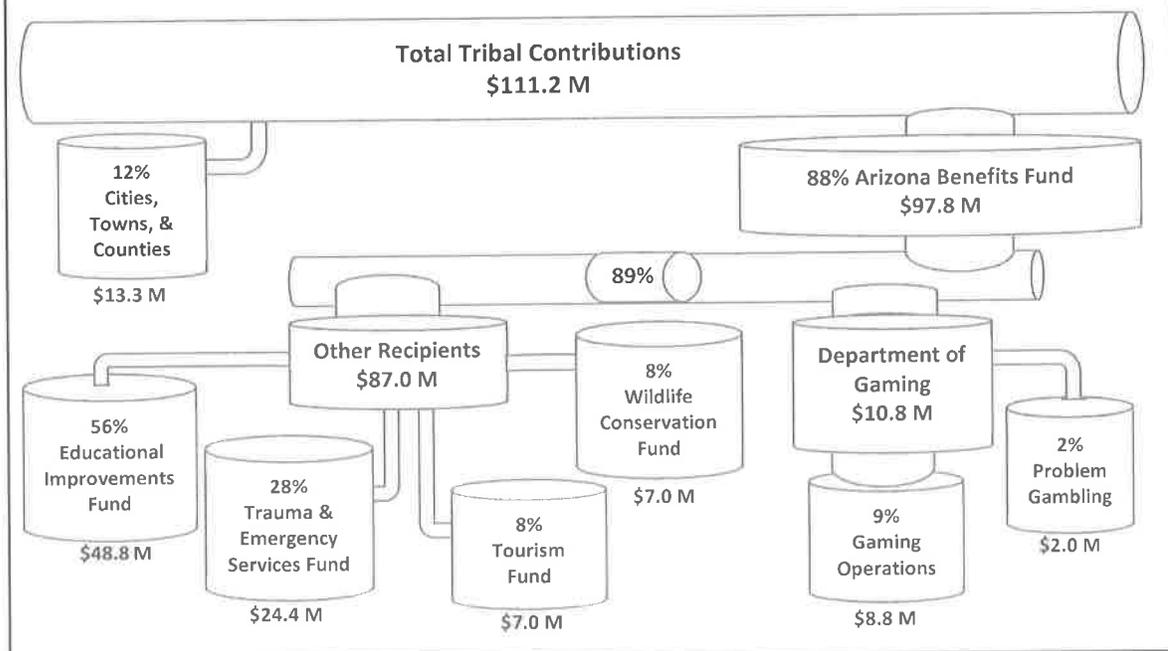
Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}

<u>Recipient</u>	<u>Proposition 202 Formula</u>	<u>FY 2017 Actual ^{1/}</u>	<u>FY 2018 Actual ^{1/}</u>	<u>FY 2019 Actuals ^{1/}</u>	<u>FY 2020 Projected</u>
State Government Distribution	88% of total	\$ 89,839,300	\$ 93,976,900	\$ 97,843,700 ^{2/}	\$ 97,843,700 ^{2/}
Local Government Distribution ^{3/}	12% of total	<u>12,250,900</u>	<u>12,815,000</u>	<u>13,342,300</u>	<u>13,342,300</u>
Total	100% of total	\$102,090,200	\$106,791,900	\$111,186,000	\$111,186,000
Allocation of State Government's Share					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,083,800	\$ 8,457,900 ^{4/}	\$ 8,805,900 ^{4/}	\$ 8,805,900 ^{4/}
Department of Gaming Problem Gambling	2%	<u>1,796,800</u>	<u>1,879,500 ^{5/}</u>	<u>1,956,900 ^{5/}</u>	<u>1,956,900 ^{5/}</u>
Subtotal-Department of Gaming		\$ 9,880,600	\$ 10,337,400	\$ 10,762,800	\$ 10,762,800
Instructional Improvement Fund (Department of Education)	56% of remainder	44,776,900	46,838,200	48,765,400	48,765,400
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	22,388,400	23,419,100	24,382,700	24,382,700
Arizona Wildlife Conservation Fund	8% of remainder	6,396,700	6,691,100	6,966,500	6,966,500
Tourism Fund	8% of remainder	<u>6,396,700</u>	<u>6,691,100</u>	<u>6,966,500</u>	<u>6,966,500</u>
Total		\$ 89,839,300	\$ 93,976,900	\$ 97,843,900	\$ 97,843,900

- 1/ The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.
- 2/ The table assumes flat growth in FY 2020 for tribal contributions to the Arizona Benefits Fund.
- 3/ Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.
- 4/ While the FY 2019 appropriation includes \$9,124,700 and the FY 2020 appropriation include \$9,161,100, A.R.S. § 5-601.02H3 requires 9% of state gaming revenues or \$8,000,000, whichever is greater, to be used for the department's operating budget. This provision is expected to allow the department to only expend \$8,805,900 for operating expenditures in FY 2019 and FY 2020, as 9% of projected revenue is greater than \$8,000,000.
- 5/ While the FY 2019 appropriation includes \$1,990,600 and the FY 2020 appropriation include \$1,992,200, A.R.S. § 5-601.02H3 requires 2% of state gaming revenues to be used for problem gambling prevention. The department may expend no more than \$1,956,900 for problem gambling expenditures in FY 2019 and FY 2020, however, as that is the appropriation for those years.

Table 3

FY 2019 Tribal Gaming Distributions



Office of the Governor

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	7,053,200	7,040,900	7,199,900 ^{1/2}
SPECIAL LINE ITEMS			
Computer Science Initiative	158,400	0	0
Foster Youth Education Success Program	1,322,000	1,500,000	1,500,000
School Leadership Training	250,000	0	0
AGENCY TOTAL	8,783,600	8,540,900	8,699,900 ^{3/}
FUND SOURCES			
General Fund	8,783,600	8,540,900	8,699,900
SUBTOTAL - Appropriated Funds	8,783,600	8,540,900	8,699,900
Other Non-Appropriated Funds	2,656,700	3,468,800	3,468,800
Federal Funds	23,270,900	30,727,200	30,727,200
TOTAL - ALL SOURCES	34,711,200	42,736,900	42,895,900

AGENCY DESCRIPTION — The Governor is the state's Chief Executive Officer and responsible for the execution of state laws. The Office of the Governor includes the Office of Youth, Faith and Family, the Office of Constituent Services, the Arizona-Mexico Commission, as well as others.

FOOTNOTES

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} Included in the Lump Sum appropriation of \$7,199,900 for FY 2020 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$7,199,900 from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$159,000 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Foster Youth Education Success Program

The budget includes \$1,500,000 from the General Fund in FY 2020 for the Foster Youth Education Success Program. This amount is unchanged from FY 2019.

The Foster Youth Education Success Program was established to improve the educational outcomes of children in Arizona's foster care system. While previously

labeled as one-time funding in prior budgets, the program has now been designated as ongoing funding.

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The budget continues an increase of \$2,100 from the General Fund in FY 2020 for employer contribution increases related to the Elected Officials Retirement Plan (EORP). The budget appropriated this amount to the agency as an FY 2019 supplemental and continued this same appropriation in the FY 2020 budget. (See the Consolidated Retirement Report for more information.)

Governor's Office of Strategic Planning and Budgeting

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,272,600	1,330,900	1,589,600
Employee Related Expenditures	443,400	369,700	580,000
Professional and Outside Services	91,600	92,500	121,200
Travel - In State	600	100	800
Travel - Out of State	6,900	0	6,900
Other Operating Expenditures	279,800	227,100	381,400
Equipment	3,200	1,800	4,200
AGENCY TOTAL	2,098,100	2,022,100	2,684,100 ^{1/2/}
FUND SOURCES			
General Fund	2,098,100	2,022,100	2,684,100
SUBTOTAL - Appropriated Funds	2,098,100	2,022,100	2,684,100
TOTAL - ALL SOURCES	2,098,100	2,022,100	2,684,100

AGENCY DESCRIPTION — The Governor's Office of Strategic Planning and Budgeting advises the Governor in the preparation of the Executive budget and provides the Executive Branch a central resource for the compilation, analysis, and investigation of state fiscal matters. It facilitates a strategic planning process and assists agencies in preparation and execution of their budgets.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$2,684,100 from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Additional Funding

The budget includes an increase of \$650,000 from the General Fund in FY 2020 for additional funding.

Statewide Adjustments

The budget includes an increase of \$12,000 from the General Fund in FY 2020 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Department of Health Services

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,100.0	1,105.5	1,130.5 ^{1/2/}
Personal Services	20,187,100	21,110,100	22,360,100
Employee Related Expenditures	8,414,800	8,583,700	9,175,800
Professional and Outside Services	1,027,700	2,328,000	2,328,000
Travel - In State	384,000	392,500	392,500
Travel - Out of State	63,300	75,100	75,100
Other Operating Expenditures	14,075,800	12,189,300	14,402,400
Equipment	322,700	873,500	873,500
OPERATING SUBTOTAL	44,475,400	45,552,200	49,607,400
SPECIAL LINE ITEMS			
Arizona State Hospital			
Arizona State Hospital-Operating	59,721,500	60,900,200	64,036,700 ^{3/}
Arizona State Hospital-Restoration to Competency	507,000	900,000	900,000 ^{4/}
Arizona State Hospital-Sexually Violent Persons	9,078,300	9,684,900	9,710,400 ^{5/}
Public Health/Family Health			
Adult Cystic Fibrosis Care	78,900	105,200	105,200
AIDS Reporting and Surveillance	872,100	1,000,000	1,000,000
Alzheimer's Disease Research	2,125,000	3,125,000	3,125,000 ^{6/7/}
Biomedical Research Support	1,501,300	2,000,000	2,000,000 ^{8/}
Breast and Cervical Cancer and Bone Density Screening	1,013,300	1,369,400	1,369,400
Community-Based Primary Care Clinic	0	0	700,000 ^{9/}
County Tuberculosis Provider Care and Control	472,800	590,700	590,700
Critical Access Hospital Trauma Services	0	0	1,500,000
Emergency Medical Services Local Allocation	442,000	442,000	442,000
Folic Acid Program	359,600	400,000	400,000
High Risk Perinatal Services	2,288,300	2,543,400	2,543,400
Homeless Pregnant Women Services	0	100,000	100,000 ^{10/}
Newborn Screening Program	6,504,500	7,227,400	7,231,400
Nonrenal Disease Management	47,200	198,000	198,000 ^{11/}
Nursing Care Special Projects	21,500	100,000	100,000
Poison Control Centers Funding	904,300	990,000	990,000
Public Health Emergencies Fund Deposit	500,000	0	106,600
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Rural Prenatal Services	0	0	1,000,000 ^{12/13/}
State Loan Repayment Program	765,100	1,000,000	1,750,000
Vulnerable Caregiver Workshops	0	0	250,000 ^{14/}
Radiation Regulation			
Radiation Regulation	1,607,500	1,633,800	2,299,700
Nuclear Emergency Management Program	771,000	789,700	789,700 ^{15/}
AGENCY TOTAL	134,418,900	141,134,900	153,328,600 ^{16/17/}
FUND SOURCES			
General Fund	84,580,500	89,931,200	97,158,300
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	5,988,100	2,590,300	2,592,000
ASH Land Earnings Fund	925,900	650,000	650,000
Capital Outlay Stabilization Fund	1,559,900	230,100	0
Child Fatality Review Fund	96,900	95,700	96,100

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
Consumer Restitution and Remediation Revolving Fund - Consumer Remediation Subaccount	400,600	0	0
Disease Control Research Fund	0	1,000,000	1,000,000
Emergency Medical Services Operating Fund	5,788,900	5,731,300	5,740,600
Environmental Laboratory Licensure Revolving Fund	776,300	929,200	931,100
Federal Child Care and Development Fund Block Grant	887,900	879,900	882,600
Health Services Licensing Fund	9,232,100	10,937,200	15,835,400
Health Services Lottery Monies Fund	0	100,000	100,000
Indirect Cost Fund	9,286,300	10,141,700	10,412,800
Newborn Screening Program Fund	6,937,000	7,660,200	7,664,200
Nuclear Emergency Management Fund	771,000	789,700	789,700
Nursing Care Institution Resident Protection Revolving Fund	21,500	138,200	138,200
Prescription Drug Rebate Fund	0	0	1,000,000
Radiation Regulatory Fee Fund	562,400	0	0
State Radiologic Technologist Certification Fund	262,300	0	0
TTHCF - Health Research Account	3,501,300	5,000,000	4,000,000
TTHCF - Medically Needy Account	584,600	700,000	700,000
Vital Records Electronic Systems Fund	2,255,400	3,630,200	3,637,600
SUBTOTAL - Other Appropriated Funds	49,838,400	51,203,700	56,170,300
SUBTOTAL - Appropriated Funds	134,418,900	141,134,900	153,328,600
Other Non-Appropriated Funds	71,155,900	72,352,900	72,352,900
Federal Funds	259,808,100	259,555,300	259,555,300
TOTAL - ALL SOURCES	465,382,900	473,043,100	485,236,800

AGENCY DESCRIPTION — The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring. Beginning January 1, 2018, the responsibilities of the Radiation Regulatory Agency transferred to the Department of Health Services.

FOOTNOTES

- 1/ Includes 730 GF and 58.6 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ Includes 5.5 OF FTE Positions appropriated by Laws 2019, Chapter 24.
- 3/ In addition to the appropriation for the Department of Health Services, earnings on state lands and interest on the investment of the Permanent State Land Funds are appropriated to the Arizona State Hospital in compliance with the Enabling Act and the Constitution of Arizona. (General Appropriation Act footnote)
- 4/ The Arizona State Hospital - Restoration to Competency line item includes monies for directs costs associated with the Restoration to Competency program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 5/ The Arizona State Hospital - Sexually Violent Persons line item includes monies for direct costs associated with the Sexually Violent Persons program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 6/ Of the \$3,125,000 for Alzheimer's Disease Research, \$3,000,000 is from the Tobacco Tax and Health Care Fund - Health Research Account established by A.R.S. § 36-773. (General Appropriation Act footnote). Please see the Alzheimer's Disease Research line item narrative for additional information.
- 7/ The Department of Health Services shall distribute monies appropriated for Alzheimer's Disease Research through a grant to a charitable organization that is qualified under section 501(c)(3) of the internal revenue code and that meets the following criteria: 1) Is headquartered in this state; 2) Has been operating in this state for at least the last 10 years; 3) Has participating member institutions that work together to end Alzheimer's disease within a statewide collaborative model by using their complementary strengths in brain imaging, computer science, genomics, basic and cognitive neurosciences and clinical and neuropathology research; and 4) Has participating member institutions that educate residents of this state about Alzheimer's disease, research progress and resources to help patients, families and professionals manage the disease. The terms of the grant made to the charitable organization may not impose any

- requirements that were not imposed in prior grant agreements entered into between the Department of Health Services and the charitable organization. (General Appropriation Act footnote)
- 8/ The Department of Health Services shall distribute monies appropriated for the Biomedical Research Support line item to a nonprofit medical research institute headquartered in this state that specializes in biomedical research focusing on applying genomic technologies and sequencing to clinical care, that has served as a resource to this state to conduct molecular epidemiologic analyses to assist with disease outbreak investigations and that collaborates with universities, hospitals and health science research centers and other public and private bioscience and related industries in this state. The recipient of these monies shall commission an audit of the expenditure of these monies and shall submit a copy of the audit to the Department of Health Services on or before February 1, 2021. (General Appropriation Act footnote)
- 9/ A. The sum of \$700,000 is appropriated from the state General Fund in FY 2020 to the Department of Health Services to distribute to a community-based primary care program in a geographically isolated area of the state. The program must include all of the following: 1) Medical care provided by licensed primary care physicians and licensed mid-level providers; 2) Prenatal care services; 3) Well-child care; 4) Family planning services; 5) Diagnostic laboratory and imaging services that are necessary to complete a diagnosis and treatment, including referral services; 6) Pharmacy services; 7) Preventative health services; 8) Preventative dental services.
- B. For the purposes of this section, "geographically isolated area" means a city or town with a population of less than 15,000 persons that is located in both: 1) A medically underserved area designated pursuant to A.R.S. § 36-2352; 2) A health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)
- 10/ The Department of Health Services shall distribute monies appropriated for Homeless Pregnant Women Services to nonprofit organizations that are located in a county with a population of more than 3 million persons and whose primary function is to provide shelter, food, clothing and transportation for health services and support to homeless pregnant women and their children who are under the age of one year. Monies may not be granted for abortion referral services or distributed to entities that promote, refer or perform abortions. (General Appropriation Act footnote)
- 11/ The Department of Health Services may use up to 4% of the amount appropriated for Nonrenal Disease Management for the administrative costs to implement the program. (General Appropriation Act footnote)
- 12/ The sum of \$1,000,000 is appropriated from the state General Fund in FY 2020 to the Department of Health Services for distribution to rural hospitals located in health professional shortage areas in this state as defined in 42 Code of Federal Regulations part 5 for the purchase of sonogram and telemedicine equipment for providing care to pregnant women. The department shall determine recipients of the monies through a Request for Proposals process. (General Appropriation Act footnote)
- 13/ The sum of \$500,000 is appropriated from the state General Fund in each of FY 2021 and FY 2022 to the Department of Health Services to provide student loan repayment options for health care professionals who provide prenatal care in a health professional shortage area in this state as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)
- 14/ A. The sum of \$250,000 is appropriated from the state General Fund in FY 2020 to the Department of Health Services to contract with a nonprofit mental health services provider to conduct workshops for vulnerable parents, grandparents and caregivers of at-risk youth who are struggling at home, in an out-of-home placement or in school. The workshops shall be designed to enable the vulnerable parents, grandparents and caregivers to build strengths, gain insight and learn new skills to effectively assist the at-risk youth to reach their full potential and to preserve the family.
- B. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to the lapsing of appropriations. (General Appropriation Act footnote)
- 15/ Laws 2019, Chapter 24 appropriates \$789,663 and 5.5 FTE Positions from the Nuclear Emergency Management Fund in FY 2020 and FY 2021 to the Department of Health Services.
- 16/ The Department of Health Services shall electronically forward to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee a monthly report comparing total expenditures for the month and year-to-date as compared to prior-year totals on or before the 30th of the following month. The report shall include an estimate of potential shortfalls in programs, potential federal and other monies, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 17/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

The budget increases DHS' General Fund spending in FY 2020 by \$7,227,100:

- \$1,500,000 for one-time grants for critical access hospital trauma services in Benson and Willcox.
- \$106,600 for a one-time deposit to the Public Health Emergencies Fund.
- \$1,000,000 for one-time grants for prenatal equipment in medically underserved areas.
- \$700,000 for a one-time grant to a community-based primary care clinic.
- \$250,000 for one-time vulnerable caregiver workshops.
- \$750,000 for a one-time State Loan Repayment Program increase.
- \$2,920,500 for statewide adjustments.

Other appropriated spending increases by \$4,966,600:

- \$1,200,000 for licensing division indirect costs.
- \$2,686,500 for additional licensing responsibilities.
- \$660,000 for salary increases for radiation regulation staff.
- \$310,000 for an ASH temporary staff contract increase.
- \$110,100 for statewide adjustments.

Operating Budget

The budget includes \$49,607,400 and 336.4 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$16,101,900
Child Fatality Review Fund	96,100
Emergency Medical Services (EMS) Operating Fund	3,848,600
Environmental Laboratory Licensure Revolving Fund	931,100
Federal Child Care and Development Fund (CCDF) Block Grant	882,600
Health Services Licensing Fund	13,225,700
DHS Indirect Cost Fund	10,412,800
Newborn Screening Program Fund	432,800
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,637,600

FY 2020 adjustments are as follows:

Licensing Increase

The budget includes an increase of \$2,686,500 and 25 FTE Positions from the Health Services Licensing Fund in FY 2020 for additional licensing surveyors and customer service representatives to address new licensing responsibilities added by Laws 2018, 1st Special Session, Chapter 1, including regulation of sober living homes and pain management clinics.

Licensing Indirect Cost Charge

The budget includes an increase of \$1,200,000 from the Health Services Licensing Fund in FY 2020 for indirect cost charges to the DHS licensing division. These costs were previously waived by the department; the increase will be deposited to the DHS Indirect Cost Fund.

Lab Utilities Fund Shift

The budget includes a decrease of \$(230,100) from the Capital Outlay Stabilization Fund and a corresponding increase of \$230,100 from the DHS Indirect Cost Fund in FY 2020 to shift funding for state health lab utility costs.

Statewide Adjustments

The budget includes an increase of \$168,700 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	70,200
Child Fatality Review Fund	400
Emergency Medical Services (EMS) Operating Fund	9,300
Environmental Laboratory Licensure Revolving Fund	1,900
Federal Child Care and Development Fund (CCDF) Block Grant	2,700
Health Services Licensing Fund	35,800
DHS Indirect Cost Fund	41,000
Vital Records Electronic Systems Fund	7,400

(Please see the Agency Detail and Allocations section.)

Arizona State Hospital

ASH - Operating

The budget includes \$64,036,700 and 616.5 FTE Positions in FY 2020 for the ASH operating budget. These amounts consist of:

General Fund	61,384,700
ASH Fund	1,692,000
ASH Land Earnings Fund	650,000
Health Services Licensing Fund	310,000

FY 2020 adjustments are as follows:

Salary Increase

The budget includes an increase of \$2,793,400 from the General Fund in FY 2020 for an employee salary increase. The budget requires that the increases be allocated for the positions listed below but does not specify percentage amounts:

- Behavioral Health Technicians
- Nurses
- Security

Temporary Staff Contract Increase

The budget includes an increase of \$310,000 from the Health Services Licensing Fund in FY 2020 for a contract increase for ASH temporary staff, including behavioral health technicians and nurses. DHS entered into a new contract for temporary staff services in FY 2019.

Statewide Adjustments

The budget includes an increase of \$33,100 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	31,400
ASH Fund	1,700

Background – This line item funds inpatient psychiatric hospitalization services for adult SMI residents. ASH residents that are subject to court-ordered treatment are treated in ASH’s civil hospital and residents charged with, or serving a sentence for committing, a crime are treated in ASH’s forensic hospital. In FY 2018, ASH had an average daily census of 96 patients in its civil commitment unit, 113 patients in its forensic unit, and 93 Sexually Violent Persons (SVPs), for a total of 302 patients.

ASH - Restoration to Competency

The budget includes \$900,000 from the ASH Fund in FY 2020 for ASH - Restoration to Competency. This amount is unchanged from FY 2019.

The FY 2020 Health Budget Reconciliation Bill (BRB) permanently requires counties to pay 100% of the daily cost of care for Restoration to Competency (RTC) patients treated at ASH. This requirement was previously authorized as session law.

Prior to 1997, counties paid 100% of the cost of restoring patients to competency. In FY 1997, the state assumed the full cost of RTC treatment until FY 2002, when the state began requiring cities and counties to pay 86% of the costs of the program. The state continued to vary the required reimbursement rate over the next several years. Beginning in FY 2010, budget-related session laws have required all counties to pay 100% of the daily cost of care

for RTC patients treated at ASH. The FY 2020 Health BRB makes this requirement permanent.

Background – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2018, there was an average daily census of 2 RTC patients treated at ASH. RTC patients are treated in ASH’s forensic unit.

ASH - Sexually Violent Persons

The budget includes \$9,710,400 and 112.5 FTE Positions from the General Fund in FY 2020 for ASH - Sexually Violent Persons. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$25,500 from the General Fund in FY 2020 for statewide adjustments.

Background – After serving their prison sentence, some persons convicted of sexually violent crimes may be remanded by the courts for further confinement and treatment. These individuals are housed at the Arizona State Hospital. In FY 2018, ASH had an average daily census of 93 Sexually Violent Persons (SVPs).

Public Health/Family Health

Adult Cystic Fibrosis Care

The budget includes \$105,200 from the General Fund in FY 2020 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2019.

This line item provides contracted care and treatment services through Phoenix Children’s Hospital for 20 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the Disease Control Research Fund in FY 2020 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2019.

The FY 2020 Health BRB permanently allows the department to use the Disease Control Research Fund for AIDS Reporting and Surveillance. This fund use was previously authorized as session law.

The line item provides \$125,000 for a database system administered by Maricopa and Pima Counties to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The program also includes \$875,000 to provide medications under the

Arizona AIDS Drug Assistance Program (ADAP), which also receives Federal Funds for the medications. The ADAP program served approximately 2,746 clients in FY 2018.

Alzheimer's Disease Research

The budget includes \$3,125,000 in FY 2020 for Alzheimer's Disease Research. This amount consists of:

General Fund	125,000
TTHCF - Health Research Account	2,000,000
Prescription Drug Rebate Fund	1,000,000

FY 2020 adjustments are as follows:

One-Time Continuation and Fund Shift

The budget includes a decrease of \$(1,000,000) from the TTHCF - Health Research Account and a corresponding increase of \$1,000,000 from the Prescription Drug Rebate Fund in FY 2020 to transfer funding for Alzheimer's research. The FY 2020 budget includes a total of \$3,125,000 for Alzheimer's Research, \$2,000,000 of which is one-time. Of the \$2,000,000 in one-time monies, \$1,000,000 is from the TTHCF-Health Research Account and \$1,000,000 is from the Prescription Drug Rebate Fund.

The FY 2020 General Appropriation Act included a footnote stating that of the \$3,125,000 appropriated for Alzheimer's Disease Research, \$3,000,000 is from the TTHCF-Health Research Account. This footnote was intended to state that \$2,000,000 is from the TTHCF-Health Research Account, as stated above.

The FY 2020 Health BRB permanently allows the department to use TTHCF - Health Research Account monies for Alzheimer's disease research. This fund use was previously authorized as session law.

Background – DHS distributes funding in the line item to the Arizona Alzheimer's Consortium (AAC). The AAC

provides dollar-for-dollar matching grants to universities, hospitals, and research centers for research on the causes of Alzheimer's disease. See *Table 1* for a funding history of the program.

Biomedical Research Support

The budget includes \$2,000,000 from the TTHCF - Health Research Account in FY 2020 for Biomedical Research Support. FY 2020 adjustments are as follows:

Ongoing Funding

The budget continues \$2,000,000 from the TTHCF - Health Research Account in FY 2020 to continue Biomedical Research Support on an ongoing basis. Pursuant to Section 128 of the FY 2015 General Appropriation Act (Laws 2014, Chapter 18), these monies were previously appropriated annually from FY 2015 through FY 2019. The FY 2020 budget requires monies to be spent in a manner consistent with prior year funding.

Background – This line item funds a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research focusing on applying genomic technologies and sequencing to clinical care, assists with disease outbreak investigations, and collaborates with universities, hospitals, and other bioscience and related industries in this state. Section 128 required the recipient of monies in this line item to submit an annual audit of expenditures of these monies to DHS by February 1 of each year. The FY 2020 budget continues this requirement.

DHS distributed monies from this line item in FY 2019 to the Translational Genomics Research Institute (TGen), a nonprofit medical research institution. In addition to these monies, the budget includes \$3,000,000 from the General Fund to Northern Arizona University (NAU) for biotechnology. (*Please see the NAU narrative for more information.*)

	<u>General Fund</u>	<u>Health Research Account</u>	<u>Prescription Drug Rebate Fund</u>	<u>TOTAL</u>
FY 2015	\$1,375,000	\$1,000,000	-	\$2,375,000
FY 2016	125,000	1,000,000	-	1,125,000
FY 2017	125,000	2,000,000	-	2,125,000
FY 2018	125,000	2,000,000	-	2,125,000
FY 2019	125,000	3,000,000	-	3,125,000
FY 2020	125,000	2,000,000	\$1,000,000	3,125,000

The state previously funded \$500,000 yearly from the TTHCF - Health Research Account for Biomedical Research Support from FY 2002 to FY 2012, which was also distributed to TGen.

Breast and Cervical Cancer and Bone Density Screening

The budget includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2020 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2019.

The Well Woman Healthcheck program provides contracted cancer screenings for women over age 40 who lack health insurance and have incomes less than 250% of the FPL. Women who are diagnosed with breast and cervical cancer through this program are eligible to receive treatment through AHCCCS.

Community-Based Primary Care Clinic

The budget includes \$700,000 from the General Fund in FY 2020 for a community-based primary clinic. FY 2020 adjustments are as follows:

One-Time Grant Program

The budget includes an increase of \$700,000 from the General Fund in FY 2020 for one-time distribution to a community-based primary care clinic located in a geographically isolated area of the state meeting certain requirements. DHS is required to distribute monies to a clinic that provides certain medical, pharmacy, imaging, and preventative health services and is in a medically underserved area of the state. These monies will be distributed to a clinic in Colorado City that meets these requirements.

County Tuberculosis Provider Care and Control

The budget includes \$590,700 from the General Fund in FY 2020 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2019.

This line item provides reimbursement to hospitals and physicians for the care of hospitalized tuberculosis patients and for assistance to all county health departments for local tuberculosis control programs.

Critical Access Hospital Trauma Services

The budget includes \$1,500,000 from the General Fund in FY 2020 for Critical Access Hospital Trauma Services. FY 2020 adjustments are as follows:

One-Time Grant Program

The budget includes an increase of \$1,500,000 from the General Fund for one-time distribution to critical access hospitals to maintain essential emergency department and level IV trauma services. The budget requires DHS to distribute \$900,000 to a hospital in Benson and \$600,000 to a hospital in Willcox.

Emergency Medical Services Local Allocation

The budget includes \$442,000 from the EMS Operating Fund in FY 2020 for the Emergency Medical Services Local Allocation line item. This amount is unchanged from FY 2019.

This line item provides funding to 4 regional EMS Councils that distribute funding for EMS training and equipment to cities and towns with a population of fewer than 90,000 people.

Folic Acid Program

The budget includes \$400,000 from the TTHCF - Medically Needy Account in FY 2020 for the Folic Acid Program. This amount is unchanged from FY 2019.

This line item provides funding for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2018, 40,028 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,543,400 in FY 2020 for High Risk Perinatal Services. This amount consists of:

General Fund	2,093,400
EMS Operating Fund	450,000

These amounts are unchanged from FY 2019.

This line item provides contracted transport services for high risk expectant mothers and contracted physician follow-up services for uninsured newborns in intensive care centers. It also provides funding for 4 visits per year to families who have babies born at risk of having developmental problems (i.e. speech problems, poor motor skills, delay in walking, etc.). The purpose of the visits is to have children developmentally ready to enter school by age 5.

Homeless Pregnant Women Services

The budget includes \$100,000 from the Health Services Lottery Monies Fund in FY 2020 for Homeless Pregnant Women Services. This amount is unchanged from FY 2019.

DHS is required to use monies in this line item to provide grants to non-profit organizations located in a county with more than 3 million persons and whose primary function is to provide shelter, food, clothing, and transportation services to homeless pregnant women and their children who are under the age of one.

The Health BRB continues a provision to permit the department to use the Health Services Lottery Monies Fund for Homeless Pregnant Women Services.

Newborn Screening Program

The budget includes \$7,231,400 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2020 for the Newborn Screening Program. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$4,000 from the Newborn Screening Program Fund in FY 2020 for statewide adjustments.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 30 disorders. In FY 2018, the program provided screening for 80,549 newborns. The program also provides follow-up counseling for the parents of affected newborns. The State Health Laboratory is the designated laboratory for testing, but DHS may designate other laboratories as testing facilities for conditions or tests added to the screening program.

Nonrenal Disease Management

The budget includes \$198,000 from the General Fund in FY 2020 for Nonrenal Disease Management. This amount is unchanged from FY 2019.

This line item provides funding for medication and other transplant-related services for nonrenal transplant patients who are ineligible for other public assistance programs.

Nursing Care Special Projects

The budget includes \$100,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2020 for special projects related to long term care facilities. This amount is unchanged from FY 2019.

Background – The Nursing Care Institution Resident Protection Revolving Fund receives deposits from civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications. Historically, DHS' operating budget has included an ongoing appropriation of \$38,200 from this fund for emergency patient relocation and patient personal property replacement.

Poison Control Centers Funding

The budget includes \$990,000 from the General Fund in FY 2020 for Poison Control Centers. This amount is unchanged from FY 2019.

A.R.S. § 36-1161 requires 2 poison control centers to be maintained in Arizona. DHS allocated \$647,300 to the University of Arizona Poison Information Center and \$342,700 to the Banner Poison Control Center in FY 2018.

A.R.S. § 32-1907 allows the Board of Pharmacy to transfer up to \$1,000,000 from the Arizona State Board of Pharmacy Fund to the University of Arizona (UA) Poison Control Information Center. However, this amount is not reflected in the table at the beginning of this narrative. The Board of Pharmacy transferred \$200,000 to the UA Poison Control Center in FY 2018.

Public Health Emergencies Fund Deposit

The budget includes \$106,600 from the General Fund in FY 2020 for a Public Health Emergencies Fund Deposit. FY 2020 adjustments are as follows:

One-Time Fund Deposit

The budget includes \$106,600 from the General Fund in FY 2020 for a one-time deposit to the Public Health Emergencies Fund. The fund was established in the FY 2018 budget, which deposited \$500,000 to the fund. DHS spent from the fund in FY 2018 in response to a statewide public health emergency for the opioid epidemic. This deposit will bring monies in the fund back to the \$500,000 level.

DHS may only use monies in the Public Health Emergencies Fund on a declaration of a public health emergency by the Governor and must submit a report of

any expenditures from the fund to the Joint Legislative Budget Committee.

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the TTHCF - Medically Needy Account in FY 2020 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2019.

This line item provides pre-operative dental care and ongoing nutritional assistance for low-income renal disease patients. Funding in this line item treats kidney disease and associated kidney damage and provides transportation services for dialysis appointments.

Renal Transplant Drugs

The budget includes \$183,000 from the General Fund in FY 2020 for Renal Transplant Drugs. This amount is unchanged from FY 2019.

This line item provides funding for anti-rejection medications for renal transplant patients who cannot be listed for transplant because they cannot afford the cost of medications. In FY 2018, 88 people received anti-rejection medication assistance.

Rural Prenatal Services

The budget includes \$1,000,000 from the General Fund in FY 2020 for Rural Prenatal Services. FY 2020 adjustments are as follows:

One-Time Grant Program

The budget includes an increase of \$1,000,000 from the General Fund in FY 2020 for one-time distribution to rural hospitals located in medically underserved areas of the state for sonogram and telemedicine equipment purchases. DHS is required to distribute monies through a Request for Proposals process.

The budget also appropriates \$500,000 from the General Fund in FY 2021 and FY 2022 to provide medical student loan repayment options to rural prenatal health care providers practicing in medically underserved areas of the state.

State Loan Repayment Program

The budget includes \$1,750,000 in FY 2020 for the State Loan Repayment Program. This amount consists of:

General Fund	750,000
EMS Operating Fund	1,000,000

FY 2020 adjustments are as follows:

One-Time Increase

The budget includes an increase of \$750,000 from the General Fund in FY 2020 for additional awards to health care providers practicing in medically underserved areas of the state. This increase is one-time and will provide awards for approximately 40 additional program participants.

This line item provides loan repayment for health care providers who agree to practice in medically underserved areas of the state for at least 2 years. In FY 2018, this program funded 68 participants.

Vulnerable Caregiver Workshops

The budget includes \$250,000 from the General Fund in FY 2020 for Vulnerable Caregiver Workshops. FY 2020 adjustments are follows:

One-Time Contract

The budget includes an increase of \$250,000 from the General Fund in FY 2020 for DHS to contract with a non-profit mental health services provider to conduct workshops for vulnerable caregivers of at-risk youth who are struggling at home, in an out-of-home placement, or in school. This appropriation is one-time and non-lapsing.

Radiation Regulation

As required by Laws 2017, Chapter 313, the responsibilities of the Arizona Radiation Regulatory Agency (ARRA) transferred to DHS effective January 1, 2018. While the FY 2018 General Appropriation Act appropriated a separate budget for the ARRA, Chapter 313 states that all duties and unexpended or unencumbered monies of ARRA were transferred to DHS on the effective date. To simplify the display, the FY 2018 column of this budget reflects total ARRA expenditures in FY 2018.

Radiation Regulation

The budget includes \$2,299,700 and 29 FTE Positions from the Health Services Licensing Fund in FY 2020 for Radiation Regulation. FY 2020 adjustments are as follows:

Radiation Employee Salary Increase

The budget includes an increase of \$660,000 from the Health Services Licensing Fund in FY 2020 to increase

salaries of Bureau of Radiation Control staff to a level consistent with other DHS licensing and regulation employees.

Statewide Adjustments

The budget includes an increase of \$5,900 from the Health Services Licensing Fund in FY 2020 for statewide adjustments.

The FY 2020 Health BRB continues a fee raising authority and exemption related to establishing fees for radiation regulation in FY 2020. The provision includes an intent clause that limits additional revenues to \$1,900,000. Previous session law limited additional revenues to \$561,000.

Radiation regulation includes oversight of the use, storage, and disposal of sources of radiation.

Nuclear Emergency Management Program

The budget includes \$789,663 and 5.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2020 for the Nuclear Emergency Management Program line item. These amounts are unchanged from FY 2019.

Laws 2019, Chapter 24 appropriated \$789,663 and 5.5 FTE Positions from the NEMF in FY 2020 and in FY 2021. As a result, these monies did not appear in the General Appropriation Act. The Department of Health Services, the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2019-2021 are displayed in *Table 2*. (Please see the Department of Agriculture and the Department of Emergency and Military Affairs narratives for more information.)

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the NEMF appropriation.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and testing necessary to comply with federally prescribed criteria.

Department representatives assist in the planning for off-site responses to an emergency at the Palo Verde Nuclear Generating Station and participate in the annual response exercises.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Medical Marijuana Fund Balance

Statutory Changes

The Health BRB makes the following statutory changes:

- As permanent law, continue to require all cities and counties to pay 100% of cost of Restoration to Competency treatment at the Arizona State Hospital. Allow counties to use any source of county revenue to make the transfers. This provision had previously been authorized as session law. (See ASH - Restoration to Competency for more information.)

Table 2

Nuclear Emergency Management Fund

Agency	FY 2019		FY 2020		FY 2021	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	5.5	\$1,461,602	5.5	\$1,458,753	5.5	\$1,506,116
Health Services ^{2/}	5.5	789,663	5.5	789,663	5.5	789,663
Agriculture	<u>2.88</u>	<u>275,012</u>	<u>2.88</u>	<u>301,376</u>	<u>2.88</u>	<u>280,512</u>
Total	13.88	\$2,526,277	13.88	\$2,549,792	13.88	\$2,576,291

^{1/} The Emergency and Military Affairs appropriation includes the appropriations for the Maricopa County Department of Emergency Management and the City of Buckeye.

^{2/} Laws 2017, Chapter 313 transferred all responsibilities and unexpended or unencumbered monies of the Arizona Radiation Regulatory Agency to the Department of Health Services on January 1, 2018.

- As session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
- As permanent law, permit DHS to use Tobacco Tax and Health Care Fund - Health Research Account for Alzheimer's disease research. This provision had previously been authorized as session law. *(See Alzheimer's Disease Research for more information.)*
- As session law, continue to notwithstanding A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services. *(See Homeless Pregnant Women Services for more information.)*
- As permanent law, continue to allow DHS to use the Disease Control Research Fund for AIDS reporting and surveillance. This provision had previously been authorized as session law. *(See AIDS Reporting and Surveillance for more information.)*
- As session law, continue a fee raising authority and an exemption relating to establishing fees for the Bureau of Radiation Control in FY 2020. The bill also includes an intent clause that limits additional revenues to \$1,900,000.
- As permanent law, require DHS to license a new class of secure behavioral health residential facilities that provide 24-hour onsite supervision to individuals with a serious mental illness who are chronically resistant to treatment and are placed in the facility pursuant to a court order.
- As permanent law, only permit unlicensed behavioral health workers ages 18-20 to serve individuals

receiving outpatient behavioral health services. Inpatient behavioral health care would require unlicensed behavioral health workers to be age 21 or older.

Medical Marijuana Fund Balance

Proposition 203 passed in the 2010 General Election, creating the Medical Marijuana Program within DHS. In FY 2018, there were 173,140 cardholders and 5,261 dispensary agents in the DHS medical marijuana registry.

To operate the program, DHS charges application fees to cardholders and dispensaries which are deposited to the Medical Marijuana Fund.

The Medical Marijuana Fund's balance has continued to grow since the program's inception in 2010 *(see Table 3)*. DHS projects the fund to have ongoing revenues of \$33.4 million in FY 2019, compared to \$17.9 million in spending. Along with surpluses from prior years, DHS forecasts the fund will have a balance of \$65.1 million at the end of FY 2019.

Previously, patients were required to renew medical marijuana cards annually. Laws 2019, Chapter 318 extended expiration of patient cards from 1 year to 2 years. As a result, revenue to the Medical Marijuana Fund is expected to decrease in FY 2020.

	FY 2016	FY 2017	FY 2018
Revenue	\$16,570,700	\$24,851,900	\$28,565,700
Spending	8,295,400	11,654,800	12,623,400
Ending Balance	19,874,100	33,244,000	49,650,900
Number of Cardholders	102,900	133,368	173,140
Number of Dispensary Agents	2,752	3,930	5,261

Arizona Historical Society

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	50.9	50.9	50.9 ^{1/}
Personal Services	1,137,300	1,193,900	1,193,900
Employee Related Expenditures	467,400	524,500	527,600
Professional and Outside Services	162,500	25,600	25,600
Travel - In State	100	0	0
Other Operating Expenditures	793,100	845,300	754,200
Equipment	2,800	0	0
OPERATING SUBTOTAL	2,563,200	2,589,300	2,501,300 ^{2/}
SPECIAL LINE ITEMS			
Field Services and Grants	66,300	65,900	65,900
Papago Park Museum	550,300	539,800	540,500
AGENCY TOTAL	3,179,800	3,195,000	3,107,700
FUND SOURCES			
General Fund	3,179,800	3,195,000	3,107,700
SUBTOTAL - Appropriated Funds	3,179,800	3,195,000	3,107,700
Other Non-Appropriated Funds	1,007,800	1,339,500	1,280,300
TOTAL - ALL SOURCES	4,187,600	4,534,500	4,388,000

AGENCY DESCRIPTION — The Arizona Historical Society acquires, preserves, maintains, and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West, and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix, and Tempe (Papago Park).

FOOTNOTES

^{1/} Includes 10.5 GF FTE Positions funded from Special Line Items in FY 2020.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,501,300 and 40.4 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Risk Management Adjustment

The budget includes a decrease of \$(120,000) from the General Fund to align the operating budget with the current Risk Management premiums.

Statewide Adjustments

The budget includes an increase of \$32,000 from the General Fund in FY 2020 for statewide adjustments (Please see the Agency Detail and Allocations section.)

Field Services and Grants

The budget includes \$65,900 and 0.4 FTE Positions from the General Fund in FY 2020 for Field Services and Grants. This amount is unchanged from FY 2019

This line item funds contracts with certified county historical societies for services to be performed for the benefit of the state.

Papago Park Museum

The budget includes \$540,500 and 10.1 FTE Positions from the General Fund in FY 2020 for the Papago Park Museum. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$700 from the General Fund in FY 2020 for statewide adjustments (*Please see the Agency Detail and Allocations section.*)

This line item funds the operation and maintenance of the Papago Park Museum (Tempe).

Other Issues

Museum Attendance

Table 1

FY 2018 Museum Attendance

<u>Facility</u>	<u>Visitors</u>
Arizona History (Tucson)	9,320
Downtown History (Tucson)	2,402
Fort Lowell (Tucson)	4,642
Sosa Carrillo Fremont (Tucson)	0 ^{1/}
Sanguinetti House (Yuma)	2,900
Museum at Papago Park (Tempe)	7,008
Pioneer Museum (Flagstaff)	11,654
Riordan Mansion (Flagstaff)	<u>20,145</u>
Total	58,071

^{1/} In FY 2018, the agency closed the Sosa Carrillo Fremont House museum and has since rented the building out, as the site does not have enough staff to operate the museum.

Prescott Historical Society of Arizona

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	518,400	515,700	515,700
Employee Related Expenditures	233,800	234,300	235,500
Other Operating Expenditures	87,800	82,700	86,000
Equipment	200	0	0
AGENCY TOTAL	840,200	832,700	837,200 ^{1/}
FUND SOURCES			
General Fund	840,200	832,700	837,200
SUBTOTAL - Appropriated Funds	840,200	832,700	837,200
Other Non-Appropriated Funds	536,400	625,100	625,100
TOTAL - ALL SOURCES	1,376,600	1,457,800	1,462,300

AGENCY DESCRIPTION — The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving, and publicly exhibiting archival and museum objects pertaining to the history, geological, and anthropological life of Arizona and the West.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$837,200 and 13 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$4,500 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Department of Homeland Security

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 ESTIMATE
FUND SOURCES			
Federal Funds	19,363,500	23,114,800	23,114,800
TOTAL - ALL SOURCES	19,363,500	23,114,800	23,114,800

AGENCY DESCRIPTION — The Arizona Department of Homeland Security distributes funding received from the U.S. Department of Homeland Security to state agencies and local governments to prevent and mitigate acts of terrorism and natural disasters. The department publishes the Arizona Homeland Security Strategy and provides planning assistance to aid in the development of regional response plans for natural disasters or terrorism incidents.

Board of Homeopathic and Integrated Medicine Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	30,300	36,600	21,700
Employee Related Expenditures	23,300	18,500	7,500
Professional and Outside Services	0	200	1,000
Travel - In State	0	1,300	0
Other Operating Expenditures	11,000	34,100	15,900
AGENCY TOTAL	64,600	90,700	46,100^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	64,600	90,700	46,100
SUBTOTAL - Other Appropriated Funds	64,600	90,700	46,100
SUBTOTAL - Appropriated Funds	64,600	90,700	46,100
TOTAL - ALL SOURCES	64,600	90,700	46,100

AGENCY DESCRIPTION — The board licenses and regulates medical physicians who practice homeopathic and integrated medicine, a system of medical treatment based on the use of small quantities of remedies which in larger doses produce symptoms of the disease. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

1/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$46,100 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Administrative Staff Consolidation

The budget includes a decrease of \$(50,500) from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2020 for an administrative staff consolidation by the Acupuncture Board of Examiners and the Board of Homeopathic and Integrated Medicine Examiners.

Statewide Adjustments

The budget includes an increase of \$5,900 from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Department of Housing

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	303,800	201,500	201,200
Employee Related Expenditures	110,900	78,600	78,900
Professional and Outside Services	15,700	28,600	28,600
Travel - In State	10,200	13,500	13,500
Other Operating Expenditures	123,700	0	0
Equipment	5,000	0	0
OPERATING SUBTOTAL	569,300	322,200	322,200
SPECIAL LINE ITEMS			
Housing Trust Fund Deposit	0	0	15,000,000 ^{1/}
AGENCY TOTAL	569,300	322,200	15,322,200 ^{2/}
FUND SOURCES			
General Fund	246,100	0	15,000,000
<u>Other Appropriated Funds</u>			
Housing Trust Fund	323,200	322,200	322,200
SUBTOTAL - Other Appropriated Funds	323,200	322,200	322,200
SUBTOTAL - Appropriated Funds	569,300	322,200	15,322,200
Other Non-Appropriated Funds	16,473,000	27,000,400	27,171,500
Federal Funds	77,359,000	91,284,100	88,784,100
TOTAL - ALL SOURCES	94,401,300	118,606,700	131,277,800

AGENCY DESCRIPTION — Through a variety of housing and community improvement programs, the department annually administers approximately \$94 million in federal and non-appropriated state housing and community development funds. The appropriated budget reflects a portion of the agency's administration expenses. The department provides affordable housing opportunities in conjunction with the Arizona Industrial Development Authority. The department's responsibilities also include the Office of Manufactured Housing.

FOOTNOTES

- ^{1/} Of the amount appropriated for the Housing Trust Fund Deposit line item, \$3,500,000 shall be spent on constructing or renovating facilities and on housing assistance, including support services, for persons who have been determined to be seriously mentally ill and to be chronically resistant to treatment. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$322,200 and 3 FTE Positions from the Housing Trust Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Housing Trust Fund Deposit

The budget includes \$15,000,000 from the General Fund in FY 2020 for the Housing Trust Fund Deposit line item. FY 2020 adjustments are as follows:

Housing Trust Fund Deposit

The budget includes a one-time increase of \$15,000,000 from the General Fund in FY 2020 for the creation of a new Housing Trust Fund Deposit line item.

A General Appropriation Act footnote requires \$3,500,000 of the amount appropriated for the Housing Trust Fund Deposit line item to be spent on constructing or renovating facilities and on housing assistance, including support services, for persons who have been determined to be seriously mentally ill and to be chronically resistant to treatment. The remaining \$11,500,000 may be used in

accordance with the general purposes of the Housing Trust Fund established by A.R.S. § 41-3955.

Other Issues

Statutory Changes

The Human Services Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, allow the Department of Housing to expend Housing Trust Fund monies on constructing or renovating facilities and housing assistance, including support services, for individuals with a serious mental illness and who are chronically resistant to treatment.

The Revenue BRB makes the following statutory changes:

- As permanent law, as it relates to the Office of Manufactured Housing within the Department of Housing, modifies the definition of factory-built building and defines in statute the terms: closed construction, open construction, commercial, and residential.

Independent Redistricting Commission

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	0	0	0
AGENCY TOTAL	0	0	0
FUND SOURCES			
General Fund	0	0	0
SUBTOTAL - Appropriated Funds	0	0	0
TOTAL - ALL SOURCES	0	0	0

AGENCY DESCRIPTION — Proposition 106, approved by voters in November 2000, established the Independent Redistricting Commission (IRC). The commission consists of 5 members, 4 of which are selected by the House and Senate majority and minority leadership. These 4 members then select the final member, who cannot be affiliated with either of the 2 major political parties. The commission is charged with redrawing the boundaries for Arizona’s legislative and congressional districts based on the 10-year census.

Operating Budget

The budget includes no funding from the General Fund in FY 2020 for the operating budget. This amount is unchanged from FY 2019.

The FY 2018 budget eliminated funding for the commission, whose final outstanding case for the 2010 redistricting cycle, *Leach v. Independent Redistricting Commission*, has concluded. The commission will resume its constitutional duties in CY 2021, the start of the next 10-year redistricting cycle. The Arizona Department of Administration (ADOA) is required to recommend funding for the next commission in CY 2018 or CY 2019. ADOA has not yet made a recommendation.

Please see the FY 2018 Appropriations Report for more information on the history of the 2010 redistricting cycle.

Industrial Commission of Arizona

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.6	235.6	235.6
Personal Services	8,700,400	9,539,900	9,539,900
Employee Related Expenditures	3,563,700	3,780,900	3,828,200
Professional and Outside Services	1,380,800	1,571,800	1,571,800
Travel - In State	144,000	186,400	186,400
Travel - Out of State	37,600	45,200	45,200
Other Operating Expenditures	3,636,700	4,834,500	4,840,900
Equipment	538,900	43,100	43,100
AGENCY TOTAL	18,002,100	20,001,800	20,055,500 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Administrative Fund	18,002,100	20,001,800	20,055,500
SUBTOTAL - Other Appropriated Funds	18,002,100	20,001,800	20,055,500
SUBTOTAL - Appropriated Funds	18,002,100	20,001,800	20,055,500
Other Non-Appropriated Funds	16,333,700	17,416,200	17,416,200
Federal Funds	2,911,800	3,098,600	3,098,600
TOTAL - ALL SOURCES	37,247,600	40,516,600	40,570,300

AGENCY DESCRIPTION — The Industrial Commission regulates the workers' compensation insurance industry. The commission is also responsible for child labor issues, occupational safety and health issues, wage claim dispute resolutions, licensing of private employment agencies and providing workers' compensation coverage for claimants of uninsured and self-insured employers.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$20,055,500 and 235.6 FTE Positions from the Administrative Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$53,700 from the Administrative Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Department of Insurance

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	72.3	72.3	72.3
Personal Services	3,000,000	3,171,800	3,185,500
Employee Related Expenditures	1,205,100	1,438,200	1,451,500
Professional and Outside Services	321,500	312,000	312,000
Travel - In State	21,000	25,600	25,600
Travel - Out of State	9,600	1,100	1,100
Other Operating Expenditures	817,100	673,300	681,100
Equipment	50,900	6,400	6,400
AGENCY TOTAL	5,425,200	5,628,400	5,663,200 ^{1/}
FUND SOURCES			
General Fund	5,425,200	5,628,400	5,663,200
SUBTOTAL - Appropriated Funds	5,425,200	5,628,400	5,663,200
Other Non-Appropriated Funds	31,865,100	28,861,800	28,861,800
Federal Funds	149,400	691,600	0
TOTAL - ALL SOURCES	37,439,700	35,181,800	34,525,000

AGENCY DESCRIPTION — The Department of Insurance licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$5,663,200 and 72.3 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Salary Increase

The budget includes an increase of \$19,900 from the General Fund in FY 2020 for an employee salary increase. The budget requires that the increase be allocated for Insurance Fraud Investigators but does not specify a percentage amount.

Statewide Adjustments

The budget includes an increase of \$14,900 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Statutory Changes

The Revenue Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue to suspend the requirement that fees collected by the department be between 95% and 110% of the department's appropriation.

Agency Consolidation

Laws 2019, Chapter 252 merges the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance (DOI) and renames the agency the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly-renamed agency will retain all the same regulatory functions as the previous 3 agencies as Chapter 252 stipulates that DIFI retains the same authority,

powers, duties, and responsibilities of DOI, DFI and ATA and transfers all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

Arizona Life and Disability Insurance Guaranty Fund

The Arizona Life and Disability Insurance Guaranty Fund (ALDIGF) is managed by the Department of Insurance and a 9-member Life and Disability Insurance Guaranty Fund Board (Board) and was created as a safeguard to meet the obligations of a licensed insurance company in the event that a licensed insurer fails. Monies in the fund come from an assessment levied on all other licensed insurers. In the event that one or more insurers are determined to be financially impaired or insolvent and can no longer meet its obligations to policyholders, monies in the ALDIGF are used to pay those obligations up to a certain maximum payout amount, determined by statute based on the type of insurance. Monies in the ALDIGF are not appropriated by the Legislature.

Due to the failure of 2 national insurance companies with business in Arizona, the Department of Insurance and the board have begun levying assessments to replenish the fund. The department and the board plan to levy assessments over multiple years. In FY 2018, the board levied a \$7.0 million assessment, and a \$9.2 million assessment in FY 2019.

Similar assessments will continue over many years, likely decreasing over time, to match the annual fund payouts. While the exact amount of the total assessments is not yet known, the department estimates that total assessments could exceed \$150 million through CY 2051. The policies in Arizona affected by the insolvent insurers are primarily long-term care policies – the maximum payout from the ALDIGF for long-term care policies is capped by statute at \$300,000.

The maximum assessment amount that can be levied on a single insurer in any one year is capped at 2% of the insurer's average total premiums of similar insurance lines covered by the ALDIGF in the previous 3 years. Statute also allows insurers to offset their Insurance Premium Tax (IPT) payments by 20% in the year of the assessment, and by 20% in each of the succeeding 4 years. As a result, this would have the effect of reducing IPT collections, which are deposited into the General Fund.

Judiciary - Supreme Court

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	183.0	183.0	183.0 ^{1/}
Personal Services	6,822,400	6,926,200	7,131,700
Employee Related Expenditures	2,439,400	3,169,200	3,245,400
Professional and Outside Services	148,200	476,100	476,100
Travel - In State	168,300	161,400	161,400
Travel - Out of State	40,500	36,400	36,400
Other Operating Expenditures	3,307,300	4,239,300	4,609,900
OPERATING SUBTOTAL	12,926,100	15,008,600	15,660,900 ^{2/}
SPECIAL LINE ITEMS			
State Aid	4,143,000	5,661,200	5,670,600
County Reimbursements	187,900	187,900	187,900 ^{3/}
Automation	15,997,100	20,046,600	20,212,700 ^{4/5/}
State Foster Care Review Board	3,204,000	3,176,300	3,265,100
Court Appointed Special Advocate	3,103,200	3,517,400	3,520,700
Model Court	439,400	438,500	438,700
Domestic Relations	624,300	619,400	640,600
Judicial Nominations and Performance Review	416,100	412,600	542,500
Commission on Judicial Conduct	507,000	503,000	521,900
Courthouse Security	313,800	750,000	750,000
Peace Officer Training Fee Programming Cost	0	20,000	0
AGENCY TOTAL	41,861,900	50,341,500	51,411,600 ^{6/7/}
FUND SOURCES			
General Fund	18,789,000	19,894,600	20,875,000
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	184,200	491,300	492,100
Court Appointed Special Advocate Fund	3,183,900	3,597,700	3,601,300
Criminal Justice Enhancement Fund	3,606,800	4,384,500	4,399,700
Defensive Driving School Fund	3,326,600	4,208,200	4,226,100
Judicial Collection Enhancement Fund	10,760,000	14,800,000	14,872,100
Legislative, Executive, and Judicial Public Buildings Land Fund	137,000	0	0
Peace Officer Training Equipment Fund	0	20,000	0
State Aid to the Courts Fund	1,874,400	2,945,200	2,945,300
SUBTOTAL - Other Appropriated Funds	23,072,900	30,446,900	30,536,600
SUBTOTAL - Appropriated Funds	41,861,900	50,341,500	51,411,600
Other Non-Appropriated Funds	20,427,900	24,935,400	24,935,400
TOTAL - ALL SOURCES	62,289,800	75,276,900	76,347,000

AGENCY DESCRIPTION — The Supreme Court consists of 7 Supreme Court Justices, judicial support staff and the Administrative Office of the Courts (AOC). The Supreme Court, as the state's highest court, has the responsibility to review appeals and to provide rules of procedure for all the courts in Arizona. Under the direction of the Chief Justice, the AOC provides administrative supervision over the Arizona court system.

FOOTNOTES

^{1/} Includes 52.5 GF and 21.8 OF FTE Positions funded from Special Line Items in FY 2020.

^{2/} Included in the operating lump sum appropriation for the Supreme Court is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

- 3/ Of the \$187,900 appropriated for County Reimbursements, State Grand Jury is limited to \$97,900 and Capital Postconviction Relief is limited to \$90,000. (General Appropriation Act footnote)
- 4/ On or before September 1, 2019, the Supreme Court shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on current and future automation projects coordinated by the Administrative Office of the Courts. The report shall include a list of court automation projects that receive or are anticipated to receive state monies in the current or next 2 fiscal years as well as a description of each project, the number of FTE Positions, the entities involved and the goals and anticipated results for each automation project. The report shall be submitted in one summary document. The report shall indicate each project's total multiyear cost by fund source and budget line item, including any prior-year, current-year and future-year expenditures. (General Appropriation Act footnote)
- 5/ Automation expenses of the Judiciary shall be funded only from the Automation line item. Monies in the operating lump sum appropriation or other line items intended for automation purposes shall be transferred to the Automation line item before expenditure. (General Appropriation Act footnote)
- 6/ Included in the total appropriation for the Supreme Court in FY 2020 is \$477,500 for state court employee salary increases. The Legislature intends that this amount will not be annualized in future years. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$15,660,900 and 108.7 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$11,805,300
Confidential Intermediary and Fiduciary Fund	492,100
Criminal Justice Enhancement Fund (CJEF)	7,900
Defensive Driving School Fund	712,400
Judicial Collection Enhancement Fund (JCEF)	2,643,200

FY 2020 adjustments are as follows:

Risk Management Shift

The budget includes a decrease of \$(42,700) from the General Fund in FY 2020 for a risk management shift. The budget includes a corresponding increase to the Court of Appeals and Superior Court budgets to better reflect actual risk management billing. As a result, there is no net change to the state due to this shift.

State Court Employee Salary Increases

The budget includes an increase of \$256,900 from the General Fund in FY 2020 for state court employee salary increases. A General Appropriation Act footnote states that it is legislative intent that this amount not be annualized in future years. This footnote applies to other line items with the same adjustment.

Statewide Adjustments

The budget includes an increase of \$438,100 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	418,400
Confidential Intermediary and Fiduciary Fund	800
CJEF	900
Defensive Driving School Fund	3,900
JCEF	14,100

(Please see the Agency Detail and Allocations section.)

State Aid

The budget includes \$5,670,600 and 3.3 FTE Positions in FY 2020 for State Aid. These amounts consist of:

CJEF	2,725,300
State Aid to the Courts Fund	2,945,300

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$9,400 in FY 2020 for statewide adjustments. This amount consists of:

CJEF	9,300
State Aid to the Courts Fund	100

The State Aid line item provides state aid to counties for the payment of judges pro tempore salaries, and for projects designed to improve the processing of criminal cases in the Superior Court and Justice Courts. The State Aid to the Courts Fund receives: 1) 40.97% of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and 2) a portion of the monies collected by the Supreme Court and the Court of Appeals.

The Administrative Office of the Courts (AOC) distributes the monies appropriated from court fines and collections to the Superior Court and the Justice Courts based on a composite index formula using Superior Court felony filings and county population. Monies appropriated from the State Aid to the Courts Fund in the State Aid line item are distributed to all counties.

County Reimbursements

The budget includes \$187,900 from the General Fund in FY 2020 for County Reimbursements. This amount is unchanged from FY 2019.

The County Reimbursements line item provides reimbursement to counties for grand jury expenses and for state-funded representation of indigent defendants in first-time capital postconviction relief proceedings. Statute limits reimbursements to counties for grand jury expenses and state-funded representation of indigent defendants in first-time capital postconviction relief proceedings to the amount appropriated for those purposes.

For several years, a General Appropriation Act footnote has limited the appropriation for the State Grand Jury to \$97,900 and for Capital Postconviction Relief to \$90,000. The budget continues this in FY 2020.

Automation

The budget includes \$20,212,700 and 13 FTE Positions in FY 2020 for Automation. These amounts consist of:

General Fund	3,473,000
Court Appointed Special Advocate (CASA) Fund	80,600
CJEF	1,666,500
Defensive Driving School Fund	3,513,700
JCEF	11,478,900

FY 2020 adjustments are as follows:

State Court Employee Salary Increases

The budget includes an increase of \$85,400 from the General Fund in FY 2020 for state court employee salary increases.

Statewide Adjustments

The budget includes an increase of \$80,700 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	3,400
CASA Fund	300
CJEF	5,000

Defensive Driving School Fund	14,000
JCEF	58,000

The Automation line item provides funding for court automation projects throughout the state. The budget includes monies from other Supreme Court and Superior Court line items in the Automation line item to allow for the centralization of Judicial automation expenditures. Automation costs are to be solely funded from the Automation line item. As required by a General Appropriation Act footnote, any additional monies expended from other line items for automation projects are to be transferred to the Automation line item prior to expenditure.

State Foster Care Review Board

The budget includes \$3,265,100 and 40 FTE Positions from the General Fund in FY 2020 for the State Foster Care Review Board. FY 2020 adjustments are as follows:

State Court Employee Salary Increases

The budget includes an increase of \$84,500 from the General Fund in FY 2020 for state court employee salary increases.

Statewide Adjustments

The budget includes an increase of \$4,300 from the General Fund in FY 2020 for statewide adjustments.

The State Foster Care Review Board line item coordinates local volunteer review boards for foster care children in out-of-home placement.

Court Appointed Special Advocate

The budget includes \$3,520,700 and 5.5 FTE Positions from the Court Appointed Special Advocate (CASA) Fund in FY 2020 for CASA. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,300 from the CASA Fund in FY 2020 for statewide adjustments.

The CASA line item administers and monitors a community-based volunteer advocacy program for abused and neglected children in the Juvenile Court System.

Model Court

The budget includes \$438,700 from the General Fund in FY 2020 for Model Court. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2020 for statewide adjustments.

Monies in this line item represent a pass-through to counties to improve processing of dependency cases. The Superior Court budget included an additional, one-time appropriation of \$3,000,000 in General Fund monies in FY 2017 to fund operating expenses associated with a surge in dependency cases.

Domestic Relations

The budget includes \$640,600 and 4.9 FTE Positions from the General Fund in FY 2020 for Domestic Relations. FY 2020 adjustments are as follows:

State Court Employee Salary Increases

The budget includes an increase of \$20,500 from the General Fund in FY 2020 for state court employee salary increases.

Statewide Adjustments

The budget includes an increase of \$700 from the General Fund in FY 2020 for statewide adjustments.

The Domestic Relations line item provides coordination and technical support for groups formed to develop and review policies and programs related to domestic relations and child support.

Judicial Nominations and Performance Review

The budget includes \$542,500 and 3.6 FTE Positions from the General Fund in FY 2020 for Judicial Nominations and Performance Review. FY 2020 adjustments are as follows:

Funding Increase

The budget includes an increase of \$117,500 from the General Fund in FY 2020 for a funding increase for the Judicial Performance Review Team and Judicial Nominating Commission.

Article 6, Section 40 of the Arizona Constitution allows for counties with a population under 250,000 persons to choose to select its judges of the Superior Court. When a county's population exceeds 250,000 as documented by the U.S. Census, that county automatically enters the merit selection system. Only Maricopa, Pima and Pinal Counties currently exceed that population threshold. AOC projects that Yavapai County will exceed this threshold in the 2020 census.

Additionally, other counties may choose to adopt merit selection by popular vote. In November 2018, Coconino County voted to adopt merit selection.

This funding increase is intended to address additional costs for the Supreme Court to oversee merit selection for the additional counties.

State Court Employee Salary Increases

The budget includes an increase of \$11,900 from the General Fund in FY 2020 for state court employee salary increases.

Statewide Adjustments

The budget includes an increase of \$500 from the General Fund in FY 2020 for statewide adjustments.

This line item funds administrative costs to oversee the nominations for the Supreme Court, the Court of Appeals, and the Superior Court in Maricopa, Pima, Pinal, Coconino and Yavapai Counties, as well as evaluating the performance of all merit retention justices and judges. The results of the performance evaluations are provided to the voters before each retention election.

Commission on Judicial Conduct

The budget includes \$521,900 and 4 FTE Positions from the General Fund in FY 2020 for the Commission on Judicial Conduct. FY 2020 adjustments are as follows:

State Court Employee Salary Increases

The budget includes an increase of \$18,300 from the General Fund in FY 2020 for state court employee salary increases.

Statewide Adjustments

The budget includes an increase of \$600 from the General Fund in FY 2020 for statewide adjustments.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Courthouse Security

The budget includes \$750,000 from JCEF in FY 2020 for Courthouse Security. This amount is unchanged from FY 2019.

The Courthouse Security line item includes funding for training, assistance, and grants to courts to meet the minimum standards of courthouse security as adopted by the Supreme Court. This funding was first approved in the FY 2018 Criminal Justice Budget Reconciliation Bill (BRB) and has since been included as its own line item.

Peace Officer Training Fee Equipment Programming Cost

The budget includes no funding in FY 2020 for programming costs. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(20,000) from the Peace Officer Training Equipment Fund in FY 2020 for the elimination of one-time programming funding.

Laws 2018, Chapter 312 appropriates \$20,000 from the Peace Officer Training Equipment Fund in FY 2019 for one-time programming costs associated with assessing the new Peace Officer Training Equipment fees. *(Please see the Peace Officer Training Equipment line item in the Department of Public Safety for more information.)*

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The budget continues an increase of \$24,500 from the General Fund in FY 2020 for employer contribution increases related to the Elected Officials Retirement Plan (EORP). The budget appropriated this amount to the agency as an FY 2019 supplemental and continued this same appropriation in the FY 2020 budget. *(Please see the Consolidated Retirement Report for more information.)*

Case Management System

The FY 2019 Criminal Justice BRB allowed the Supreme Court to use up to \$3,150,000 through FY 2020 from the Juvenile Probation Services Fund, Alternative Dispute Resolution Fund, Drug Treatment and Education Fund, and the Arizona Lengthy Trial Fund for a new Appellate Case Management System. When completed, the new system will serve the Supreme Court and Division I of the Court of Appeals.

AOC reports that expenditures for this project will be reported in the future in the Automation line item, as required by a General Appropriation Act footnote.

Judiciary - Court of Appeals

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
PROGRAM BUDGET			
Division I	10,192,200	11,153,100	11,596,900
Division II	4,465,200	4,913,400	5,168,100
AGENCY TOTAL	14,657,400	16,066,500	16,765,000
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	136.8	136.8	136.8 ^{1/}
Personal Services	9,905,000	10,161,200	10,537,600
Employee Related Expenditures	3,358,300	4,891,100	5,020,600
Professional and Outside Services	76,800	18,600	18,600
Travel - In State	202,800	202,500	202,500
Travel - Out of State	32,700	9,100	9,100
Other Operating Expenditures	1,081,800	784,000	976,600
AGENCY TOTAL	14,657,400	16,066,500	16,765,000 ^{2/3/}
FUND SOURCES			
General Fund	14,657,400	16,066,500	16,765,000
SUBTOTAL - Appropriated Funds	14,657,400	16,066,500	16,765,000
TOTAL - ALL SOURCES	14,657,400	16,066,500	16,765,000

AGENCY DESCRIPTION — The Court of Appeals has jurisdiction in all proceedings appealable from the Superior Court except criminal death penalty cases, which are automatically appealed to the Supreme Court. Division I also has statewide responsibility for reviewing appeals from the Arizona Corporation Commission, Industrial Commission, the Department of Economic Security unemployment compensation rulings, and the Arizona Tax Court. Division I convenes in Phoenix and encompasses the counties of Apache, Coconino, La Paz, Maricopa, Mohave, Navajo, Yavapai, and Yuma. Division II convenes in Tucson and encompasses the counties of Cochise, Gila, Graham, Greenlee, Pima, Pinal, and Santa Cruz.

FOOTNOTES

- 1/ Of the 136.8 FTE Positions for FY 2020, 98.3 FTE Positions are for Division I and 38.5 FTE Positions are for Division II. (General Appropriation Act footnote)
- 2/ Included in the total appropriation for the Court of Appeals in FY 2020 is \$411,100 for state court employee salary increases. The legislature intends that this amount will not be annualized in future years. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

Operating Budget

The budget includes \$16,765,000 and 136.8 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts include \$11,596,900 and 98.3 FTE Positions for Division I and \$5,168,100 and 38.5 FTE Positions for Division II. FY 2020 adjustments are as follows:

Risk Management Shift

The budget includes an increase of \$27,600 from the General Fund in FY 2020 for a risk management shift. Of this amount, \$19,800 is for Division I and \$7,800 is for

Division II. The budget includes a corresponding decrease to the Supreme Court budget to better reflect actual billing. As a result, there is no net increase to the state in FY 2020 due to this shift.

Operating Increase

The budget includes an increase of \$236,100 from the General Fund in FY 2020 for an operating increase. Of this amount, \$111,000 is for Division I and \$125,100 is for Division II.

State Court Employee Salary Increases

The budget includes an increase of \$411,100 from the General Fund in FY 2020 for state court employee salary increases. Of this amount, \$296,000 is for Division I and \$115,100 is for Division II. A General Appropriation Act footnote states that it is legislative intent that this amount not be annualized in future years.

Statewide Adjustments

The budget includes an increase of \$23,700 from the General Fund in FY 2020 for statewide adjustments. Of this amount, \$17,000 is for Division I and \$6,700 is for Division II. *(Please see the Agency Detail and Allocations section.)*

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The budget continues an increase of \$74,100 from the General Fund in FY 2020 for employer contribution increases related to the Elected Officials Retirement Plan (EORP). Of this amount, \$53,900 is for Division I and \$20,200 is for Division II. The budget appropriated this amount to the agency as an FY 2019 supplemental and continued this same appropriation in the FY 2020 budget. *(See the Consolidated Retirement Report for more information.)*

Case Management System

The FY 2019 Criminal Justice Budget Reconciliation Bill allowed the Supreme Court to use up to \$3,150,000 through FY 2020 from the Juvenile Probation Services Fund, Alternative Dispute Resolution Fund, Drug Treatment and Education Fund, and the Arizona Lengthy Trial Fund for a new Appellate Case Management System. When completed, the new system will serve the Supreme Court and Division I of the Court of Appeals. *(See the Supreme Court section for more information.)*

Judiciary - Superior Court

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	137.5	137.5	235.5 ^{1/}
Personal Services	2,411,000	2,381,500	2,481,800
Employee Related Expenditures	883,200	953,600	997,300
Professional and Outside Services	17,600	71,000	71,000
Travel - In State	31,700	15,000	15,000
Travel - Out of State	16,800	5,300	5,300
Other Operating Expenditures	796,300	781,300	1,184,000
OPERATING SUBTOTAL	4,156,600	4,207,700	4,754,400 ^{2/}
SPECIAL LINE ITEMS			
Centralized Service Payments	2,939,500	3,465,000	3,575,100 ^{3/}
Judges Compensation	8,187,000	10,757,600	17,791,600 ^{4/}
Adult Standard Probation	17,809,100	18,445,200	20,241,900 ^{5/}
Adult Intensive Probation	10,176,700	10,981,200	11,620,300 ^{5/}
Community Punishment	1,266,600	2,310,300	2,310,300 ^{5/}
Interstate Compact	427,500	444,500	478,600 ^{5/}
Drug Court	993,600	1,006,700	1,036,400
Drug Treatment Alternative to Prison	250,000	0	0
Juvenile Standard Probation	3,300,400	3,450,400	3,704,600 ^{5/}
Juvenile Intensive Probation	5,301,000	5,301,000	5,682,000 ^{5/}
Juvenile Treatment Services	19,960,900	19,960,900	20,148,000 ^{5/6/}
Juvenile Family Counseling	500,000	500,000	500,000
Juvenile Diversion Consequences	8,157,800	8,157,800	8,609,000 ^{5/6/}
Juvenile Crime Reduction	1,798,700	3,311,500	3,312,800 ^{5/}
Dependency Surge	1,778,600	0	0
Special Water Master	187,100	191,300	489,700
Court-Ordered Removals	75,000	315,000	315,000
AGENCY TOTAL	87,266,100	92,806,100	104,569,700 ^{7/-11/}
FUND SOURCES			
General Fund	78,703,100	80,848,000	92,596,500
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	2,867,600	5,440,000	5,455,100
Drug Treatment and Education Fund	500,200	502,900	502,900
Health Services Lottery Fund	250,000	0	0
Judicial Collection Enhancement Fund	4,945,200	6,015,200	6,015,200
SUBTOTAL - Other Appropriated Funds	8,563,000	11,958,100	11,973,200
SUBTOTAL - Appropriated Funds	87,266,100	92,806,100	104,569,700
Other Non-Appropriated Funds	4,744,200	5,239,100	5,239,100
Federal Funds	1,053,100	1,058,300	1,058,300
TOTAL - ALL SOURCES	93,063,400	99,103,500	110,867,100

AGENCY DESCRIPTION — The Superior Court, which has a division in every county, is the state's only general jurisdiction court. Superior Court judges hear all types of cases except small claims, minor offenses, or violations of city codes and ordinances. In addition, the responsibility for supervising adults and juveniles who have been placed on probation resides in the Superior Court.

FOOTNOTES

^{1/} Of the 235.5 FTE Positions, 180 FTE Positions represent Superior Court judges. One-half of those judges' salaries in counties with a population of less than 2,000,000 persons, and one-quarter of those judges' salaries in a county with a

population of at least 2,000,000 persons are provided by state General Fund appropriations pursuant to A.R.S. § 12-128. This FTE Position clarification does not limit the counties' ability to add judges pursuant to A.R.S. § 12-121. (General Appropriation Act footnote)

- 2/ All expenditures made by the Administrative Office of the Courts for the administration of Superior Court line items shall be funded only from the Superior Court operating budget. Monies in Superior Court line items intended for this purpose shall be transferred to the Superior Court operating budget before expenditure. (General Appropriation Act footnote)
 - 3/ All centralized service payments made by the Administrative Office of the Courts on behalf of counties shall be funded only from the Centralized Service Payments line item. Centralized service payments include only training, motor vehicle payments, CORP Review Board funding, LEARN funding, research, operational reviews and GPS vendor payments. This footnote does not apply to treatment or counseling services payments made from the Juvenile Treatment Services and Juvenile Diversion Consequences line items. Monies in the operating lump sum appropriation or other line items intended for centralized service payments shall be transferred to the Centralized Service Payments line item before expenditure. (General Appropriation Act footnote)
 - 4/ All monies in the Judges' Compensation line item shall be used to pay for the 50% or 25% state share of Superior Court judges' salaries, Elected Officials' Retirement Plan costs and related state benefit costs for judges pursuant to A.R.S. § 12-128. Monies in the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the Judges' Compensation line item before expenditure. (General Appropriation Act footnote)
 - 5/ All monies in the Adult Standard Probation, Adult Intensive Probation, Community Punishment, Interstate Compact, Juvenile Standard Probation, Juvenile Intensive Probation, Juvenile Treatment Services, Juvenile Diversion Consequences and Juvenile Crime Reduction line items shall be used only as pass-through monies to county probation departments. Monies in the operating lump sum appropriation or other line items intended as pass-through for the purpose of administering a county probation program shall be transferred to the appropriate probation line item before expenditure. (General Appropriation Act footnote)
 - 6/ Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences shall be deposited in the Juvenile Probation Services Fund established by A.R.S. § 8-322. (General Appropriation Act footnote)
 - 7/ Receipt of state probation monies by the counties is contingent on the county maintenance of FY 2004 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs. (General Appropriation Act footnote)
 - 8/ On or before November 1, 2019, the Administrative Office of the Courts shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting the FY 2019 actual, FY 2020 estimated and FY 2021 requested amounts for each of the following:
 1. On a county-by-county basis, the number of authorized and filled case carrying probation positions and non-case carrying probation positions, distinguishing between Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive. The report shall indicate the level of state probation funding, other state funding, county funding and probation surcharge funding for those positions.
 2. Total receipts and expenditures by county and fund source for the Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive Probation line items, including the amount of Personal Services spent from each revenue source of each account. (General Appropriation Act footnote)
 - 9/ On or before November 1, 2019, the Administrative Office of the Courts shall submit a report for review by the Joint Legislative Budget Committee on the county-approved salary adjustments provided to probation officers since the last report on February 1, 2019. The report shall include, for each county, the:
 1. Approved percentage salary increase by year.
 2. Net increase in the amount allocated to each probation department by the Administrative Office of the Courts for each applicable year.
 3. Average number of probation officers by applicable year.
 4. Average salary of probation officers for each applicable year. (General Appropriation Act footnote)
 - 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
 - 11/ Included in the total appropriation for the Superior Court in FY 2020 is \$257,800 for state court employee salary increases. The Legislature intends that this amount will not be annualized in future years. (General Appropriation Act footnote)
-

Operating Budget

The budget includes \$4,754,400 and 55.5 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<u>FY 2020</u>
General Fund	\$4,406,300
Criminal Justice Enhancement Fund (CJEF)	332,200
Drug Treatment and Education Fund	2,700
Judicial Collection Enhancement Fund (JCEF)	13,200

FY 2020 adjustments are as follows:

Risk Management Shift

The budget includes an increase of \$15,100 from the General Fund in FY 2020 for a risk management shift. The budget includes a corresponding decrease to the Supreme Court to reflect actual billing. As a result, there is no net increase to the state in FY 2020 due to this shift.

State Court Employee Salary Increases

The budget includes an increase of \$140,500 from the General Fund in FY 2020 for state court employee salary increases. A General Appropriation Act footnote states that it is the legislative intent that this amount not be annualized in future years.

Statewide Adjustments

The budget includes an increase of \$391,100 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	377,300
CJEF	13,800

(Please see the Agency Detail and Allocations section.)

Background – These monies represent the administrative costs incurred by the Administrative Office of the Courts (AOC) while overseeing the various line items of the Superior Court budget. In prior years, these monies were included in the individual line items. In order to increase the clarity of expenditure sourcing, these monies have been shifted to a centralized operating budget leaving the monies passed through to the county Superior Courts in their respective line items.

Centralized Service Payments

The budget includes \$3,575,100 in FY 2020 for centralized service payments. This amount consists of:

General Fund	3,125,200
JCEF	449,900

FY 2020 adjustments are as follows:

State Court Employee Salary Increases

The budget includes an increase of \$108,600 from the General Fund in FY 2020 for state court employee salary increases.

Statewide Adjustments

The budget includes an increase of \$1,500 from the General Fund in FY 2020 for statewide adjustments.

Background – In order to facilitate payment for services that are offered by all Superior Courts, AOC pays for various services centrally. These services include training, motor vehicle payments, Corrections Officer Retirement Plan Review Board funding, Literacy Education and Resource Network program funding (an online G.E.D. preparation program), research, operational reviews and GPS vendor payments.

Judges Compensation

The budget includes \$17,791,600 and 180 FTE Positions from the General Fund in FY 2020 for Judges Compensation. FY 2020 adjustments are as follows:

Maricopa County Judges Salary Phase-In

The budget includes an increase of \$6,972,000 and 98 FTE Positions from the General Fund in FY 2020 for the first year of a 2-year phase in of Maricopa County Judges salaries.

Health and Dental Funding Deficit

The budget includes an increase of \$54,100 from the General Fund in FY 2020 for a health and dental funding deficit.

Statewide Adjustments

The budget includes an increase of \$7,900 from the General Fund in FY 2020 for statewide adjustments.

Background – This line item provides funding for the state's 50% share of salary and non-health benefits. The line item also funds 100% of the costs of Superior Court Judges that elect state benefits, although some opt to participate in county programs. In the latter circumstance, the county pays 100% of the employer cost.

A.R.S. § 12-128 previously required the state General Fund to pay for one-half of Superior Court Judges' salaries, except for Maricopa County judges. As permanent law, the FY 2019 Criminal Justice Budget Reconciliation Bill amended A.R.S. § 12-128 to phase in state funding for Maricopa County judges at 25% in FY 2020 and 50% in FY 2021. The cost to pay for the state's

share of costs will total \$6,972,000 in FY 2020 and \$12,991,400 in FY 2021.

A.R.S § 12-128 only mentions salary and does not specifically address benefits. AOC believes that case law has established that salary includes benefits, and therefore also pays benefits from this line.

Pursuant to A.R.S. § 12-121, each county receives one judge for the first 30,000 of population. Additional judges may be created for every additional 30,000-person increment upon approval by the Governor.

Probation Programs

The state and non-Maricopa Counties share the costs of probation. The state pays 100% of salary and benefits for all state-funded probation officers. For the intensive programs, the state pays 100% of the costs (although the counties may provide offices and other support services). Counties typically contribute through Probation Service Fee collections, outside grants, and office space. Since FY 2004, Maricopa County has assumed the state's share of its probation costs. *(Please see the Other Issues section for more information on probation funding.)*

Adult Standard Probation

The budget includes \$20,241,900 in FY 2020 for Adult Standard Probation. This amount consists of:

General Fund	16,467,800
JCEF	3,774,100

FY 2020 adjustments are as follows:

Annualize New Probation Officers

The budget includes an increase of \$137,500 from the General Fund in FY 2020 to annualize funding for 10 new probation officers approved in the FY 2019 budget.

Adult Standard Probation Growth

The budget includes an increase of \$243,300 from the General Fund in FY 2020 for adult standard probation growth. This increase is sufficient to fund 4 new adult standard probation officers.

One-Time CORP Increase

The budget includes a one-time increase of \$1,032,500 from the General Fund in FY 2020 for a Corrections Officer Retirement Plan (CORP) increase. The CORP rate increased in FY 2019 from 21.17% to 28.38%. The budget plan designates this increase as one-time.

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$383,400 from the General Fund in FY 2020 for prior-year probation officer salary and employee related expenditures (ERE) deficits.

Background – This line item provides funding for community supervision services for adults placed on standard probation by the Adult Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 12-251A, an adult probation officer shall not supervise more than 65 adults on standard probation at one time.

As required by a General Appropriation Act footnote, the monies in the Adult Standard Probation line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Adult Intensive Probation

The budget includes \$11,620,300 in FY 2020 for Adult Intensive Probation. This amount consists of:

General Fund	10,085,100
JCEF	1,535,200

FY 2020 adjustments are as follows:

One-Time CORP Increase

The budget includes a one-time increase of \$505,000 from the General Fund in FY 2020 for a Corrections Officer Retirement Plan (CORP) increase. The CORP rate increased in FY 2019 from 21.17% to 28.38%. The budget plan designates this increase as one-time.

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$134,100 from the General Fund in FY 2020 for prior-year probation officer salary and ERE deficits.

Background – This line item provides funding for a sentencing alternative intended to divert serious, non-violent offenders from prison. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 13-916, 1 team shall not supervise more than 25 intensive probationers at one time.

As required by a General Appropriation Act footnote, the monies in the Adult Intensive Probation line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Community Punishment

The budget includes \$2,310,300 in FY 2020 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund	500,200

These amounts are unchanged from FY 2019.

Background – This line item provides behavioral treatment services for adult probationers and for enhanced supervision, such as electronic monitoring and specialized probation caseloads. The funding is intended to provide for diversion of offenders from prison and jail, as well as to enhance probation programs, excluding Maricopa County.

As required by a General Appropriation Act footnote, the monies in the Community Punishment line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Interstate Compact

The budget includes \$478,600 in FY 2020 for Interstate Compact. This amount consists of:

General Fund	385,800
JCEF	92,800

FY 2020 adjustments are as follows:

One-Time CORP Increase

The budget includes a one-time increase of \$26,800 from the General Fund in FY 2020 for a Corrections Officer Retirement Plan (CORP) increase.

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$7,300 from the General Fund in FY 2020 for prior-year probation officer salary and ERE deficits.

Background – This line item provides funding for supervision and intervention to probationers transferring to Arizona and monitors the supervision of probationers transferred to other states from Arizona.

As required by a General Appropriation Act footnote, the monies in the Interstate Compact line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Drug Court

The budget includes \$1,036,400 from the General Fund in FY 2020 for Drug Court programs. FY 2020 adjustments are as follows:

One-Time CORP Increase

The budget includes a one-time increase of \$18,000 from the General Fund in FY 2020 for a Corrections Officer Retirement Plan (CORP) increase.

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$11,700 from the General Fund in FY 2020 for prior-year probation officer salary and ERE deficits.

Background – This line item provides funding for juvenile and adult drug courts within the Superior Court throughout the state. It provides funding for prosecuting, adjudicating and treating drug-dependent offenders. Superior Court divisions in 12 counties have implemented or are planning the implementation of drug courts. These programs utilize drug education, intensive therapy, parent support, case management, socialization alternatives, aftercare and compliance monitoring for drug abstinence.

Drug Treatment Alternative to Prison

The budget includes no funding in FY 2020 for the Pima County Drug Treatment Alternative to Prison Program. This amount is unchanged from FY 2019.

The program allows drug addicted criminals that plead guilty to receive residential therapeutic treatment as an alternative to prison. The FY 2018 appropriation is non-lapsing through June 30, 2019.

Juvenile Standard Probation

The budget includes \$3,704,600 in FY 2020 for Juvenile Standard Probation. This amount consists of:

General Fund	3,554,600
JCEF	150,000

FY 2020 adjustments are as follows:

One-Time CORP Increase

The budget includes a one-time increase of \$165,900 from the General Fund in FY 2020 for a Corrections Officer Retirement Plan (CORP) increase.

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$88,300 from the General Fund in FY 2020 for prior-year probation officer salary and ERE deficits.

Background – This line item provides funding for community supervision services for juveniles placed on standard probation by the Juvenile Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-203B, a juvenile probation officer shall not supervise more than an average of 35 juveniles on standard probation at one time.

As required by a General Appropriation Act footnote, the monies in the Juvenile Standard Probation line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Juvenile Intensive Probation

The budget includes \$5,682,000 from the General Fund in FY 2020 for Juvenile Intensive Probation. FY 2020 adjustments are as follows:

One-Time CORP Increase

The budget includes a one-time increase of \$258,000 from the General Fund in FY 2020 for a Corrections Officer Retirement Plan (CORP) increase.

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$123,000 from the General Fund in FY 2020 for probation prior-year officer salary and ERE deficits.

Background – This line item provides funding for a sentencing alternative to divert serious, non-violent juvenile offenders from incarceration or residential care and to provide intensive supervision for high-risk offenders already on probation. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-353B, 1 JIPS team shall not supervise more than an average of 25 juveniles on intensive probation at one time.

As required by a General Appropriation Act footnote, the monies in the Juvenile Intensive Probation line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Juvenile Treatment Services

The budget includes \$20,148,000 from the General Fund in FY 2020 for Juvenile Treatment Services. FY 2020 adjustments are as follows:

One-Time CORP Increase

The budget includes a one-time increase of \$74,900 from the General Fund in FY 2020 for a Corrections Officer Retirement Plan (CORP) increase.

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$112,200 from the General Fund in FY 2020 for prior-year probation officer salary and ERE deficits.

Background – This line item provides funding to the juvenile courts to meet the requirements of A.R.S. § 8-321 relating to the assignment of youths referred for delinquency or incorrigibility to treatment programs, residential treatment centers, counseling, shelter care and other programs.

As required by a General Appropriation Act footnote, the monies in the Juvenile Treatment Services line item shall be used only as pass-through monies to the counties for their treatment programs and central treatment service payments made by AOC on behalf of the counties and are not available for AOC expenses.

Juvenile Family Counseling

The budget includes \$500,000 from the General Fund in FY 2020 for Juvenile Family Counseling. This amount is unchanged from FY 2019.

Background – This line item provides funding to the Juvenile Division of the Superior Court for prevention of delinquency among juvenile offenders by strengthening family relationships. These monies are predominantly for non-adjudicated juveniles and their families and require a 25% county match.

Juvenile Diversion Consequences

The budget includes \$8,609,000 from the General Fund in FY 2020 for Juvenile Diversion Consequences. FY 2020 adjustments are as follows:

One-Time CORP Increase

The budget includes a one-time increase of \$272,900 from the General Fund in FY 2020 for a Corrections Officer Retirement Plan (CORP) increase.

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$178,300 from the General Fund in FY 2020 for prior-year probation officer salary and ERE deficits.

Background – This program diverts youth from formal court proceedings in order to reduce court costs and prevent re-offending. A juvenile diversion probation officer assigns consequences for the juvenile to complete, such as substance abuse education, graffiti abatement, counseling, or other community service programs. According to the AOC’s Juvenile Court Annual Report, there were approximately 9,962 juveniles diverted from formal court proceedings in FY 2017. FY 2018 figures have not yet been released. Monies in this line item are distributed to all counties.

As required by a General Appropriation Act footnote, the monies in the Juvenile Diversion Consequences line item shall be used only as pass-through monies to the counties for their diversion programs and central treatment service payments made by AOC on behalf of the counties and are not available for AOC expenses.

Juvenile Crime Reduction

The budget includes \$3,312,800 from CJEF in FY 2020 for Juvenile Crime Reduction. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,300 from CJEF in FY 2020 for statewide adjustments.

Background – This line item provides funding for the design and implementation of community-based strategies for reducing juvenile crime. Strategies include prevention, early intervention, effective intermediate sanctions, and rehabilitation. Through a grant process, AOC distributes monies in this line item to approximately 25 public and private entities.

As required by a General Appropriation Act footnote, the monies in the Juvenile Crime Reduction line item shall be used only as pass-through monies to the counties for their crime reduction programs and are not available for AOC expenses.

Special Water Master

The budget includes \$489,700 from the General Fund in FY 2020 for the Special Water Master line item. FY 2020 adjustments are as follows:

State Court Employee Salary Increases

The budget includes an increase of \$8,700 from the General Fund in FY 2020 for state court employee salary increases.

One-Time Funding

The budget includes a one-time increase of \$250,000 from the General Fund in FY 2020 for one-time funding. Of this amount, \$200,000 is for document digitization and \$50,000 is for the creation of an electronic case management system.

Staffing Increase

The budget includes an increase of \$39,500 from the General Fund in FY 2020 for a staffing increase. This amount will fund the cost of a part-time court reporter and a part-time administrative assistant.

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2020 for statewide adjustments.

Background – This line item provides funding for the Special Water Master assigned by the court in 1990 to the Little Colorado River and Gila River water rights adjudications. The adjudication of water rights for the Little Colorado River and Gila River were petitioned in 1978 and 1980, respectively. In FY 2018, 710 water rights claims were filed by individuals, communities, governments, and companies. The Special Water Master conducts hearings for each claimant and makes recommendations to a Superior Court judge.

Pursuant to statute, the costs of the Water Master are funded from claimant fees. If claimant fees are insufficient, statute requires the state General Fund to pay for these expenses in a line item within the Superior Court budget. *(Please see Table 1 for more information.)*

Table 1

Special Water Master Funding

	FY 2018 Actual	FY 2019 Estimated ^{1/}	FY 2020 Estimated ^{1/}
Gila River			
Beginning Balance	\$214,800	\$228,700	\$236,600
Revenues ^{2/}	173,000	173,000	470,100
Expenditures	<u>159,100</u>	<u>165,100</u>	<u>462,200</u>
Ending Balance	\$228,700	\$236,600	\$244,500
Little Colorado River			
Beginning Balance	\$86,400	\$89,600	\$91,800
Revenues ^{2/}	31,300	31,300	32,600
Expenditures	<u>28,100</u>	<u>29,100</u>	<u>30,400</u>
Ending Balance	\$89,600	\$91,800	\$94,000

^{1/} As reported by the Administrative Office of the Courts and adjusted by the JLBC.

^{2/} Includes annual General Fund appropriation plus interest.

Court-Ordered Removals

The budget includes \$315,000 from the General Fund in FY 2020 for Court-Ordered Removals. This amount is unchanged from FY 2019.

These monies help fund the costs associated with the Superior Court's processing and issuance of temporary orders of custody for juveniles removed from their home.

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The budget continues an increase of \$133,500 from the General Fund in FY 2020 for employer contribution increases related to the Elected Officials Retirement Plan (EORP). The budget appropriated this amount to the agency as an FY 2019 supplemental and continued this same appropriation in the FY 2020 budget. (Please see the Consolidated Retirement Report for more information.)

Probation Caseloads

The budget includes \$36,175,300 in General Fund and \$5,552,100 in Other Fund monies, a total of \$41,727,400, in FY 2020 to support non-Maricopa County adult and juvenile probation caseloads. These amounts also include the funding for Interstate Compact.

In FY 2018, the state appropriated \$33,070,200 in General Fund and \$5,552,100 in Other Fund monies for a total of \$38,622,300 in state resources to support non-Maricopa County adult and juvenile probation caseloads. Actual probation expenditures totaled \$37,014,700 in FY 2018. Additionally, counties provided \$26,334,000 in funding and \$5,922,700 in probation fee revenues for these purposes. Table 2 displays total funding and probation officer expenditures from both county and state sources in FY 2018.

The JLBC Staff estimated FY 2019 and FY 2020 probation caseloads of 19,801 and 20,194 from all categories, respectively. This would represent growth of 2.8% in FY 2019 and 2.0%, in FY 2020. AOC is primarily concerned with Adult Standard growth, which is the largest category or about 84% of total caseloads at the end of FY 2018. The JLBC Staff estimated Adult Standard growth in FY 2019 and FY 2020 at 4.4% and 3.0%, respectively. At those rates, in FY 2020, total Adult Standard caseloads would be 17,418. Based on recent trends, this appears to be high. As of April 2019, Adult Standard caseloads for non-Maricopa counties were 16,153. The FY 2019 funding level was sufficient for a capacity of 17,485. The budget increased the Adult Standard line item by \$243,300 in FY 2020, which is sufficient to hire 4 new probation officers. This would raise the capacity for Adult Standard to 17,745 in FY 2020.

Please see Table 3 below for recent probation caseloads in each category and the JLBC Staff estimates for FY 2019 and FY 2020.

Table 2

FY 2018 Non-Maricopa County Probation Funding

	Adult Standard	Adult Intensive	Juvenile Standard	Juvenile Intensive	Total
Probation Officers					
Case Carrying Positions	242.0	92.0	49.1	36.5	419.6
Non-Case Carrying Positions	348.4	60.3	350.3	28.6	787.6
Total Filled Positions	590.4	152.3	399.4	65.1	1,207.2
Probation Line Item Expenditures					
Amount Distributed to Counties	\$18,236,600	\$10,176,700	\$3,300,400	\$5,301,000	\$37,014,700
Total Line Item Expenditures	\$18,236,600^{1/}	\$10,176,700	\$3,300,400	\$5,301,000	\$37,014,700^{2/}
County Probation Expenditures					
State General Fund	\$14,293,900 ^{1/}	\$9,141,800	\$3,157,800	\$4,708,700	\$31,302,200
Other State Funds	3,564,000	999,600	0	0	4,563,600
County Funding	15,653,000	0	10,681,000	0	26,334,000
Probation Fees	5,451,100	0	471,600	0	5,922,700
Total Expenditures	\$38,962,000	\$10,141,400	\$14,310,400	\$4,708,700	\$68,122,500^{3/}

^{1/} Includes the Adult Standard Probation and Interstate Compact line item appropriations.

^{2/} Represents the amount expended by AOC in support of non-Maricopa County probation programs.

^{3/} Represents the amount expended by the counties from all sources, including current and prior years' monies received from the state.

Table 3**End of Year Probation Caseloads ^{1/}**

<u>Probation Category</u>	<u>FY 2016 Actual</u>	<u>FY 2017 Actual</u>	<u>FY 2018 Actual</u>	<u>FY 2019 Estimate</u>	<u>FY 2020 Estimate</u>
Adult Standard ^{2/}	15,484	16,047	16,187	16,907	17,418
Adult Intensive	1,291	1,211	1,149	1,098	1,042
Juvenile Standard	1,475	1,483	1,506	1,417	1,374
Juvenile Intensive	<u>429</u>	<u>398</u>	<u>414</u>	<u>379</u>	<u>360</u>
Total Caseload	18,679	19,139	19,256	19,801	20,194

^{1/} Numbers represent June probation caseloads. FY 2019 and FY 2020 represent JLBC Staff estimates.

^{2/} Does not include Interstate Compact participants.

Department of Juvenile Corrections

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	17,808,300	20,456,800	22,454,500
Employee Related Expenditures	11,321,700	14,560,300	15,690,000
Professional and Outside Services	624,600	710,900	710,900
Travel - In State	246,000	286,500	286,500
Travel - Out of State	7,400	1,000	1,000
Other Operating Expenditures	4,787,400	4,377,800	4,182,600
Equipment	250,300	6,600	6,600
AGENCY TOTAL	35,045,700	40,399,900	43,332,100
FUND SOURCES			
General Fund	19,488,600	22,742,500	36,926,500
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	216,100	531,400	531,500
Department of Juvenile Corrections Local Cost Sharing Fund	11,260,000	11,260,000	0
State Charitable, Penal and Reformatory Institutions Land Fund	3,163,500	4,011,600	4,012,400
State Education Fund for Committed Youth	917,500	1,854,400	1,861,700
SUBTOTAL - Other Appropriated Funds	15,557,100	17,657,400	6,405,600
SUBTOTAL - Appropriated Funds	35,045,700	40,399,900	43,332,100 ^{1/2/}
Other Non-Appropriated Funds	316,300	232,200	232,200
Federal Funds	929,500	1,023,700	1,023,700
TOTAL - ALL SOURCES	36,291,500	41,655,800	44,588,000

AGENCY DESCRIPTION — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youth until they are released from custody or reach age 18.

FOOTNOTES

- 1/ Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund shall be distributed to the Department of Juvenile Corrections, in compliance with Section 25 of the Enabling Act and the Constitution of Arizona, to be used to support the state juvenile institutions and reformatories. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$43,332,100 and 738.5 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$36,926,500
Criminal Justice Enhancement Fund (CJEF)	531,500
State Charitable, Penal and Reformatory Institutions Land Fund	4,012,400
State Education Fund for Committed Youth	1,861,700

FY 2020 adjustments are as follows:

Salary Increase

The budget includes an increase of \$3,241,300 from the General Fund in FY 2020 for an employee salary increase. The budget funds the following percentage increases in salaries for the specified positions below:

Security/Correctional Officers	14.90%
Education/Teachers	8.45%

Repeal Local Cost Sharing for Smaller Counties

The budget includes an increase \$2,809,100 from the General Fund and a corresponding decrease of \$(2,809,100) from the DJC Local Cost Sharing Fund in FY 2020 to repeal local cost sharing for smaller counties. The FY 2020 Criminal Justice Budget Reconciliation Bill (BRB) repealed the requirement for all counties except Maricopa and Pima to pay an assessed amount determined by the county's proportional share by population of \$11,260,000 for the costs of the Department of Juvenile Corrections.

One-Time Offset for Local Cost Sharing

The budget includes a one-time increase of \$8,450,900 from the General Fund and a corresponding decrease of \$(8,450,900) from the DJC Local Sharing Fund in FY 2020 to offset local cost sharing for Maricopa and Pima Counties.

Remove One-Time Named Claimants Funding

The budget includes a decrease of \$(8,000) from the General Fund in FY 2020 for the elimination of one-time funding for prior year unpaid claims. *(Please see the Named Claimants section in ADOA Other Issues.)*

Statewide Adjustments

The budget includes a decrease of \$(301,100) in FY 2020 for statewide adjustments. This amount consists of:

General Fund	(309,300)
Criminal Justice Enhancement Fund	100
State Charitable, Penal and Reformatory Institutions Land Fund	800
State Education Fund for Committed Youth	7,300

(Please see the Agency Detail and Allocations section.)

Other Issues

FY 2019 Supplemental

The FY 2020 budget includes an FY 2019 supplemental appropriation of \$8,000 from the General Fund for a one-time named claimants appropriation.

Statutory Changes

The Criminal Justice BRB makes the following statutory changes:

- As permanent law, repeal the requirement for all counties except Maricopa and Pima to pay an assessed amount determined by the county's

proportional share by population of \$11,260,000 for the costs of the Department of Juvenile Corrections.

- As session law, suspend the \$8,450,900 in county cost sharing for Maricopa and Pima Counties on a one-time basis in FY 2020.

Local Cost Sharing

The FY 2016 Criminal Justice BRB created the DJC Local Cost Sharing Fund with annual deposits from each county for their share of a portion of the operational costs of DJC. The FY 2020 Criminal Justice BRB repealed the requirement in statute for all counties (except Maricopa and Pima) to pay their proportional share of \$11,260,000 according to their population. The FY 2020 Criminal Justice BRB also suspends the \$8,450,900 in county cost sharing for Maricopa and Pima Counties on a one-time basis in FY 2020. *Table 1* displays the estimated payment by county in FY 2019:

County	FY 2019
Apache County	\$ 126,000
Cochise County	231,400
Coconino County	236,900
Gila County	94,400
Graham County	65,600
Greenlee County	14,800
La Paz County	36,200
Maricopa County	6,724,000
Mohave County	352,600
Navajo County	189,300
Pima County	1,726,900
Pinal County	661,900
Santa Cruz County	83,500
Yavapai County	371,700
Yuma County	344,800
TOTAL	\$11,260,000

The FY 2019 General Appropriation Act included a one-time \$11,260,000 General Fund appropriation to the Department of Administration for distribution to counties to offset fully the cost of the FY 2019 contribution. *(Please see the County Funding narrative for more information on state distributions to counties.)*

Population Counts

Table 2 lists the DJC population by category. The housed and parole populations within DJC have seen significant decreases in the past 10 years. As illustrated in *Table 2*, the housed population within DJC has decreased from 227 to 219, or (3.5)%, from FY 2016 through May 2019. The total parole population has also decreased significantly, realizing a reduction of (45.8)% over the same period. DJC

reports that this decline is due to a reduction in the number of committed youth, an increase in the age of the average offender resulting in shorter incarceration periods, and statutory changes to admissions requirements.

The FY 2016 Criminal Justice BRB altered the requirements for admission to DJC facilities. These changes include an increase in the minimum admission

age to 14, the requirement that juveniles who are admitted must have committed a felony in the past, and the allowance for those that are adjudicated as seriously mentally ill to be allowed admission if they have only committed a misdemeanor. Prior to this bill, the minimum age for admission was 8 years and individuals who had committed a misdemeanor were allowed entrance.

	DJC Census			
	FY 2016 Average <u>Population</u>	FY 2017 Average <u>Population</u>	FY 2018 Average <u>Population</u>	Population as of <u>May 31, 2019</u>
Housed Population				
Adobe Mountain	227	179	172	219
Parole Population				
Parole	81	68	45	39
Interstate Compact (Inside Arizona) ^{1/}	<u>111</u>	<u>108</u>	<u>87</u>	<u>67</u>
Total Parole Population	<u>192</u>	<u>176</u>	<u>132</u>	<u>104</u>
Total DJC Population	419	355	304	323

^{1/} The Interstate Compact is an agreement between states to supervise parolees in each other's state. "Inside Arizona" means parolees from other states living in Arizona and "Outside Arizona" means Arizona parolees living in other states. There was an average of 1 Arizona parolee outside of Arizona in FY 2018 and 3 parolees on May 31, 2019.

State Land Department

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	129.7	129.7	129.7
Personal Services	5,907,500	8,691,200	8,691,200
Employee Related Expenditures	2,329,000	1,907,300	1,925,600
Professional and Outside Services	1,724,600	2,455,200	2,455,200
Travel - In State	97,700	120,000	120,000
Travel - Out of State	14,100	15,000	15,000
Other Operating Expenditures	3,306,500	2,880,000	2,904,400
Equipment	109,800	100,000	100,000
OPERATING SUBTOTAL	13,489,200	16,168,700	16,211,400
SPECIAL LINE ITEMS			
CAP User Fees	1,443,400	1,315,200	1,315,200 ^{1/}
Due Diligence Fund Deposit	0	500,000	500,000
Fire Suppression	0	800,000	800,000
Natural Resource Conservation Districts	531,500	650,000	650,000 ^{2/}
Professional Service Contracts	196,900	0	0
Reassessment of Federal Permits	141,500	0	0
Right-of-Way Digitization	450,000	0	0
Streambed Navigability Litigation	1,700	220,000	220,000
Survey Assets	393,300	0	0
Workflow Digitization	431,200	0	0
AGENCY TOTAL	17,078,700	19,653,900	19,696,600 ^{3/}
FUND SOURCES			
General Fund	12,378,500	11,605,100	11,654,300
<u>Other Appropriated Funds</u>			
Due Diligence Fund	0	500,000	500,000
Environmental Special Plate Fund	142,100	260,600	260,600
Trust Land Management Fund	4,558,100	7,288,200	7,281,700
SUBTOTAL - Other Appropriated Funds	4,700,200	8,048,800	8,042,300
SUBTOTAL - Appropriated Funds	17,078,700	19,653,900	19,696,600
Other Non-Appropriated Funds	466,500	711,000	711,000
TOTAL - ALL SOURCES	17,545,200	20,364,900	20,407,600

AGENCY DESCRIPTION — The agency manages the state's 9.2 million acres of trust land on behalf of its 13 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from trust land minerals and other natural products.

FOOTNOTES

- ^{1/} The appropriation includes \$1,315,200 for Central Arizona Project User Fees in FY 2020. For FY 2020, from municipalities that assume their allocation of Central Arizona Project water for every dollar received as reimbursement to the state for past Central Arizona Water Conservation District payments, \$1.00 reverts to the state General Fund in the year that the reimbursement is collected. (General Appropriation Act footnote)
- ^{2/} Of the amount appropriated for Natural Resource Conservation Districts in FY 2020, \$30,000 shall be used to provide grants to Natural Resource Conservation Districts environmental education centers. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$16,211,400 and 129.7 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<u>FY 2020</u>
General Fund	\$9,729,100
Environmental Special Plate Fund	600
Trust Land Management Fund	6,481,700

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$42,700 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	49,200
Trust Land Management Fund	(6,500)

(Please see the Agency Detail and Allocations section.)

The FY 2020 budget maintains the FY 2019 funding level for the department's innovation projects in FY 2020. The 5 innovation projects were appropriated as separate line items in FY 2018, however, funding for the projects was shifted to the department's operating budget in FY 2019. The FY 2020 budget continues to reflect funding for the innovation projects in the department's operating budget.

The FY 2020 budget removes the footnote requiring the department to submit a report on the effectiveness and future plans for the innovation projects.

CAP User Fees

The budget includes \$1,315,200 from the General Fund in FY 2020 for Central Arizona Project (CAP) User Fees. FY 2020 adjustments are as follows:

CAP Rate Adjustment

The budget continues a supplemental FY 2019 decrease of \$(128,300) from the General Fund in FY 2020 to realign the funding level for CAP User Fees with the FY 2019 final CAP User Fee rates. This funding level is based on the final FY 2019 rate of \$41 per acre-foot on 32,076 acre-feet of water that the department will be billed for "capital charges" in FY 2019. This amount is \$(128,300) below the FY 2019 appropriation of \$1,443,500. The original FY 2019 appropriation reflected capital charges of \$45 per acre-foot, but CAP rates are not determined until June 15 of each year and the final rate for FY 2019 ended up being \$41 per acre-foot. As a result, the budget also includes a \$(128,300) reduction of General Fund monies to the CAP

User Fees line item in FY 2019 to realign CAP funding to the final FY 2019 rate.

Pursuant to A.R.S. § 37-106.01, the State Land Department has a long-term contract with the Central Arizona Water Conservation District (CAWCD) (the governing entity for CAP) for the rights to purchase 32,076 acre-feet of CAP water annually for municipal and industrial uses on state trust lands. The department typically does not take delivery of the water, but must still pay capital charges to the CAWCD each year to maintain its CAP water rights. (The CAWCD uses revenue from capital charges to fund repayment of federal construction debt for the CAP.) Maintaining CAP water rights on state trust lands increases their market value. When CAP water rights on state trust lands are transferred to a municipality through the sale or lease of state trust lands, the state General Fund is reimbursed for all previous costs associated with the water rights pursuant to A.R.S. § 37-106.01C&G. *(Please see related General Appropriation Act footnote.)*

Due Diligence Fund Deposit

The budget includes \$500,000 from the Due Diligence Fund in FY 2020 for this line item. This amount is unchanged from FY 2019.

The State Land Department uses monies in this line item to fund due diligence studies on land that it prepares for auction. The purchasers of state trust land then reimburse the State Land Department for the cost of the studies.

Fire Suppression

The budget includes \$800,000 from the Trust Land Management Fund in FY 2020 for the Fire Suppression line item. This amount is unchanged from FY 2019.

The budget maintains the funding level of \$800,000 from the Trust Land Management Fund in FY 2020 for Fire Suppression activities. This amount was initially appropriated in the FY 2019 operating budget, but the budget displays it as a line item to reflect an interagency service agreement (ISA) between the State Land Department and the Arizona Department of Forestry and Fire Management.

Pursuant to the ISA agreement between the State Land Department and the Arizona Department of Forestry and Fire Management, \$800,000 of fire suppression activity on state trust lands will be funded by the Trust Land Management Fund beginning in FY 2019. *(Please see the*

Arizona Department of Forestry and Fire Management
narrative for more information.)

Natural Resource Conservation Districts

The budget includes \$650,000 in FY 2020 for Natural Resource Conservation Districts (NRCs). This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2019.

This line item funds natural resource research, activities, and staff at the state's 30 NRCs. These districts are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A.R.S. § 37-1014 requires the department to include in its budget request up to \$40,000 for each NRC and \$60,000 for each education center for a 2-year period.

A General Appropriation Act footnote requires that \$30,000 of the total appropriation for NRCs be used to provide grants to NRC environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by 30 NRCs. Districts that sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015.

The revenue deposited in the Environmental Special Plate Fund consists of \$17 of the \$25 fee for environmental license plates. Current levels of Environmental Special Plate Fund revenue do not permit expenditure of the full appropriation. Revenue for FY 2018 totaled \$140,800 and will not be able to fund the appropriated amount, which is set at \$260,000. The revenue generated from the Environmental Special Plate Fund has trended downward and license plate sales have not reached \$260,000 since FY 2007.

Streambed Navigability Litigation

The budget includes \$220,000 from the General Fund in FY 2020 for Streambed Navigability Litigation. This amount is unchanged from FY 2019.

Pursuant to A.R.S. §§ 37-1123 and 37-1124, the Land Department is required to provide evidence to the Arizona Navigable Stream Adjudication Commission (ANSAC) to help resolve litigation regarding the navigability of watercourses in the state. *(Please see the*

Arizona Navigable Stream Adjudication Commission
narrative for more information.)

The Land Department uses this line item to fund expert witness services, technical examinations, and associated legal costs incurred in connection with ongoing hearings and appeals processes.

Other Issues

FY 2019 Supplemental / Ex-Appropriation

The FY 2020 budget includes an FY 2019 supplemental reduction of \$(128,300) in General Fund monies to realign funding with the FY 2019 final CAP User Fee rate of \$41 per acre-foot. *(Please see the CAP User Fees line item for more information.)*

Proposition 123

As approved by voters at the May 2016 election, Proposition 123 implements the October 2015 Special Session legislation (Laws 2015, 1st Special Session, Chapters 1 and 2 and HCR 2001) to increase the annual distribution rate from the State Land Trust Permanent Fund from 2.5% to 6.9% from FY 2016 through FY 2025.

Proposition 123 provided \$187,984,000 in incremental land trust funds to K-12 schools in FY 2018 and \$204,852,300 in FY 2019. The 4.4% incremental funding increase will provide \$218,226,100 in incremental funds in FY 2020. *(Please see the October 2015 Special Session and Proposition 123 section of the Department of Education narrative in the FY 2017 Appropriations Report for more information on Proposition 123.)*

Proposition 123 also increases distributions to other public institutions. Non-K-12 beneficiaries received \$5,745,100 in total distributions under the 2.5% rate in FY 2015. The 6.9% distribution rate under Proposition 123 increased this amount to \$22,205,600 in FY 2018 and \$24,178,400 in FY 2019. In FY 2020, non-K-12 beneficiaries will receive \$25,756,600. In addition to the distributions from the Treasurer, each beneficiary continues to receive lease revenues generated from their land parcels. Including lease revenues, non-K-12 beneficiaries received \$15,845,800 in total land trust monies in FY 2015. These beneficiaries will receive an estimated \$34,205,200 in FY 2020. *(Please see Table 1.)*

K-12 schools, the universities, and the Arizona State Schools for the Deaf and the Blind may expend the additional revenues generated by Proposition 123 without further legislative action. In order for the remaining

beneficiaries to expend their increased revenues, however, additional appropriation authority is required.

Table 1

State Land Trust: Non-K12 Beneficiaries' Revenues, Balances, and Appropriation Authority

<u>Beneficiary/Fund</u>	<u>FY 2015 Total Revenue</u> ^{1/}	<u>FY 2019 Ending Balance</u>	<u>FY 2020 Total Revenue</u> ^{2/}	<u>FY 2020 Appropriation</u>
Universities ^{3/}				
Military Institute	\$ 83,800		\$ 130,100	
Normal Schools ASU/NAU	296,600		582,500	
A & M Colleges	445,100		1,251,500	
School of Mines	499,800		1,162,700	
University Fund	2,175,400		2,624,000	
U of A Land - 1881	<u>1,659,400</u>		<u>7,026,700</u>	
Subtotal	\$ 5,160,100		\$12,777,500	
Schools for the Deaf and the Blind ^{4/}	\$ 424,400		\$ 712,300	
State Hospital	\$ 701,000	\$ 1,286,200	\$ 1,005,100	\$ 650,000
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 386,300	\$ 5,786,100	\$ 864,700	\$ 1,000,000
Corrections				
Penitentiaries	\$ 1,382,600	\$ 3,773,000	\$ 2,800,400	\$ 2,780,300
State Charitable (25%)	<u>1,452,500</u>	<u>3,214,700</u>	<u>2,983,700</u>	<u>2,661,800</u>
Subtotal	\$ 2,835,100	\$ 6,987,700	\$ 5,784,100	\$ 5,442,100
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 7,600,500	\$ 4,110,300	\$ 2,059,200
State Charitable (50%)	<u>2,905,000</u>	<u>7,881,300</u>	<u>5,967,500</u>	<u>4,515,000</u>
Subtotal	\$ 4,886,400	\$ 15,481,800	\$ 10,077,800	\$ 6,574,200
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 1,850,800	\$ 2,983,700	\$ 5,012,400
Non-K-12 Beneficiaries Total	\$15,845,800		\$34,205,200	

1/ Includes actual Treasurer's distributions and lease revenues. The FY 2015 revenues reflect the 2.5% Treasurer's distribution rate in effect prior to Proposition 123.

2/ Includes both Treasurer's distributions and lease revenues. The Treasurer's distributions are known numbers based on the funding formula. Projected FY 2020 lease revenues are based on actual FY 2018 amounts.

3/ University land trust funds are non-appropriated. As a result, budget appropriations and balance amounts are not included. (Please see ABOR section for more information.)

4/ Arizona State Schools for the Deaf and the Blind (ASDB) land trust monies are appropriated as part of the Schools for the Deaf and the Blind Fund, which also receives revenues from the Arizona Department of Education. The FY 2020 General Appropriation Act allows monies in this fund to be expended in excess of the appropriated amount. As a result, budget appropriations and balance amounts are not included.

5/ The expenditure for the Legislative, Executive, and Judicial Buildings land trust monies requires a legislative appropriation. A.R.S § 35-142 requires land fund monies to be expended only as authorized, regulated, and controlled by the General Appropriation Act or other act of the Legislature. A.R.S § 35-154 also requires that no person shall incur, order, or vote for the incurrence of any obligation against the state or for any expenditure not authorized by an appropriation and an allotment.

Legislature - Auditor General

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	188.8	195.8	200.8
Personal Services	12,588,000	12,838,000	13,187,000
Employee Related Expenditures	4,235,600	4,362,500	4,492,600
Professional and Outside Services	486,600	524,100	524,100
Travel - In State	122,600	150,000	150,000
Travel - Out of State	22,000	15,000	15,000
Other Operating Expenditures	873,800	1,250,000	1,290,600
Equipment	360,200	570,000	570,000
OPERATING SUBTOTAL	18,688,800	19,709,600 ^{1/}	20,229,300 ^{2/3/}
SPECIAL LINE ITEMS			
Career Technical Education District Study	0	0	400,000 ^{4/}
Special Audit	200,000	0	0
AGENCY TOTAL	18,888,800	19,709,600	20,629,300 ^{5/}
FUND SOURCES			
General Fund	18,688,800	19,709,600	20,629,300
<u>Other Appropriated Funds</u>			
Water Banking Fund	200,000	0	0
SUBTOTAL - Other Appropriated Funds	200,000	0	0
SUBTOTAL - Appropriated Funds	18,888,800	19,709,600	20,629,300
Other Non-Appropriated Funds	1,937,700	1,971,700	1,971,700
TOTAL - ALL SOURCES	20,826,500	21,681,300	22,601,000

AGENCY DESCRIPTION — The Auditor General (AG) provides an independent financial, performance, and compliance audit capability in support of legislative oversight and public accountability of funds administered by the state and certain local governments.

FOOTNOTES

- ^{1/} The sum of \$1,083,000 and 10 FTE Positions are appropriated from the state General Fund in FY 2020 to the Auditor General for operating expenditures. (FY 2019 General Appropriation Act footnote)
- ^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{3/} Monies and FTE Positions appropriated to the Auditor General for FY 2020 by Laws 2018, Chapter 276, section 55 are continuing appropriations and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{4/} A. In addition to any other appropriation made in FY 2020, the sum of \$400,000 is appropriated from the state General Fund in FY 2020 to the Auditor General in the following purposes:
 1. In collaboration with the Arizona Commerce Authority and business, industry and higher education leaders, to identify, on or before January 1, 2020, the industry certifications earned by career technical education students that are most associated with multiyear career technical education programs that successfully prepare students for jobs in high-demand technical fields.
 2. To evaluate, on or before December 1, 2020, the effectiveness of career technical education districts in preparing students for jobs in high-demand technical fields.
 B. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$20,229,300 and 200.8 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Increased Staffing for Performance Audit Division

The budget includes an increase of \$497,500 and 5 FTE Positions from the General Fund in FY 2020 for increased staffing for the Performance Audit Division. The FY 2019 General Appropriation Act appropriated \$585,500 and 5 FTE Positions from the General Fund for increased staffing. The same legislation advance appropriated \$1,083,000 and 10 FTE Positions for the same purpose in FY 2020. The \$497,500 and 5 FTE Positions represent the FY 2020 increase above FY 2019. The \$1,083,000 and 10 FTE Positions do not appear in the FY 2020 General Appropriation Act as these monies have already been appropriated.

This increased funding will permit the agency to increase the frequency of sunset reviews from a 10-year cycle to an 8-year cycle. Although the division historically has been funded based on a 10-year cycle, most agencies now receiving sunset reviews every 8 years.

Statewide Adjustments

The budget includes an increase of \$22,200 from the General Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Career Technical Education District Study

The budget includes \$400,000 in one-time funding from the General Fund in FY 2020 for a study of career technical education districts. FY 2020 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$400,000 from the General Fund in FY 2020 for a career technical education district study. The study has the following 2 parts:

- 1) In collaboration with the Arizona Commerce Authority and business, industry and higher education leaders, the Auditor General shall identify the industry certifications earned by career technical education students that are most associated with multiyear career technical education programs that successfully prepare students for jobs in high-demand technical fields. The Auditor General shall complete the identification on or before January 1, 2020.
- 2) The Auditor General shall evaluate the effectiveness of career technical education districts in preparing

students for jobs in high-demand technical fields. The Auditor General shall complete the evaluation on or before December 1, 2020.

This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Other Issues

Fund Balance Expenditure

Section 2 of the General Appropriation Act authorizes the Auditor General to use for general operating expenses the remaining balance of \$31,200 from a FY 2015 appropriation it received for a study of the Department of Child Safety.

Legislature - House of Representatives

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	13,858,300	13,866,400	16,407,500
AGENCY TOTAL	13,858,300	13,866,400	16,407,500 ^{1/2/3/}
FUND SOURCES			
General Fund	13,858,300	13,866,400	16,407,500
SUBTOTAL - Appropriated Funds	13,858,300	13,866,400	16,407,500
TOTAL - ALL SOURCES	13,858,300	13,866,400	16,407,500

AGENCY DESCRIPTION — The House of Representatives is made up of 60 members, 2 of whom are elected from each of the legislative districts. The officers and employees of the House of Representatives consist of the Speaker of the House, a Chief Clerk of the House, and other employees as the House directs.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the Lump Sum appropriation of \$16,407,500 for FY 2020 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$16,407,500 from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Additional Funding

The budget includes an increase of \$2,500,000 from the General Fund in FY 2020 for additional funding.

Statewide Adjustments

The budget includes an increase of \$41,100 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The budget continues an increase of \$31,400 from the General Fund in FY 2020 for employer contribution increases related to the Elected Officials Retirement Plan (EORP). The budget appropriated this amount to the agency as an FY 2019 supplemental and continued this same appropriation in the FY 2020 budget. (See the Consolidated Retirement Report for more information.)

Legislature - Joint Legislative Budget Committee

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	1,651,800	1,661,800	1,898,400
Employee Related Expenditures	513,500	617,800	709,100
Professional and Outside Services	53,800	125,000	125,000
Travel - In State	500	500	500
Travel - Out of State	600	0	0
Other Operating Expenditures	166,900	97,700	99,200
Equipment	700	2,000	2,000
AGENCY TOTAL	2,387,800	2,504,800	2,834,200 ^{1/2/}
FUND SOURCES			
General Fund	2,387,800	2,504,800	2,834,200
SUBTOTAL - Appropriated Funds	2,387,800	2,504,800	2,834,200
TOTAL - ALL SOURCES	2,387,800	2,504,800	2,834,200

AGENCY DESCRIPTION — The Staff of the Joint Legislative Budget Committee, established by the Arizona Legislature, provides its members with analysis, forecasts, research and recommendations on state government finances and public policies.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$2,834,200 and 29 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Additional Funding

The budget includes an increase of \$325,000 from the General Fund in FY 2020 for additional funding.

Statewide Adjustments

The budget includes an increase of \$4,400 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Legislature - Legislative Council

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	49.0	55.0	55.0 ^{1/}
Personal Services	2,826,800	2,960,600	3,260,600
Employee Related Expenditures	993,000	1,052,500	1,165,200
Professional and Outside Services	700	110,000	110,000
Travel - In State	6,900	12,000	12,000
Travel - Out of State	0	6,500	6,500
Other Operating Expenditures	586,300	765,000	860,700
Equipment	1,277,000	2,527,000	2,527,000
OPERATING SUBTOTAL	5,690,700	7,433,600	7,942,000
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	881,400	871,300	872,900 ^{2/}
AGENCY TOTAL	6,572,100	8,304,900	8,814,900 ^{3/4/5/}
FUND SOURCES			
General Fund	6,572,100	8,304,900	8,814,900
SUBTOTAL - Appropriated Funds	6,572,100	8,304,900	8,814,900
TOTAL - ALL SOURCES	6,572,100	8,304,900	8,814,900

AGENCY DESCRIPTION — The Legislative Council, a staff agency of the Legislative Department, provides bill drafting and research services, continuing code revision and manages the operation and renovation of certain legislative buildings and grounds. The council is also responsible for the development, operation, and maintenance of the legislative computer system.

FOOTNOTES

- ^{1/} Includes 9 GF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} The Legislature intends that the Ombudsman-Citizens Aide prioritize investigating and processing complaints relating to the Department of Child Safety. (General Appropriation Act footnote)
- ^{3/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{4/} Dues for the Council of State Governments may be expended only on an affirmative vote of the Legislative Council. (General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$7,942,000 and 46 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Additional Funding

The budget includes an increase of \$500,000 from the General Fund in FY 2020 for additional funding.

Statewide Adjustments

The budget includes an increase of \$8,400 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Ombudsman-Citizens Aide Office

The Baseline includes \$872,900 and 9 FTE Positions from the General Fund in FY 2020 for the Ombudsman-Citizens Aide Office. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,600 from the General Fund in FY 2020 for statewide adjustments.

Legislature - Senate

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	9,356,900	9,762,900	12,948,900
AGENCY TOTAL	9,356,900	9,762,900	12,948,900 ^{1/2/3/}
FUND SOURCES			
General Fund	9,356,900	9,762,900	12,948,900
SUBTOTAL - Appropriated Funds	9,356,900	9,762,900	12,948,900
TOTAL - ALL SOURCES	9,356,900	9,762,900	12,948,900

AGENCY DESCRIPTION — The Senate is made up of 30 members elected from each of the legislative districts. The officers and employees of the Senate consist of the President of the Senate, a Secretary of the Senate, and other employees as the Senate directs.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the Lump Sum appropriation of \$12,948,900 for FY 2020 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$12,948,900 from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Additional Funding

The budget includes an increase of \$3,175,000 from the General Fund in FY 2020 for additional funding.

Statewide Adjustments

The budget includes an increase of \$11,000 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The budget continues an increase of \$15,700 from the General Fund in FY 2020 for employer contribution increases related to the Elected Officials Retirement Plan (EORP). The budget appropriated this amount to the agency as an FY 2019 supplemental and continued this same appropriation in the FY 2020 budget. (See the Consolidated Retirement Report for more information.)

Department of Liquor Licenses and Control

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	45.2	45.2	45.2
Personal Services	1,258,800	1,258,800	1,330,400
Employee Related Expenditures	871,900	871,900	971,700
Professional and Outside Services	199,500	234,500	304,100
Travel - In State	92,600	92,600	92,600
Travel - Out of State	400	400	400
Other Operating Expenditures	595,000	615,200	612,000
Equipment	12,600	12,600	62,600
AGENCY TOTAL	3,030,800	3,086,000	3,373,800 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	3,030,800	3,086,000	3,373,800
SUBTOTAL - Other Appropriated Funds	3,030,800	3,086,000	3,373,800
SUBTOTAL - Appropriated Funds	3,030,800	3,086,000	3,373,800
Other Non-Appropriated Funds	1,027,700	1,078,400	1,078,400
Federal Funds	298,900	50,000	50,000
TOTAL - ALL SOURCES	4,357,400	4,214,400	4,502,200

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$3,373,800 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Litigation Costs Increase

The budget includes an increase of \$20,000 from the Liquor Licenses Fund in FY 2020 for increased litigation costs for licensing cases with the Office of Administrative Hearings and the State Liquor Board.

Full-Time Assistant Attorney General

The budget includes an increase of \$69,600 from the Liquor Licenses Fund in FY 2020 to increase the service time of the department's assigned Assistant Attorney General from one-third to full time.

Information Technology Funding

The budget includes an increase of \$50,000 from the Liquor Licenses Fund in FY 2020 for information technology equipment and software, of which \$42,000 is for one-time expenses.

Restore Licensing Customer Service FTE Position

The budget includes an increase of \$41,700 from the Liquor Licenses Fund in FY 2020 to restore funding for a licensing customer service FTE Position that was eliminated in FY 2019.

Salary Increase

The budget includes an increase of \$85,800 from the Liquor Licenses Fund in FY 2020 for an employee salary increase. The budget requires that the increases be allocated for Investigators but does not specify a percentage amount.

Statewide Adjustments

The budget includes an increase of \$20,700 from the Liquor Licenses Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona State Lottery Commission

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	98.8	98.8	98.8
Personal Services	4,266,900	4,812,000	4,812,000
Employee Related Expenditures	1,807,400	1,752,000	1,775,300
Professional and Outside Services	404,500	386,800	386,800
Travel - In State	201,500	271,600	271,600
Travel - Out of State	54,700	16,800	16,800
Other Operating Expenditures	1,195,200	1,963,200	1,958,900
Equipment	56,000	0	0
OPERATING SUBTOTAL	7,986,200	9,202,400	9,221,400
SPECIAL LINE ITEMS			
Advertising	13,779,500	15,500,000	15,500,000
Charitable Commissions ^{1/}	1,418,900	1,552,300	1,728,200 ^{2/}
Instant Tickets	15,135,500	28,367,000	31,060,100 ^{3/}
On-Line Vendor Fees	9,533,300	12,310,500	11,009,400 ^{4/}
Retailer Commissions	64,420,600	71,654,000	78,287,000 ^{5/}
AGENCY TOTAL	112,274,000	138,586,200	146,806,100 ^{6/}

FUND SOURCES

Other Appropriated Funds

State Lottery Fund	112,274,000	138,586,200	146,806,100
SUBTOTAL - Other Appropriated Funds	112,274,000	138,586,200	146,806,100
SUBTOTAL - Appropriated Funds	112,274,000	138,586,200	146,806,100
Other Non-Appropriated Funds	664,014,500	720,491,500	754,866,200
TOTAL - ALL SOURCES	776,288,500	859,077,700	901,672,300

AGENCY DESCRIPTION — The Arizona Lottery is responsible for administering sanctioned games of chance. In addition to Arizona-specific games, the state also participates in multi-state Powerball and Mega-Millions on-line games.

FOOTNOTES

- 1/ Charitable Commissions, Instant Tickets, On-Line Vendor Fees, and Retailer Commissions are appropriated as a percentage of sales. Therefore, the amounts shown for those line items are estimates only.
- 2/ An amount equal to 20% of Tab Ticket sales is appropriated to pay sales commissions to charitable organizations. This amount is currently estimated to be \$1,728,200 in FY 2020. (General Appropriation Act footnote)
- 3/ An amount equal to 3.6% of actual instant ticket sales is appropriated to print instant tickets or to pay contractual obligations concerning instant ticket distribution. This amount is currently estimated to be \$31,060,100 in FY 2020. (General Appropriation Act footnote)
- 4/ An amount equal to a percentage of actual on-line game sales as determined by contract is appropriated for payment of on-line vendor fees. This amount is currently estimated to be \$11,009,400, or 4.256% of actual on-line ticket sales in FY 2020. (General Appropriation Act footnote)
- 5/ An amount equal to 6.5% of gross lottery game sales, minus Charitable Tab Tickets, is appropriated to pay sales commissions to ticket retailers. An additional amount not to exceed 0.5% of gross lottery game sales is appropriated to pay sales commissions to ticket retailers. The combined amount is currently estimated to be 6.7% of total ticket sales, or \$78,287,000 in FY 2020. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$9,221,400 and 98.8 FTE Positions from the State Lottery Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$19,000 from the State Lottery Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Advertising

The budget includes \$15,500,000 from the State Lottery Fund in FY 2020 for Advertising. This amount is unchanged from FY 2019.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The budget includes \$1,728,200 from the State Lottery Fund in FY 2020 for Charitable Commissions. FY 2020 adjustments are as follows:

Tab Ticket Increase

The budget includes an increase of \$175,900 from the State Lottery Fund in FY 2020 to realign spending with projected revenues. *(See Table 1 for more information.)*

Monies in this line item are used to compensate charities for selling lottery 'Tab Tickets.' Tab Tickets are games sold exclusively by charitable organizations, who receive a 20% commission for selling the games. The displayed amount is derived by applying the approved percentage, 20%, to the forecasted Tab Ticket sales. A.R.S. § 5-555 also allows the department to collect up to 35% of total Tab Ticket sales (which includes the 20% commission) for their operating budget, with the remainder distributed as prizes.

Instant Tickets

The budget includes \$31,060,100 from the State Lottery Fund in FY 2020 for Instant Tickets. FY 2020 adjustments are as follows:

Instant Ticket Sales Increase

The budget includes an increase of \$2,693,100 from the State Lottery Fund in FY 2020 for Instant Tickets due to higher projected sales. *(See Table 1 for more information.)*

Monies in this line item are used to pay for instant ticket printing and distribution costs. The estimated appropriation was lowered from 3.6% to 3.05% in FY 2018. This figure reflects a blended rate across different services. The appropriation returned to 3.6% in FY 2019. The amount displayed is derived by applying the new approved spending percentage to the forecasted sales total.

On-Line Vendor Fees

The budget includes \$11,009,400 from the State Lottery Fund in FY 2020 for On-Line Vendor Fees. FY 2020 adjustments are as follows:

On-Line Sales Decrease

The budget includes a decrease of \$(1,301,100) from the State Lottery Fund in FY 2020 for On-Line Vendor Fees due to lower projected sales. *(See Table 1 for more information.)*

Monies in this line item are used to pay the vendor that operates the on-line game computer system. The actual appropriation is equal to a percentage of on-line ticket sales specified in the Lottery's contractual agreement with the vendor, which is 4.256%.

Retailer Commissions

The budget includes \$78,287,000 from the State Lottery Fund in FY 2020 for Retailer Commissions. FY 2020 adjustments are as follows:

Retailer Commissions Increase

The budget includes an increase of \$6,633,000 from the State Lottery Fund in FY 2020 for Retailer Commissions due to higher projected sales. *(See Table 1 for more information.)*

Monies in this line item are used to compensate retailers for selling lottery tickets. A.R.S. § 5-555 specifies that compensation to retailers will be at least 5.5% but not more than 8% of non-charitable Tab Ticket sales. The actual appropriation is equal to 6.5% of these sales. Pursuant to statute, an additional 0.5% of total non-charitable Tab Ticket sales may be paid to retailers based on their attainment of specified sales and marketing objectives. Since 40% of retailers are estimated to meet these objectives, this would result in an additional 0.2% in retailer commissions and a total retail commission rate of 6.7%. The displayed amount is derived by applying the approved percentage to the forecasted sales total.

Other Issues

Lottery Forecast and Distributions

The budget assumes a 9.8% increase in overall Lottery ticket sales in FY 2019, followed by a 4.1% increase in FY 2020. For FY 2019 and FY 2020, the budget assumes Lottery ticket sales of \$1,077,223,800 and \$1,121,461,900, respectively.

The FY 2019 forecasted sales and Special Line Items expenditures are higher than the amounts included as part of the *FY 2019 Appropriations Report*. This increase is due to a revised FY 2019 sales forecast. These revised amounts are estimates based on the current sales forecast and the special line item percentages included in the FY 2019 General Appropriation Act footnotes. The actual FY 2019 expenditures will be determined by the actual Lottery ticket sales during FY 2019.

Sources and Uses of Lottery Profit Distribution

Table 1 shows the sources of forecasted Lottery profits by revenue stream and illustrates the actual distributions to fund beneficiaries for FY 2018 and the JLBC Staff projected distributions for FY 2019 and FY 2020. A brief description of each beneficiary follows in the order that they receive Lottery-generated revenue in accordance with A.R.S. § 5-534 and 5-572.

State Lottery Revenue Bond Debt Service Fund

Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments are made from Lottery revenues that would have otherwise been deposited into the General Fund.

In December 2018, the Arizona Department of Administration (ADOA) elected to refinance the 2010 Lottery Revenue Bonds and the refinancing bonds will be issued in October 2019. The refinancing has not extended the original 20-year repayment period. This refinancing will result in annual savings of approximately \$3.0 million throughout the term of the bonds for a total savings of \$29.9 million. This includes a payment reduction of \$(2,988,500) in FY 2020 compared to the previously scheduled FY 2020 payment under the 2010 bonds. These savings will result in additional General Fund revenues since debt service payments count towards the General Fund - Part 1 distribution. These savings were achieved due to lower bond market interest rates, a

shorter bond duration than the original 20-year bonds, and a higher bond rating.

As a result of the bond refinancing, the principal and interest payments in FY 2019 and FY 2020 are expected to be \$37,502,900 and \$34,511,900, respectively. Chapter 4 requires the first Lottery proceeds to be distributed to the State Lottery Revenue Bond Debt Service Fund.

Maricopa County Mass Transit

The projected annual distribution of Powerball proceeds to the Maricopa Public Transportation Fund is \$11,529,000 in each FY 2019 and FY 2020.

Laws 1993, 6th Special Session, Chapter 1 allocated not less than 31.5% of multi-state Powerball revenues to public transportation programs, otherwise known as Local Transportation Assistance Fund (LTAF) II. This allocation was capped at \$18,000,000 and was contingent upon the General Fund receiving \$45,000,000 in Lottery revenues. Laws 2010, 7th Special Session, Chapter 12 redirected these monies to the General Fund. In September 2011, the U.S. District Court in the case of *Paisley v. Darwin* ruled that the Arizona Legislature must restore the distribution of mass transit monies to Maricopa County because the distribution was part of the state implementation plan to ensure compliance with the Clean Air Act. As a result, the state must calculate Maricopa County's share of 31.5% of statewide Powerball proceeds and distribute those monies to the county.

General Fund - Part 1

The statutory distribution requires the General Fund to receive up to \$84,150,000. The General Fund - Part 2 would receive up to an additional \$15,490,000 (for a total of \$99,640,000) after the statutory funding obligations have been met through the Homeless Shelters distribution. After all other statutory obligations have been met, the General Fund - Part 3 would receive all remaining revenues.

The profit distributions in FY 2019 and FY 2020 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2. The Lottery revenue bond payments of \$37,502,900 in FY 2019 and \$34,511,900 in FY 2020 account towards the \$84,150,000 General Fund - Part 1 requirement.

Heritage Fund

Statute caps annual distributions to the Arizona Game and Fish Commission's Heritage Fund at \$10,000,000. The funds are used to promote wildlife habitat and education programs and to rehabilitate historic buildings. In FY 2019 and FY 2020, the fund is projected to receive its entire allocation.

Health and Welfare Programs

Statute requires annual inflation adjustments for the Health and Welfare distribution. The revised allocation cap is \$21,411,500 in FY 2019 and \$21,943,200 in FY 2020. These amounts are distributed among the following agencies:

- 29.4% to the Department of Child Safety for the Healthy Families program.
- 23.5% to the Arizona Board of Regents (ABOR) for the Arizona Health Education Center program.
- 17.6% to the Department of Health Services (DHS) for teenage pregnancy prevention.
- 11.8% to DHS for Disease Control Research.
- 11.8% to DHS for the Health Start program.
- 5.9% to DHS for the Women, Infants and Children food program.

Health and Welfare Programs are expected to receive their entire allocation in both FY 2019 and FY 2020.

Homeless Shelters

Under the statutory distribution, DES would receive up to \$1,000,000 for Homeless Shelters. The department shall use the funding to distribute grants to nonprofit organizations, including faith based organizations, for homeless emergency and transitional shelters and related support services. The fund is estimated to receive its full allocation in both FY 2019 and FY 2020.

General Fund - Part 2

As noted above, the General Fund would receive up to an additional \$15,490,000 after all prior allocations have been met. In FY 2019 and FY 2020, the General Fund is estimated to receive its entire allocation of \$15,490,000.

Arizona Competes Fund

Statute caps annual distributions to the Arizona Competes Fund at \$3,500,000. Allotments to this fund are used for administering grants to qualifying businesses for the purpose of attracting, retaining, and expanding business within the state. This fund is estimated to receive its full allocation in both FY 2019 and FY 2020.

University Capital Improvement (UCI) Fund

This fund serves as the source for up to 80% of the annual debt service associated with \$800,000,000 of University Capital construction Stimulus Plan for Economic and Educational Development (SPEED) bonds. This fund received \$39,610,200 in FY 2018. Based on ABOR data which includes current and planned SPEED bond issuances, the UCI Fund is expected to require \$39,889,000 in FY 2019 and 40,924,200 in FY 2020 to make the expected 80% level of debt service payments.

(Please see the FY 2020 Arizona Board of Regents Capital Outlay section for more details.)

General Fund - Part 3

The General Fund receives all remaining revenues after all statutory funding obligations have been met. These payments to the General Fund are estimated to equal \$30,667,200 in FY 2019 and \$30,731,300 in FY 2020. Total General Fund distributions, net of bond payments, are therefore estimated to be \$92,804,300 in FY 2019 and \$95,859,400 in FY 2020.

Table 1

**Forecast of Lottery Revenue Distribution
(\$ in Millions)**

<u>Sales</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Instant Sales	\$719.6	\$788.0	\$862.8
On-Line Sales	<u>261.8</u>	<u>289.2</u>	<u>258.7</u>
Total Sales	\$981.4	\$1,077.2	\$1,121.5
<i>Less:</i>			
Operating Budget ^{1/}	\$ 112.3	\$ 138.6	\$ 146.9
Gaming Distribution	0.3	0.3	0.3
ICACF/VREF Sales Transfer ^{2/}	0.2	0.2	0.2
APF Transfer ^{3/}	3.5	0.0	0.0
Prizes ^{4/}	<u>664.0</u>	<u>720.5</u>	<u>754.9</u>
Net Profit ^{5/}	\$201.1	\$217.6	\$219.2
<u>Profit Transfers ^{6/}</u>			
Debt Service Fund	\$ 37.5	\$ 37.5	\$ 34.5
Maricopa County Mass Transit ^{7/}	11.5	11.5	11.5
General Fund - Part 1 ^{8/9/}	46.7	46.6	49.6
Heritage	10.0	10.0	10.0
Health and Welfare Programs	21.0	21.4	21.9
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2 ^{8/9/}	15.5	15.5	15.5
Arizona Commerce Authority	3.5	3.5	3.5
University Capital	39.6	39.9	40.9
General Fund - Part 3 ^{8/9/}	<u>14.8</u>	<u>30.7</u>	<u>30.8</u>
Total Transfer	\$201.1	\$217.6	\$219.2

^{1/} Of this amount, an estimated \$1,552,300 in FY 2019 and an estimated \$1,728,200 in FY 2020 will be distributed as commissions to charities that sell lottery Tab Tickets.

^{2/} A.R.S. § 5-554H allows the commission to sell tab tickets from vending machine in age-restricted areas. Profits from these sales are distributed to the Internet Crimes Against Children Enforcement Fund (ICACF) and the Victims' Rights Enforcement Fund (VREF), respectively. The ICAC Fund receives up to \$900,000 and the VREF receives up to \$100,000. If net profits from age-restricted tab tickets are less than \$1.0 million, then the difference will be paid to ICACF and VREF from unclaimed prize monies in the State Lottery Fund. In FY 2018, \$164,000 was distributed to the ICACF/VREF from the sale of tab tickets. An estimated \$209,500 and \$240,900 will be distributed in FY 2019 and FY 2020, respectively. (See Footnote 6.)

^{3/} The FY 2018 General Appropriation Act transferred \$3,497,400 from the State Lottery Fund to the Automation Projects Fund in FY 2018 for the cost to replace the commission's IT system.

^{4/} Prizes are estimated by subtracting net profit, operating budget expenditures, the Department of Gaming transfer, and the ICAC/VREF sales transfer from total Lottery sales.

^{5/} To derive the profit transfer amounts, the historical rate of return for each game was applied to the current budget forecast. The total rate of return on all games in FY 2018 was 20.54%. The estimated total profit margin is 20.25% in FY 2019 and 19.60% in FY 2020.

^{6/} In addition to these listed transfers, the following monies are distributed:

- 30% of unclaimed prizes to the Court Appointed Special Advocates program.
- 15% of unclaimed prizes, not to exceed \$250,000 to the Tribal College Dual Enrollment Program Fund (This distribution was \$160,000 in FY 2016, but was increased pursuant to Laws 2016, Chapter 124).
- An estimated \$790,500 in FY 2019 and \$759,100 in FY 2020 of unclaimed prizes to ICACF and VREF.

^{7/} As a result of a federal court order, Maricopa County's share of Local Transportation Assistance Fund II monies was reinstated starting September 2011. (See *Other Issues* section for more information.)

^{8/} Excluding fund transfers, distributions to the General Fund were reported by the Lottery Commission to be \$76,975,500 in FY 2018. This amount reflects profits only related to FY 2018 sales. Due to the timing of Lottery profit transfers, however, the actual FY 2018 General Fund distribution amount was only \$64,425,400.

^{9/} Excluding fund transfers, distributions to the General Fund are estimated to be \$92,804,300 in FY 2019 and \$95,859,400 in FY 2020.

Board of Massage Therapy

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	211,600	192,200	192,200
Employee Related Expenditures	97,500	80,100	81,100
Professional and Outside Services	25,900	56,800	56,800
Travel - In State	900	500	500
Travel - Out of State	2,400	0	0
Other Operating Expenditures	85,000	131,300	141,000
Equipment	1,500	0	0
AGENCY TOTAL	424,800	460,900	471,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Massage Therapy Fund	424,800	460,900	471,600
SUBTOTAL - Other Appropriated Funds	424,800	460,900	471,600
SUBTOTAL - Appropriated Funds	424,800	460,900	471,600
TOTAL - ALL SOURCES	424,800	460,900	471,600

AGENCY DESCRIPTION — The board licenses and regulates massage therapists. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$471,600 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$10,700 from the Board of Massage Therapy Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Medical Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	61.5	61.5	61.5
Personal Services	2,998,100	3,337,200	3,337,200
Employee Related Expenditures	1,072,800	1,283,300	1,298,900
Professional and Outside Services	857,600	973,600	973,600
Travel - In State	11,400	22,500	22,500
Travel - Out of State	24,600	29,000	29,000
Other Operating Expenditures	1,259,400	900,200	933,800
Equipment	111,000	276,300	276,300
OPERATING SUBTOTAL	6,334,900	6,822,100	6,871,300
SPECIAL LINE ITEMS			
Employee Performance Incentive Program	155,500	165,000	165,600
AGENCY TOTAL	6,490,400	6,987,100	7,036,900 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Medical Board Fund	6,490,400	6,987,100	7,036,900
SUBTOTAL - Other Appropriated Funds	6,490,400	6,987,100	7,036,900
SUBTOTAL - Appropriated Funds	6,490,400	6,987,100	7,036,900
TOTAL - ALL SOURCES	6,490,400	6,987,100	7,036,900

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates, and conducts examinations of medical doctors and physician assistants.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$6,871,300 and 61.5 FTE Positions from the Arizona Medical Board Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$49,200 from the Arizona Medical Board Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Employee Performance Incentive Program

The budget includes \$165,600 from the Arizona Medical Board Fund in FY 2020 for the Employee Performance Incentive Program line item. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$600 from the Arizona Medical Board Fund in FY 2020 for statewide adjustments.

The program was previously funded by a footnote allowing the Medical Board to use up to 7% of the prior year balance from the Medical Board Fund. The FY 2019 General Appropriation Act removed that footnote and instead added a line item of \$165,000 for the incentive program.

The board awards employees based on performance of certain agency-identified measures, such as the average number of days taken to approve a new license after receiving an application.

Other Issues

Automation Projects Fund - Cloud Migration

The budget includes an FY 2020 transfer of \$300,000 from the Medical Examiners Board Fund to the Arizona Department of Administration to migrate data currently stored on local hardware to cloud servers. The FY 2020 General Appropriation Act allows monies in the fund to be used for this purpose. *(Please see the Department of Administration - Automation Projects Fund narrative for details regarding this information technology project.)*

State Mine Inspector

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	449,000	520,000	520,000
Employee Related Expenditures	197,700	257,800	259,100
Professional and Outside Services	16,500	7,500	7,500
Travel - In State	63,500	62,400	62,400
Travel - Out of State	400	7,500	7,500
Other Operating Expenditures	193,200	203,500	214,600
Equipment	11,500	3,500	3,500
OPERATING SUBTOTAL	931,800	1,062,200	1,074,600
SPECIAL LINE ITEMS			
Abandoned Mines	185,900	194,700	194,700
Aggregate Mining Land Reclamation	17,300	112,900	112,900 ^{1/}
AGENCY TOTAL	1,135,000	1,369,800	1,382,200 ^{2/}
FUND SOURCES			
General Fund	1,117,700	1,256,900	1,269,300
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	17,300	112,900	112,900
SUBTOTAL - Other Appropriated Funds	17,300	112,900	112,900
SUBTOTAL - Appropriated Funds	1,135,000	1,369,800	1,382,200
Federal Funds	354,000	632,200	632,200
TOTAL - ALL SOURCES	1,489,000	2,002,000	2,014,400

AGENCY DESCRIPTION — The State Mine Inspector is an elected constitutional officer and may serve 4 consecutive 4-year terms. The office inspects the health conditions and safety of mining operations, investigates mining accidents, identifies abandoned mines, and conducts safety certification classes for mine employees.

FOOTNOTES

- ^{1/} All Aggregate Mining Reclamation Fund monies received by the State Mine Inspector in excess of \$112,900 in FY 2020 are appropriated to the Aggregate Mining Land Reclamation line item. Before spending of any Aggregate Mining Reclamation Fund monies in excess of \$112,900 in FY 2020, the State Mine Inspector shall report the intended use of the monies to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$1,074,600 and 14 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$12,400 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Abandoned Mines

The budget includes \$194,700 from the General Fund in FY 2020 for the Abandoned Mines line item. This amount is unchanged from FY 2019.

This line item pays contractors to fill, plug, or fence abandoned mines. These monies are also used to pay administrative salaries and other costs. In addition to General Fund appropriations to the program, deposits can be made into the Abandoned Mines Safety Fund from

sources such as intergovernmental agreements and donations.

Aggregate Mining Land Reclamation

The budget includes \$112,900 from the Aggregate Mining Reclamation Fund in FY 2020 for the Aggregate Mining Land Reclamation line item. This amount is unchanged from FY 2019.

Monies in this line item are used to review legally required plans to reclaim land damaged by aggregated mining and ensure compliance with those plans. Aggregate mining is a process whereby earth moving equipment is used to mine an area close to the surface for crushed rock or stone, granite, and sand. Aggregate Mining Reclamation Fund revenues come from fees paid by owners or operators of aggregate mining sites upon submitting a reclamation plan.

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The budget continues an increase of \$1,100 from the General Fund in FY 2020 for employer contribution increases related to the Elected Officials Retirement Plan (EORP). The budget appropriated this amount to the agency as an FY 2019 supplemental and continued this same appropriation in the FY 2020 budget. *(See the Consolidated Retirement Report for more information.)*

Naturopathic Physicians Medical Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	96,800	100,500	100,500
Employee Related Expenditures	49,900	46,300	46,800
Professional and Outside Services	2,300	0	0
Travel - In State	1,100	1,100	1,100
Other Operating Expenditures	29,300	39,500	45,000
Equipment	100	0	0
AGENCY TOTAL	179,500	187,400	193,400 ^{1/}

FUND SOURCES

Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	179,500	187,400	193,400
SUBTOTAL - Other Appropriated Funds	179,500	187,400	193,400
SUBTOTAL - Appropriated Funds	179,500	187,400	193,400
TOTAL - ALL SOURCES	179,500	187,400	193,400

AGENCY DESCRIPTION — The board licenses and regulates naturopathic physicians, and naturopathic medical assistants. The board certifies physicians to dispense natural remedies, and accredits and approves naturopathic medical schools, internships, and programs. The board also investigates persons unlawfully practicing naturopathic medicine and refers them for prosecution. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$193,400 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$6,000 from the Naturopathic Physicians Medical Board Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Navigable Stream Adjudication Commission

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	70,800	70,000	70,000
Employee Related Expenditures	32,000	32,000	32,100
Professional and Outside Services	200,000	200,000	200,000
Other Operating Expenditures	16,000	25,400	26,900
Equipment	200	0	0
AGENCY TOTAL	319,000	327,400	329,000 ^{1/}
FUND SOURCES			
General Fund	119,000	127,400	129,000
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	200,000	200,000	200,000
SUBTOTAL - Other Appropriated Funds	200,000	200,000	200,000
SUBTOTAL - Appropriated Funds	319,000	327,400	329,000
TOTAL - ALL SOURCES	319,000	327,400	329,000

AGENCY DESCRIPTION — The Arizona Navigable Stream Adjudication Commission (ANSAC) is a 5-member body charged with determining the ownership of watercourses in the state by establishing whether the watercourses were navigable at the time of statehood. If navigable, title to the watercourse belongs to the state based on a series of court rulings. If non-navigable, the title to the watercourse belongs to the current title holder.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$329,000 and 2 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$129,000
Arizona Water Banking Fund	200,000

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,600 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue to allow use of the Water Banking Fund for the commission's legal obligations.

Litigation

The commission is responsible for determining the navigability of state watercourses at the time of statehood. If navigable, the watercourses are considered State Trust Land and any related proceeds from the waterbeds would be deposited in the Riparian Trust Fund, pursuant to A.R.S. § 37-1156. The monies in this fund are primarily used to acquire and maintain land adjacent to the waterbeds for conservation purposes.

In May 2006, ANSAC had determined all watercourses in Arizona to be non-navigable at the time of statehood. In June 2006, the first appeal was filed against the commission by the Arizona Center for Law in the Public Interest and the State Land Department regarding the commission's determination for the Lower Salt River. Five other appeals have been filed and stayed pending the completion of the Lower Salt River case.

In August 2007, the Maricopa County Superior Court affirmed the commission's determination. The Superior Court decision was appealed to the Arizona Court of Appeals. A decision by the Arizona Court of Appeals in May 2010 did not overturn the commission's determination concerning the Lower Salt River. Instead, the Court of Appeals set aside the Superior Court's original decision and remanded the Lower Salt River case to the Maricopa County Superior Court to determine the "ordinary and natural condition" of the watercourses by considering navigability in the period prior to statehood.

In October 2011, the Maricopa County Superior Court remanded the 4 cases appealed in Maricopa County back to the commission to address issues raised by the May 2010 Arizona Court of Appeals opinion. The 2 cases appealed in Pima County were also returned to the commission to address the same issues.

In February 2012, the United States Supreme Court ruling in *PPL Montana v. Montana* required the commission to resolve whether individual segments of the affected streambeds were navigable prior to statehood. The commission had previously determined navigability for each streambed as a whole rather than by segments. Following the U.S. Supreme Court decision, the commission adopted a segment-by-segment approach in determining navigability for the 6 remanded cases.

In May 2017, the commission completed hearings for the 6 remanded cases and subsequently adopted its findings for each case. The Upper Salt River and the Lower Salt River cases were eventually consolidated into a single Salt River Case. In May 2018, the commission completed all legal proceedings thereby signifying the beginning of the time period for which appeals may be heard.

In April 2019, the Arizona Center for Law in the Public Interest filed an appeal with Maricopa County Superior Court regarding the commission's 2018 determination of non-navigability for the Salt River, Gila River, and Verde River. Oral arguments are set to begin in July 2019.

There were no appeals filed regarding the commission's determination of non-navigability for the San Pedro River or the Santa Cruz River. The commission's completed reports from the hearings for these 2 rivers will be recorded in the appropriate county recorder's offices. This signifies the final step of the commission's process regarding adjudication and the final determination of non-navigability for the San Pedro River and the Santa Cruz River.

The commission is scheduled to sunset on June 30, 2024 pursuant to Laws 2019, Chapter 26.

State Board of Nursing

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	42.2	42.2	48.5
Personal Services	2,657,300	2,327,800	2,327,800
Employee Related Expenditures	1,010,900	948,100	958,200
Professional and Outside Services	229,300	341,700	341,700
Travel - In State	1,700	10,000	10,000
Travel - Out of State	6,700	8,000	8,000
Other Operating Expenditures	369,900	523,500	544,500
Equipment	32,800	42,400	42,400
OPERATING SUBTOTAL	4,308,600	4,201,500	4,232,600
SPECIAL LINE ITEMS			
Certified Nursing Assistant Credentialing Program	535,500	536,700	538,400
AGENCY TOTAL	4,844,100	4,738,200	4,771,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	4,844,100	4,738,200	4,771,000
SUBTOTAL - Other Appropriated Funds	4,844,100	4,738,200	4,771,000
SUBTOTAL - Appropriated Funds	4,844,100	4,738,200	4,771,000
Federal Funds	414,700	414,700	414,700
TOTAL - ALL SOURCES	5,258,800	5,152,900	5,185,700

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations, and approves educational programs for nurses and nurse aides.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$4,232,600 and 48.5 FTE Positions from the Board of Nursing Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

FTE Position Increase

The budget includes an increase of 6.3 FTE Positions from the Board of Nursing Fund in FY 2020. The Board exceeded its FY 2018 appropriation for FTE Positions by this amount. The additional FTE Position authority would not result in new hiring or costs for the board, since the positions are already filled. Prior funding increases to the board may not have come with additional FTE Positions.

Statewide Adjustments

The budget includes an increase of \$31,100 from the Board of Nursing Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Certified Nursing Assistant Credentialing Program

The budget includes \$538,400 from the Board of Nursing Fund in FY 2020 for the Certified Nursing Assistant (CNA) Credentialing Program line item. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,700 from the Board of Nursing Fund in FY 2020 for statewide adjustments.

The board registers certified nursing assistants (CNAs) at no charge to the individual and with no fingerprinting requirement. This policy meets federal requirements for having a nurse assistant (aide) registry.

Monies in this line item fund CNA Credentialing Program costs not paid by federal monies.

Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	236,700	247,000	247,000
Employee Related Expenditures	106,700	101,200	103,100
Professional and Outside Services	1,500	8,000	8,000
Travel - In State	4,000	7,000	7,000
Travel - Out of State	500	4,000	4,000
Other Operating Expenditures	40,100	70,400	79,900
Equipment	6,200	6,000	6,000
AGENCY TOTAL	395,700	443,600	455,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	395,700	443,600	455,000
SUBTOTAL - Other Appropriated Funds	395,700	443,600	455,000
SUBTOTAL - Appropriated Funds	395,700	443,600	455,000
TOTAL - ALL SOURCES	395,700	443,600	455,000

AGENCY DESCRIPTION — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

1/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$455,000 and 6 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$11,400 from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Board of Occupational Therapy Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	92,000	91,000	96,800
Employee Related Expenditures	44,200	47,700	49,500
Professional and Outside Services	100	0	0
Travel - In State	700	1,300	1,300
Other Operating Expenditures	70,000	38,100	39,400
Equipment	700	12,000	12,000
AGENCY TOTAL	207,700	190,100	199,000^{1/}

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	207,700	190,100	199,000
SUBTOTAL - Other Appropriated Funds	207,700	190,100	199,000
SUBTOTAL - Appropriated Funds	207,700	190,100	199,000
TOTAL - ALL SOURCES	207,700	190,100	199,000

AGENCY DESCRIPTION — The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$199,000 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Contract With Athletic Training Board

The budget includes an increase of \$7,100 from the Occupational Therapy Fund in FY 2020 for a contract with the Athletic Training Board to receive administrative assistance from their staff.

Statewide Adjustments

The budget includes an increase of \$1,800 from the Occupational Therapy Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Dispensing Opticians

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	76,400	73,500	73,500
Employee Related Expenditures	29,600	28,300	28,700
Professional and Outside Services	100	1,000	1,000
Travel - In State	5,300	8,500	8,500
Travel - Out of State	2,400	2,000	2,000
Other Operating Expenditures	49,800	35,800	42,200
Equipment	2,200	0	0
OPERATING SUBTOTAL	165,800	149,100	155,900 ^{1/}
SPECIAL LINE ITEMS			
Annual Leave Payout	14,000	0	0
AGENCY TOTAL	179,800	149,100	155,900
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Dispensing Opticians Fund	179,800	149,100	155,900
SUBTOTAL - Other Appropriated Funds	179,800	149,100	155,900
SUBTOTAL - Appropriated Funds	179,800	149,100	155,900
TOTAL - ALL SOURCES	179,800	149,100	155,900

AGENCY DESCRIPTION — The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eyeglasses. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$155,900 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$6,800 from the Board of Dispensing Opticians Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Optometry

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	103,100	121,400	121,400
Employee Related Expenditures	41,400	44,200	44,700
Professional and Outside Services	100	10,500	500
Travel - In State	1,500	1,500	1,500
Travel - Out of State	2,200	3,500	3,500
Other Operating Expenditures	80,500	62,700	69,100
Equipment	300	0	0
AGENCY TOTAL	229,100	243,800	240,700 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Optometry Fund	229,100	243,800	240,700
SUBTOTAL - Other Appropriated Funds	229,100	243,800	240,700
SUBTOTAL - Appropriated Funds	229,100	243,800	240,700
TOTAL - ALL SOURCES	229,100	243,800	240,700

AGENCY DESCRIPTION — The board licenses and regulates optometrists and issues certificates authorizing the use of diagnostic pharmaceutical agents. An optometrist examines eyes, measures vision, and prescribes corrective lenses and treatments which do not require a licensed physician. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$240,700 and 2 FTE Positions from the Board of Optometry Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(10,000) from the Board of Optometry Fund in FY 2020 for the removal of a one-time FY 2019 increase for scanning and digitizing licensing documents.

Statewide Adjustments

The budget includes an increase of \$6,900 from the Board of Optometry Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Board of Osteopathic Examiners in Medicine and Surgery

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.2	7.2	8.0
Personal Services	388,600	415,200	485,900
Employee Related Expenditures	157,000	173,500	198,500
Professional and Outside Services	126,900	158,700	158,700
Travel - In State	1,300	2,500	2,500
Travel - Out of State	1,100	5,500	5,500
Other Operating Expenditures	155,500	148,100	161,200
Equipment	15,600	0	0
AGENCY TOTAL	846,000	903,500	1,012,300 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund	846,000	903,500	1,012,300
SUBTOTAL - Other Appropriated Funds	846,000	903,500	1,012,300
SUBTOTAL - Appropriated Funds	846,000	903,500	1,012,300
TOTAL - ALL SOURCES	846,000	903,500	1,012,300

AGENCY DESCRIPTION — The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$1,012,300 and 8 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Increased Investigation Staff Hours

The budget includes an increase of \$93,700 and 0.8 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2020 to change the Medical Consultant and Senior Medical Investigator positions from part-time to full-time.

Statewide Adjustments

The budget includes an increase of \$15,100 from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Parents Commission on Drug Education and Prevention

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	4,907,300	5,246,400	5,246,400
TOTAL - ALL SOURCES	4,907,300	5,246,400	5,246,400

AGENCY DESCRIPTION — The commission funds programs that increase and enhance parental involvement and education regarding the serious risks and public health problems caused by the abuse of alcohol and controlled substances. The commission typically does not receive an appropriation from the Legislature.

Arizona State Parks Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	163.0	163.0	163.0 ^{1/}
Personal Services	4,466,700	5,422,000	5,437,400
Employee Related Expenditures	2,284,500	2,864,900	3,105,700
Professional and Outside Services	563,600	18,900	18,900
Travel - In State	2,800	8,200	8,200
Travel - Out of State	400	0	0
Other Operating Expenditures	3,655,400	3,915,600	4,652,700
Equipment	769,500	296,100	296,100
OPERATING SUBTOTAL	11,742,900	12,525,700	13,519,000 ^{2/}
SPECIAL LINE ITEMS			
Arizona Trail	0	0	250,000 ^{3/}
Buckskin Fire District	0	0	225,000
Great Western Trail	0	0	692,100
Kartchner Caverns State Park	1,878,400	2,245,700	2,296,700
AGENCY TOTAL	13,621,300	14,771,400	16,982,800 ^{4/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Off-Highway Vehicle Recreation Fund	0	0	692,100
State Lake Improvement Fund	0	0	225,000
State Parks Revenue Fund	13,621,300	14,771,400	16,065,700
SUBTOTAL - Other Appropriated Funds	13,621,300	14,771,400	16,982,800
SUBTOTAL - Appropriated Funds	13,621,300	14,771,400	16,982,800
Other Non-Appropriated Funds	16,052,300	15,066,400	15,066,400
Federal Funds	2,141,200	6,078,600	6,078,600
TOTAL - ALL SOURCES	31,814,800	35,916,400	38,127,800

AGENCY DESCRIPTION — The Arizona State Parks Board (ASPB) is responsible for managing the state parks system, which includes recreational parks, historical parks, and natural areas. The Parks Board consists of 7 members appointed by the Governor. Major functions of the Parks Board, through its staff, include the maintenance and development of existing parks, new parks acquisitions, statewide recreational planning, and historic preservation.

FOOTNOTES

- 1/ Includes 35.8 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ All Other Operating Expenditures include \$26,000 from the State Parks Revenue Fund for Fool Hollow State Park revenue sharing. If receipts to Fool Hollow exceed \$260,000 in FY 2020, an additional 10% of this increase of Fool Hollow receipts is appropriated from the State Parks Revenue Fund established by A.R.S. § 41-511.21 to meet the revenue sharing agreement with the City of Show Low and the United States Forest Service. (General Appropriation Act footnote)
- 3/ The appropriation for the Arizona Trail line item shall be used to employ Youth Conservation Corps members to maintain the Arizona Trail. Before spending any monies appropriated in FY 2020 for the Arizona Trail line item, the board shall submit an expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

the operating budget. FY 2020 adjustments are as follows:

The budget includes \$13,519,000 and 127.2 FTE Positions from the State Parks Revenue Fund (SPRF) in FY 2020 for

Fund Shift and Offset

The budget includes an increase of \$692,100 from SPRF to replace \$692,100 in non-appropriated funding from the Off-Highway Vehicle Recreation Fund that ASPB was previously allowed to use for the agency's operating budget. The shift results in no change in the agency's overall operating resources.

Salary Increase

The budget includes an increase of \$75,300 from SPRF in FY 2020 for an employee salary increase. The budget requires that the increase be allocated for Park Ranger - Law Enforcement Officers but does not specify a percentage amount.

Statewide Adjustments

The budget includes an increase of \$225,900 from SPRF in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

In 2018, Arizona State Parks Board (ASPB) discussed completing 2 major projects in mid-2019 and included an adjustment of \$400,000 from SPRF for 6 months of operational costs at Rockin' River Ranch State Park and a Cattail Cove State Park. The staff were to be hired under the agency's existing FTE authority. The adjustment funded \$200,000 for 5 park rangers, as well as utilities, equipment, and repairs at Cattail Cove, and \$200,000 for a park ranger, assistant manager, and 2 seasonal staff, utilities, equipment, and repairs at Rockin' River Ranch.

The 2 parks are not expected to be operational in FY 2019. The FY 2020 budget retains the 6-months operational costs for Rockin' River Ranch and Cattail Cove. *(For additional details, please see Status of Capital Projects in the Other Issues section.)*

As of June 2019, 30 state parks are open to the public. Twenty-three parks are funded and operated by the state with existing state funds. Six open parks are funded and operated through agreements between the State Parks Board and Local Governments. *(Please see Table 3 at the end of the narrative for more information on the parks, visitation, and operations.)*

Arizona Trail

The budget includes \$250,000 from SPRF in FY 2020 for funding for the Arizona Trail. FY 2020 adjustments are as follows:

Arizona Trail Maintenance

The budget includes a one-time increase of \$250,000 from SPRF in FY 2020 to fund maintenance of the Arizona Trail.

Monies in this line item will be used to employ Youth Conservation Corps members to maintain the Arizona Trail. The Arizona Trail is a 800 mile-long, non-motorized trail beginning at the U.S.-Mexican border and running north-south through the state into Utah.

Buckskin Fire District

The budget includes \$225,000 from the State Lake Improvement Fund (SLIF) in FY 2020 for the Buckskin Fire District line item. FY 2020 adjustments are as follows:

Fire Suppression Equipment

The budget includes a one-time increase of \$225,000 from SLIF in FY 2020 for the purchase of marine fire suppression equipment.

Monies in this line item will be distributed to the Buckskin Fire district for the purchase of fire suppression equipment.

Great Western Trail

The budget includes \$692,100 from the Off-Highway Vehicle Recreation Fund in FY 2020 for funding for the Great Western Trail. FY 2020 adjustments are as follows:

Great Western Trail Unification Work

The budget includes a one-time increase of \$692,100 from the Off-Highway Vehicle Recreation in FY 2020 to provide funding to connect segments of the GWT.

Monies in this line item will be used to connect the fragmented sections of the GWT into a single unified trail. The GWT is a 4,455 mile-long motorized trail beginning near the U.S.-Canada border and running through Idaho, Wyoming, Utah, and Arizona. The GWT could potentially run 800 miles north-south through Arizona if the trail were fully connected, however the current traversable sections of the trail total to only 360 miles.

Kartchner Caverns State Park

The budget includes \$2,296,700 and 35.8 FTE Positions from the State Parks Revenue Fund in FY 2020 for Kartchner Caverns State Park. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$51,000 from SPRF in FY 2020 for statewide adjustments.

Kartchner Caverns is located in Benson, Arizona and was discovered in 1974. The State Parks Board acquired the

property in 1988 and opened the caverns to the public in 1999.

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

- As session law, require ASPB to allocate \$692,100 from the Off-Highway Vehicle Recreation Fund for the Great Western Trail instead of the agency's operating budget.

State Parks Heritage Fund

Laws 2019, Chapter 304 makes the following statutory changes:

- As permanent law, re-establishes the Arizona State Parks Heritage Fund (Heritage Fund), as well as a grant application program for distributing monies in the fund, and provides criteria for how monies in the fund shall be used.
- As permanent law, requires ASPB to submit an annual report to the President of the Senate, the Speaker of the House, and various legislative committees detailing expenditures and projects funded by the Heritage Fund.

Capital Projects

The FY 2020 Capital Outlay Bill includes \$1,250,000 for the demolition of the existing pedestrian bridge and construction of a new pedestrian bridge at the Tonto Natural Bridge State Park. This amount is available for use through the end of FY 2021. *(Please see the Capital Outlay ADOA Building System section for more information.)*

Status of Capital Projects

ASPB funds capital improvements and development of new recreational areas from 2 state funds:

- The appropriated State Parks Revenue Fund (SPRF) generates revenue from user fees, concession sales, and gift sales.
- The non-appropriated State Lake Improvement Fund (SLIF) receives shares of gasoline taxes collected for boating purposes and the watercraft license tax collected by the Arizona Game and Fish Department.

The use of the 2 funds for capital projects requires review by the Joint Committee on Capital Review (JCCR). At times, ASPB also utilizes federal matching funds; this update does not detail those expenditures.

In July 2018, JCCR provided a favorable review for \$2.0 million appropriated in the FY 2019 Capital Outlay Bill for ASPB with the following provisions:

- Report on the status of all incomplete projects on November 30 and May 31 of each year. In a later JCCR meeting, these dates were changed to January 31 and July 31 of each year to conform with the standard semi-annual reporting dates used for other capital agencies.
- JCCR declined to review \$6.5 million proposed by ASPB to renovate 2 parks. The proposed plan included \$4.0 million for Oracle State Park near the Santa Catalina Mountains in Pinal County, and \$2.5 million for Buckskin Mountain State Park near Parker. JCCR directed ASPB to return for review upon completion of the parks' master plans. At the April 2019 JCCR meeting, the Committee approved the use of a total of \$300,000 from the \$6.5 million amount to develop master plans for both Buckskin Mountain and Oracle State Park. The remaining \$6.2 million still requires JCCR review before expenditure.

The ASPB report for the April 24, 2019 JCCR meeting and subsequent updates included the following information:

- For FY 2017 through FY 2019, ASPB developed plans at a cost of \$21.3 million in state funds. JCCR has reviewed \$14.8 million as shown in *Table 1*. Of this amount, ASPB has spent \$8.2 million.
- Of the \$14.8 million, \$11.0 million was favorably reviewed for major projects: new cabins, Cattail Cove redevelopment, and opening Rockin' River Ranch. For these projects, ASPB reported expenditures of \$5.2 million, primarily for the cabins and Cattail Cove. ASPB also used its FY 2017 operating budget to supplement funding for the cabin installation project. For details about the major projects, please see *Table 2*.
- Of the \$14.8 million, the other \$3.8 million was allocated for 13 small projects. ASPB has expended \$2.6 million towards these projects - 7 are completed, 3 are unfinished, and 3 were canceled in order to prioritize funding for the immediate health and safety needs at state parks.
- Cattail Cove and Rockin' River, previously described as opening mid-FY 2019, will not open in FY 2019, and the timeline for completion remains undetermined.
- ASPB was only able to install 25 of 100 proposed modular cabins in its parks. The individual cost for

each cabin increased from \$10,000 per cabin to between \$90,000-\$150,000 per cabin due to a significant increase in site preparation cost. ASPB plans to cancel the cabin installation project after completing the installation of just the first 25 cabins.

Given the status of projects, the FY 2020 budget includes a new footnote for the FY 2020 Capital Outlay Bill for an annual report on capital projects. For additional information, please see the *Capital Outlay* section.

Table 1

Total Capital Spending from State Funds

	JCCR Reviewed Projects	Expenditures as of April 24, 2019
FY 2017	\$ 7,500,000	\$4,658,600
FY 2018	5,300,000	3,116,900
FY 2019	<u>2,000,000</u>	<u>383,300</u>
Total	\$14,800,000	\$8,158,800

Table 2

Status of Major Projects as of April 24, 2019

<u>Park Projects</u>	<u>FY Funded</u>	<u>JCCR Review</u>	<u>Appropriated/ Budgeted</u>	<u>Expenditures</u>	<u>Status</u>
Cabin Installation	'17/'18	9/16 & 9/17	\$3,800,000	\$1,668,600 ^{1/}	Active ^{2/}
Cattail Cove	'17	9/16	\$5,307,500	\$3,224,100	Active
Rockin' River Ranch	'18	9/17	\$4,000,000	\$697,200	Active
Buckskin Mountain	'19	No ^{3/}	\$2,500,000	\$0	Planning
Oracle	'19	No ^{3/}	\$4,000,000	\$9,900	Planning

^{1/} ASPB also used a portion of its FY 2017 operating budget to supplement funding for the cabin installation project.

^{2/} ASPB plans to end the cabin installation project after completion of 25 cabins.

^{3/} \$150,000 of the appropriated amount was reviewed for the use of developing a master plan for the park. The remaining monies of the appropriation still require JCCR review before expenditure.

Table 3

Arizona State Parks Visitation and Revenue Growth ^{1/}

<u>Park</u>	<u>Operated By</u>	<u>Visitation</u>			<u>Revenue</u>		
		<u>FY 2018</u>	<u>FY 2019</u>	<u>% Change</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>% Change</u>
Alamo Lake	State	54,900	57,800	5.2%	\$ 460,800	\$ 657,200	29.9%
Boyce Thompson	Local ^{2/}	97,200	90,900	(6.5)%	18,400	400	(97.8)%
Buckskin Mountain ^{3/}	State	121,200	76,500	(36.9)%	952,300	762,000	(25.0)%
Catalina	State	212,300	243,400	14.7%	1,453,700	1,686,700	13.8%
Cattail Cove	State	111,400	100,600	(9.7)%	708,900	714,800	0.8%
Colorado River	Local	13,600	17,900	31.9%	-	-	-
Dead Horse Ranch	State	175,900	170,000	(3.3)%	1,320,400	1,332,800	0.9%
Fool Hollow Lake	State ^{4/}	127,400	108,700	(14.7)%	859,100	788,100	(9.0)%
Fort Verde	State	14,400	10,000	(30.5)%	61,500	73,300	16.1%
Granite Mountain ^{5/}	State	33,100	28,400	(14.3)%	-	-	-
Homolovi Ruins	State	26,700	24,200	(9.4)%	170,400	191,800	11.2%
Jerome	State	47,500	47,800	0.7%	297,600	353,000	15.7%
Kartchner	State	180,900	161,200	(10.9)%	2,988,700	3,327,300	10.2%
Lake Havasu	State	563,700	455,800	(19.1)%	1,986,400	1,890,800	(5.1)%
Lost Dutchman	State	189,700	210,300	10.9%	1,127,300	1,472,300	23.4%
Lyman Lake	State	16,100	24,100	49.8%	167,900	205,600	18.3%
McFarland	Local	7,900	6,600	(15.6)%	-	-	-
Oracle	State	12,700	13,300	4.7%	32,800	48,400	32.2%
Patagonia Lake	State	218,900	191,000	(12.8)%	1,305,500	1,481,700	11.9%
Picacho Peak	State	83,300	120,000	44.1%	439,800	692,700	36.5%
Red Rock	State ^{6/}	82,900	77,100	(7.0)%	517,800	604,400	14.3%
River Island ^{7/}	State	NA	28,900	NA	NA	251,700	-
Riordan Mansion	Local	22,400	20,900	(11.1)%	-	-	-
Roper Lake	State	76,900	65,500	(14.8)%	490,900	495,600	0.9%
Slide Rock	State	462,000	367,500	(20.5)%	1,777,200	1,513,000	(17.5)%
Tombstone	State	42,100	43,400	3.0%	241,200	252,100	4.3%
Tonto Natural Bridge	State	123,200	89,200	(27.6)%	755,300	645,600	(17.0)%
Tubac Presidio	Local	8,900	7,700	(14.0)%	-	-	-
Yuma Prison	Local	64,200	62,300	(3.0)%	-	-	-
Park Store		NA	NA	NA	112,500	179,600	37.4%
Credit Card Fees		NA	NA	NA	(299,000)	(281,800)	5.8%
Total		3,191,400	2,921,000	-8.5%	\$17,947,400	\$19,339,500	7.2%

- ^{1/} ASPB does not receive revenues from certain partnership parks that are operated through agreements between local governments and ASPB. Partnerships originated from when the park may have otherwise stopped operation due to insufficient state resources. Local governments operate and retain revenues from the parks delineated as local in the table.
- ^{2/} The local government operates and retains the park revenues, but ASPB retains annual pass revenue.
- ^{3/} Includes visitation and revenue figures for River Island State Park.
- ^{4/} Per a General Appropriation Act footnote, ASPB shares revenue with City of Show Low and US Forest Service if over \$260,000.
- ^{5/} Granite Mountain Hotshots Memorial State Park does not charge entrance fees.
- ^{6/} Operated by ASPB but receives minimal funding through agreements by local government to fund part-time staff.
- ^{7/} River Island State Park was not open to the public in 2018.

State Personnel Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	82,200	125,000	129,500
Employee Related Expenditures	35,300	57,800	53,700
Professional and Outside Services	62,600	132,600	132,600
Travel - In State	600	600	600
Other Operating Expenditures	30,700	40,000	46,700
Equipment	2,200	5,000	5,000
AGENCY TOTAL	213,600	361,000	368,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Board Subaccount of the Personnel Division Fund	213,600	361,000	368,100
SUBTOTAL - Other Appropriated Funds	213,600	361,000	368,100
SUBTOTAL - Appropriated Funds	213,600	361,000	368,100
TOTAL - ALL SOURCES	213,600	361,000	368,100

AGENCY DESCRIPTION — The State Personnel Board hears appeals for covered state employees in the State Personnel System who have been dismissed, involuntarily demoted, or suspended for more than 80 hours. The board may recommend modifying or reversing the agency decision, but the agency makes the final determination. The board also hears “whistleblower” complaints concerning reprisals against employees or former employees who disclose information to a public body. If the Personnel Board finds a reprisal occurred, the employee who committed the reprisal shall be ordered by the board to pay a civil penalty of up to \$5,000, and the board shall rescind the personnel action and order all lost pay and benefits be restored to the “whistleblower.”

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$368,100 and 3 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$7,100 from the Personnel Board Subaccount of the Personnel Division Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona State Board of Pharmacy

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	19.0	19.0	22.4
Personal Services	1,172,300	1,227,300	1,447,300
Employee Related Expenditures	454,100	452,500	538,300
Professional and Outside Services	91,400	88,800	157,000
Travel - In State	53,400	45,200	65,200
Travel - Out of State	6,800	4,200	4,200
Other Operating Expenditures	271,100	322,000	344,300
Equipment	11,300	0	59,000
OPERATING SUBTOTAL	2,060,400	2,140,000	2,615,300
SPECIAL LINE ITEMS			
Prescriber Report Card	0	50,000	50,000
AGENCY TOTAL	2,060,400	2,190,000	2,665,300 ^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Arizona State Board of Pharmacy Fund	2,060,400	2,190,000	2,665,300
SUBTOTAL - Other Appropriated Funds	2,060,400	2,190,000	2,665,300
SUBTOTAL - Appropriated Funds	2,060,400	2,190,000	2,665,300
Other Non-Appropriated Funds	1,709,700	575,000	575,000
Federal Funds	0	1,104,500	1,104,500
TOTAL - ALL SOURCES	3,770,100	3,869,500	4,344,800

AGENCY DESCRIPTION — The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,615,300 and 22.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Compliance Officer and Investigators

The budget includes an increase of \$329,000 and 3 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2020 to hire 1 additional compliance officer and 2 full-time complaint investigators. The 2 investigators will handle all board complaints allowing the 5 current compliance officers to focus exclusively on facility inspections. The additional compliance officer will reduce the average compliance officer caseload from 250 to 200 annually.

Full-Time Assistant Attorney General

The budget includes an increase of \$68,200 and 0.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2020 to bring the board's Assistant Attorney General position to a full 1 FTE Position. The increase will address the board's need for additional legal services relating to the Arizona Opioid Epidemic Act (Laws 2018, 1st Special Session, Chapter 1).

One-Time Office Equipment

The budget includes a one-time increase of \$55,000 from the Arizona State Board of Pharmacy Fund in FY 2020 to replace 17 desktop computers and 4 laptop computers. In addition, part of the funding will be used to purchase an additional 5 new computers to support the Controlled Substances Prescription Monitoring Program (CSPMP).

Statewide Adjustments

The budget includes an increase of \$23,100 from the Arizona State Board of Pharmacy Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Prescriber Report Card

The budget includes \$50,000 from the Arizona State Board of Pharmacy Fund in FY 2020 for the Prescriber Report Card program. This amount is unchanged from FY 2019.

This line item funds the development of opioid prescriber report cards as part of the CSPMP. The prescriber report cards include detailed information comparing a practitioner's history of prescribing controlled substances with peers in a similar practice.

Board of Physical Therapy

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	202,100	200,800	200,800
Employee Related Expenditures	100,700	98,800	99,800
Professional and Outside Services	67,800	73,600	68,600
Travel - In State	500	1,500	1,500
Travel - Out of State	500	600	600
Other Operating Expenditures	40,400	121,200	129,300
Equipment	200	3,100	3,100
AGENCY TOTAL	412,200	499,600	503,700^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Physical Therapy Fund	412,200	499,600	503,700
SUBTOTAL - Other Appropriated Funds	412,200	499,600	503,700
SUBTOTAL - Appropriated Funds	412,200	499,600	503,700
TOTAL - ALL SOURCES	412,200	499,600	503,700

AGENCY DESCRIPTION — The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$503,700 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(5,000) from the Board of Physical Therapy Fund in FY 2020 for the removal of a one-time FY 2019 increase for scanning and digitizing licensing documents.

Statewide Adjustments

The budget includes an increase of \$9,100 from the Board of Physical Therapy Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Pioneers' Home

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	106.3	106.3	106.3
Personal Services	3,625,400	3,550,000	3,550,000
Employee Related Expenditures	1,789,400	1,565,900	1,583,800
Professional and Outside Services	93,800	95,800	95,800
Travel - In State	15,300	26,700	26,700
Other Operating Expenditures	752,600	1,093,700	1,097,800
Equipment	32,900	151,900	20,100
OPERATING SUBTOTAL	6,309,400	6,484,000	6,374,200
SPECIAL LINE ITEMS			
Prescription Drugs	127,500	200,000	200,000
AGENCY TOTAL	6,436,900	6,684,000	6,574,200 ^{1/2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Miners' Hospital for Miners with Disabilities Land Fund	1,904,900	2,178,800	2,059,200
State Charitable Fund	4,532,000	4,505,200	4,515,000
SUBTOTAL - Other Appropriated Funds	6,436,900	6,684,000	6,574,200
SUBTOTAL - Appropriated Funds	6,436,900	6,684,000	6,574,200
Other Non-Appropriated Funds	51,700	42,400	42,400
TOTAL - ALL SOURCES	6,488,600	6,726,400	6,616,600

AGENCY DESCRIPTION — The Arizona Pioneers' Home provides a home and long-term nursing care and medical care for Arizona pioneers, long-term residents, and disabled miners. The Home cares for, on average, 105 residents.

FOOTNOTES

- 1/ Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated for the Arizona Pioneers' Home and the State Hospital for Miners with Disabilities in compliance with the Enabling Act and the Constitution of Arizona. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$6,374,200 and 106.3 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
Miners' Hospital for Miners with Disabilities Land Fund	\$2,059,200
State Charitable Fund	4,315,000

FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(131,800) from the Miner's Hospital for Miners with Disabilities Land Fund in

FY 2020 for the removal of one-time funding for the purchase of mobility assistance equipment.

Statewide Adjustments

The budget includes an increase of \$22,000 in FY 2020 for statewide adjustments. This amount consists of:

Miners' Hospital for Miners with Disabilities Land Fund	12,200
State Charitable Fund	9,800

(Please see the Agency Detail and Allocations section.)

Prescription Drugs

The budget includes \$200,000 from the State Charitable Fund in FY 2020 for Prescription Drugs. This amount is unchanged from FY 2019.

Monies in this line item provide funding for prescription drugs used by residents at the Arizona Pioneers' Home.

Other Issues

Capital Projects

The FY 2020 Capital Outlay Bill appropriates \$414,000 from the Miners' Hospital for Miners with Disabilities Land Fund in FY 2020 for capital improvement projects. The bill requires the agency to submit the scope, purpose, and estimated cost of the projects to the Joint Committee on Capital Review (JCCR) prior to spending the appropriation.

Proposition 123

As a beneficiary of the Arizona State Land Trust, the Arizona Pioneers' Home receives monies generated from lease revenues and the proceeds from land sales that are invested into a "permanent fund," pursuant to Article X, Section 7 of the Arizona Constitution. The Arizona Pioneers' Home has 2 land trust funds, the Miners' Hospital Fund and the State Charitable Fund.

As approved by the voters in May 2016, Proposition 123 increased the Treasurer's annual distribution rate from the State Land Trust Permanent Fund from 2.5% to 6.9% from FY 2016 through FY 2025.

The JLBC Staff projects that the Miners' Hospital Fund will have an FY 2019 ending balance of \$7,600,400, compared to an FY 2020 appropriation of \$2,059,200. Monies in the Miners' Hospital Fund may only be used for purposes related to the Pioneers' Home.

The JLBC Staff projects that the State Charitable Fund will have an FY 2019 ending balance of \$7,881,300, compared to an FY 2020 appropriation of \$4,515,000. The State Charitable Fund may be used for any charitable purpose within a state institution.

State Board of Podiatry Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	74,000	78,000	78,000
Employee Related Expenditures	25,700	29,600	30,000
Professional and Outside Services	2,000	5,500	5,500
Travel - In State	2,500	2,200	2,200
Travel - Out of State	2,000	1,500	1,500
Other Operating Expenditures	30,000	45,100	50,900
Equipment	3,400	0	0
AGENCY TOTAL	139,600	161,900	168,100 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Podiatry Fund	139,600	161,900	168,100
SUBTOTAL - Other Appropriated Funds	139,600	161,900	168,100
SUBTOTAL - Appropriated Funds	139,600	161,900	168,100
TOTAL - ALL SOURCES	139,600	161,900	168,100

AGENCY DESCRIPTION — The board licenses and regulates Doctors of Podiatric Medicine. A podiatrist must take specialized training, serve an internship and pass a qualifying examination prior to licensure to diagnose and treat foot ailments. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$168,100 and 1 FTE Position from the Podiatry Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$6,200 from the Podiatry Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Commission for Postsecondary Education

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0 ^{1/}
Personal Services	84,600	118,900	118,900
Employee Related Expenditures	29,800	54,800	53,900
Other Operating Expenditures	18,300	13,000	47,700
OPERATING SUBTOTAL	132,700	186,700	220,500
SPECIAL LINE ITEMS			
Arizona College and Career Guide	0	21,300	21,300 ^{2/}
Arizona Minority Educational Policy Analysis Center	0	100,000	99,900 ^{2/}
Arizona Teacher Student Loan Program	426,000	426,000	426,000
College-Readiness Examination Pilot Program	202,100	0	0
Leveraging Educational Assistance Partnership	2,319,500	2,319,500	2,319,500 ^{3/}
Twelve Plus Partnership	64,000	130,500	130,400 ^{2/}
AGENCY TOTAL	3,144,300	3,184,000	3,217,600 ^{4/5/}
FUND SOURCES			
General Fund	1,848,900	1,646,800	1,680,900
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	1,295,400	1,537,200	1,536,700
SUBTOTAL - Other Appropriated Funds	1,295,400	1,537,200	1,536,700
SUBTOTAL - Appropriated Funds	3,144,300	3,184,000	3,217,600
Other Non-Appropriated Funds	843,400	1,163,900	1,163,900
Federal Funds	510,800	256,400	256,400
TOTAL - ALL SOURCES	4,498,500	4,604,300	4,637,900

AGENCY DESCRIPTION — The Commission for Postsecondary Education reviews and recommends higher education policies, while providing a discussion forum for public and private postsecondary educational institutions and their stakeholders on issues of mutual interest. The 16 commissioners are authorized to administer certain federal and state student financial aid programs.

FOOTNOTES

- 1/ Includes 0.5 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ The appropriations for the Arizona College and Career Guide, Arizona Minority Educational Policy Analysis Center and Twelve Plus Partnership are estimates representing all monies distributed to these programs, including balance forward, revenue and transfers, during FY 2020. The appropriations shall be adjusted as necessary to reflect actual final monies credited to the Postsecondary Education Fund. (General Appropriation Act footnote)
- 3/ In order to be eligible to receive state matching monies under the Leveraging Educational Assistance Partnership for grants to students, each participating institution, public or private, shall provide an amount of institutional matching monies that equals the amount of monies provided by the state to the institution for the Leveraging Educational Assistance Partnership. Administrative expenses incurred by the Commission for Postsecondary Education shall be paid from institutional matching monies and may not exceed 12% of the funds in FY 2020. (General Appropriation Act footnote)
- 4/ Any unencumbered balance remaining in the Postsecondary Education Fund established by A.R.S § 15-1853 on June 30, 2019, and all grant monies and other revenues received by the Commission for Postsecondary Education, when paid into the State Treasury, are appropriated for the specific purposes designated by line items and for additional responsibilities prescribed in A.R.S. § 15-1851 and A.R.S. § 15-1852. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$220,500 and 4.5 FTE in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$34,100
Postsecondary Education Fund	186,400

FY 2020 adjustments are as follows:

Information Technology Funding

The budget includes an increase of \$34,100 from the General Fund in FY 2020 to establish an independent Information Technology system. The commission previously shared services with the Arizona Board of Regents (ABOR). The commission's high volume of sensitive data requires a system independent from ABOR. This funding is designated as ongoing.

Statewide Adjustments

The budget includes a decrease of \$(300) from the Postsecondary Education Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona College and Career Guide

The budget includes \$21,300 from the Postsecondary Education Fund in FY 2020 for the Arizona College and Career Guide line item. This amount is unchanged from FY 2019.

This line item funds costs associated with the Arizona College and Career Guide, which is an annual publication that lists Arizona's public and private postsecondary educational institutions. The guide describes each institution's available degree and certificate programs, course lengths, and costs of attendance.

Arizona Minority Educational Policy Analysis Center

The budget includes \$99,900 and a 0.2 FTE Position from the Postsecondary Education Fund in FY 2020 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) line item. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(100) from the Postsecondary Education Fund in FY 2020 for statewide adjustments.

AMEPAC promotes minority students' access to Arizona's postsecondary educational institutions.

Arizona Teacher Student Loan Program

The budget includes \$426,000 from the General Fund in FY 2020 for the Arizona Teacher Student Loan Program. This amount is unchanged from FY 2019.

The program, previously known as the Math, Science, and Special Education Teacher Loan Forgiveness Program (MSSE), offers forgivable loans to students pursuing a teaching degree at a postsecondary institution and who agree to teach math, science, or special education at an Arizona public school upon graduation. Pursuant to A.R.S. § 15-1785, the MSSE program was scheduled to automatically terminate on July 1, 2017 unless legislation was enacted to extend it. Laws 2017, Chapter 244 continued the program, but changed the name to the Arizona Teacher Student Loan Program and expanded the program to teachers practicing in rural, low-income, and tribal schools.

A.R.S. § 15-1784 allows the commission to retain up to 10% of the annual fund deposit for administration costs. The commission may also use the interest deposited into the fund for administration costs of the loan repayment portion of the program.

College-Readiness Examination Pilot Program

The budget includes no funding in FY 2020 for a College Readiness Examination Pilot Program.

The FY 2018 budget appropriated \$235,000 in one-time funding from the General Fund to the commission for the College-Readiness Examination Pilot Program for FY 2018. Funding was not continued in the FY 2019 budget.

The FY 2018 K-12 Budget Reconciliation Bill (BRB) required monies in this line item to be used to provide grants to school districts and charter schools for administration of college-readiness exams, like the ACT, to 11th grade high school students. The exams were provided free of charge, and included tests in English, reading, mathematics and science.

In FY 2018, the program also received \$577,000 from the Governor's Office from its Workforce Innovation and Opportunity Act (WIOA) funding to help fund college-readiness exams. The commission used \$462,100 of this allotment.

In December 2018, the commission submitted a report analyzing the impact of the pilot program, as required by Laws 2017, Chapter 304, Section 17. The report indicates that approximately 17,000 high school juniors took either the ACT or SAT under the program in FY 2018. This

includes 5,234 funded from the General Fund (2,427 from 19 different high schools who took the ACT and 2,807 from 14 high schools who took the SAT at a total cost of \$199,300). It also includes 11,596 funded with WIOA monies (10,857 from 44 high schools who took the ACT and 739 from 7 high schools who took the SAT for a total cost of \$430,600).

In addition, approximately 27,000 high school juniors took the ACT free of charge in FY 2018 through funding provided by a private foundation that has been funding free ACT testing for high school juniors in a subset of school districts since 2009. Approximately 44,000 high school juniors therefore took the ACT or SAT free of charge during FY 2018 (17,000 state or WIOA- funded plus 27,000 privately-funded), which represents about 55% of all public-school juniors in the state.

The commission reports that 16% of students who took the ACT under the program met ACT College-Readiness Benchmarks in all 4 of the testing areas (English, Math, Reading, and Science). Additionally, 40% of students who took the SAT met college-readiness benchmarks in both reported testing areas (English combined scores and Math).

While the FY 2019 and FY 2020 budgets provide no new funding for the pilot program, Laws 2018, Chapter 315, Section 4 required the Arizona Department of Education (ADE) to use surplus College Credit by Examination Incentive Program (CCEIP) monies from FY 2018, if any, to reimburse school districts and charter schools for optional "menu of assessment" tests administered during FY 2019. CCEIP monies normally fund bonuses to schools for students who pass advanced placement or similar tests for college credit, and do not normally fund college readiness exams like the SAT or ACT for students.

ADE reported in April 2019 that approximately \$800,000 in surplus CCEIP monies from FY 2018 were available for menu of assessment reimbursements for FY 2019. These monies are expected to be one-time in nature. The use of surplus CCEIP monies to fund menu of assessment tests in FY 2019 is independent of the College-Readiness Examination Pilot Program and does not pass through the commission. (See ADE budget pages for more information regarding the CCEIP program)

Leveraging Educational Assistance Partnership

The budget includes \$2,319,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2020. This amount consists of:

General Fund	1,220,800
Postsecondary Education Fund	1,098,700

These amounts are unchanged from FY 2019.

LEAP is a state and institutional partnership that provides financial assistance to students demonstrating substantial financial need. To be eligible, students must attend, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution (including public universities, public community colleges, private collegiate institutions, and proprietary schools). The federal portion of these funds was eliminated in FY 2012.

In FY 2017, awards were provided through 36 postsecondary institutions. Of the total funding distributed, 32% went to public universities, 53% to community colleges, and 15% to private institutions.

Twelve Plus Partnership

The budget includes \$130,400 and a 0.3 FTE Positions from the Postsecondary Education Fund in FY 2020 for the Twelve Plus Partnership (TPP). FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(100) from the Postsecondary Education Fund in FY 2020 for statewide adjustments.

TPP is an early education awareness initiative with 3 components: Best Education Practices Conference and Awards Recognition, Think College, and College Goal Sunday. Approximately 70% of this line item funds College Goal Sunday, 25% of the monies go to Best Education Practices Conference and Awards Recognition, and the remaining 5% funds Think College. Private gifts, donations of service, and corporate sponsorships support TPP.

Other Issues

This section includes information on the following topics:

- Repayment Programs
- Family College Savings Plan
- College and Career Goal Arizona

Repayment Programs

The commission currently administers repayment programs for unforgiven loans from the Private Postsecondary Education Student Financial Assistance program (PFAP) and the Private Postsecondary Education Grant (PPEG) program, both of which are no longer awarding new grants. In addition, the commission administers repayment programs for unforgiven loans from the Arizona Teacher Student Loan Program, and the non-appropriated Paul Douglas Teacher Scholarship (PDTs). Loan collections are returned to their respective program fund.

PFAP

Prior to FY 2011, PFAP distributed awards of up to \$2,000 annually, for up to 2 years, to qualified community college graduates enrolled at a private baccalaureate degree granting institution chartered in Arizona, pursuant to A.R.S. § 15-1854. The PFAP program has not been funded since FY 2011, but the repayment process for existing unforgiven loans remains. Repayments are deposited into the Private Postsecondary Education Student Financial Assistance Fund. If a grantee does not earn a baccalaureate degree within 3 years, the grantee must repay the commission all award monies. When a grantee refuses to repay award monies or cannot be located, the Office of the Attorney General takes over administration of the repayment process.

There have been 1,651 students awarded PFAP forgivable loans since its inception in 1996. A total of 6 borrowers are currently being tracked in the repayment program or will be placed in repayment once located. The commission has turned over 60 of these loans to the Attorney General for collections.

The commission may use PFAP funds to administer PPEG collections. At the end of FY 2017, the PFAP Fund had a balance of \$1,000. The commission reported it expects to use at least \$1,500 of PFAP funds in FY 2019 to identify PPEG students who have not met the loan requirements.

Pursuant to A.R.S. § 15-1855, PFAP was automatically terminated on July 1, 2016.

PPEG

Prior to FY 2011, PPEG distributed awards up to \$2,000 annually, for up to 4 years, to full-time and part-time students enrolled at a private baccalaureate degree-granting institution, pursuant to A.R.S. § 15-1855. The awards were forgiven if a student recipient earns a baccalaureate degree within 5 years. The program has not been funded since FY 2010.

The program automatically terminated on July 1, 2016. Laws 2017, Chapter 243 reinstated and modified the program by allowing grant recipients to be enrolled in either an associate degree program or a baccalaureate degree program and requiring the program to be science, technology, engineering, or math (STEM) related. The commission may only award grants to non-STEM participants if revenues in a grant cycle are not exhausted for students in STEM-related fields. There are currently no funds available to award grants.

There have been 4,467 students awarded PPEG forgivable loans since its inception in 2007. Of those recipients, 3,350 graduated with a baccalaureate degree and 12 are working to complete their degree. Of the remaining, 728 have been referred to the Attorney General, 163 are in repayment, 186 have paid in full, 17 have been forgiven, 8 are deceased, and 3 are in deferment.

Prior to Chapter 243, the PPEG program was known as the Postsecondary Education Program (PEG).

Arizona Teacher Student Loan Program

There have been 338 students awarded Arizona Teacher Student Loan program forgivable loans since its inception in FY 2007. Of those recipients, 76 completed the loan requirements and had their loan forgiven, 16 have paid their loan balance in full, 15 are currently in repayment, 28 have had their loans referred to the Attorney General, 101 have finished 5-year tracking, and 102 will require tracking for up to 15 years to ensure they meet the promissory note obligations and to determine retention rates.

PDTs

There have been 254 students awarded PDTs forgivable loans. Of those recipients, 0 are in default. All others have completed their obligation by fulfilling the teaching requirements of the program or repaying their loan in full.

Family College Savings Plan

The Family College Savings Program (FCSP) was established pursuant to Laws 1997, Chapter 171. It enables parents to save for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). Monies in these plans grow tax-free, and withdrawals for qualified higher educational expenses are federal and state income tax free. FCSP operates from the proceeds of new account fees, which are currently \$15 per account. The plans are available to both residents and non-residents of the state. The commission oversees 3 FCSP providers, 2 of which have multiple investment offerings in their plans.

In 2004, A.R.S. § 15-1873 established the Family College Savings Program Trust Fund, which is a non-appropriated fund. The FCSP Trust Fund directly receives FCSP fee revenues.

College and Career Goal Arizona

College and Career Goal Arizona is a statewide initiative that aims to 1) increase the number of students applying to postsecondary institutions; 2) increase the number of seniors applying for and securing student financial aid; and 3) build a sustainable college-going community. Programs and promotional materials focus on Title 1 schools, though any school can participate.

The College Application Campaign (CAC) works with high schools to encourage students to apply to college and complete the Free Application for Federal Student Aid (FAFSA). In FY 2018, the College Application Campaign served 20,109 high school seniors in 57 district schools and 6 Charter schools. High schools provide the time, space, and agree to a goal of 100% participation. The commission oversees facilitation and partners with college access programs, postsecondary institutions, and community partners to staff the events.

College Goal FAFSA focuses on supporting individuals applying for student financial aid. In FY 2018 the commission had 7,590 attendees in their 71 high school and 14 community based workshops, compared to 2,355 in FY 2017.

Arizona Power Authority

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	30,381,500	27,114,100	27,114,100
TOTAL - ALL SOURCES	30,381,500	27,114,100	27,114,100

AGENCY DESCRIPTION — The Arizona Power Authority (APA) manages Arizona’s allocation of hydroelectric power from Hoover Dam for the benefit of the state. Within the scope of that management, APA cooperates with federal, state, and non-governmental agencies to address regulatory and environmental matters that impact electric and water uses of the Colorado River. In addition, the APA serves as an informational resource for its customers on electricity utilization. APA is not subject to appropriation.

State Board for Private Postsecondary Education

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	214,200	234,500	234,500
Employee Related Expenditures	85,500	89,000	89,800
Professional and Outside Services	21,800	27,400	27,400
Travel - In State	400	0	0
Travel - Out of State	1,100	2,000	2,000
Other Operating Expenditures	40,000	59,100	63,800
Equipment	800	5,800	5,800
OPERATING SUBTOTAL	363,800	417,800	423,300
SPECIAL LINE ITEMS			
Annual Leave Payout	18,700	0	0
AGENCY TOTAL	382,500	417,800	423,300 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board for Private Postsecondary Education Fund	382,500	417,800	423,300
SUBTOTAL - Other Appropriated Funds	382,500	417,800	423,300
SUBTOTAL - Appropriated Funds	382,500	417,800	423,300
Other Non-Appropriated Funds	270,700	249,000	249,000
TOTAL - ALL SOURCES	653,200	666,800	672,300

AGENCY DESCRIPTION — The board licenses and regulates 215 private postsecondary education institutions that service approximately 264,336 students annually. The board processes license applications, determines compliance, investigates complaints and violations, and takes disciplinary action on all private postsecondary institutions that offer vocational and/or degree programs. However, the board does not have jurisdiction over cosmetology, barber, real estate, or professional driving schools. In addition to regulatory duties, the board administers the Student Tuition Recovery Fund, which provides restitution to students financially injured by private postsecondary institutional closures.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$423,300 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$5,500 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

State Board of Psychologist Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	240,900	237,100	237,100
Employee Related Expenditures	92,700	97,800	98,900
Professional and Outside Services	26,300	44,600	44,600
Travel - In State	5,800	5,400	5,400
Travel - Out of State	4,100	5,000	5,000
Other Operating Expenditures	171,600	105,100	125,100
Equipment	500	0	0
AGENCY TOTAL	541,900	495,000	516,100 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Psychologist Examiners Fund	541,900	495,000	516,100
SUBTOTAL - Other Appropriated Funds	541,900	495,000	516,100
SUBTOTAL - Appropriated Funds	541,900	495,000	516,100
TOTAL - ALL SOURCES	541,900	495,000	516,100

AGENCY DESCRIPTION — The board licenses and regulates psychologists and behavior analysts. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$516,100 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

E-licensing System Enhancements

The budget includes an increase of \$12,000 from the Board of Psychologist Examiners Fund in FY 2020 for e-licensing system enhancements.

Statewide Adjustments

The budget includes an increase of \$9,100 from the Board of Psychologist Examiners Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Department of Public Safety

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,945.7	1,966.7	2,014.7 ^{1/}
Personal Services	101,721,900	107,317,400	120,883,400
Employee Related Expenditures	90,131,000	96,345,200	113,131,700
Professional and Outside Services	2,163,400	2,358,700	2,432,400
Travel - In State	346,200	363,000	434,400
Travel - Out of State	383,300	410,800	410,800
Other Operating Expenditures	36,755,000	31,870,600	33,103,600
Equipment	7,547,200	7,476,700	13,000,500
OPERATING SUBTOTAL	239,048,000	246,142,400	283,396,800
SPECIAL LINE ITEMS			
ACTIC	1,297,900	1,450,000	1,450,000
Border Strike Task Force Local Support	957,400	1,261,700	1,261,700 ^{2/3/4/}
Border Strike Task Force Ongoing	6,698,000	7,102,500	7,916,400
Civil Air Patrol	150,000	150,000	150,000
GIITEM	21,101,200	22,410,800	24,938,800 ^{5/6/}
GIITEM Subaccount	2,238,500	2,395,800	2,396,100
Motor Vehicle Fuel	3,815,300	5,454,600	5,454,600
Peace Officer Training Equipment	0	3,053,000	1,047,800 ^{7/}
Pharmaceutical Diversion and Drug Theft Task Force	0	758,100	631,200
Public Safety Equipment	2,677,500	2,890,000	2,890,000
Public Safety Interoperability Fund Deposit	0	0	1,500,000
Sexual Assault Kit Testing	165,000	0	0
Trooper Vehicle In-Car Cameras	20,900	0	0
AGENCY TOTAL	278,169,700	293,068,900	333,033,400 ^{8/9/}
FUND SOURCES			
General Fund	105,915,600	104,462,800	92,350,300
<u>Other Appropriated Funds</u>			
Automated Fingerprint Identification System Fund	2,748,500	0	0
Concealed Weapons Permit Fund	1,343,900	3,554,700	2,719,700
Crime Laboratory Assessment Fund	870,300	0	0
Crime Laboratory Operations Fund	13,611,300	0	0
Criminal Justice Enhancement Fund	2,620,800	2,929,600	2,936,800
Deoxyribonucleic Acid (DNA) Identification System Fund	4,224,800	0	0
DPS Forensics Fund	0	22,759,900	22,554,200
Drug and Gang Prevention Resource Center Fund	0	758,100	0
Fingerprint Clearance Card Fund	661,400	1,502,500	1,556,400
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	2,986,400	2,540,700	2,541,200
Highway Patrol Fund	25,474,400	116,340,800	194,968,500
Highway User Revenue Fund	99,398,700	15,508,700	0
Motor Vehicle Liability Insurance Enforcement Fund	0	1,250,000	1,250,900
Motorcycle Safety Fund	205,000	205,000	205,000
Parity Compensation Fund	3,365,500	3,451,500	3,990,500
Peace Officer Training Equipment Fund	0	3,053,000	1,047,800
Public Safety Equipment Fund	2,698,400	2,893,700	2,893,700
Risk Management Revolving Fund	1,314,200	1,345,300	1,349,300
Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount	1,317,000	1,643,500	1,650,900

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
FUND SOURCES			
State Aid to Indigent Defense Fund	700,000	700,000	700,000
State Highway Fund	8,713,500	8,169,100	318,200
SUBTOTAL - Other Appropriated Funds	172,254,100	188,606,100	240,683,100
SUBTOTAL - Appropriated Funds	278,169,700	293,068,900	333,033,400
Other Non-Appropriated Funds	40,430,500	46,066,300	44,637,200
Federal Funds	50,928,900	72,283,200	72,283,200
TOTAL - ALL SOURCES	369,529,100	411,418,400	449,953,800

AGENCY DESCRIPTION — The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.

FOOTNOTES

- 1/ Includes 173.8 GF FTE Positions and 3 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ Of the \$1,261,700 appropriated for the Border Strike Task Force Local Support line item, \$761,700 shall be used to fund local law enforcement officer positions within the Border Strike Task Force. Any city, town, county or other entity that enters into an agreement with the department to participate in the Border Strike Task Force shall provide at least 25% of the cost of the services, and the department shall provide not more than 75% of Personal Services and Employee Related Expenditures for each agreement or contract. The department may fund all capital-related equipment. (General Appropriation Act footnote)
- 3/ On or before September 1, 2019, the Department of Public Safety shall submit an expenditure plan for the Border Strike Task Force Local Support line item to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. (General Appropriation Act footnote)
- 4/ Of the \$1,261,700 appropriated for the Border Strike Task Force Local Support line item, \$500,000 shall be used for grants to cities, towns or counties for costs associated with prosecuting and imprisoning individuals charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes. (General Appropriation Act footnote)
- 5/ Of the \$24,938,800 appropriated to the GIITEM line item, only \$1,403,400 is deposited in the GIITEM Fund established by A.R.S. § 41-1724, and is appropriated for the purposes of that section. The \$1,403,400 is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. This state recognizes that states have inherent authority to arrest a person for any immigration violation. (General Appropriation Act footnote)
- 6/ Of the \$24,938,800 appropriated to the GIITEM line item, \$10,356,900 shall be used for 100 Department of Public Safety GIITEM personnel. The additional staff shall include at least 50 sworn Department of Public Safety positions to be used for immigration enforcement and border security and 50 Department of Public Safety positions to assist GIITEM in various efforts, including:
 1. Strictly enforcing of all federal laws relating to illegal aliens and arresting illegal aliens.
 2. Responding to or assisting any county sheriff or attorney in investigating complaints of employment of illegal aliens.
 3. Enforcing Arizona's law known as the Legal Arizona Workers Act, strictly enforcing of Arizona's SB 1070, Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act", investigating crimes of identity theft in the context of hiring illegal aliens and the unlawful entry into this country.
 4. Taking strict enforcement action.
Any change in the GIITEM mission or allocation of monies shall be approved by the Joint Legislative Budget Committee. The department shall submit an expenditure plan to the Joint Legislative Budget Committee for review before expending any monies not identified in the department's previous expenditure plans. (General Appropriation Act footnote)
- 7/ Before spending any monies appropriated in FY 2020 for the Peace Officer Training Equipment line item, the department shall submit an expenditure plan for this line item for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ Any monies remaining in the Department of Public Safety Joint Account on June 30, 2020 revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. (General Appropriation Act footnote)

Operating Budget

The budget includes \$283,396,800 and 1,837.9 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$51,771,300
Concealed Weapons Permit Fund	2,719,700
Criminal Justice Enhancement Fund (CJEF)	2,802,500
DPS Forensics Fund	22,554,200
Fingerprint Clearance Card Fund	1,556,400
Highway Patrol Fund	193,224,200
Motorcycle Safety Fund	205,000
Motor Vehicle Liability Insurance Enforcement Fund	1,250,900
Parity Compensation Fund	3,990,500
Public Safety Equipment Fund	3,700
Risk Management Revolving Fund	1,349,300
Safety Enforcement and Transportation Infrastructure Fund (SETIF) DPS Subaccount	1,650,900
State Highway Fund	318,200

FY 2020 adjustments are as follows:

Additional Loop 202 Freeway Extension Troopers

The budget includes an increase of \$6,433,500 and 30 FTE Positions from the General Fund in FY 2020 for additional highway patrol troopers. The new troopers will patrol the extended Loop 202 South Mountain Freeway. Of this amount, \$1,519,200 is for equipment and other one-time costs.

Additional Maricopa County Troopers

The budget includes an increase of \$1,468,800 and 6 FTE Positions from the General Fund in FY 2020 for additional highway patrol troopers. The new troopers patrol during the "Night Watch" shift from 8 p.m. to 6 a.m. in the Maricopa County Metropolitan area. Of this amount, \$379,800 is for equipment and other one-time costs.

Remove One-Time Maricopa County Troopers Funding

The budget includes a decrease of \$(397,000) from the Highway Patrol Fund in FY 2020 to remove equipment and other one-time costs associated with additional highway patrol troopers added in the FY 2019 budget. The new troopers patrol during the "Night Watch" shift from 8 p.m. to 6 a.m. in the Maricopa County metropolitan area.

Additional Southern Arizona Troopers

The budget includes an increase of \$2,974,600 and 12 FTE Positions from the General Fund in FY 2020 to expand the highway patrol coverage in southern Arizona. Of this

amount, \$759,600 is for equipment and other one-time costs.

Remove One-Time Southern Arizona Troopers Funding

The budget includes a decrease of \$(793,900) from the Highway Patrol Fund in FY 2020 to remove equipment and other one-time costs associated with funding added in the FY 2019 budget to expand highway patrol coverage in southern Arizona.

General Fund Reduction/Highway Safety Fee

The budget includes a decrease of \$(54,056,800) in FY 2020 from the General Fund and a corresponding increase of \$54,056,800 in FY 2020 from the Highway Patrol Fund for a budget shift.

The budget shift entails the elimination of an additional \$54.1 million in General Fund for DPS fund expenses which will be replaced by the Highway Safety Fee. This amount consists of two parts: 1) \$30 million that was added to the DPS General Fund budget in FY 2015 and 2) \$24.1 million of eligible highway patrol expenses that were identified by the department. *(For more detail see Highway Safety Fee/HURF Shift in the Other Issues section.)*

The FY 2020 Criminal Justice BRB allows the highway safety fee to continue to be collected until June 30, 2021, at which point it will be repealed. The enacted budget 3-year projections assume the fee remains at \$32 per vehicle for both FY 2020 and FY 2021 and raises revenue of \$185.4 million annually. After the fee is repealed, the General Fund will replace the \$185.4 million in annual revenue from the fee through a combination of lower General Fund revenue and higher General Fund spending in the DPS budget.

Salary Increase

The budget includes an increase of \$19,174,900 from the General Fund in FY 2020 for an employee salary increase. The budget funds the following percentage increases in salaries for the specified positions below:

Civilian Positions	5%
Sworn Positions	10%

These salary adjustments will be applied agency-wide to all employees.

State Highway Fund Reduction/Highway Safety Fee

The budget includes a decrease of \$(7,850,900) in FY 2020 from the State Highway Fund and a corresponding increase of \$7,850,900 in FY 2020 from the Highway Patrol Fund to mostly eliminate the use of State Highway Fund for DPS operating expenses. *(For more detail see*

Highway Safety Fee/HURF Shift in the Other Issues section.)

One-Time Vehicle Replacement Funding Increase

The budget includes an increase of \$4,000,000 from the General Fund in FY 2020 to replace highway patrol vehicles. The funding is expected to replace approximately 70 highway patrol vehicles.

Retirement Adjustment

The budget includes an increase of \$3,013,800 from the General Fund in FY 2020 for a retirement adjustment. In FY 2020, the DPS employer contribution rate for the Public Safety Personnel Retirement System will increase from 95.35% to 102.58% for Tier 1 and Tier 2 employees, and will increase from 85.87% to 92.95% for Tier 3 employees. (Please see the Consolidated Retirement Report for more information).

One-Time AZPOST Funding Increase

The budget includes an increase of \$1,027,300 from the Highway Patrol Fund in FY 2020 for the Arizona Peace Officers Standards and Training Board (AZPOST) reimbursements. AZ POST provides reimbursements to law enforcement training academies throughout the state to assist with training costs, as well as provides direct law enforcement training.

AZ POST is funded through the DPS budget through the agencies' non-appropriated CJEF distribution. AZ POST provides curriculum and standards for all certified law enforcement training facilities (8 regional facilities and 4 community college academies). This includes state correctional officer training curriculum and standards for corrections officers. AZPOST also performs compliance audits, police officer misconduct investigations, and advanced in-service training.

Remove One-Time AZPOST Funding

The budget includes a decrease of \$(837,000) from the Concealed Weapons Permit Fund (CWPF) in FY 2020 to remove one-time funding for the Arizona Peace Officers Standards and Training Board (AZPOST) operating costs. The FY 2019 Criminal Justice Budget Reconciliation Bill allows for the fund to be used for this purpose in FY 2019. FY 2019 was the first year of CWPF funding for AZPOST.

Named Claimants

The budget includes a decrease of \$(506,900) in FY 2020 for the elimination of one-time funding for prior year unpaid claims. This amount consists of:

General Fund	\$(221,100)
Criminal Justice Enhancement Fund (CJEF)	(2,300)

DPS Forensics Fund	(264,100)
Highway Patrol Fund	(19,400)

(Please see the Named Claimants discussion in ADOA Other Issues.)

Statewide Adjustments

The budget includes an increase of \$1,696,300 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	\$186,700
Concealed Weapons Permit Fund	2,000
Criminal Justice Enhancement Fund (CJEF)	9,500
DPS Forensics Fund	58,400
Fingerprint Clearance Card Fund	53,900
Highway Patrol Fund	834,500
Motor Vehicle Liability Insurance Enforcement Fund	900
Parity Compensation Fund	539,000
Risk Management Revolving Fund	4,000
Safety Enforcement and Transportation Infrastructure Fund (SETIF) DPS Subaccount	7,400

(Please see the Agency Detail and Allocations section.)

ACTIC

The budget includes \$1,450,000 in FY 2020 for the operation of the Arizona Counter Terrorism Information Center (ACTIC). This amount consists of:

General Fund	750,000
State Aid to Indigent Defense Fund	700,000

These amounts are unchanged from FY 2019.

Created in FY 2005, ACTIC is a joint effort between federal, state, and local law enforcement agencies to combat terrorism, gang violence, and other crimes through information sharing. The salaries of participants are funded by their respective agencies, but DPS pays for the operational costs of the 40,000 square foot building in which ACTIC is housed. These monies fund those costs.

Border Strike Task Force Local Support

The budget includes \$1,261,700 from the General Fund in FY 2020 for the costs of BSTF Local Support. These amounts are unchanged from FY 2019.

The BSTF is a multi-agency task force established to target drug and human trafficking organizations and activities along the Arizona-Mexico border. Of the \$1,261,700 total appropriation, the budget requires that \$761,700 be used to fund 75% of the costs for 8 local law enforcement

officers that will participate in the BSTF. The participating local law enforcement agency will be responsible for providing a 25% match to these amounts. The remaining \$500,000 shall be used for grants to local governments for the prosecution and imprisonment of individuals that are charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes.

Border Strike Task Force Ongoing

The budget includes \$7,916,400 and 37 FTE Positions from the General Fund in FY 2020 for the Border Strike Task Force (BSTF). FY 2020 adjustments are as follows:

Retirement Adjustment

The budget includes an increase of \$233,400 from the General Fund in FY 2020 for a retirement adjustment.

Salary Increase

The budget includes an increase of \$584,200 from the General Fund in FY 2020 for an employee salary increase.

Statewide Adjustments

The budget includes a decrease of \$(3,700) from the General Fund in FY 2020 for statewide adjustments.

The BSTF is a multi-agency law enforcement task force that targets drug and human trafficking organizations and activities along the Arizona-Mexico border.

Civil Air Patrol

The budget includes \$150,000 from the General Fund in FY 2020 for funding of the Civil Air Patrol (CAP). This amount is unchanged from FY 2019.

This line item partially offsets the costs of operations and maintenance of aircraft used by CAP to aid in search and rescue and other emergency missions. *(Please see the FY 2018 Appropriations Report for more information.)*

GIITEM

The budget includes \$24,938,800 and 136.8 FTE Positions in FY 2020 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). This amount consists of:

General Fund	24,545,300
GIITEM Border Security and Law Enforcement Subaccount	145,100
Highway Patrol Fund	248,400

FY 2020 adjustments are as follows:

Retirement Adjustment

The budget includes an increase of \$862,900 from the General Fund in FY 2020 for a retirement adjustment.

Salary Increase

The budget includes an increase of \$1,678,500 from the General Fund in FY 2020 for an employee salary increase.

Statewide Adjustments

The budget includes a decrease of \$(13,400) in FY 2020 for statewide adjustments. This amount consists of:

General Fund	\$(13,600)
GIITEM Border Security and Law Enforcement Subaccount	200

The GIITEM line item is comprised of monies for the following GIITEM functions, including: 1) \$10,050,500 for gang enforcement, investigation, and interdiction; 2) \$12,884,900 for at least 50 sworn DPS positions to be used for immigration enforcement and border security and up to 50 DPS positions to expand GIITEM’s public awareness, investigation, and intelligence efforts; 3) \$1,403,400 for local gang and immigration enforcement grants; and 4) \$600,000 for crime analysts associated with the state gang intelligence database (GangNet).

Monies deposited in the GIITEM Fund can be used for employer sanctions, smuggling, gang, and immigration enforcement. Local grants are distributed to county sheriffs and do not require further approval by the county board of supervisors. The local entity provides at least 25% of the cost of services.

Permanent law prohibits Maricopa County from receiving any monies from the fund and allocates \$500,000 in revenues to Pinal County. The FY 2019 Criminal Justice BRB allocated \$400,000 to the Pima County Sheriff’s Office in FY 2019. The remaining \$503,400 may be used for agreements with cities, counties, and other entities at a 3:1 match rate. Pinal County is excluded from the matching requirements. *(Please see the FY 2018 Appropriations Report for more information.)* The budget continues these same allocations in FY 2020.

A.R.S. § 41-1724C requires DPS to distribute the monies in the GIITEM Fund as soon after July 1 of every year as practicable. Prior to distribution, DPS must submit an expenditure plan to JLBC for review regarding any monies not identified in the previous expenditure plans. *(Please see Table 3 in the Other Issues section for more information on actual expenditures.)*

GIITEM Subaccount

The budget includes \$2,396,100 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2020 for the GIITEM Subaccount, to be used for equipment and supplies for border security. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$300 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2020 for statewide adjustments.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$1,978,900 in FY 2020. The monies in the GIITEM Subaccount are for border security personnel and public safety equipment. The monies are to be provided directly to county sheriffs without approval by the respective Board of Supervisors. The authorizing legislation does not specify any particular distribution by county.

At its June 18, 2019 meeting, the JLBC gave a favorable review to a partial GIITEM Subaccount expenditure plan for FY 2020. The plan includes \$456,800 for detention liaison officers, \$539,000 for county sheriff deputies and municipal police department officers to augment the GIITEM Task Force's border district unit, and \$350,000 for the Pima County Border Crimes Unit. DPS intends to seek Committee review at a later date for the remaining \$1,050,000 expenditure plan in FY 2020 for grants to county sheriffs for border security. *(Please see Table 3 in the Other Issues section for more information on actual expenditures.)*

Motor Vehicle Fuel

The budget includes \$5,454,600 in FY 2020 for Motor Vehicle Fuel. This amount consists of:

General Fund	4,384,200
CJEF	134,300
Highway Patrol Fund	936,100

FY 2020 adjustments are as follows:

HURF Reduction/Highway Safety Fee

The budget includes a decrease of \$(637,700) in FY 2020 from the Highway User Revenue Fund (HURF) and a corresponding increase of \$637,700 in FY 2020 from the Highway Patrol Fund for a fund shift.

The Motor Vehicle Fuel line item centralizes monies appropriated to DPS for motor vehicle fuel.

Peace Officer Training Equipment

The budget includes \$1,047,800 from the Peace Officer Training Equipment Fund in FY 2020 for Peace Officer Training Equipment. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$300 from the Peace Officer Training Equipment Fund in FY 2020 for statewide adjustments.

Adjust Funding

The budget includes a decrease of \$(2,005,500) from the Peace Officer Training Equipment Fund in FY 2020 to remove a one-time FY 2019 appropriation from the fund and align the FY 2020 appropriation with remaining revenues through the end of FY 2020.

Laws 2018, Chapter 312 appropriated a one-time appropriation of \$3,053,000 from the Peace Officer Training Equipment Fund in FY 2019. This amount includes the following non-lapsing appropriations:

1. The first \$500,000 in revenue is appropriated to DPS for employee overtime pay;
2. The next \$2,300,000 in revenue is appropriated to DPS for 10 virtual firing ranges, 3 virtual training simulators (one for the Tucson Police Department, one for the Pinal County Sheriff's Office, and one for the Glendale Regional Training Academy); Laws 2019, Chapter 283 modified the appropriation by replacing Yuma County Sheriff's Office with the Glendale Regional Training Academy as the third recipient of the virtual training simulators.
3. The next \$203,000 in revenue is appropriated to DPS to maintain and service the 7 existing virtual training simulators;
4. The next \$50,000 in revenue is appropriated to the Governor's Office of Highway Safety to provide public service announcements that educate drivers on how to act when stopped by a peace officer.

These appropriations will be made in the above order as revenue is received in the fund. Chapter 312 also includes a final one-time \$20,000 appropriation to the Supreme Court to cover the programming costs of implementing the new fees. *(Please see the Supreme Court section for more information.)*

Laws 2018, Chapter 312 increases the assessment on criminal and civil traffic violations by \$4 and the defensive driving school fee by \$4. This new revenue is to be deposited into the new Peace Officer Training Equipment Fund.

The fees-took effect January 1, 2019 and it is estimated they will bring annual revenue of \$2,747,000. Since the fee will be in effect for only half of FY 2019, it is estimated FY 2019 will bring revenue of \$1,373,500. The FY 2019 revenue would subsequently fund the first \$500,000 appropriation for employee overtime pay and part of the next \$2,300,000 appropriation for virtual firing stations and virtual training simulators. The FY 2019 revenue combined with the estimated annual revenue of FY 2020 will result in a total revenue of \$4,120,500. With the one-time non-lapsing FY 2019 appropriation of \$3,073,000 (\$3,053,000 to DPS and \$20,000 to the Supreme Court), the remaining \$1,047,800 is allocated from the fund for the FY 2020 budget (as adjusted for statewide allocations).

Once these appropriations are completed, the new Peace Officer Training Equipment Advisory Commission will make annual recommendations on how the funding should be spent. Before spending any of the remaining monies from the fund, DPS must submit an expenditure plan to JLBC for review.

The Peace Officer Training Equipment Fund is appropriated and may only be used for peace officer equipment.

Pharmaceutical Diversion and Drug Theft Task Force

The budget includes \$631,200 and 3 FTE Positions in FY 2020 for the Pharmaceutical Diversion and Drug Theft Task Force. These amounts consist of:

General Fund	71,400
Highway Patrol Fund	559,800

FY 2020 adjustments are as follows:

Retirement Adjustment

The budget includes an increase of \$18,900 from the General Fund in FY 2020 for a retirement adjustment.

Salary Increase

The budget includes an increase of \$52,500 from the General Fund in FY 2020 for an employee salary increase.

Statewide Adjustments

The budget includes an increase of \$300 from the Highway Patrol Fund in FY 2020 for statewide adjustments.

Remove One-Time Funding

The budget includes a decrease of \$(198,600) from the Drug and Gang Prevention Resource Center Fund to remove equipment and other one-time costs associated

with establishing the Pharmaceutical Diversion and Drug Theft Task Force.

Ongoing Fund Shift

The budget includes a decrease of \$(559,500) in FY 2020 from the Drug and Gang Prevention Resource Center Fund and a corresponding increase of \$559,500 in FY 2020 from the Highway Patrol Fund to shift the remaining ongoing task force funding to the Highway Patrol Fund.

This line item funds a task force to combat the abuse and trafficking of prescription drugs and inappropriate prescriber behavior.

Public Safety Equipment

The budget includes \$2,890,000 from the Public Safety Equipment Fund in FY 2020 to equip DPS officers. This amount is unchanged from FY 2019.

The Public Safety Equipment Fund receives \$4 of a \$13 surcharge on fines, violations and penalties for criminal offenses and civil motor vehicle violations. In addition, DPS receives another \$4 of the surcharge if its officer issued the citation. These revenue sources are subject to appropriation.

Additionally, the fund receives the first \$1,200,000 collected from an assessment of up to \$1,500 on driving under the influence (DUI) offenses. This \$1,200,000 is not subject to appropriation.

The Public Safety Equipment line item monies can be used to purchase vehicles, protective armor, electronic stun devices and other safety equipment for DPS officers.

Public Safety Interoperability Fund Deposit

The budget includes \$1,500,000 deposit from the General Fund in FY 2020 to the Public Safety Interoperability Fund.

The FY 2020 Revenue BRB establishes the appropriated Public Safety Interoperability Fund consisting of monies appropriated to the fund by the Legislature. The fund may be used only for interoperable communication systems. The budget did not include an appropriation from the Public Safety Interoperability Fund.

Other Issues

FY 2019 Supplemental

The FY 2020 budget includes a FY 2019 supplemental appropriation of \$506,900 to pay a named claimant bill related to DPS. This amount consists of:

General Fund	\$221,100
Criminal Justice Enhancement Fund (CJEF)	2,300
DPS Forensics Fund	264,100
Highway Patrol Fund	19,400

Statutory Changes

The Criminal Justice Budget Reconciliation Bill makes the following statutory changes:

Highway Safety Fee

- As permanent law, repeal the highway safety fee effective June 30, 2021. Eliminate the rulemaking exemption for setting the fee.
- As permanent law, repeal the requirement that ADOT director establish the Highway Safety Fee at 110% of the cost of the Highway Patrol budget.

Non-Highway Safety Fee

- As session law, continue to require the Department of Public Safety (DPS) to receive JLBC review of the expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount FY 2020 appropriation prior to its expenditure.
- As session law, continue to allow the use of the Concealed Weapons Permit Fund and the State Aid to Indigent Defense Fund for DPS operating expenses.
- As session law, continue to allow DPS to utilize \$144,900 from the FY 2020 GIITEM Subaccount appropriation for costs related to an increase in the PSPRS employer contribution rate.
- As session law, continue to allocate \$400,000 from the GIITEM General Fund distribution to the Pima County Sheriff's Office.
- As session law, allow DPS to use the Highway Patrol Fund for the Pharmaceutical Diversion and Drug Theft Task Force on a one-time basis in FY 2020. The Task Force had previously been funded by the Arizona Drug and Gang Resource Center Fund.
- As session law, allow the Department of Public Safety to use the Board of Fingerprinting Fund for capital expenditures.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, DPS spending is projected to decrease by \$(8.2) million in FY 2021 below FY 2020 and increase by \$160.7 million in FY 2022 above FY 2021. The latter is due to the repeal of the Highway Safety Fee.

These estimates are based on:

FY 2021 Changes

- A decrease of \$(2.7) million for one-time equipment costs for the 48 new FTE Positions.
- A decrease of \$(4.0) million for one-time vehicle replacement costs
- A decrease of \$(1.5) million for a one-time deposit into the Interoperability Fund

FY 2022 Changes

- An increase of \$160.7 million to backfill the DPS Highway Patrol budget after the repeal of the Highway Safety Fee on June 30, 2021.

Fund Transfers

The budget includes \$23,343,200 in fund transfers for the General Fund in FY 2020. This amount consists of:

- \$15,492,300 of "Excess" Highway Safety Fee revenue. This is the extra 10% of the FY 2020 Highway Safety Fee base amount. These monies will be transferred to the State Highway fund then transferred to the General Fund.
- \$7,850,900 from a State Highway Fund Vehicle License Tax (VLT) transfer.

Highway Safety Fee/HURF Shift

Recent History of HURF/SHF Usage

The budget eliminates the remaining DPS HURF appropriation in FY 2020. This funding is replaced by the Highway Safety Fee (*see the section below for more information on the Highway Safety Fee in FY 2020 and see the FY 2019 Appropriations Report for more historical information on the HURF shift*).

The usage of HURF and State Highway Fund monies in the DPS budget in prior years resulted in monies being diverted from local government road construction and state highway construction. (*For more detail see Long-Term Budget Impacts: HURF Funding in the Other Issues section of the FY 2019 Appropriations Report.*)

HURF monies are used to fund state and local road construction. Roughly 50.5% of HURF revenue goes to state highway construction and 49.5% goes to cities and counties for local road construction.

Highway Safety Fee – FY 2019 Budget

Laws 2018, Chapter 265 established a new Highway Safety Fee to fund DPS's Highway Patrol budget, so that DPS would no longer be funded from HURF. Chapter 265 required the Director of the Arizona Department of Transportation (ADOT) to set the fee on car registrations to fund 110% of the highway patrol budget for each fiscal year.

The fee was a function of the Highway Patrol Budget and the number of applicable registered vehicles. Chapter 265 allowed ADOT director to determine both.

In November 2018, ADOT announced the Highway Safety Fee, which became effective December 1, 2018 for new vehicle registrations and effective January 1, 2019 for vehicle renewals. The Highway Safety Fee is \$32 per vehicle each year, while street-legal golf carts and off-highway vehicles pay \$5 per vehicle per year.

ADOT determined the DPS Highway Patrol Budget to be \$168 million. The additional 10% required by Chapter 265 is \$16.7 million. As a result, the \$32 fee was expected to generate \$185 million during FY 2019.

ADOT estimated that approximately 5.8 million vehicles will be eligible for registration in 2019. The 5.8 million estimated number of vehicle registrations, along with the \$168 million Highway Patrol budget, resulted in a \$32 fee per vehicle. *(See the JLBC Staff Report on the Highway Safety Fee Timeline for more information about ADOT's calculation of the fee amount.)*

Since the new fee became effective January 1, 2019, it is expected to raise roughly half the \$185 million in FY 2019, or \$91 million.

While Chapter 265 set no limits on the fee, all revenue is deposited into the appropriated Highway Patrol Fund. Chapter 265 further requires ADOT to account for any fund balance in determining the fee for the upcoming year.

As part of the FY 2019 budget, the new \$91 million in revenue permitted:

- Funding \$7 million in new troopers.
- Elimination of \$84 million in HURF for DPS expenses. Half of this amount would otherwise go to the State Highway Fund. In FY 2019, it will instead be transferred to the General Fund via the VLT. The remaining \$42 million will go toward local HURF.

- Elimination of the \$30 million HELP Fund appropriation for local HURF. Those monies will instead be transferred to the General Fund.

In total:

- The General Fund benefited by \$72 million - \$42 million from the VLT transfer and \$30 million from the HELP Fund transfer.
- Local HURF benefited by \$12 million - \$42 million from the freed up DPS allocation less the loss of the \$(30) million HELP appropriation.

(Please see Table 1 below for more detail on the beneficiaries of the fee revenue in FY 2019.)

Highway Safety Fee – FY 2020 Budget

The FY 2020 Criminal Justice BRB made several modifications to the Highway Safety Fee: 1) The fee is no longer based on the 110% Highway Patrol budget calculation; 2) ADOT's rulemaking exemption for the fee was eliminated; and 3) The fee is repealed at the end of FY 2021 (June 30, 2021).

Given these changes, the enacted budget assumed the Highway Safety Fee would remain at \$32 for FY 2020 and FY 2021, and the fee would continue to generate annual revenue of \$185 million during those 2 years.

In FY 2020 the \$32 fee is expected to pay the complete cost of the Highway Patrol budget. As a result, current funding for Highway Patrol will be redirected. This includes:

- Elimination of a full year of \$99 million in HURF for DPS expenses, which will be redirected to state and local road construction.
- The elimination of an additional \$54.1 million in General Fund for DPS fund expenses which will be replaced by the Highway Safety Fee. This amount consists of 2 parts: 1) \$30 million that was added to the DPS General Fund budget in FY 2015 and 2) \$24.1 million of eligible highway patrol expenses that were identified by the department.
- Reduction of \$7.9 million in State Highway Fund spending for Highway Patrol, which will be replaced by funding from the Highway Safety Fee. These freed up monies in the State Highway Fund will be transferred to the General Fund through VLT revenues. *(See below.)*
- Continued funding of the \$7.3 million in new troopers added in FY 2019.
- Deposit of the excess \$15.5 million in Highway Safety Fee funds to the General Fund. This amount reflects the extra 10% of the Highway Patrol budget. These

monies will first be transferred to the State Highway Fund and then transferred to the General Fund through VLT revenues.

(Please see Table 2 below for more detail on the components of the Highway Patrol Fund in FY 2020.)

In total, the General Fund will benefit by \$107.4 million:

- \$30.0 million from eliminating a planned increase in funding to support local HURF.
- \$54.1 million from the DPS budget shift.
- \$23.4 million of transfers to the General Fund: \$15.5 million from the "Excess" Highway Safety Fee revenue transferred to the General Fund and \$7.9 million of General Fund revenue from a State Highway Fund VLT transfer. These freed up monies in the State Highway Fund will be transferred to the General Fund through VLT revenues. *(See below.)*

Transportation spending will increase by \$69 million, including \$19 million to local HURF and \$50 million to the State Highway Fund.

Automation Projects Fund – Arizona Criminal Justice Information System

The budget includes an FY 2020 transfer of \$2,301,000 from the Highway Patrol Fund to the Arizona Department of Administration for continuing upgrades to the Arizona Criminal Justice Information System (ACJIS). *(Please see the Department of Administration – Automation Projects Fund for details regarding this information technology project.)*

Automation Projects Fund – Concealed Weapons Tracking System

The budget includes an FY 2020 transfer of \$410,000 from the Concealed Weapons Permit Fund to the Arizona Department of Administration for a new computerized permit record system. *(Please see the Department of Administration – Automation Projects Fund for details regarding this information technology project.)*

	Beneficiaries			
	Total	DPS	GF	Local Roads
Reduce DPS HURF and Replace with HS Fee (Transfer State's Gain to GF via VLT)	\$ 84		\$42	\$42
New Troopers and Retirement	7	7		
Replace HELP Support of Local HURF			30	(30)
Total	\$91	\$7	\$72	\$12

	Components				
	Total	DPS	GF	Local Roads	State Roads
Reduce DPS HURF and Replace with HS Fee	\$ 99			\$ 49	\$ 50
Reduce DPS GF and Replace with HS Fee	54		54		
New Troopers and Retirement	7	7			
Shift State Highway Fund via VLT Transfer	8		8		
Transfer "Excess" Fee to General Fund via VLT Transfer	16		16		
Unused Highway Safety Fee Revenues	1				
Foregone Local HURF Backfill			30	(30)	
Total	\$185	\$7	\$108	\$19	\$50

Table 3

State Immigration Enforcement
Assistance to Local Governments 1/

DPS GIITEM Local Immigration Enforcement Grant Expenditures 2/

<u>Agency</u>	<u>FY 2017</u> <u>Actual</u>	<u>FY 2018</u> <u>Estimate 3/</u>	<u>FY 2019</u> <u>Estimate 3/</u>
Pima County Sheriff's Department	-	\$ 400,000	\$ 400,000
Border Detention Liaison Officers (See Chart Below)	-	-	-
Border County Officers (See Chart Below)	-	-	-
Maricopa County Sheriff's Office	\$1,600,000	-	-
DPS Expenditures in Support of Local Grants	503,400	503,400	503,400
Pinal County Sheriff's Department	500,000	500,000	500,000
TOTAL	\$2,603,400	\$1,403,400	\$1,403,400
<u>Year of Appropriation of Funding</u>			
FY 2016	\$247,900	-	-
FY 2017	2,355,500	\$89,600	-
FY 2018	-	1,313,800	-
FY 2019	-	-	1,403,400
	\$2,603,400	\$1,403,400	\$1,403,400
<u>Detention Liaison Officer Grants 4/5/</u>			
Cochise County Sheriff's Office	\$37,500	\$37,500	\$40,500
Graham County Sheriff's Office	-	-	-
Maricopa County Sheriff's Office	89,200	-	-
Pima County Sheriff's Office	87,300	87,300	94,300
Pinal County Sheriff's Office	47,700	47,700	51,500
Santa Cruz County Sheriff's Office	-	52,100	56,300
Yuma County Sheriff's Office	-	52,100	-
Department of Corrections	238,300	238,300	257,400
Total	\$500,000	\$515,000	\$500,000
<u>Border County Officers 4/5/</u>			
Benson Police	-	-	-
Casa Grande Police	-	-	\$67,500
Cochise County Sheriff's Office	\$191,600	\$201,900	210,800
Coolidge Police	64,200	74,500	-
Douglas Police	-	-	-
Eloy Police	56,400	-	-
Oro Valley Police	66,700	77,000	80,400
Pinal County Sheriff's Office	-	-	-
San Luis Police	56,400	66,700	69,600
Somerton Police	44,500	54,900	-
Yuma County Sheriff's Office	-	-	67,500
Unallocated	10,200	-	-
Total	\$490,000	\$475,000	\$495,800

Table 3 (Continued)

	FY 2017	FY 2018	FY 2019
	Actual	Estimate	Estimate
<u>Border Security and Law Enforcement Grants</u> 4/			
Apache County Sheriff's Office	\$70,000	\$0	\$0
Cochise County Sheriff's Office	70,000	350,000	230,000
Coconino County Sheriff's Office	70,000	0	0
Gila County Sheriff's Office	70,000	0	0
Graham County Sheriff's Office	70,000	0	100,000
Greenlee County Sheriff's Office	70,000	0	100,000
La Paz County Sheriff's Office	70,000	0	100,000
Maricopa County Sheriff's Office	70,000	0	0
Mohave County Sheriff's Office	70,000	0	0
Navajo County Sheriff's Office	70,000	0	60,000
Pima County Sheriff's Department	70,000	0	0
Pinal County Sheriff's Office	70,000	0	0
Santa Cruz Sheriff's Office	70,000	350,000	230,000
Yavapai County Sheriff's Office	70,000	0	0
Yuma County Sheriff's Office	70,000	350,000	230,000
Total	\$1,050,000	\$1,050,000	\$1,050,000

GIITEM Subaccount Expenditures 5/6/

<u>Agency</u>			
Pima County Sheriff	\$350,000	\$350,000	\$350,000
General Fund Repayment	-	-	-
Border Detention Liaison Officers (See Chart Above)	500,000	515,000	500,000
Border County Officers (See Chart Above)	490,000	475,000	495,800
Border Security and Law Enforcement Grants (See Chart Above)	1,050,000	1,050,000	1,050,000
TOTAL	\$2,390,000	\$2,390,000	\$2,395,800

Border Strike Task Force Local Support 7/8/

<u>Agency</u>			
Cochise County Sheriff	\$601,100	\$642,700	\$642,700
Pima County Sheriff	410,600	452,300	452,300
Santa Cruz County Sheriff	125,000	166,700	166,700
Yuma County Sheriff	125,000	-	-
TOTAL	\$1,261,700	\$1,261,700	\$1,261,700

County Attorney Immigration Enforcement Distributions 9/

- 1/ Further details prior to FY 2019 can be found in the *FY 2018 Appropriations Report* .
- 2/ Funded from non-lapsing \$1.4 million General Fund appropriation, which is part of a \$22.4 million total GIITEM General Fund appropriation to DPS in FY 2019. Beginning in FY 2011, statute allocated the first \$1.6 million to the Maricopa County Sheriff's Office and the next \$500,000 to the Pinal County Sheriff's Office. The FY 2018 Criminal Justice Budget Reconciliation Bill eliminated the Maricopa County distribution and permanently prohibited any monies from being
- 3/ Estimates provided by DPS.
- 4/ Funding for the Detention Liaison Officer, Border County Officers, and Border Security and Law Enforcement Grants is
- 5/ FY 2019 GIITEM Subaccount amounts reflect allocations from the DPS expenditure plan as reviewed at the June 19, 2018 meeting of the JLBC. The expenditure plan for the Border Security and Law Enforcement Grants was not
- 6/ As required by Laws 2018, Chapter 276, JLBC must review DPS' FY 2018 GIITEM Subaccount expenditure plan before the expenditure of any monies. The Committee reviewed \$1.3 million of the \$2.4 million appropriation on June 19, 2018.
- 7/ Laws 2016, Chapter 117 provided initial funding for the Border Strike Task Force (BSTF) that was established within DPS in September 2015. Included in the funding was \$1,261,700 from the General Fund in FY 2017 for the BSTF Local Support line item which provided funding for grants to local participants in BSTF and for the reimbursement of
- 8/ Funded by a General Fund appropriation.
- 9/ Funding for this line item was not continued in FY 2016.

Public Safety Personnel Retirement System

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
SPECIAL LINE ITEMS			
EORP Fund Deposit	5,000,000	5,000,000	5,000,000
Prescott Fire Employer Group Deposit	1,000,000	2,000,000	1,000,000 ^{1/}
AGENCY TOTAL	6,000,000	7,000,000	6,000,000
FUND SOURCES			
General Fund	6,000,000	7,000,000	6,000,000
SUBTOTAL - Appropriated Funds	6,000,000	7,000,000	6,000,000
Other Non-Appropriated Funds	12,224,400	13,388,700	13,388,700
TOTAL - ALL SOURCES	18,224,400	20,388,700	19,388,700

AGENCY DESCRIPTION — The Public Safety Personnel Retirement System (PSPRS) provides retirement, survivors, health, and disability benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters. In addition, PSPRS staff administers the Correctional Officers Retirement Plan (CORP) and the Elected Officials Retirement Plan (EORP), which provide the same benefits to specified populations at the state and local level. PSPRS is not subject to appropriation. The EORP was closed to new enrollees as of January 1, 2014, at which time newly-elected officials are to be enrolled in the Elected Officials Defined Contribution Retirement System (EODC System).

FOOTNOTES

^{1/} The sum of \$1,000,000 is appropriated from the state General Fund in each of FY 2020, FY 2021, FY 2022, FY 2023, FY 2024, FY 2025 and FY 2026 to the Public Safety Personnel Retirement System to be deposited in the employer account of the Prescott Fire Department Group to offset increased pension liability. (General Appropriation Act footnote)

EORP Fund Deposit

The budget includes \$5,000,000 from the General Fund in FY 2020 as part of the closure of the Elected Officials Retirement Plan (EORP). This amount is unchanged from FY 2019. (See the FY 2017 Appropriations Report and the Consolidated Retirement Report section in this FY 2020 Appropriations Report for more information.)

The annual \$5,000,000 General Fund appropriation is authorized in permanent law (A.R.S § 38-810). As a result, monies in the line item are not included in the General Appropriation Act.

Prescott Fire Employer Group Deposit

The budget includes \$1,000,000 from the General Fund in FY 2020 for deposit into the employer account of the Prescott Fire Department group. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2020 to remove one-time funding. The FY 2019 budget included a one-time deposit into the PSPRS employer account of the Prescott Fire Department

group to offset increased pension liabilities associated with the Yarnell Hill Fire.

Expiration of Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2020 to remove funding included in the FY 2015 budget. The FY 2015 budget appropriated \$1,000,000 from the General Fund for deposit into the employer account of the Prescott Fire Department each year from FY 2015 through FY 2019.

Extension of Funding

The budget includes an increase of \$1,000,000 from the General Fund in FY 2020 for a deposit into the employer account of the Prescott Fire Department. The budget appropriated \$1,000,000 from the General Fund for deposit into the employer account of the Prescott Fire Department each year from FY 2020 through FY 2026.

In June 2013, 19 firefighters employed by the Prescott Fire Department died in the line of duty while fighting the Yarnell Hill Fire. The survivors of 10 firefighters ultimately qualified for PSPRS benefits. Their survivors qualify for ongoing payments equal to 100% of the employees' average monthly wages, including overtime. The increased liability resulting from these benefit payments is

funded from the PSPRS employer account of the Prescott Fire Department through an increase in employer contribution rates. The funding in the FY 2015, FY 2019, and FY 2020 budgets were intended to offset these increased pension liabilities.

The original estimated liability resulting from the Yarnell Hill fire was \$5,200,000. In January 2018, PSPRS re-estimated this liability to be \$10,288,900. This liability does not take into account the \$7,000,000 in funding provided by the state between FY 2015 and FY 2020.

See the [Consolidated Retirement Report](#) section for more information on PSPRS membership and actuarial data.

State Real Estate Department

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	37.0	37.0	37.0
Personal Services	1,390,300	1,612,600	1,612,600
Employee Related Expenditures	539,200	656,200	659,300
Professional and Outside Services	102,100	102,100	102,100
Travel - In State	14,900	12,000	12,000
Travel - Out of State	10,500	10,500	10,500
Other Operating Expenditures	579,100	438,300	433,000
Equipment	90,800	80,000	80,000
AGENCY TOTAL	2,726,900	2,911,700	2,909,500 ^{1/}
FUND SOURCES			
General Fund	2,726,900	2,911,700	2,909,500
SUBTOTAL - Appropriated Funds	2,726,900	2,911,700	2,909,500
Other Non-Appropriated Funds	166,200	356,000	356,000
TOTAL - ALL SOURCES	2,893,100	3,267,700	3,265,500

AGENCY DESCRIPTION — The department issues licenses for real estate, cemetery, and membership campground sales. The department also regulates the real estate industry, including licensees, developers, subdividers, and real estate schools. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation. Beginning in FY 2017, the responsibilities relating to the dispute resolutions process for condominium and planned community associations were transferred from the Department of Fire, Building and Life Safety to the Arizona Department of Real Estate.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$2,909,500 and 37 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(2,200) from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Residential Utility Consumer Office

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	585,500	757,700	757,700
Employee Related Expenditures	240,600	250,100	253,700
Professional and Outside Services	0	2,400	2,400
Travel - In State	2,500	8,600	8,600
Travel - Out of State	12,600	7,000	7,000
Other Operating Expenditures	162,700	171,800	174,200
OPERATING SUBTOTAL	1,003,900	1,197,600	1,203,600
SPECIAL LINE ITEMS			
Professional Witnesses	55,600	145,000	145,000 ^{1/}
AGENCY TOTAL	1,059,500	1,342,600	1,348,600 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Residential Utility Consumer Office Revolving Fund	1,059,500	1,342,600	1,348,600
SUBTOTAL - Other Appropriated Funds	1,059,500	1,342,600	1,348,600
SUBTOTAL - Appropriated Funds	1,059,500	1,342,600	1,348,600
TOTAL - ALL SOURCES	1,059,500	1,342,600	1,348,600

AGENCY DESCRIPTION — The Residential Utility Consumer Office (RUCO) serves as an advocate for residential customers of public utilities in rate hearings held before the Arizona Corporation Commission. Through its technical staff and expert consultants, RUCO analyzes utility company data to determine appropriate positions to take and present on behalf of residential ratepayers. The RUCO Director is appointed by the Governor.

FOOTNOTES

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

The budget includes \$1,203,600 and 11 FTE Positions from the RUCO Revolving Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$6,000 from the RUCO Revolving Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations Section.)

Professional Witnesses

The budget includes \$145,000 from the RUCO Revolving Fund in FY 2020 for Professional Witnesses. This amount is unchanged from FY 2019.

Board of Respiratory Care Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	167,000	176,500	176,500
Employee Related Expenditures	69,400	64,900	65,700
Professional and Outside Services	700	6,500	6,500
Travel - In State	700	1,500	1,500
Travel - Out of State	1,300	2,000	2,000
Other Operating Expenditures	34,100	62,300	69,700
Equipment	2,000	700	700
OPERATING SUBTOTAL	275,200	314,400	322,600
SPECIAL LINE ITEMS			
Temporary Caseload Increase	19,500	0	0
AGENCY TOTAL	294,700	314,400	322,600^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Respiratory Care Examiners Fund	294,700	314,400	322,600
SUBTOTAL - Other Appropriated Funds	294,700	314,400	322,600
SUBTOTAL - Appropriated Funds	294,700	314,400	322,600
TOTAL - ALL SOURCES	294,700	314,400	322,600

AGENCY DESCRIPTION — The board licenses and regulates respiratory care practitioners. A respiratory therapist performs inhalation therapy and respiratory therapy, which includes administering pharmacological, diagnostic, and therapeutic agents, as directed by a physician.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$322,600 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$8,200 from the Board of Respiratory Care Examiners Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona State Retirement System

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	250.9	245.9	240.9
Personal Services	12,257,600	13,025,000	13,025,000
Employee Related Expenditures	4,772,700	5,256,900	5,321,900
Professional and Outside Services	3,651,400	3,465,400	3,065,400
Travel - In State	24,400	30,000	30,000
Travel - Out of State	19,300	49,000	49,000
Other Operating Expenditures	2,285,000	2,314,500	2,313,200
Equipment	274,100	389,500	389,500
OPERATING SUBTOTAL	23,284,500	24,530,300	24,194,000
SPECIAL LINE ITEMS			
One-Time IT Expenses	0	500,000	0
AGENCY TOTAL	23,284,500	25,030,300	24,194,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Long-Term Disability Trust Fund Administration Account	1,552,800	2,200,000	1,800,000
State Retirement System Administration Account	21,731,700	22,830,300	22,394,000
SUBTOTAL - Other Appropriated Funds	23,284,500	25,030,300	24,194,000
SUBTOTAL - Appropriated Funds	23,284,500	25,030,300	24,194,000
Other Non-Appropriated Funds	13,793,200	17,625,300	18,129,300
TOTAL - ALL SOURCES	37,077,700	42,655,600	42,323,300

AGENCY DESCRIPTION — The Arizona State Retirement System (ASRS) provides retirement, survivors, health and disability benefits to employees of most public employers in Arizona, including public schools, most local and county governments, and the State of Arizona. Funding for the agency is appropriated except for investment management and consulting fees, rent, actuarial consulting fees, legal counsel costs, retiree payroll and health insurance program administration.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$24,194,000 and 240.9 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
State Retirement System Administration Account	\$22,394,000
Long-Term Disability (LTD) Trust Fund Administration Account	1,800,000

FY 2020 adjustments are as follows:

FTE Positions Reduction

The budget includes no change in funding and a reduction of (5) FTE Positions from the State Retirement System

Administration Account in FY 2020 for operating budget savings resulting from technology and process improvements. There will be no associated decrease in funding, because lower-wage customer support positions are being replaced by higher-wage software development positions. This reduction was requested by ASRS.

New Contract Savings

The budget includes a decrease of \$(400,000) from the Long-Term Disability (LTD) Trust Fund Administration Account in FY 2020 for savings from a LTD program contract with a third-party vendor and a decrease in the number of ASRS members receiving benefits. This reduction was requested by ASRS.

In FY 2017, ASRS awarded a contract to a new administrator with lower administrative fees. The change

in administrator is expected to generate savings each year. In addition, there has been a decrease over the past several fiscal years in the number of ASRS members receiving LTD benefits.

Statewide Adjustments

The budget includes an increase of \$63,700 from the State Retirement System Administration Account in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

One-Time IT Expenses

The budget includes no funding from the State Retirement System Administration Account in FY 2020 for the One-Time IT Expenses line item. FY 2020 adjustments are as follows:

See the [Consolidated Retirement Report](#) section for more information on ASRS membership and actuarial data.

Remove One-Time Funding

The budget includes a decrease of \$(500,000) from the State Retirement System Administration Account in FY 2020 to remove one-time funding to complete work on information technology projects.

This one-time appropriation was used to purchase a software tool for ASRS' agencywide enterprise risk management program and for data security initiatives.

Department of Revenue

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	880.8	880.8	880.8 ^{1/}
Personal Services	24,174,200	26,187,200	26,187,200
Employee Related Expenditures	10,239,000	11,398,000	11,543,900
Professional and Outside Services	10,472,500	11,618,400	11,568,400
Travel - In State	88,700	114,400	114,400
Travel - Out of State	1,000	15,000	15,000
Other Operating Expenditures	13,108,300	15,466,700	15,868,200
Equipment	1,569,400	614,800	614,800
OPERATING SUBTOTAL	59,653,100	65,414,500	65,911,900 ^{2/}
SPECIAL LINE ITEMS			
BRITS Operational Support	7,086,100	7,546,500	7,560,300
Out of State TPT Administration	0	0	2,000,000
Prime Contracting Noncompliance Study	0	75,000	0
Tax Fraud Prevention	3,133,100	3,150,000	3,150,000 ^{3/4/}
TPT Simplification	931,000	982,500	984,300
Unclaimed Property Administration and Audit	1,368,800	1,218,500	1,368,800 ^{5/}
Veterans' Income Tax Settlements	53,700	0	0
AGENCY TOTAL	72,225,800	78,387,000	80,975,300 ^{6/7/}
FUND SOURCES			
General Fund	29,320,700	31,063,800	31,245,200
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	41,938,600	45,713,900	48,243,000
Department of Revenue Empowerment Scholarship Account Fund	0	50,000	0
Liability Setoff Program Revolving Fund	396,900	802,800	805,600
Residential Contractors' Recovery Fund	0	75,000	0
Tobacco Tax and Health Care Fund	569,600	681,500	681,500
SUBTOTAL - Other Appropriated Funds	42,905,100	47,323,200	49,730,100
SUBTOTAL - Appropriated Funds	72,225,800	78,387,000	80,975,300
Other Non-Appropriated Funds	982,100	1,938,500	1,938,500
TOTAL - ALL SOURCES	73,207,900	80,325,500	82,913,800

AGENCY DESCRIPTION — The Department of Revenue (DOR) administers and enforces the collection of personal and corporate income, sales, withholding, luxury and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes, nor the insurance premium tax.

FOOTNOTES

- ^{1/} Includes 70 GF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} The operating lump sum appropriation includes \$2,000,000 and 25 FTE Positions for additional audit and collections staff. (General Appropriation Act footnote)
- ^{3/} The department may not transfer any monies to or from the Tax Fraud Prevention line item without prior review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{4/} On or before November 1, 2019, the department shall report the results of private fraud prevention investigation services during FY 2019 to the Joint Legislative Budget Committee. The report shall include the total number of fraudulent returns prevented and the total dollar amount of fraudulent returns prevented during FY 2019. (General Appropriation Act footnote)

- 5/ If the total value of properties retained by unclaimed property contract auditors exceeds \$1,368,800, the excess amount is transferred from the state General Fund to the Department of Revenue Administrative Fund, established by A.R.S. § 42-1116.01, and appropriated to the department for contract auditor fees. (General Appropriation Act footnote)
- 6/ The department shall report the department's General Fund revenue enforcement goals for FY 2020 to the Joint Legislative Budget Committee on or before September 30, 2019. On or before September 30, 2019, the department shall provide an annual progress report to the Joint Legislative Budget Committee as to the effectiveness of the department's overall Enforcement and Collections Program for FY 2019, and on or before September 30, 2020, the department shall provide an annual progress report to the Joint Legislative Budget Committee as to the effectiveness of the department's overall Enforcement and Collections Program for FY 2020. The reports shall include a comparison of projected and actual state General Fund, total state tax, total county tax and total municipal tax revenue enforcement collections for FY 2019 and FY 2020, including the amount of projected and actual enforcement collections for all tax types. The reports shall also include the total number of transaction privilege tax delinquent accounts, the total dollar value of those accounts classified by age of account and the total dollar amount of delinquent account write-offs determined to be uncollectible for FY 2019. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$65,911,900 and 810.8 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$25,077,900
DOR Administrative Fund	39,346,900
Liability Setoff Program Revolving Fund	805,600
Tobacco Tax and Health Care Fund	681,500

FY 2020 adjustments are as follows:

Empowerment Scholarship Account Administration

The budget includes a decrease of \$(50,000) in funding from the Department of Revenue Empowerment Scholarship Account Fund (DRESAF) in FY 2020 as a result of the Proposition 305 referendum to repeal Laws 2017, Chapter 139, which has the effect of repealing the DRESAF.

Chapter 139 created the Department of Revenue Empowerment Scholarship Account Fund and required DOR and the Department of Education to develop procedures to determine whether a student qualifies as low-income according to the requirements of the ESA program. DOR was to verify the income of parents of students participating in the ESA program using existing information, as well as to create a process to verify income levels of participating families who are not required to file a state income tax return.

Apart from Chapter 139, the FY 2018 and FY 2019 General Appropriation Acts appropriated \$50,000 in ESA administration funding from the DRESAF in FY 2018 and FY 2019. The implementation of the new DOR Fund, however, was on hold. Laws 2017, Chapter 139

authorized its establishment, but that legislation was suspended due to a citizens' referendum.

As a result, during FY 2018 and FY 2019 the fund did not exist and the \$50,000 was not available for expenditure. The referendum resulted in Proposition 305 which received a "No" vote in the November 2018 General Election which had the effect of repealing Chapter 139 and eliminating the DRESAF.

(For more information see the Department of Education section, Empowerment Scholarship Account policy issue under Basic State Aid in the FY 2018 Appropriations Report.)

Statewide Adjustments

The budget includes an increase of \$547,400 in FY 2020 for statewide adjustments. These amounts consist of:

General Fund	176,900
DOR Administrative Fund	367,700
Liability Setoff Program Revolving Fund	2,800

(Please see the Agency Detail and Allocations section.)

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The budget includes \$7,560,300 and 51 FTE Positions in FY 2020 for operational support of BRITS. These amounts consist of:

General Fund	2,033,000
DOR Administrative Fund	5,527,300

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$13,800 in FY 2020 for statewide adjustments. These amounts consist of:

General Fund	2,700
DOR Administrative Fund	11,100

This line item funds the annual server and printer replacement costs, increased BRITS data storage requirements, and information technology personnel to operate and maintain the BRITS system. BRITS is the state's computer system for collecting and processing tax data.

Out of State TPT Administration

The budget includes \$2,000,000 from the DOR Administrative Fund in FY 2020 for out-of-state TPT administration. FY 2020 adjustments are as follows:

One-Time Administrative Costs

The budget includes a one-time increase of \$2,000,000 from the DOR Administrative Fund in FY 2020 for costs to administer and collect TPT on out-of-state businesses.

In June 2018, the United States Supreme Court overruled in *South Dakota v. Wayfair Inc.* a 1992 ruling made by the same court in *Quill Corp v. North Dakota*, which had held that only out-of-state businesses with a physical presence inside a state could be required to collect and remit sales tax in that state. As a result of the *Wayfair* ruling, the physical presence requirement was effectively replaced by an economic nexus requirement.

Beginning October 1, 2019, Laws 2019, Chapter 273 establishes the economic nexus thresholds under which an out-of-state business is required to collect and remit tax on retail sales in Arizona. (For more information see the General Fund Revenue section, Enactment of Wayfair Legislation policy issue under TPT Provisions.)

Prime Contracting Noncompliance Study

The budget includes no funding in FY 2020 to study noncompliance rates of prime contracting TPT laws. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(75,000) from the Residential Contractors' Recovery Fund in FY 2020 to remove one-time funding used for a study of noncompliance rates of prime contracting TPT laws.

Laws 2018, Chapter 305 appropriated \$75,000 of one-time funding from the Residential Contractors' Recovery

Fund in FY 2019 for the Prime Contracting Noncompliance Study line item. This funding will be used for an independent study of noncompliance rates with statutory prime contracting TPT requirements.

Tax Fraud Prevention

The budget includes \$3,150,000 from the General Fund in FY 2020 for Tax Fraud Prevention. This amount is unchanged from FY 2019.

These monies are used to contract with a vendor to provide fraud prevention investigation services, make programming changes to the Taxpayer Accounting System (TAS), and provide audit and investigative support.

DOR reported that these services prevented \$11.3 million in fraudulent returns in FY 2018, compared to \$25.0 million in FY 2017 and \$78.5 million in FY 2016.

TPT Simplification

The budget includes \$984,300 and 19 FTE Positions from the General Fund in FY 2020 for TPT Simplification responsibilities. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,800 from the General Fund in FY 2020 for statewide adjustments.

Laws 2013, Chapter 255 and Laws 2014, Chapter 263 created a unified TPT audit and collections system under the auspices of DOR. As a result, DOR assumed the responsibility for the audit and collection of TPT taxes for all municipalities including the 14 "Non-Program" cities which currently administer their own TPT taxes. These monies will allow DOR to fund the additional staffing associated with the new TPT oversight responsibilities.

Unclaimed Property Administration and Audit

The budget includes \$1,368,800 from the DOR Administrative Fund in FY 2020 for Unclaimed Property Administration and Audit. FY 2020 adjustments are as follows:

Increase Audit Funding

The budget includes an increase of \$150,300 from the DOR Administrative Fund in FY 2020 to bring the appropriation level in line with actual expenditures.

Monies in this line item are used for the administrative costs of unclaimed or abandoned property. Contract auditors retain 10.25% to 12.5% of the value of properties they recover. This amount is currently estimated at

\$1,368,800 based on the level of contract audit fees during FY 2018.

Other Issues

Statutory Changes

The Budget Procedures Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, continue to allow the Liability Setoff Program Revolving Fund to be used for general operating expenditures of the department. This provision had previously been authorized as session law.

The Revenue BRB makes the following statutory changes:

- As session law, continue legislative intent statement that local fees to fund the Department of Revenue (DOR) are not to exceed \$20,755,835 and are to be allocated between cities and towns, counties, the Maricopa Association of Governments and the Pima Association of Governments based on the prorated share of all revenues distributed to them (excluding Highway User Revenue Fund money).
- As permanent law, expand the definition of "multistate service providers" used to determine the allocation of the sales of services for corporate income tax purposes to include a taxpayer with more than 2,000 employees in this state and that derives more than 85% of its sales from support services provided to a regionally accredited institution of higher education. Addresses Grand Canyon University.
- As permanent law, require that licensed escrow agents file an information return for sales of real property located in Arizona with the Department of Revenue. Licensed escrow agents would be required to submit this return to the Department of Revenue by March 31 for sales closed during the prior calendar year. This provision is intended to increase compliance for capital gains taxes owed by non-residents that sell real estate in the state. Requires that DOR report to JLBC and OSPB annually on the additional estimated revenue collected from nonresident real estate transactions as a result of this new reporting requirement for licensed escrow agents.

Tobacco Tax/Master Settlement Agreement

The budget transfers \$836,000 from the Traditional Medicaid Services line item in AHCCCS in FY 2020 to DOR

to fund staff to help enforce the provisions of the Master Settlement Agreement. These monies are provided in a footnote in the AHCCCS budget. In previous years the transfer amount was \$436,000 but it is now increased to \$836,000 for FY 2020 to incorporate an additional ISA between DOR and AHCCCS that was implemented in FY 2018 and FY 2019.

The transfer funds maintenance costs on the electronic tobacco tax system and to fund personnel to perform luxury tax enforcement and audit duties. The FTE Position increase is not reflected in DOR's appropriation total. *(Please see AHCCCS for more information regarding this transfer.)*

School Facilities Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	962,100	965,000	965,000
Employee Related Expenditures	319,500	320,500	322,200
Professional and Outside Services	158,100	160,000	160,000
Travel - In State	12,800	13,000	13,000
Travel - Out of State	4,900	5,000	5,000
Other Operating Expenditures	176,300	235,200	251,300
Equipment	1,100	2,000	2,000
OPERATING SUBTOTAL	1,634,800	1,700,700	1,718,500
SPECIAL LINE ITEMS			
New School Facilities			
New School Facilities (FY 2017 Authorization)	23,078,600	0	0
New School Facilities (FY 2018 Authorization)	63,929,800	37,989,800	0
New School Facilities (FY 2019 Authorization)	0	49,636,700	36,726,700
New School Facilities (FY 2020 Authorizations)	0	0	75,875,800 ^{1/}
New School Facilities Debt Service	169,761,700	134,287,300	131,870,500 ^{2/}
Other Programs			
Building Renewal Grants	43,835,800	76,085,800	79,458,800
AGENCY TOTAL	302,240,700	299,700,300	325,650,300 ^{3/4/}
FUND SOURCES			
General Fund	302,240,700	299,700,300	325,650,300 ^{5/}
SUBTOTAL - Appropriated Funds	302,240,700	299,700,300	325,650,300
Other Non-Appropriated Funds	111,153,000	66,013,600	64,135,300
TOTAL - ALL SOURCES	413,393,700	365,713,900	389,785,600

AGENCY DESCRIPTION — The School Facilities Board (SFB) is composed of 9 gubernatorial appointments and the Superintendent of Education. The board administers the New School Facilities Fund, the Building Renewal Grant Fund, and the Emergency Deficiencies Correction Fund to provide capital funding for K-12 school districts. In addition, SFB Staff provides support to the Credit Enhancement Eligibility Board, which operates the Arizona Public School Credit Enhancement program for district and charter schools.

FOOTNOTES

- ^{1/} Pursuant to A.R.S. § 15-2041 the amount appropriated for New School Facilities shall be used only for facilities and land costs for school districts that received final approval from the School Facilities Board on or before September 1, 2019. (General Appropriation Act footnote)
- ^{2/} At least 30 days before any monies are transferred out of the New School Facilities Debt Service line item, the School Facilities Board shall report the proposed transfer to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{3/} Pursuant to A.R.S. § 35-142.01, any reimbursement received by or allocated to the School Facilities Board under the federal Qualified School Construction Bond program in FY 2020 shall be deposited in or revert to the state General Fund. (General Appropriation Act footnote)
- ^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{5/} The sum of \$45,805,900 is appropriated from the state General Fund in FY 2021 for a one-time deposit in the New School Facilities Fund established by A.R.S. § 15-2041. The School Facilities Board shall use the monies only for facilities that will be constructed for school districts that received final approval from the School Facilities Board on or before September 1, 2019. (General Appropriation Act Footnote)

Operating Budget

The budget includes \$1,718,500 and 17 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$17,800 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations Section.)

New School Facilities

The budget includes \$112,602,500 from the General Fund in FY 2020 for New School Facilities, which is an increase of \$24,976,000 from FY 2019. The FY 2020 funding amount for New School Facilities includes the following:

- \$36,726,700 for the remaining 50% of construction funding to complete 6 projects which were authorized to begin construction in FY 2019.
- \$75,875,800 for the land costs and the first 50% of construction costs for 10 projects that will be authorized to begin construction in FY 2020. This amount includes \$21,125,000 for land, \$1,010,200 for site conditions and demolition, and \$53,740,600 for construction.

All new school construction is labeled as one-time rather than ongoing.

(Please see Table 3 for a summary of FY 2019 through FY 2022 New School Facilities Funding.)

Background – The New School Facilities line item provides funding for school districts to build new K-12 school facilities. The board distributes the monies to school districts as work is completed on approved projects. The amounts allocated to each school district are determined by statute. A school district qualifies for new construction funding when the districtwide square feet per student falls below the statutory minimum. Funding is then provided to the district at a statutorily prescribed dollar amount per square foot.

The FY 2020 K-12 Budget Reconciliation Bill (BRB) changes the requirement for school districts to qualify for new school funding by allowing school districts to qualify if enrollment projections predict that a district will be over capacity in the next 2 years. Previously, school districts needed to be at capacity in the current year to receive funding. The FY 2020 budget provides funding for school districts both currently at capacity and projected to be at capacity in the next 2 years.

The dollar amount per square foot is adjusted annually based on a construction market index identified by the JLBC. At its December 2018 meeting, the JLBC approved a 6.19% adjustment in the cost per square foot. This inflation adjustment is based on measure of construction costs since January 2018 when the Committee last adopted an adjustment. Pursuant to A.R.S. § 15-2041D, this adjustment applies prospectively to schools that receive final approval from the board after December 2018. (Please see Table 1 for statutory funding guidelines.)

Table 1

New School Facilities Statutory Funding Guidelines

Type of School	Square Feet Per Student	Funding Per Square Foot ^{1/2/}
K-6	90	\$156.10
7-8	100	\$164.80
9-12 (<1,800 pupils)	134	\$190.81
9-12 (≥1,800 pupils)	125	\$190.81

^{1/} Increased by 5% for rural school districts.

^{2/} These amounts apply to schools awarded after any adjustment is approved by the JLBC. Adjusted annually for inflation.

In addition, the board distributes money for land acquisition and site conditions. Site conditions funding is used by SFB for extraordinary site-specific construction needs such as: 1) Earth moving costs beyond normal requirements (such as dynamite blasting); 2) Building footings that must be deeper than standard code (in excess of 3 feet below grade); and 3) Replacing poor/collapsing soil which cannot support buildings with other materials such as engineered fill. Site conditions do not include the costs of utilities placement or complying with standard local building codes.

In addition to the state funding formula, school districts may generate additional funding through the issuance of bonds (see *Other Issues for K-12 Capital Bonding*).

New School Facilities (FY 2018 Authorization)

The budget includes no funding in FY 2020 for New School Facilities which were authorized to start construction in FY 2018. FY 2020 adjustments are as follows:

New School Funding Completion

The budget includes a decrease of \$(37,989,800) from the General Fund in FY 2020 for the completion of the following projects:

- Chandler Unified (9-12) – for an addition at Hamilton High School.

- Chandler Unified (9-12) – for an addition at Camille Casteel High School.
- Chandler Unified (7-12) – for a new school. There was no land required.
- Queen Creek Unified (9-12) – for a new high school, including land.
- Vail Unified (K-5) – for a new elementary school, including land.
- Vail Unified (9-12) – for a new high school, including land.

New School Facilities (FY 2019 Authorization)

The budget includes \$36,726,700 from the General Fund in FY 2020 to continue funding for New School Facilities projects which are authorized to start construction in FY 2019. FY 2020 adjustments are as follows:

Continue New School Construction Projects

The budget includes a decrease of \$(12,910,000) from the General Fund in FY 2020 to continue construction for 6 new school projects authorized to start construction in FY 2019. The FY 2019 budget provided 50% of construction costs and 100% of land costs for each project. The FY 2020 Baseline eliminates the land acquisition costs and funds the remaining 50% of construction costs for the following projects:

- Chandler Unified (9-12) – for an addition at Chandler High School
- Chandler Unified (9-12) – for an addition at Perry High School.
- Chandler Unified (9-12) – for an addition at Camille Casteel High School.
- Chandler Unified (9-12) – for an addition at Basha High School.
- Queen Creek Unified (K-5) – for a new elementary school including land.
- Tolleson UHSD (9-12) – for a new high school including land.

The FY 2019 General Appropriation Act already appropriated the remaining \$36,726,700 of funding in FY 2020 for these 6 projects. As a result, these monies will not appear in the FY 2020 General Appropriation Act. (See Table 3.)

New School Facilities (FY 2020 Authorization)

The budget includes \$75,875,800 from the General Fund in FY 2020 for New School Facilities projects which are authorized to start construction in FY 2020. FY 2020 adjustments are as follows:

Begin New School Construction Projects

The budget includes an increase of \$75,875,800 from the General Fund in FY 2020 to begin construction for 10 new school projects. Of the projects funded, 7 were at capacity in FY 2019 and awarded by SFB on or before December 1, 2018. As previously mentioned, the FY 2020 budget accelerates new school construction funding for school districts that are projected to be at capacity in the next 2 years. The remaining 3 projects are projected to be at capacity within the next 2 years. These projects were conceptually approved by the board on or before March 1, 2019 and, pursuant to a budget footnote, must receive final approval on or before September 1, 2019 to be allocated their funding.

The budget includes 50% of construction costs and 100% of land costs with the exception of the Pima Unified and Somerton projects which will receive 100% of construction funding in FY 2020. The projects are as follows:

- Chandler Unified (9-12) – for a new high school including land.
- Douglas Unified (9-12) – for a new high school including land.
- Laveen Elementary (K-8) – for a new elementary school. There is no land required.
- Maricopa Unified (9-12) – for a new high school including land.
- Pima Unified (K-6) – for a new elementary school. There is no land required. The FY 2020 budget funds 100% of this project in FY 2020.
- Safford Unified (K-6) – for a new elementary school including site conditions and demolition of an existing school. There is no land requirement.
- Santa Cruz Valley Unified (9-12) – for additional high school space. There is no land required.
- Somerton Elementary (K-6) – for a new elementary school including land. The FY 2020 budget funds 100% of this project in FY 2020.
- Somerton Elementary (K-6) – for a new elementary school. There is no land required. The FY 2020 budget funds 100% of this project in FY 2020
- Vail Unified (K-5) – for a new elementary school, including land.

In addition, the FY 2020 General Appropriation Act appropriated the remaining \$45,805,900 of funding in FY 2021 for these projects. (See Table 3 and the Long-Term Budget Impacts section for more information.)

SFB usually awards new schools based on enrollment growth. For FY 2020, one of the schools awarded was because the existing school had outlived its useful life pursuant to A.R.S. § 15-2041G. At its November 29, 2018

meeting, SFB determined that the Dorothy Stinson Elementary School in the Safford Unified School District had outlived its useful life and building renewal would not be adequate to bring the school into compliance with the minimum adequacy guidelines. The school had a capacity of 543 students. As allowed by statute, SFB removed the school's capacity and recalculated the new construction square footage requirements based on the total district enrollment. SFB then awarded the district a 42,210 square feet project for 469 students. The board has not yet determined how many other school districts may qualify for a new school under this statutory provision in future years.

New School Facilities Debt Service

The budget includes \$131,870,500 from the General Fund in FY 2020 for New School Facilities Debt Service. FY 2020 adjustments are as follows:

Lease-Purchase Payment

The budget includes a decrease of \$(2,416,800) from the General Fund in FY 2020 for decreased lease-purchase payments. This reflects the variations in SFB's existing lease-purchase schedule.

Background – In FY 2003 - FY 2005, FY 2008, FY 2009, and FY 2011, SFB entered into lease-purchase agreements to finance the costs of new school construction. For each agreement, SFB issued Certificates of Participation (COPs) that are typically repaid over a period of 15 years. At the end of FY 2020, the outstanding amount of General Fund lease-purchase principal to be paid will be \$251,121,100.

The FY 2020 budget includes \$9,938,100 for the entire debt service requirement for the Qualified School Construction Bonds (QSCB) issuance in FY 2020. The lease-purchase agreement associated with the QSCBs requires the state to appropriate the entire debt service amount for the payment, as opposed to deducting the expected federal subsidy from the payment. The state is expected to receive a federal subsidy of \$3,976,500 in FY 2020 related to the lease-purchase payment. The subsidy is deposited into the General Fund.

Pursuant to A.R.S. § 35-142.01, these funds will be deposited as revenue into the state General Fund, thereby leaving a net debt service obligation of \$5,961,600.

Other Programs

Building Renewal Grants

The budget includes \$79,458,800 from the General Fund in FY 2020 for Building Renewal Grants. FY 2020 adjustments are as follows:

Additional Funding

The budget includes an increase of \$3,373,000 from the General Fund in FY 2020 for additional funding for building renewal grants.

The FY 2019 budget appropriated \$51,085,800 in FY 2019 for building renewal grants. The FY 2020 budget included a \$25,000,000 FY 2019 supplemental appropriation for building renewal grants therefore making the total available funding \$76,085,800 in FY 2019. For FY 2020, the Legislature continued the additional \$25,000,000 and further increased building renewal grants funding by \$3,373,000.

In the 3-year spending plan, the Legislature annually designates a portion of building renewal grants funding as ongoing and the remainder as one-time. In FY 2020, the ongoing funding is \$16,667,900 and the remaining \$62,790,900 is one-time. *(Please see Table 2 for FY 2013 through FY 2020 Building Renewal Appropriations.)*

Background – The Building Renewal Grant Fund was created in FY 2009 to provide grant-based funding for building renewal projects. The fund consists of legislative appropriations and is administered by SFB.

SFB distributes monies to school districts to fund "primary" building renewal projects. SFB prioritizes the projects with emphasis given to school districts that have provided routine preventative maintenance on their facility. "Primary" building renewal funding is for projects required to meet the minimum school facility adequacy guidelines. Statute also requires SFB to prioritize funding to critical projects.

Pursuant to A.R.S. § 15-2022, SFB is required to transfer excess funds in the New School Facilities (NSF) Fund to the Emergency Deficiencies Correction (EDC) Fund to the extent that the transfer does not affect or disrupt any approved new construction projects. NSF Fund revenues are derived from legislative appropriations and lease-purchase proceeds. SFB estimates the EDC Fund to have a \$0 balance at the beginning of FY 2020.

Table 2

**Building Renewal Appropriations
FY 2013 - FY 2019**

<u>Fiscal Year</u>	<u>Ongoing</u>	<u>One-Time</u>
2013	2,667,900	0
2014	16,667,900	0
2015	16,667,900	0
2016	16,667,900	15,000,000
2017	16,667,900	15,000,000
2018	16,667,900	27,167,900
2019	16,667,900	59,417,900
2020	16,667,900	62,790,900

The EDC Fund is used in a similar manner as the Building Renewal Grants program, where districts apply to SFB for funding to correct facilities emergencies that pose health or safety concerns. If there are insufficient monies in the EDC Fund for district requests, A.R.S. § 15-907 allows a district to levy an additional primary property tax to fund the repairs, with the approval of the respective County Board of Supervisors. SFB can transfer unallocated funds from the New School Facilities Fund to the EDC Fund.

Other Issues

This section includes information on the following topics:

- FY 2019 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- K-12 Capital Bonding
- Class B Bond Approvals
- Public School Credit Enhancement Program
- Minimum Adequacy Guidelines

FY 2019 Supplemental

The FY 2020 budget includes an FY 2019 supplemental appropriation of \$25,000,000 from the General Fund for Building Renewal Grants. *(Please see the Building Renewal Grants section for more information.)*

Statutory Changes

The K-12 BRB makes the following statutory changes:

- As permanent law, require SFB to report to JLBC within 30 days of making a transfer into the Emergency Deficiencies Corrections Fund.
- As permanent law, require the SFB to fund the construction of new schools, if needed, in 2 years for an elementary school, middle school or high school.

- As permanent law, at the point when the SFB approves the distribution of new school construction funding, allow the SFB to decline a portion of the funding if the square footage is no longer needed due to revised enrollment projections.
- As permanent law, change the date, from July 1 to September 1, for school districts to submit their capital plans to SFB.
- As permanent law, change the date, from December 1 to December 15, for the SFB to approve new school construction projects.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, SFB's General Fund costs are projected to decrease by \$(175,612,000) in FY 2021 below FY 2020 and decrease by \$(18,268,000) in FY 2022 below FY 2021. These estimates are based on:

Debt Service Changes

SFB debt service is expected to decrease by \$(64,692,700) in FY 2021 and \$(1,000) in FY 2022.

New School Construction

The long-term estimates assume 2 types of new school construction funding: 1) Providing the remaining funding in FY 2021 for the schools which were authorized to begin construction in FY 2020; and 2) Conceptual approval made by SFB as part of the agencies' long-term planning process.

In FY 2021, new school construction spending is projected to decrease by \$(48,128,400). In addition, FY 2022 new school construction spending is projected to decrease by \$(18,267,000) below FY 2021. *(Please see Table 3 for more detail on Long-Term New School Facilities funding projections.)*

Long-term budget estimates are subject to change depending on SFB's future awards of new school construction and any changes to the inflation adjustment for new school construction costs.

One-Time Building Renewal Funding

SFB building renewal grant costs funding would decrease by \$(62,790,900) in FY 2021 and remaining unchanged in FY 2022. The enacted budget 3-year spending plan labeled \$62,790,900 as one-time and discontinues it beginning in FY 2021, which would return SFB Building Renewal Grants funding to the ongoing "base" level of \$16,667,900.

K-12 Capital Bonding

A.R.S. § 15-1021 authorizes school districts to issue voter-approved bonds for long-term capital needs, such as school construction and renovation to be paid for with local property tax revenues. Article IX, Sections 8 and 8.1 of the Arizona Constitution limit non-unified and unified school district bonded indebtedness to no more than 15% or 30% of the district's assessed valuation, respectively.

However, A.R.S. § 15-1021 sets statutory limits below the constitutional limits for "Class B" bonds (for those issued after December 31, 1999). School district Class B bonding is limited to 10% and 20% of property values for non-unified and unified districts, respectively.

As of the end of FY 2018, the total amount of voter-approved school district bonds outstanding was approximately \$4.6 billion.

Class B Bond Approvals

A.R.S. § 15-2002 requires each school district to report Class B bond approvals to SFB by December 1 of each year and requires SFB to annually report to JLBC by December 31 on all Class B bond approvals by school districts in that year. Based on JLBC Staff estimates, there were 7 districts with Class B bond approvals in 2018 for a total of \$529.2 million.

Public School Credit Enhancement Program

The Arizona Public School Credit Enhancement Program assists achievement district schools in obtaining financing by guaranteeing the payment of principal and interest. The program is currently operated by the Governor's Office of Education. As of March 2019, 8 schools have been approved financing through the program with the amount of guaranteed financing issued totaling \$152.6 million – Academy of Math and Science (2 projects), Arizona Agribusiness and Equine Center, Great Hearts Academies (2 projects), BASIS Schools (2 projects), and Vista College Preparatory. As of March 2019, there are no guaranteed financings for which the program has been required to disperse funds. The Credit Enhancement Fund balance is \$106.5 million and has a leverage ratio of 1.43 (based on issued financings). The statutory limit for the program's leverage ratio is 3.5.

Minimum Adequacy Guidelines

The FY 2019 K-12 Education BRB requires the board to submit a report to the JCCR for review on the fiscal impact of any changes made to the minimum adequacy

guidelines. The minimum adequacy guidelines are established in SFB rule and set standards for school facilities. As of June 2019, the board has not yet begun the formal rule making process with the Secretary of State but has begun stakeholder meetings to develop a proposal.

Table 3

Long-Term New School Facilities Funding							
	Type	Sq. Ft.	Student Capacity	FY 2019	FY 2020	FY 2021	FY 2022
FY 2018 Starts ^{1/}							
Chandler 9-12	Addition	40,000	320	\$ 3,485,000			
Chandler 9-12	Addition	60,000	480	5,227,500			
Chandler 7-12	New	24,974	214	2,077,000			
Queen Creek 9-12	New	141,875	1,135	12,460,800			
Queen Creek 9-12 Land							
Vail K-5	New	54,000	600	3,848,900			
Vail K-5 Land							
Vail 9-12	New	125,000	1,000	<u>10,890,600</u>			
Subtotal - FY 2018 Starts				\$37,989,800			
FY 2019 Starts							
Chandler 9-12	Addition	25,000	266	\$ 2,178,100	\$ 2,178,100		
Chandler 9-12	Addition	40,000	426	3,485,000	3,485,000		
Chandler 9-12	Addition	15,000	160	1,306,900	1,306,900		
Chandler 9-12	Addition	15,000	160	1,306,900	1,306,900		
Queen Creek K-5	New	63,000	788	4,490,400	4,490,400		
Queen Creek K-5 Land				4,410,000			
Tolleson 9-12	New	275,000	2,926	23,959,400	23,959,400		
Tolleson 9-12 Land				<u>8,500,000</u>			
Subtotal - FY 2019 Starts				\$49,636,700	\$36,726,700		
FY 2020 Starts ^{2/}							
Chandler 9-12	New	100,000	800		\$ 8,984,500	\$ 8,984,500	
Chandler Land					12,000,000		
Douglas 9-12	New	87,502	653		8,254,500	8,254,500	
Douglas Land					3,125,000		
Laveen K-8 (accelerated)	New	92,400	1,000		7,307,000	7,307,000	
Maricopa 9-12	New	125,000	1,000		11,230,700	11,230,700	
Maricopa Land					3,750,000		
Pima K-6	New	8,550	95		1,319,700		
Safford K-6	New	42,210	469		3,257,600	3,257,600	
Safford Site Conditions/Demo					1,010,200		
Santa Cruz Valley 9-12 (accelerated)	Addition	26,800	200		2,556,900	2,556,900	
Somerton K-6	New	22,500	281		3,307,500		
Somerton K-6	New	22,500	281		3,307,500		
Somerton Land					375,000		
Vail K-5 (accelerated)	New	54,000	675		4,214,700	4,214,700	
Vail K-5 Land					<u>1,875,000</u>		
Subtotal - FY 2020 Starts				\$ 0	\$75,875,800	\$45,805,900	
FY 2021 Starts ^{3/}							
Sahuarita 9-12	New	125,000	1,000			11,925,700	11,925,700
Sahuarita Land						4,375,000	
Tanque Verde 7-12	New	13,400	100			1,117,500	1,117,500
Tanque Verde Land						<u>1,250,000</u>	
Subtotal - FY 2021 Starts				\$ 0	\$ 0	\$18,668,200	\$13,043,200
Buckeye K-8							6,941,700
Buckeye Land							2,500,000
Laveen K-8	New	92,400	1,000				7,307,000
Laveen Land							2,500,000
Yuma Union 9-12	New	125,000	1,000				9,540,500
Yuma Union Land							<u>4,375,000</u>
Subtotal - FY 2022 Starts							\$33,164,200
Total				\$87,626,500	\$112,602,500	\$64,474,100	\$46,207,400

^{1/} FY 2018 Starts also received a total of \$63,929,800 in FY 2018.

^{2/} The FY 2020 budget accelerated new school construction for schools that are projected to be over capacity in the next 2 years. "Accelerated" indicates schools that were accelerated due to the FY 2020 budget legislation.

^{3/} Reflects SFB conceptual approvals awarded before March 2018.

Department of State - Secretary of State

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	141.1	141.1	143.1
Personal Services	5,437,400	5,382,300	5,522,300
Employee Related Expenditures	2,290,800	2,210,500	2,280,500
Professional and Outside Services	845,000	428,400	428,400
Travel - In State	14,700	19,100	19,100
Travel - Out of State	41,800	40,200	40,200
Other Operating Expenditures	3,298,000	3,928,800	4,392,200
Equipment	89,700	172,500	172,500
OPERATING SUBTOTAL	12,017,400	12,881,800	12,855,200 ^{1/2/}
SPECIAL LINE ITEMS			
Election Services	0	4,000,000	0
HAVA - Help America Vote Act (2002)	1,599,400 ^{3/}	0	0
HAVA - Other Help America Vote Act Projects	0	5,400,400	0
HAVA - Statewide Voter Registration System	0	2,063,300	0
Presidential Preference Election	0	0	4,408,100
Special Election	2,500,000	0	0
Uniform State Laws Commission	0	0	99,000
Library Grants-in-Aid	542,000	651,400	651,400 ^{4/}
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	16,755,800	25,093,900	18,110,700 ^{5/}
FUND SOURCES			
General Fund	14,492,400	16,270,300	17,367,900
<u>Other Appropriated Funds</u>			
Data Processing Acquisition Fund	0	115,500	0
Election Systems Improvement Fund	1,599,400	7,463,700	0
Records Services Fund	664,000	1,244,400	742,800
SUBTOTAL - Other Appropriated Funds	2,263,400	8,823,600	742,800
SUBTOTAL - Appropriated Funds	16,755,800	25,093,900	18,110,700
Other Non-Appropriated Funds	1,349,000	1,346,500	1,346,500
Federal Funds	3,533,100	3,771,800	3,771,800
TOTAL - ALL SOURCES	21,637,900	30,212,200	23,229,000

AGENCY DESCRIPTION — The Secretary of State is an elected Constitutional Officer. The Department of State is responsible for recordings and filings under the Uniform Commercial Code (U.C.C.); coordinating statewide elections; receiving campaign filings; registering trade names, trademarks and limited partnerships; appointing notaries public; and certifying certain telemarketing and charitable solicitation organizations, and provides administrative support for the Commission on Uniform State Laws. In addition, the Department is the archival authority and designated repository for historical records and documents of state and local governments, as well as a designated federal document regional repository.

FOOTNOTES

- ^{1/} Included in the Operating Lump Sum appropriation of \$12,855,200 for FY 2020 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{2/} Laws 2019, Chapter 275 appropriated \$70,000 and 1 FTE Position from the General Fund in FY 2024 for the establishment of an electronic repository of state archives and documents.
- ^{3/} Notwithstanding A.R.S. § 35-190, the appropriation of \$2,941,100 to the Secretary of State for the Help America Vote Act made by Laws 2017, Chapter 305, Section 88 that remains unexpended on June 30, 2020 reverts to the fund from which the monies were appropriated.

- 4/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$12,855,200 and 143.1 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$12,112,400
Record Services Fund	742,800

FY 2020 adjustments are as follows:

Remove FY 2019 Supplemental

The budget includes a decrease of \$(700,000) from the General Fund in FY 2020 for the removal of the FY 2019 supplemental. This funding was used to pay accumulated records services fees.

New Information Technology FTE Positions

The budget includes an increase of \$200,000 and 2 FTE positions from the General Fund in FY 2020 for additional information technology support, including elections security.

Petition Filing and Other Expenses

The budget includes an increase of \$103,000 from the General Fund in FY 2020 for petition filing and other expenses. Of the amount, \$100,000 will be used for the filing of petitions and \$3,000 will be used for the training of election officers.

Statewide Adjustments

The budget includes an increase of \$370,400 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	372,000
Record Services Fund	(1,600)

(Please see the Agency Detail and Allocations section.)

Election Services

The budget includes no funding in FY 2020 for Election Services. FY 2020 adjustments are as follows:

Eliminate One-Time FY 2018 Elections Costs

The budget includes a decrease of \$(4,000,000) in FY 2020 for Election Services. This amount consists of:

General Fund	(3,384,500)
Record Services Fund	(500,000)
Data Processing Acquisition Fund	(115,500)

The FY 2019 appropriation of \$4,000,000 funded the statewide primary election on August 28, 2018 and the General Election on November 6, 2018. The FY 2019 Budget Procedures Budget Reconciliation Bill (BRB) allowed the Record Services Fund and the Data Processing Acquisition Fund to be used for election services.

The FY 2020 budget eliminates the one-time funding for FY 2018 elections costs. In FY 2020 the Presidential Preference Election is funded in a separate line item. The FY 2017 General Appropriation Act transferred ongoing annual elections services costs into the agency's operating budget. This line item is intended only to cover variable election costs in an election year.

For traditional state elections, statute requires the Secretary of State (SOS) to: 1) reimburse counties for the costs of printing, labeling, and postage for sample ballots; 2) pay the cost of any recount of votes; 3) reimburse the County Recorder for the costs of certifying petition and referendum signatures; 4) print and mail a publicity pamphlet to every household with a registered voter for any initiative or referendum; 5) review and process initiative and referendum signatures; and 6) process challenges to candidate eligibility.

Presidential Preference Election (PPE)

The budget includes \$4,408,100 from the General Fund in FY 2020 for the new Presidential Primary Election (PPE) line item. FY 2020 adjustments are as follows:

PPE Funding

The budget includes an increase of \$4,408,100 from the General Fund in FY 2020 for the PPE currently scheduled for March 17, 2020. Under A.R.S. § 16-241, the Governor may specify a later date within 180 days of the scheduled election.

During a PPE, voters affiliated with a political party express their preference for a presidential candidate of their political party. Voters registered with no party designation or of a party not conducting a PPE do not participate. The conduct of the election differs from other contests in that there is a separate ballot for each

recognized political party conducting a PPE and no other election may appear on the PPE ballot.

A.R.S. § 16-250 allows counties to be reimbursed up to \$1.25 per each active registered voter in the county as of the January of the PPE year.

This year's appropriation was determined using the \$1.25 statutory reimbursement rate and the projected number of active registered voters in the state at the time of the PPE.

HAVA - Other Help America Vote Act (HAVA) Projects

The budget includes no funding from the Election Systems Improvement Fund in FY 2020 for monies for HAVA projects and to improve elections security. FY 2020 adjustments are as follows:

Eliminate One-Time HAVA Funding

The budget includes a decrease of \$(5,400,400) from the Election Systems Improvement Fund in FY 2020 for these one-time federal monies. The appropriation made in FY 2019 for this line item was non-lapsing until June 30, 2020. Since the SOS did not expend all \$(5,400,400) by the end of FY 2019, some HAVA monies will be expended in FY 2020.

HAVA is federal election reform legislation from 2002 that imposes several requirements on the states with respect to the conduct of federal elections. The Help America Vote Act (2002) line item in the table shows the final expenditure of these funds in FY 2018. Arizona received \$7,463,700 from a new allocation from the federal government in FY 2018 to fulfill projects that further the goals of HAVA or improve election security. Of the \$7,463,700, the FY 2019 budget allocated \$5,400,400 to this line item. The other \$2,063,300 from the allocation is discussed in the next line item.

An FY 2019 General Appropriation Act footnote required SOS to submit an expenditure plan for review by the Joint Legislative Budget Committee (JLBC) for the monies in this line item. On June 18, 2019, JLBC reviewed a revised version of the expenditure plan.

HAVA - Statewide Voter Registration System

The budget includes no funding from the Election Systems Improvement Fund in FY 2020 for development of a new statewide voter registration system. FY 2020 adjustments are as follows:

Remove Voter Registration System Funding

The budget includes a decrease of \$(2,063,300) from the Election Systems Improvement Fund in FY 2020 for the removal of FY 2019 development costs for a new voter registration system.

The voter registration database will replace technology from the late 1990s that facilitates the exchange of voter registration data between the counties and the Secretary of State. This new system will serve as the primary database for 13 counties and will connect to the Pima County and the Maricopa County databases.

This line item includes funding from the 2018 allocation of \$7,463,700 in federal monies for HAVA to the State of Arizona. At the June 19, 2018 JLBC Meeting, the Committee reviewed the expenditure of \$2,063,300 for the new system, and as previously discussed provided a favorable review of an additional \$235,500 in the Other HAVA Projects line item to be spent on project management. At the June 18, 2019 JLBC meeting, the Committee reviewed the expenditure of \$935,800 in additional "Other Help America Vote Act" funds to complete the new system. *(Please see the Other Help America Vote Act Projects line item for a discussion of these monies.)*

Uniform State Laws Commission

The budget includes \$99,000 from the General Fund in FY 2020 for costs associated with the state's participation in the Uniform Law Commission. FY 2020 adjustments are as follows:

Uniform Law Commission Funding

The budget includes an increase of \$100,000 from the General Fund in FY 2020 for expenses related to Arizona's participation in the Uniform Law Commission.

The Uniform Law Commission attempts to provide states with non-partisan legislation that creates consistency from state to state in areas of state law. Monies in this line item may be used to cover travel and other expenses related to Arizona's participation in the Commission.

Statewide Adjustments

The budget includes a decrease of \$(1,000) from the General Fund in FY 2020 for statewide adjustments.

Library Grants-in-Aid

The budget includes \$651,400 from the General Fund in FY 2020 for Library Grants-in-Aid. This amount is unchanged from FY 2019.

This line item funds a portion of the state maintenance of effort that is required for receipt of federal dollars under the Library Services and Technology Act (LSTA). Receipt of LSTA monies is dependent on the state's ability to meet a maintenance-of-effort requirement, which is tied to the state contribution made in each of the 3 prior years.

FY 2024 Electronic Document Repository Funding

Laws 2109, Chapter 275 appropriated \$70,000 and 1 FTE Position from the General Fund in FY 2024 for the establishment of an electronic repository of state archives and documents.

Statewide Radio Reading Service for the Blind

The budget includes \$97,000 from the General Fund in FY 2020 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2019.

These monies are used to provide information access services for blind and visually impaired individuals. Services include radio information broadcasts, a telephone and web-based news reading service, and internet radio broadcasting for individuals who are outside the range of the radio broadcast.

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The budget continues an increase of \$1,500 from the General Fund in FY 2020 for employer contribution increases related to the Elected Officials Retirement Plan (EORP). The budget appropriated this amount to the agency as an FY 2019 supplemental and continued this same appropriation in the FY 2020 budget. *(Please see the Consolidated Retirement Report for more information.)*

Operating Expenses

The budget includes an FY 2019 supplemental increase of \$700,000 from the General Fund for operating expenses.

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As permanent law, create a county contributions fund for the operational costs of the state's voter registration system. County contributions are currently comingled with other monies.
- As session law, allow political parties to opt out of participating in the 2020 presidential preference election by submitting written notice to the Secretary of State by September 16, 2019.

State Board of Tax Appeals

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	170,200	179,000	179,000
Employee Related Expenditures	54,100	57,400	57,700
Travel - In State	300	400	400
Other Operating Expenditures	43,000	43,500	44,600
Equipment	100	100	100
AGENCY TOTAL	267,700	280,400	281,800^{1/}
FUND SOURCES			
General Fund	267,700	280,400	281,800
SUBTOTAL - Appropriated Funds	267,700	280,400	281,800
TOTAL - ALL SOURCES	267,700	280,400	281,800

AGENCY DESCRIPTION — The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$281,800 and 4 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,400 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

State Board of Technical Registration

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	984,500	1,106,400	1,106,400
Employee Related Expenditures	458,300	456,400	461,800
Professional and Outside Services	52,400	293,600	191,600
Travel - In State	3,500	5,000	5,000
Travel - Out of State	17,800	17,200	17,200
Other Operating Expenditures	401,700	413,100	417,500
Equipment	1,700	0	0
AGENCY TOTAL	1,919,900	2,291,700	2,199,500 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Technical Registration Fund	1,919,900	2,291,700	2,199,500
SUBTOTAL - Other Appropriated Funds	1,919,900	2,291,700	2,199,500
SUBTOTAL - Appropriated Funds	1,919,900	2,291,700	2,199,500
Other Non-Appropriated Funds	16,900	0	0
TOTAL - ALL SOURCES	1,936,800	2,291,700	2,199,500

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, engineers, geologists, home inspectors, land surveyors, and landscape architects.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$2,199,500 and 25 FTE Positions from the Technical Registration Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time E-Licensing Funding

The budget includes a decrease of \$(102,000) from the Technical Registration Fund in FY 2020 for the removal of one-time costs associated with the board's attempt to implement an E-licensing system.

Statewide Adjustments

The budget includes an increase of \$9,800 from the Technical Registration Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Office of Tourism

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	28.0	28.0	28.0
Personal Services	1,753,400	1,857,100	1,857,100
Employee Related Expenditures	612,200	616,400	616,400
Professional and Outside Services	2,691,000	2,162,900	2,162,900
Travel - In State	14,400	11,800	11,800
Travel - Out of State	174,300	150,200	150,200
Other Operating Expenditures	2,852,200	2,213,300	2,215,300
Equipment	95,800	100,300	100,300
OPERATING SUBTOTAL	8,193,300	7,112,000	7,114,000
SPECIAL LINE ITEMS			
Arizona Promotion	0	0	1,000,000
Wine Promotion	0	0	100,000
AGENCY TOTAL	8,193,300	7,112,000	8,214,000 ^{1/}
FUND SOURCES			
General Fund	8,193,300	7,112,000	8,214,000
SUBTOTAL - Appropriated Funds	8,193,300	7,112,000	8,214,000
Other Non-Appropriated Funds	13,820,800	15,151,900	15,151,900
TOTAL - ALL SOURCES	22,014,100	22,263,900	23,365,900

AGENCY DESCRIPTION — The office is responsible for promoting tourism within the state, which includes planning and developing an information campaign, advertising, exhibitions, and operating a visitors' center. The agency receives a transfer from the Arizona Sports and Tourism Authority (AZSTA), a portion of tribal gaming contributions, and General Fund appropriations to the Tourism Fund.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum in the form of a deposit to the Tourism Fund.

Operating Budget

The budget includes \$7,114,000 and 28 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,000 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Promotion

The budget includes \$1,000,000 from the General Fund in FY 2020 for Arizona Promotion funding. FY 2020 adjustments are as follows:

Marketing Funding Increase

The budget includes an increase of \$1,000,000 from the General Fund in FY 2020 for a marketing funding increase.

Monies in this line item will fund the marketing, advertisement, and promotion of the tourism industry and tourism efforts in the state. This additional funding will be used to establish additional target markets.

Wine Promotion

The budget includes \$100,000 from the General Fund in FY 2020 for Wine Promotion funding. FY 2020 adjustments are as follows:

Promotional Funding Increase

The budget includes an increase of \$100,000 from the General Fund in FY 2020 for a promotional funding increase.

Monies in this line item will fund the marketing and promotion of the Arizona wine industry.

Other Issues

Funding Sources

The Office of Tourism receives funding from 3 primary sources: 1) a General Fund appropriation to fund the agency's operating budget; 2) a transfer from AZSTA, generated from partial allocations of a bed tax and car rental tax in Maricopa County (A.R.S. § 5-835), to fund Maricopa County tourism promotion; and 3) a portion of tribal gaming contributions (A.R.S. § 5-601.02) to fund statewide tourism promotion. *(For further details on agency revenues, please see Table 1.)*

Long-Term Budget Impacts

Special Sporting Event Promotion

As part of the budget's 3-year spending plan, the Office of Tourism's General Fund costs are projected to remain the same in FY 2021 compared to FY 2020 and increase by \$1.5 million in FY 2022 above FY 2021. These estimates are based on A.R.S. § 41-2308, which provides an annual General Fund appropriation of \$1.5 million from FY 2022 through FY 2051 to the State Treasurer for distribution to the Office of Tourism if certain conditions are met. The funds are to be used to promote an auto racing sporting event.

Prior to the release of any monies, between December 31, 2016 and December 31, 2020, the eligible auto racing

sporting event must spend at least \$100.0 million on land acquisitions, construction, improvements, or renovations of their facilities. Once these investments are made, the bill requires the eligible auto racing sporting event to receive JLBC certification of their expenditures. After certification is received, the Treasurer is then appropriated \$1.5 million in General Fund monies annually for distribution to the Office of Tourism from FY 2022 through FY 2051, for a total General Fund cost of \$45.0 million.

Additionally, the bill requires the Office of Tourism to provide an annual report on or before October 1 to the JLBC that includes the amounts and purposes of all expenditures made from these monies in the previous fiscal year.

In November 2016, the parent company of Phoenix International Raceway (PIR), International Speedway Corporation, announced plans to make \$178.0 million in renovations to the raceway. PIR was renamed ISM Raceway in January 2018.

Located in Avondale, ISM Raceway hosts 2 annual NASCAR events in addition to various other auto-racing competitions. Renovations to ISM Raceway began in February 2017 and were completed in October 2018.

The budget included the \$1.5 million distribution for FY 2022 under the assumption that the JLBC certification occurs by that time. At the June 2019 JLBC meeting, the Committee certified these expenditures as meeting the required \$100.0 million threshold.

Table 1

Office of Tourism Revenues ^{1/}

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$7,112,000 ^{2/}	\$7,112,000	\$8,214,000
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	8,344,800	9,083,200	9,152,200 ^{3/}
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>6,712,100</u>	<u>6,988,300</u>	<u>6,988,300</u> ^{3/}
Total		\$22,168,900	\$23,183,300	\$24,354,500

^{1/} The numbers displayed represent revenues to the agency and may not correspond directly with the agencies' actual expenditure or appropriation amounts.

^{2/} In FY 2018, the department's total expenditure amount exceeded its total revenue amount because the department used monies received in prior fiscal years and deposited into the non-appropriated Tourism Fund. Monies deposited into the Tourism Fund are continuously appropriated as part of the Tourism Fund's cash balance.

^{3/} The Sports and Tourism Authority amounts and the Tribal Gaming amounts for FY 2020 are JLBC estimates.

Department of Transportation

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,552.0	4,552.0	4,554.0 ^{1/}
Personal Services	102,779,700	112,105,000	112,350,000
Employee Related Expenditures	48,272,700	50,666,500	51,486,400
Professional and Outside Services	6,520,200	8,477,400	8,605,200
Travel - In State	811,500	819,800	824,800
Travel - Out of State	203,900	234,000	234,000
Other Operating Expenditures	25,442,200	24,652,300	26,030,600
Equipment	18,136,200	8,289,200	7,361,000
OPERATING SUBTOTAL	202,166,400	205,244,200	206,892,000 ^{2/}
SPECIAL LINE ITEMS			
Attorney General Legal Services	3,577,700	3,623,700	3,623,700 ^{3/}
Authorized Third Parties	0	2,013,700	2,020,200
Driver Safety and Livestock Control	2,356,500	800,000	800,000
Flagstaff Building Equipment	1,400	0	0 ^{4/}
Fraud Investigation	752,500	0	0
Highway Damage Recovery Account	0	4,000,000	8,000,000
Highway Maintenance	133,372,100	164,867,900	141,744,600 ^{5/6/7/}
New Third Party Funding	624,600	0	0
Northwest Valley Transit System Planning	0	65,000	0
Phoenix Area Freeway Lighting	1,500,000	0	0
Preventive Surface Treatments	0	0	36,142,000
Statewide Drainage Structures	4,179,500	0	0
Vehicle Replacement	0	15,300,000	15,300,000 ^{8/}
Vehicles and Heavy Equipment	17,250,400	18,609,300	18,654,800
Grand Canyon Airport Projects	261,900	0	0
AGENCY TOTAL	366,043,000	414,523,800	433,177,300 ^{9/-14/}
FUND SOURCES			
General Fund	49,600	65,000	0
<u>Other Appropriated Funds</u>			
Air Quality Fund	128,900	324,100	324,200
Driving Under the Influence Abatement Fund	148,300	153,100	0
Highway Damage Recovery Account	1,403,100	4,000,000	8,000,000
Highway User Revenue Fund	640,400	654,400	658,000
Ignition Interlock Device Fund	0	150,000	320,300
Motor Vehicle Liability Insurance Enforcement Fund	1,312,900	1,720,600	2,675,200
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	1,582,100	1,482,000	880,500
State Aviation Fund	1,797,700	1,829,000	2,010,900
State Highway Fund	340,280,500	384,073,700	397,585,400
Transportation Department Equipment Fund	17,250,400	18,609,300	18,654,800
Vehicle Inspection and Certificate of Title Enforcement Fund	1,449,100	1,462,600	2,068,000
SUBTOTAL - Other Appropriated Funds	365,993,400	414,458,800	433,177,300
SUBTOTAL - Appropriated Funds	366,043,000	414,523,800	433,177,300
Other Non-Appropriated Funds	20,103,400	44,213,400	32,609,700
Federal Funds	22,335,200	26,990,000	27,415,200
TOTAL - ALL SOURCES	408,481,600	485,727,200	493,202,200

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

FOOTNOTES

- 1/ Includes 1,152 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ Of the \$206,892,000 appropriated to the lump sum operating budget, \$675,000 is appropriated on a one-time basis for special license plate implementation and production costs. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ All expenditures made by the Department of Transportation for Attorney General Legal Services shall be funded only from the Attorney General Legal Services line item. Monies in the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the Attorney General Legal Services line item before expenditure. (General Appropriation Act footnote)
- 4/ Notwithstanding Laws 2017, Chapter 305, Section 92 and Laws 2018, Chapter 276, Section 130, the \$2,530,000 appropriated to the Department of Transportation by Laws 2017, Chapter 305, Section 92 from the State Highway Fund for the Flagstaff Building Equipment line item is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations, through June 30,2020. (General Appropriation Act footnote)
- 5/ Of the total amount appropriated, \$141,744,600 in FY 2020 for Highway Maintenance is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to their fund of origin, either the State Highway Fund established by A.R.S. § 28-6991 or the Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount established by A.R.S. § 28-6547, on August 31, 2020. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 6/ In accordance with A.R.S. § 35-142.01, reimbursements for monies expended from the Highway Maintenance line item may not be credited to the account out of which the expenditure was incurred. The department shall deposit all reimbursements for monies expended from the Highway Maintenance line item in the Highway Damage Recovery Account established by A.R.S. § 28-6994. (General Appropriation Act footnote)
- 7/ Of the \$141,744,600 appropriated to the Highway Maintenance line item, \$75,000 is appropriated on a one-time basis for highway signage installation and production. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 8/ Expenditures made by the Department of Transportation for vehicle and heavy equipment replacement shall be funded only from the Vehicle Replacement line item. Monies in the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the Vehicle Replacement line item before expenditure. (General Appropriation Act footnote)
- 9/ The Legislature intends that the Department of Transportation not include any administrative overhead expenditures in duplicate driver license fees charged to the public. (General Appropriation Act footnote)
- 10/ Of the total amount appropriated, the Department of Transportation shall pay \$15,981,300 in FY 2020 from all funds to the Department of Administration for its Risk Management payment. (General Appropriation Act footnote)
- 11/ The department shall submit an annual report to the Joint Legislative Budget Committee on progress in improving Motor Vehicle Division wait times and vehicle registration renewal by mail turnaround times in a format similar to prior years. The report is due on or before July 31, 2020 for FY 2020. (General Appropriation Act footnote)
- 12/ The Department of Transportation shall contract with an independent third-party consultant for the duration of the Motor Vehicle Division legacy system replacement project. On or before February 1, 2020, the independent third-party consultant shall submit an annual progress report for review by the Joint Legislative Budget Committee. The annual report shall:
 1. Evaluate and assess the project's success in meeting and incorporating the tenets of the project investment justification, including the goals and objectives, technology approach, deliverables and outcomes, project scope and timeline.
 2. Address any potential project deficiencies, including deficiencies identified in the Auditor General's April 2015 recommendations.
 3. Provide updated plans for spending the department-dedicated portion of the authorized third-party electronic service partner's fee retention on completion of the Motor Vehicle Modernization project in FY 2020, including any amounts for stabilization, maintenance, ongoing operations, support and enhancements for the Motor Vehicle Modernization solution, maintenance of legacy mainframe processing and support capability, and other system projects outside the scope of the Motor Vehicle Modernization project. (General Appropriation Act footnote)
- 13/ On or before August 1, 2019, the department shall report to the Director of the Joint Legislative Budget Committee the state's share of fees retained by the ServiceArizona vendor in the prior fiscal year. The report shall also include the amount spent by the ServiceArizona vendor on behalf of this state in the prior fiscal year, as well as a list of the projects funded with those monies. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$206,892,000 and 3,402 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<u>FY 2020</u>
Air Quality Fund	\$324,200
Highway User Revenue Fund	458,500
Ignition Interlock Device Fund	320,300
Motor Vehicle Liability Insurance Enforcement Fund	2,575,600
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	320,500
State Aviation Fund	2,010,900
State Highway Fund	198,901,800
Vehicle Inspection and Certificate of Title Enforcement Fund	1,980,200

FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(528,500) from the State Highway Fund in FY 2020 for the elimination of one-time funding for equipment and furnishings at the department's Ehrenburg Port of Entry administrative building.

Remove One-Time Funding

The budget includes a decrease of \$(405,700) from the State Highway Fund in FY 2020 for the elimination of one-time funding for security improvements to 6 ports of entry statewide.

Aviation Grants Management

The budget includes an increase of \$178,000 and 2 FTE Positions from the State Aviation Fund in FY 2020 for the addition of 2 grant managers to the aviation grant program. ADOT's Aeronautics Group administers a grant program for local public airports. Aeronautics Group grant managers evaluate grant applications, award grants, develop and execute grant contracts, and monitor grantees for compliance. The funding is intended to provide greater stability to the program as it resumes previously-suspended grant activities in FY 2020. *(Please see the ADOT Capital section for more information.)*

Ignition Interlock Device Program Funding Shift

The budget includes an increase of \$170,000 and a corresponding decrease of \$(170,000) in FY 2020 for funding shifts with no net overall impact. This amount consists of:

Ignition Interlock Device Fund	170,000
Driving Under the Influence (DUI) Abatement Fund	(153,100)
State Highway Fund	(16,900)

Laws 2017, Chapter 331 established the Ignition Interlock Device (IID) Fund, which earns revenues from an IID service provider installation fee and is used to administer the department's Ignition Interlock Program. With this shift and a \$150,000 shift from FY 2019, the Ignition Interlock Program and its 7 FTE Positions are entirely funded through the IID Fund.

MVD Volume Increase

The budget includes an increase of \$297,700 from the State Highway Fund in FY 2020 for a volume increase in driver's licenses and license plates. Of this amount, \$108,900 is for increased driver's license production based on population growth and Travel ID requirements, which require Arizona residents who travel internationally or by air to update their IDs by October 2020. The remaining \$188,800 is for increased license plate production based on population growth.

One-Time Special Plates

The budget includes a one-time increase of \$675,000 from the State Highway Fund in FY 2020 for implementation and production of the 19 new special plates established in the 2019 legislative session. Of this amount, about \$610,000 is for each plate's \$32,000 implementation cost and \$65,000 is to produce an estimated 23,000 new special plates. *(Please see the Special Plates issue in the Other Issues section for more information.)*

One-Time Port of Entry Security Improvements

The budget includes an increase of \$951,500 from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2020 for security improvements at 10 ports of entry statewide. Based on security vulnerability assessments at its 15 ports of entry, ADOT began a project to remedy insufficient security standards. The FY 2019 budget provided a one-time increase of \$405,700 for security improvements at 5 ports of entry with completed security assessments. The FY 2020 increase would fund security improvements at the remaining 10 ports of entry that have completed security assessments since then. The funding will be used to purchase alarm systems, cabling and hardware, cameras and software.

Rent Appropriation Correction

The budget includes an increase of \$127,800 from the State Highway Fund in FY 2020 for a rent appropriation correction. As a part of the FY 2019 budget's statewide

adjustments, ADOT's rent charges were incorrectly reduced by \$(127,800).

Second Special Plate

The budget includes an increase of \$122,500 from the State Highway Fund in FY 2020 for a production of second special license plates. The FY 2019 Budget Procedures Budget Reconciliation Bill (BRB) eliminated statutory language requiring ADOT to provide purchasers of certain special plates a pair of plates rather than a single plate. The FY 2019 budget eliminated funding for production of those second plates. Chapter 279 also directs the ADOT director to set a fee for individuals wishing to purchase a second special plate. The increase provides funds for the production costs for the estimated amount of such plates purchased.

Motor Vehicle Division Funding Shift

The budget includes an increase of \$600,000 and a corresponding decrease of \$(600,000) in FY 2020 for funding shifts with no net overall impact. This amount consists of:

Vehicle Inspection and Certificate of Title Enforcement Fund	600,000
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	(600,000)

This would shift Enforcement and Compliance Division costs onto the structural surplus of the Vehicle Inspection and Certificate of Title Enforcement Fund from the historically low revenue-generating Safety Enforcement and Transportation and Infrastructure Fund.

Line Item Shift

The budget includes a decrease of \$(969,000) from the State Highway Fund in FY 2020 for a shift in resources for weigh scale maintenance to the Highway Maintenance line item. The Highway Maintenance line item includes a commensurate increase for no net change in overall agency funding.

Weigh scales are used at ports of entry to monitor commercial traffic for weight requirements. ADOT reports that overweight vehicles cause a significant portion of highway deterioration and categorizes the maintenance of the means of prevention of such deterioration as highway maintenance.

Named Claimants

The budget includes a decrease of \$(486.72) from the State Highway Fund in FY 2020 for the elimination of one-time funding of prior year unpaid claims. *(Please see the Named Claimants discussion in ADOA Other Issues.)*

Salary Increase

The budget includes an increase of \$510,000 from the State Highway Fund in FY 2020 for an employee salary increase. The budget requires that the increase be allocated for Enforcement and Compliance Officers but does not specify a percentage amount.

Statewide Adjustments

The budget includes an increase of \$689,000 in FY 2020 for statewide adjustments. This amount consists of:

Air Quality Fund	100
Highway User Revenue Fund	2,600
Ignition Interlock Device Fund	300
Motor Vehicle Liability Insurance Enforcement Fund	2,900
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	(1,500)
State Aviation Fund	3,900
State Highway Fund	675,400
Vehicle Inspection and Certificate of Title Enforcement Fund	5,300

(Please see the Agency Detail and Allocations section.)

Attorney General Legal Services

The budget includes \$3,623,700 from the State Highway Fund in FY 2020 for Attorney General Legal Services. This amount is unchanged from FY 2019.

This line item funds the department's interagency services agreement with the Attorney General for costs of providing legal services to the department, such as litigating cases, reviewing legal documents and proposed administrative rules, and issuing legal opinions.

Authorized Third Parties

The budget includes \$2,020,200 and 20 FTE Positions in FY 2020 for Authorized Third Parties. These amounts consist of:

Highway User Revenue Fund	199,500
Motor Vehicle Liability Insurance Enforcement Fund	99,600
State Highway Fund	1,633,300
Vehicle Inspection and Certificate of Title Enforcement Fund	87,800

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$6,500 in FY 2020 for statewide adjustments. This amount consists of:

Highway User Revenue Fund	1,000
Motor Vehicle Liability Insurance Enforcement Fund	200
State Highway Fund	5,200
Vehicle Inspection and Certificate of Title Enforcement Fund	100

This line item funds the oversight of authorized third-parties (ATPs), which can include training and educating ATPs, reviewing ATP transactions for accuracy, and evaluating ATP applications. ATPs offer services for vehicle titles, registrations, and driver licenses, either through 160 brick-and-mortar locations or through the online ServiceArizona portal.

While this line item funds oversight of the department's ATP program, it is not representative of the program's full cost to the state. Pursuant to statute, ATPs retain a portion of each fee for its transactions, resulting in revenue deductions that otherwise would have been deposited into the Highway User Revenue Fund (HURF) and State Highway Fund (SHF). Credit card processing fees are also withheld from HURF as required by statute. In FY 2018, ATPs retained \$22.2 million in fees that otherwise would have been deposited to HURF and \$31.9 million in fees that otherwise would have been deposited to SHF. *(Please see Table 6 in the ADOT Capital Outlay section for more detail.)*

Driver Safety and Livestock Control

The budget includes \$800,000 from the State Highway Fund in FY 2020 for Driver Safety and Livestock Control. This amount is unchanged from FY 2019.

This line item funds the annual maintenance and repair of statewide cattle guard grills. To prevent livestock movement from harming drivers and bicyclists, ADOT has installed over 12,800 cattle guard grills across the state. The grills are designed to discourage livestock passage while not impeding road users.

Flagstaff Building Equipment

The budget includes no funding in FY 2020 for Flagstaff Building Equipment. This amount is unchanged from FY 2019.

This line item provided funding for furnishing and equipment at ADOT's new Northcentral District Regional Office in Flagstaff. Through an agreement with the City of

Flagstaff and a real-estate developer, ADOT exchanged its existing Northcentral office and regional lab located on Milton Road for a private sector building on University Drive, which will be renovated as the department's new office and regional lab.

Due to rezoning issues for the real-estate developer's planned development on Milton Road, final contract negotiations were delayed, with the agreement being signed in December 2018 and amended in April 2019. The FY 2019 General Appropriation Act extended the lapsing date of the FY 2018 appropriation to the end of FY 2019 to account for that delay. The department is now projecting a project completion date in mid-FY 2020. A General Appropriation Act footnote extends the lapsing date of the appropriation to the end of FY 2020.

Highway Damage Recovery Account

The budget includes \$8,000,000 from the Highway Damage Recovery Account in FY 2020 for the Highway Damage Recovery Account. FY 2020 adjustments are as follows:

Increase Highway Damage Account Appropriation

The budget includes an increase of \$4,000,000 from the Highway Damage Recovery Account in FY 2020 for increased expenditures on highway maintenance from highway damage repair reimbursements.

This line item funds the maintenance of the state highway system beyond that which is provided by the Highway Maintenance line item. The Highway Damage Recovery Account collects all monies received as reimbursements for highway damage caused by liable third parties; those monies are used for highway maintenance that would otherwise have been deferred.

Highway Maintenance

The budget includes \$141,744,600 and 932 FTE Positions in FY 2020 for Highway Maintenance. These amounts consist of:

Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	560,000
State Highway Fund	141,184,600

FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,500,000) from the State Highway Fund in FY 2020 for the elimination of one-

time funding for equipment upgrades to the department's statewide intelligent traffic system. The FY 2019 budget included the one-time increase in the operating lump sum. However, under A.R.S. § 35-173, the department transferred the spending authority to the Highway Maintenance line item.

Line Item Shift

The budget includes a decrease of \$(25,606,800) from the State Highway Fund in FY 2020 for the creation of a Preventive Surface Treatments line item. The new Preventive Surface Treatments line item includes a commensurate increase for no net change in overall agency funding. *(Please see the Preventive Surface Treatments line item for more information.)*

Highway Maintenance Workload

The budget includes an increase of \$514,900 from the State Highway Fund in FY 2020 to maintain and operate 5 new urban lane miles and 90 new rural lane miles.

South Mountain Loop 202 Maintenance Costs

The budget includes an increase of \$2,173,000 from the State Highway Fund in FY 2020 for maintenance of new lane miles for the new South Mountain Loop 202 freeway set for opening in November 2019. The 22-mile freeway was designed and built through a public private partnership, where the contract provides specific terms for highway maintenance provided by ADOT, including routine maintenance, intelligent traffic system maintenance, emergency response expenses, and electrical utilities as detailed in *Table 1* below.

Table 1		
South Mountain Loop 202 Maintenance		
	<u>Annual</u>	<u>8 Months</u>
Routine Maintenance	\$2,792,100	\$1,861,400
Intelligent Traffic System	250,000	166,700
Emergency Response	65,000	43,300
Electrical Utilities	<u>152,400</u>	<u>101,600</u>
Subtotal	\$3,259,500	\$2,173,000

Considering the opening date in November 2019, the increase funds 8 months' worth of maintenance.

One-Time Highway Signage

The budget includes a one-time increase of \$75,000 from the State Highway Fund in FY 2020 for new highway signs. Laws 2019, Chapter 112 prohibits the use of cell phones while driving a vehicle and requires ADOT to post signs at each point in the state where a highway enters the state. The increase funds the fabrication and installation of an estimated 32 signs.

Line Item Shift

The budget includes an increase of \$969,000 from the State Highway Fund in FY 2020 for a shift in resources for weigh scale maintenance to the Highway Maintenance line item. The Highway Maintenance line item includes a commensurate increase for no net change in overall agency funding.

Statewide Adjustments

The budget includes an increase of \$251,600 from the State Highway Fund in FY 2020 for statewide adjustments.

This line item funds the maintenance of the state highway system, including pavements, bridges, landscaping, drainage, signals, lights, fences, signs, striping, and snow removal. The monies also fund the freeway management system and the traffic operations center.

In addition to the \$141,744,600 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$13,700,000 available in FY 2020 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Northwest Valley Transit System Planning

The budget includes no funding in FY 2020 for Northwest Valley transit system planning. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(65,000) from the General Fund in FY 2020 for the elimination of one-time funding for a distribution to the Maricopa Association of Governments to establish and maintain a cooperative agreement for the administration and planning of a Northwest Valley transit system.

Preventive Surface Treatments

The budget includes \$36,142,000 from the State Highway Fund in FY 2020 for a new Preventive Surface Treatments line item. FY 2020 adjustments are as follows:

Line Item Shift

The budget includes an increase of \$25,606,800 from the State Highway Fund in FY 2020 for the creation of a Preventive Surface Treatments line item. The Highway Maintenance line item includes a commensurate decrease for no net change in overall agency funding. The shift will consolidate a more specialized portion of the budget into its own line item.

Increase Preventive Surface Treatments

The budget includes an increase of \$10,535,200 from the State Highway Fund in FY 2020 for increased preventive road surface treatments. With this increase, ADOT has full funding for treatment of all eligible roads.

This line item funds the proactive treatment of road surfaces to maintain the useful life of roads and avoid more expensive surface replacement/repair costs. The treatments consist of fog seals, or spraying liquid asphalt, and chip seals, or laying down gravel layers.

In addition to the \$36,142,000 included for Preventive Surface Treatments, ADOT has \$15,000,000 in Federal Funds available for treatments.

Vehicle Replacement

The budget includes \$15,300,000 from the State Highway Fund in FY 2020 for Vehicle Replacement. This amount is unchanged from FY 2019.

This line item funds the financing of replacements for the department's Vehicle and Heavy Equipment fleet through 5-year third-party lease agreements. A General Appropriation Act footnote requires vehicle and heavy equipment replacement to be funded only from this line item.

In addition to the amount in this line item, of the \$56,600,000 in the state's Volkswagen Settlement monies, ADOT will use \$12,523,500 to finance purchases of efficient diesel fuel vehicles over a multi-year period. This amount will be spent from the non-appropriated IGA and ISA Fund.

Vehicles and Heavy Equipment

The budget includes \$18,654,800 and 200 FTE Positions from the Transportation Department Equipment Fund in FY 2020 for Vehicles and Heavy Equipment. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$45,500 from the Transportation Department Equipment Fund in FY 2020 for statewide adjustments.

This line item funds the maintenance and repair of the department's vehicle and equipment fleet. Prior to FY 2019, the Transportation Department Equipment Fund also had a non-appropriated portion, which was used to provide maintenance and repairs to other agencies and local governments through ISAs and IGAs. Beginning in FY

2019, those agreements were shifted to the IGA and ISA Fund.

Other Issues

FY 2019 Supplemental

The FY 2020 budget includes a FY 2019 supplemental appropriation of \$486.72 from the State Highway Fund to pay a named claimant bill related to ADOT.

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As permanent law, establish an appropriated Motor Pool Fund for the purposes of reimbursing the Department of Transportation for costs related to implementing an intergovernmental agreement with the Department of Administration. The fund would become effective July 1, 2020.
- As session law, require a joint report of ADOA and ADOT to the JLBC and OSPB by October 1, 2019 and October 1, 2020 on the progress in transitioning the state motor pool operations to the ADOT and necessary legislative changes to fully implement the transfer.

MvM Project Status

The Motor Vehicle Modernization (MvM) Project is a custom software development project designed to enhance ADOT's Motor Vehicle Division operations. The project is funded through an agreement between ADOT and the ServiceArizona vendor, where the vendor retains a portion of each transaction fee, keeps roughly half of the retention for its own compensation and deposits the remaining half into an account to be spent on the MvM project at ADOT's discretion.

The project is expected to be completed in FY 2020. The original agreement included an option to enter into a post-implementation period to FY 2024 upon implementation of the project. However, in March 2019, ADOT modified its agreement with the vendor to enter into a new schedule where the agreement concludes December 2021 with a maximum extension date up to March 2022. A significant feature of the upgrade is the implementation of a new vehicle registration portal, AZ MVD Now, which ADOT plans to account for most vehicle registration transactions. The modified agreement also alters the compensation structure to account for the new

retention earned from AZ MVD Now fees. Upon conclusion of the modified agreement, ADOT will enter into a new agreement.

At its June 2019 meeting, the JLBC favorably reviewed ADOT's progress report on the project and included in that review a provision requiring ADOT to report on its estimates for IT project resources. As of April 2019, \$48.8 million had been spent on the project out of a \$57.6 million budget.

Highway Safety Fee

Laws 2018, Chapter 265 implemented a highway safety fee to be paid at the time of annual vehicle registration and renewal. The fee raises revenues equal to 110% of the Department of Public Safety highway patrol budget. The fee is expected to generate \$92 million in FY 2019 and \$185 million annually starting in FY 2020. Fee revenues are deposited into the Highway Patrol Fund. The FY 2020 Criminal Justice BRB repeals the highway safety fee effective June 30, 2021. *(Please see the Department of Public Safety narrative for more information.)*

Real ID Extension

Laws 2015, Chapter 294 required ADOT to comply with federal driver license standards in the REAL ID Act of 2005. Absent this legislative action, Arizona driver licenses would have no longer been accepted at federally-regulated facilities, such as airports and federal buildings. By issuing Arizonans a voluntary travel ID that will be available as both a driver license and identification card, the new federal documentation requirements will be met. To facilitate Arizona's compliance with federal law while ADOT develops the new travel IDs, the U.S. Department of Homeland Security granted Arizona an extension and will accept existing Arizona driver licenses until September 30, 2020.

Special Plates

In order to establish a special plate, a statutorily designated entity must pay a \$32,000 implementation fee. In general, of the \$25 annual fee for the special plate, \$8 is deposited in the State Highway Fund and \$17 is a donation to the specified charity. In FY 2018, the special plate program generated \$3,440,600 for charities, \$7,170,500 for state agencies including universities, \$5,800 for HURF and \$3,948,800 for the State Highway Fund, for total revenues of \$14,565,700.

As shown in *Table 2*, there are currently 57 special plate types with 495,983 vehicles supporting special plate

charities. Revenue for many of the special plates is combined in ADOT's Statewide Special Plates Fund. Financial information for the rest of the special plates not included in ADOT's Statewide Special Plates Fund is found in individual agencies. When a state agency oversees a special plate fund, it appears in that agency's budget. If not, it appears in ADOT's Statewide Special Plate Fund.

The following 19 special plates were added in 2019:

- Six different Veteran Special Plates (Laws 2019, Chapter 64) for the 5 armed services branches and American code talkers
- Share the Road Special Plate (Laws 2019, Chapter 157)
- Affordable Homeownership Special Plate (Laws 2019, Chapter 161)
- Collegiate Football Bowl Game Special Plate (Laws 2019, Chapter 162)
- Distinguished Flying Cross Special Plate (Laws 2019, Chapter 178)
- Community Services Special Plate (Laws 2019, Chapter 211)
- Six different Women Veteran Special Plates (Laws 2019, Chapter 229) for the 5 armed services branches and American code talkers
- Humanitarian Services Special Plate (Laws 2019, Chapter 234)
- Alzheimer's Disease Research Special Plate (Laws 2019, Chapter 261)

Table 2

Special License Plates ^{1/2/}

<u>Included in Statewide Special Plates Fund</u>		<u>Not Included in Statewide Special Plates Fund</u>	
<u>Name</u>	<u>Number of Plates Issued in FY 2018</u>	<u>Name</u>	<u>Number of Plates Issued in FY 2018</u>
Arizona Professional Football Club	74,092	Veteran	92,115
Military Support/Scholarship	38,842	Arizona Highways Magazine	32,148
First Responder	29,963	Collegiate - University of Arizona	24,057
Arizona Professional Baseball Club	12,046	Collegiate - Arizona State University	21,133
Historic Federal Highway	11,313	Families of Fallen Police Officers	14,964
Arizona Centennial	9,867	Spaying and Neutering of Animals	13,620
Agricultural Youth Organization	9,798	Child Abuse Prevention	12,408
Transplantation Awareness	5,101	Golden Rule	11,918
Arizona Professional Basketball Club	4,451	In God We Trust	11,169
Arizona Professional Hockey Club	2,938	Breast & Cervical Cancer	10,471
Extraordinary Educators ^{3/}	2,514	Arizona Sportsmen for Wildlife	9,347
Keep Arizona Beautiful (anti-litter)	1,868	Environmental	8,379
Childhood Cancer Research	1,384	Fire Fighter	4,327
Volunteer Firefighters	1,167	Collegiate - Northern Arizona University	2,823
Arizona Motorsports Commemorative	1,008	Navajo Nation	2,329
Hunger Relief	928	Women Veteran	2,098
Regionally Accredited Institution	911	Science Education	2,035
Arizona Professional Golf	810	Character Education	1,600
Arizona Masonic Fraternity	777	Choose Life	1,314
Play Unified	690	Amateur Radio Operator	1,145
Global Graduate Management	459	Military Installation Support	1,110
Youth Development Organization	359	Fraternal Order of Police	838
Arizona Public Broadcast Television	356	White Mountain Apache Tribe	534
Health Sciences Educational	162	San Carlos Apache	528
Girls' Youth Organization	130	Gold Star Family	493
Collegiate - Community College	<u>0</u>	Collector Car Auction	453
		Farm Vehicle	366
		Arizona Historical Society	112
		National Guard	111
		University of Phoenix	101
		Legion of Valor	<u>3</u>
Total	211,934	Total	284,049

^{1/} Excludes 129,488 off-highway vehicle decals.

^{2/} Other special plates excluded: Personalized Street Rod, Former Prisoner of War, Purple Heart Medal Recipient, Disability, Hearing Impaired, Classic Car, Congressional Medal of Honor, Energy Efficient (alternative fuel), Historic Vehicle, Honorary Foreign Consul, Horseless Carriage, Midwestern University, Pearl Harbor Survivor, and U.S. Marine Corps.

^{3/} Renamed All in for Arizona Schools by Laws 2019, Chapter 178.

State Treasurer

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	31.4	31.4	34.4
Personal Services	2,030,300	2,101,000	2,401,000
Employee Related Expenditures	757,000	826,000	914,800
Professional and Outside Services	20,400	21,000	21,000
Travel - In State	1,000	2,000	2,000
Travel - Out of State	9,000	12,000	12,000
Other Operating Expenditures	236,400	263,800	284,400
Equipment	24,000	20,000	20,000
OPERATING SUBTOTAL	3,078,100	3,245,800	3,655,200
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	1,200,000	1,205,100	1,205,100
Law Enforcement/Boating Safety Fund Grants	1,938,200	2,183,800	2,183,800
AGENCY TOTAL	6,216,300	6,634,700	7,044,100 ^{1/2/3/}
FUND SOURCES			
General Fund	1,200,000	1,205,100	1,205,100
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	1,938,200	2,183,800	2,183,800
State Treasurer Empowerment Scholarship Account Fund	304,400	304,400	304,400
State Treasurer's Management Fund	295,600	295,600	0
State Treasurer's Operating Fund	2,478,100	2,645,800	3,350,800
SUBTOTAL - Other Appropriated Funds	5,016,300	5,429,600	5,839,000
SUBTOTAL - Appropriated Funds	6,216,300	6,634,700	7,044,100
Other Non-Appropriated Funds	4,007,100	4,022,100	4,022,100
TOTAL - ALL SOURCES	10,223,400	10,656,800	11,066,200

AGENCY DESCRIPTION — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

FOOTNOTES

- 1/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 2/ On or before June 30, 2019 and June 30, 2020, the State Treasurer shall report to the Joint Legislative Budget Committee Staff on the State Treasurer's current fiscal year and estimated next fiscal year expenditures of interest earnings spent pursuant to A.R.S. § 35-315 and A.R.S. § 35-318 for the State Treasurer's banking service contract, external investment management agreement, administrative and information technology costs and any other costs. (General Appropriation Act footnote)
- 3/ Within 30 days after the award of a request for proposals for its General Ledger software system replacement, the State Treasurer shall report to the Joint Legislative Budget Committee Staff on the total cost of development and ongoing annual operating costs for the system. (General Appropriation Act footnote)

Operating Budget

The budget includes \$3,655,200 and 34.4 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<u>FY 2020</u>
State Treasurer Empowerment	\$304,400
Scholarship Account (ESA) Fund	
State Treasurer's Operating Fund	3,350,800

FY 2020 adjustments are as follows:

Additional Staff and General Ledger System Support

The budget includes an increase of \$380,000 and 3 FTE Positions from the State Treasurer's Operating Fund in FY 2020 for new staff and software support. These monies will provide additional resources to hire staff associated with portfolio management, general legal counsel for contract negotiations and federal regulation compliance, and procurement of banking services contracts. The monies will also provide ongoing support for the office's new General Ledger system, which is the accounting software used to record deposits, wires, and outstanding monies in conjunction with the Arizona Financial Management System (AFIS).

The State Treasurer plans to fund the General Ledger system upgrade using investment earnings pursuant to A.R.S. § 35-315 and A.R.S. § 35-318. A General Appropriation Act footnote requires the State Treasurer to report on its FY 2019 actual expenditures and FY 2020 estimated expenditures made under those statutes' authority. In addition, a General Appropriation Act footnote requires the State Treasurer to report on the total cost of the General Ledger system replacement and the ongoing operating costs for that system.

Management Fund Appropriation Shift

The budget includes an increase of \$295,600 and a corresponding decrease of \$(295,600) in FY 2020 for funding shifts with no net overall impact. This amount consists of:

State Treasurer's Operating Fund	295,600
State Treasurer's Management Fund	(295,600)

Laws 2019, Chapter 154 eliminated the State Treasurer's Management Fund and transferred the State Treasurer's Management Fund appropriation to the State Treasurer's Operating Fund. The State Treasurer's Management Fund consisted of management fees from Local Government Investment Pools 500 and 700 and was used for office operations. Chapter 154 directs those management fees

to the State Treasurer's Operating Fund, which consists of management fees on all other investment pools.

The Budget Procedures Budget Reconciliation Bill (BRB) transfers the remaining balance of the State Treasurer's Management Fund, estimated to be \$320,300 at the end of FY 2019, to the State Treasurer's Operating Fund.

Statewide Adjustments

The budget includes an increase of \$29,400 from the State Treasurer's Operating Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Justice of the Peace Salaries

The budget includes \$1,205,100 from the General Fund in FY 2020 for Justice of the Peace (JP) salaries. This amount is unchanged from FY 2019.

A.R.S. § 22-117 requires the state to pay 19.25% of the salary for each Justice of the Peace, with the county paying the remainder. This provision does not apply to Maricopa County, which pays 100% of its JP costs. A.R.S. § 22-117 also limits the amount that the state can reimburse to the counties to the amount appropriated.

Justice of the Peace salaries are based on a proportion of the annual compensation for a Superior Court judge as determined by the guidelines for Judicial Productivity Credits (JPCs) outlined in statute. JPCs are calculated every year and are based on the total and type of cases that a Justice of the Peace hears and whether or not the Justice receives clerical help. An annual average JPC total is compared against the salary ranges in statute to determine an individual Justice's compensation.

Law Enforcement/Boating Safety Fund Grants

The budget includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2020 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2019.

A.R.S. § 5-383 requires the State Treasurer to administer LEBSF monies. However, the allocation determinations are made by the Arizona Game and Fish Commission. The Treasurer disburses monies to county law enforcement agencies in Apache, Coconino, Gila, La Paz, Maricopa, Mohave, Navajo, and Yuma Counties in accordance with the distribution formula developed by the Arizona Game and Fish Commission. The FY 2018 and year-to-date FY 2019 allocations are included in *Table 1*. The distributions are less than the appropriations due to insufficient revenues.

Table 1

Allocation of LEBSF Grants

<u>County</u>	<u>FY 2018</u>	<u>FY 2019 Thru May 21st</u>
Apache	\$ 64,000	\$ 79,800
Coconino	215,600	210,000
Gila	164,200	126,600
La Paz	327,800	304,400
Maricopa	398,800	355,300
Mohave	511,200	451,200
Navajo	58,800	30,500
Yuma	197,800	162,900
Total	\$1,938,200	\$1,720,700

Other Issues

Additional Legislation
Peace Officer Training Equipment Fund

Laws 2018, Chapter 312 appropriated a one-time appropriation of \$3,073,000 from the Peace Officer Training Equipment Fund in FY 2019. This amount includes the following non-lapsing appropriations:

1. The first \$500,000 in revenue is appropriated to DPS for employee overtime pay.
2. The next \$2,300,000 in revenue is appropriated to DPS for 10 virtual firing ranges, 3 virtual training simulators (one for the Tucson Police Department, one for the Pinal County Sheriff's Office, and one for the Glendale Regional Training Academy, as modified by Laws 2019, Chapter 283).
3. The next \$203,000 in revenue is appropriated to DPS to maintain and service the 7 existing virtual training simulators.
4. The next \$50,000 in revenue is appropriated to the Governor's Office of Highway Safety to provide public service announcements that educate drivers on how to act when stopped by a peace officer.
5. The next \$20,000 in revenue is appropriated to the Supreme Court to cover the programming costs of implementing the new fees.

(Please see the Department of Public Safety section and Supreme Court section for more information.)

The State Treasurer administers the fund and disburses the monies to the recipients listed above. The appropriations will be made in the above order as revenue is received in the fund.

The fund earns revenues from a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.

The fees took effect January 1, 2019 and are estimated to generate yearly revenues of \$2,747,000. By the end of FY 2020, the fund is projected to have earned \$4,120,500 in revenue. This amount would fund the one-time appropriation of \$3,073,000 and result in an estimated available fund balance of \$1,047,500.

This \$1,047,500 amount was appropriated to DPS in FY 2020 for Peace Officer Training Equipment, subject to JLBC review. Once the appropriations are completed, the Peace Officer Training Equipment Advisory Commission (Commission) will make annual recommendations on how the funding should be spent. The Commission's first recommendation is due December 1, 2019.

Empowerment Scholarship Accounts

The State Treasurer ESA Fund is funded with monies retained from students' ESAs pursuant to A.R.S. § 15-2402C. That law allows the Arizona Department of Education (ADE) to retain 5% of each student's ESA funding for program administration, which for FY 2020 is estimated to be as much as \$4,529,900 (an estimated \$90,598,800 ESA cost for the year X 5%). A.R.S. § 15-2402C requires ADE to transfer one-fifth of the 5%, estimated to be \$906,000 in FY 2020, to the State Treasurer ESA Fund for the costs of ESA fund processing. The actual expenditure, however, is subject to legislative appropriation. *(Please see the Arizona Department of Education narrative for more information on ESAs.)*

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As session law, transfer any unexpended and unencumbered monies remaining in the State Treasurer's Management Fund to the State Treasurer's Operating Fund in conjunction with Laws 2019, Chapter 154.

Long-Term Budget Impacts
Special Sporting Event Promotion

As part of the budget's 3-year spending plan, the Office of Tourism's General Fund costs are projected to remain the same in FY 2021 compared to FY 2020 and increase by \$1.5 million in FY 2022 above FY 2021. These estimates are based on A.R.S. § 41-2308, which provides an annual General Fund appropriation of \$1.5 million from FY 2022 through FY 2051 to the State Treasurer for distribution to the Office of Tourism if certain conditions are met. The

funds are to be used to promote an auto racing sporting event.

Prior to the release of any monies, between December 31, 2016 and December 31, 2020, the eligible auto racing sporting event must spend at least \$100.0 million on land acquisitions, construction, improvements, or renovations of their facilities. Once these investments are made, the bill requires the eligible auto racing sporting event to receive JLBC certification of their expenditures. After certification is received, the Treasurer is then appropriated \$1.5 million in General Fund monies annually for distribution to the Office of Tourism from FY 2022 through FY 2051, for a total General Fund cost of \$45.0 million.

Additionally, the bill requires the Office of Tourism to provide an annual report on or before October 1 to the JLBC that includes the amounts and purposes of all expenditures made from these monies in the previous fiscal year.

In November 2016, the parent company of Phoenix International Raceway (PIR), International Speedway Corporation, announced plans to make \$178.0 million in renovations to the raceway. PIR was renamed ISM Raceway in January 2018.

Located in Avondale, ISM Raceway hosts 2 annual NASCAR events in addition to various other auto-racing competitions. Renovations to ISM Raceway began in February 2017 and were completed in October 2018.

The budget included the \$1.5 million distribution for FY 2022 under the assumption that the JLBC certification occurs by that time. At the June 2019 JLBC meeting, the Committee certified these expenditures as meeting the required \$100.0 million threshold.

Governor's Office on Tribal Relations

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	26,400	29,500	29,500
Employee Related Expenditures	12,300	13,700	13,700
Travel - In State	300	500	500
Other Operating Expenditures	16,800	17,200	19,200
Equipment	1,600	0	0
AGENCY TOTAL	57,400	60,900	62,900^{1/}
FUND SOURCES			
General Fund	57,400	60,900	62,900
SUBTOTAL - Appropriated Funds	57,400	60,900	62,900
Other Non-Appropriated Funds	15,500	18,500	18,500
TOTAL - ALL SOURCES	72,900	79,400	81,400

AGENCY DESCRIPTION — The agency assists and supports tribal nations and communities and enhances government-to-government relations between the 22 tribal nations in this state.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$62,900 and 3 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,000 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Board of Regents

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,233,800	1,436,300	1,436,300
Employee Related Expenditures	796,900	548,500	551,000
Professional and Outside Services	23,900	38,500	38,500
Other Operating Expenditures	318,800	338,800	375,900
Equipment	1,200	1,300	1,300
OPERATING SUBTOTAL	2,374,600	2,363,400	2,403,000
SPECIAL LINE ITEMS			
Adaptive Athletics	0	0	160,000 ^{1/}
Arizona Teachers Academy	0	0	15,000,000
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Washington D.C. Internships	0	0	300,000 ^{2/}
Western Interstate Commission Office	149,000	153,000	153,000
WICHE Student Subsidies	4,082,000	4,078,000	4,078,000
AGENCY TOTAL	6,909,300	6,898,100	22,397,700 ^{3/4/5/}
FUND SOURCES			
General Fund	6,909,300	6,898,100	22,397,700
SUBTOTAL - Appropriated Funds	6,909,300	6,898,100	22,397,700
Other Non-Appropriated Funds	5,861,300	8,675,400	6,974,700
Federal Funds	356,500	700	0
TOTAL - ALL SOURCES	13,127,100	15,574,200	29,372,400

AGENCY DESCRIPTION — Article 11 of the Arizona Constitution creates the Arizona Board of Regents (ABOR). ABOR governs the 3 state institutions comprising the Arizona University System: Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). The board is legally, fiscally, and strategically responsible for the state universities.

FOOTNOTES

- ^{1/} The Arizona Board of Regents shall distribute monies appropriated for the Adaptive Athletics line item to each university under the jurisdiction of the board to maintain and operate an intercollegiate adaptive athletics program that provides opportunities for competitive wheelchair and adaptive sports to students and community members with disabilities. The monies may be spent only when the university collects matching monies of gifts, grants and donations for intercollegiate adaptive athletics program from sources other than this state. Universities may spend the monies only on scholarships, equipment, uniforms, travel expenses and tournament fees for participants in the intercollegiate adaptive athletics program. The monies may not be used for administrative costs, Personal Services or Employee Related Expenditures. (General Appropriation Act footnote)
- ^{2/} The Arizona Board of Regents shall distribute monies appropriated for Washington D.C. internships in equal amounts to each of the 3 universities under the jurisdiction of the board to provide student internships in Washington D.C. in partnership with a third-party organization selected by the Arizona Board of Regents. (General Appropriation Act footnote)
- ^{3/} Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall submit a current year expenditure plan to the Joint Legislative Budget Committee for review. The expenditure plan shall include the use of all projected tuition and fee revenues by expenditure category, including operating expenses, plant fund, debt service and financial aid. The plan shall include the amount by which each expenditure category is projected to increase over the prior year and shall provide as much detail as the university budget requests. The plan shall include the total revenue and expenditure amounts from all tuition and student fee

revenues, including base tuition, differential tuition, program fees, course fees, summer session fees and other miscellaneous and mandatory student fee revenues. (General Appropriation Act footnote)

- 4/ When determining any statewide adjustments, the Joint Legislative Budget Committee Staff shall use the overall allocation of state General Fund and appropriated tuition monies for each university in determining that university's specific adjustment. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,403,000 and 25.9 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$39,600 from the General Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Adaptive Athletics

The budget includes \$160,000 from the General Fund in FY 2020 for Adaptive Athletics. FY 2020 adjustments are as follows:

New Program

The budget includes an increase of \$160,000 from the General Fund in FY 2020 for an intercollegiate adaptive athletics program. ABOR is required to distribute monies in this line item to each university under the jurisdiction of the board. Universities may only use this appropriation when matching monies are collected, and may only use monies for scholarships, equipment, uniforms, travel expenses, and tournament fees for program participants.

Arizona Teachers Academy

The budget includes \$15,000,000 from the General Fund in FY 2020 for the Arizona Teachers Academy. FY 2020 adjustments are as follows:

Program Expansion

The budget includes an increase of \$15,000,000 from the General Fund in FY 2020 for expansion of the Arizona Teachers Academy.

The FY 2018 Higher Education Budget Reconciliation Bill (BRB) established the Arizona Teachers Academy, which was intended to encourage Arizona residents to enter the teaching profession and commit to teach in Arizona public schools. The academy grants an annual waiver for all tuition and fees associated with enrollees' program of study in exchange for teaching in an Arizona public school 1 year for each year they received a tuition waiver.

The law did not provide additional funding to the universities for the program.

The FY 2020 Higher Education BRB expands the academy to include both resident and non-resident students enrolled in education and non-education majors, community college students enrolled in post-baccalaureate teacher certification programs, and teachers seeking a national board certification. Chapter 266 also requires ABOR to develop centralized administrative processes for the academy, including distributing appropriated monies to eligible postsecondary institutions, and set annual scholarship amounts for the academy at:

- \$10,000 for non-resident university students
- \$5,000 for resident university students
- \$3,000 for community college students
- \$2,500 for national board certification students

In addition, the FY 2020 Higher Education BRB established the Arizona Teachers Academy Fund and requires the appropriation for the academy to be reduced each fiscal year by the amount of monies remaining in the fund at the end of the prior fiscal year.

ABOR plans to use \$450,000 of the appropriated amount to fund administrative costs and implement a marketing campaign for the academy, \$500,000 to fund approximately 200 national board certification students, and \$350,000 to fund induction services for students after graduation. The remaining \$13.7 million will be distributed to universities and participating community colleges based on enrollment in each respective education program, which is expected to fund up to 2,000 undergraduate students, 200 graduate students, and 500 community college students.

(Please see the Other Issues - Statutory Changes section for more information.)

ABOR reports that 221 students enrolled in the academy in FY 2018 and 464 students enrolled in FY 2019.

Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund in FY 2020 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2019.

Laws 1990, Chapter 340 mandated that ABOR establish and administer a loan program for students of deaf and blind education at the UA College of Education. Students may earn forgiveness for their loans by teaching in an Arizona deaf and blind program for a time equal to their period of loan support. In FY 2018, ATIP distributed \$50,000 in loans among 10 students, as well as \$40,000 to the UA College of Education for deaf and blind instructional resources.

Arizona Transfer Articulation Support System

The budget includes \$213,700 from the General Fund in FY 2020 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2019.

A.R.S. § 15-1824 establishes ATASS as a joint initiative, among the public community colleges and universities, to facilitate efficient transfer of course curricula and credits. ATASS is also developing a shared statewide student and financial information database. The tribal colleges and community college districts overall also contribute \$277,200 to the system each year.

Washington D.C. Internships

The budget includes \$300,000 from the General Fund in FY 2020 for Washington D.C. Internships. FY 2020 adjustments are as follows:

New Program

The budget includes an increase of \$300,000 from the General Fund in FY 2020 to provide student internships in Washington D.C. The budget requires ABOR to distribute monies in this line item in equal amounts to each university under the jurisdiction of the board to provide internships in partnership with a third-party organization. These monies will fund approximately 40 student internships each year.

Western Interstate Commission Office

The budget includes \$153,000 from the General Fund in FY 2020 for the Western Interstate Commission Office. This amount is unchanged from FY 2019.

Monies in this line item pay the state's share of administrative expenditures for the Western Interstate

Commission on Higher Education (WICHE), in accordance with A.R.S. § 15-1742. The WICHE central office sets the administrative fee.

WICHE Student Subsidies

The budget includes \$4,078,000 from the General Fund in FY 2020 for WICHE student subsidies. This amount is unchanged from FY 2019.

Monies in this line item provide subsidies to Arizona students participating in the WICHE Professional Student Exchange Program (PSEP). Since the Arizona University System does not currently offer programs in dentistry, optometry, osteopathy, podiatry, or veterinary medicine, PSEP allows interested students to enroll in these programs at private in-state institutions or other public western universities.

ABOR estimates it will provide subsidies to 163 Arizona students in FY 2020, which is (1) fewer than FY 2019. Participating students receive admissions preference and subsidized tuition. A.R.S. § 15-1745 requires graduates to practice 1 year in Arizona, or 6 months in an under-served Arizona community, for each year of WICHE support. Participants who fail to meet their service requirements must repay 100% of their subsidies, plus interest.

The WICHE central office determines subsidy amounts for each program through negotiations with participating institutions. As rough guidance, WICHE subsidies are intended to cover the difference between resident and non-resident tuition at a public university or approximately half the private university tuition rate.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Long-Term Budget Impacts
- Cost Containment Report
- Land Trust Funds
- Arizona Financial Aid Trust
- Tuition Revenues
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- One-Time Funding
- Intellectual Property & Technology Transfer Royalties
- University System Summary Tables

Statutory Changes

The Higher Education BRB makes the following statutory changes:

- As session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into the Arizona Financial Aid Trust (AFAT).
- As permanent law, amend A.R.S. § 35-146 to allow each university to retain revenue from tuition and fees instead of remitting those monies to the State Treasurer.
- As permanent law, require universities to deposit 20% of cumulative net income exceeding \$1.0 million for licensure and royalty agreements to the Arizona Financial Aid Trust. Universities previously were required to deposit 20% of net income to the General Fund for the first 3 years of an agreement and 20% of gross revenues to the General Fund after the first 3 years.
- As permanent law, require universities to deposit 20% of cumulative net income exceeding \$1.0 million for the sale of intellectual property to the Arizona Financial Aid Trust. Universities previously were required to deposit 25% of gross revenues to the General Fund.

Teachers Academy Provisions

- As permanent law, expand eligibility for the Arizona Teachers Academy to include resident and non-resident university students enrolled in education and non-education majors, community college students enrolled in a post-baccalaureate teacher certification program, and teachers seeking a national board certification.
- As permanent law, in addition to STEM programs, require the Arizona Teachers Academy to include accelerated models for special education and students committed to teaching in critical need areas of the state.
- As permanent law, set Arizona Teachers Academy scholarships at \$10,000 for graduate students, \$5,000 for undergraduate students, \$3,000 for community college post-baccalaureate students, and \$2,500 for teachers seeking national board certification, and require scholarships to be awarded after all other aid received.
- As permanent law, require ABOR, in consultation with eligible postsecondary institutions, to develop centralized administrative processes for the Arizona Teachers Academy and establish criteria for distributing appropriated monies to eligible institutions.
- As permanent law, limit expenditures of monies appropriated for the Arizona Teachers Academy to scholarships, induction services, marketing and promotion and administration of the program. Caps spending for administrative and marketing expenses at 3%.
- As permanent law, cap tuition waivers for the Arizona Teachers Academy at 4 years (8 semesters) for university students and 2 years (4 semesters) for community college students in post-baccalaureate programs.
- As permanent law, require non-Education majors in the Arizona Teachers Academy to complete one or more teacher preparation courses prior to graduation.
- As permanent law, not allow universities and community colleges to charge the remaining balance of tuition and fees if the waiver provided does not cover the total cost.
- As permanent law, require the Arizona Teachers Academy teaching commitment (one year of support for every one year of teaching) for students concurrently teaching and receiving support to begin after completion of the program.
- As permanent law, require ABOR to establish repayment processes for students who fail to meet Arizona Teachers Academy service requirements.
- As permanent law, establish the non-appropriated Arizona Teachers Academy Fund consisting of legislative appropriations. The fund will be administered by ABOR and the monies in the fund will be non-lapsing.
- As permanent law, require that the General Fund appropriation for the Arizona Teachers Academy be reduced each fiscal year by the amount of unexpended monies in the Arizona Teachers Academy Fund from the prior fiscal year.
- As permanent law, require ABOR to annually report by March 1 of each year to JLBC and OSPB information on Arizona Teachers Academy enrollment and the number of graduates receiving induction services, and information for monies committed from the fund in the current fiscal year.
- As permanent law, require ABOR to include in the existing Arizona Teachers Academy annual report information on enrollment by program type and year of enrollment, the number of students receiving induction services, the number of students who have completed repayment agreements, and ABOR's annual funding distribution by eligible institution. Changes annual report date from July to September 1.
- As permanent law, repeals a section of the FY 2019 Higher Education BRB that continued the Arizona Teachers Academy after the 2017-2018 academic

year. The FY 2020 Higher Education BRB makes the program permanent.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, universitywide General Fund costs are projected to decrease by \$(35.5) million in FY 2021 below FY 2020, and increase by \$712,800 in FY 2022 above FY 2021. These estimates are based on:

- A \$(35,000,000) decrease in FY 2021 for the removal of one-time funding for capital improvements or operating expenditures. *(Please see the One-Time Funding narrative for more information.)*
- A \$(1,016,300) decrease in FY 2021 and a \$150,900 increase in FY 2022 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$550,800 and \$561,900 in FY 2021 and FY 2022, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation by 2% each year. (The GDP inflator is currently projected at 2.5% for FY 2021 and 2.7% for FY 2022; statute funds the lesser of 2% or the actual rate). *(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

Cost Containment Report

Pursuant to A.R.S. § 15-1650.03B, ABOR is required to annually report cost containment information for each of the universities. In October 2018, ABOR reported the following:

Tuition and Fees Increases (FY 2009 - FY 2018)

- ASU: 68.3%
- NAU: 70.9%
- UA: 80.4%

Growth in Faculty and Staff Salaries (FY 2009 - FY 2018)

- ASU: 52.6% salary increase per FTE;
24.9% increase in faculty FTEs
- NAU: 46.4% salary increase per FTE;
23.2% increase in faculty FTEs
- UA: 40.3% salary increase per FTE;
5.3% increase in faculty FTEs

Changes in Credit Hour Requirements (FY 2009 - FY 2018)

ASU reported no changes in credit hour requirements, NAU reported a 1 credit hour increase for Civil Engineering, and UA reported 10 program changes that

increased credit hour completion requirements by up to 9 credit hours.

Faculty Time Allocation

The universities report that either 40% (ASU and UA) or 50% (NAU) of faculty time is allocated to teaching, 20% is allocated to other activities – administrative duties, personal growth, services – and the remainder of faculty time is allocated to research and scholarship.

Non-Traditional and Low-Cost Degree Options

All 3 universities report community college pathway programs, and NAU and UA offer tuition freezes for incoming freshman, which freezes tuition rates for 8 consecutive semesters. In addition, the universities offer the following options:

- ASU: 3-year bachelor's degree programs, 10% tuition reductions for select programs in the College of Interdisciplinary Arts, and accelerated degree programs for obtaining a bachelor's and master's degree.
- NAU: Personalized learning and concurrent enrollment programs to obtain select associate's and bachelor's degrees in 2.5 years.
- UA: Accelerated master's programs and degree obtainment through distance campus networks

Cost Containment Actions

All 3 universities report utilizing contract renegotiations, refinancing of outstanding debt, and organizational restructuring to contain costs. In addition, the universities reported the following actions:

- ASU: Energy and water usage reductions, and eliminating jobs through layoffs, early retirement, and elimination of vacant positions.
- NAU: Low numbers of faculty and staff per student, low faculty and staff salary rates, shared services, and activity consolidations.
- UA: Low costs per degree and energy efficiency programs.

Land Trust Funds

As a beneficiary of the Arizona State Land Trust, ABOR receives monies generated from lease revenues and the proceeds from land sales that are invested into "permanent funds," pursuant to Article X, Section 7 of the Arizona Constitution.

ABOR distributes state land trust monies to the universities from 6 funds. These distributions are allocated to the universities in accordance with A.R.S.

§ 15-1662, 15-1663, and ABOR Policy 3-606. The universities' land trust monies are non-appropriated. ABOR may expend them "as it deems expedient," with 1 exception: the Universities Land Fund. This fund is comprised of the University Land Code and the UA Land - 1881 Fund. All proceeds in the Universities Land Fund, including the UA Land - 1881 Fund, are distributed proportionately among the 3 universities based upon the total student credit hours in the fall semester of the previous year. The Universities Land Fund provides matching funds for the interest earned on nonpublic endowment monies donated to attract and retain faculty, otherwise known as the Eminent Scholars Program. ABOR amended Board Policy 3-606 in 2017 to direct all Universities Land Fund incremental revenues from Proposition 123 (distributions beyond the first 2.5% distribution rate) to the universities for general use, rather than the Eminent Scholars Grant.

Table 1 compares university land trust revenues from FY 2015 (prior to Proposition 123) and FY 2020. The funds will have estimated revenues of \$11,846,400 in FY 2020. (Please see the Land Department narrative for more information.)

State Land Trust Revenues: Universities ^{1/}		
	FY 2015	FY 2020
Military Institute	\$ 83,800	\$ 59,000
Normal Schools	296,600	565,200
A&M Colleges	445,100	1,050,900
School of Mines ^{2/}	499,800	1,017,400
Universities Land Fund	3,834,800	9,153,900
<i>University Land Code</i>	<i>2,175,400</i>	<i>2,137,800</i>
<i>U of A Land - 1881</i>	<i>1,659,400</i>	<i>7,016,100</i>
Total	\$ 5,160,100	\$ 11,846,400

^{1/} Includes income from the Treasurer's distribution and lease revenues from the universities' state land trust property.
^{2/} Only the University of Arizona receives monies from the School of Mines Fund.

Arizona Financial Aid Trust

Pursuant to A.R.S. § 15-1642, General Fund monies match financial aid tuition surcharges collected from university students for the Arizona Financial Aid Trust (AFAT). The AFAT fee is 1% of the full-time resident undergraduate base tuition rate, or \$62-\$110 in FY 2019 on the main campuses, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee.

The FY 2020 Higher Education BRB continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2020. The budget also maintains each university's allocation of General Fund AFAT appropriations at their FY 2019 level, which appears in the individual university budgets.

Based on student fees contributed to AFAT in FY 2018, the state's match would be \$35,798,200, or an increase of \$25,757,000 over the \$10,041,200 appropriation in FY 2020.

Each university retains 25% of its annual AFAT student fees and state contributions in an AFAT endowment account. The remaining 75% of the student fees and state contributions, as well as 75% of the endowment's annual interest earnings, are used to provide immediate assistance for needy in-state students. In FY 2018, AFAT disbursed \$26,568,100. (Please see Table 7 for additional information on financial aid.)

Tuition Revenues

The FY 2017 Higher Education BRB amended A.R.S. § 15-1626A to require the universities to deposit tuition and fee revenues into separate tuition and fee revenue subaccounts for each university beginning in FY 2019.

Currently, statute allows the universities to retain a portion of tuition collections for expenditures, as approved by ABOR pursuant to A.R.S. § 15-1626A. These "locally" retained tuition monies are considered non-appropriated and are deposited into accounts labeled as "Designated" funds. The Designated Fund for each university includes the retained tuition and fees as well as monies from other sources.

Any remaining tuition collections are remitted to the Treasurer before being disbursed back to the universities into "Collections" funds as part of the appropriated budget. As with the non-appropriated tuition monies in the Designated Funds, tuition revenues in the appropriated Collections Funds are mixed with other revenue sources such as state land trust monies and miscellaneous receipts. While Financial Aid and Debt Service are primarily non-appropriated, general operating expenses appear in both appropriated and non-appropriated budgets.

By requiring that the universities keep tuition and fee monies separate from other revenue sources, the FY 2017 Higher Education BRB was intended to make the university funding structure more transparent. The FY 2017 Higher Education BRB also amended A.R.S. § 35-146 to eliminate the requirement that the universities remit

2003 Research Infrastructure Refinancing

appropriated tuition revenues to the Treasurer, also effective beginning FY 2019. This provision was further clarified with an additional amendment to A.R.S. § 35-146 in the FY 2020 Higher Education BRB and does not change the current split between appropriated and non-appropriated tuition monies.

The July 2018 tuition revenue report projects FY 2019 gross tuition and fees to be \$3.1 billion systemwide. Of this amount, \$1.3 billion is appropriated while \$1.8 billion is non-appropriated.

The reported gross tuition revenues reflect the amounts the universities would receive if all students paid full published tuition and fee rates. The actual amounts paid by students after accounting for tuition waivers and other gift aid awarded by the universities would constitute net tuition. The universities project \$749.6 million in tuition waivers and awards in FY 2019, for a total net tuition of \$2.3 billion.

A FY 2019 General Appropriation Act footnote modified the reporting requirements that govern ABOR's annual tuition revenue report. Rather than reporting on the incremental use of only appropriated tuition, beginning in FY 2019, ABOR must account for the expenditure of *all* tuition monies using the following categories: operating expenses, plant fund, debt service, and financial aid. ABOR is required to report on the total amount of tuition monies spent on each category as well as any change in each category versus the prior year.

Laws 2003, Chapter 267, which established A.R.S. § 15-1670, appropriated for FY 2008 to FY 2031 monies to the universities each year for lease-purchase capital financing of research infrastructure projects such as installations and facilities for the continuance and growth of scientific and technological research activities.

Due to subsequent refinancing, the FY 2017 Higher Education BRB amended A.R.S. § 15-1670 to revise the FY 2018 to FY 2031 research infrastructure appropriations to correspond to the universities' current debt service schedules. *(Please see Table 2 for more information.)*

The budget includes a decrease of \$(19,900) from the General Fund in FY 2020 to adjust appropriations for research infrastructure lease-purchase payments to the universities' actual debt service obligations.

The \$(19,900) decrease in the FY 2020 budget reflects the lower costs in FY 2020 compared to FY 2019. Of this amount, the General Fund appropriations are adjusted \$(22,400) for ASU, \$3,300 for NAU, and \$(800) for UA.

Since this funding appears in A.R.S. § 15-1670, this funding does not appear in the FY 2020 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects.

Table 2

FY 2018 – 2031 Research Infrastructure Appropriations

<u>Fiscal Year</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
2018	\$ 13,481,000	\$ 5,896,500	\$ 14,249,300	\$ 33,626,800
2019	13,478,700	5,896,200	14,251,000	33,625,900
2020	13,456,300	5,899,500	14,250,200	33,606,000
2021	13,458,700	4,879,500	14,251,500	32,589,700
2022	13,451,900	5,039,800	14,248,900	32,740,600
2023	13,462,100	5,301,500	14,252,500	33,016,100
2024	13,468,200	5,302,900	14,255,300	33,026,400
2025	13,459,300	4,885,500	14,247,300	32,592,100
2026	13,453,900	4,884,500	14,248,400	32,586,800
2027	13,450,100	4,884,300	14,251,300	32,585,700
2028	13,436,200	4,894,000	14,254,100	32,584,300
2029	13,430,800	4,888,400	14,251,500	32,570,700
2030	13,423,500	4,892,000	14,252,500	32,568,000
2031	<u>13,428,800</u>	<u>4,889,300</u>	<u>14,255,800</u>	<u>32,573,900</u>
2018 - 2031	\$188,339,500	\$72,433,900	\$199,519,600	\$460,293,000

^{1/} FY 2018 – 2031 research infrastructure General Fund appropriations as specified in A.R.S. § 15-1670, as amended by the FY 2017 Higher Education BRB.

2017 University Capital Infrastructure Funding

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. The law appropriated \$27,000,000 to the universities in FY 2019 and increases the appropriation each year thereafter by the lesser of 2.0% or inflation.

The FY 2020 appropriations are allocated to each university as follows:

- ASU: \$12,165,900
- NAU: \$4,611,300
- UA: \$10,762,700
- TOTAL: \$ 27,539,900

The original FY 2019 allocated amounts are based on each university's share of the systemwide transaction privilege tax (TPT) collections in FY 2016. *(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

One-Time Funding

Section 155 of the FY 2020 General Appropriation Act appropriated \$35.0 million to the universities from the General Fund in FY 2020 for one-time capital improvements or operating expenditures. Of this amount, \$18.9 million was appropriated to ASU, \$6.7 million to NAU, and \$9.5 million to UA.

This one-time allocation has been funded since FY 2017. See *Table 3* for a history of the allocation by university.

Table 3

History of One-Time University Funding

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
ASU	\$ 7.0	\$ 6.6	\$ 4.2	\$18.9
NAU	4.0	3.2	1.6	6.7
UA	8.0	3.2	2.2	9.5
Total	\$19.0	\$13.0	\$ 8.0	\$35.0 ^{1/}

^{1/} Numbers do not add due to rounding.

Intellectual Property & Technology Transfer Royalties

In conjunction with annual General Fund appropriations that fund university research facilities *(please see 2003 Research Infrastructure Refinancing section above for more information)*, A.R.S. § 15-1670 required the

universities to deposit into the General Fund 20% of income from licensure and royalty payments and 25% of income from the sale or transfer of intellectual property during the preceding fiscal year (not to exceed the state's annual General Fund appropriation for the research facilities).

The universities have previously interpreted "income" as gross royalties net of expenditures on legal fees (required to secure patents, etc.), the costs of managing the technology transfer process, and distributions of revenues to the inventors and their laboratories.

Laws 2017, Chapter 328 amended A.R.S. § 15-1670 to clarify the university technology transfer sale and royalty income sharing policy by requiring that for all new agreements entered into after April 30, 2017, the universities shall annually deposit:

- For the first 3 years of each licensure or royalty contract, 20% of the net income generated in the prior fiscal year.
- After the third year of each contract, 20% of the gross annual revenues generated by the contract.
- For any sale or transfer of intellectual property, 25% of the gross revenues generated by the transaction.

The law clarified that the universities may not deduct past years' cumulative losses from the amount of revenue or income subject to deposit into the General Fund.

The law also made permanent the technology transfer income sharing provisions, which would otherwise have expired in FY 2031. However, because the universities are not required to distribute more to the General Fund than they receive in capital appropriations under A.R.S. § 15-1670 and A.R.S. § 15-1671 in any given year, the income sharing will effectively cease in 2043, when the final appropriations under A.R.S. § 15-1671 are made.

The FY 2020 Higher Education BRB further amended A.R.S. § 15-1670 to remove requirements for deposit of income from licensure and royalty payments to the General Fund, and instead requires universities to deposit 20% of cumulative net income exceeding \$1.0 million to the AFAT. The amendment also defines net income as payments received minus expenses related to revenue shares to inventors and third-party distributions, pursuing, commercializing, licensing and litigating intellectual property, reimbursement holds, and operation management fees.

In terms of FY 2018 gross royalty revenues, ASU reported \$760,700 of licensing and royalty revenues, NAU reported \$36,200, and UA reported \$4.1 million.

All 3 universities reported \$0 net income on agreements entered into before April 30, 2017. For agreements entered into after this date, ASU reported \$1,800, NAU reported \$600, and UA reported \$13,900. These amounts are to be deposited to the General Fund.

University System Summary Tables

The University Summary Tables address the following:

- Total Spending Authority
- Tuition Distribution
- Tuition Rates
- Financial Aid
- Enrollment

Total Spending Authority

In total, the universities' total projected spending authority in FY 2020 is \$6.7 billion, including \$774.3 million from the General Fund and \$3.1 billion of tuition/fee collections. This latter amount is not adjusted for any FY 2020 tuition rate changes. *Table 4* summarizes the FY 2020 expenditure authority amounts for the Arizona University System.

Tuition Distribution

A.R.S. § 15-1626 authorizes ABOR to allocate tuition monies between the appropriated operating budgets, under legislative control, and non-appropriated funds, locally retained by the universities. The latter includes financial aid, facilities (plant fund), debt service, and some of their operating budget. Total gross tuition collections for the Arizona University System equal an estimated \$3.1 billion in FY 2019. Net tuition equals an estimated \$2.3 billion in FY 2019 (see *Table 5*).

Tuition Rates

ABOR approved FY 2020 tuition rates on April 11, 2019.

- ASU increased tuition rates by 3.9% - 4.8% for undergraduate students and 4.1% - 4.5% for graduate students. ASU also adopted a new college fee calculation where students will be charged 1 of 4 fees depending on their program of enrollment.
- Since FY 2009, NAU has maintained a guaranteed tuition model for incoming freshmen. As a result, NAU did not increase tuition for current students, but increased tuition and mandatory fees by 2.7% - 2.9% for incoming undergraduate students, and 6.9% - 7.0% for graduate students.
- UA began a similar tuition guarantee program in FY 2015. UA increased tuition and fees by between 1.0% - 1.8% for incoming undergraduate students and 0.0 - 1.7% for graduate students.

Table 6 only includes major tuition categories at main university campuses. A comprehensive list can be found on the [ABOR website](#).

Financial Aid

The Arizona University System distributed \$2.7 billion in financial aid in FY 2018. Of the \$2.7 billion total financial aid distributions in FY 2018, the federal government financed \$1.2 billion and university institutional sources provided \$974 million. The latter includes \$767 million of foregone tuition collections in the form of waivers and awards. (Please see *Table 7* for details.)

Enrollment

Between fall 2017 and fall 2018, university enrollment increased from 172,389 FTE to 178,432, or 3.5%, as displayed in *Table 8*. Spring enrollment is traditionally lower than the fall.

Table 4

FY 2020 Summary of Spending Authority

	Appropriated Funds			Non-Appropriated Funds		Total ^{3/}
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds ^{2/}	
ABOR	\$ 22,397,700	\$ 0	\$ 0	\$ 0	\$ 6,974,700	\$ 29,372,400
ASU	341,916,800	659,582,400	3,600,000	493,743,300	1,778,088,200	3,276,930,700
NAU	117,250,900	161,100,200	0	103,299,500	336,395,000	718,045,600
UA-Main	215,808,900	386,248,600	0	272,407,300	1,115,343,400	1,989,808,200
UA-Health Sciences	<u>76,897,700</u>	<u>53,623,800</u>	<u>0</u>	<u>130,485,900</u>	<u>416,941,600</u>	<u>677,949,000</u>
Total	\$774,272,000	\$1,260,555,000	\$3,600,000	\$999,936,000	\$3,653,742,900	\$6,692,105,900

^{1/} This amount excludes FY 2020 tuition rate changes.

^{2/} Expenditures of non-appropriated funds include transfers of funds to non-operating accounts for capital and debt service expenses. The total expenditures of gross non-appropriated tuition are estimated to be \$1,810,820,400 based on FY 2019 amounts, as reflected in *Table 4*. This amount excludes FY 2020 enrollment growth and tuition rate changes.

^{3/} Total universitywide funding includes gross tuition revenues.

Table 5

Use of FY 2019 Tuition/Fees by University ^{1/}

	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
<u>Appropriated</u>				
Operating Budget ^{2/}	\$ 660,074,400	\$160,958,900	\$438,725,500	\$1,259,758,800
<u>Non-Appropriated</u>				
Operating Budget ^{3/}	\$ 632,392,100	\$ 86,160,300	\$213,905,200	\$ 932,457,600
Financial Aid ^{4/}	401,779,500	132,894,800	214,948,100	749,622,400
Plant Fund	20,000,000	1,000,000	4,000,000	25,000,000
Debt Service	<u>59,588,000</u>	<u>16,000,000</u>	<u>28,152,400</u>	<u>103,740,400</u>
Subtotal	\$1,113,759,600	\$236,055,100	\$ 461,005,700	\$1,810,820,400
Total Gross Tuition ^{5/}	\$1,773,834,000	\$397,014,000	\$899,731,200	\$3,070,579,200
Net Tuition ^{5/}	\$1,372,054,500	\$264,119,200	\$684,783,100	\$2,320,956,800

^{1/} As reported in FY 2019 Tuition Revenue Report submitted by ABOR in July 2018.

^{2/} Appropriated tuition includes \$(44.1) million adjustment made by ABOR to the amounts originally included as part of the FY 2019 state budget to reflect estimated revenue adjustments resulting from the tuition setting process in spring 2018.

^{3/} Includes non-appropriated tuition revenues to be expended on instruction, organized research, public service, student services, auxiliary enterprises, and institutional support.

^{4/} Financial aid represents scholarship allowances provided by the universities (excluding federal loans, private grants, etc.) to offset the cost of tuition. Amounts include scholarship awards and tuition waivers except employee tuition reductions, which are recorded as employee benefit expenses.

^{5/} The reported gross tuition revenues reflect the amounts the universities would receive if all students paid full published tuition and fee rates. The actual amounts paid by students after accounting for tuition waivers and other gift aid awarded by the universities constitutes net tuition.

Table 6

Arizona University System
FY 2020 Undergraduate and Graduate Tuition ^{1/}

	<u>Resident Undergraduate</u>		<u>Resident Graduate</u>		<u>Non-Resident Undergraduate</u>		<u>Non-Resident Graduate</u>	
	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>
ASU	\$11,338	4.8%	\$12,608	4.1%	\$29,428 ^{2/}	3.9%	\$32,288	4.5%
NAU	\$11,896	2.9%	\$11,726	6.9%	\$26,516	2.7%	\$25,730	7.0%
UA	\$12,671	1.8%	\$13,207	1.7%	\$36,698	1.0%	\$33,334	0.0%

^{1/} Reflects tuition rates for new students at NAU and UA and all classes at ASU. NAU and UA provide a guaranteed tuition rate for each incoming class, whereas ASU does not.

^{2/} ABOR approved a rate of \$31,828 for international undergraduate students at ASU.

Table 7

FY 2018 Financial Aid Distribution by Source
(\$ in Thousands) ^{1/}

	Federal	State ^{2/}	Institutional ^{3/}	Private/Other ^{4/}	Total
Grants	\$311,773.1	\$807.3	\$767,265.7	\$231,152.9	\$1,310,999.0
Loans	828,296.1	268.0	0.0	355,500.3	1,184,064.4
Employment	<u>10,777.0</u>	<u>0.0</u>	<u>206,715.5</u>	<u>0.0</u>	<u>217,492.5</u>
Total	\$1,150,846.2	\$1,075.3	\$973,981.2	\$586,653.2	\$2,712,555.9

^{1/} Information from ABOR FY 2018 Financial Aid Report.

^{2/} State sources of aid include revenues from the Commission for Postsecondary Education.

^{3/} Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

^{4/} Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

Table 8

Arizona University System 45th Day Enrollment ^{1/}

	Fall 2017	Spring 2018	Fall 2018	Fall 2017 To Fall 2018	Fall 2018 Residents
ASU-Tempe	63,342	61,830	66,521	5.0%	34,999
ASU-DPC	18,080	18,039	19,299	6.7%	10,601
ASU-East	7,384	7,126	7,568	2.5%	4,042
ASU-West	<u>9,044</u>	<u>9,033</u>	<u>10,346</u>	<u>14.4%</u>	<u>5,036</u>
ASU Subtotal	97,850	96,028	103,734	6.0%	54,678
NAU	29,289	28,092	29,274	-0.1%	19,559
UA-Main	39,374	37,282	39,632	0.7%	23,999
UA-Health Sciences	<u>5,876</u>	<u>5,060</u>	<u>5,792</u>	<u>-1.4%</u>	<u>4,485</u>
UA Subtotal ^{2/}	45,250	42,342	45,424	0.4%	28,484
Total	172,389	166,462	178,432	3.5%	102,721

^{1/} Adjusted FTE counts as reported by ABOR include both graduate and undergraduate students and exclude excess credit hours taken by students. Spring enrollment figures are the average of the full academic year (spring and fall semesters).

^{2/} The University of Arizona revised fall 2017 and spring 2018 FTE counts from prior year reports.

Arizona State University

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	8,123.1	7,699.9	7,699.9 ^{1/}
Personal Services	494,273,100	519,254,900	519,254,900
Employee Related Expenditures	142,095,100	151,250,000	151,801,800
Professional and Outside Services	56,267,400	49,981,500	49,981,500
Travel - In State	180,100	89,500	89,500
Travel - Out of State	3,085,200	526,000	526,000
Other Operating Expenditures	94,606,900	98,505,200	96,973,100
Equipment	27,027,500	2,403,700	2,403,700
OPERATING SUBTOTAL	817,535,300	822,010,800	821,030,500
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	13,481,700	13,478,700	13,456,300 ^{2/}
2017 Capital Infrastructure Funding	0	11,927,400	12,165,900 ^{3/}
Arizona Financial Aid Trust	5,985,800	5,985,800	5,985,800
Biomedical Informatics	3,770,300	3,716,800	3,718,000
Downtown Phoenix Campus	145,386,300	123,212,100	123,217,100
Economic Development	0	250,000	0
One-Time Funding	6,639,500	4,245,000	18,900,000
School of Civic and Economic Thought and Leadership	4,030,800	4,023,800	3,025,600 ^{4/}
TRIF - Lease Purchase Payment	3,466,300	3,600,000	3,600,000
AGENCY TOTAL	1,000,296,000	992,450,400	1,005,099,200 ^{5/6/7/}
FUND SOURCES			
General Fund	320,256,600	328,775,800	341,916,800 ^{8/9/10/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	3,466,300	3,600,000	3,600,000
University Collections Fund	676,573,100	660,074,600	659,582,400 ^{11/}
SUBTOTAL - Other Appropriated Funds	680,039,400	663,674,600	663,182,400
SUBTOTAL - Appropriated Funds	1,000,296,000	992,450,400	1,005,099,200
Other Non-Appropriated Funds	1,559,507,200	1,718,779,100	1,778,088,200
Federal Funds	432,140,400	493,743,300	493,743,300
TOTAL - ALL SOURCES	2,991,943,600	3,204,972,800	3,276,930,700

AGENCY DESCRIPTION — Established in 1885, Arizona State University (ASU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, ASU had 103,734 full-time equivalent students at its campuses in fall 2018.

FOOTNOTES

- ^{1/} Includes 150 GF and 684.3 OF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} A.R.S. § 15-1670 appropriates \$13,456,300 to ASU from the General Fund in FY 2020 to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$12,165,900 to ASU from the General Fund in FY 2020 for capital infrastructure projects.
- ^{4/} The appropriated amount for the School of Civic and Economic Thought and Leadership line item shall be used to operate a single stand-alone academic entity within Arizona State University. The appropriated amount may not supplant any existing state funding or private or external donations to the existing centers or to the school. The appropriated monies and all private and external donations to the school, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the school and may not be used for indirect costs of the university. On or before October 1, 2019, the school shall submit a report to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate Education Committee and the House of Representatives Education Committee and the Director of the Joint Legislative Budget

Committee that includes at least the following information for the school: 1) The total amount of funding received from all sources, 2) A description of faculty positions and courses offered, 3) The total undergraduate and graduate student enrollment, 4) Significant community events, initiatives or publications.

The Chairpersons of the Senate Education Committee and the House of Representatives Education Committee may request the Director of the School to appear before the committees to report on the school's annual achievements. (General Appropriation Act footnote)

- 5/ Other than scholarships awarded through the Arizona Financial Aid Trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 6/ The appropriated monies may not be used by the Arizona State University College of Law Legal Clinic for any lawsuits involving inmates of the State Department of Corrections in which this state is the adverse party. (General Appropriation Act footnote)
- 7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ The state General Fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 9/ The FY 2020 General Fund budget as adjusted for statewide adjustments is \$341,916,800. This amount would include \$297,874,700 in ASU's individual section of the FY 2020 General Appropriation Act, \$(480,100) for statewide adjustments, \$13,456,300 in A.R.S. § 15-1670 lease-purchase appropriations, \$12,165,900 in A.R.S. § 15-1671 capital infrastructure appropriations, and a one-time \$18,900,000 appropriation in section 155 of the FY 2020 General Appropriation Act for capital improvements or operating expenditures.
- 10/ The increased state General Fund appropriation from Laws 2014, Chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 11/ Any unencumbered balances remaining in the University Collections Fund on June 30, 2019 and all collections received by the university during the fiscal year are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The budget includes \$821,030,500 and 6,865.6 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$272,722,100
University Collections Fund	548,308,400

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(980,300) in FY 2020 for statewide adjustments. This amount consists of:

General Fund	\$(477,300)
University Collections Fund	(503,000)

(Please see the Agency Detail and Allocations section.)

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(Please see the ABOR section for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The budget includes \$13,456,300 from the General Fund in FY 2020 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2020 adjustments are as follows:

Refinance Adjustment

The budget includes a decrease of \$(22,400) from the General Fund in FY 2020 to adjust the Certificates of Participation (COPs) payment.

As amended by the FY 2017 Higher Education Budget Reconciliation Bill (BRB), A.R.S. § 15-1670 appropriates an annual amount from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006.

Since this funding appears in A.R.S. § 15-1670, this funding does not appear in the FY 2020 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, ASU has issued \$206,200,000 in COPs.

(Please see the Long-Term Budget Impacts narrative below and the 2003 Research Infrastructure narrative in the ABOR section for more information.)

2017 Capital Infrastructure Funding

The budget includes \$12,165,900 from the General Fund in FY 2020 for the 2017 Capital Infrastructure Funding line item. FY 2020 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$238,500 from the General Fund in FY 2020 for a 2% increase in capital infrastructure funding.

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. Since this funding appears in A.R.S. § 15-1671, this funding does not appear in the FY 2020 General Appropriation Act. A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation.

(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)

Arizona Financial Aid Trust

The budget includes \$5,985,800 from the General Fund in FY 2020 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2019. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

Biomedical Informatics

The budget includes \$3,718,000 and 23.3 FTE Positions in FY 2020 for the Biomedical Informatics Department. These amounts consist of:

General Fund	1,877,700
University Collections Fund	1,840,300

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,200 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	(500)
University Collections Fund	1,700

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data. In 2014, Biomedical Informatics moved from the Downtown Phoenix Campus (DPC) to Mayo Clinic's hospital in Phoenix.

Downtown Phoenix Campus

The budget includes \$123,217,100 and 783.6 FTE Positions in FY 2020 for programs headquartered at the Downtown Phoenix Campus. These amounts consist of:

General Fund	13,800,100
University Collections Fund	109,417,000

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$5,000 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	(4,100)
University Collections Fund	9,100

The DPC offers undergraduate and graduate programs in disciplines including health, nursing, journalism, mass communication, teaching and public programs. The campus opened in 2006 with 2,700 students and had a full-time student enrollment of 19,299 in FY 2019.

Economic Development

The budget includes no funding in FY 2020 for the Economic Development line item. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(250,000) from the General Fund in FY 2020 for the elimination of one-time funding for economic development. FY 2019 was the first year of funding.

The FY 2019 General Appropriation Act specified that the appropriation be used to establish, in cooperation with a public university located in Guanajuato, Mexico, an office in Guanajuato, Mexico, to develop collaborative efforts between the states of Arizona and Guanajuato, including stimulating bilateral trade and economic development, enhancing cultural exchange opportunities, expanding public service capacity, enhancing innovation and improving public policy development.

One-Time Funding

The budget includes \$18,900,000 in FY 2020 from the General Fund for the One-Time Funding line item. FY 2020 adjustments are as follows:

Adjusted One-Time Funding

The budget includes an increase of \$14,655,000 from the General Fund in FY 2020 for the adjustment of one-time funding for capital improvements or operating expenditures.

The FY 2019 budget included \$4,245,000 of one-time funding for ASU for capital improvements or operating expenditures. ASU used its FY 2019 one-time funding for faculty salaries and benefits.

This one-time allocation was also funded in FY 2017 (\$7,000,000) and FY 2018 (\$6,639,500).

School of Civic and Economic Thought and Leadership

The budget includes \$3,025,600 and 27.4 FTE Positions in FY 2020 for the School of Civic and Economic Thought and Leadership (SCETL) line item. These amounts consist of:

General Fund	3,008,900
University Collections Fund	16,700

FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2020 for the elimination of one-time funding for operating expenditures. The school budgeted the one-time monies to hire visiting professors and order printing of numerous historical documents for distribution (pocket-sized U.S. Constitution, Gettysburg Address, among others). Of the \$1,000,000 appropriation, \$100,000 was required to be used to support research on the Arizona Constitution and development of a civics and constitutionalism curriculum for K-12 and postsecondary education institutions.

SCETL also received a one-time allocation of \$1,000,000 in FY 2018, which ASU used to support its public affairs series and speakers, funded internships, organized a student learning trip to India, and funded the acquisition of historical works.

Statewide Adjustments

The budget includes an increase of \$1,800 from the General Fund in FY 2020 for statewide adjustments.

SCETL began matriculating students in fall 2017. The school currently offers a bachelor of arts program with coursework focused in 4 areas: history of moral and political thought, political economy and the history of economic thought, American political and economic thought, and the theories and practice of leadership. The school has also submitted a plan to approve a master of arts in classical education and leadership, and it hosts community lecture series and events related to public affairs.

TRIF Lease-Purchase Payment

The budget includes \$3,600,000 from the Technology and Research Initiative Fund (TRIF) in FY 2020 for lease-purchase payment requirements. This amount is unchanged from FY 2019.

Laws 2000, 5th Special Session, Chapter 1 appropriated \$2,500,000 from TRIF to make the initial lease-purchase payment in FY 2002 on \$49,100,000 in infrastructure development at the ASU - East and ASU - West campuses. Beginning in FY 2003, the lease-purchase payment increased to \$3,600,000, which will be the annual lease-purchase payment through FY 2021.

Other Issues

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- University Collections and FTE Positions Adjustments

Summary

ASU's FY 2020 General Fund budget is \$341,916,800. Of this amount:

- \$297,874,700 is included in ASU's individual section of the FY 2020 General Appropriation Act.
- \$(480,100) is part of statewide adjustments.
- \$13,456,300 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$12,165,900 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- \$18,900,000 is a one-time appropriation in section 155 of the FY 2020 General Appropriation Act for capital improvements or operating expenditures.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ASU's General Fund costs are projected to decrease by \$(18.7) million in FY 2021 above FY 2020, and increase by \$241,400 in FY 2022 above FY 2021.

These estimates are based on:

- A \$(18,900,000) decrease in FY 2021 for the removal of one-time funding for capital improvements or operating expenditures.
- A \$2,400 increase in FY 2021 and a \$(6,800) decrease in FY 2022 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$243,300 in FY 2021 and \$248,200 in FY 2022 to increase the university's annual Capital Infrastructure Funding appropriation by 2% each year. (The GDP inflator is currently projected at 2.50% for FY 2021 and 2.70% for FY 2022; statute funds the lesser of 2% or the actual rate.) *(Please see the 2017 University Capital Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2019 General Appropriation Act appropriated \$684,347,600 from the University Collections Fund to ASU in FY 2019. The Collections Fund for ASU represents a portion of tuition, fees and a portion of land earnings. *(Please see ABOR Other Issues for more information.)* If collections differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2019 to the Joint Legislative Budget Committee in July 2018, and ASU incorporated the adjusted FY 2019 amounts as part of their FY 2020 budget submission. Accordingly, the estimated FY 2019 amount has been adjusted downward by \$(24,273,000) to \$660,074,600.

The FY 2020 University Collections Fund amount is decreased by \$(492,200) for statewide adjustments to \$659,582,400.

The FY 2019 FTE Position count has also been adjusted. The FY 2019 General Appropriation Act originally appropriated 8,123.1 FTE Positions in FY 2019 for ASU. The General Fund accounted for 2,450.8 FTE Positions and the University Collections Fund accounted for the remaining 5,672.3 FTE Positions. The estimated number of FY 2019 FTE Positions has been adjusted by (423.2) to 7,699.9. The General Fund accounts for 2,431.9 FTE Positions and the University Collections Fund accounts for the remaining 5,268 FTE Positions.

Northern Arizona University

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,316.5	2,316.5	2,316.5 ^{1/}
Personal Services	157,751,700	160,464,200	160,464,200
Employee Related Expenditures	49,990,400	51,847,800	51,990,700
Professional and Outside Services	12,074,200	8,677,100	8,677,100
Travel - In State	345,000	540,600	540,600
Travel - Out of State	447,700	0	0
Other Operating Expenditures	26,137,800	28,868,800	28,868,800
Equipment	405,400	459,700	459,700
OPERATING SUBTOTAL	247,152,200	250,858,200	251,001,100
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	5,896,500	5,896,200	5,899,500 ^{2/}
2017 Capital Infrastructure Funding	0	4,520,900	4,611,300 ^{3/}
Arizona Financial Aid Trust	1,326,000	1,326,000	1,326,000
Biomedical Research	3,000,000	3,000,000	3,000,000 ^{4/}
Economic Policy Institute	0	500,000	500,000 ^{5/}
NAU - Yuma	3,025,600	3,071,400	3,071,400
One-Time Funding	3,202,800	1,590,200	6,650,000
Teacher Training	2,440,700	2,291,700	2,291,800 ^{6/}
AGENCY TOTAL	266,043,800	273,054,600	278,351,100 ^{7/8/}
FUND SOURCES			
General Fund	108,612,700	112,095,700	117,250,900 ^{9/10/11/}
<u>Other Appropriated Funds</u>			
University Collections Fund	157,431,100	160,958,900	161,100,200 ^{12/}
SUBTOTAL - Other Appropriated Funds	157,431,100	160,958,900	161,100,200
SUBTOTAL - Appropriated Funds	266,043,800	273,054,600	278,351,100
Other Non-Appropriated Funds	299,691,200	317,175,800	336,395,000
Federal Funds	101,264,000	102,276,700	103,299,500
TOTAL - ALL SOURCES	666,999,000	692,507,100	718,045,600

AGENCY DESCRIPTION — Established in 1899, Northern Arizona University (NAU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). The university's primary focus is undergraduate residential education. NAU had 29,289 full-time equivalent students at its campuses in fall 2018.

FOOTNOTES

- ^{1/} Includes 34.4 GF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} A.R.S. § 15-1670 appropriates \$5,899,500 to NAU from the General Fund in FY 2020 to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$4,611,300 to NAU from the General Fund in FY 2020 for capital infrastructure projects.
- ^{4/} The biomedical research funding shall be distributed to a nonprofit medical research foundation in this state that collaborates with universities, hospitals, biotechnology and health research centers. A nonprofit foundation that receives monies shall submit an expenditure and performance report to Northern Arizona University. The University shall transmit the report to the Joint Legislative Budget Committee on or before February 1, 2020. The report must include at least the following: 1) The type and amount of expenditures from all state sources of monies, including the amount leveraged for local, state, federal, and private grants, 2) A description of each grant received as well as the percentage and locations of positions funded solely or partly by state monies and the nonprofit foundation's projects with which these positions are associated, 3) Performance measures, including: (a) Outcomes that are specifically related to the use of state monies; (b) Progress that has been made toward achieving each outcome, including activities, resources and other evidence of progress; (c) Reportable inventions or discoveries related to each outcome;

(d) Publications, presentations and narratives related to each outcome and how the expenditures from all state sources of monies that the nonprofit foundation received have benefited the state. (General Appropriation Act footnote)

- 5/ The appropriated amount for the Economic Policy Institute line item may not supplant any existing state funding or private or external donations to the institute or to the university. The appropriated monies and all private and external donations to the institute, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the institute and may not be used for indirect costs of the university. On or before October 1, 2019, the institute shall submit a report to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate Education Committee and the House of Representatives Education Committee and the Director of the Joint Legislative Budget Committee a report that includes at least the following information for the institute: 1) The total amount of funding received from all sources; 2) A description of the faculty positions and courses offered; 3) The total undergraduate and graduate student participation; 4) Significant community events, initiatives or publications. The Chairpersons of the Senate Education Committee and the House of Representatives Education Committee may request the Director of the Institute to appear before the committees to report on the Institute's annual achievements. (General Appropriation Act footnote)
- 6/ The appropriated amount for the Teacher Training line item shall be distributed to the Arizona K-12 Center for Program Implementation and Mentor Training for the Arizona Mentor Teacher program prescribed by the State Board of Education. (General Appropriation Act footnote)
- 7/ Other than scholarships awarded through the Arizona Financial Aid Trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ The state General Fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 10/ The FY 2020 General Fund budget as adjusted for statewide adjustments is \$117,250,900. This amount includes \$100,088,400 in NAU's individual section of the FY 2020 General Appropriation Act, \$1,700 for statewide adjustments, \$5,899,500 in A.R.S. § 15-1670 lease-purchase appropriations, \$4,611,300 in A.R.S. § 15-1671 capital infrastructure appropriations, and a one-time \$6,650,000 appropriation in section 155 of the FY 2020 General Appropriation Act for capital improvements or operating expenditures.
- 11/ The increased state General Fund appropriation from Laws 2014, Chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 12/ Any unencumbered balances remaining in the University Collections Fund on June 30, 2019 and all collections received by the university during the fiscal year are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The budget includes \$251,001,100 and 2,282.1 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<u>FY 2020</u>
General Fund	117,250,900
University Collections Fund	161,100,200

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$142,900 from the General Fund in FY 2020 for statewide adjustments.

General Fund	1,600
University Collections Fund	141,300

(Please see the Agency Detail and Allocations section.)

2003 Research Infrastructure Lease-Purchase Payment

The budget includes \$5,899,500 from the General Fund in FY 2020 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2020 adjustments are as follows:

Refinance Adjustment

The budget includes an increase of \$3,300 from the General Fund in FY 2020 to adjust the Certificates of Participation (COPs) payment.

As amended by the FY 2017 Higher Education Budget Reconciliation Bill (BRB), A.R.S. § 15-1670 appropriates an annual amount from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research

infrastructure project agreements entered into before July 1, 2006.

Since this funding appears in A.R.S. § 15-1670, this funding would not appear in the FY 2019 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, NAU has issued \$42,210,000 in COPs.

(Please see the Long-Term Budget Impacts narrative below and the 2003 Research Infrastructure narrative in the ABOR section for more information.)

2017 Capital Infrastructure Funding

The budget includes \$4,611,300 from the General Fund in FY 2020 for the 2017 Capital Infrastructure Funding line item. FY 2020 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$90,400 from the General Fund in FY 2020 for a 2% increase in capital infrastructure funding.

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. Since this funding appears in A.R.S. § 15-1671, this funding would not appear in the FY 2020 General Appropriation Act. A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation.

(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)

Arizona Financial Aid Trust

The budget includes \$1,326,000 from the General Fund in FY 2020 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2019. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

Biomedical Research

The budget includes \$3,000,000 from the General Fund in FY 2020 for the Biomedical Research line item. This amount is unchanged from FY 2019.

Funding is allocated to a nonprofit medical research foundation that specializes in biotechnology and that collaborates with universities, hospitals, biotechnology

and health science research centers. Previously, NAU awarded the funding to the Translational Genomics Research Institute (TGen). *(Please see the Department of Health Services section for additional information on nonprofit medical research funding.)*

Economic Policy Institute

The budget includes \$500,000 from the General Fund in FY 2020 for the Economic Policy Institute line item. This amount is unchanged from FY 2019.

The funding for the Economic Policy Institute was used to support the institute's mission of rural economic development, financial literacy, and entrepreneurialism. This was the first year of state funding being allocated to the institute.

Funding for the Economic Policy Institute line item was previously labeled as one-time in FY 2019 and is now labeled as ongoing.

The FY 2020 General Appropriation Act also specifies that the state appropriations and all private and external donations to the institute must be deposited into a separate account.

NAU - Yuma

The budget includes \$3,071,400 and 25.9 FTE Positions from the General Fund in FY 2020 for NAU-Yuma. These amounts are unchanged from FY 2019.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

One-Time Funding

The budget includes \$6,650,000 from the General Fund in FY 2020 for the One-Time Funding line item. FY 2020 adjustments are as follows:

Adjusted One-Time Funding

The budget includes an increase of \$5,109,800 from the General Fund in FY 2020 for the adjustment of one-time funding for capital improvements or operating expenditures.

The FY 2019 budget included \$1,590,200 of one-time funding for NAU for capital improvements or operating expenditures. As reviewed at the April 2018 JCCR meeting, NAU reported that it is using its one-time funds in FY 2019 toward the cost of renovating its Science Annex building.

Teacher Training

The budget includes \$2,291,800 and 8.5 FTE Positions from the General Fund in FY 2020 for Teacher Training. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2020 for the Teacher Training line item.

The Teacher Training program serves to increase the number of teachers serving as mentors under the Teacher Training (“Master Teacher”) program. The Arizona K-12 Center is affiliated with NAU and is located in downtown Phoenix.

Other Issues

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- University Collections and FTE Positions Adjustments

Summary

NAU’s FY 2020 General Fund budget is \$117,250,900. Of this amount:

- \$100,088,400 is included in NAU’s individual section of the FY 2020 General Appropriation Act.
- \$1,700 is part of statewide adjustments.
- \$5,899,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$4,611,300 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- \$6,650,000 is a one-time appropriation in Section 155 of the FY 2020 General Appropriation Act for capital improvements or operating expenditures.

Long-Term Budget Impacts

As part of the budget’s 3-year spending plan, NAU’s General Fund costs are projected to decrease by \$(7.6) million in FY 2021 below FY 2020 and an increase of \$254,400 in FY 2022 above 2021.

These estimates are based on:

- A \$(6,650,000) decrease in FY 2021 for the removal of one-time funding for capital improvements or operating expenditures.

- A \$(1,020,000) decrease in 2021 and a \$160,300 increase in FY 2022 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$92,200 in FY 2021 and \$94,100 in FY 2022 to increase the university’s annual Capital Infrastructure Funding appropriation by 2% each year. (The GDP inflator is currently projected at 2.50% for FY 2021 and 2.70% for FY 2022; statute funds the lesser of 2% or the actual rate). *(Please see the 2017 University Capital Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2019 General Appropriation Act appropriated \$157,620,700 from the University Collections Fund to NAU in FY 2019. The Collections Fund for NAU represents a portion of tuition, fees and a portion of land earnings. *(Please see ABOR Other Issues for more information.)* If collections differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2019 to the Joint Legislative Budget Committee in July 2018, and NAU incorporated the adjusted FY 2019 amounts as part of their FY 2020 budget submission. Accordingly, the estimated FY 2019 amount has been adjusted upward by \$3,338,200 to \$160,958,900.

The FY 2020 University Collections Fund amount is increased by \$141,300 for statewide adjustments to \$161,100,200.

The FY 2019 FTE Position count has also been adjusted. The FY 2019 General Appropriation Act originally appropriated 2,316.5 FTE Positions in FY 2019 for NAU. The General Fund accounted for 865.1 FTE Positions and the University Collections Fund accounted for the remaining 1,451.4 FTE Positions. The estimated number of FY 2019 FTE Positions remains at 2,316.5. The General Fund accounts for 852.2 FTE Positions and the University Collections Fund accounts for the remaining 1,464.3 FTE Positions.

University of Arizona - Main Campus

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6,064.5	6,092.5	6,092.5 ^{1/}
Personal Services	310,997,700	320,031,400	320,031,400
Employee Related Expenditures	107,904,800	111,234,700	111,650,600
Professional and Outside Services	6,919,700	1,406,700	1,406,700
Travel - In State	109,700	49,300	49,300
Travel - Out of State	905,400	45,500	45,500
Other Operating Expenditures	62,453,400	57,581,100	58,760,000
OPERATING SUBTOTAL	489,290,700	490,348,700	491,943,500
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	14,249,300	14,251,000	14,250,200 ^{2/}
2017 Capital Infrastructure Funding	0	10,551,700	10,762,700 ^{3/}
Agriculture	49,255,600	44,951,900	44,973,100
Arizona Cooperative Extension	14,955,000	16,462,300	16,465,500
Arizona Financial Aid Trust	2,729,400	2,729,400	2,729,400
Arizona Geological Survey	908,300	948,500	948,500
Center for the Philosophy of Freedom	3,500,000	3,526,500	2,526,500 ^{4/}
Mining, Mineral and Natural Resources Educational Museum	109,000	428,800	428,800
One-Time Funding	3,157,700	2,164,800	9,450,000 ^{5/}
Sierra Vista Campus	8,242,100	7,574,500	7,579,300
AGENCY TOTAL	586,397,100	593,938,100	602,057,500 ^{6/7/}
FUND SOURCES			
General Fund	199,600,900	208,836,400	215,808,900 ^{8/9/10/}
<u>Other Appropriated Funds</u>			
University Collections Fund	386,796,200	385,101,700	386,248,600 ^{11/}
SUBTOTAL - Other Appropriated Funds	386,796,200	385,101,700	386,248,600
SUBTOTAL - Appropriated Funds	586,397,100	593,938,100	602,057,500
Other Non-Appropriated Funds	1,060,868,900	1,078,505,200	1,115,343,400
Federal Funds	255,529,200	263,195,500	272,407,300
TOTAL - ALL SOURCES	1,902,795,200	1,935,638,800	1,989,808,200

AGENCY DESCRIPTION — Established in 1885, The University of Arizona (UA) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, UA had 39,632 full-time equivalent students at its campuses (excluding the Health Sciences Center) in fall 2018. Upon its establishment, UA received the federal land grant for Arizona, allowing the creation of agricultural and mining programs that continue today.

FOOTNOTES

- ^{1/} Includes 898.4 GF and 386.1 OF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} A.R.S. § 15-1670 appropriates \$14,250,200 to UA-Main from the General Fund to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$10,762,700 to UA-Main from the General Fund in FY 2020 for capital infrastructure projects.
- ^{4/} The appropriated amount for the Center for the Philosophy of Freedom line item may not supplant any existing state funding or private or external donations to the Center or the Philosophy Department of the University of Arizona. The appropriated monies and all private and external donations to the Center, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the Center and may not be used for indirect costs of the university. On or before October 1, 2019, the Center shall submit a report to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate Education

Committee and the House of Representatives Education Committee and the Director of the Joint Legislative Budget Committee that includes at least the following information for the Center: 1) The total amount of funding received from all sources, 2) A description of faculty positions and courses offered, 3) The total undergraduate and graduate student participation, 4) Significant community events, initiatives or publications.

The Chairpersons of the Senate Education Committee and the House of Representatives Education Committee may request the Director of the Center to appear before the committees to report on the Center's annual achievements. (General Appropriation Act footnote)

- 5/ The sum of \$35,000,000 is appropriated from the state General Fund in FY 2020 to Arizona State University, Northern Arizona University, and the University of Arizona for capital improvements or operating expenditures in the following amounts: 1) Arizona State University \$18,900,000, 2) Northern Arizona University \$6,650,000, 3) University of Arizona \$9,450,000. On or before August 1, 2019, each university shall report the intended use of the monies to the Joint Legislative Budget Committee. Before any expenditure of the monies appropriated in subsection A of this section for capital improvements, each university shall submit the scope, purpose and estimated cost of the capital improvements for review by the Joint Committee on Capital Review pursuant to A.R.S. § 41-1252. (General Appropriation Act Footnote)
- 6/ Other than scholarships awarded through the Arizona Financial Aid Trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ The state General Fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 9/ The FY 2020 General Fund budget as adjusted for statewide adjustments is \$215,808,900. This amount includes \$180,868,900 in UA - Main's individual section of the FY 2020 General Appropriation Act, \$477,100 for statewide adjustments, \$14,250,200 in A.R.S. § 15-1670 lease-purchase appropriations, \$10,762,700 in A.R.S. § 15-1671 capital infrastructure appropriations, and a one-time \$9,450,000 appropriation in section 155 of the FY 2020 General Appropriation Act for capital improvements and operating expenditures.
- 10/ The increased state General Fund appropriation from Laws 2014, Chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 11/ Any unencumbered balances remaining in the University Collections Fund on June 30, 2019 and all collections received by the university during the fiscal year are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The budget includes \$491,943,500 and 4,808 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	128,795,500
University Collections Fund	363,148,000

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,594,800 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	474,600
University Collections Fund	1,120,200

(Please see the Agency Detail and Allocations section.)

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(Please see the ABOR section for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The budget includes \$14,250,200 from the General Fund in FY 2020 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2020 adjustments are as follows:

Refinance Adjustment

The budget includes a decrease of \$(800) from the General Fund in FY 2020 to adjust the Certificates of Participation (COPs) payment.

As amended by the FY 2017 Higher Education Budget Reconciliation Bill (BRB), A.R.S. § 15-1670 appropriates an annual amount from the General Fund to the state

university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006.

Since this funding appears in A.R.S. § 15-1670, this funding does not appear in the FY 2020 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, UA has issued \$201,300,000 in COPs.

(Please see the Long-Term Budget Impacts narrative below and the 2003 Research Infrastructure narrative in the ABOR section for more information.)

2017 Capital Infrastructure Funding

The budget includes \$10,762,700 from the General Fund in FY 2020 for the 2017 Capital Infrastructure Funding line item. FY 2020 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$211,000 from the General Fund in FY 2020 for a 2% increase in Capital Infrastructure Funding.

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. Since this funding appears in A.R.S. § 15-1671, this funding does not appear in the FY 2020 General Appropriation Act. A.R.S. § 15-1671 increases the appropriation annually by the lesser of 2% or inflation.

(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)

Agriculture

The budget includes \$44,973,100 and 814.9 FTE Positions in FY 2020 for the Agriculture Programs. These amounts consist of:

General Fund	28,594,200
University Collections Fund	16,378,900

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$21,200 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	1,600
University Collections Fund	19,600

This line item supports agricultural academic programs in Animal Systems; Environment and Natural Resources; Family, Youth, and Community; Human Nutrition, Food Safety and Health; Marketing, Trade, and Economics; and Plant Systems.

Arizona Cooperative Extension

The budget includes \$16,465,500 and 354.8 FTE Positions in FY 2020 for the Arizona Cooperative Extension. These amounts consist of:

General Fund	14,563,200
University Collection Fund	1,902,300

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,200 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	900
University Collections Fund	2,300

This line item supports Agriculture Experiment Stations and Cooperative Extension services that provide non-credit community outreach seminars and youth programs throughout the state.

Arizona Financial Aid Trust

The budget includes \$2,729,400 from the General Fund in FY 2020 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2019. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information).*

Arizona Geological Survey

The budget includes \$948,500 from the General Fund in FY 2020 for the Arizona Geological Survey. This amount is unchanged from FY 2019.

The Geological Survey investigates Arizona's geology and provides technical advice and assistance to state and local government agencies, industry and other members of the public concerning the geologic environment and the development and use of mineral resources in Arizona.

(Please see *Geological Survey Transfer in Other Issues in the University of Arizona section of the FY 2018 Baseline Book* for more information.)

Center for the Philosophy of Freedom

The budget includes \$2,526,500 and 37.4 FTE Positions from the General Fund in FY 2020 for the Center for the Philosophy of Freedom (CPF). FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2020 for the elimination of one-time funding for operating expenditures.

The CPF received a one-time allocation of \$1,000,000 in FY 2019, which the Center used for faculty salaries and to support its initiatives.

This line item supports the CPF, which is within the UA Department of Political Economy and Moral Science. The CPF's functions include publishing research, undergraduate education, graduate education, and community outreach.

Mining, Mineral and Natural Resources Educational Museum

The budget includes \$428,800 and 1 FTE Position from the General Fund in FY 2020 for the Mining, Mineral, and Natural Resources Educational Museum. These amounts are unchanged from FY 2019.

This line item funds a curator and monies that will be used by the University to pay for repairs to the building.

(Please see the *FY 2018 Baseline Book* and *FY 2018 Appropriations Report* for more information).

One-Time Funding

The budget includes \$9,450,000 from the General Fund in FY 2020 for the One-Time Funding line item. FY 2020 adjustments are as follows.

Adjusted One-Time Funding

The budget includes an increase of \$7,285,200 from the General Fund in FY 2020 for the adjustment of one-time funding for capital improvements or operating expenditures.

The FY 2019 budget included \$2,164,800 of one-time funding for UA for capital improvements or operating expenditures. UA used its FY 2019 one-time funding on

information technology infrastructure and security projects.

This one-time allocation was also funded in FY 2018 (\$3,157,700) and FY 2019 (\$2,164,800).

Sierra Vista Campus

The budget includes \$7,579,300 and 76.4 Positions in FY 2020 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,759,900
University Collections Fund	4,819,400

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$4,800 from the University Collections Fund in FY 2020 for statewide adjustments.

UA - Sierra Vista offers upper-division undergraduate programs in 16 disciplines for community college transfer students. While ABOR authorized this UA branch campus for Sierra Vista in 1995, the Legislature has not formally established the campus in statute.

Other Issues

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- University Collections and FTE Positions Adjustments

Summary

UA - Main's FY 2020 General Fund budget is \$215,808,900. Of this amount:

- \$180,868,900 is included in UA - Main's individual section of the FY 2020 General Appropriation Act.
- \$477,100 is part of statewide adjustments.
- \$14,250,200 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$10,762,700 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- \$9,450,000 is a one-time appropriation in section 155 of the FY 2020 General Appropriation Act for capital improvements or operating expenditures.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, UA - Main's General Fund costs are projected to decrease by \$(9.2) million in FY 2021 below FY 2020, and increase by \$217,000 in FY 2022 above FY 2021.

These estimates are based on:

- A \$(9,450,000) decrease in FY 2021 for the removal of one-time funding for capital improvements or operating expenditures
- A \$1,300 increase in FY 2021 and a \$(2,600) decrease in FY 2022 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$215,300 in FY 2021 and \$219,600 in FY 2022, respectively, to increase the university's annual Capital Infrastructure Funding appropriation by 2% each year. (The GDP inflator is currently projected at 2.50% for FY 2021 and 2.70% for FY 2022; statute funds the lesser of 2% or the actual rate). *(Please see the 2017 University Capital Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2019 General Appropriation Act appropriated \$412,085,600 from the University Collections Fund to UA - Main in FY 2019. The Collections Fund for UA - Main represents a portion of tuition, fees and a portion of land earnings. *(Please see ABOR Other Issues for more information.)* If collections differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2019 to the Joint Legislative Budget Committee in July 2018, and UA incorporated the adjusted FY 2019 amounts as part of their FY 2020 budget submission. Accordingly, the estimated FY 2019 amount has been adjusted downward by \$(26,983,900) to \$385,101,700.

The FY 2020 University Collections Fund amount is increased by \$1,146,900 for statewide adjustments to \$386,248,600.

The FY 2019 FTE Position count has also been adjusted. The FY 2019 General Appropriation Act originally appropriated 6,064.5 FTE Positions in FY 2019 for UA - Main. The General Fund accounted for 2,084.4 FTE Positions and the University Collections Fund accounted for the remaining 3,980.1 FTE Positions. The estimated number of FY 2019 FTE Positions has been adjusted by 28 to 6,092.5. The General Fund accounts for 2,156.6 FTE Positions and the University Collections Fund accounts for the remaining 3,935.9 FTE Positions.

University of Arizona - Health Sciences Center

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,176.3	1,226.3	1,226.3 ^{1/}
Personal Services	52,078,200	55,563,900	55,563,900
Employee Related Expenditures	17,049,800	18,255,500	18,255,500
Professional and Outside Services	571,800	0	0
Travel - In State	46,200	24,800	24,800
Travel - Out of State	190,100	6,700	6,700
Other Operating Expenditures	4,850,900	5,198,200	5,198,200
OPERATING SUBTOTAL	74,787,000	79,049,100	79,049,100
SPECIAL LINE ITEMS			
Clinical Rural Rotation	328,800	353,600	353,600
Clinical Teaching Support	8,513,000	8,587,000	8,587,000
Liver Research Institute	430,200	440,400	440,400
Phoenix Medical Campus	31,934,600	32,421,400	40,421,400 ^{2/}
Telemedicine Network	1,669,000	1,670,000	1,670,000
AGENCY TOTAL	117,662,600	122,521,500	130,521,500 ^{3/4/}
FUND SOURCES			
General Fund	69,437,700	68,897,700	76,897,700 ^{5/6/}
<u>Other Appropriated Funds</u>			
University Collections Fund	48,224,900	53,623,800	53,623,800 ^{7/}
SUBTOTAL - Other Appropriated Funds	48,224,900	53,623,800	53,623,800
SUBTOTAL - Appropriated Funds	117,662,600	122,521,500	130,521,500
Other Non-Appropriated Funds	387,316,400	402,834,900	416,941,600
Federal Funds	122,401,500	126,073,400	130,485,900
TOTAL - ALL SOURCES	627,380,500	651,429,800	677,949,000

AGENCY DESCRIPTION — The University of Arizona's Health Sciences (UAHS) includes its Colleges of Medicine Tucson and Phoenix, Nursing, Pharmacy, and Public Health. UAHS also currently operates a medical campus in Phoenix that opened in FY 2006. The UAHS had 5,792 full-time equivalent non-medical students and approximately 819 medical students at its campuses in fall 2018.

FOOTNOTES

- ^{1/} Includes 381.4 GF and 54.8 OF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} The Legislature intends that \$8,000,000 appropriated to the Phoenix Medical Campus line item be used to expand the University of Arizona Phoenix Medical School and to provide tuition waivers. The Legislature intends that the \$8,000,000 not be annualized in future years.
- ^{3/} Other than scholarships awarded through the Arizona Financial Aid Trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- ^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{5/} The state General Fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- ^{6/} The increased state General Fund appropriation from Laws 2014, Chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- ^{7/} Any unencumbered balances remaining in the University Collections Fund on June 30, 2019 and all collections received by the university during the fiscal year are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The budget includes \$79,049,100 and 790.1 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$34,576,900
University Collections Fund	44,472,200

These amounts are unchanged from FY 2019.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(Please see the ABOR section for more information.)*

Clinical Rural Rotation

The budget includes \$353,600 and 6.2 FTE Positions from the General Fund in FY 2020 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2019.

This line item funds the Rural Health Professions Program, which enables nurse practitioner, medical, and pharmacy students to plan and complete clinical practice rotations in rural and medically under-served sites throughout the state.

Clinical Teaching Support

The budget includes \$8,587,000 and 214.2 FTE Positions from the General Fund in FY 2020 for Clinical Teaching Support. These amounts are unchanged from FY 2019.

Clinical Teaching Support provides hospital training, through internships and residencies, for medical, nursing, clinical, and other health students in a wide variety of specialty areas. Students fill all the above-mentioned FTE Positions.

Liver Research Institute

The budget includes \$440,400 and 6.6 FTE Positions from the General Fund in FY 2020 for the Liver Research Institute. These amounts are unchanged from FY 2019.

The Liver Research Institute conducts clinical studies on all liver diseases, focusing on chemical and natural agents that may offer a cure for such ailments. The line item also supports a research development program that actively pursues outside grants and donations.

Phoenix Medical Campus

The budget includes \$40,421,400 and 193.9 FTE Positions in FY 2020 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	31,269,800
University Collections Fund	9,151,600

FY 2020 adjustments are as follows:

Phoenix Medical School Expansion

The budget includes an increase of \$8,000,000 from the General Fund in FY 2020 to expand enrollment at the Phoenix Medical Campus and to provide tuition waivers to medical students who agree to work in an underserved specialty and area of the state.

The Phoenix Medical Campus currently has approximately 320 medical students and 80 Master of Public Health students. The \$8,000,000 increase is expected to fund approximately 60 additional medical students. The FY 2020 General Appropriation included a footnote stating that the increase is intended to be the annualized amount for the expansion.

Laws 2008, Chapter 287 authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities of which ABOR is required to allocate \$376,000,000 for the Phoenix Medical Campus. Of that amount, the JCCR has reviewed \$276,245,000. *(For additional information on university lottery bonding, please see the Capital Outlay - ABOR Building Systems section of this report. For historical information, please see the FY 2015 Appropriations Report.)*

Telemedicine Network

The budget includes \$1,670,000 and 15.3 FTE Positions from the General Fund in FY 2020 for the Telemedicine Network. These amounts are unchanged from FY 2019.

Telemedicine is the use of computers, video imaging, broadband Internet, and other telecommunication technologies to diagnose and treat patients in rural communities.

Other Issues

University Collections Adjustments

Including statewide adjustments, the FY 2019 General Appropriation Act appropriated \$49,776,300 from the University Collections Fund to UA - HSC in FY 2019. The Collections Fund for UA - HSC represents a portion of tuition, fees and a portion of land earnings. (*Please see ABOR Other Issues for more information.*) If collections differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2019 to the Joint Legislative Budget Committee in July 2018, and UA incorporated the adjusted FY 2019 amounts as part of their FY 2020 budget submission. Accordingly, the estimated FY 2019 amount has been adjusted upward by \$3,847,500 to \$53,623,800.

The FY 2019 FTE Position count has also been adjusted. The FY 2019 General Appropriations Act originally appropriated 1,176.3 FTE Positions in FY 2019 for the UA - HSC. The General Fund accounted for 724.8 FTE Positions and the University Collections Fund accounted for the remaining 451.5 FTE Positions. The estimated number of FY 2019 FTE Positions has been adjusted by 50 to 1,226.3. The General Fund accounts for 727 FTE Positions and the University Collections Fund accounts for the remaining 499.3 FTE Positions.

Department of Veterans' Services

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	512.3	497.3	497.3 ^{1/}
Personal Services	1,155,100	1,187,100	1,187,100
Employee Related Expenditures	406,100	445,000	445,900
Professional and Outside Services	10,400	50,000	50,000
Travel - In State	15,600	25,000	25,000
Travel - Out of State	9,200	7,000	7,000
Other Operating Expenditures	414,000	559,700	578,700
Equipment	84,000	50,000	50,000
OPERATING SUBTOTAL	2,094,400	2,323,800	2,343,700
SPECIAL LINE ITEMS			
Arizona State Veterans' Cemeteries	898,400	930,800	931,300
Arizona State Veterans' Homes	31,358,600	35,414,100	35,607,900
Hyperbaric Oxygen Therapy Fund Deposit	0	25,000	0 ^{2/}
Veterans' Benefit Counseling	2,670,000	2,841,000	2,842,400
Veterans' Suicide Prevention	0	0	1,225,500 ^{3/}
Veterans' Trauma Treatment Services	0	0	450,000 ^{4/}
AGENCY TOTAL	37,021,400	41,534,700	43,400,800 ^{5/}
FUND SOURCES			
General Fund	5,662,800	6,120,600	7,792,900
<u>Other Appropriated Funds</u>			
State Home for Veterans' Trust Fund	31,358,600	35,414,100	35,607,900
SUBTOTAL - Other Appropriated Funds	31,358,600	35,414,100	35,607,900
SUBTOTAL - Appropriated Funds	37,021,400	41,534,700	43,400,800
Other Non-Appropriated Funds	3,060,600	3,462,900	3,440,100
Federal Funds	1,653,500	4,979,500	4,979,500
TOTAL - ALL SOURCES	41,735,500	49,977,100	51,820,400

AGENCY DESCRIPTION — The agency supervises and operates 2 skilled nursing homes for Arizona veterans in Phoenix and Tucson, assists veterans in developing and filing claims for federal entitlements, and operates 3 veterans' memorial cemeteries in Sierra Vista, Marana, and Flagstaff.

FOOTNOTES

- ^{1/} Includes 69.5 GF and 381 OF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} Laws 2018, Chapter 98 appropriated \$25,000 from the General Fund in FY 2019 and \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund in FY 2023 for hyperbaric oxygen therapy.
- ^{3/} The amount appropriated for the Veterans' Suicide Prevention Line Item shall be distributed to a nonprofit veterans' services organization that provides services related to reducing suicides among this state's military and veteran population. The department may spend up to \$75,700 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization. Before the expenditure of the monies, the department shall submit an expenditure report for review by the Joint Legislative Budget Committee that includes the status of non-state matching grant monies. (General Appropriation Act footnote)
- ^{4/} Monies appropriated for the Veterans' Trauma Treatment Services line item shall be used to provide grants to contractors as defined in A.R.S. § 36-2091, that provide trauma treatment services training to any of the following health professionals licensed pursuant to Title 32, Arizona Revised Statutes: 1) Physicians 2) Registered nurse practitioners 3) Physician assistants 4) Psychologists 5) Behavioral health professionals who are either licensed for individual practice or supervised by a psychologist, registered nurse practitioner or behavioral health professional licensed pursuant to Title 32, Arizona Revised Statutes for independent practice. (General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,343,700 and 46.8 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$19,900 from the General Fund in FY 2020 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona State Veterans' Cemeteries

The budget includes \$931,300 and 12.5 FTE Positions from the General Fund in FY 2020 for the Arizona State Veterans' Cemeteries. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$500 from the General Fund in FY 2020 for statewide adjustments.

Monies in this line item are used to partially offset the operating and maintenance costs for the 3 veteran cemeteries in the state. The department also receives interment fees from the federal government, which are deposited into the non-appropriated Arizona State Veterans' Cemetery Trust Fund.

Arizona State Veterans' Homes

The budget includes \$35,607,900 and 381 FTE Positions from the State Home for Veterans' Trust Fund in FY 2020 for the Arizona State Veterans' Homes. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$193,800 from the State Home for Veterans Trust Fund in FY 2020 for statewide adjustments.

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes in Phoenix and Tucson. Monies in this line item are from fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.

Hyperbaric Oxygen Therapy Fund Deposit

The budget includes no funding in FY 2020 for the Hyperbaric Oxygen Therapy Fund. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(25,000) from the General Fund in FY 2020 for a one-time deposit to the Hyperbaric Oxygen Therapy for Military Veterans Fund.

Monies in the fund are non-appropriated and non-lapsing. The bill requires an advisory committee to provide financial assistance from the fund to veterans for hyperbaric oxygen therapy. The Department of Veterans' Services may seek reimbursement to the fund if the therapy is fully or partially covered by private insurance.

The bill also appropriated \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund to the General Fund in FY 2023.

Veterans' Benefit Counseling

The budget includes \$2,842,400 and 57 FTE Positions from the General Fund in FY 2020 for Veterans' Benefit Counseling. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,400 from the General Fund in FY 2020 for statewide adjustments.

The monies in this line item are used to assist Arizona veterans with questions about benefit eligibility, completion and filing of U.S. Department of Veterans' Affairs claims, and in obtaining earned benefits.

Veterans' Suicide Prevention

The budget includes \$1,225,500 from the General Fund in FY 2020 for Veterans' Suicide Prevention Services. FY 2020 Adjustments are as follows:

Program Funding

The budget includes an increase of \$1,225,500 from the General Fund in FY 2020 for Veterans' Suicide Prevention Services.

Funding for this line item shall be distributed to a nonprofit veterans' services organization that provides services related to reducing suicides among Arizona's military and veteran population. The department may spend up to \$75,700 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization.

Before expenditure of these monies, the department shall submit an expenditure report for review by the Joint Legislative Budget Committee that includes the status of non-state matching grant monies.

Trauma Treatment Services

The budget includes \$450,000 from the General Fund in FY 2020 for Trauma Treatment Services. FY 2020 adjustments are as follows:

Program Funding

The budget includes an increase of \$450,000 from the General Fund in FY 2020 for Trauma Treatment Services.

Monies appropriated for this line item shall be used to provide grants to contractors as defined in A.R.S. § 36-2901, that provide trauma treatment services training to any of the following health professionals licensed pursuant to Title 32, Arizona Revised Statutes: Physicians, Registered Nurse Practitioners, Physician Assistants, Psychologists, and Behavioral Health Professionals who are either licensed for individual practice or supervised by a psychologist, registered nurse practitioner, or behavioral health professional licensed pursuant to Title 32, Arizona Revised Statutes, for independent practice.

Other Issues

Status of Veterans' Home Construction

The FY 2015 budget appropriated \$9.2 million in non-lapsing General Fund monies for the state's share of the construction and establishment of a veterans' home facility in Yuma. The FY 2017 budget included \$10.0 million from the General Fund for the construction of a similar home in Flagstaff. The amount appropriated reflects 35% of the estimated cost of each home. The department received a commitment for the other 65% share of the cost from the federal government in FY 2018.

The Department of Veterans' Services reports that construction costs have increased since initial estimates were made in 2015. The federal government allows a one-time 10% increase in construction costs for both homes after the funding commitment has been made. The state is required to pay 35% of this increase, or \$1.9 million, before the federal government commits to the other 65%, or \$5.5 million.

The FY 2019 Capital Outlay Bill appropriated an additional \$4.0 million for the Yuma Veterans' Home and \$4.0 million for the Flagstaff Veterans' Home from the State Home for Veterans' Trust Fund in FY 2019. These appropriations cover the state's share of the one-time 10% cost increase and allow the department to increase the size of both facilities from 60 beds to 80 beds.

The department submitted a report of the scope, purpose, and estimate cost for the new facilities to the Joint Committee on Capital Review at the September 2018 meeting. The request received a favorable review from the Committee. Construction for both homes began in June 2019 and is scheduled to be completed by June 2021.

Arizona State Veterinary Medical Examining Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	224,000	359,200	359,200
Employee Related Expenditures	71,200	114,300	116,000
Professional and Outside Services	25,500	52,100	37,700
Travel - In State	3,800	4,500	4,500
Travel - Out of State	1,100	1,600	1,600
Other Operating Expenditures	63,000	72,300	79,500
Equipment	2,500	1,500	1,500
AGENCY TOTAL	391,100	605,500	600,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Veterinary Medical Examining Board Fund	391,100	605,500	600,000
SUBTOTAL - Other Appropriated Funds	391,100	605,500	600,000
SUBTOTAL - Appropriated Funds	391,100	605,500	600,000
TOTAL - ALL SOURCES	391,100	605,500	600,000

AGENCY DESCRIPTION — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$600,000 and 6 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time E-Licensing Upgrade

The budget includes a decrease of \$(14,400) from the Veterinary Medical Examining Board Fund in FY 2020 for the removal of a one-time FY 2019 increase to upgrade features for the board's online licensing system.

Statewide Adjustments

The budget includes an increase of \$8,900 from the Veterinary Medical Examining Board Fund in FY 2020 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Department of Water Resources

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	139.0	139.0	145.0 ^{1/}
Personal Services	4,657,700	5,214,600	5,592,600
Employee Related Expenditures	1,742,700	1,954,300	2,127,700
Professional and Outside Services	147,700	148,100	148,100
Travel - In State	74,500	70,100	70,100
Travel - Out of State	57,300	51,400	51,400
Other Operating Expenditures	1,579,200	1,965,700	2,191,900
Equipment	377,900	225,900	225,900
OPERATING SUBTOTAL	8,637,000	9,630,100	10,407,700
SPECIAL LINE ITEMS			
Adjudication Support	1,724,400	1,740,100	1,742,900 ^{2/}
Assured and Adequate Water Supply Administration	1,849,600	1,992,400	1,995,100 ^{3/}
Automated Groundwater Monitoring	296,200	411,500	411,800
Arizona Water Protection Fund Deposit	250,000	650,000	750,000
Colorado River Legal Expenses	20,700	500,000	500,000 ^{4/5/}
Conservation and Drought Program	216,700	410,200	410,700
Northwest Basins Groundwater Study	0	100,000	0
Rural Water Studies	1,102,000	1,162,600	1,164,000 ^{6/}
Drought Contingency Plan Programs			
Arizona System Conservation Fund Deposit	0	0	30,000,000 ^{7/}
2017 Drought Contingency Program	2,000,000	0	0
Augmentation and Conservation Assistance Fund Deposit	0	0	2,000,000 ^{8/}
Temporary Groundwater and Irrigation Efficiency Projects Fund Deposit	0	9,000,000 ^{9/}	20,000,000 ^{10/}
AGENCY TOTAL	16,096,600	25,596,900	69,382,200 ^{11/}
FUND SOURCES			
General Fund	15,315,500	23,169,800	66,937,700
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	222,000	268,500	268,600
Water Banking Fund	400,000	1,212,200	1,212,200
Water Resources Fund	159,100	946,400	963,700
SUBTOTAL - Other Appropriated Funds	781,100	2,427,100	2,444,500
SUBTOTAL - Appropriated Funds	16,096,600	25,596,900	69,382,200
Other Non-Appropriated Funds	12,818,500	12,443,600	12,443,600
Federal Funds	253,300	371,100	371,100
TOTAL - ALL SOURCES	29,168,400	38,411,600	82,196,900

AGENCY DESCRIPTION — The Department of Water Resources administers and enforces Arizona's groundwater and surface water law, as well as legally representing the state's water rights. The department also participates in surveying water level and quality and planning flood control.

FOOTNOTES

^{1/} Includes 60 GF FTE Positions funded from Special Line Items in FY 2020.

^{2/} Monies in the Adjudication Support line item may be used only for the exclusive purposes prescribed in A.R.S. § 45-256 and A.R.S. § 45-257B4. The Department of Water Resources may not transfer any monies into or out of the Adjudication Support line item. (General Appropriation Act footnote)

- 3/ Monies in the Assured and Adequate Water Supply Administration line item may be used only for the exclusive purposes prescribed in A.R.S. § 45-108 and A.R.S. § 45-576 through A.R.S. § 45-579. The Department of Water Resources may not transfer any monies into or out of the Assured and Adequate Water Supply Administration line item. (General Appropriation Act footnote)
- 4/ The Department of Water Resources may not transfer any monies from the Colorado River Legal Expenses line item without prior review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 5/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 6/ The Legislature intends that monies in the Rural Water Studies line item be spent only to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's Active Management Areas and not be made available for other department operating expenditures. (General Appropriation Act footnote)
- 7/ Laws 2019, Chapter 1 appropriated \$30,000,000 from the General Fund to the Arizona System Conservation Fund in FY 2020.
- 8/ Laws 2019, Chapter 1 appropriated \$2,000,000 from the General Fund to the Augmentation and Conservation Assistance Fund in FY 2020 for the purpose of providing additional monies for conservation grants for conservation of groundwater in the active management areas.
- 9/ Laws 2019, Chapter 1 appropriated a sum of \$9,000,000 from the General Fund to the Temporary Groundwater and Irrigation Efficiency Projects Fund in FY 2019.
- 10/ The sum of \$20,000,000 is appropriated from the state General Fund in FY 2020 to the Temporary Groundwater and Irrigation Efficiency Projects Fund established by A.R.S. § 45-615.01 to construct, rehabilitate and lease wells and infrastructure related to the withdrawal and efficient delivery of groundwater by qualified irrigation districts as defined in A.R.S. § 45-615.01. The disbursement of monies must be evidenced by an agreement between the qualified irrigation districts and the Director of Water Resources. The terms of the agreement shall require the repayment of the monies disbursed pursuant to this section on or before December 31, 2021 and may not require payment of interest by the qualified irrigation district. The Director shall reimburse the state General Fund with all monies repaid by qualified irrigation districts pursuant to this section. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$10,407,700 and 85 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$8,731,800
Water Banking Fund	1,212,200
Water Resources Fund	463,700

FY 2020 adjustments are as follows:

Additional Staff

The budget includes an increase of \$540,000 and 6 FTE Positions from the General Fund in FY 2020 for the addition of 2 groundwater flow modelers and 4 geographic information system and outreach staff members.

Document Digitization

The budget includes a one-time increase of \$200,000 from the General Fund in FY 2020 for document digitization. Statute requires the Department to maintain a Central Information Repository of all adjudications. The funds are to be used to digitize those documents.

Statewide Adjustments

The budget includes an increase of \$37,600 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	20,300
Water Resources Fund	17,300

(Please see the Agency Detail and Allocations section.)

Adjudication Support

The budget includes \$1,742,900 and 21 FTE Positions from the General Fund in FY 2020 for Adjudication Support. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,800 from the General Fund in FY 2020 for statewide adjustments.

A.R.S. § 45-256 requires the Department of Water Resources to provide technical and administrative support to judicial proceedings involving water rights claims in the Gila River and Little Colorado River watersheds, which include approximately two-thirds of the land within the state.

Assured and Adequate Water Supply Administration

The budget includes \$1,995,100 and 21 FTE Positions in FY 2020 for the Assured and Adequate Water Supply (AAWS) Administration Program. These amounts consist of:

General Fund	1,726,500
AAWS Administration Fund	268,600

FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,700 in FY 2020 for statewide adjustments. This amount consists of:

General Fund	2,600
AAWS Administration Fund	100

Within the state's 5 Active Management Areas (AMAs), all new subdivisions must either obtain a Certificate of Assured Water Supply from the Department of Water Resources or obtain a commitment of water service from a municipal provider designated as having an Assured Water Supply. An applicant for a Certificate of Assured Water Supply or a Designation of Assured Water Supply must demonstrate the availability of water for the next 100 years.

New developers outside the 5 AMAs may obtain a commitment of water service from a municipal water provider designated as having an Adequate Water Supply or developers must obtain from the department a report of the water available to the new subdivision for 100 years before any lots may be sold. In most areas outside the AMAs, if the water supply report determined the water supply to be inadequate, lots may still be sold, but buyers must be notified of the determination. In certain areas outside the AMAs, lots may not be sold unless the water supply is determined to be adequate for 100 years.

Automated Groundwater Monitoring

The budget includes \$411,800 and 2 FTE Positions from the General Fund in FY 2020 for Automated Groundwater Monitoring. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$300 from the General Fund in FY 2020 for statewide adjustments.

This line item funds automated measuring instruments, which provide daily measurements of groundwater levels. This information is used to support the administration of all the water management programs that the department is responsible for, including but not limited to,

determining assured and adequate water supply, implementation and evaluation of recharge activities, rural water budgets, and water supply studies.

Arizona Water Protection Fund Deposit

The budget includes \$750,000 from the General Fund in FY 2020 for the Arizona Water Protection Fund Deposit line item. FY 2020 adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of \$(400,000) from the General Fund in FY 2020 to remove a one-time deposit to the Water Protection Fund.

One-Time Funding

The budget includes an increase of \$500,000 from the General Fund in FY 2020 for a one-time deposit to the Water Protection Fund.

The Water Protection Fund has received an ongoing annual General Fund deposit of \$250,000 since FY 2017. In FY 2019, Laws 2018, Chapter 330 appropriated an additional one-time General Fund amount of \$400,000. The FY 2020 budget includes an additional one-time General Fund amount of \$500,000.

The Water Protection Fund provides grants for projects that protect water quality and quantity, as well as to maintain, enhance and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determine annual recipients.

Colorado River Legal Expenses

The budget includes \$500,000 from the Water Resources Fund in FY 2020 for Colorado River Legal Expenses. This amount is unchanged from FY 2019.

This line item is for the Department of Water Resources to use for legal expenses related to the Colorado River. The FY 2019 budget expanded the uses by changing the name from the Lower Colorado River Litigation Expenses line item. Before FY 2019, this line item paid for litigation costs associated with the *Navajo Nation v. United States Department of the Interior* case, in which the Department of Water Resources is an intervening defendant. This case involves the Navajo Nation's claims to water from the Lower Colorado River and challenges operations that were put in place after the initial lawsuit was filed in 2003. The Navajo Nation filed an amended complaint on June 3, 2013 to begin litigating the case. As of June 2019, the litigation continues.

Conservation and Drought Program

The budget includes \$410,700 and 5 FTE Positions from the General Fund in FY 2020 for the Conservation and Drought Program. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$500 from the General Fund in FY 2020 for statewide adjustments.

This line item funds assistance to local communities to assess conservation needs and assists rural communities in the development of conservation programs, promote water education throughout the state, create guidelines for more efficient use of water, and provide suggestions for funding and implementing conservation programs. This line item also funds the department administering the requirements of the Community Water Systems program, including but not limited to annual water use reporting (mailings, electronic notification, and submittals), improvements to increase efficiencies of reporting and data collection, data analysis, and compliance.

Northwest Basins Groundwater Study

The budget includes no funding from the General Fund in FY 2020 for a Northwest Basins Groundwater Study. FY 2020 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(100,000) from the General Fund in FY 2020 to remove one-time funding for an independent study of groundwater in the Northwest Basins Planning Area.

This line item was previously used to fund a contracted independent study that estimated 1) the rate of groundwater depletion in the Northwest Basins Planning Area and (2) the number of years of groundwater remaining in the basins. The department issued a Request for Proposals for the study, and Matrix New World Engineering was chosen as the vendor. ADWR is required to submit a report of the study's findings on or before December 31, 2019.

Rural Water Studies

The budget includes \$1,164,000 and 11 FTE Positions from the General Fund in FY 2020 for Rural Water Studies. FY 2020 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,400 from the General Fund in FY 2020 for statewide adjustments.

This line item funds the department's administration, data collection, and evaluation of rural water studies. The monies are also used to provide assistance to local communities to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs. The current AMAs are Prescott, Phoenix, Pinal, Tucson, and Santa Cruz.

These studies are administered, in most cases, through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts, although if a community has a significant need the department can waive this requirement. The studies are primarily conducted by the local entity, with the department providing technical advice and financial assistance. The department is currently involved in 10 studies.

Drought Contingency Plan Programs

Arizona System Conservation Fund Deposit

Laws 2019, Chapter 1 appropriates \$30,000,000 from the General Fund in FY 2020 for deposit into the new Arizona System Conservation Fund. FY 2020 adjustments are as follows:

Fund Deposit

The budget includes an increase of \$30,000,000 from the General Fund in FY 2020 for deposit into the new Arizona System Conservation Fund.

The Drought Contingency Plan established the non-appropriated Arizona System Conservation Fund. Monies in the fund may be used to contract with Colorado River water users in Arizona who hold entitlements to Colorado River water to forgo water deliveries or diversions for creating system conservation.

(Please see the Drought Contingency Plan narrative in the Other Issues section.)

2017 Drought Contingency Program

The budget includes no funding in FY 2020 for the 2017 Drought Contingency Program line item. This amount is unchanged from FY 2019.

Monies in this line item were used for the state's financial contributions to efforts by Arizona Colorado River water users to conserve water in Lake Mead and thus reduce the likelihood of lake elevations dropping to levels that could result in reductions to Arizona's Colorado River allocation.

The FY 2018 General Appropriation Act included 3 years of one-time \$2,000,000 appropriations for FY 2018, FY 2019, FY 2020. Laws 2019, Chapter 1, known as the Drought Contingency Plan (DCP), however, repurposed the funding for FY 2019 and FY 2020. The FY 2019 appropriation was reallocated to the Temporary Groundwater and Irrigation Efficiency Projects Fund, and the FY 2020 appropriation was relocated to the Augmentation and Conservation Assistance Fund. More information can be found in the corresponding line items.

In FY 2018, ADWR spent \$2,000,000 for their share of a one-time transaction with other parties to conserve water in Lake Mead to prevent the water from dropping below 1,075 feet. The \$2,000,000 along with \$4,000,000 from other parties, was used to pay the Gila River Indian Community to forego delivery of their share of Colorado River water in CY 2017.

(Please see the Drought Contingency Plan narrative in the Other Issues section.)

Augmentation and Conservation Assistance Fund Deposit

Laws 2019, Chapter 1 appropriates \$2,000,000 from the General Fund in FY 2020 for deposit into the Augmentation and Conservation Assistance Fund. FY 2020 adjustments are as follows:

Fund Deposit

The budget includes a one-time increase of \$2,000,000 from the General Fund in FY 2020 for deposit into the Augmentation and Conservation Assistance Fund.

Monies in this line item were originally appropriated to the 2017 Drought Contingency Program by the 2018 General Appropriation Act. The Drought Contingency Plan repurposed these monies for deposit into the Augmentation and Conservation Assistance Fund to provide additional monies for grants for conservation of groundwater in active management areas.

(Please see the Drought Contingency Plan narrative in the Other Issues section.)

Temporary Groundwater and Irrigation Efficiency Projects Fund Deposit

The budget includes \$20,000,000 from the General Fund in FY 2020 for deposit into the new Temporary Groundwater and Irrigation Efficiency Projects Fund. FY 2020 adjustments are as follows:

Remove Supplemental and Repurposed Monies

The budget includes a decrease of \$(9,000,000) from the General Fund in FY 2020 to remove the one-time \$7,000,000 supplemental and \$2,000,000 of repurposed monies provided in FY 2019.

New One-Time Funding

The budget includes a one-time increase of \$20,000,000 from the General Fund in FY 2020 to construct, rehabilitate, and lease wells and infrastructure related to the withdrawal and efficient delivery of groundwater by qualified irrigation districts. The appropriated monies must be fully reimbursed to the General Fund on or before December 31, 2021.

The Drought Contingency Plan established the Temporary Groundwater and Irrigation Efficiency Projects Fund for the funding of projects that construct and rehabilitate infrastructure related to the efficient withdrawal and delivery of groundwater. Laws 2019, Chapter 1 appropriated a \$7,000,000 supplemental from the General Fund into the new fund for FY 2019 and repurposed an additional \$2,000,000 to the fund that was originally appropriated for the 2017 Drought Contingency Program line item by the FY 2018 General Appropriation Act.

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue to allow the department's Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2020.
- As session law, continue to allow the department non-municipality special fee authority, including an intent clause that limits additional revenue up to \$100,200, and exempt the department from rulemaking for this purpose.

Drought Contingency Plan

The Colorado River system supplies water to 7 states and to Mexico. The use of water from the river was established by a compact between the states signed in 1922 and subsequent agreements about the delivery, storage, and use of water. A 2007 agreement mandated a series of reductions to the state's allocation as the water levels decrease in the Colorado River system, measured by the water level in Lake Mead.

If the water level were to fall below 1,025 feet the United States Department of Interior would control the allocation of water, and Arizona and the other states could face additional reductions to water delivery. To avoid this fate, the affected states, the federal Department of the Interior, and the Bureau of Reclamation negotiated a Drought Contingency Plan. The plan, signed on May 20, 2019 by all relevant parties, will institute more immediate reductions at amounts higher than the 2007 agreement to preserve water in Lake Mead, as well as including incentives for additional water conservation by the parties.

Prior to the multi-state agreement, Laws 2019, Chapter 1, the Drought Contingency Plan, was enacted. The DCP allowed the Director of DWR to enter into the new agreement and specified Arizona's efforts to conserve waters in the Colorado River system.

As part of the DCP, Arizona appropriated a total of \$30,000,000 for Colorado River system conservation, \$9,000,000 for more efficient groundwater removal, and \$2,000,000 for the conservation of groundwater in active management areas.

CAPITAL OUTLAY

**Capital Outlay
Summary**

	FY 2020 APPROVED
BUILDING RENEWAL	
ADOA Building System	25,042,100
ADOT Building System	13,281,700
ABOR Building System	0
SUBTOTAL	38,323,800
INDIVIDUAL PROJECTS	
ADOA Building System	41,808,000
ADOT Building System	539,452,000
ABOR Building System	0
SUBTOTAL	581,260,000
DEBT AND LEASE-PURCHASE FINANCING	
2010 Leaseback Financing ^{1/}	77,709,300
Lease-Purchase Payoff ^{2/}	190,000,000
SUBTOTAL	267,709,300
LOCAL ASSISTANCE	
Phoenix Convention Center ^{3/}	23,500,000
Rio Nuevo District ^{4/}	14,000,000
SUBTOTAL	37,500,000
TOTALS	
ADOA Building System	66,850,100
ADOT Building System	552,733,700
ABOR Building System	0
Other Funding (Lease-Purchase/Local Assistance)	305,209,300
TOTAL - ALL PROJECTS ^{5/}	924,793,100
FUND SOURCES	
General Fund	405,094,300
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	17,000,000
Department of Corrections Building Renewal Fund	6,864,300
Arizona Exposition and State Fair Fund	1,700,000
Board of Fingerprinting Fund	2,709,000
Game and Fish Fund	1,043,700
Game and Fish Capital Improvement Fund	850,000
Legislative, Executive, and Judicial Buildings Land Fund	1,000,000
State Lottery Fund	134,100
State Parks Revenue Fund	1,250,000
Miners' Hospital for Miners with Disabilities Land Fund	414,000
State Aviation Fund	33,401,700
State Highway Fund	453,332,000
SUBTOTAL - Other Appropriated Funds	519,698,800
SUBTOTAL - Appropriated Funds	924,793,100
Other Non-Appropriated Funds	589,087,000
Federal Funds	990,843,000
TOTAL - ALL SOURCES	2,314,723,100

DESCRIPTION — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, enhance, or make a lease-purchase payment for the state's capital assets, which includes buildings, state parks, prisons, highways, and other facilities. For the purposes of capital management and planning, the state is divided into 3 building systems: the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. In addition, the state makes annual payments for the 2010 Leaseback agreement which was used for operating financing, along with local distributions for the Phoenix Convention Center and the Rio Nuevo District. Capital appropriations are typically made through the Capital Outlay Bill but may be made through other bills as well.

FOOTNOTES

- 1/ This amount was appropriated or allocated by the FY 2020 General Appropriation Act (Laws 2019, Chapter 263, Section 157).
- 2/ This amount was appropriated or allocated by Laws 2019, Chapter 277,
- 3/ This amount was appropriated or allocated by the FY 2020 General Appropriation Act (Laws 2019, Chapter 263, Section 158).
- 4/ This amount was appropriated or allocated by the FY 2020 General Appropriation Act (Laws 2019, Chapter 263, Section 159).
- 5/ Unless otherwise noted, amounts were appropriated by the FY 2020 Capital Outlay Bill (Laws 2019, Chapter 264).

The following amounts are one-time appropriations:

Summary

The budget includes a total of \$924,793,100 from Appropriated Funds in FY 2020. Of the total, \$405,094,300 is from the General Fund and \$519,698,800 is from Other Appropriated Funds. The budget consists of 4 main categories: 1) Building Renewal, 2) Individual Projects, 3) Debt and Lease-Purchase Financing, and 4) Local Assistance.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review. The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by ADOA (or individual agencies within the ADOA Building System that have their own funding source for building renewal), ADOT, and ABOR.

The budget includes total funding of \$38,323,800 in FY 2020 for Building Renewal, which consists of Other Appropriated Funds. These amounts include:

	FY 2020
Arizona Department of Administration Capital Outlay Stabilization Fund @ 33.9% (excludes ADC, Game and Fish, Lottery buildings)	\$17,000,000
Department of Corrections ADC Building Renewal Fund @ 28.3%	6,864,300
Game and Fish Department Game and Fish Fund @ 100%	1,043,700

State Lottery Commission State Lottery Fund @ 100%	134,100
Subtotal - ADOA	\$25,042,100

Arizona Department of Transportation State Highway Fund @ 93.5%	\$13,000,000
State Aviation Fund @ 100%	281,700
Subtotal - ADOT	\$13,281,700
<i>(See the individual building systems' section for more information.)</i>	

Individual Projects

The budget includes total funding of \$581,260,000 in FY 2020 for individual capital projects, which consists of \$99,885,000 from the General Fund and \$481,375,000 from Other Appropriated Funds. *(See the individual building systems' sections for more information.)*

Debt and Lease-Purchase Financing

The budget includes \$77,709,300 from the General Fund in FY 2020 for payments related to prior year lease-purchase agreements to resolve budget shortfalls. *(See the Debt and Lease-Purchase Financing section for more information.)*

Local Assistance

The budget includes \$37,500,000 from the General Fund in FY 2020 for the state's share of the long term financing for the Phoenix Convention Center and the Rio Nuevo Multipurpose Facilities District. *(See the Local Assistance section for more information.)*

Capital Outlay

Arizona Department of Administration Building System

FY 2020
APPROVED

BUILDING RENEWAL

Department of Administration ^{1/2/}	17,000,000
Department of Corrections ^{3/}	6,864,300
Game and Fish Department ^{4/}	1,043,700
Arizona State Lottery Commission	134,100
SUBTOTAL	25,042,100

INDIVIDUAL PROJECTS ^{5/}

Arizona Department of Administration

Air Handler Units	1,000,000
Mariposa Port of Entry Cold Storage Facility ^{6/7/}	700,000
Jesse Hayes Road Bridge ^{6/}	2,810,000
State Route 24 ^{6/8/}	6,500,000
Kingman Traffic Interchanges ^{6/9/}	20,000,000

Department of Emergency and Military Affairs

Readiness Center	3,875,000
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Arizona Exposition and State Fair

Capital Improvements ^{10/}	1,300,000
Civic Building Roof	400,000

Game and Fish Department

Dam Maintenance	150,000
Property Maintenance	300,000
Hatchery Maintenance	400,000

Arizona State Parks Board ^{11/}

Tonto National Bridge State Park	1,250,000
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Arizona Pioneers' Home

Capital Improvements	414,000
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Department of Public Safety

Office Remote Housing ^{12/}	2,400,000
Loop 202 Radio Tower	309,000

SUBTOTAL	41,808,000
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TOTAL - ALL PROJECTS ^{13/14/15/16/17/}	66,850,100
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FUND SOURCES

General Fund	33,885,000
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	17,000,000
Department of Corrections Building Renewal Fund	6,864,300
Arizona Exposition and State Fair Fund	1,700,000
Board of Fingerprinting Fund	2,709,000
Game and Fish Fund	1,043,700
Game and Fish Capital Improvement Fund	850,000
Legislative, Executive, and Judicial Buildings Land Fund	1,000,000
State Lottery Fund	134,100
State Parks Revenue Fund	1,250,000
Miners' Hospital for Miners with Disabilities Land Fund	414,000
SUBTOTAL - Other Appropriated Funds	32,965,100
SUBTOTAL - Appropriated Funds	66,850,100

TOTAL - ALL SOURCES	66,850,100
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DESCRIPTION — The Arizona Department of Administration (ADOA) Building System is comprised of all state agencies except the Arizona Board of Regents (ABOR) and the Arizona Department of Transportation. Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system. The following amounts for FY 2020 are for projects within the ADOA Building System. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

FOOTNOTES

- 1/ The Department of Administration shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund established by A.R.S. § 41-792.01 are insufficient to fund the appropriation to the Department of Administration for building renewal, the appropriation to the Department of Administration is reduced by the difference between the amount appropriated to the Department of Administration from the Capital Outlay Stabilization Fund and the balance in the Capital Outlay Stabilization Fund. Notwithstanding Title 41, Chapter 4, Article 7, Arizona Revised Statutes, the department may use monies appropriated for building renewal in FY 2020 for building demolition. (Capital Outlay Appropriation Act footnote)
- 2/ On or before January 31, 2020 and May 30, 2020, the Department of Administration shall report to the Joint Legislative Budget Committee Staff on the status of all capital projects and capital project expenditures. (Capital Outlay Appropriation Act footnote)
- 3/ On or before January 31, 2020 and July 31, 2020, the State Department of Corrections shall report to the Joint Legislative Budget Committee Staff on the status of all capital projects and capital project expenditures. The department may not spend any of this appropriation on Personal Services or overhead expenses related to managing of the funded projects. (Capital Outlay Appropriation Act footnote)
- 4/ On or before January 31, 2020 and July 31, 2020, the Arizona Game and Fish Department shall report to the Joint Legislative Budget Committee Staff on the status of all capital projects and capital project expenditures. (Capital Outlay Appropriation Act footnote)
- 5/ Before spending the appropriation in Subsection A of this section (the individual projects as listed), the agency shall submit the scope, purpose and estimated cost of the capital improvements to the Joint Committee on Capital Review for its review pursuant to A.R.S § 41-1252. (Capital Outlay Appropriation Act footnote)
- 6/ Notwithstanding A.R.S § 41-1252 the appropriation made in subsection A of this section is not subject to review by the Joint Committee on Capital Review. (Capital Outlay Appropriation Act footnote)
- 7/ The appropriation made in subsection A of this section may not be distributed until the Greater Nogales Santa Cruz County port authority has submitted to the director of the Joint Legislative Budget Committee, the Director of the Governor's Office of Strategic Planning and Budgeting and the Director of the Department of Administration a report stating that the Greater Nogales Santa Cruz County Port Authority has raised sufficient monies to fund the remainder of the project's budget. If the Greater Nogales Santa Cruz County Port Authority does not submit the report before June 30, 2022, the appropriation made in subsection A of this section reverts to the state General Fund on June 30, 2022. (Capital Outlay Appropriation Act footnote)
- 8/ The appropriation made in subsection A of this section shall not be distributed until the transportation board established by A.R.S § 28-302 has adopted a five-year transportation facilities construction program developed by the Director of the Department of Transportation pursuant to A.R.S § 28-6951 that includes a project to construct a State Route 24 bridge over Ellsworth Road. If the board does not adopt a program that includes a project to construct a State Route 24 bridge over Ellsworth Road on or before June 30, 2020, the appropriation made in subsection A of this section reverts to the state General Fund on June 30, 2020. (Capital Outlay Appropriation Act footnote)
- 9/ The appropriation made in subsection A of this section shall not be distributed until the City of Kingman has submitted to the Director of the Joint Legislative Budget Committee, the Director of the Governor's Office of Strategic Planning and Budgeting and the Director of the Department of Administration a report that the city has raised sufficient monies to fund the remainder of the project's budget. If the City of Kingman has not submitted the report on or before June 30, 2024, the appropriation made in subsection A of this section reverts to the state General Fund on June 30, 2024. (Capital Outlay Appropriation Act footnote)
- 10/ Of the amount appropriated in subsection A of this section, the Arizona Exposition and State Fair Board shall transfer to the Capital Outlay Stabilization Fund established by A.R.S § 41-792.01 an amount sufficient to complete the repayment of building renewal monies to the Department of Administration. (Capital Outlay Appropriation Act footnote)
- 11/ On or before January 31, 2020 and July 31, 2020, the Arizona State Parks Board shall report to the Joint Legislative Budget Committee Staff on the status of all capital projects and capital project expenditures. (Capital Outlay Appropriation Act footnote)
- 12/ Before spending the appropriation made in subsection A of this section, the Department of Public Safety shall on or before December 31, 2019, submit to the Joint Committee on Capital Review for its review a report comparing the cost

of providing housing and cost of providing a housing allowance for state troopers stationed in remote areas. (Capital Outlay Appropriation Act footnote)

- 13/ Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2020 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Of the amount appropriated to the Department of Administration, up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section may not be spent for Personal Services or Employee Related Expenditures or for maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review. (Capital Outlay Appropriation Act footnote)
- 14/ Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose, and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- 15/ Unless otherwise specified, the monies appropriated in this act may not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- 16/ Except as provided in subsection D of this section and notwithstanding A.R.S § 35-190D, the appropriations made in this act for FY 2019 and FY 2020 that are unexpended on June 30, 2021 revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 17/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

Unless otherwise specified, funding for capital projects is appropriated by Laws 2019, Chapter 264 (FY 2020 Capital Outlay Bill).

Fund also represented 100% of the Lottery building renewal formula.

Building Renewal

Building Renewal

The budget includes \$25,042,100 from Other Appropriated Funds in FY 2020 for Building Renewal within the ADOA Building System. These amounts consist of:

- \$17,000,000 to ADOA from the Capital Outlay Stabilization Fund (COSF). This amount funds 33.9% of the ADOA building renewal formula. The FY 2019 appropriation of \$11,000,000 from COSF represented 24.5% of the ADOA formula.
- \$6,864,300 to the Arizona Department of Corrections (ADC) from the ADC Building Renewal Fund, which funds 28.3% of the ADC building renewal formula. This amount includes a one-time increase of \$1,400,000 accumulated from the fund balance. The FY 2019 appropriation of \$5,464,300 from the ADC Building Renewal Fund represented 24.5% of the ADC formula.
- \$1,043,700 to Arizona Game and Fish Department from the Game and Fish Fund which funds 100% of the Game and Fish building renewal formula. The FY 2019 appropriation of \$981,400 from the Game and Fish Fund also represented 100% of the Game and Fish formula.
- \$134,100 to the Arizona State Lottery Commission from the State Lottery Fund, which funds 100% of the Lottery building renewal formula. The FY 2019 appropriation of \$126,300 from the State Lottery

Building renewal appropriations to the Department of Administration are used for major maintenance and repair activities for state buildings. The budget continues a footnote allowing up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed.

The budget continues the footnote requiring that unused building renewal monies revert after 2 fiscal years at the end of FY 2021.

Individual Projects

Arizona Department of Administration Air Handler Units

The budget includes \$1,000,000 from the Legislative, Executive, and Judicial Public Buildings Land Fund in FY 2020 to replace air handler units at the House of Representatives and Senate buildings at 1700 West Washington Street.

Arizona Department of Administration Mariposa Port of Entry Cold Storage Facility

The budget includes \$700,000 from the General Fund in FY 2020 for ADOA to distribute to the Greater Nogales Santa Cruz County Port Authority to construct a cold storage facility at the Mariposa Port of Entry. Currently, the Mariposa Port of Entry lacks the refrigeration capacity required to temporary store certain temperature-sensitive agricultural commodities as they await inspection.

A footnote requires that prior to distributing the monies, the Greater Nogales Santa Cruz County Port Authority shall report to the JLBC, OSPB, and ADOA that the Greater Nogales Santa Cruz County Port Authority has raised sufficient monies to fund the remainder of the project's budget. If the Greater Nogales Santa Cruz County Port Authority does not submit the report before June 30, 2022, the appropriation lapses.

Arizona Department of Administration Jesse Hayes Road Bridge

The budget includes \$2,810,000 from the General Fund in FY 2020 for ADOA to distribute to the City of Globe to repair or replace the Jesse Hayes Road Bridge over Pinal Creek. Owned by the City of Globe, the 2-lane bridge was built in 1920 and reconstructed in 1965. According to the Federal Highway Administration's bridge database, the bridge's structure requires a high priority of replacement.

Arizona Department of Administration State Route 24

The budget includes \$6,500,000 from the General Fund in FY 2020 for ADOA to distribute to the City of Mesa to construct a second bridge State Route 24 bridge structure over Ellsworth Road. Phase 1 of State Route 24 completed in 2014 connected Loop 202 (Santan Freeway) to Ellsworth Road. Phase 2, estimated to begin in 2020, will connect Ellsworth Road to Ironwood Drive. To separate State Route 24 traffic from an at-grade intersection, the City of Mesa recommends 2 bridge overpass structures, with the first \$25.9 million structure funded by Maricopa Association of Governments and the second \$13.0 million structure funded through \$6.5 million in local funds and this appropriation.

A footnote requires that prior to ADOA distributing the monies, the Maricopa Association of Governments (MAG) shall adopt a plan to include the first bridge overpass structure in its Regional Transportation Plan Freeway Program included in ADOT's Five Year Program by June 30, 2020. If MAG does not include the project in its plan, the appropriation would lapse on June 30, 2020.

Arizona Department of Administration Kingman Traffic interchanges

The budget includes \$20,000,000 from the General Fund in FY 2020 for ADOA to distribute to the City of Kingman to construct 2 new Interstate 40 traffic interchanges in Kingman east of State Route 66. The overall \$85.2 million project is designed to provide greater accessibility to nearby industrial, residential, and commercial developments. The city proposes funding the remaining \$65.2 million of the project primarily through local half-cent sales tax bond proceeds.

A footnote requires that prior to distributing the monies, the City of Kingman shall report to the JLBC, OSPB, and ADOA that the city has raised sufficient monies to fund the remainder of the project's budget. If the city does not submit the report before June 30, 2024, the appropriation lapses.

Department of Emergency and Military Affairs Readiness Center

The budget includes \$3,875,000 from the General Fund in FY 2020 to the Department of Emergency and Military Affairs for the state's portion of the cost associated with the construction of a Readiness Center in the West Phoenix Valley.

Readiness Centers serve as the home base and training center for units in the Arizona National Guard. These facilities house soldiers during drills and provide storage for equipment and weapons between exercises. The new facility will consolidate and replace the Sunnyslope and Glendale Armories which house the 855th Military Police Company (Sunnyslope) and the 1120th Transportation Battalion Headquarters Detachment (Glendale).

Total project costs are approximately \$15.5 million. In addition to the General Fund appropriation, the federal government will pay the remaining \$11.9 million.

Arizona Exposition and State Fair Capital Improvements

The budget includes \$1,300,000 from the Arizona Exposition and State Fair Fund in FY 2020 to the State Fair Board for capital improvements.

This includes improvements to the facility in order to ensure that the fair grounds are operable during the month of the state fair and for contracted events year-round.

A footnote requires the State Fair Board to transfer an amount sufficient to complete the repayment of building renewal monies to ADOA. At the September 2018 JLBC meeting, the Committee favorably reviewed ADOA and the State Fair Board's \$800,000 expenditure plan to replace the cooling towers for the Arizona Veterans' Memorial Coliseum. The Committee approved the reallocation of \$400,000 from ADOA's FY 2018 building renewal allocation plan to be used for the cooling unit repairs under the condition that the State Fair pay back the \$400,000 to ADOA by no later than FY 2022. The FY 2020 appropriation provides the agency sufficient funding to repay the loan in FY 2020.

Arizona Exposition and State Fair Civic Building Roof

The budget includes \$400,000 from the Arizona Exposition and State Fair Fund in FY 2020 to the State Fair Board to replace the roof of the 1938 Works Progress Administration building located on the State Fairgrounds.

The FY 2020 appropriation allows the State Fair to complete the project without matching funding from the City of Phoenix.

The FY 2017 Capital Outlay Bill allocated \$120,000 from the ADOA COSF building renewal appropriation to the project. The FY 2019 Capital Outlay Bill extended the lapsing date through FY 2020. The appropriation stipulated that ADOA may not spend the monies allocated unless the department receives matching funds from the City of Phoenix and the state maintains ownership of the building. The State Fair Board has been unable to negotiate terms for the matching funds. The FY 2020 Capital Outlay Bill ex-appropriates the FY 2017 appropriation.

Game and Fish Dam Maintenance

The budget includes \$150,000 from the Game and Fish Capital Improvement Fund in FY 2020 to the Arizona Game and Fish Department for dam maintenance.

The department owns and operates 37 dams throughout the state. The department plans to use the funds for vegetation removal, flood warning system maintenance, dam safety regulation compliance, and structural repairs.

Game and Fish Property Maintenance

The budget includes \$300,000 from the Game and Fish Capital Improvement Fund in FY 2020 to the Arizona Game and Fish Department for property maintenance.

The department owns 60 properties throughout the state. The department plans to use the funds at wildlife areas statewide for asbestos removal, replacement of damaged flooring and foundations, electrical rewiring and other structural repairs. Wildlife areas are large habitats managed by Game and Fish personnel and often include visitor centers, barns, cabins, and living quarters.

Game and Fish Hatchery Maintenance

The budget includes \$400,000 from the Game and Fish Capital Improvement Fund in FY 2020 to the Arizona Game and Fish Department for hatchery maintenance.

The department owns 6 fish hatcheries throughout the state, all of which are in Northern Arizona. The department plans to use the funds for hatchery facility upgrades and repairs and parking lot rehabilitations.

AGFD hatcheries supply the state's rivers, streams and lakes with their recreational fish population.

Arizona State Parks Board Tonto Natural Bridge State Park

The budget includes \$1,250,000 from the State Parks Revenue Fund in FY 2020 to the State Parks Board to replace the pedestrian bridge at Tonto Natural Bridge State Park.

The pedestrian bridge allows visitors viewing access to the natural land bridge, the park's primary attraction. The existing pedestrian bridge has been closed to the public since November 2018 due to structural safety concerns.

Arizona Pioneers' Home Capital Improvements

The budget includes \$414,000 from the from the Miners' Hospital for Miners with Disabilities Land Fund in FY 2020 to the Arizona Pioneers' Home for capital improvement projects.

The Pioneers' home was built in 1911 and has continued capital improvement needs including replacing aging windows and equipment.

Department of Public Safety Officer Remote Housing

The budget includes \$2,400,000 from the Board of Fingerprinting Fund in FY 2020 to the Department of Public Safety (DPS) to replace officer remote housing units.

DPS provides remote housing for state troopers whose duty posts are in rural areas. The department reports many of the 60 units statewide are well beyond their estimated useful life. The FY 2019 budget appropriated \$2.0 million for the department to replace 6 to 8 units. The department reports it plans to replace critical units with the FY 2020 funding. A footnote requires DPS to submit a report to the JCCR for review comparing the cost of providing housing and cost of providing housing allowance for state troopers stationed in remote areas.

Department of Public Safety Officer Loop 202 Radio Tower

The budget includes \$309,000 from the Board of Fingerprinting Fund in FY 2020 to the Department of Public Safety (DPS) to construct a radio communications tower near the Loop 202 freeway extension.

The 22-mile South Mountain Loop 202 freeway extension is scheduled to open in November 2019. The new radio tower will provide additional radio coverage for first responders along the new freeway.

Other Issues

FY 2019 Supplemental

Arizona Department of Administration Capitol Mall Elevator Replacement

The budget includes \$4,100,000 from the Legislative, Executive, and Judicial Public Buildings Land Fund in FY 2019 to replace elevators at the House of Representatives, Senate, and Executive Tower buildings at 1700 West Washington Street.

Additional Legislation

Appropriation Non-Lapsing Status

The budget extends the non-lapsing status of the following appropriations:

- The ADOA FY 2019 appropriation for the renovation of state-owned buildings from the end of FY 2020 to the end of FY 2021.
- The State Parks Board's FY 2018 Rockin' River State Park appropriation from the end of FY 2019 to the end of FY 2020.
- The State Parks Board's FY 2018 capital improvements appropriation from the end of FY 2019 to the end of FY 2020.

Lease-Purchase

In FY 2020, lease-purchase payments will decrease by \$(2,874,300), of which \$(3,060,800) is from the General Fund, \$166,900 from Other Appropriated Funds, and \$19,600 from Non-Appropriated Funds. The \$(6,402,700) change in the ADOA sale/leaseback is excluded as that item is separately budgeted.

Rent Adjustments

In FY 2020, state building rent payments will increase by \$5,510,900 which consists of \$3,412,800 from the General Fund, \$925,700 from Other Appropriated Funds, and \$1,172,400 from Non-Appropriated Funds.

The increase in rent payments is primarily due to increased rental rates. The FY 2020 Budget Procedures Budget Reconciliation Bill (BRB) sets the FY 2020 COSF rental rate charged by ADOA at \$17.87 per square foot for rentable office space and \$6.43 per square foot for rentable storage space. These amounts increase the office rate by \$1.79 a square foot and storage space by \$0.64 a square foot.

Changes to the rent payments also reflect changes in rent due to renovations, agency relocations, and agency space consolidation.

The budget includes an updated Summary of Rent Charges, which reflects updated space utilization amounts when applying the current rental rates of state building space (Office - \$17.87 per sq. ft./Storage - \$6.43 per sq. ft.). (Please see Summary of Rent Charges for additional information.)

COSF Balance

COSF primarily receives revenue from rent charges to agencies occupying ADOA owned buildings. The fund is used to pay administrative, utilities, maintenance, and construction costs for state-owned buildings. Table 1 shows actual balance, revenue, and actual expenditure information for FY 2018, and provides estimates for FY 2019 and FY 2020.

COSF is projected to have a balance of \$13,495,300 at the end of FY 2020, with a structural balance of \$17,195,300.

Table 1

COSF Revenues and Expenditures (in millions)

	FY 2018 Actuals	FY 2019 Estimate	FY 2020 Estimate
Beginning Balance	\$10.0	\$8.4	\$13.3
Revenue	<u>28.4</u>	<u>30.4</u>	<u>35.3</u>
Total Available	<u>\$38.4</u>	<u>\$38.8</u>	<u>\$48.6</u>
Expenditures			
COSF Operating	\$15.4	\$18.1	\$18.1
Capital Projects			
FY '17 Building Renewal	10.5	0	0
FY '18 Building Renewal	1.4	1.2	0
FY '19 Building Renewal	0	5.4	6.6
FY '20 Building Renewal	0	0	10.4
Department of Health Services	1.6	0.2	0.0
Admin. Adjustments	<u>1.1</u>	<u>0.6</u>	<u>0</u>
Total Expenditures	<u>\$30.0</u>	<u>25.5</u>	<u>\$35.1</u>
Ending Balance	\$ 8.4	\$13.3	\$13.5

LEASE-PURCHASE APPROPRIATIONS 1/ Department of Administration Building System

	Fiscal Year 2019 - Appropriations Report				Fiscal Year 2020 - Appropriations Report				Difference FY 2020 - FY 2019			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Administration, AZ Department of Sale/Lease-Back <u>2/</u>	\$84,112,000			\$84,112,000	\$77,709,300			\$77,709,300	(\$6,402,700)			(\$6,402,700)
Arizona Department of Administration Buildings												
Accountancy, State Board of Administration, Arizona Department of Deaf and the Hard of Hearing, Commission for the Economic Opportunity, Office of Equalization, State Board of Financial Institutions, Department of Insurance, Department of Real Estate Department, State Tax Appeals, State Board of	536,200	\$115,900	\$144,400	2,062,500	544,700	\$118,600	\$146,600	2,094,900	8,500	\$2,700	\$2,200	2,700
	90,700	222,400	200,100	222,400	92,800	227,600		227,600	5,200	5,200		5,200
	49,300	24,700		274,100	50,500	25,200	204,800	280,500	1,200	500	4,700	6,400
	90,700			90,700	92,800			92,800	2,100			2,100
	226,900	43,200		270,100	239,300	45,600		284,900	12,400	2,400		14,800
	293,300		97,800	391,100	299,600		99,900	399,500	6,300		2,100	8,400
	190,300			190,300	184,500			184,500	(5,800)			(5,800)
	34,900			34,900	35,700			35,700	800			800
Subtotal - ADOA Building	\$1,421,600	\$1,788,100	\$442,300	\$3,652,000	\$1,447,100	\$1,820,600	\$451,300	\$3,719,000	\$25,500	\$32,500	\$9,000	\$67,000
Corrections, Arizona Department of												
4,000 Public Prison Beds	\$15,803,200			\$15,803,200	\$15,712,600			\$15,712,600	(\$90,600)			(\$90,600)
Water and Wastewater Projects	649,200			649,200	641,400			641,400	(7,800)			(7,800)
1,000 Public Prison Beds - Refinance	3,072,900			3,072,900				-	(3,072,900)			(3,072,900)
Kingman - Refinance	17,465,400			17,465,400	17,466,700			17,466,700	1,300			1,300
Subtotal - AZ Department of Corrections	\$36,990,700	\$0	\$0	\$36,990,700	\$33,820,700	\$0	\$0	\$33,820,700	(\$3,170,000)	\$0	\$0	(\$3,170,000)
Department of Environmental Quality Building												
Automobile Theft Authority		\$43,800		\$43,800		\$44,600		\$44,600		\$800		\$800
Administration, Arizona Department of Criminal Justice Commission, Arizona Environmental Quality, Department of Forestry and Fire Management, AZ Department of Gaming, Department of Housing, AZ Department of Residential Utility Consumer Office	\$55,900	144,000	\$15,100	215,000	\$57,100	147,000	15,400	219,500	\$1,200	3,000	\$300	4,500
		11,000	172,000	183,000		11,200	175,100	186,300		200	3,100	3,300
		3,277,100		3,277,100		3,336,500		3,336,500		59,400		59,400
	229,200		34,200	263,400	233,300		34,900	268,200	4,100		700	4,800
		568,900		568,900		579,200		579,200		10,300		10,300
	67,300	22,400	358,900	448,600	68,500	22,800	365,400	456,700	1,200	400	6,500	8,100
		109,600		109,600		111,600		111,600		2,000		2,000
		179,000		179,000		182,200		182,200		3,200		3,200
Water Resources, Department of	778,300			778,300	792,500			792,500	14,200			14,200
Subtotal - ADEQ Building	\$1,130,700	\$4,355,800	\$580,200	\$6,066,700	\$1,151,400	\$4,435,100	\$590,800	\$6,177,300	\$20,700	\$79,300	\$10,600	\$110,600
Health Services, Department of												
Health Services Building - Refinance	\$2,058,300	\$1,372,200		\$3,430,500	\$2,133,600	\$1,422,400		\$3,556,000	\$75,300	\$50,200		\$125,500
Health Lab - Refinance		2,032,300		2,032,300		2,037,200		2,037,200		4,900		4,900
Arizona State Hospital Forensic Unit	3,060,000			3,060,000	3,047,700			3,047,700	(12,300)			(12,300)
Subtotal - Department of Health Services	\$5,118,300	\$3,404,500	\$0	\$8,522,800	\$5,181,300	\$3,459,600	\$0	\$8,640,900	\$63,000	\$55,100	\$0	\$118,100
GRAND TOTAL	\$128,773,300	\$9,548,400	\$1,022,500	\$139,344,200	\$119,309,800	\$9,715,300	\$1,042,100	\$130,067,200	(\$9,463,500)	\$166,900	\$19,600	(\$9,277,000)

1/ Pursuant to A.R.S. § 41-792.01, state agencies occupying buildings being lease-purchased by the Arizona Department of Administration (ADOA) shall pay the higher of the billed amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share of the lease-purchase based on actual occupancy.

2/ In January 2019, ADOA refinanced the 2010A sale/leaseback agreement. In addition, the FY 2020 budget appropriated \$190,000,000 to retire the 2010B sale/leaseback agreement.

SUMMARY OF RENT CHARGES 1/ 2/

	Fiscal Year 2019 Appropriations Report				Fiscal Year 2020 Appropriations Report				Difference FY 2020 - FY 2019			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Acupuncture Board of Examiners												
1740 W Adams	-	6,500	-	6,500	-	11,000	-	11,000	-	4,500	-	4,500
Administration, AZ Department of												
1510 W Adams	-	434,600	-	434,600	-	-	-	-	-	(434,600)	-	(434,600)
1520 W Adams	-	239,900	-	239,900	-	-	-	-	-	(239,900)	-	(239,900)
1537 W Jackson	-	106,400	-	106,400	-	118,200	-	118,200	-	11,800	-	11,800
1616 W Adams	-	95,000	-	95,000	-	86,500	-	86,500	-	(8,500)	-	(8,500)
1802 W Jackson	-	21,600	53,600	75,200	-	24,000	59,500	83,500	-	2,400	5,900	8,300
1840 W Jackson	-	79,000	-	79,000	-	87,800	-	87,800	-	8,800	-	8,800
1850 W Jackson	-	54,500	-	54,500	-	60,600	-	60,600	-	6,100	-	6,100
1700 W Washington	41,900	101,100	-	143,000	-	159,000	-	159,000	(41,900)	57,900	-	16,000
1740 W Adams	-	77,300	-	77,300	-	36,100	-	36,100	-	(41,200)	-	(41,200)
1501 W Madison	-	74,100	-	74,100	-	82,400	-	82,400	-	8,300	-	8,300
1801 W Madison	-	26,300	-	26,300	-	29,200	-	29,200	-	2,900	-	2,900
1805 W Madison	-	30,400	-	30,400	-	33,800	-	33,800	-	3,400	-	3,400
400 W Congress, Tucson	-	58,700	-	58,700	-	65,100	-	65,100	-	6,400	-	6,400
402 W Congress, Tucson	-	69,500	-	69,500	-	77,300	-	77,300	-	7,800	-	7,800
416 W Congress, Tucson	-	3,400	-	3,400	-	3,800	-	3,800	-	400	-	400
Subtotal - AZ Dept of Administration	41,900	1,471,800	53,600	1,567,300	-	863,800	59,500	923,300	(41,900)	(608,000)	5,900	(644,000)
Administrative Hearings, Office of												
1740 W Adams	62,000	-	115,000	177,000	92,700	-	117,900	210,600	30,700	-	2,900	33,600
400 W Congress, Tucson	-	14,000	-	14,000	-	-	-	-	-	(14,000)	-	(14,000)
Subtotal - Office of Administrative Hearings	62,000	14,000	115,000	191,000	92,700	-	117,900	210,600	30,700	(14,000)	2,900	19,600
African American Affairs, AZ Commission of												
1700 W Washington	7,300	-	-	7,300	8,100	-	-	8,100	800	-	-	800
Agriculture, AZ Department of												
1520 W Adams	132,100	-	-	132,100	-	-	-	-	(132,100)	-	-	(132,100)
1688 W Adams	243,200	56,900	273,800	573,900	299,700	-	337,900	637,600	56,500	(56,900)	64,100	63,700
400 W Congress, Tucson	39,500	4,800	5,700	50,000	48,400	-	7,200	55,600	8,900	(4,800)	1,500	5,600
Subtotal - AZ Dept of Agriculture	414,800	61,700	279,500	756,000	348,100	-	345,100	693,200	(66,700)	(61,700)	65,600	(62,800)
AZ Health Care Cost Containment System												
Kingman Building	8,300	-	8,100	16,400	9,100	-	9,200	18,300	800	-	1,100	1,900
Arts, AZ Commission on the												
417 W Roosevelt	-	-	61,100	61,100	-	-	67,900	67,900	-	-	6,800	6,800
Attorney General - Department of Law												
400 W Congress, Tucson	49,700	39,000	29,100	117,800	-	-	131,500	131,500	(49,700)	(39,000)	102,400	13,700
402 W Congress, Tucson	162,300	127,100	94,100	383,500	170,500	55,400	200,300	426,200	8,200	(71,700)	106,200	42,700
416 W Congress, Tucson	-	-	141,900	141,900	-	-	157,700	157,700	-	-	15,800	15,800
Capitol Center	1,219,400	428,400	-	1,647,800	597,400	1,058,200	51,200	1,706,800	(622,000)	629,800	51,200	59,000
Subtotal - Attorney General - Dept of Law	1,431,400	594,500	265,100	2,291,000	767,900	1,113,600	540,700	2,422,200	(663,500)	519,100	275,600	131,200
Barbers, Board of												
1740 W Adams	-	22,100	-	22,100	-	25,000	-	25,000	-	2,900	-	2,900
Behavioral Health Examiners, Board of												
1740 W Adams	-	84,000	-	84,000	-	93,700	-	93,700	-	9,700	-	9,700
Charter Schools, State Board for												
1616 W Adams	86,600	-	-	86,600	96,300	-	-	96,300	9,700	-	-	9,700
Child Safety, Department of												
Kingman Building	23,100	47,400	31,800	102,300	113,700	-	-	113,700	90,600	(47,400)	(31,800)	11,400
400 W Congress, Tucson	22,200	20,800	9,900	52,900	33,200	-	-	33,200	11,000	(20,800)	(9,900)	(19,700)
Capitol Center	141,500	39,400	81,200	262,100	291,300	-	-	291,300	149,800	(39,400)	(81,200)	29,200
Subtotal - Department of Child Safety	186,800	107,600	122,900	417,300	438,200	-	-	438,200	251,400	(107,600)	(122,900)	20,900
Chiropractic Examiners, State Board of												

	Fiscal Year 2019 Appropriations Report				Fiscal Year 2020 Appropriations Report				Difference FY 2020 - FY 2019			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1740 W Adams	-	20,000	-	20,000	-	23,300	-	23,300	-	3,300	-	3,300
Citizens Clean Elections Commission												
1616 W Adams	-	-	66,800	66,800	-	-	74,200	74,200	-	-	7,400	7,400
Contractors, Registrar of												
400 W Congress, Tucson	-	46,700	-	46,700	-	49,300	2,600	51,900	-	2,600	2,600	5,200
1700 W Washington	-	347,900	-	347,900	-	367,300	19,300	386,600	-	19,400	19,300	38,700
Subtotal - Registrar of Contractors	-	394,600	-	394,600	-	416,600	21,900	438,500	-	22,000	21,900	43,900
Corporation Commission												
1200 W Washington	-	649,300	-	649,300	-	721,600	-	721,600	-	72,300	-	72,300
1300 W Washington	-	866,600	-	866,600	-	963,000	-	963,000	-	96,400	-	96,400
400 W Congress, Tucson	6,800	58,900	3,800	69,500	4,600	68,000	4,600	77,200	(2,200)	9,100	800	7,700
Subtotal - Corporation Commission	6,800	1,574,800	3,800	1,585,400	4,600	1,752,600	4,600	1,761,800	(2,200)	177,800	800	176,400
Corrections, State Department of												
1601 W Jefferson	922,000	-	-	922,000	1,024,500	-	-	1,024,500	102,500	-	-	102,500
1645 W Jefferson	821,700	-	-	821,700	913,100	-	-	913,100	91,400	-	-	91,400
1831 W Jefferson	327,300	-	-	327,300	363,700	-	-	363,700	36,400	-	-	36,400
Subtotal - State Dept of Corrections	2,071,000	-	-	2,071,000	2,301,300	-	-	2,301,300	230,300	-	-	230,300
Cosmetology, Board of												
1740 W Adams	-	101,600	-	101,600	-	124,800	-	124,800	-	23,200	-	23,200
Dental Examiners, State Board of												
1740 W Adams	-	42,000	-	42,000	-	51,500	-	51,500	-	9,500	-	9,500
Economic Security, Department of												
1624 W Adams	78,800	35,900	28,700	143,400	60,600	-	98,800	159,400	(18,200)	(35,900)	70,100	16,000
1700 W Washington	12,800	5,900	4,700	23,400	6,500	-	19,500	26,000	(6,300)	(5,900)	14,800	2,600
1789 W Jefferson (DES West)	1,771,500	441,500	585,600	2,798,600	3,727,200	916,500	1,466,400	6,110,100	1,955,700	475,000	880,800	3,311,500
Kingman Building	39,200	80,500	54,100	173,800	32,800	127,600	32,800	193,200	(6,400)	47,100	(21,300)	19,400
400 W Congress, Tucson	245,700	231,400	111,300	588,400	129,900	311,800	207,800	649,500	(115,800)	80,400	96,500	61,100
DES Group Homes	171,100	245,900	-	417,000	190,100	273,300	-	463,400	(190,000)	27,400	-	46,400
Capitol Center	99,100	27,600	56,900	183,600	144,900	32,600	26,500	204,000	45,800	5,000	(30,400)	20,400
Subtotal - Department of Economic Security	2,418,200	1,068,700	841,300	4,328,200	4,292,000	1,661,800	1,851,800	7,805,600	1,873,800	593,100	1,010,500	3,477,400
Education, Department of												
1535 W Jefferson	370,100	126,500	688,700	1,185,300	474,300	131,800	711,500	1,317,600	104,200	5,300	22,800	132,300
400 W Congress, Tucson	-	23,000	81,400	104,400	-	-	-	-	-	(23,000)	(81,400)	(104,400)
416 W Congress, Tucson	-	-	-	-	-	10,400	105,600	116,000	-	10,400	105,600	116,000
Subtotal - Department of Education	370,100	149,500	770,100	1,289,700	474,300	142,200	817,100	1,433,600	104,200	(7,300)	47,000	143,900
Education, State Board of												
1535 W Jefferson	39,200	-	-	39,200	43,200	-	-	43,200	4,000	-	-	4,000
1700 W Washington	66,700	-	-	66,700	74,100	-	-	74,100	7,400	-	-	7,400
Subtotal - State Board of Education	105,900	-	-	105,900	117,300	-	-	117,300	11,400	-	-	11,400
Emergency and Military Affairs, Department of												
400 W Congress St	-	-	7,200	7,200	8,000	-	-	8,000	8,000	-	(7,200)	800
Environmental Quality, Department of												
400 W Congress, Tucson	-	122,900	-	122,900	-	162,000	-	162,000	-	39,100	-	39,100
416 W Congress, Tucson	-	-	6,500	6,500	-	7,200	-	7,200	-	7,200	(6,500)	700
Subtotal - Dept. of Environmental Quality	-	122,900	6,500	129,400	-	169,200	-	169,200	-	46,300	(6,500)	39,800
Equalization, State Board of												
400 W Congress, Tucson	24,400	-	-	24,400	27,100	-	-	27,100	2,700	-	-	2,700
416 W Congress, Tucson	1,800	-	-	1,800	2,000	-	-	2,000	200	-	-	200
Subtotal - Board of Equalization	26,200	-	-	26,200	29,100	-	-	29,100	2,900	-	-	2,900
Executive Clemency, Board of												
1645 W Jefferson	105,900	-	-	105,900	116,700	-	-	116,700	10,800	-	-	10,800
Funeral Directors & Embalmers, State Board of												
1740 W Adams	-	14,100	-	14,100	-	19,500	-	19,500	-	5,400	-	5,400
Gaming, Department of												
400 W Congress, Tucson	-	17,300	-	17,300	-	19,200	-	19,200	-	1,900	-	1,900
Governor, Office of the												

	Fiscal Year 2019 Appropriations Report				Fiscal Year 2020 Appropriations Report				Difference FY 2020 - FY 2019			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1700 W Washington	625,600	-	147,200	772,800	858,700	-	-	858,700	233,100	-	(147,200)	85,900
1700 W Washington (Office of Highway Safety)	-	-	90,700	90,700	-	-	100,800	100,800	-	-	10,100	10,100
400 W Congress, Tucson	36,900	-	-	36,900	41,000	-	-	41,000	4,100	-	-	4,100
Subtotal - Office of the Governor	662,500	-	237,900	900,400	899,700	-	100,800	1,000,500	237,200	-	(137,100)	100,100
Gov's Ofc of Strategic Planning & Budgeting												
1700 W Washington	160,600	-	-	160,600	178,500	-	-	178,500	17,900	-	-	17,900
Health Services, Department of												
1740 W Adams	-	-	-	-	5,200	-	-	5,200	5,200	-	-	5,200
1818 W Adams	257,700	-	-	257,700	286,400	-	-	286,400	28,700	-	-	28,700
400 W Congress, Tucson	103,500	61,900	-	165,400	183,600	-	-	183,600	80,100	(61,900)	-	18,200
402 W Congress, Tucson	-	4,100	-	4,100	4,500	-	-	4,500	4,500	(4,100)	-	400
Subtotal - Department of Health Services	361,200	66,000	-	427,200	479,700	-	-	479,700	118,500	(66,000)	-	52,500
Homeland Security, AZ Dept of												
1700 W Washington	-	-	163,700	163,700	-	-	181,900	181,900	-	-	18,200	18,200
Homeopathic & Integrated Medicine Examiners, Board of												
1740 W Adams	-	6,600	-	6,600	-	11,100	-	11,100	-	4,500	-	4,500
Insurance, Department of												
1919 W Jefferson	-	-	-	-	-	-	5,400	5,400	-	-	5,400	5,400
Judiciary - Court of Appeals												
400 W Congress, Tucson	468,500	-	-	468,500	520,500	-	-	520,500	52,000	-	-	52,000
Judiciary - Supreme Court												
1501 W Washington	3,515,600	-	-	3,515,600	3,906,900	-	-	3,906,900	391,300	-	-	391,300
400 W Congress, Tucson	103,200	-	-	103,200	114,700	-	-	114,700	11,500	-	-	11,500
Subtotal - Supreme Court	3,618,800	-	-	3,618,800	4,021,600	-	-	4,021,600	402,800	-	-	402,800
Subtotal - Judiciary	4,087,300	-	-	4,087,300	4,542,100	-	-	4,542,100	454,800	-	-	454,800
Juvenile Corrections, Department of												
1624 W Adams	448,300	-	-	448,300	498,100	-	-	498,100	49,800	-	-	49,800
Land Department, State												
1616 W Adams	-	958,400	-	958,400	1,065,100	-	-	1,065,100	1,065,100	(958,400)	-	106,700
Liquor Licenses and Control, Department of												
400 W Congress, Tucson	-	14,400	-	14,400	-	16,000	-	16,000	-	1,600	-	1,600
Massage Therapy, Board of												
1740 W Adams	-	21,800	-	21,800	-	28,400	-	28,400	-	6,600	-	6,600
Medical Board, AZ												
1740 W Adams	-	184,600	-	184,600	-	228,500	-	228,500	-	43,900	-	43,900
Mine Inspector, State												
1700 W Washington	92,300	-	-	92,300	102,600	-	-	102,600	10,300	-	-	10,300
Naturopathic Physicians Medical Board												
1740 W Adams	-	8,200	-	8,200	-	12,900	-	12,900	-	4,700	-	4,700
Navigable Stream Adjudication Commission, AZ												
1700 W Washington	12,400	-	-	12,400	13,700	-	-	13,700	1,300	-	-	1,300
Nursing, State Board of												
1740 W Adams	-	186,500	-	186,500	-	229,300	-	229,300	-	42,800	-	42,800
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.												
1740 W Adams	-	17,600	-	17,600	-	21,700	-	21,700	-	4,100	-	4,100
Occupational Therapy Examiners, State Board of												
1740 W Adams	-	11,500	-	11,500	-	12,900	-	12,900	-	1,400	-	1,400
Opticians, State Board of Dispensing												
1740 W Adams	-	7,400	-	7,400	-	12,100	-	12,100	-	4,700	-	4,700
Optometry, State Board of												
1740 W Adams	-	9,100	-	9,100	-	13,900	-	13,900	-	4,800	-	4,800
Osteopathic Examiners in Medicine and Surgery, AZ Board of												
1740 W Adams	-	28,100	-	28,100	-	34,500	-	34,500	-	6,400	-	6,400
Parks Board, AZ State												
1100 W Washington	-	11,600	47,100	58,700	-	-	65,200	65,200	-	(11,600)	18,100	6,500

	Fiscal Year 2019 Appropriations Report				Fiscal Year 2020 Appropriations Report				Difference FY 2020 - FY 2019			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Personnel Board												
1740 W Adams	-	8,200	-	8,200	-	12,900	-	12,900	-	4,700	-	4,700
Pharmacy, AZ State Board of												
1616 W Adams	-	144,800	-	144,800	-	161,000	-	161,000	-	16,200	-	16,200
Physical Therapy, Board of												
1740 W Adams	-	16,900	-	16,900	-	20,600	-	20,600	-	3,700	-	3,700
Podiatry Examiners, State Board of												
1740 W Adams	-	6,400	-	6,400	-	10,900	-	10,900	-	4,500	-	4,500
Private Postsecondary Education, State Board for												
1740 W Adams	-	19,300	4,800	24,100	-	21,300	5,600	26,900	-	2,000	800	2,800
Psychologist Examiners, State Board of												
1740 W Adams	-	16,300	-	16,300	-	22,100	-	22,100	-	5,800	-	5,800
Public Safety, Department of												
14 N 18th Avenue	24,700	6,500	6,900	38,100	-	42,400	-	42,400	(24,700)	35,900	(6,900)	4,300
1700 W Washington	60,800	15,900	16,700	93,400	67,600	17,600	18,600	103,800	6,800	1,700	1,900	10,400
400 W Congress, Tucson	13,400	3,400	3,600	20,400	14,800	3,800	4,100	22,700	1,400	400	500	2,300
Subtotal - Department of Public Safety	98,900	25,800	27,200	151,900	82,400	63,800	22,700	168,900	(16,500)	38,000	(4,500)	17,000
Respiratory Care Examiners, Board of												
1740 W Adams	-	11,900	-	11,900	-	17,100	-	17,100	-	5,200	-	5,200
Revenue, Department of												
402 W Congress, Tucson	144,700	73,600	-	218,300	97,000	145,600	-	242,600	(47,700)	72,000	-	24,300
1600 W Monroe	1,845,000	950,400	-	2,795,400	1,242,500	1,863,800	-	3,106,300	(602,500)	913,400	-	310,900
Subtotal - Department of Revenue	1,989,700	1,024,000	-	3,013,700	1,339,500	2,009,400	-	3,348,900	(650,200)	985,400	-	335,200
Rio Nuevo Board												
400 W Congress, Tucson	-	-	13,800	13,800	-	-	15,300	15,300	-	-	1,500	1,500
School Facilities Board												
1700 W Washington	94,800	-	38,900	133,700	148,600	-	-	148,600	53,800	-	(38,900)	14,900
Secretary of State - Dept of State												
1700 W Washington	452,300	-	-	452,300	502,700	-	-	502,700	50,400	-	-	50,400
400 W Congress, Tucson	7,400	-	-	7,400	8,300	-	-	8,300	900	-	-	900
Records Management Addition	371,400	-	-	371,400	407,200	-	-	407,200	35,800	-	-	35,800
Polly Rosenbaum Building	1,958,300	-	-	1,958,300	2,176,300	-	-	2,176,300	218,000	-	-	218,000
Subtotal - Secretary of State - Dept of State	2,789,400	-	-	2,789,400	3,094,500	-	-	3,094,500	305,100	-	-	305,100
Transportation, Department of												
Capitol Center	-	-	-	-	-	124,400	-	124,400	-	124,400	-	124,400
Treasurer, State												
1700 W Washington	-	173,700	-	173,700	-	193,000	-	193,000	-	19,300	-	19,300
Tribal Relations, Governor's Office on												
1700 W Washington	16,200	-	-	16,200	18,000	-	-	18,000	1,800	-	-	1,800
Veterinary Medical Examining Board, AZ State												
1740 W Adams	-	29,700	-	29,700	-	36,600	-	36,600	-	6,900	-	6,900
Water Resources, Department of												
1802 W Jackson	30,400	-	-	30,400	33,800	-	-	33,800	3,400	-	-	3,400
GRAND TOTAL	18,187,200	8,876,500	3,134,400	30,198,100	21,600,000	9,802,200	4,306,800	35,709,000	3,412,800	925,700	1,172,400	5,510,900

1/ Reflects the FY 2020 rental rates enacted by Laws 2019, Chapter 267, Section 14, with an office square footage rental rate of \$17.87 and storage square footage rental rate of \$6.43.

2/ Pursuant to A.R.S. § 41-792.01, agencies occupying state-owned buildings shall pay the higher of the amount reported [herein] by the Joint Legislative Budget Committee or the pro rata share based on actual occupancy.

Capital Outlay

Arizona Department of Transportation Building System

FY 2020
APPROVED

BUILDING RENEWAL

ADOT Building Renewal ^{1/2/3/}	13,281,700
SUBTOTAL	13,281,700

INDIVIDUAL PROJECTS ^{4/5/}

Airport Planning and Development ^{6/7/8/}	33,120,000
State Aviation Fund Deposit ^{6/9/10/}	10,000,000
Seligman and Williams Maintenance Buildings ^{2/3/11/}	2,300,000
Wickenburg Maintenance Facilities ^{2/3/11/}	4,600,000
Interstate 10, Phoenix to Casa Grande Widening Study ^{6/9/}	10,000,000
Interstate 17, Anthem to Sunset Point ^{6/9/}	40,000,000
US Route 95, Yuma to Yuma Proving Ground ^{6/9/}	28,000,000
Local City and Town Distribution ^{6/9/12/}	18,000,000
Statewide Highway Construction ^{6/13/}	393,432,000
SUBTOTAL	539,452,000

TOTAL - ALL PROJECTS ^{14/-18/}	552,733,700
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FUND SOURCES

Other Appropriated Funds

General Fund	66,000,000
State Aviation Fund	33,401,700
State Highway Fund	453,332,000
SUBTOTAL - Other Appropriated Funds	552,733,700
SUBTOTAL - Appropriated Funds	552,733,700

Other Non-Appropriated Funds	589,087,000
Federal Funds	990,843,000

TOTAL - ALL SOURCES	2,132,663,700
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DESCRIPTION — The Arizona Department of Transportation (ADOT) Building System includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission.

FOOTNOTES

- ^{1/} Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2020 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Of the amount appropriated to the Department of Administration, up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall not be spent for Personal Services or Employee Related Expenditures or for maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review. (Capital Outlay Appropriation Act footnote)
- ^{2/} Notwithstanding A.R.S. § 35-190D, the appropriations made in this act for FY 2020 that are unexpended on June 30, 2021 revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- ^{3/} On or before January 31, 2020 and July 31, 2020, the Department of Transportation shall report to the Joint Legislative Budget Committee Staff on the status of all non-highway construction capital projects and non-highway construction capital project expenditures. (Capital Outlay Appropriation Act footnote)
- ^{4/} Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- ^{5/} See Arizona Department of Administration Building System for other local transportation projects.

- 6/ The appropriations do not lapse until the purpose for which the respective appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)
 - 7/ The amount is appropriated from the State Aviation Fund established by A.R.S. § 28-8202 to plan, construct, develop and improve state, county, city or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund that exceed the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
 - 8/ On or before December 31, 2019, the Department of Transportation shall report to the Joint Legislative Budget Committee Staff on the status of all aviation grant awards and aviation grant distributions. This report shall delineate projects by individual airport and fiscal year, including any future year commitments. (Capital Outlay Appropriation Act footnote)
 - 9/ Notwithstanding A.R.S. § 41-1252, the appropriation made in subsection A (the individual projects as listed) of this section is not subject to review by the Joint Committee on Capital Review. (Capital Outlay Appropriation Act footnote)
 - 10/ Of the amount appropriated in subsection A of this section for deposit into the State Aviation Fund established by A.R.S. § 28-8202, the State Transportation Board shall distribute pursuant to A.R.S. § 28-8202D at least \$1,000,000 to the Ernest A. Love Field Airport in Prescott. (Capital Outlay Appropriation Act footnote)
 - 11/ Before spending the appropriation made in subsection A of this section (the individual projects as listed), the Department of Transportation shall submit the scope, purpose and estimated cost of the capital improvements to the Joint Committee on Capital Review for its review pursuant to A.R.S. § 41-1252.
 - 12/ The monies distributed pursuant to this section may be used only for street and highway projects, including constructing and maintaining streets or highways.
 - 13/ The amount appropriated for highway construction is from the State Highway Fund established by A.R.S. § 28-6991 to plan and construct state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, to acquire rights-of-way, and to provide for the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the State Highway Fund that exceed the specific amounts appropriated in the General Appropriations Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
 - 14/ On or before November 1, 2019, the Department of Transportation shall report to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The report shall be in the same format as in the prior year unless modifications have been approved by the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. (Capital Outlay Appropriation Act footnote)
 - 15/ On or before November 1, 2019, the Department of Transportation shall report the department's estimated outstanding debt principal balance at the end of FY 2021 and the estimated debt service payment amount for each of FY 2021, FY 2022, FY 2023 and FY 2024 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. This report shall include State Highway Fund statewide construction bonds, Arizona Highway User Revenue Fund bonds, Maricopa Association of Governments and Pima Association of Governments controlled access bonds, Maricopa Regional Area Road Fund bonds and Grant Anticipation Notes and is intended to be comparable to the information in the *FY 2019 Appropriations Report*. (Capital Outlay Appropriation Act footnote)
 - 16/ On or before November 1, 2019, the Department of Transportation shall report capital outlay information for FY 2019, FY 2020 and FY 2021 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. This information shall appear in the same format as tables 2, 3 and 6, as found in the *FY 2019 Appropriations Report*. (Capital Outlay Appropriation Act footnote)
 - 17/ Unless otherwise specified, the monies appropriated in this act may not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the Inmate Construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
 - 18/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.
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Unless otherwise specified, funding for capital projects is appropriated by Laws 2019, Chapter 264 (FY 2020 Capital Outlay Bill).

Building Renewal

Building Renewal

The budget includes \$13,281,700 in FY 2020 for Building Renewal within ADOT's Building System. This amount consists of \$13,000,000 from the State Highway Fund (SHF) and \$281,700 from the State Aviation Fund (SAF). The SHF amount is for the ADOT Building System and the State Aviation amount is for the Grand Canyon Airport.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The formula is based on the square footage and replacement cost of existing buildings. The amounts represent 93.5% funding of the highway building renewal formula and 100% funding of the aviation building renewal formula. A footnote in the Capital Outlay Bill requires ADOT to biannually report on the status of all nonhighway construction capital projects, including building renewal projects and individual projects such as maintenance facility upgrades described in the Individual Projects section.

Individual Projects

Airport Planning and Development

The budget includes \$33,120,000 from the State Aviation Fund (SAF) in FY 2020 for ADOT's airport capital improvement program. Fund revenues are generated from the jet fuel tax and Grand Canyon Airport operational revenues. This amount corresponds to the programmed amount in the department's FY 2019-2023 Airport Capital Improvement Program (ACIP) with an additional \$10.0 million to reflect a General Fund deposit to the State Aviation Fund. ADOT develops an annual Five-Year ACIP to program airport planning and development monies, subject to the approval of the State Transportation Board. By aligning the airport planning and development appropriation with the programmed amount, the appropriation reflects the amount ADOT plans to award.

The budget also includes a new footnote requiring an annual report on ADOT aviation grants spending. Citing a \$15.0 million transfer from the State Aviation Fund to the General Fund in FY 2016 and grant management issues, the department suspended a major portion of its grant program in FY 2017, FY 2018 and FY 2019. The report is included to have the department report on its current grant awards and how those funds will be distributed in

future years. This may improve understanding of cash on hand and future commitments.

State Aviation Fund Deposit

The budget includes \$10,000,000 from the General Fund in FY 2020 for deposit into the State Aviation Fund for planning, development, land acquisition and facility improvements for local public airport facilities. This amount will be distributed as part of the Airport Planning and Development appropriation. Of this amount, a footnote earmarks \$1.0 million for grant distribution the Ernest A. Love Field in Prescott.

Seligman and Williams Maintenance Buildings

The budget includes \$2,300,000 from SHF in FY 2020 for maintenance building replacements in Seligman and Williams. Located in Coconino County and Yavapai County, respectively, the Seligman and Williams maintenance offices are 1,200 square foot modular facilities serving around 15 FTE Positions each. ADOT identified the facilities as unrepairable due to inadequate restrooms and showers and insufficient size. The department plans to replace the facilities with two 2,500 square foot buildings including offices, a meeting area, computer work stations, restrooms, showers, a break room and a training room.

Wickenburg Maintenance Facilities

The budget includes \$4,600,000 from SHF in FY 2020 for maintenance facility replacements in Wickenburg. The Wickenburg maintenance yard includes a maintenance office, a small Department of Public Safety outpost office, an equipment shop, and 3 storage buildings. ADOT evaluates the yard as small, outdated, susceptible to flooding, and inefficient for coordination between the supervisor and crew. The department plans to demolish and replace the structures with a 5,200 square foot office building, a 4,800 square foot 4-bay truck barn, and a 4,000 square foot 5-bay maintenance building. It also plans to construct an on-site fuel facility.

Interstate 10, Phoenix to Casa Grande Study

The budget includes \$10,000,000 from the General Fund in FY 2020 for completion of a design concept report and environmental study for a project to widen Interstate 10 from Phoenix to Casa Grande through the Gila River Indian Community. A design concept report details a project's design plans, geographical parameters, and construction costs, completed in conjunction with an environmental study to conform with federal regulations.

Interstate 17, Anthem to Sunset Point

The budget includes \$40,000,000 from SHF in FY 2020 for partial funding of a project to expand capacity on Interstate 17 from Anthem to Sunset Point. The overall

\$323 million project consists of 2 main parts: 1) Widen Interstate 17 from 2 lanes to 3 lanes between Anthem and Black Canyon City and 2) Add flex lanes on the southbound alignment from Black Canyon City to Sunset Point with crossovers to and from the northbound alignment. With \$193 million in half-cent sales tax monies and Federal Funds committed from Maricopa Association of Governments and ADOT, respectively, the FY 2020 Capital Outlay Bill appropriates \$130 million over 3 years to fund the shortfall, beginning with the \$40.0 million in FY 2020.

US Route 95, Yuma to Yuma Proving Ground

The budget includes \$28,000,000 from the General Fund in FY 2020 for a project to widen US Route 95 between the city of Yuma and the Yuma Proving Ground. The project would expand US Route 95 from 9E Avenue to Fortuna Road from 2 lanes (1 each direction) to 5 lanes (2 each direction, 1 center turn lane).

Local City and Town Distribution

The budget includes \$18,000,000 from the General Fund in FY 2020 for a distribution to local cities and towns. The department shall distribute an equal amount to each city and town, which for the 94 cities and towns in the state would be \$191,500 each.

Statewide Highway Construction

The budget includes \$393,432,000 from SHF in FY 2020 for controlled access, debt service on bonds, and new construction. Only a small portion of the state's total \$1,922,400,000 highway construction funding is appropriated. Other monies available for highway construction include beginning balances and bond revenues from SHF, Federal Funds, the Maricopa Regional Area Road Fund (MRARF), and HURF for controlled access roads. (See the Total Highway Construction Funding discussion and Table 5 in Other Issues for additional information.) A footnote in the FY 2020 Capital Outlay Bill appropriates any additional monies in SHF above the appropriation to ADOT for highway construction.

Controlled Access Highways

The budget includes an estimated urban freeway controlled access funding level of \$113,442,000 from SHF in FY 2020. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%. These amounts are deposited into 4 subaccounts of the SHF: the MAG 12.6% account, MAG 2.6% account, PAG 12.6% account, and PAG 2.6% account. The 12.6% accounts refer to the statutory HURF distribution and the 2.6% accounts refer to the State Transportation Board policy amount. ADOT spends these amounts as programmed by MAG and PAG. Table 6 displays the HURF distribution analysis, which

shows that after implementing an SHF VLT transfer to the General Fund, \$109,894,000 will be available for controlled access highways in FY 2020 rather than \$113,442,000.

Debt Service

The budget includes \$150,502,000 from SHF in FY 2020 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,176,714,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2020 debt service payments. (Please see Table 5 for more information on debt service.)

Statewide Highway Construction

The budget includes \$129,488,000 from SHF in FY 2020 for highway construction. Expenditure of highway construction funding is determined by the State Transportation Board, which approves a 5 Year Program developed by ADOT. Highway construction monies represent the amount that is available for the discretionary SHF to fund the State Transportation Board's 5 Year Program after all other allocations have been made. Table 6 displays the HURF distribution analysis, which shows that after implementing additional ADOT operating and capital project funding and statewide adjustments, \$54,957,000 will be available for controlled access highways in FY 2020 rather than \$129,488,000.

Table 1 shows the allocation of the highway construction budget prior to ADOT operating and capital issues and statewide adjustments, which reduces the level of available construction funding.

As noted in the HURF distribution table (please see Table 6), an additional amount of \$424,880,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2020. The Statewide Transportation Acceleration Account (STAN) is estimated to have a depleted balance.

State Highway Fund	
FY 2020 Highway Construction & Debt Service	
	<u>Capital Outlay Bill</u>
Controlled Access	\$ 113,442,000 ^{1/}
Debt Service	150,502,000
Highway Construction	<u>129,488,000 ^{2/}</u>
Total	\$393,432,000
^{1/} Adjusted to \$109,894,000 for State Highway Fund VLT transfer.	
^{2/} Adjusted to \$54,957,000 for State Highway Fund operating and capital issues.	

Other Issues

Transportation Projects

The budget includes \$225.3 million in transportation projects consisting of the following:

- \$29.3 million from the General Fund in FY 2020 for transportation projects distributed through ADOA consisting of \$2.8 million for a Jesse Hayes Road bridge replacement, \$6.5 million for a State Route 24 bridge over Ellsworth Road, and \$20.0 million for 2 new Interstate 40 traffic interchanges.
- \$66.0 million from the General Fund in FY 2020 for projects through ADOT referenced in this narrative consisting of \$10.0 million for a State Aviation Fund deposit, \$10.0 million for an Interstate 10 widening study, \$28.0 million for a US Route 95 widening project, and \$18.0 million for a local distribution.
- \$130.0 million from the State Highway Fund over a 3-year period from FY 2020 to FY 2022, including \$40.0 million in FY 2020 and \$45.0 million in each of FY 2021 and FY 2022.

Please see the Arizona Department of Administration Capital section for more information on the \$29.3 million in projects distributed through ADOA.

Summary of Non-Appropriated Capital Funds

Table 2 provides a summary of non-appropriated capital expenditures. Non-appropriated capital expenditures are expected to grow from \$1.1 billion in FY 2018 to \$1.5 billion in FY 2019 and level at \$1.6 billion in FY 2020.

	FY 2018 <u>Actual</u>	FY 2019 <u>Estimate</u>	FY 2020 <u>Estimate</u>
Aviation Federal Funds	\$1,375	\$2,160	\$2,629
Federal Grants	<u>801,837</u>	<u>636,958</u>	<u>988,214</u>
Subtotal - Federal Funds	\$803,212	\$639,118	\$990,843
Bond Proceeds	\$54,407	\$386,981	\$120,783
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	10,342	10,000	10,000
Maricopa Regional Area Road Fund	<u>272,208</u>	<u>487,883</u>	<u>457,304</u>
Subtotal - Other Non- Appropriated Funds	\$337,957	885,864	589,087
Total	\$1,141,169	\$1,524,982	\$1,579,930

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2020 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in *Table 2*.

Summary of Highway Construction

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the board on June 18, 2018 includes monies from SHF, Federal Funds, MRARF, SHF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals \$989,723,000 for FY 2020. (Please see *Table 3* for additional details.)

Table 3

**State Highway Fund
Highway Construction Projects Beginning in FY 2020
(\$ in Thousands)**

	<u>FY 2020</u> ^{1/}
Construction	\$90,015
Urban Controlled Access ^{2/}	550,991
Pavement Preservation Maintenance	297,490
Other ^{3/}	<u>51,227</u>
Total	\$989,723

^{1/} Data from ADOT's 2019-2023 5-Year Transportation Facilities Construction Program.

^{2/} Includes expenditures from SHF for controlled access, PAG, and MRARF.

^{3/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

Total Highway Construction Funding

Only a small portion of the state's total highway construction funding is appropriated. The FY 2020 budget includes \$393,432,000 for highway construction, including \$129,488,000 of net SHF monies for statewide highway construction, prior to other adjustments as described above.

Table 5 summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2018 through FY 2020 on a cash flow basis, as provided by ADOT. Table 3, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it only shows the total dollar cost of highway projects scheduled to begin in FY 2020 by category of construction. Table 5 also includes monies from the Local Agency Deposits Fund, while Table 3 does not.

For FY 2018, *Table 5* shows that total cash highway construction expenditures were \$1.1 billion while \$252.9 million was spent on debt service. In FY 2019, total estimated cash highway construction expenditures are \$1.4 billion with total debt service of \$314.8 million. In FY 2020, total estimated cash highway construction expenditures are \$1.6 billion with total debt service of \$330.7 million.

The major sources of highway construction funding are SHF, Federal Aid, the half-cent sales tax in Maricopa County (MRARF), bond proceeds, and the Local Agency Deposits Fund. The Local Agency Deposits Fund receives monies from the federal government and local agencies for the payment of local agency sponsored county secondary road construction projects.

Table 5 does not include highway maintenance spending of \$133.4 million in FY 2018, \$164.9 million in FY 2019, and \$141.7 million in FY 2020. Of the \$330.7 million total FY 2020 debt service amount in *Table 5*, only \$150.5 million is appropriated.

Highway User Revenue Fund Analysis

HURF consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax (VLT), vehicle registration, driver’s license, and others. *Table 4* explains the formula distribution of HURF monies between state and local governments. *Table 6* presents the overall HURF distribution for FY 2018 through FY 2020. The line in *Table 6* showing net SHF Available for Statewide Highway Construction, which totals \$54,957,000 (originally estimated to be \$129,488,000 in the JLBC Baseline and Capital Outlay Bill) for FY 2020, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, and Miscellaneous Funds available for construction. This line represents the amount that is available from the discretionary SHF to fund the State Transportation Board’s 5-Year Program.

Total FY 2018 HURF collections of \$1,455,779,000 were 2.8% above FY 2017 collections. As of April 2019, HURF year-to-date collections were 4.5% higher than the prior year collections.

The gas tax is the largest source of HURF collections, accounting for 36% of HURF revenue in FY 2018. The average price per gallon of regular gasoline in Arizona is \$3.04 in June 2018, only 3 cents per gallon lower than a year ago, according to the American Automobile Association.

VLT comprises the second largest source of HURF collections at 31%, a percentage which has been increasing in recent years. From FY 2014 to FY 2018, the gas tax share of total collections has decreased by (1.1)% while VLT's share has increased by 2.7%. ADOT forecasts HURF collections 10 years out each summer using a model based on the state's nominal personal income, population, non-farm employment, fleet fuel efficiency and nominal gas price.

Table 4

Percentage Distribution of HURF Monies

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	<u>42.8%</u>
Total	100.0%

^{1/} A.R.S. § 28-6538 distributes 50.5% of HURF monies to SHF, with 12.6% of the monies distributed to SHF being allocated to controlled access highways in Maricopa and Pima Counties. The State Transportation Board adds 2.6% by Board Policy to the statutory 12.6%, making a total of 15.2% of SHF monies set aside for controlled access highways (15.2% of 50.5% = 7.7% displayed in the table above). The controlled access monies are divided: 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

Table 5

Highway Construction and Debt Service Expenditures by Fund Source
(\$ in Millions)

<u>Sources</u>	<u>FY 2018 Actual</u>	<u>FY 2019 Estimate</u>	<u>FY 2020 Estimate</u>
State Highway Fund (SHF)			
Appropriated			
HURF - Statewide Debt Service	\$ 90.7	\$ 100.0	\$ 112.5
HURF - MAG Debt Service	39.6	43.0	38.0
MAG/PAG 15.2% Controlled Access - Construction	51.8	71.5	228.0
Net SHF Funds Available for Statewide Highway	<u>107.9</u>	<u>32.1</u>	<u>55.0</u>
Total SHF - Appropriated	\$ 290.0	\$ 246.6	\$ 433.5
Non-Appropriated			
SHF Highway Construction ^{1/}	<u>\$ 0.4</u>	<u>\$ 0.3</u>	<u>\$ -</u>
Total SHF - Non-Appropriated	\$ 0.4	\$ 0.3	\$ -
Total SHF Highway Construction Expenditures	\$ 290.4	\$ 246.9	\$ 433.5
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 801.9	\$ 637.0	\$ 988.2
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 125.9	\$ 258.5	\$ 226.2
MRARF Debt Service	99.1	142.5	143.7
Total Maricopa Regional Area Road Fund Highway	\$ 225.0	\$ 401.0	\$ 369.9
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 4.4	\$ 32.0	\$ 47.8
MRARF - Highway Construction Expenditures	0.0	291.7	0.0
GAN - Highway Construction Expenditures	50.0	63.3	73.0
Total Bond Proceeds Highway Construction	\$ 54.4	\$ 387.0	\$ 120.8
Local Agency Deposits Fund			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	10.3	10.0	10.0
Total Local Agency Deposits Fund Highway	\$ 10.3	\$ 10.0	\$ 10.0
Total Highway Construction Expenditures	\$ 1,382.0	\$ 1,681.9	\$ 1,922.4
Total Debt Service			
SHF	\$ 130.3	\$ 143.0	\$ 150.5
Federal Aid	23.5	29.3	36.5
MRARF	99.1	142.5	143.7
Total Debt Service	\$ 252.9	\$ 314.8	\$ 330.7 ^{2/}
Total Cash Highway Construction Expenditures			
SHF	\$ 160.1	\$ 103.9	\$ 283.0
Federal Aid	778.4	607.7	951.7
MRARF	125.9	258.5	226.2
Bond Proceeds	54.4	387.0	120.8
Local Agency Deposits Fund	10.3	10.0	10.0
Total Cash Highway Construction Expenditures	\$ 1,129.1	\$ 1,367.1	\$ 1,591.7
Total Highway Construction Expenditures	\$ 1,382.0	\$ 1,681.9	\$ 1,922.4

^{1/} Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

^{2/} Information provided by the department. Includes \$150,502,000 for HURF bonds (\$112,545,000 for statewide program and \$37,957,000 MAG program); \$36,533,000 for Grant Anticipation Notes; and \$143,713,000 for MRARF bonds.

Table 6

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2018	FY 2019	FY 2020
	Actual	Estimate	Estimate
Total HURF Collections Before Authorized Third-Party (ATP) Expenses	\$1,477,967	\$1,512,969	\$1,571,515
Less: ServiceArizona ATP Fee Retention	6,574	6,824	7,042
Brick and Mortar ATP Fee Retention	6,357	6,257	6,458
ServiceArizona ATP Credit Card Fee Reimbursements	8,337	8,766	9,047
Brick and Mortar ATP Credit Card Fee Reimbursements	<u>920</u>	<u>922</u>	<u>951</u>
Total HURF Collections	\$1,455,779	\$1,490,200	\$1,548,017
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	656	654	654
Dept. of Public Safety Transfer from HURF	99,399	15,509	0
Reversions from DPS	(115)	(100)	(100)
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	11,338	11,565	11,732
Cities ^{2/}	16,003	16,003	16,003
Counties ^{2/}	9,969	9,969	9,969
Controlled Access ^{2/}	<u>4,028</u>	<u>4,028</u>	<u>4,028</u>
Net HURF Collections	\$1,313,501	\$1,431,572	\$1,504,731
Less: Cities ^{3/}	400,618	436,629	458,943
Counties ^{3/}	249,565	271,999	285,899
VLT Transfer to General Fund ^{4/}	0	42,365	23,343
VLT Transfer to Parity Compensation Fund ^{5/}	3,340	3,554	3,811
VLT Transfer to General Fund (5-Year VLT) ^{6/}	1,807	1,950	2,100
VLT Transfer to General Fund (Abandoned Vehicle) ^{7/}	6,251	7,000	7,650
Controlled Access ^{8/}	<u>99,092</u>	<u>101,547</u>	<u>109,894</u>
Net SHF (Discretionary)	\$ 552,828	\$ 566,528	\$ 613,091
Plus: Other Income ^{9/}	69,697	80,492	91,937
Less: Operating Budget	340,281	384,074	397,585
Dept of Public Safety Transfer from Highway Fund	8,714	8,169	318
Capital Outlay	5,340	6,560	46,900
Building Renewal	4,500	5,250	13,000
ServiceArizona ATP VLT Retention ^{10/}	19,059	20,129	20,773
Brick and Mortar ATP VLT Retention ^{10/}	12,789	12,929	13,343
Miscellaneous	3,519	800	650
HURF Exchange Program ^{11/}	2,148	6,500	7,000
Debt Service ^{12/}	<u>130,317</u>	<u>142,971</u>	<u>150,502</u>
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{13/}	\$ 95,858	\$ 59,638	\$ 54,957
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	420,255	425,197	424,880
STAN Account Beginning Balance	<u>614</u>	<u>257</u>	<u>0</u>
Total SHF Available for Statewide Highway Construction	\$ 516,727	\$ 485,092	\$ 479,837

^{1/} Provides monies for economic strength highway projects recommended by the Commerce Authority and approved by the State Transportation Board.

^{2/} The FY 2017 Revenue Budget Reconciliation Bill (BRB) requires, as session law, \$30 million of HURF revenues in FY 2018 to be allocated directly to local governments in percentages reflecting current non-state distribution of HURF revenues. The legislation also specifies that those revenues may only be spent on direct construction/repair and right-of-way expenditures. The FY 2018 Revenue BRB requires, as session law, \$30 million in FY 2019 and \$60 million in FY 2020 to be allocated to local governments in the same manner. The FY 2019 Revenue BRB modified the FY 2018 Revenue BRB to allocate \$30 million in FY 2020 instead of \$60 million due to the enactment of the highway safety fee.

^{3/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

^{4/} The FY 2019 General Appropriation Act transfers \$42,364,500 from the SHF share of VLT to the state General Fund. The FY 2020 General Appropriation Act transfers \$23,343,200 from the SHF share of VLT to the state General Fund.

^{5/} A.R.S § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

^{6/} A.R.S § 28-5808E transfers the SHF share of the HURF VLT to the state General Fund that is generated from the difference between a 2-year registration and a 5-year registration.

^{7/} A.R.S § 28-5808D also transfers the SHF share of the HURF VLT to the state General Fund that is equal to 90% of the fees collected under A.R.S. § 28-4802A and 60% of the fees collected under A.R.S. § 28-4802B to the state General Fund.

^{8/} A statutorily defined distribution of SHF monies for design, acquisition and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

^{9/} Includes transfers from the MAG 12.6% subaccount to the SHF for debt service on HURF bonds, miscellaneous receipts, rental income, sale of capital assets, underground storage tank deposits, investment income, grants from Governor's Office of Highway Safety, retained MVD fees, oversize permits, abandoned vehicle fees and an FY 2020 General Appropriation Act transfer from the Arizona Highway Patrol Fund to the SHF.

^{10/} Statutory payments to third parties from VLT collected by third parties. Non-VLT fees to ATPs are listed at the top of the chart.

^{11/} Beginning in October 2017, ADOT has reinstated its HURF Exchange Program, where local entities can exchange federal aid monies for State Highway Fund monies.

^{12/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

^{13/} Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

Capital Outlay
Arizona Board of Regents Building Systems

FY 2020
 APPROVED

BUILDING RENEWAL

Arizona Board of Regents

TOTAL - ALL PROJECTS

0

0^{1/2/}

FUND SOURCES

General Fund

TOTAL - ALL SOURCES

0

0

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by ABOR on behalf of the universities.

FOOTNOTES

- 1/ A.R.S. § 15-1670 appropriates \$33,606,000 to the universities from the General Fund in FY 2020 to finance lease-purchase payments for research infrastructure projects.
- 2/ A.R.S. § 15-1671 appropriates \$27,539,900 to the universities from the General Fund in FY 2020 for capital infrastructure projects.

Legal Structure

Pursuant to A.R.S. § 15-1682, the Arizona Board of Regents (ABOR) has the authority to lease, own, operate, and secure financing for building facilities for each of the 3 universities under its jurisdiction.

ABOR is the university system’s sole legal entity created under the State Constitution. Pursuant to A.R.S. § 15-1601, ABOR maintains Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). While ABOR delegates the authority to sign contracts to the presidents of each university, all contracts are legally established under ABOR, and all properties are legally held by ABOR, not the individual universities.

When debt is issued for a university project, only revenues from the respective university are pledged for the project’s debt service payments. As a result, financing terms are dependent upon each university’s individual credit rating, but all debt is formally issued by ABOR.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on a formula determined by the Joint Committee on Capital Review (JCCR). As required by A.R.S. § 41-793.01, the formula takes into account the replacement value, age, and life cycle of a building. In FY

2020, ABOR reports funding 100% of the building renewal formula would be \$161.5 million. The budget includes no funding for Building Renewal in the ABOR Building System.

One-Time Funding

Section 155 of the FY 2020 General Appropriation Act appropriated \$35,000,000 to the universities from the General Fund in FY 2020 for one-time capital improvements or operating expenditures. Of this amount, \$18,900,000 is appropriated to ASU, \$6,650,000 is appropriated to NAU, and \$9,450,000 is appropriated to UA.

A General Appropriation Act footnote requires JCCR review for any of these monies that are used for capital projects.

These monies are included in the General Fund budget of each university’s individual agency section. *(Please see the individual university sections for more information.)*

Summary of University Debt

ABOR estimates that as of the end of FY 2020, the universities’ outstanding principal balances for bonds and lease-purchase agreements will total \$3,618,989,000. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$1,851,949,000
NAU	472,605,000
UA (all campuses)	<u>1,294,435,000</u>
Total	<u>\$3,618,989,000</u>

to provide funding for a variety of research infrastructure projects. (Please see the 2003 Research Infrastructure Refinancing section in the ABOR narrative for more information.)

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2020 will be \$339,425,800. The debt service payments made by each of the universities would be as follows:

ASU (all campuses)	\$155,373,500
NAU	45,876,100
UA (all campuses)	<u>138,176,200</u>
Total	<u>\$339,425,800</u>

Of the total FY 2020 debt service payments, \$40,924,200 would be paid by Lottery monies, \$33,299,600 would be paid by the General Fund for 2003 research infrastructure projects, and \$2,802,500 would be paid by the General Fund for 2017 Capital Infrastructure Funding projects. (Please see the Lease-Purchase Projects, Bonding, and 2017 Capital Infrastructure Funding sections below for more information.)

The universities' expenditures for debt service payments are included in the budget of each university's individual agency section. (Please see the individual university sections for more information.)

Lease-Purchase Projects

As part of the \$3,618,989,000 in FY 2020 university debt, ABOR is projected to have \$505,189,000 in outstanding lease-purchase balances, with an overall debt service payment of \$81,473,000. The FY 2020 General Fund share of the debt service is \$33,299,600. These General Fund monies pay for the 2003 Certificates of Participation (COPs) which were issued in the amount of \$482,500,000

Bonding

As part of the \$3,618,989,000 in FY 2020 university debt, ABOR is projected to have \$3,113,800,000 in outstanding bond balances, including both system revenue and lottery bonds. The projected debt service is \$257,637,700.

University Lottery Bonds

One component of the \$2.8 billion balance is university lottery revenue (Stimulus Plan for Economic and Educational Development (SPEED)) bonds (Laws 2008, Chapter 287 as amended by Laws 2009, 1st Special Session, Chapter 6 and Laws 2009, 3rd Special Session, Chapter 9). These statutory provisions authorized ABOR to enter into bond transactions up to a maximum of \$800,000,000 to pay for new facilities. The bonds are to be paid with 80% Lottery monies and 20% university system revenues.

ABOR is required to allocate \$376,000,000 of the \$800,000,000 for the Phoenix Biomedical Campus. ABOR also decided to allocate \$16,000,000 to Arizona State University's (ASU) School of Construction. With the Phoenix Biomedical Campus and School of Construction set-asides, \$408,000,000 remained to be allocated. ABOR then initially split this amount evenly to each of the 3 universities (\$136,000,000 each) for building renewal, deferred maintenance, and new construction projects.

Including the Phoenix Biomedical Campus, the ASU School of Construction and other projects, \$726,363,000 of the Chapter 287 authority has been reviewed (see Table 1). Of that amount, \$684,110,000 has been issued, which will

Table 1

University Lottery Bond Issuances

Purpose	University	Statutory Distribution	Reviewed Issuance	Actual Issuance	Remaining Authority	Planned Issuance
Phoenix Biomedical Campus	ASU	\$ 94,000,000	0	0	\$ 94,000,000	0
	UA	266,960,000	\$283,445,000	\$266,945,000	15,000	0
	NAU	<u>15,040,000</u>	<u>8,200,000</u>	<u>7,475,000</u>	<u>7,565,000</u>	0
Subtotal		<u>\$376,000,000</u>	<u>\$291,645,000</u>	<u>\$274,420,000</u>	<u>\$101,580,000</u>	<u>\$0</u>
School of Construction	ASU	\$ 16,000,000	\$ 16,000,000	\$ 14,520,000	\$ 1,480,000	0
Building Renewal/ New Construction	ASU	\$136,000,000	\$137,653,000 ^{1/}	\$127,835,000	\$ 8,165,000	0
	NAU	136,000,000	136,015,000 ^{1/}	132,500,000	3,500,000	0
	UA	<u>136,000,000</u>	<u>145,050,000</u> ^{1/}	<u>134,835,000</u>	<u>1,165,000</u>	<u>\$1,100,000</u>
Subtotal		<u>\$408,000,000</u>	<u>\$418,718,000</u>	<u>\$395,170,000</u>	<u>\$ 12,830,000</u>	<u>\$1,100,000</u>
TOTAL		<u>\$800,000,000</u>	<u>\$726,363,000</u>	<u>\$684,110,000</u>	<u>\$115,890,000</u>	<u>\$1,100,000</u>

^{1/} Actual issuances will not exceed statutory distribution

Table 2

University Lottery Bonding Projects ^{1/}

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Maximum Lottery Revenue to UCI Fund ^{2/ 3/}	\$ 54,446,500	\$ 70,556,200	\$ 71,655,500	\$ 86,040,500	\$ 93,083,200
Total Debt Service	\$ 49,889,300	\$ 49,861,200	\$ 51,155,300	\$ 49,855,300	\$ 49,855,300
Total Lottery Share at 80% ^{4/5/}	\$ 39,911,400	\$ 39,889,000	\$ 40,924,200	\$ 39,884,200	\$ 39,884,200
Projected University Cost at 20% ^{4/5/}	\$ 9,977,900	\$ 9,972,200	\$ 10,231,100	\$ 9,971,100	\$ 9,971,100
Lottery Funds Remaining for General Fund - Part 3 ^{3/}	\$ 14,535,100	\$ 30,667,200	\$ 30,731,300	\$ 46,156,300	\$ 53,199,000

- ^{1/} Represents JCCR reviewed projects and issuances. The debt service amounts displayed above reflect estimates made in October 2018 based on available information from ABOR.
- ^{2/} Revenue estimates are based on a 7.3% increase in annual Lottery revenues in FY 2019, a 6.5% increase in FY 2020 and 5.0% annual increases thereafter. Represents the maximum amount of revenue available to the UCI Fund. UCI Fund revenues would not exceed the actual total lottery share of debt service in a given year. (See *Total Lottery Share at 80% line.*)
- ^{3/} Lottery revenues that remain after payment of the 80% share of university debt service are transferred to the General Fund.
- ^{4/} Due to savings from the UA Health Sciences Education Building shell space coming in under budget, a portion of the project's bond proceeds are available to pay down debt service in FY 2018 and FY 2019. As a result, the reported FY 2018 and FY 2019 total debt service costs will be reduced by \$(376,600) and \$(86,900), respectively. ABOR would allocate 80% of the savings to the required lottery-funded payment, and 20% to the university funded share.
- ^{5/} The sum of Total Lottery Share at 80% and Projected University Cost at 20% represents the total debt service for the bond issuances. (See the *Capital Debt and Lease-Purchase section for more information.*)

result in a total debt service payment of \$51,155,300 in FY 2020, with 80% of debt service being paid from lottery revenues. At this time a total of \$115,890,000 in remaining authority is available for university lottery bonding projects, including \$101,580,000 for Phoenix Biomedical Campus expansion. (Please see Table 1 for the statutory distribution amounts, the reviewed and planned issuances, and the remaining bonding authority by university, and the FY 2018 Baseline for more historical information.)

After all lottery revenue beneficiaries receive their statutory distributions, the University Capital Improvement (UCI) Fund receives its distribution before any remaining monies are deposited to the General Fund. The Joint Legislative Budget Committee (JLBC) Staff estimates that the UCI Fund could receive as much as \$71,655,500 in FY 2020. This estimate solely reflects the total available after other lottery distributions and does not reflect planned usage. Since the maximum 80% lottery portion of the debt service is assumed to be \$40,924,200 in FY 2020, the budget assumes the remaining \$30,731,300 will be deposited to the General Fund. The 20% share of the university payment, which will be paid for with university system revenues, is projected to be \$10,231,100 in FY 2020.

Chapter 287 also provided that the monies distributed from the UCI Fund would be exempt from the university debt limit calculations. However, each university is required to submit their debt limit calculations with and without this bonding package as part of their annual Capital Improvement Plans.

Table 2 shows the current projections for UCI Fund revenues and the total combined debt service for the Phoenix Biomedical Campus, ASU School of Construction and building renewal projects if the maximum of 80% of the debt service was paid from Lottery funds. These amounts are based on the FY 2020 enacted budget revenue forecast and ABOR debt service estimates from October 2018.

2017 University Capital Infrastructure Funding

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. The law appropriated \$27,000,000 to the universities in FY 2019 and increases the appropriation each year thereafter by 2.0% or the rate of inflation, whichever is less. The FY 2020 budget appropriations assume a 2% increase and are allocated to each university as follows:

- ASU: \$12,165,900
- NAU: \$4,611,300
- UA: \$10,762,700
- Total: \$27,539,900

The universities may use these monies for debt service on infrastructure long-term financing and for cash construction costs. New debt issued under this program may not exceed \$1.0 billion.

Under the law, each university's General Fund appropriation are deposited into a newly-created Capital Infrastructure Fund (CIF). Each university must match any

Table 3

2017 University Capital Infrastructure Funding (CIF) Approved and Proposed Projects ^{1/}

Project	Principal	Average Annual Debt Payment ^{2/}	50% General Fund Portion ^{3/}	Financing Through
Durham Language & Literature Building Renovation ^{5/}	\$65,000,000	\$ 4,459,100	\$ 2,229,600	FY 2043
Hayden Library Renovation ^{4/ 5/}	35,000,000	2,362,200	1,181,100	FY 2043
Health Solutions Innovation Center (Mayo) ^{5/}	80,000,000	5,354,600	2,677,300	FY 2043
Interdisciplinary Science/Technology Building (ISTB) 7 ^{5/}	175,000,000	11,742,900	5,871,500	FY 2043
Building Infrastructure ^{5/}	32,000,000	2,115,400	1,057,600	FY 2043
ASU Subtotal	\$387,000,000	\$26,034,200	\$13,017,200	
Multi-Discipline STEM Academic/Research Building	\$139,000,000	--	--	--
Science Annex Renovation ^{6/}	17,400,000	N/A	N/A	N/A
NAU Subtotal	\$156,400,000	--	--	
Animal/Biomedical Sciences Building 90 Renovation ^{5/}	\$ 18,000,000	\$ 1,214,100	\$607,100	FY 2043
Applied Research Building	50,000,000	--	--	--
Grand Challenges Research Building	150,000,000	--	--	--
Steward Observatory Renovation ^{5/}	11,000,000	N/A	N/A	N/A
Deferred Maintenance	155,000,000	--	--	--
UA Subtotal	\$384,000,000	\$1,214,100	\$607,100	
Universities Total	\$927,400,000	\$27,248,300	\$13,624,300	

^{1/} Includes projects listed in the universities' Capital Development Plans (CDP) as approved by ABOR for FY 2019.
^{2/} Debt payments for project vary each fiscal year. These amounts represent the average annual debt payment over the financing period.
^{3/} The General Fund and other university resources will split the debt service payments evenly.
^{4/} CIF monies will pay the debt service on \$35 million of the total \$90 million of bonds issued for the Hayden Library Renovation project.
^{5/} Projects that have been approved by JCCR. JCCR approval is required for debt-financed projects.
^{6/} Projects that have been reviewed by JCCR. JCCR review is required for cash-funded projects. NAU and UA determined the Science Annex renovation and Deferred Maintenance projects would be funded using cash, rather than debt-financing.

General Fund contributions to its fund that are used for debt service payments at a 1:1 rate.

Debt service payments made on CIF funded projects are included in the statutory debt limit. *(Please see University Debt Ratio Policy for more information.)*

Any cash-based capital projects funded with CIF monies must be reviewed by the Joint Committee on Capital Review, and any debt-financed projects funded with CIF monies must be approved by the Committee. The Committee must hear and review, approve, or disapprove, as applicable, each CIF funded project by its second meeting after the request date.

Table 3 shows the projects that the universities have included in their Capital Development and Capital Improvement Plans for FY 2019 that are scheduled to be funded by CIF monies. The list of projects is subject to revisions or additions.

The universities have received JCCR review for 2 projects and JCCR approval for 6 CIF funded projects (see Table 3). The approved projects are the only CIF funded projects incorporated into ABOR's estimates of systemwide FY 2020 debt and debt service totals. The debt service

payments for all planned CIF funded projects, however, are included in the universities' projected future debt ratios. *(Please see the University Debt Ratio Policy section.)*

University Debt Ratio Policy

In authorizing ABOR to issue bonds on behalf of the universities, A.R.S. § 15-1683 limits the debt service payments each university is allowed to make based on its financial resources.

Specifically, the statute requires that the projected debt service payments on outstanding and proposed bonds and certificates of participation (COPs) not exceed 8.0% of each institution's total projected expenditures and mandatory transfers in any fiscal year. As noted previously, the university lottery bonds (otherwise known as SPEED) are exempt from the debt ratio calculations.

The universities' FY 2018 Debt Capacity Reports project expected debt ratios through FY 2026. The rate and year in which each university is projected to have its highest debt ratio is listed below. The ratio is also displayed if the university lottery bonds were applied to the calculation.

- ASU: 5.5% (5.9% with SPEED) in FY 2021
- NAU: 6.1% (7.8% with SPEED) in FY 2020
- UA: 5.5% (6.7% with SPEED) in FY 2020

These ratios incorporate the debt service impact of planned construction projects, including projects approved in the universities' Capital Development and Capital Improvement plans that will be financed by the 2017 University Capital Infrastructure Funding program.

The universities estimate that they have the capacity to issue \$2.0 billion in additional debt beyond the planned projects based on these debt service ratios.

Capital Outlay

Debt and Lease-Purchase Financing

FY 2020
APPROVED

LEASE-PURCHASE PAYMENTS AND DISTRIBUTIONS*

Arizona Department of Administration - Leaseback Financing ^{1/2/3/}	77,709,300
Lease-Purchase Payoff	<u>190,000,000</u>
TOTAL - ALL PROJECTS	267,709,300

* Represents only General Fund lease-purchase payments not included in individual agency budgets. All other debt and lease-purchase payments are reflected in individual agency budgets. (Please see Table 2.)

FUND SOURCES

General Fund	<u>267,709,300</u>
TOTAL - ALL SOURCES	267,709,300

DESCRIPTION — This section summarizes the state's debt and lease-purchase obligations.

FOOTNOTES

- 1/ The sum of \$53,699,500 is appropriated from the state General Fund in FY 2020 to the Department of Administration for the purpose of making a debt service payment on the sale and leaseback of state buildings authorized by Laws 2009, 3rd Special Session, Chapter 6, Section 32. (General Appropriation Act footnote)
- 2/ The sum of \$24,009,800 is appropriated from the state General Fund in FY 2020 to the Department of Administration for the purpose of making a debt service payment on the sale and leaseback of state buildings authorized by Laws 2010, 6th Special Session, Chapter 4, Section 2. (General Appropriation Act footnote)
- 3/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Leaseback Financing

Leaseback Financing

The budget includes \$77,709,300 from the General Fund in FY 2020 for lease-purchase payments related to the \$1,035,419,300 state building sale/leaseback agreements.

In January 2019, the Arizona Department of Administration (ADOA) entered into an agreement (2019A) to refinance the sale/leaseback agreements originally issued in January 2010 (2010A). This refinancing will result in annual savings of \$(6,399,200) in FY 2020 compared to the previously scheduled FY 2020 payment under the 2010A. Throughout the term of the 2010A, the total debt service reduction is \$70.4 million. The average tax-exempt interest rate of the 2019A agreements is approximately 2.5%. The financing will still be paid off in FY 2030.

This savings was achieved due to lower market interest rates, a shorter financing duration than the original 20-year issuance, and a higher credit rating. In 2010, the state had a credit rating of AA- with Standard & Poor's. The state's credit rating has improved since then. It is now AA. (Please see the State Debt Rating section for more information.)

The FY 2010 Criminal Justice Budget Reconciliation Bill and Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to enter into sale/leaseback agreements in FY 2010 for existing state-owned facilities, requiring the funds to be deposited to the General Fund to subsidize state operating expenses. ADOA sold the issuances in 2 series (January 2010 and June 2010) at an average tax-exempt interest rate ranging from 4.37% to 4.57%, with an effective yield of approximately 4%. These issuances range up to 20 years in period of time, however, optional prepayment by the state is prohibited by the agreements until FY 2020. (Please see the Debt and Lease-Purchase Financing narrative pages in the FY 2013 Appropriations Report for more information.)

The sale/leaseback agreements were issued as a tax-exempt deficit financing mechanism in which the proceeds were used for state operational expenses. In this circumstance, the federal government essentially required the state to agree to 1 of 2 requirements.

The state ultimately chose the "Investment Yield Restriction," which limits the investment return on the state's operating balance to the interest rate paid on the outstanding tax-exempt financing. With the refinancing of the sale/leaseback agreements and the Lottery Bonds,

this amount was reduced from approximately 4% to just over 2.5%. The state is required to restrict the yield on investments with a value equal to the current level of outstanding financing – which at the end of FY 2020 is expected to be \$672,685,000. This amount includes both the Leaseback as well as the Lottery Revenue Bonds. The yield restriction exists for the entire term of the operating financing. *(Please see the FY 2017 Appropriations Report for more background on this issue.)*

A.R.S. § 41-707 requires the Department of Administration to report to the Joint Legislative Budget Committee (JLBC) and the Governor’s Office of Strategic Planning and Budgeting (OSPB) by October 1 of each year on any costs associated with the Investment Yield Restriction, including whether the policy has reduced the yield of investments or required the state to pay any associated penalties to the federal government.

In October 2018, ADOA reported that there were no costs associated with meeting the Investment Yield Restriction requirements. ADOA stated the requirements have not reduced the yield of investments and there have been no penalties paid to the federal government.

2010B Sale Leaseback Payoff

Laws 2019, Chapter 277 appropriated \$190,000,000 from the General Fund in FY 2020 to ADOA to retire the 2010B sale leaseback financing (issued in June 2010).

Chapter 277 does not affect FY 2020 debt service payments. Beginning in FY 2021, the bill eliminates scheduled payments of \$24.0 million annually and reduces total debt service spending by \$240.0 million from FY 2021 to FY 2030. After accounting for the bill's appropriation of \$190.0 million, the state would realize net savings of \$50.0 million through FY 2030 after transaction costs.

Other Issues

State Debt Rating

In May 2015, both major credit rating agencies upgraded Arizona’s credit rating. Standard & Poor’s upgraded Arizona from AA- to AA, while Moody’s upgraded Arizona from Aa3 to Aa2. AA represents the agency’s third highest rating. Using Standard & Poor’s credit ratings as of December 2018, in comparison to other states, 25 states have a higher rating, 15 states have the same rating, and 9 states have a lower rating or are not rated due to a lack of state level debt. Along with an overall rating, credit agencies also provide an outlook in terms of

the future direction of rating changes. In May 2015, when Arizona’s credit rating was increased, its outlook was changed to stable. The credit rating agencies have maintained a stable outlook for Arizona.

In adopting its credit ratings for Arizona in May 2015, the credit agencies listed some of the following concerns: 1) K-12 inflation litigation (now resolved); 2) narrow budget reserves (the 2019 legislative session included FY 2020 and FY 2021 Budget Stabilization Fund deposits, which increase the balance to \$1.0 billion); 3) absence of authority for mid-year reductions; and 4) reduced financial flexibility due to restrictions enacted by Proposition 105 and Proposition 108. While noting these challenges, the agencies also indicated Arizona’s comparably moderate debt levels, below median pension liabilities, and stabilized financial position as positive trends. Additionally, in a November 2018 report by Moody’s, the rating agency noted the strengthening of Arizona’s economy.

Long-Term Financing Summary

The state’s long-term financing consists of 2 different types of transactions.

Lease-Purchase Facilities

Under a traditional lease-purchase agreement, the state issues Certificates of Participation (COPs) to generate proceeds to finance capital projects. ADOA and the Universities have entered into lease-purchase agreements for the acquisition and construction of state facilities. The School Facilities Board (SFB) also entered into lease-purchase agreements for the construction of new schools prior to FY 2012.

At the end of FY 2020, the outstanding balance of lease-purchase agreements is expected to be \$1.7 billion.

Table 2 provides information related to current state lease-purchase agreements.

Bonding Summary

The Arizona Board of Regents, on behalf of the Universities, the Arizona Department of Transportation, and SFB have issued bonds to renovate, acquire, and construct facilities, as well as to purchase equipment.

Laws 2010, 6th Special Session, Chapter 4 authorized ADOA to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. Payments started in FY 2011 and have been made from the Lottery revenues that would have otherwise been deposited into the General Fund. The FY 2020 bond payment will be \$34,511,900. This results

in the General Fund receiving \$(34,511,900) less in Lottery revenues in FY 2020. However, since this is not a General Fund appropriation, it does not appear in the General Fund Balance and Payment columns in *Table 2*.

The federal requirements pertaining to operating financing also apply to the Lottery Revenue Bonds. *(Please see the 2010 Leaseback Financing section in the earlier part of this narrative for more information on these requirements.)*

Table 2 provides information related to the state's current outstanding bonds.

2019 Lottery Revenue Bonds Refinance

In December 2018, ADOA refinanced the 2010 Lottery Revenue Bonds.

Laws 2010, Sixth Special Session, Chapter 4 required ADOA to issue Lottery Revenue Bonds in CY 2010 and authorizes ADOA to refinance any these bonds in later years without additional legislative approval.

This refinancing will result in annual savings of approximately \$3.0 million throughout the term of the bonds for a total savings of \$29.9 million. This savings will result in additional General Fund revenues, since a reduction in the amounts paid for debt service increases the amount of Lottery revenues deposited into the General Fund. This savings was achieved due to lower bond market interest rates, a shorter bond duration than the original 20-year bonds, and a higher bond rating.

In November 2018, Moody's upgraded the rating on the prospective 2019 refinancing bonds to Aa3 from the original A1 rating on the 2010 Lottery Revenue Bonds. According to Moody's, the rating upgrade reflects steady growth of pledged lottery revenues and the state's improving economy, strong coverage of debt service, and the absence of future borrowing plans.

Table 1 shows the impact of the refinancing on the Lottery Revenue Bond Payments from FY 2020 – FY 2029. The refinancing did not extend the term of the bonds, so the 2019 refinancing bonds will be paid off at the end of FY 2029, which is the same year as the original 2010 Lottery Bond issuance.

Lottery Revenue Bond Payments			
Fiscal Year	Pre-Refinancing Payments	Post-Refinancing Payments	Increase/ (Savings)
FY 2020	\$ 37,500,400	\$ 34,511,900	\$ (2,988,500)
FY 2021	37,498,400	34,509,800	(2,988,600)
FY 2022	37,504,400	34,512,500	(2,991,900)
FY 2023	37,499,400	34,509,500	(2,989,900)
FY 2024	37,500,600	34,508,300	(2,992,300)
FY 2025	37,500,800	34,510,800	(2,990,000)
FY 2026	37,500,800	34,508,800	(2,992,000)
FY 2027	37,502,100	34,514,300	(2,987,800)
FY 2028	37,501,100	34,513,500	(2,987,600)
FY 2029	<u>37,500,800</u>	<u>34,508,300</u>	<u>(2,992,500)</u>
TOTAL	\$375,008,800	\$345,107,700	\$(29,901,100)

Table 2

Lease-Purchase and Bonding Summary

<u>Lease-Purchase Summary</u>	<u>Overall Balance</u>	<u>1/ GF Balance</u>	<u>Overall FY 20 Payment</u>	<u>2/ FY 20 GF Payment</u>	<u>Retirement FY</u>
<u>ADOA Building System</u>					
2008 A Issuance					
ADC 4000 Prison Beds, Wastewater and DHS Forensic Lab	\$ 4,050,000	\$ 4,050,000	\$ 14,199,100	\$ 14,199,100	FY 28
2010 A/B Issuance					
Sale/Leaseback	\$ -	\$ -	\$ 59,332,115	\$ 59,332,115	FY 20
2013 A Issuance					
PLTO Refinance - DHS Building	\$ 16,860,000	\$ -	\$ 3,556,000	\$ 2,133,600	FY 29
2013 B Issuance					
Refinance - 2002A Health Lab	\$ 5,400,000	\$ -	\$ 2,037,200	\$ -	FY 23
2015 Issuance					
Refinance - 2008A ADC and DHS	\$ 107,515,000	\$ 107,515,000	\$ 5,309,900	\$ 5,309,900	FY 28
2015 A Issuance					
PLTO Refinance - Capitol Mall	\$ 38,705,000	\$ 38,705,000	\$ 9,896,300	\$ 2,598,500	FY 28
2016 Issuance					
ADC Kingman Refinance	\$ 74,155,000	\$ 74,155,000	\$ 17,466,700	\$ 17,466,700	FY 25
2019 A Issuance					
Refinance - Sale/Leaseback	\$ 427,390,000	\$ 427,390,000	\$ 18,377,185	\$ 18,377,185	FY 30
2020 Payoff					
Payoff - 2010 B Sale/Leaseback	\$ -	\$ -	\$ 190,000,000	\$ 190,000,000	FY 20
<i>Subtotal - ADOA</i>	\$ 674,075,000	\$ 651,815,000	\$ 320,174,500	\$ 309,417,100	
<u>School Facilities Board</u>					
Federal Bonds	\$ 40,231,100	\$ 40,231,100	\$ 9,938,100 3/	\$ 9,938,100 3/	FY 28
2011 Refinance	-	-	41,633,400	41,633,400	FY 20
2013 Refinance	-	-	4,817,500	4,817,500	FY 20
2014 Refinance	-	-	18,244,400	18,244,400	FY 20
2015 Refinance	210,890,000	210,890,000	57,237,200	57,237,200	FY 24
<i>Subtotal - SFB</i>	\$ 251,121,100	\$ 251,121,100	\$ 131,870,600	\$ 131,870,600	
<u>ABOR Building System</u>					
Arizona State University	\$ 249,204,000	\$ 121,925,000	\$ 29,962,500	\$ 13,456,300	FY 39
Northern Arizona University	42,210,000	42,210,000	5,899,500	5,899,500	FY 31
University of Arizona	213,775,000	116,600,000	45,611,000	13,943,800	FY 72
<i>Subtotal - ABOR</i>	\$ 505,189,000	\$ 280,735,000	\$ 81,473,000	\$ 33,299,600	
Phoenix Convention Center 4/	\$ 254,350,400	\$ 254,350,400	\$ 23,500,000	\$ 23,500,000	FY 44
<i>TOTAL - Lease-Purchase</i>	\$ 1,684,735,500	\$ 1,438,021,500	\$ 557,018,100	\$ 498,087,300	
<u>Bonding Summary</u>					
<u>School Facilities Board</u>					
Proposition 301	\$ -	\$ -	\$ 64,125,400	\$ -	FY 20
Department of Transportation 5/	\$ 1,552,299,000	\$ -	\$ 187,035,000	\$ -	FY 14 - 38
<u>ABOR Building System</u>					
Arizona State University	\$ 1,273,665,000	\$ -	\$ 108,981,300	\$ -	FY 48
Northern Arizona University	309,400,000	-	27,928,000	-	FY 44
University of Arizona	728,030,000	-	64,283,200	-	FY 48
University Lottery Bond (SPEED)	576,435,000 6/	-	51,155,300	-	FY 48
University Infrastructure (2017) 7/	226,270,000	-	5,605,000	2,802,500	FY 43
<i>Subtotal - ABOR</i>	\$ 3,113,800,000	\$ -	\$ 257,952,800	\$ 2,802,500	
Lottery Revenue Bond Refinance (2019)	\$ 245,295,000	\$ -	\$ 34,511,900 8/	\$ -	FY 29
<i>TOTAL - Bonding</i>	\$ 4,911,394,000	\$ -	\$ 543,625,100	\$ 2,802,500	
TOTAL - Lease-Purchase & Bonding	\$ 6,596,129,500	\$ 1,438,021,500	\$ 1,100,643,200	\$ 500,889,800	

- 1/ Represents principal balances as of June 30, 2020. The "GF Balance" column represents the portion of the overall balance paid from General Fund sources.
- 2/ Represents lease-purchase or debt service payments, including the portion paid from a General Fund source, which is represented in the "FY 20 GF Payment" column.
- 3/ This type of financing originally entitled the state to a federal interest rate subsidy of 4.86% (out of the 6% due on the bonds), shortly after each payment. Taking into account prior federal budget reductions, in FY 2020 this subsidy is expected to be \$3,976,500 of the \$9,938,100 payment.
- 4/ The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000. Monies are given to the city to pay this portion of the lease-purchase payment. Laws 2015, Chapter 10 made a technical change to conform the debt service distribution in A.R.S. § 42-5030 to the distributions contained in A.R.S. § 9-602, which were modified by Laws 2011, Chapter 28 to conform to the actual debt service payments.
- 5/ Includes \$1,286,743,000 for Highway User Revenue Fund bonds and \$265,556,000 for Grant Anticipation Notes.
- 6/ Represents outstanding balance as of the end of FY 2020 from projects counted under the \$800,000,000 University Lottery bonding authority, otherwise known as SPEED. SPEED was originally authorized by Laws 2008, Chapter 287. *(Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.)*
- 7/ Based on expected issuance amounts, which includes the \$18,000,000 issuance for the UA Building 90 project, the \$35,000,000 issuance to fund a portion of the ASU Hayden Library renovation, and the \$175,000,000 issuance for the ASU Interdisciplinary Science and Technology Building (ISTB) 7 project. The universities will receive \$27,539,900 from the General Fund in FY 2020 under the 2017 Capital Infrastructure Funding Program. Of this amount, \$2,802,500 is expected to be for General Fund debt service. This does not include projects reviewed by JCCR in December 2018.
- 8/ These obligations will be repaid with foregone General Fund revenues.

Capital Outlay
Local Assistance

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
DISTRIBUTIONS			
Phoenix Convention Center	22,499,000	22,996,300	23,500,000 ^{1/}
Rio Nuevo District	13,562,700	14,000,000	14,000,000 ^{2/}
TOTAL - ALL DISTRIBUTIONS	36,061,700	36,996,300	37,500,000 ^{3/}
FUND SOURCES			
General Fund	36,061,700	36,996,300	37,500,000
TOTAL - ALL SOURCES	36,061,700	36,996,300	37,500,000

AGENCY DESCRIPTION — The State Treasurer makes distributions to the City of Phoenix to service debt on the Phoenix Convention Center and to the Rio Nuevo Multipurpose Facility District for use in authorized development projects and to service debt issued by the district.

FOOTNOTES

- 1/ Pursuant to A.R.S. § 9-602, \$23,499,950 of state General Fund revenue is allocated in FY 2020 to the Arizona Convention Center Development Fund established by A.R.S. § 9-601. (General Appropriation Act footnote)
- 2/ Pursuant to A.R.S. § 42-5031, a portion of the state transaction privilege tax revenues will be distributed to a Multipurpose Facility District. The Rio Nuevo Multipurpose Facility District is estimated to receive \$14,000,000 in FY 2020. The actual amount of the distribution will be made pursuant to A.R.S. § 42-5031. (General Appropriation Act footnote)
- 3/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Phoenix Convention Center

The budget includes \$23,500,000 from the General Fund in FY 2020 for state participation in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. FY 2020 adjustments are as follows:

Distribution Increase

The budget includes an increase of \$503,700 from the General Fund in FY 2020 to increase the distribution to the City of Phoenix pursuant to A.R.S. § 9-602.

Background – In FY 2005, the City of Phoenix issued \$600,000,000 in Certificates of Participation (COPs) to finance expansion of the Phoenix Convention Center. Of that amount, \$300,000,000 will be repaid by the state. The project was completed in January 2009.

There is a statutory debt service schedule for these payments. Under this schedule, the state’s annual contribution is scheduled to gradually increase from \$23,500,000 in FY 2020 to \$29,998,900 by FY 2044.

Statute requires that cumulative payments to the City of Phoenix do not exceed cumulative estimated revenue

resulting from the project. (See *Other Issues* section for estimated revenues from the project.)

Rio Nuevo District

The budget includes \$14,000,000 from the General Fund in FY 2020 for distributions to finance the development of a multipurpose facility and supporting projects in the Rio Nuevo Multipurpose Facilities District. This amount is unchanged from FY 2019.

Although the FY 2020 General Appropriation Act displays a \$14,000,000 estimated distribution in FY 2020, the actual amount distributed to the district will reflect allocations required by A.R.S. § 42-5031.

Background – Tucson voters approved Proposition 400 in November 1999, establishing the Rio Nuevo Multipurpose Facilities District from 1999 to 2009. The district receives a diversion of state Transaction Privilege Tax (TPT) revenue to finance the development of a multipurpose facility and supporting projects. The district stretches east from Downtown Tucson along the retail-intensive Broadway Corridor.

Laws 1999, Chapter 162 allowed the district to retain the state's share of TPT from sales of secondary businesses that are deemed "necessary or beneficial" to the development of the primary component multipurpose facility. This law also limited the district's TPT revenues to the lesser of: (1) 50% of collections or (2) revenues net of those received prior to the year of the election authorizing the district. Laws 1999, Chapter 172 required the district's municipality to spend a matching amount on projects by the district's expiration date in order to receive state TPT revenues.

Prior to Laws 2018, Chapter 138, the district was permitted to operate and receive TPT distributions until July 1, 2025, or until the date all authorized debt service payments are completed, whichever date is earlier. Chapter 138 extends this due date to July 1, 2035, or upon the completion of authorized debt service payments, whichever occurs later.

Prior to Chapter 138, the district was authorized to use state TPT distributions to service bonds issued by the district before January 1, 2009. The same authority applied to contractual obligations incurred by the district before June 1, 2009. Chapter 138 extends such authority to bonds issued before January 1, 2025 and contractual obligations incurred before June 1, 2025.

Chapter 138 provides specific requirements with respect to how the district's property must be disposed following its dissolution, including how the proceeds will be distributed. Moreover, for district-owned properties, Chapter 138 requires that any construction project (or other improvement to real property) with a cost of more than \$500,000 be reviewed by the Joint Committee on Capital Review (JCCR).

At the April 2019 JCCR meeting, the Committee gave a favorable review of 3 projects that were approved by the Rio Nuevo Board of Directors and have executed development agreements in place. The board agreed to spend up to a total of \$12,400,000 on these projects.

The Rio Nuevo's current debt obligations derive from \$92,560,000 in bonds issued in 2008 and 2009 to finance development projects in the district. In 2016, Rio Nuevo refinanced a portion of these bonds. The debt is secured by a lien on state TPT distributions. Based on these debt service schedules, the remaining balance owed for the debt was \$54,245,000 at the end of FY 2019, which is scheduled to be paid off at the end of FY 2025.

Through FY 2018, Rio Nuevo has received a total of \$165,974,500 in TPT distributions from the state. Actual payments to the district decreased from \$13,988,500 in

FY 2017 to \$13,562,700 in FY 2018. The actual amount distributed in future years will reflect the TPT allocation to the district required by statute. (See Table 1.)

Rio Nuevo district distributions were originally accounted for as a reduction of state TPT revenue. Beginning in FY 2016, these payments are displayed as a state expenditure.

Fiscal Year	Distributions
FY 2018	\$13,562,702
FY 2017	13,988,471
FY 2016	13,088,813
FY 2015	6,958,022
FY 2014	9,486,100
FY 2013	9,755,752
FY 2012	11,957,943
FY 2011	14,099,949
FY 2010	8,727,318
FY 2009	10,399,336
FY 2008	15,456,187
FY 2007	14,974,923
FY 2006	10,968,178
FY 2005	7,469,632
FY 2004	5,081,197
Total	\$165,974,523

Other Issues

Net Revenues of Convention Center Project

Statute requires the Auditor General to estimate annually how the amounts of General Fund revenues resulting from the Convention Center expansion compare to debt service payments made by the state since the project's calendar year (CY) 2009 completion. If the cumulative estimated revenues from the project fail to meet the state's cumulative debt service, the state is to reduce its payments to the City of Phoenix by the shortfall amount.

The latest study found that estimated General Fund revenues exceeded the state's debt service payments by \$46,472,000 through CY 2017 (see Table 2). As a result, the state has not reduced payments to the City of Phoenix during this time. The cumulative net increase was largely due to the one-time revenue associated with construction in CY 2004 to CY 2008 and the state's low introductory debt service payments. In CY 2017, \$18,595,000 in estimated revenues from the project was \$(3,904,000) below the \$22,499,000 in debt service payments.

Table 2

Project Revenue and Debt Service Payments
(\$ in Millions)

Year ^{1/}	Gross Revenue	Debt Service	Annual Net Revenues ^{2/}	Cumulative Net Revenues
2017	\$18.6	\$22.5	\$(3.9)	\$46.5
2016	20.6	20.4	0.2	50.4
2015	20.5	20.4	0.1	50.2
2014	15.0	20.4	(5.4)	50.1
2013	9.1	20.4	(11.3)	55.5
2012	13.6	5.6	8.0	66.8
2011	15.4	0.0	15.4	58.8
2010	14.7	10.0	4.7	43.4
2009	17.3	5.0	12.3	38.7
2004-2008	26.4	0.0	26.4	26.4

^{1/} Statute requires the Auditor General study to include estimates by calendar year, but specifies the state's debt service obligation by fiscal year. Debt service payments for fiscal years are listed in the calendar year they were made.

^{2/} Represents gross revenue less debt service for each fiscal year.

Source: Auditor General report, *An Economic and Fiscal Impact Analysis Update, Phoenix Convention Center (2018)*

ECONOMIC AND REVENUE FORECAST

GENERAL FUND REVENUE

Summary of General Fund Forecast

The enacted FY 2020 budget assumes total net General Fund revenues of \$11.92 billion. This amount is an increase of 4.3% compared to enacted FY 2019 General Fund revenues.

"Ongoing Revenues" reflect the underlying growth in the economy, including the impact of enacted tax law changes, but exclude one-time adjustments and Urban Revenue Sharing. For FY 2020, ongoing revenues are projected to increase by 2.5% compared to enacted FY 2019 ongoing General Fund revenues.

The detailed enacted budget revenue forecasts appear at the end of this section. *Table 11* compares the enacted FY 2020 forecast to the enacted FY 2019 forecast while *Table 12* compares the FY 2022 revenue planning estimates to the FY 2021 estimates.

General Fund Base Revenue Forecast

FY 2019

The original FY 2019 budget enacted in May 2018 was based on total net General Fund revenues of \$10.63 billion. This amount was 3.6% above actual FY 2018 collections.

In the original FY 2019 budget, ongoing revenues (including the impact of enacted tax legislation but excluding Urban Revenue Sharing) were forecasted to be \$10.98 billion in FY 2019, or 4.6% above the projected amount in the prior fiscal year. In January 2019, the JLBC Baseline increased the FY 2019 ongoing revenue growth rate to 7.0%. The JLBC Baseline projection was based on the "4-sector" forecast (*see below for more information on the 4-sector process*). As a result of the increased growth rate, as well as higher than expected actual FY 2018 revenues, ongoing revenue in the January Baseline was \$484.0 million higher than the May 2018 enacted budget.

In its 2019 Regular Session revisions to the FY 2019 budget, the Legislature adopted a projected ongoing growth rate of 7.8%. In terms of total revenue, the revised FY 2019 budgeted amount is \$11.43 billion, or 11.4% above FY 2018.

The increased ongoing revenue growth rate of 7.8% is primarily due to federal tax conformity changes adopted during the 2019 Legislative Session. Had these changes not been adopted, the ongoing revenue growth rate for FY 2019 would have been 6.4%.

Table 3 includes additional details with respect to the January and April 2019 4-sector projected growth rates by major revenue categories.

FY 2020

The enacted FY 2020 budget forecasts total net General Fund revenues of \$11.92 billion for FY 2020. Excluding one-time revenues and Urban Revenue Sharing the ongoing revenues are projected to be \$11.84 billion. This amount is based on a negotiated agreement between the Executive and the Legislature. In terms of ongoing revenue, the enacted budget is \$(74.1) million below the January Baseline and \$20.0 million above the April 4-sector forecast.

Table 1 below summarizes the changing revenue picture in FY 2019 to FY 2022 through the phases of budget development. The growth rates in the table reflect ongoing revenues.

Long-Term Projections

The FY 2020 budget also incorporated revenue planning estimates for FY 2021 and FY 2022, which are shown in *Table 12*. The ongoing revenue growth rates included in the FY 2021 and FY 2022 revenue planning estimates are

Table 1	
Ongoing Revenue Change Over Prior Year	
	% Change
FY 2019	
May 2018 Enacted Budget ^{1/}	4.6%
January Baseline ^{1/}	7.0%
April FAC ^{1/}	6.2%
Enacted budget w/o new tax law changes ^{1/}	6.4%
Enacted Budget with tax law changes ^{2/}	7.8%
FY 2020	
January Baseline ^{1/}	3.9%
April FAC ^{1/}	3.9%
Enacted budget w/o new tax law changes ^{1/}	4.4%
Enacted Budget with tax law changes ^{2/}	2.5%
FY 2021	
January Baseline ^{1/}	3.4%
April FAC ^{1/}	3.0%
Enacted budget w/o new tax law changes ^{1/}	3.4%
Enacted Budget with tax law changes ^{2/}	3.4%
FY 2022	
January Baseline ^{1/}	3.8%
April FAC ^{1/}	3.7%
Enacted budget w/o new tax law changes ^{1/}	3.7%
Enacted Budget with tax law changes ^{2/}	3.6%
^{1/} Incorporates all tax law changes prior to the 2019 Legislative Session.	
^{2/} Incorporates all tax law changes enacted during 2019 Session, including \$155 million in additional revenue resulting from tax conformity in FY 2019, which is fully offset in future years.	

based on a negotiated agreement between the Executive and the Legislature. Under this agreement, ongoing revenue would increase by 3.4% in FY 2021 and by 3.6% in FY 2022.

4-Sector Forecast

The JLBC’s estimated growth rates for the “Big 4” revenue categories of sales, individual income, corporate income and insurance premium taxes are initially developed and revised using a 4-sector consensus process. This process is based on averaging the results of the following 4 forecasts:

- Finance Advisory Committee panel forecast. Consisting of 12 public and private sector economists, this independent panel meets 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.
- The University of Arizona Economic and Business Research (EBR) General Fund Baseline model. The model is a simultaneous-equation model consisting of more than 100 equations that are updated on a regular basis to reflect changes in the economy. The model uses more than 200 variables related to Arizona’s economy and is updated quarterly.
- EBR’s conservative forecast model, and
- JLBC Staff projections.

The estimates for the remaining revenue categories, which constitute about 5% of the total, were based on JLBC Staff projections.

Revenue Adjustments

Table 2 provides an overview of ongoing and total revenue growth for FY 2019 and FY 2020. Ongoing revenue represents net General Fund revenue, including the impact of enacted tax legislation but excluding Urban Revenue Sharing and one-time financing sources. Under the enacted budget, ongoing revenue is projected to grow by 7.8% in FY 2019 and 2.5% in FY 2020. Total revenue, which represents all General Fund revenue sources, including the beginning balance, is estimated to increase by 11.4% in FY 2019 and 4.3% in FY 2020.

Ongoing Budget Legislation

Each year there are statutory tax law and other revenue changes that affect the state’s net revenue collections. These may include tax rate or tax exemption changes, conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

As shown in Table 2 below, the enacted budget assumes an ongoing revenue growth rate of 7.8% in FY 2019 and 2.5% in FY 2020. Ongoing revenue includes the impact of both previously and newly enacted budget legislation. After including Urban Revenue Sharing and one-time financing sources, the enacted budget assumes that total General Fund revenue will increase by 11.4% in FY 2019 and 4.3% in FY 2020.

Next section provides a detailed description of previously and newly enacted legislation with an ongoing revenue impact in FY 2019 through FY 2022, including a brief description of changes made to public safety transfers in the May 2019 enacted budget. (See Table 9 for a complete list of statutory changes affecting ongoing revenue collections in FY 2019 through FY 2022.)

	<u>FY 2019</u>	<u>%</u>	<u>FY 2020</u>	<u>%</u>
Ongoing Revenue ^{1/}	\$11,553.1	7.8%	\$11,839.2	2.5%
Urban Revenue Sharing	(674.8)		(737.6)	
One-Time Financing Sources:				
Balance Forward	449.6		764.4	
Previously Enacted Fund Transfers	100.7		1.8	
Prescription Drug Rebate Fund Transfer	0.0		69.0	
TPT Estimated Payment Threshold Change	0.0		(10.3)	
One-Time Conformity Offset Loss (Wayfair)	0.0		(28.0)	
Wells Fargo Settlement	<u>0.0</u>		<u>20.0</u>	
Subtotal	550.3		816.9	
Total Revenue	<u>\$11,428.6</u>	11.4%	<u>\$11,918.5</u>	4.3%

^{1/} Ongoing revenue represents net General Fund revenue, including the impact of previously and newly enacted tax law changes. It excludes Urban Revenue Sharing and one-time financing sources.

Table 3

**4-Sector Estimates
Forecast Percentages (FY 2019 - FY 2022)
Ongoing Revenue ^{1/2/}**

	FY 2019					FY 2020				
	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>
<u>Sales Tax</u>										
January	6.0%	5.7%	6.3%	6.4%	6.1%	4.7%	2.4%	5.1%	4.9%	4.3%
April	6.2%	6.5%	6.7%	6.4%	6.5%	4.7%	2.2%	5.2%	5.0%	4.3%
<u>Individual Income Tax</u>										
January	5.7%	5.9%	6.6%	8.3%	6.6%	3.8%	4.0%	5.3%	6.1%	4.8%
April	1.9%	4.3%	5.0%	4.7%	4.0%	4.1%	4.1%	5.3%	5.1%	4.7%
<u>Corporate Income Tax</u>										
January	25.0%	8.8%	9.1%	25.8%	17.2%	(9.8)%	1.1%	3.7%	4.1%	(0.4)%
April	35.0%	22.4%	23.7%	27.0%	27.0%	3.5%	(20.1)%	(14.4)%	8.8%	(5.2)%
<u>Insurance Premium Tax</u>										
January	0.5%	0.1%	0.2%	(0.1)%	0.2%	1.0%	(0.2)%	0.3%	1.4%	0.6%
April	1.8%	1.0%	1.1%	0.7%	1.2%	1.0%	1.2%	1.3%	1.2%	1.2%
<u>Overall ^{3/}</u>										
January	6.9%	6.2%	6.8%	8.1%	7.0%	3.3%	2.8%	4.6%	4.9%	3.9%
April	5.5%	6.2%	6.7%	6.5%	6.2%	4.2%	2.1%	4.2%	5.0%	3.9%
	FY 2021					FY 2022				
	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>
<u>Sales Tax</u>										
January	4.1%	0.4%	4.7%	3.9%	3.3%	3.8%	3.2%	4.5%	4.0%	3.9%
April	4.1%	0.4%	4.7%	2.5%	2.9%	3.8%	3.4%	4.4%	4.1%	3.9%
<u>Individual Income Tax</u>										
January	3.6%	1.8%	4.9%	4.2%	3.6%	3.3%	3.1%	4.8%	5.0%	4.1%
April	3.6%	2.0%	4.8%	2.3%	3.2%	3.3%	3.5%	4.6%	4.0%	3.9%
<u>Corporate Income Tax</u>										
January	2.1%	(0.6)%	2.6%	1.6%	1.5%	2.6%	3.9%	4.7%	5.3%	4.2%
April	2.1%	(1.9)%	3.7%	(0.6)%	0.9%	2.6%	3.9%	4.3%	(2.0)%	1.9%
<u>Insurance Premium Tax</u>										
January	2.0%	2.0%	1.9%	1.6%	1.9%	1.3%	0.6%	1.8%	1.5%	1.3%
April	2.0%	2.1%	2.1%	1.3%	1.9%	1.3%	0.5%	1.4%	1.8%	1.2%
<u>Overall ^{3/}</u>										
January	3.8%	1.3%	4.6%	3.9%	3.4%	3.3%	3.0%	4.4%	4.3%	3.8%
April	3.7%	1.3%	4.6%	2.3%	3.0%	3.4%	3.3%	4.3%	3.7%	3.7%

^{1/} Includes the impact of tax law or other revenue changes enacted prior to the 2019 Legislative Session.

^{2/} The enacted FY 2020 budget used ongoing revenue growth rates of 7.8% in FY 2019, 2.5% in FY 2020, 3.4% in FY 2021, and 3.6% in FY 2022.

^{3/} The growth rates for each sector represent the weighted average of Big-4 revenue estimates plus JLBC Staff estimates of other revenue categories.

As shown in *Table 9*, budget legislation enacted prior to the 2019 Regular Session is estimated to reduce ongoing revenue by \$(78.8) million in FY 2019, followed by an additional reduction of \$(26.2) million in FY 2020, \$(27.2) million in FY 2021, and \$(30.3) million in FY 2022. All revenue impacts in *Table 9* are stated relative to the prior year.

Newly enacted legislation in 2019 is estimated to increase ongoing revenue by \$155.0 million in FY 2019, followed by a reduction of \$(212.2) million in FY 2020 and additional reductions of \$(2.0) million in FY 2021 and \$(10.0) million in FY 2022. This means that the total combined ongoing revenue impact of all (previously and newly) enacted legislation is an increase of \$76.2 million in FY 2019, followed by a revenue reduction of \$(238.5) million in FY 2020, and additional reductions of \$(29.2) million in FY 2021, and \$(40.3) million in FY 2022.

As noted above, revenue impacts in *Table 9* are stated relative to the prior year. Since the impact of newly enacted legislation is reported differently in *Statement of General Fund Revenues and Expenditures With One-Time Financing Sources* in the Budget Highlights section of the *FY 2020 Appropriations Report*, we have included a separate table (see *Table 8*) that shows how these figures are linked.

Each of the previously and recently enacted tax law and revenue changes is described in more detail below. Budget legislation with a one-time impact is shown in *Table 10*.

Previously (Pre-2019) Enacted Legislation

1) Corporate School Tuition Tax Credit – Laws 2006, Chapter 14 established a tax credit available for contributions by regular ("Subchapter C") corporations to private school tuition organizations that provide scholarships and tuition grants to students of low-income families. Chapter 14 established a cap on this credit of \$5 million per year and included a sunset date of June 30, 2011. Laws 2006, Chapter 325 increased the credit cap to \$10 million per year, and provided that the cap be increased by 20% annually, beginning in FY 2008. Laws 2009, Chapter 168 expanded the credit by making it available to insurers and repealed the June 30, 2011 sunset date. Laws 2015, Chapter 301 expanded the credit to include businesses classified as Subchapter S corporations. (For tax purposes, credits earned by an S corporation must be pro-rated, passed through to its shareholders, and applied to each shareholder's individual income tax liability.) As described in more detail below, Laws 2019, Chapter 281 limits the annual increase of the credit cap, beginning in FY 2021.

In terms of credit history, credit donations were made up to the cap within the first few weeks of each fiscal year from FY 2013 through FY 2017. The FY 2018 credit cap of \$74.3 million was reached in December 2017 whereas the FY 2019 credit cap of \$89.2 million was reached less than 3 weeks into the fiscal year.

Under Laws 2006, Chapter 325 the credit cap would increase to \$107.0 million in FY 2020, \$128.4 million in FY 2021, and \$154.1 million in FY 2022. Absent Laws 2019, Chapter 281, which limits the growth of future credit use as described below, the JLBC Staff assumes that the credit cap under Laws 2006, Chapter 325 would have been reached in each of the next 3 fiscal years for the following reasons. First, the credit cap was reached in each of the last 6 fiscal years despite increasing by 20% annually. Absent Chapter 281, credit history suggests that this trend would have continued for several more years. Second, while the credit originally could be claimed only against corporate income tax liability, it can now be used to also offset insurance premium and individual income tax liability. Data from the Department of Revenue indicates that less than half of total credit use in FY 2017 and FY 2018 was attributable to C corporations. This suggests that absent Chapter 281 there would have been enough combined corporate, individual, and insurance premium tax liability for the credit to be fully utilized through FY 2022. Therefore, absent Chapter 281, the JLBC Staff assumes that credit would have reduced General Fund revenue by \$(17.8) million in FY 2020, followed by additional reductions of \$(21.4) million in FY 2021, and \$(25.7) million in FY 2022.

As discussed under *item 21*) below, Laws 2019, Chapter 281 limits the annual increase of the credit cap to 15% in FY 2021, 10% in FY 2022, and 5% in FY 2023. Beginning in FY 2024, the annual increase of the credit cap is limited to 2%, or the rate of inflation, whichever is greater.

2) Phase-Down of Corporate Income Tax Rate – Laws 2011, 2nd Special Session, Chapter 1 reduced the corporate income tax rate from 6.968% to 4.9% over 4 years, beginning in TY 2014. The final phase-in of the rate reduction is estimated to reduce corporate income tax collections by \$(32.1) million in FY 2019.

3) Phase-In of Single Corporate Sales Factor – Laws 2011, 2nd Special Session, Chapter 1 increased the optional sales factor, which is used to calculate the apportionment of taxable income for multi-state corporations, from 80% to 100% over 4 years, beginning in TY 2014. The final phase-in of this provision is estimated to reduce corporate income tax collections by \$(11.6) million in FY 2019.

4) Qualified Facility Tax Credit – Laws 2012, Chapter 343 created a new individual and corporate income tax credit for businesses that expand or locate qualified facilities in the state, beginning in TY 2013. The credit is 10% of the lesser of (1) the capital investment in the facility or (2) \$200,000 for each net new employee hired at the facility. To qualify for the credit, a company is required to devote at least 80% of its property and payroll at the facility to manufacturing, research, or a national or regional headquarter. There are also certain minimum requirements with respect to wage and health insurance coverage for new employees at the facility. Laws 2016, Chapter 372 modified the credit by reducing some of the minimum requirements for new employees and extended the credit program by 3 years, from TY 2019 to TY 2022. The credit is refundable, but no single taxpayer can claim more than \$30 million per calendar year. The credit must be taken in equal installments over 5 years. The qualified facility credit is subject to an annual aggregate cap of \$70 million. Prior to 2018, the \$70 million cap was shared with the renewable energy investment credit (which was repealed after December 31, 2017 pursuant to Laws 2017, Chapter 299). The qualified facility credit is estimated to reduce General Fund revenue by \$(2.8) million in FY 2019.

5) Phase-Down of Insurance Premium Tax Rate – Laws 2015, Chapter 220 provided a gradual reduction of the insurance premium tax rate from 2.0% in Calendar Year (CY) 2015 to 1.7% in CY 2026 and subsequent years. Laws 2016, Chapter 358 replaced the rate schedule under Laws 2015, Chapter 220 with an accelerated schedule that gradually reduces the premium tax rate to 1.7% in CY 2021, or 5 years earlier than previously enacted. The phase-down of the premium tax rate to 1.7% is estimated to decrease insurance premium tax collections to the General Fund by \$(4.3) million in FY 2019, followed by further decreases of \$(4.7) million in FY 2020, \$(5.0) million in FY 2021, and \$(5.4) million in FY 2022.

6) ADA Retrofits Subtraction – Laws 2017, Chapter 278 permits a business to subtract for income tax purposes the entire amount of business access expenditures incurred in the taxable year to retrofit property in order to comply with the federal Americans with Disabilities Act of 1990 (ADA). For state income tax purposes, Chapter 278 has the effect of accelerating the depreciation of such property to 1 year rather than expensing it over several years. The income tax subtraction, which is effective from TY 2018, applies to property that was originally placed in service 10 years prior to the retrofitting. Chapter 278 is estimated to reduce General Fund revenue by \$(1.3) million annually, beginning in FY 2019.

7) Inflation Indexing of Personal Exemption – Laws 2017, Chapter 299 increased the personal exemption amount allowed by individual income taxpayer in TY 2017 from:

- \$2,100 to \$2,150 for single filers
- \$4,200 to \$4,300 for head of household filers
- \$4,200 to \$4,300 for married couples filing joint returns with no dependents
- \$6,300 to \$6,450 for married couples filing joint returns with at least 1 dependent.

For TY 2018, the personal exemption amounts were further increased to:

- \$2,200 for single filers
- \$4,400 for head of household filers
- \$4,400 for married couples filing joint returns with no dependents
- \$6,600 for married couples filing joint returns with at least 1 dependent.

Under Laws 2017, Chapter 299, the personal exemption amounts would have been adjusted annually for inflation, beginning in TY 2019. However, since Laws 2019, Chapter 273 eliminated both personal and dependent exemptions, beginning in TY 2019, such inflation adjustment was also effectively repealed.

In addition to the increase of the personal exemption amounts, Chapter 299 repeals several tax credits, beginning in TY 2018. Since these tax credits have either not been claimed at all or claimed in negligible amounts to date, the elimination of the credits is not expected to have any significant revenue impact. Subject to certain requirements contained in the legislation, Chapter 299 provides that any tax credit, beginning in TY 2018, which is unclaimed for 4 consecutive years be eliminated. The TY 2018 increase of the personal exemption amounts reduced individual income tax revenue by an estimated \$(6.7) million in FY 2019.

8) Additional Angel Investor Credit Authorization – The angel investment credit is provided to ("angel") investors that make qualified investments in small businesses certified by the Arizona Commerce Authority (ACA). The credit is equal to 30% of the qualified investment unless the investment is made in a rural or bioscience company, in which case the credit is 35%. The credit must be claimed in equal installments over 3 years. The credit program's original \$20 million cap (established under Laws 2005, Chapter 316) was reached in June 2015.

Laws 2017, Chapter 319 authorizes the ACA to issue an additional \$10 million in angel investment tax credits from July 1, 2017 through June 30, 2021. Chapter 319 prohibits the ACA from authorizing more than \$2.5 million in tax credits in any fiscal year, plus any unused credit capacity carried forward from the prior year. Chapter 319 is expected to reduce individual income tax revenue by

\$(0.8) million in FY 2019, followed by an additional reduction of \$(0.8) million in FY 2020. While Chapter 319 is estimated to have no revenue impact in FY 2021, it is projected to increase individual income tax revenue by \$0.8 million in FY 2022 relative to FY 2021.

9) Extension and Expansion of Job Tax Credit
Laws 2011, 2nd Special Session, Chapter 1 created a 3-year \$3,000 annual insurance premium, individual and corporate income tax credit for each net new qualifying job added by an employer in the state. The Arizona Commerce Authority (ACA) is authorized to issue first-year credits for up to 10,000 new employees (\$30 million) each year. Laws 2017, Chapter 340 extended the job tax credit (which otherwise would have expired at the end of FY 2017) through FY 2025. Moreover, Chapter 340 expanded the credit by providing additional minimum investment and wage requirements, beginning in TY 2018. The expansion of the job tax credit is estimated to reduce General Fund revenue by \$(0.8) million in FY 2019, followed by additional reductions of \$(0.9) million in FY 2020, and \$(0.8) million in FY 2021.

10) Elimination of Ongoing Judiciary Fund Transfers – The FY 2018 General Appropriation Act (Laws 2017, Chapter 305) authorized total transfers of \$2.6 million from various Judiciary funds to the General Fund, beginning in FY 2018. Beginning in FY 2019, the FY 2019 General Appropriation Act (Laws 2018, Chapter 276) eliminates the \$2.6 million in ongoing transfers provided by Laws 2017, Chapter 305. Therefore, Chapter 276 has the effect of reducing General Fund revenue by \$(2.6) million annually, beginning in FY 2019. (Chapter 276 included a one-time transfer of \$2.0 million in FY 2019 from various Judiciary funds to the General Fund.)

11) Reduction of Liquor Licenses Fund Transfer – Pursuant to A.R.S. § 4-120, any monies remaining in the Liquor Licenses Fund in excess of \$700,000 at the end of each fiscal year is deposited in the General Fund. The FY 2019 General Appropriation Act (Laws 2018, Chapter 276) provided various changes to the Department of Liquor Licenses and Control's operating budget, which resulted in the appropriation from the Liquor Licenses Fund to the department being increased by \$91,100 in FY 2019. Since these changes reduce the excess fund balance by the same amount, Chapter 276 has the effect of reducing General Fund revenue by \$(91,100) annually, beginning in FY 2019.

12) Increase of Military Pension Exemption – The FY 2019 Revenue Budget Reconciliation Bill (BRB) (Laws 2018, Chapter 283) increased the individual income tax exemption for military pensions from \$2,500 to \$3,500, beginning in TY 2019. Chapter 283 is estimated to reduce

General Fund revenue by \$(2.0) million annually, beginning in FY 2020.

13) Boxing/MMA Fees Shifts from General Fund – Laws 2018, Chapter 283 directed all boxing and mixed martial arts-related revenues, excluding licensing fees, to be deposited into the Unarmed Combat Subaccount within the Racing Regulation Fund in FY 2019. These monies were previously deposited into the General Fund. As a result, General Fund revenues are reduced by \$(45,100) annually, beginning in FY 2019.

14) Cap on Radiation Regulatory Fees Shift from General Fund – The FY 2019 Health BRB (Laws 2018, Chapter 284) requires that the first \$300,000 in radiation regulatory fees be deposited in the General Fund while remaining fees be allocated using the "90/10" agency model. (Regulatory agencies are called "90/10" agencies for the fact that these agencies retain 90% of their revenues and deposit the other 10% into the General Fund.) Chapter 284 is estimated to reduce General Fund revenue by \$(773,400) annually, beginning in FY 2019.

Newly (2019) Enacted Legislation

15) Reduction of Liquor Licenses Fund Transfer – As noted under *item 11*, any monies remaining in the Liquor Licenses Fund in excess of \$700,000 at the end of each fiscal year is deposited in the General Fund. The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) provides several changes to the Department of Liquor Licenses and Control's operating budget, which result in the appropriation from the Liquor Licenses Fund to the department being increased by \$181,300 in FY 2020. Since these changes reduce the excess fund balance by the same amount, General Fund revenue is reduced by \$(181,300) annually, beginning in FY 2020.

16) Reduction of State Treasurer Transfer – Pursuant to A.R.S. § 35-316, the State Treasurer is required to deposit any management fees on investment earnings in excess of its Operating Fund appropriation to the General Fund. The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) increased the State Treasurer's Operating Fund appropriation by \$380,000 to fund 3 new FTEs associated with portfolio management, legal services, and procurement. Since the increased \$380,000 appropriation reduces the excess fund balance by the same amount on an ongoing basis, General Fund revenue is reduced by \$(380,000) annually, beginning in FY 2020.

17) Reduction of Public Safety Transfers – Laws 2018, Chapter 265 established a new highway safety fee charged on vehicle registrations. Chapter 265 requires the Director of the Arizona Department of Transportation (ADOT) to set the fee on car registrations sufficient to

fund 110% of the Department of Public Safety's (DPS) highway patrol budget for each upcoming year, less any unencumbered balance in the Highway Patrol Fund exceeding 10% of the prior year deposit. The highway safety fee, set at \$32 per vehicle, went into effect January 1, 2019.

The new highway safety fee changed the funding of DPS such that it resulted in transfers (hereafter referred to as "public safety transfers") of \$72.4 million to the General Fund in FY 2019. Of this amount, \$30.0 million was a transfer to the General Fund from the Highway Expansion and Extension Loan Program Fund (HELP) and \$42.4 million was a transfer from the Vehicle License Tax (VLT).

The FY 2020 Criminal Justice BRB (Laws 2019, Chapter 268) eliminates the highway safety fee on July 1, 2021 and repeals the statutory requirement that the ADOT Director sets the fee at 110% of the highway patrol budget. As a result, the current highway safety fee of \$32 per vehicle will be levied through FY 2021.

As discussed in more detail in the agency pages of DPS, the changes under Laws 2019, Chapter 268 have the effect of reducing public safety transfers to the General Fund by \$(24.1) million in FY 2020 and FY 2021, followed by an additional reduction of \$(23.3) million in FY 2022. As shown in *Table 11* and *Table 12*, this will result in total transfers to the General Fund of \$23.3 million in FY 2020 and FY 2021, and \$0 in FY 2022.

Tax Provision, Omnibus

Laws 2019, Chapter 273 contains numerous provisions related to individual income tax, corporate income tax, and transaction privilege tax (TPT), as described under *items 18 – 20* below. In FY 2019, the bill will result in a General Fund revenue increase of \$155.0 million. The FY 2019 revenue gain is solely attributable to conforming Arizona to the federal income tax code (*for more detail, see item 18 below*) for TY 2018. Conformity is estimated to result in additional revenues of \$62.0 million in FY 2020, for a total of \$217.0 million.

Apart from conformity, Chapter 273 makes several changes to the state's individual income tax statutes, beginning in TY 2019 (*for more detail, see item 19 below*). While some of these changes will result in increased revenues, beginning in FY 2020, other provisions will reduce revenues. On a net basis, the changes to the state individual income tax code described under *item 19* below are estimated to reduce revenues by \$(326.0) million annually, beginning in FY 2020.

As discussed in more detail under *item 20* below, Chapter 273 includes several provisions that will enable the state

to collect sales tax from out-of-state businesses, beginning on October 1, 2019. These provisions are expected to result in an ongoing General Fund revenue increase of \$85.0 million annually. (As discussed in the *One-Time Financing* section, the October 1, 2019 effective date has the effect of reducing the ongoing annual revenue gain of \$85.0 million by a one-time loss of \$(28.0) million in FY 2020.)

The ongoing annual impact of Chapter 273, by major provision, is summarized in *Table 4* below. On a net basis, Chapter 273 will result in an ongoing revenue loss of \$(24.0) million annually, beginning in FY 2020.

Table 4	
Chapter 273 Ongoing Impact	
<u>Revenue Additions</u>	<u>Impact</u>
Conformity	\$217.0
Wayfair	85.0
Eliminate Personal/Dependent Exemptions	353.9
Eliminate Lottery Winning Subtraction	<u>0.1</u>
Total, Additional Revenue	\$656.0
<u>Revenue Subtractions</u>	<u>Impact</u>
Increase Standard Deduction	\$(404.0)
Dependent Tax Credit	(144.0)
Bracket/Rate Reduction	(108.0)
25% Charitable Deduction	<u>(24.0)</u>
Total, Reduced Revenue	\$(680.0)
Net Ongoing Impact	\$ (24.0)

Income Tax Provisions

18) TY 2018 and TY 2019 Conformity – Chapter 273 conforms Arizona to the federal definition of adjusted gross income as of January 1, 2018 for tax year (TY) 2018, and January 1, 2019 for TY 2019.

19) Changes to Arizona Individual Income Tax Statutes – Beginning in TY 2019, Chapter 273 makes several changes to the state's individual income tax statutes, as described below.

- Reduces the number of marginal individual income tax brackets from 5 to 4 and reduces each marginal rate as shown in *Table 5*.
- Removes the Arizona subtraction from taxable income for lottery winnings.
- Increases the standard deduction as shown in *Table 6* and indexes the standard deduction to the same inflation measure used to calculate the federal standard deduction.

Table 5

Marginal Income Tax Rate/Bracket Comparison

Brackets – Current	Rates – TY 2018	Brackets – Enacted	Rates – TY 2019
\$0 - \$10,600	2.59%	\$0 - \$26,500	2.59%
\$10,601 – 26,500	2.88%	Collapsed	2.59%
\$26,501 - \$53,000	3.36%	\$26,501 - \$53,000	3.34%
\$53,001 - \$159,000	4.24%	\$53,001 - \$159,000	4.17%
\$159,001 and over	4.54%	\$159,001 and over	4.50%

Table 6

Standard Deduction Comparison

Filing Status	Standard Deduction - Current Law	Standard Deduction - Enacted
Single/Married Filing Separate	\$5,312	\$12,000
Single Head of Household	\$10,613	\$18,000
Married Filing Jointly	\$10,613	\$24,000

- Eliminates the state personal and dependent exemptions, shown in *Table 7*.

Table 7

Eliminated Exemptions

Personal Exemption, No Dependents	\$2,200
Personal Exemption, Married with Dependents	\$6,600
Dependent Exemption	\$2,300

- Allows taxpayers that take the standard deduction to increase their standard deduction by 25% of their charitable contributions that otherwise would have been deductible had they itemized their tax returns.
- Establishes a dependent tax credit of \$100 for each dependent under 17 years old and \$25 for each dependent age 17 and above. This credit is phased out for singles with over \$200,000 of adjusted gross income and \$400,000 for married couples filing jointly.

TPT Provisions

20) Enactment of Wayfair Legislation – In June 2018, the United States Supreme Court overruled in *South Dakota v. Wayfair Inc.* a 1992 ruling made by the same court in *Quill Corp v. North Dakota*, which had held that only out-of-state ("remote") businesses with a physical presence ("nexus") inside a state could be required to collect and remit sales tax in that state. As a result of the Wayfair ruling, the physical presence requirement was effectively replaced by an economic nexus requirement.

Beginning October 1, 2019, Chapter 273 establishes the economic nexus thresholds under which an out-of-state business is required to collect and remit tax on retail sales in Arizona, which are as follows:

- If the out-of-state business does not conduct sales through a marketplace facilitator, economic nexus applies if sales in Arizona exceed \$200,000 in

calendar year (CY) 2019, \$150,000 in CY 2020, and \$100,000 in CY 2021 and thereafter.

- If the out-of-state business is a marketplace facilitator, economic nexus applies if sales in Arizona from the marketplace facilitator's own business or on behalf of at least one marketplace seller exceed \$100,000 in the calendar year.

Besides establishing the state's economic nexus threshold requirements, Chapter 273 also added new language in state statutes with respect to the municipal tax treatment of retail sales, as outlined below.

- Requires municipal ordinances and other local laws related to the taxation of retail sales to be superseded by the state's transaction privilege tax statutes for the retail classification.
- Provides cities and towns the option to levy a transaction privilege tax on the sale of:
 1. Food for home consumption
 2. Textbooks required by a state university or community college sold at bookstores
 3. Livestock and poultry feed, salt, vitamins and other additives used in the business of farming and ranching
 4. Nonmetalliferous mined materials sold at retail
 5. Works of fine art
 6. Motor vehicles sold to nonresidents or enrolled members of an Indian Tribe.
- Allows a city or a town to continue to levy an existing transaction privilege tax, which was levied on or before May 1, 2019, on the sale of:
 1. Propagative materials, including fertilizers
 2. Implants used as growth promotants and injectable medicine for livestock or poultry
 3. Animals such as horses, sheep, and goats used as breeding or production stock.

Depending on the size of its population, a municipality can continue levying a tax on these products either through December 31, 2019 (if population is more than 50,000) or through June 30, 2021 (if population is 50,000 or less).

- Provides cities and towns the option to exempt from tax the sale of paintings, sculptures, or similar works of fine art by the original artists.
- Provides that the Legislature will not move any sales tax classifications other than retail from the Model City Tax Code to state statute for a period of 5 years from the effective date of the act.

21) Limits the Increase of the Corporate STO Credit – Laws 2006, Chapter 325 provides that the credit cap for contributions by corporations and insurers to private school tuition organizations providing scholarships to

students of low-income families be increased by 20% annually, beginning in FY 2008. Laws 2019, Chapter 281 limits the annual increase of the credit cap to 15% in FY 2021, 10% in FY 2022, and 5% in FY 2023. Beginning in FY 2024, the increase of the credit cap is limited to the greater of 2% or the annual change of the Metropolitan Phoenix consumer price index. As previously discussed under *item 1*, absent Laws 2019, Chapter 281, the credit cap was projected to increase to \$128.4 million in FY 2021 and \$154.1 million in FY 2022, which would have reduced General Fund revenue by \$(17.8) million in FY 2021 and an additional \$(25.7) million in FY 2022 relative to the prior year. Chapter 281 limits the growth of the credit cap to \$123.1 million in FY 2021 and \$135.4 million in FY 2022. Therefore, relative to the revenue reductions projected under Laws 2006, Chapter 325, the changes under Laws 2019, Chapter 281 will result in savings of \$5.4 million in FY 2021 and an additional \$13.3 million in FY 2022.

22) Expands TPT Exemption for Propagative Materials – Under current law, propagative materials such as seeds, roots, bulbs, and cuttings are exempt from state TPT and use tax. Beginning on December 1, 2019, Laws 2019, Chapter 288 expands this exemption to include fertilizers, insecticides and similar materials. Chapter 288 is estimated to reduce General Fund revenues by \$(7.3) million in FY 2020, followed by an additional reduction of \$(7.4) million, beginning in FY 2021.

23) Expands the Charitable Tax Credit – Under current law, taxpayers can claim an individual income tax credit for cash contributions made to charitable organizations that provide services to children who have chronic illness or physical disability. Laws 2019, Chapter 297 expands this credit to include all persons who have chronic illness or physical disability, including adults. Chapter 297 is estimated to reduce General Fund revenues by \$(1.2) million annually, beginning in FY 2020.

Impact of Newly Enacted Legislation in "Balance Sheet"
As shown in *Table 9*, revenue changes enacted during the 2019 Legislative Session are estimated to increase General Fund revenue by \$155.0 million in FY 2019, followed by a reduction of \$(212.2) million in FY 2020 and additional reductions of \$(2.0) million in FY 2021, and \$(10.0) million in FY 2022. These amounts differ from the figures reported in *Statement of General Fund Revenues and Expenditures With One-Time Financing Sources* in the BH section of the *FY 2020 Appropriations Report* (henceforth referred to as the "Balance Sheet"). Instead, the "Balance Sheet" lists the impact of newly enacted changes as \$(57.2) million in FY 2020, \$(59.2) million in FY 2021, and \$(69.2) million in FY 2022. (The \$155.0 million revenue impact in FY 2019 is the same.)

The difference between the 2 sets of numbers is due to whether the impact of tax legislation in the prior year is incorporated into ongoing revenue in the current year or not. In the "Balance Sheet," the revenue impact from the prior year is incorporated into the current year's ongoing revenues. Thus, the \$155.0 million revenue gain from conformity in FY 2019 is already reflected in the ongoing revenues for FY 2020. Therefore, the net impact of newly enacted tax legislation in FY 2020 is reported as \$(57.2) million [\$155.0 million added in FY 2019 minus \$212.2 million deducted in FY 2020] in the "Balance Sheet." The derivation of the net tax law impact of \$(59.2) million and \$(69.2) million in FY 2021 and FY 2022, respectively, is shown in *Table 8* below.

	\$ in Millions		
	FY 2020	FY 2021	FY 2022
Change in Ongoing Revenue	\$155.0	\$(57.2)	\$(59.2)
Marginal Impact of Newly Enacted Legislation	<u>(212.2)</u>	<u>(2.0)</u>	<u>(10.0)</u>
Net Tax Law Impact	\$(57.2)	\$(59.2)	\$(69.2)

Urban Revenue Sharing

The Urban Revenue Sharing (URS) program provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and towns within the state. The amount that is currently distributed to cities and towns is 15% of net income tax collections from 2 years prior. As indicated in *Table 11*, total URS distributions will increase from \$674.8 million in FY 2019 to \$737.6 million in FY 2020. This URS increase results in a FY 2020 General Fund revenue loss of \$(62.8) million relative to FY 2019. As shown in *Table 12*, URS distributions are estimated to increase to \$792.3 million in FY 2021 and \$827.0 million in FY 2022, which will result in net General Fund revenue losses of \$(54.7) million and \$(34.7) million in FY 2021 and FY 2022, respectively. The adopted budget uses the same URS estimates for FY 2021 and FY 2022 as under the January Baseline.

Table 9

**Previously and Newly Enacted Budget Legislation with Ongoing Revenue Impact in FY 2019 through FY 2022
(\$ Millions) ^{1/2/}**

<u>Previously Enacted Legislation / Description of Provision</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<u>Laws 2006, Ch. 14 & Ch. 325</u>				
1) Corporate school tuition credit for low-income students ^{3/}	\$(14.9)	\$(17.8)	\$(21.4)	\$(25.7)
<u>Laws 2011, 2nd SS, Ch. 1</u>				
2) Phases down corporate tax rate from 6.968% to 4.9% over 4 years, beginning in TY 2014	(32.1)	0.0	0.0	0.0
3) Phases in corporate sales factor from 80% to 100% over 4 years, beginning in TY 2014	(11.6)	0.0	0.0	0.0
<u>Laws 2012, Ch. 343</u>				
4) Creates an income tax credit for capital investments in new or expanded manufacturing facilities, commercial headquarters, or research facilities ^{4/}	(2.8)	0.0	0.0	0.0
<u>Laws 2015, Ch. 220 & Laws 2016, Ch. 358</u>				
5) Phases down insurance premium tax rate from 2.0% to 1.7% over 6 years, beginning in FY 2017	(4.3)	(4.7)	(5.0)	(5.4)
<u>Laws 2017, Ch. 278</u>				
6) Provides income tax subtraction for ADA retrofits	(1.3)	0.0	0.0	0.0
<u>Laws 2017, Ch. 299</u>				
7) Inflation-indexing of personal exemption amounts	(6.7)	0.0	0.0	0.0
<u>Laws 2017, Ch. 319</u>				
8) Adds a total of \$10 million in new angel investment credits	(0.8)	(0.8)	0.0	0.8
<u>Laws 2017, Ch. 340</u>				
9) Modifies eligibility requirements for job tax credit and extends credit through FY 2025 ^{5/}	(0.8)	(0.9)	(0.8)	0.0
<u>Laws 2018, Ch. 276</u>				
10) Eliminates ongoing Judiciary Fund transfers to General Fund ^{6/}	(2.6)	0.0	0.0	0.0
<u>Laws 2018, Ch. 276</u>				
11) Reduces Liquor Licenses Fund transfers to General Fund	(0.1)	0.0	0.0	0.0
<u>Laws 2018, Ch. 283</u>				
12) Increases military pension exemption from \$2,500 to \$3,500, beginning in TY 2019	0.0	(2.0)	0.0	0.0
<u>Laws 2018, Ch. 283</u>				
13) Shifts boxing and mixed martial arts fees from General Fund to Racing Regulation Fund	(0.1)	0.0	0.0	0.0
<u>Laws 2018, Ch. 284</u>				
14) Caps radiation regulatory fees shift from General Fund	<u>(0.8)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal – Revenue Impact over Prior Year for <u>Previously Enacted</u> Budget Legislation	\$(78.8)	\$(26.2)	\$(27.2)	\$(30.3)

<u>Newly Enacted Legislation / Description of Provision</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<u>Laws 2019, Ch. 263</u>				
15) Reduces Liquor Licenses Fund transfers to General Fund	0.0	(0.2)	0.0	0.0
<u>Laws 2019, Ch. 263</u>				
16) Reduces State Treasurer transfer to General Fund	0.0	(0.4)	0.0	0.0
<u>Laws 2019, Ch. 268</u>				
17) Reduces Public Safety Transfers to General Fund	0.0	(24.1)	0.0	(23.3)
<u>Laws 2019, Ch. 273</u>				
18) Conforms state tax statutes to Internal Revenue Code for TY 2018 and TY 2019	\$155.0	\$62.0	\$0.0	\$0.0
19) Makes following changes to Arizona Individual Income Tax statutes, beginning TY 2019:				
Eliminates personal and dependent exemptions		353.9	0.0	0.0
Eliminates lottery winning subtraction		0.1	0.0	0.0
Increases standard deduction		(404.0)	0.0	0.0
Creates a dependent tax credit		(144.0)	0.0	0.0
Reduces the number of tax brackets/lowers marginal tax rates		(108.0)	0.0	0.0
Additional std. deduction on 25% of charitable contributions		<u>(24.0)</u>	<u>0.0</u>	<u>0.0</u>
Sub-Total – Individual Income Tax Changes		(326.0)	0.0	0.0
20) Enacts Arizona's Wayfair Legislation for Remote Sales		<u>85.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal – Laws 2019, Chapter 273	155.0	(179.0)	0.0	0.0
<u>Laws 2019, Ch. 281</u>				
21) Phases down annual increase of corporate STO credit cap, beginning in FY 2021	0.0	0.0	5.4	13.3
<u>Laws 2019, Ch. 288</u>				
22) Expands TPT exemption on propagative materials (including fertilizers), beginning December 1, 2019	0.0	(7.3)	(7.4)	0.0
<u>Laws 2019, Ch. 297</u>				
23) Expands charitable tax credit to adults with chronic illness or physical disability, beginning in TY 2019.	<u>0.0</u>	<u>(1.2)</u>	<u>0.0</u>	<u>0.0</u>
Subtotal – Revenue Impact over Prior Year for <u>Newly Enacted Budget Legislation</u>	\$155.0	\$(212.2)	\$(2.0)	\$(10.0)
Total – Revenue Impact over Prior Year for All (Previously and Newly) Enacted Budget Legislation	\$76.2	\$(238.5)	\$(29.2)	\$(40.3)
<p>1/ Represents marginal pricing: All revenue impacts are stated relative to the prior year. 2/ Some provisions have been revised since the enactment of the FY 2019 budget in May 2018. 3/ See #21. 4/ Impact began in FY 2014. 5/ Includes impact of Laws 2012, Chapter 343, which eliminated individual company cap of 400 eligible employees. In addition, Laws 2012, Chapter 343 provided that the credit be available to insurers through TY 2019. The TY 2019 deadline for insurers to claim the credit was subsequently eliminated by Laws 2016, Chapter 360. The imposition and subsequent removal of the TY 2019 deadline is not expected to have any fiscal impact. Laws 2017, Chapter 340 extended the credit from FY 2017 through FY 2025 and modified the minimum investment and wage requirements. 6/ Transfers authorized by Laws 2016, Chapter 117 and Laws 2017, Chapter 305 were eliminated by Laws 2018, Chapter 276.</p>				

One-Time Financing

As shown in *Table 10*, one-time financing sources are available in FY 2019 through FY 2022. The following is a discussion of the one-time financing sources.

FY 2019

The \$550.3 million in one-time financing sources for FY 2019 includes:

Previously Enacted Fund Transfers

The FY 2019 General Appropriation Act (Laws 2018, Chapter 276) authorized a total of \$120.7 million in fund transfers to the General Fund in FY 2019. This amount included an anticipated General Fund deposit of \$20.0 million in FY 2019 obtained by the Attorney General from a settlement with the Volkswagen group in May 2018. The monies from this settlement, however, were deposited into the General Fund in FY 2018 rather than in FY 2019. As a result, the total amount of fund transfers in FY 2019 was \$(20.0) million less than originally anticipated, or \$100.7 million.

Balance Forward

The FY 2018 General Fund ending balance carried forward into FY 2019 was \$449.6 million.

FY 2020

The \$816.9 million in one-time financing sources for FY 2020 includes:

Previously Enacted Fund Transfers

As a result of the aforementioned settlement between the Attorney General and Volkswagen related to the car maker's vehicle emissions violations, the budget enacted in May 2018 provides for a total of \$1.8 million in transfers from the Department of Environmental Quality's Air Quality Fund and the Department of Public Safety's Joint Fund to the General Fund in FY 2020.

Prescription Drug Rebate Fund Transfer

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) requires the Arizona Health Care Cost Containment System (AHCCCS) to transfer \$69.0 million from the Prescription Drug Rebate Fund established by A.R.S. § 36-2930 to the General Fund on or before June 30, 2020. The Prescription Drug Rebate Fund consists of federally-mandated and state-negotiated rebates paid by drug manufacturers to AHCCCS for prescription drugs used by AHCCCS enrollees. The \$69.0 million transfer consists of higher-than-budgeted rebate receipts from prior years. The 3-year spending plan associated with the enacted budget further assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund in FY 2021 and FY 2022 based on recent rebate growth trends.

Wells Fargo Settlement

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) requires the transfer of \$20.0 million to the General Fund from the monies received by the Attorney General (AG) pursuant to a settlement with Wells Fargo & Company. The AG, along with 50 other states, brought a lawsuit against Wells Fargo for alleged misconduct, including accounts opened without customer knowledge and improperly charged mortgage fees. As a result of the settlement, the AG received \$37.1 million, of which \$17.1 million was deposited into the Consumer Protection – Consumer Fraud Revolving Fund. The remaining \$20.0 million is to be transferred to the General Fund by June 30, 2020.

TPT Estimated Payment Threshold Change

Under current statute, a business with a combined tax liability for transaction privilege, telecommunication services excise, and county excise taxes of \$1.0 million or more in the preceding calendar year is required to make a single estimated advance payment in June of each year. This estimated payment, which is in addition to the regular June sales tax bill, is required to equal either: (1) one-half of the actual tax liability for May, or (2) the actual tax liability for the first 15 days of June. In July of each year, those taxpayers that made an estimated payment in the prior month can subtract that amount from their July tax bill. While the June estimated payment does not result in any increase of a business' sales tax liability on a calendar year basis, it has the effect of advancing a portion of next fiscal year's General Fund revenue into the current fiscal year. Therefore, any increase (or decrease) of the liability threshold for the June estimated payment results in a one-time loss (or gain) of state revenues in that fiscal year.

Laws 2019, Chapter 290 increases the liability threshold for the June estimated payment to \$1.6 million in 2020, \$2.3 million in 2021, \$3.1 million in 2022, and \$4.1 million in 2023 and each year thereafter. In FY 2020, the increase of the liability threshold from \$1.0 million to \$1.6 million is estimated to result in a one-time General Fund revenue loss of \$(10.3) million.

One-Time Conformity Offset (Wayfair)

As noted earlier, beginning October 1, 2019, Laws 2019, Chapter 273 ("Wayfair") establishes the economic nexus thresholds under which an out-of-state business is required to collect and remit tax on retail sales in Arizona. The ongoing full-year revenue impact is estimated to be \$85.0 million. However, due to the October 1, 2019 effective date, the revenue gain is reduced on a one-time basis by \$(28.0) million in FY 2020.

Table 10

**FY 2019 through FY 2022 One-Time Financing Sources
(\$ in Millions)**

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Balance Forward	\$449.6	\$764.4	\$64.9	\$43.0
Budget Legislation:				
Previously Enacted Fund Transfers	100.7	1.8	0.0	0.0
Prescription Drug Rebate Fund Transfer	0.0	69.0	16.7	16.7
Wells Fargo Settlement	0.0	20.0	0.0	0.0
TPT Estimated Payment Threshold Chg.	0.0	(10.3)	(10.0)	(10.0)
One-Time Conformity Offset (Wayfair)	0.0	(28.0)	0.0	0.0
Water Infrastructure Repayment	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>20.0</u>
Total One-Time Financing	<u>\$550.3</u>	<u>\$816.9</u>	<u>\$71.6</u>	<u>\$69.7</u>

Balance Forward

The FY 2019 General Fund ending balance carried into FY 2020 is projected to be \$764.4 million.

FY 2021

The \$71.6 million in one-time financing sources for FY 2021 includes:

Prescription Drug Rebate Fund Transfer

As noted earlier, the 3-year spending plan associated with the May 2019 enacted budget assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund in FY 2021 based on recent rebate growth trends.

TPT Estimated Payment Threshold Change

As noted above, Laws 2019, Chapter 290 increases the liability threshold for the June estimated payment to \$2.3 million in 2021. The increase of the liability threshold from \$1.6 million in FY 2020 to \$2.3 million in FY 2021 is estimated to result in a one-time General Fund revenue loss of \$(10.0) million in FY 2021.

Balance Forward

The FY 2020 General Fund ending balance carried into FY 2021 is projected to be \$64.9 million.

FY 2022

The \$69.7 million in one-time financing sources for FY 2022 includes:

Prescription Drug Rebate Fund Transfer

As noted earlier, the 3-year spending plan associated with the May 2019 enacted budget assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund in FY 2022 based on recent rebate growth trends.

TPT Estimated Payment Threshold Change

As noted above, Laws 2019, Chapter 290 increases the liability threshold for the June estimated payment to \$3.1 million in 2022. The increase of the liability threshold from \$2.3 million in FY 2020 to \$3.1 million in FY 2022 is estimated to result in a one-time General Fund revenue loss of \$(10.0) million in FY 2022.

DWR Infrastructure Repayment

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) appropriates \$20.0 million from the General Fund to the Department of Water Resources' (DWR) Temporary Groundwater and Irrigation Efficiency Projects Fund to construct, rehabilitate and lease wells and infrastructure related to the withdrawal and efficient delivery of groundwater by qualified irrigation districts. The appropriated monies must be fully reimbursed to the General Fund on or before December 31, 2021.

Balance Forward

The FY 2021 General Fund ending balance carried into FY 2022 is projected to be \$43.0 million.

Table 11

GENERAL FUND REVENUE - FY 2018 - FY 2020

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2018	% CHANGE PRIOR YR	FORECAST FY 2019	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2020	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	4,787,647.2	6.2%	5,079,394.4	6.1%	291,747.3	5,364,665.1	5.6%	285,270.6
Income - Individual	4,544,081.2	10.0%	4,946,400.5	8.9%	402,319.4	4,960,588.1	0.3%	14,187.6
- Corporate	373,076.4	1.3%	424,475.6	13.8%	51,399.2	434,580.3	2.4%	10,104.7
Property	38,719.6	19.0%	36,598.5	-5.5%	(2,121.1)	36,094.5	-1.4%	(504.1)
Luxury - Tobacco	21,978.2	-4.2%	21,206.9	-3.5%	(771.3)	20,445.3	-3.6%	(761.5)
- Liquor	36,019.7	3.8%	36,976.3	2.7%	956.6	37,951.3	2.6%	975.0
Insurance Premium	509,276.0	1.0%	510,175.2	0.2%	899.2	513,425.8	0.6%	3,250.6
Other Taxes	7,650.5	179.1%	11,878.3	55.3%	4,227.9	12,548.7	5.6%	670.3
Subtotal - Taxes	10,318,448.8	7.5%	11,067,105.8	7.3%	748,657.1	11,380,299.1	2.8%	313,193.2
Other Non-Tax Revenues:								
Lottery	68,425.4	-13.0%	92,804.3	35.6%	24,378.9	95,859.4	3.3%	3,055.1
Licenses, Fees and Permits	37,969.9	-1.2%	34,206.9	-9.9%	(3,763.0)	34,569.1	1.1%	362.2
Interest	22,013.1	29.5%	35,000.0	59.0%	12,986.9	42,378.6	21.1%	7,378.6
Sales and Services	34,120.9	-18.9%	44,895.9	31.6%	10,775.0	38,722.4	-13.8%	(6,173.5)
Other Miscellaneous	108,311.8	29.1%	82,185.8	-24.1%	(26,126.0)	84,611.5	3.0%	2,425.7
Transfers and Reimbursements	40,598.6	-36.7%	40,904.9	0.8%	306.3	55,574.7	35.9%	14,669.9
Public Safety Transfers	0.0	N/A	72,364.5	N/A	72,364.5	23,343.2	-67.7%	(49,021.3)
Disproportionate Share Revenue	83,704.7	-11.3%	83,604.0	-0.1%	(100.7)	83,868.1	0.3%	264.1
Subtotal - Other Non-Tax	395,144.3	-5.6%	485,966.2	23.0%	90,821.9	458,927.0	-5.6%	(27,039.2)
Net Ongoing Revenue	10,713,593.0	6.9%	11,553,072.0	7.8%	839,479.0	11,839,226.1	2.5%	286,154.1
Urban Revenue Sharing (URS)	(680,770.1)	N/A	(674,804.4)	N/A	5,965.6	(737,573.6)	N/A	(62,769.2)
Net Ongoing Revenue w/ URS	10,032,822.9	7.2%	10,878,267.6	8.4%	845,444.6	11,101,652.5	2.1%	223,384.9
One-Time Financing Sources:								
Previously Enacted Fund Transfers	74,391.7	-48.7%	100,681.7	35.3%	26,290.0	1,840.7	-98.2%	(98,841.0)
Prescription Drug Rebate Fund Transfer	0.0	N/A	0.0	N/A	0.0	69,000.0	N/A	69,000.0
Wells Fargo Settlement	0.0	N/A	0.0	N/A	0.0	20,000.0	N/A	20,000.0
TPT Estimated Payment Threshold Change	0.0	N/A	0.0	N/A	0.0	(10,322.6)	N/A	(10,322.6)
One-Time Conformity Offset (Wayfair)	0.0	N/A	0.0	N/A	0.0	(28,000.0)	N/A	(28,000.0)
Water Infrastructure Repayment	0.0	N/A	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	74,391.7	-48.7%	100,681.7	35.3%	26,290.0	52,518.1	-47.8%	(48,163.6)
Subtotal - Revenues	10,107,214.6	6.4%	10,978,949.3	8.6%	871,734.6	11,154,170.6	1.6%	175,221.3
Balance Forward	150,871.0	-46.9%	449,632.0	198.0%	298,761.0	764,372.4	70.0%	314,740.4
Total - Resources	10,258,085.6	4.8%	11,428,581.3	11.4%	1,170,495.6	11,918,543.0	4.3%	489,961.7

Table 12

GENERAL FUND REVENUE - FY 2021 - FY 2022

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2021	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2022	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	5,530,305.7	3.1%	165,640.6	5,749,349.2	4.0%	219,043.5
Income - Individual	5,146,121.6	3.7%	185,533.5	5,351,116.7	4.0%	204,995.1
- Corporate	438,004.4	0.8%	3,424.1	459,015.2	4.8%	21,010.8
Property	37,307.4	3.4%	1,212.9	36,845.6	-1.2%	(461.8)
Luxury - Tobacco	19,882.9	-2.8%	(562.5)	19,349.0	-2.7%	(533.8)
- Liquor	38,929.6	2.6%	978.3	39,937.8	2.6%	1,008.2
Insurance Premium	525,425.0	2.3%	11,999.2	538,268.4	2.4%	12,843.3
Other Taxes	13,257.1	5.6%	708.4	14,005.8	5.6%	748.7
Subtotal - Taxes	11,749,233.7	3.2%	368,934.6	12,207,887.7	3.9%	458,654.0
Other Non-Tax Revenues:						
Lottery	114,999.1	20.0%	19,139.7	118,326.6	2.9%	3,327.5
Licenses, Fees and Permits	35,533.7	2.8%	964.6	36,541.7	2.8%	1,008.0
Interest	47,118.5	11.2%	4,739.9	48,738.3	3.4%	1,619.9
Sales and Services	38,173.5	-1.4%	(548.9)	37,735.2	-1.1%	(438.3)
Other Miscellaneous	86,335.5	2.0%	1,724.0	88,880.4	2.9%	2,544.9
Transfers and Reimbursements	58,501.9	5.3%	2,927.2	61,332.9	4.8%	2,831.1
Public Safety Transfers	23,343.2	0.0%	0.0	0.0	-100.0%	(23,343.2)
Disproportionate Share Revenue	83,717.3	-0.2%	(150.8)	83,629.2	-0.1%	(88.1)
Subtotal - Other Non-Tax	487,722.7	6.3%	28,795.7	475,184.4	-2.6%	(12,538.2)
Net Ongoing Revenue	12,236,956.3	3.4%	397,730.3	12,683,072.2	3.6%	446,115.8
Urban Revenue Sharing (URS)	(792,281.4)	N/A	(54,707.8)	(827,005.3)	N/A	(34,723.8)
Net Ongoing Revenue w/ URS	11,444,674.9	3.1%	343,022.5	11,856,066.9	3.6%	411,392.0
One-Time Financing Sources:						
Previously Enacted Fund Transfers	0.0	-100.0%	(1,840.7)	0.0	N/A	0.0
Prescription Drug Rebate Fund Transfer	16,700.0	-75.8%	(52,300.0)	16,700.0	0.0%	0.0
Wells Fargo Settlement	0.0	-100.0%	(20,000.0)	0.0	N/A	0.0
TPT Estimated Payment Threshold Change	(10,005.0)	N/A	317.6	(9,974.3)	N/A	30.7
One-Time Conformity Offset (Wayfair)	0.0	N/A	28,000.0	0.0	N/A	0.0
Water Infrastructure Repayment	0.0	N/A	0.0	20,000.0	N/A	20,000.0
Subtotal - One-Time Financing Sources	6,695.0	-87.3%	(45,823.1)	26,725.7	299.2%	20,030.7
Subtotal - Revenues	11,451,369.9	2.7%	297,199.4	11,882,792.6	3.8%	431,422.7
Balance Forward	64,877.9	-91.5%	(699,494.5)	43,014.9	-33.7%	(21,863.0)
Total - Resources	11,516,247.8	-3.4%	(402,295.1)	11,925,807.5	3.6%	409,559.7

BUDGET STABILIZATION FUND

Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The BSF is also known as the “Rainy Day Fund.”

The Formula

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The formula is based on total annual Arizona personal income (excluding transfer payments) adjusted for inflation.

The January budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of real adjusted state personal income, its trend growth rate over the past 7 years, and the calculated appropriation to or transfer from the BSF. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. In practice, the formula has only served as a general guideline and has rarely been used to determine the actual deposit or withdrawal.

Key features of the BSF can be summarized as follows:

- The deposit into or withdrawal from the BSF for a given fiscal year is determined by comparing the annual growth rate of real adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to its 7-year trend growth rate.
- Real adjusted personal income in the BSF formula is defined as Arizona personal income less transfer payments, adjusted by the gross domestic product price deflator index.
- Trend growth rate is defined as the average annual growth rate of real adjusted personal income for the most recent 7 calendar years.

- If the annual growth rate exceeds the trend growth rate, the “excess” percent multiplied by General Fund revenue of the prior fiscal year would equal the amount to be deposited into the BSF.
- If the annual growth rate of real adjusted personal income is both less than 2% and less than the trend growth rate, the deficiency when multiplied by the General Fund revenue of the prior year would equal the amount to be withdrawn from the BSF. This 2% floor avoids withdrawing monies from the BSF when economic conditions are slowing but there is not a recession.
- By a two-thirds majority, the Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.
- The BSF's total balance cannot be larger than 10.0% of the current year's General Fund revenues, excluding the beginning balance. Prior to Laws 2019, Chapter 54, the percentage was set at 7.0%.
- In addition to the fixed income investments, the Treasurer is allowed to invest up to 25% of the BSF in equity securities (A.R.S. § 35-314.02).

Deposits/Withdrawals

FY 2018

In CY 2017, Arizona adjusted personal income increased by 2.61%, with a trend growth rate of 3.15%. Since the CY 2017 growth rate was (0.54)% lower than the trend growth rate, but still higher than 2.0%, the formula did not recommend a withdrawal. A deposit requires the most recent calendar year growth rate to exceed the trend growth rate. The Legislature did not authorize any deposit or withdrawal.

Beginning in FY 2016, A.R.S. § 35-144 authorizes BSF monies to be used by the State Forester to pay wildland fire suppression claims. When a federal agency makes payment on the claim, the State Forester must reimburse the State Treasurer for that amount within 45 days. Through FY 2019, the State Forester's outstanding unreimbursed claims balance could not exceed \$10.0 million. Beginning in FY 2020, Laws 2019, Chapter 269 increases the cap to \$20.0 million. The balance consists of the cumulative amount the State Forester has used for fire suppression claims less the amount it has reimbursed to the State Treasurer.

In FY 2018, the State Forester's outstanding balance increased by \$6.5 million. Combined with prior year FY

2016 and FY 2017 year-end outstanding balances of \$3.5 million, the FY 2018 year-end outstanding balance was \$10.0 million. The Forester effectively reached the statutory \$10.0 million cap. The State Forester reimburses outstanding claims to the Treasurer upon federal payment on the claims and draws down new funds as old claims are repaid.

Laws 2017, Chapter 305 appropriated \$1.5 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2018.

Additionally, Laws 2017, Chapter 305 appropriated \$2.6 million from BSF interest earnings to the Department of Education for financial assistance to school districts and charter schools located in counties with a population of less than 500,000. The distribution also applies to school districts and charter schools that primarily serve homeless or special needs students, regardless of location. The distribution is proportionally allocated based on average daily membership counts from the 2016-2017 school year.

The FY 2019 General Appropriation Act (Laws 2018, Chapter 276) authorized the Department of Economic Security (DES) to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2018. Chapter 276 required the BSF to be fully reimbursed by September 1, 2018. DES did not use any of these monies.

FY 2019

In CY 2018, Arizona adjusted personal income increased by 3.31%, with a trend growth rate of 3.29%. Since the CY 2018 "excess" growth rate was 0.02%, the formula recommended a deposit of \$2.0 million in FY 2019. The Legislature did not authorize the deposit. However, independent of the formula, the FY 2020 General Appropriation Act (Laws 2019, Chapter 263) appropriated \$271.1 million for deposit into the BSF in FY 2019.

In FY 2019, the State Forester continued to draw down funds as claims were repaid, effectively leaving their usage at \$10.0 million.

Laws 2018, Chapter 276 appropriated \$2.0 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2019.

Laws 2018, Chapter 276 also allowed the Department of Public Safety to use up to \$23.3 million from the BSF in FY 2019 to provide temporary operating funding. Chapter 276 requires the BSF to be fully reimbursed by September 1, 2019. In August and September 2018, DPS withdrew \$10.0 million and \$13.3 million, respectively. DPS has reimbursed the State Treasurer.

FY 2020

The University of Arizona's Economic and Business Research Center (EBR) currently projects that Arizona real adjusted income will grow by 3.10% in CY 2019. Since this is (0.07)% below the estimated trend growth rate of 3.17% but still higher than 2.0%, the formula is projected to recommend no BSF deposit in FY 2020.

The FY 2020 General Appropriation Act appropriates \$271.1 million in FY 2020 for deposit into the BSF. This is in addition to the \$271.1 million deposited in FY 2019. These amounts were determined independent of the formula.

Chapter 263 also authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2020. Chapter 263 requires the BSF to be fully reimbursed by September 1, 2020.

Laws 2019, Chapter 269 increases the maximum outstanding unreimbursed claims balance from \$10.0 million to \$20.0 million. As of April 2019, the State Forester's outstanding balance is effectively \$10.0 million. By increasing the maximum balance, the State Forester will be able to pay any new claims until its outstanding balance reaches \$20.0 million.

Laws 2019, Chapter 54 adjusts the limit on the fiscal year-end BSF balance from 7.0% of General Fund revenues for the fiscal year to 10.0% of General Fund revenues for the fiscal year. For FY 2020, the fiscal year-end balance is estimated to be \$1.0 billion compared to an estimated maximum balance of \$1.1 billion.

STATUTORY CHANGES

The Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2019, Chapter 267) makes the following statutory changes:

- As session law, continue to notwithstanding the requirements for any deposit to or withdrawals from the Budget Stabilization Fund through FY 2022.

The Environment BRB (Laws 2019, Chapter 269) makes the following statutory changes:

- As permanent law, increase the maximum loan that the State Forester may receive from the Budget Stabilization Fund for federal wildland fire claims expenses awaiting reimbursement from the federal government from \$10.0 million to \$20.0 million.

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

	Actual FY 2017	Actual FY 2018	Estimate FY 2019	Estimate FY 2020
General Fund Revenues				
Adjusted Revenues	\$9,358,542.0 ^{2/}	\$10,036,152.7 ^{2/}	\$10,878,267.6	\$11,101,652.5
Statutory Limit of Revenues	7.0%	7.0%	7.0%	10.0% ^{3/}
Maximum Balance	655,097.9	702,530.7	761,478.7	1,110,165.3
Arizona Personal Income in Prior CY				
Real Adjusted Annual Income Growth	3.17%	2.61%	3.31%	3.10%
7-Year Average Income Growth	<u>2.26%</u>	<u>3.15%</u>	<u>3.29%</u>	<u>3.17%</u>
Annual Difference	0.91%	(0.54)%	0.02%	(0.07)%
BSF Transactions				
Beginning BSF Balance	460,846.5	461,446.9	457,786.0	713,412.1
BSF Formula Recommendation	84,319.5	0.0	2,007.2	0.0
Actual Transfer In				
General Fund Appropriation	0.0	0.0	271,107.0 ^{4/}	271,107.0 ^{4/}
Actual Transfer Out				
State Forester Claims ^{5/6/}	(2,902.0)	(6,498.3)	19.1	0.0
Arts Commission ^{7/8/9/}	(1,500.0)	(1,500.0)	(2,000.0)	0.0
ADE Rural Assistance ^{10/}	0.0	(2,600.0)	0.0	0.0
DPS Operating Funding ^{11/}	0.0	0.0	(23,300.0)	23,300.0
DES Reimbursement Grants ^{12/13/14/15/}	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	(4,402.0)	(10,598.3)	(25,280.9)	23,300.0
Balance	456,444.5	450,848.6	703,612.1	1,007,819.1
Interest Earnings & Equity Gains/Losses ^{16/}	5,002.4	6,937.4	9,800.0	11,000.0
Ending BSF Balance	\$461,446.9	\$457,786.0	\$713,412.1	\$1,018,819.0
Percent of Revenues	4.9%	4.6%	6.6%	9.2%

^{1/} BSF history prior to FY 2017 can be found on the JLBC website.

^{2/} Actual General Fund revenue for FY 2017 and FY 2018, as determined by the Economic Estimates Commission.

^{3/} Laws 2019, Chapter 54 adjusts the limit on the fiscal year-end BSF balance from 7.0% to 10.0% of General Fund revenues for the fiscal year.

^{4/} Laws 2019, Chapter 263 appropriates \$271.1 million from the General Fund in each of FY 2019 and FY 2020 for deposit into the BSF.

^{5/} Laws 2016, Chapter 219 authorizes BSF monies to be used by the State Forester to pay certain wildland fire suppression claims, not to exceed \$10.0 million. The monies must be reimbursed to the State Treasurer within 45 days of a federal agency's payment on the claim.

^{6/} The cumulative transfers out through FY 2018 is \$10.0 million. The FY 2019 projection assumes that the outstanding balance will continue to be \$10.0 million as new funds are drawn down and old claims repaid. Laws 2019, Chapter 269 increases the maximum outstanding balance to \$20.0 million beginning in FY 2020.

^{7/} Laws 2016, Chapter 117 appropriated \$1.5 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2017.

^{8/} Laws 2017, Chapter 305 appropriated \$1.5 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2018.

^{9/} Laws 2018, Chapter 276 appropriated \$2.0 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2019.

^{10/} Laws 2017, Chapter 305 appropriated \$2.6 million from BSF interest earnings to the Department of Education for rural assistance in FY 2018.

^{11/} Laws 2018, Chapter 276 authorized the Department of Public Safety (DPS) to use up to \$23.3 million in BSF monies for temporary operating funding in FY 2019. DPS has partially reimbursed this amount and plans to complete its full repayment by September 2019, as required by Chapter 276.

^{12/} Laws 2016, Chapter 117 authorized the Department of Economic Security (DES) and the Department of Child Safety (DCS) to use up to \$35.0 million each from the BSF to provide funding for reimbursement grants in FY 2016. Chapter 117 required the BSF to be fully reimbursed by September 1, 2016. This loan authority was used only by DES, which withdrew \$35.0 million in July 2016 and reimbursed the State Treasurer for that amount in August 2016.

^{13/} Laws 2017, Chapter 305 authorized the Department of Economic Security (DES) to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2017. Chapter 305 required the BSF to be fully reimbursed by September 1, 2017. DES withdrew \$25.0 million in July 2017 and reimbursed the State Treasurer for that amount in September 2017.

^{14/} Laws 2018, Chapter 276 authorized the Department of Economic Security (DES) to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2018. Chapter 276 required the BSF to be fully reimbursed by September 1, 2018. DES did not use any of these monies.

^{15/} Laws 2019, Chapter 263 authorizes the Department of Economic Security (DES) to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2020. Chapter 263 requires the BSF to be fully reimbursed by September 1, 2020.

^{16/} Interest earnings for FY 2019 and FY 2020 were estimated by the JLBC Staff based on information provided by the State Treasurer's Office.

CONSOLIDATED RETIREMENT REPORT

CONSOLIDATED RETIREMENT REPORT

Summary

The Consolidated Retirement Report (CRR) provides financial information on the state's retirement systems, including the total state cost of the retirement systems and estimated cost of annual changes in the employer contribution rates.

Most public employees in Arizona are enrolled in one of the 5 following state retirement systems.

- The Arizona State Retirement System (ASRS), which provides retirement, survivors, health, and disability benefits to employees of most public employers, including public schools, most local and county governments, and the State of Arizona.
- The Public Safety Personnel Retirement System (PSPRS), which provides similar benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters.
- The Corrections Officer Retirement Plan (CORP), which provides similar benefits to correctional officers at state-run facilities, detention officers at county jails, and certain public safety dispatcher positions.
- The Elected Officials' Retirement Plan (EORP), which provides similar benefits to elected officials. The population of elected officials includes state officials, county/city officials and judges. EORP is now closed to new enrollees. Elected officials who are elected after January 1, 2014 enroll in the Elected Officials' Defined Contribution Retirement System (EODCRS), which provides a defined contribution retirement benefit.

- The University Optional Retirement Plan (UORP). Some university employees are eligible to choose between ASRS or UORP. Unlike ASRS, UORP is a defined contribution plan where the employee and employer each contribute 7% of gross earnings.

The PSPRS Board of Trustees manages the PSPRS, CORP and EORP plans. The Arizona Board of Regents (ABOR) separately oversees the UORP plan.

FY 2020 Total Funding

Based on data provided by state agencies in their budget requests under A.R.S. § 35-115, JLBC estimates the General Fund cost associated with all retirement systems in FY 2020 is \$220.4 million and the Total State Funds cost is \$570.5 million. *(Please see Table 1 for the total costs.)*

Employer contribution rate for the retirement systems change each year depending on the latest actuarial valuation. Some of the retirement costs may be covered by agencies' non-appropriated funding sources.

The enacted FY 2020 budget appropriated \$7.1 million to state agencies for additional costs related to FY 2020 rate increases. This consists of \$3.1 million from the General Fund and \$4.0 million from Other Appropriated Funds. *Table 2* shows the total appropriation in the FY 2020 budget for pension related increases.

Table 1			
Arizona Public Retirement FY 2020 System Employer Cost			
	<u>FY 2020 Total Cost 1/</u>		
	<u>General Fund</u>	<u>All Other Funds 2/</u>	<u>Total</u>
Arizona State Retirement System	\$ 71,079,000	\$ 216,814,800	\$287,893,800
Public Safety Personnel Retirement System	19,488,200	82,343,200	101,831,400
Corrections Officer Retirement Plan	99,877,200	4,908,200	104,785,400
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	14,281,100	287,200	14,568,300
University Optional Retirement Plan	15,628,100	45,792,200	61,420,300
Grand Total	\$ 220,353,600	\$ 350,145,600	\$570,499,200

1/ Represents the JLBC estimate of the total cost of the system, including estimated county probation officer and additional Maricopa County judicial salaries, but does not reflect any other appropriated FY 2020 budget change in Personal Services costs.

2/ Includes both Other Appropriated Funds and Non-Appropriated Funds (including Federal Funds).

Table 2

FY 2020 Budgeted Employer Cost Change

	FY 2020 Rate Increase
<i>Department of Corrections</i>	
General Fund	\$(3,710,100)
Other Appropriated Funds	-
Subtotal	\$(3,710,100)
<i>Department of Public Safety</i>	
General Fund	\$ 4,129,000
Other Appropriated Funds	-
Subtotal	\$ 4,129,000
<i>Superior Court</i>	
General Fund	\$ 2,354,000
Other Appropriated Funds	-
Subtotal	\$ 2,354,000
<i>All Other Agencies</i>	
General Fund	-
Other Appropriated Funds ^{1/}	<u>\$ 4,000,000</u>
Subtotal	\$ 4,000,000
<i>Elected Officials Retirement Plan ^{2/}</i>	
General Fund	\$ 287,800
All Other Funds	-
Subtotal	\$ 287,800
Total	
General Fund	\$ 3,060,700
Other Appropriated Funds	<u>\$ 4,000,000</u>
Grand Total	\$ 7,060,700

^{1/} Of this amount, \$3,779,300 was allocated to individual agencies.

^{2/} Also appropriated as an FY 2019 supplemental.

ASRS

The General Fund cost associated with ASRS in FY 2020 is estimated to be \$71.1 million and the Total State Funds cost is \$287.9 million.

At its November 2018 meeting, the ASRS Board of Trustees increased the pension contribution rate to 11.94% of Personal Services in FY 2020. The FY 2019 rate was 11.64%. The employer contribution rate for disability insurance increased from 0.16% to 0.17%, for a total overall employer contribution rate of 12.11% (compared to 11.80% last year).

While ASRS reported a strong gain in this year's actuarial valuation, the system projects slower growth in future years that will result in lower investment returns. (Please see Table 3 for historical ASRS contribution rates, excluding disability.)

Table 3

**ASRS Contribution Rates
(Excludes Disability)**

<u>Fiscal Year</u>	<u>Rate ^{1/}</u>	<u>Fiscal Year</u>	<u>Rate ^{1/}</u>
FY 1983	7.00	FY 2002	2.00
FY 1984	7.00	FY 2003	2.00
FY 1985	6.27	FY 2004	5.20
FY 1986	5.67	FY 2005	5.20
FY 1987	5.53	FY 2006	6.90
FY 1988	4.00	FY 2007	8.60
FY 1989	^{2/} 4.78	FY 2008	9.10
FY 1990	^{2/} 1.29	FY 2009	8.95
FY 1991	^{2/} 3.37	FY 2010	9.00
FY 1992	^{2/} 3.17	FY 2011	9.60
FY 1993	^{2/} 3.10	FY 2012	10.50
FY 1994	^{2/} 2.65	FY 2013	10.90
FY 1995	^{2/} 3.26	FY 2014	11.30
FY 1996	3.36	FY 2015	11.48
FY 1997	3.20	FY 2016	11.35
FY 1998	3.05	FY 2017	11.34
FY 1999	2.85	FY 2018	11.34
FY 2000	2.17	FY 2019	11.64
FY 2001	2.17	FY 2020	11.94

^{1/} As a percent of salary, employee and employer each pay this rate except for FY 2012, when employers paid 9.87% and employees 11.13%. This non-50/50 split was repealed by Laws 2012, Chapter 304, which refunded excess contributions to employees.

^{2/} Long Term Disability not broken out of the contribution rate from FY 1989 - FY 1995. Rates for these years reflect amounts estimated to be attributable solely to retirement component.

PSPRS

The PSPRS system consists of numerous state and local subgroups, each with its own contribution rate (see Table 4).

The General Fund cost associated with PSPRS in FY 2020 is estimated to be \$19.5 million and the Total State Funds cost is \$101.8 million.

Most of the rate increase in the PSPRS system for the state groups is because the state pension cost is still amortized over a 20-year time horizon. Several employer groups switched to a 30-year amortization period in FY 2018, which makes the increase in the PSPRS aggregate contribution rate in FY 2020 minimal. While the aggregate change in PSPRS systemwide is 0.37%, several state entities will see a larger increase in their contribution rate. For example, the Department of Public Safety's Tier 1 and 2 rate will increase from 95.35% in FY 2019 to 102.58% in FY 2020. (Please see Table 5 for reasons behind contribution rate changes.)

CORP

The General Fund cost associated with CORP is \$99.9 million in FY 2020 and the Total State Funds cost is \$104.8 million.

In aggregate, the employer contribution rate is (1.19)% lower. The largest reason for the decrease in CORP costs is the changes brought about by Laws 2017, Chapter 163. This legislation replaced the Permanent Benefit Increase (PBI) structure for current CORP employees with annual retirement benefit increases based on the change in the Phoenix-Mesa Consumer Price Index, capped at 2% annually. In November 2018, voters approved Proposition 125, which allowed this change to go into effect. PSPRS has incorporated this benefit change into the FY 2020 valuation. *(Please see Table 5 for reasons behind contribution rate changes.)*

As part of the Chapter 163 change, as of July 1, 2018, new CORP members in the Arizona Department of Corrections (DOC) and Department of Juvenile Corrections (DJC) will be enrolled in a defined contribution (DC) plan rather than a traditional defined benefit plan.

EORP and EODCRS System

The General Fund cost associated with EORP and the EODCRS in FY 2020 is estimated to be \$14.3 million and the Total State Funds cost is \$14.6 million. These amounts exclude court fees used to offset the cost of the system, as those fees are deposited directly into the EORP Fund.

Laws 2018, Chapter 343 requires the state to pay the actuarially required employer rate for EORP. Previously, the rate had been capped in statute at 23.50%. The rate change began in FY 2019 resulting in an employer

contribution rate of 61.50%. In FY 2020, the EORP employer contribution rate is 61.43%.

For EODCRS members, the total employer contribution rate is the same, with 6.0% of the employer contribution rate is deposited into the individual employees' retirement investment account and the remainder being deposited into the EORP Fund.

Additional Judicial Salaries

The FY 2019 Criminal Justice Budget Reconciliation Bill phased in state funding for Maricopa County judges at 25% in FY 2020 and 50% in FY 2021. The cost to pay for the state's share of costs will total \$6,972,000 in FY 2020 and \$12,991,400 in FY 2021. These changes are reflected in the estimated total cost of EORP contributions.

While the enacted budget included funding for the FY 2019 EORP rate increase, cost projections for the change in the contribution rate, which utilized data provided by PSPRS, understated the fiscal impact. The statewide allocation for General Fund EORP costs was \$4,727,200 in the budget, however, the actual General Fund cost of the adjustment is now estimated to be \$5,015,000. *(Please see FY 2019 EORP Supplemental / FY 2020 Adjustment for more additional information.)*

UORP

The General Fund cost associated with UORP in FY 2020 is estimated to be \$15.6 million and the Total State Funds cost is \$61.4 million.

Retirement System	Employer				Employee		
	FY 2019		FY 2020		FY 2020		
	Tier 1 and 2	Tier 3	Tier 1 and 2	Tier 3 1/	Tier 1	Tier 2	Tier 3 1/
<u>Public Safety Personnel Ret. System</u>							
Liquor License Investigators	86.34	83.40	94.15	94.05	7.65	11.65	9.80
Department of Public Safety 2/	95.35	85.87	102.58	92.95	2.65	6.65	5.02
Northern Arizona University Police	62.43	60.23	65.61	63.28	7.65	11.65	9.80
University of Arizona Police	47.20	42.81	48.52	44.47	7.65	11.65	9.80
Arizona State University Police	42.06	37.09	43.79	38.82	7.65	11.65	9.80
Game and Fish Department	105.93	103.65	116.28	114.33	7.65	11.65	9.80
Attorney General Investigators	74.55	71.23	63.58	60.10	7.65	11.65	9.80
DEMA Firefighters	34.74	32.57	35.66	33.40	7.65	11.65	9.80
Parks Police	66.95	64.00	87.88	84.64	7.65	11.65	9.80
<u>Corrections Officer Ret. Plan</u>							
Corrections Officer - ADC	28.38	26.36	27.51	25.53	8.40	8.40	7.00
Corrections Officer - DJC	47.20	44.86	44.65	42.61	8.41	8.41	7.00
DPS Dispatchers 3/	38.95	N/A	40.41	N/A	7.96	7.96	N/A
Probation Officers	28.36	N/A	28.36	27.59	8.41	8.41	9.90

1/ FY 2020 rates for Tier 3 for PSPRS based on Defined Benefit Plan and based on Defined Contribution for CORP.
2/ The displayed rates reflect that 5% of the DPS member contribution is paid by the state.
3/ Dispatchers hired after November 24, 2009 are ASRS members.

Table 5

Reasons for Change in the Employer Contribution Rate ^{1/}			
	ASRS	PSPRS	CORP
FY 2019 Contribution Rate	11.80%	52.10%	28.78%
Asset (Gain)/Loss	0.30%	0.47%	0.33%
Payroll ^{2/}	0.00%	1.16%	1.15%
Disability Rate Change	0.01%	N/A	N/A
Tier 2 Employee Benefits	0.00%	-0.04%	-0.28%
PBI/ COLA Effect ^{3/}	0.00%	0.11%	-0.50%
Benefit Changes	N/A	0.00%	-2.35%
Assumption Changes	N/A	0.00%	0.00%
Amortization Change	N/A	-1.30%	N/A
Other	0.00%	-0.03%	0.46%
FY 2020 Contribution Rate	12.11%	52.47%	27.59%
Net Change	0.31%	0.37%	-1.19%

^{1/} Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the contribution rates may vary for each employer group. Actuaries did not calculate EORP.

^{2/} Actual payroll growth for PSPRS/CORP was lower than the assumed rate of 4.0%, requiring a higher employer contribution rate on the smaller than projected salary base.

^{3/} There was no PBI increase in FY 2020, compared to an assumed PBI level of 2.0%, therefore the reduction in liabilities is reflected in a slightly decreased employer rate. PSPRS now uses a Cost of Living Adjustment, which is reflected in the valuation.

While some university employees are members of ASRS, others participate in the optional retirement plan. In this latter plan, employees and their employers each contribute 7% of the employee's gross earnings, which is then invested by the employee. These contribution rates are fixed in statute and do not change in FY 2020.

FY 2019 EORP Supplemental / FY 2020 Adjustment

The budget includes an FY 2019 supplemental appropriation of \$287,800 from the General Fund to pay for FY 2019 employer contribution increases related to the Elected Officials' Retirement Fund (EORP). The FY 2019 General Appropriation Act underestimated the total cost of the increase. The supplemental only affects agencies that pay EORP employer contributions from the General Fund; agencies using other funds (Treasurer and the Corporation Commission) were allocated the correct amount. The budget also includes the same amount from the General Fund in FY 2020. *Table 6* outlines the total supplemental distribution by agency.

Table 6

EORP Supplemental Adjustment for FY 2019	
Agency	Cost
Attorney General	\$ 2,000
ADE	1,900
Governor's Office	2,100
Judiciary - Supreme Court	24,500
Judiciary - Court of Appeals	74,100
Judiciary - Superior Court	133,500
Legislature - House	31,400
Legislature - Senate	15,700
Mine Inspector	1,100
Secretary of State	1,500
Total	\$287,800

CORP/EORP Cost of Living Adjustment

In November 2018, voters approved Proposition 125, which replaced the PBI retired members of CORP and EORP receive with an annual cost-of-living adjustment (COLA) based on the average annual change in the Phoenix-Mesa Consumer Price Index, capped at 2% annually. In 2016, a similar change was passed within PSPRS.

Based on historical investment return data, during the annual valuation process PSPRS actuaries used to assume the existing PBI structure would generate average benefit increases of approximately 3% per year. The PBI has now been replaced with a COLA adjustment which cannot exceed 2% in any year, which will reduce the overall level of future EORP liabilities. As noted in *Table 4*, the benefit changes from Proposition 125 reduced the aggregate CORP employer contribution rate by (2.35)% in FY 2020.

2019 Session Legislation

The retirement systems were affected by legislation relating to the following issues in the 2019 Regular Session:

CORP Disability Pension Modified Eligibility

Laws 2019, Chapter 286 modified the eligibility requirements for the CORP disability pension. Previously, within CORP, an accidental disability was defined as a physical or mental condition that totally and permanently prevents an employee from performing a reasonable range of duties within the same department. Chapter 286 stipulates that an accidental disability occurs when an employee cannot perform a reasonable range of duties

with equivalent pay and benefits within the same department.

Additionally, the bill changes the type of injuries that are eligible for a CORP disability pension. Currently, CORP members' injuries must be derived in 1 of 3 specific ways: 1) Physical contact with inmates, prisoners, parolees or persons on probation; 2) Responding to a confrontational situation with inmates, prisoners, parolees or persons on probation; and 3) A job-related motor-vehicle accident while on official business for the employee's employer (which excludes travel to and from work). Chapter 286 would modify this requirement to allow a disability claim for any injuries that were incurred in the performance of the employee's duties.

Funded Status

As of June 30, 2018, there were 654,060 active, inactive, retired, and DROP members enrolled in ASRS, PSPRS, CORP, and EORP. Most employees (91%) are enrolled in ASRS. *(Please see Table 7 for more information.)*

Table 7 also shows each plan's assets and liabilities. To calculate the unfunded liability of each plan, actuaries use a modified amount for asset values to reflect certain plan assumptions. *Table 7* reflects current market values for assets and not the actuarial value. The funded status, or the amount of market assets relative to the amount of liabilities, of each plan is:

- 73.4% for ASRS;
- 44.8% for PSPRS;
- 53.0% for CORP; and
- 30.4% for EORP.

The above percentages exclude the retiree health portion of the pension plan.

Long-Term Contribution Rate Estimates

A.R.S. § 38-848 requires PSPRS to annually report on estimated contribution rates for the next 10 fiscal years. These estimates are required to include both aggregate rates for PSPRS and CORP, in addition to rates for each state employer group within those systems. *(See Table 8 for more information.)*

Retirement System Summary

Recent court rulings, as well as changes passed by the Legislature, have resulted in various tiers of benefits and contribution rates for both employers and employees. *Table 9* shows information on each retirement system and employer tier.

Table 7

Arizona Public Retirement System Valuation Data as of June 30, 2018

	ASRS		PSPRS		CORP		EORP	
	<u>FY 2019</u>	<u>FY 2020</u>						
Membership								
Active (working and contributing)	206,055	207,199	19,010	18,698	13,958	14,335	600	579
State Active Members	25,950	25,909	1,425	1,331	8,329	8,498	89	89
Other Active Members <u>1/</u>	180,105	181,290	17,585	17,367	5,629	5,837	511	490
Inactive	228,490	232,568	2,113	2,523	2,942	3,001	162	150
Retired Members, Disabled and Survivor Beneficiaries	142,117	153,908	12,399	12,823	5,091	5,395	1,196	1,203
Deferred Retirement Option Plan	<u>N/A</u>	<u>N/A</u>	<u>1,409</u>	<u>1,678</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total	576,662	593,675	34,931	35,722	21,991	22,731	1,958	1,932
Funding Status (dollar values in millions) <u>2/</u>								
	<u>June 30, 2017</u>	<u>June 30, 2018</u>						
Market Value of Assets	\$37,783	\$38,491	\$6,841	\$7,286	\$1,742	\$1,857	\$298	\$275
Total Actuarial Liability	\$52,189	\$52,438	\$15,579	\$16,276	\$3,624	\$3,506	\$1,012	\$905
Unfunded Actuarial Liability <u>3/</u>	\$14,406	\$13,947	\$8,738	\$8,990	\$1,882	\$1,649	\$714	\$630
Funded Status <u>3/</u>	72.4%	73.4%	43.9%	44.8%	48.1%	53.0%	29.4%	30.4%

1/ Includes city, county, political subdivision, higher education and other education active members.

2/ Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the funded status may vary for each employer group.

3/ Calculated on market, not actuarial, value of assets. Excludes the funded status of the retiree health portion of the plan.

Table 8

Arizona Public Retirement System Contribution Rate Historical and Trend Data

	Actual						Projected									
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
ASRS																
Employer	11.60%	11.47%	11.48%	11.50%	11.80%	12.11%	12.43%	12.70%	12.73%	12.57%	12.52%	12.52%	12.52%	12.34%	12.34%	12.34%
Employee	11.60%	11.47%	11.48%	11.50%	11.80%	12.11%	12.43%	12.70%	12.73%	12.57%	12.52%	12.52%	12.52%	12.34%	12.34%	12.34%
Total ^{1/}	23.20%	22.94%	22.96%	23.00%	23.60%	24.22%	24.85%	25.39%	25.45%	25.13%	25.03%	25.03%	25.03%	24.67%	24.67%	24.67%
PSPRS																
Employer ^{2/4/5/}	32.54%	41.37%	42.61%	52.09%	52.10%	51.47%	51.88%	51.83%	51.96%	51.96%	51.70%	51.61%	51.49%	51.37%	51.24%	51.13%
Employee ^{4/}																
-Tier 1	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
-Tier 2	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%
Total Tier 1	40.19%	49.02%	50.26%	59.74%	59.75%	59.12%	59.53%	59.48%	59.61%	59.61%	59.35%	59.26%	59.14%	59.02%	58.89%	58.78%
Total Tier 2	44.19%	53.02%	54.26%	63.74%	63.75%	63.12%	63.53%	63.48%	63.61%	63.61%	63.35%	63.26%	63.14%	63.02%	62.89%	62.78%
CORP																
Employer ^{2/3/4/}	14.46%	18.21%	18.71%	20.98%	28.78%	27.59%	27.37%	27.20%	27.17%	27.01%	26.63%	26.36%	26.06%	25.74%	25.39%	25.04%
Employee ^{4/5/}	8.40%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%
Total	22.86%	26.62%	27.12%	29.39%	37.19%	36.00%	35.78%	35.61%	35.58%	35.42%	35.04%	34.77%	34.47%	34.15%	33.80%	33.45%
EORP																
Employer ^{4/}	23.50%	23.50%	23.50%	23.50%	61.50%	61.43%	N/A									
Employee ^{4/}																
-Tier 1	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
-Tier 2	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
Total Tier 1	30.50%	30.50%	30.50%	30.50%	68.50%	68.43%	N/A									
Total Tier 2	36.50%	36.50%	36.50%	36.50%	74.50%	74.43%	N/A									

N/A=Not Available

^{1/} The ASRS contribution rate for each year includes the contribution rate for long term disability, which is split evenly between the employer and employee.

^{2/} The employer contribution rate displayed for years FY 2021 through FY 2028 excludes the contribution rate associated with retiree health in PSPRS and CORP. This amount, however, is expected to be minimal in each year (approximately 0.25%).

^{3/} The employer contribution rate displayed for all years excludes the contribution rate associated with supplemental long term disability insurance (in FY 2020, that rate is 0.32%).

^{4/} PSPRS, CORP and EORP projected employer and employee contribution rates reflect those published in the FY 2020 actuarial valuations. PSPRS employee rates from FY 2012 to FY 2017 reflect refunds given to PSPRS members.

^{5/} Projections for Tier 3 members were not included in the most recent PSPRS actuarial valuation for PSPRS and CORP. The contribution rates displayed only reflect an aggregate rate for Tier 1 and Tier 2.

Table 9											
State Retirement Plan Summary											
	PSPRS			CORP			EORP			ASRS	
	Tier 1	Tier 2	Tier 3/DC	Tier 1	Tier 2	Tier 3/DC ^{2/}	Tier 1	Tier 2	DC Plan	DB Plan	
Hire Date	Before 1/1/12	1/1/12 thru 7/1/17	After 7/1/17	Before 1/1/12	1/1/12 thru 7/1/18	After 7/1/18	Before 1/1/12	1/1/12 thru 1/1/14	After 1/1/14	Present	
Normal Retirement Age	None	52.5	55; 52.5 with reduced pension	25 years of Service with no age or; years of Service and Age must equal 80	52.5	Not Applicable	None	62	Not Applicable	Years of Service and Age must equal 80	
Minimum Years of Service	20 years; 15 years if aged 62 or older	15 years	15 years	25 years	25 years		20 years	10 years			
Multiplier	50%+ <20 years: -4.00% 20 to <25 years: 2.00% 25+ years: 2.50%	62.5%+ <25 years: -4.00% 25+ years: 2.50% May use Tier 3 multiplier if better	15 to <17 years: 1.50% 17 to <19 years: 1.75% 19 to <22 years: 2.00% 22 to <25 years: 2.25% 25+ years: 2.50%	50%+ 20+ years: 2.50% If 80 point rule is used for hires prior to 8/9/2001: Average Salary X years of service X 2.5%	62.5%+ 25+ years: 2.50% (Max 7 years) If less than 25 years: Avg. Salary X Yrs of srvc X 2.5%		4% of average salary x years of service	3% of average salary x years of service		<20 years: 2.10% 20 to <25 years: 2.15% 25 to <30 years: 2.20% 30+ years: 2.30%	
PBI or COLA^{1/}	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	COLA eligible after 7 years or age 60; COLA dependent on plan funded status	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%		COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%		PBI if fund exceeds growth estimate for 10 years, only for members hired before 9/13/13.	
Benefit Cap	Adjusted by IRS	Adjusted by IRS	\$110,000	Adjusted by IRS	Adjusted by IRS		Adjusted by IRS	Adjusted by IRS		Adjusted by IRS	
Normal Cost Split	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)	50/50; Employer Pays Legacy Cost Balance	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)		Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)		Set Employee Rate (Employers pay remaining)	50/50
Assumed Rate of Return	7.40%	7.40%	7.40%	7.40%	7.40%		7.40%	7.40%		7.40%	7.50%
Employee Rate	7.65%	11.65%	9.85% DC: 9.00%	8.41%	8.41%	7.00%	7.00%	13.00%	8.00%	12.11%	
Aggregate Employer Rate	52.47%	52.47%	DB 47.75% (Normal+Legacy Costs) DC: 9.00%+Legacy Costs	27.59%	27.59%	5%+Legacy Cost	61.43%	61.43%	61.43% (6.00% to employer account)	12.11%	

^{1/} CORP and EORP COLA for Tier 1 and 2 dependent upon November 2018 election outlined in HCR 2032, current beneficiaries still receive a PBI.

^{2/} CORP reforms include a Tier 3 Defined Benefit plan, however essentially all state workers in CORP would only be eligible for the Defined Contribution Plan.

**GENERAL PROVISIONS OF THE
GENERAL APPROPRIATION ACT
AND OTHER OVERALL ISSUES**

GENERAL APPROPRIATION ACT BUDGET GENERAL PROVISIONS

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GENERAL PROVISIONS OF THE GENERAL APPROPRIATION ACT AND OTHER OVERALL ISSUES

In addition to the specific appropriations to agencies, departments and institutions, the FY 2020 General Appropriation Act provides direction regarding several general provisions.

General Provisions

Statewide Adjustments — Each individual agency narrative refers to the allocation of statewide adjustments. The *Agency Detail and Allocations* section includes the specific adjustments for each agency.

Section 171 of the General Appropriation Act makes statewide adjustments totaling \$2,047,800 from the General Fund and \$6,453,400 from Other Appropriated Funds in FY 2020 for changes in 10 areas:

- **Employer Health Insurance Contribution Reduction:** \$(9,967,600) General Fund and \$(10,000,000) Other Appropriated Funds for a one-time reduction in the employer contribution rates for employee health insurance. This amount backs out the FY 2019 one-time premium adjustment. *(Please see Health Insurance discussion below for more details.)*
- **Employer Health Insurance Contribution Increase:** \$10,544,400 General Fund and \$10,000,000 Other Appropriated Funds for a one-time increase in the employer contribution rates for employee health insurance. *(Please see Health Insurance discussion below for more details.)*
- **Elected Officials Retirement Adjustments:** \$287,800 General Fund for elected officials' retirement contribution rate adjustments. *(Please see State Retirement Systems below for more details.)*
- **Retirement Adjustments:** \$4,000,000 Other Appropriated Funds for retirement contribution rate adjustments. *(Please see State Retirement Systems below for more details.)*
- **Agency Risk Management Adjustments:** \$2,341,700 General Fund and \$623,400 Other Appropriated Funds for adjustments to agency Risk Management premiums. *(Please see Risk Management below for more details.)*
- **State Building Rent Increases:** \$2,023,000 General Fund and \$900,000 Other Appropriated Funds for rental rate increases at state-owned buildings. *(Please see Building Payments below for more details.)*
- **Shared Services Adjustments:** \$10,600 General Fund and \$100,000 Other Appropriated Funds for adjustments for associated with shared services in

the 1740 W. Adams state office building, including security, Wi-Fi, and conference rooms.

- **Correctional Officer Retirement Adjustments:** \$(3,710,000) General Fund for Correction Officer Retirement rate adjustments. *(Please see State Retirement Systems below for more details.)*
- **Information Technology (IT) Pro Rata Adjustments:** \$1,067,700 General Fund and \$900,000 Other Appropriated Funds for adjustments to IT pro rata adjustments. *(Please see Information Technology Planning below for more details.)*

Employee Salary Increase — Section 172 of the General Appropriation Act as well as several agency sections appropriate a total of \$69,735,100 General Fund and \$2,291,600 Other Appropriated Funds for state employee salary increases at various state agencies. *Table 1* details the appropriations by agency. *(Please see individual agency sections for more information.)*

Expenditure Reporting — Section 174 continues to state that it is the intent of the Legislature that all budget units receiving appropriations continue to report actual, estimated and requested expenditures by budget programs and classes in a format similar to the one used for budgetary purposes in prior years. The purpose of this section is to ensure stability and consistency in the expenditure reporting regardless of yearly changes in appropriation formats. A different format may be used if agreed to by the Director of the JLBC and incorporated into the budget instructions issued by the Governor's Office of Strategic Planning and Budgeting.

FTE Position Reporting — Section 175 continues to state that the Full Time Equivalent (FTE) Positions contained in the General Appropriation Act sections are subject to appropriation. The section directs the Director of the Arizona Department of Administration (ADOA) to account for the utilization of all appropriated and non-appropriated FTE Positions, excluding FTE Positions in the Universities. The Director shall submit the FY 2020 report by October 1, 2020 to the Director of the JLBC.

The reports shall compare the level of FTE Position usage in each fiscal year to the appropriated level. This section defines FTE Positions as total number of hours worked, including both regular and overtime hours as well as hours taken as leave, divided by the number of hours in a work year. The ADOA Director shall notify the director of each budget unit if the budget unit has exceeded its number of appropriated FTE Positions. The Universities

Table 1

FY 2020 State Employee Salary Increases

<u>Agency</u>	<u>Position/% Change</u>	<u>General Fund</u>	<u>Other Funds</u>
Department of Agriculture	Livestock Officers / Not Specified	29,900	-
Department of Agriculture ^{1/}	Dairy Inspectors / 12%	21,000	-
Attorney General	Investigators / Not Specified	54,800	20,700
Department of Child Safety	Various Positions / Not Specified	5,459,000	963,400
Corporation Commission	Special Investigators / Not Specified	-	18,500
Department of Corrections	Various Positions / 5-13%	35,479,300	-
Game and Fish Department	Wildlife Staff / Not Specified	-	485,700
Department of Health Services ^{1/}	Radiation Regulation Staff / 21%	-	132,200
Department of Health Services	Various Positions / Not Specified	2,793,400	-
Department of Insurance	Fraud Investigators / Not Specified	19,900	-
Judiciary ^{1/}	Court Staff / 5%	1,146,400	-
Department of Juvenile Corrections	Security & Teachers / 15% & 9%	3,241,300	-
Department of Liquor Licenses	Investigators / Not Specified	-	85,800
Arizona State Parks Board	Officers / Not Specified	-	75,300
Department of Public Safety	Sworn Officers & Civilians / 10% & 5%	21,490,100	-
Department of Transportation	Compliance Officers / Not Specified	-	510,000
	Total	\$69,735,100	\$2,291,600

^{1/} These appropriations were included in their individual agency sections.

shall report to the JLBC Director in a manner comparable to the ADOA report.

Filled FTE Position Reporting — Section 176 continues to state that by October 1, 2019 each agency, including the Judiciary and the Universities, shall submit a report to the JLBC Director on the number of filled, appropriated and non-appropriated FTE Positions by fund source. The report shall reflect the number of filled, appropriated FTE Positions as of September 1, 2019.

Transfer Authority — Section 177 continues to require ADOA to provide a monthly report to the JLBC Staff on any agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements — Section 178 continues to require the Executive Branch to provide to the JLBC a preliminary estimate of the FY 2019 General Fund ending balance by September 15, 2019. Based on this information, JLBC Staff shall report to JLBC by October 15, 2019 as to whether FY 2020's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections. Section 178 states the revenues are forecasted to be \$11,428,600,000 for FY 2019 and \$11,514,400,000 for FY 2020 (these figures are now estimated at \$11,428,600,000 and \$11,918,600,000 to reflect technical adjustments). While both figures include one-time revenues, the FY 2019 figure also includes the beginning balance.

Section 178 also provides revenue and expenditure estimates for FY 2021 and FY 2022 pursuant to A.R.S. § 35-125, which requires the General Appropriation Act to delineate the revenue and expenditure estimates for the budget year and the following 2 years based on existing statutory funding requirements. *(Please see the Budget Highlights section for more details on FY 2021 and FY 2022 estimates.)*

Expenditure Authority — Section 180 continues to state that for purposes of the General Appropriation Act, "expenditure authority" means that the fund sources are continuously appropriated monies that are included in the individual line items of appropriations.

JLBC Review — Section 181 continues to state that for purposes of the General Appropriation Act, "review by the Joint Legislative Budget Committee" means a review by a vote of a majority of a quorum of the members.

Statewide Standard Changes

In addition to the adjustments to agency budgets and general provisions outlined previously, the FY 2020 budget reflects the adoption of technical assumptions. These technical assumptions are incorporated into each agency's individual appropriation in the FY 2020 General Appropriation Act. Statewide adjustment amounts are mentioned in any relevant agency narrative, but do not have additional discussion.

Table 2		
Health Insurance State Employee and Employer Monthly Contributions FY 2020		
	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<u>Exclusive Provider Organization (EPO)</u>		
Employee	\$ 45.32	\$ 582.62
Employee Plus One Adult	134.83	1,197.01
Employee Plus One Child	114.43	777.53
Family	250.39	1,311.41
<u>Preferred Provider Organization (PPO)</u>		
Employee	115.57	592.15
Employee Plus One Adult	243.60	1,252.09
Employee Plus One Child	163.15	837.91
Family	284.38	1,460.78
<u>Health Spending Account (HSA) Option</u>		
Employee	22.00	454.06 ^{1/}
Employee Plus One Adult	66.00	936.72 ^{1/}
Employee Plus One Child	56.10	653.89 ^{1/}
Family	122.10	1,029.94 ^{1/}

^{1/} Includes deposit of \$60 into Single Employee account and \$120 into all other Employee accounts.

Employee Related Expenditures

Health Insurance — The state continues to self-insure state employee health benefits. Under self-insurance, the state assumes the risk of providing health coverage to state employees and pays the health claims directly. Therefore, if the costs of employee health coverage exceed estimates, the state will be responsible for those losses. Similarly, if the costs are less than estimated, the state will retain the savings.

Employees have a choice between an Exclusive Provider Organization (EPO, which is the self-insured equivalent of an HMO), a Preferred Provider Organization (PPO) and a Health Savings Account (HSA). An HSA allows for pre-tax contributions and healthcare-related withdrawals, combined with a high-deductible coinsurance plan.

Employee and employer premiums for the FY 2020 are shown in *Table 2*. The FY 2020 budget effectively continued the one-time FY 2019 employer premium increase by increasing FY 2020 employer premiums by 0.5%. Employee premiums will remain the same, but deductibles will increase.

Dental Insurance — Employees have a choice between one Dental PPO plan and one Dental HMO plan. Employee and employer premiums for FY 2020 are shown in *Table 3*.

(Please see the Health Insurance Trust Fund section in the ADOA narrative for more details on overall HITF balances.)

In addition to health and dental insurance, the following items are components of an agency's Employee Related Expenditures.

Employer Contribution Rates — *Table 4* provides a list of budgeted state employer contribution rates for state employee benefits during FY 2020. These rates may be different from actual funded charges (e.g., the Social Security FICA maximum may increase.) Except for life insurance, these rates are calculated as a percent of Personal Services. Except as noted, the budget does not include funding for the changes in rates.

Table 3		
Dental Insurance State Employee and Employer Monthly Contributions FY 2020		
	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<u>DHMO</u>		
Employee	\$3.56	\$4.96
Employee + 1 Adult	7.12	9.92
Employee + 1 Child	6.67	9.92
Family	11.84	13.70
<u>PPO</u>		
Employee	30.98	4.96
Employee + 1 Adult	65.71	9.92
Employee + 1 Child	50.56	9.92
Family	104.56	13.70

Table 4

FY 2019 Employer Contribution Rates

Category	Rate
Life Insurance (per FTE Position)	\$17.94
Unemployment Insurance	0.10%
Personnel Division Pro Rata	0.86%
Disability (ASRS)	0.17%
Disability (PSPRS Defined Benefit)	2.14%
Disability (PSPRS Defined Contribution)	1.51%
Disability (CORP Defined Benefit)	0.32%
Disability (CORP Defined Contribution)	0.70%
Information Technology Planning	0.43%
Retiree Accumulated Sick Leave	0.40%
Workers' Compensation	Varies
Federal Insurance Contributions Act (FICA)	
Social Security (salary max \$128,700)	6.20%
Medicare (no salary cap)	1.45%
Retirement System	1/
1/ See Consolidated Retirement Report section for contribution rates.	

Life Insurance - \$17.94 per employee per year, unchanged from the FY 2019 rate.

Unemployment Insurance - 0.10% of Personal Services for each agency, unchanged from the FY 2019 rate.

Personnel Division Pro Rata - 0.86% of Personal Services for each agency in the State Personnel System, unchanged from the FY 2019 rate. Of this amount, 0.83% is used to fund the ADOA Human Resources Division while the other 0.03% is used to fund the State Personnel Board.

The following agencies are not incorporated into state personnel system oversight and are therefore exempt from paying the pro rata charge:

- Arizona State Schools for the Deaf and the Blind
- Legislative agencies (House of Representatives, Senate, Legislative Council, Auditor General, Joint Legislative Budget Committee)
- Judiciary (Supreme Court, Court of Appeals, Superior Court)
- Department of Public Safety
- Universities (including Arizona Board of Regents)

Disability Insurance - For Arizona State Retirement System (ASRS) employees, the employer pays 0.17% of Personal Services for disability insurance, a 0.01% increase over the FY 2019 rate. The employee rate will also increase to 0.17%.

Employer rates in the Public Safety Personnel Retirement System (PSPRS) and the Corrections Officer Retirement Plan (CORP) vary depending on whether the employee is

participating in the defined benefit plan or defined contribution plans. For PSPRS defined-benefit employees, the employer-only disability insurance rate will be 2.14% in FY 2020, unchanged from FY 2019; the rate for defined-contribution employees will be 1.51%. For CORP defined-benefit employees, the employer-only rate is 0.32%; the rate for defined-contribution employees will be 0.70%.

Information Technology Planning - 0.43% of Personal Services for each agency, an increase of 0.13% from the FY 2019 rate as authorized in the FY 2020 Budget Procedures Budget Reconciliation Bill (BRB). The government information technology review function in ADOA's budget is funded from an assessment on the payroll of all state agencies except the Universities. (Please refer to Statewide Adjustments above and the Arizona Department of Administration narrative for more details.)

Retiree Accumulated Sick Leave - 0.40% of Personal Services for each agency, unchanged from the FY 2019 rate. The Retiree Accumulated Sick Leave Fund is funded from an assessment on the payroll of all state agencies. The fund is used to make payments to state employees who retire with 500 or more hours of sick leave. Employees' payments depend on the number of hours of sick leave and their salary, with the payment capped at 50% of 1,500 hours of sick leave, or \$30,000 maximum.

Workers' Compensation - The rates calculated by ADOA vary by individual agency and are changed from the FY 2019 workers' compensation rates. ADOA estimates the average statewide rate is 0.97% in FY 2020, an increase from the average statewide FY 2019 rate of 0.78%. The budget does not adjust agency budgets for these changes. Monies are deposited into the Risk Management Fund for payment of costs associated with Workers' Compensation losses. (Please see the ADOA narrative for more details.)

Federal Insurance Contributions Act (FICA) – Effective Social Security taxes are paid at a rate of 6.20% up to \$132,900 of an employee's salary, an increase from the previous maximum of \$128,400. The rate is unchanged from FY 2019.

In addition, Medicare employer taxes are applied at a rate of 1.45% on the full level of an employee's salary. This rate is unchanged from FY 2019. Effective January 1, 2013, the federal Affordable Care Act imposed an additional 0.9% Medicare withholding on employees for the amount of salaries above \$200,000. Employees will continue to be withheld at 1.45% for salaries below \$200,000. This additional 0.9% withholding does not apply to the employer-paid portion of the Medicare tax.

State Retirement Systems - There are 5 state employee retirement systems -- ASRS, PSPRS, CORP, the Elected Officials' Retirement Plan (EORP), and the Elected Officials' Defined Contribution (EODC) System. In addition, the Universities operate their own defined contribution plan. FY 2020 rates as determined by the state's retirement systems have changed from the FY 2019 rates. *(Please see the Consolidated Retirement Report for more information.)*

The FY 2020 budget adds a total of \$6,483,000 in appropriated funding for retirement. This amount is for increased costs in employer retirement contributions in DPS (PSPRS) and the Superior Court (CORP), appropriated within their respective budgets. The appropriations are as follows:

- \$4,129,000 GF for the Department of Public Safety (DPS)
- \$2,354,000 GF for the Superior Court

The Superior Court amount is labeled as a one-time increase. These amounts are in addition to the \$(3,422,300) GF and \$3,989,900 OF statewide adjustments for state agency retirement and elected officials' retirement costs. *(Please see the DPS and Superior Court narratives and Statewide Adjustments above for more details. Please see the Consolidated Retirement Report for more details on retirement contribution rates, enrollment and funded status, and litigation impacts.)*

Other Operating Expenditures

The following items are included in agencies' Other Operating Expenditures.

Risk Management — Individual agency budgets' Other Operating Expenditures include funding to pay the Risk Management charges billed to agencies by the ADOA Risk Management Program. The billings vary by individual agency and are slightly higher overall from the FY 2019 rates. The budget does not adjust agency budgets for these changes. FY 2020 rates changed based on ADOA's actuarial assessment of each agency's risk. *(Please see the Risk Management Charges table following this section for more details on overall charges.)*

Monies are deposited into an ADOA fund for payment of costs associated with Risk Management losses. The state self-insures for Risk Management services by assessing agencies charges based on actuarial projections and paying claims against the state.

Attorney General — Section 173 outlines \$1,798,500 in charges to selected state agencies for Attorney General

services, unchanged from the FY 2019 amount. *(Please see the Attorney General narrative for details.)*

Building Payments — The Other Operating Expenditures line of individual agency budgets includes rental charges for both state-owned and privately-owned space, lease-purchase payments, and privatized lease-to-own (PLTO) payments for certain buildings.

The FY 2020 Budget Procedures BRB authorizes an increase in rent charges in state-owned office space in FY 2020 to \$17.87/square foot from the FY 2019 rate of \$16.08/square foot, with the charge for state-owned storage space increasing to \$6.43/square foot from \$5.79/square foot. These rates are based upon usable square feet. The budget includes \$2,923,000 in total appropriated funds for this adjustment. *(Please see the ADOA Capital Outlay section for more details.)*

Funding is also included in budgets for all agencies housed in buildings acquired by lease-purchase or PLTO, including changes to those payments. *(Please refer to Statewide Adjustments above and the Rent, Lease-Purchase, and PLTO schedules in the Capital Outlay section for more details.)*

Other Budget Issues

Administrative Adjustments — The budget assumes that state agencies will expend \$128,000,000 in FY 2020 for FY 2019 obligations. Agencies are permitted to make "administrative adjustments" for expenditures obligated in FY 2019 but for which the state was unbilled until FY 2020. An agency's administrative adjustments cannot exceed its prior year reversionment, or unused appropriation authority. The \$128,000,000 is \$2,000,000 higher than the budgeted FY 2019 total of \$126,000,000.

The budgeted FY 2019 estimate of \$126,000,000 is \$26,000,000 higher than the originally-budgeted administrative adjustment total.

Reversionments — The budget assumes that state agencies will revert \$(173,000,000) of FY 2020 appropriations back to the General Fund because the agencies will not spend their entire appropriation. In comparison, the FY 2019 budgeted total is \$(171,000,000).

The originally-budgeted FY 2019 reversionment total was \$(145,000,000).

Budget Format — The format governs how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use

formal processes for redirecting appropriated funds.
Among the choices are the following:

Lump Sum - The appropriation for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review.

Lump Sum with Special Line Items - The appropriation for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include FTE Positions. Agencies are typically permitted to transfer funding between line items with Executive Branch approval but without further Legislative Branch review. Footnotes may require JLBC review, however, prior to transfers between certain line items.

90/10 Agencies — The following 28 regulatory agencies are called “90/10” agencies for the fact that these agencies retain 90% of their revenues and deposit the other 10% into the General Fund:

Arizona State Board of Accountancy
Acupuncture Board of Examiners
Board of Athletic Training
Board of Barbers
Board of Behavioral Health Examiners
State Board of Chiropractic Examiners
Registrar of Contractors
Board of Cosmetology
State Board of Dental Examiners
State Board of Funeral Directors and Embalmers
Board of Homeopathic and Integrated Medicine
Examiners
Board of Massage Therapy
Arizona Medical Board
Naturopathic Physicians Medical Board
State Board of Nursing
Board of Examiners of Nursing Care Institution
Administrators and Assisted Living Facility Managers
Board of Occupational Therapy Examiners
State Board of Dispensing Opticians
State Board of Optometry
Arizona Board of Osteopathic Examiners in Medicine and
Surgery
Arizona State Board of Pharmacy
Board of Physical Therapy
State Board of Podiatry Examiners
State Board for Private Postsecondary Education
State Board of Psychologist Examiners
Board of Respiratory Care Examiners
State Board of Technical Registration
Arizona State Veterinary Medical Examining Board

GENERAL FUND SALARY ADJUSTMENTS FOR STATE EMPLOYEES SINCE FY 2010 (Shown in Nominal Dollars)

Fiscal Year	General Salary Adjustments					Additional Increases for Selected Classes		
	Dollars Appropriated	Effective Date	Annual Cost	% Salary Adjustment	% Performance Adjustment	Dollars Appropriated	Effective Date	Annual Cost
FY 2010	\$0	NA	\$0	-0-	-0-	\$0	NA	\$0
FY 2011	\$(33,464,400) <u>1/</u>	July 1	\$(33,464,400)	-2.30% <u>2/</u>	-2.75% <u>2/</u>	\$0	NA	\$0
FY 2012	\$(3,390,700) <u>3/</u>	July 1	\$(3,390,700)	-0- <u>3/</u>	-0-	\$0	NA	\$0
FY 2013	\$16,633,400 <u>4/</u>	Sept 29	\$23,500,000	5.00% <u>4/</u>	-0-	\$0	NA	\$0
FY 2014	\$0	NA	\$0	0.00%	-0-	\$0	NA	\$0
FY 2015	\$0	NA	\$0	0.00%	-0-	\$3,300,000	July 1	\$3,300,000 <u>5/</u>
FY 2016	\$0	NA	\$0	0.00%	-0-	\$0	NA	\$0
FY 2017	\$0	NA	\$0	0.00%	-0-	\$4,696,400	Varies	\$4,791,700 <u>6/7/</u>
FY 2018	\$0	NA	\$0	0.00%	-0-	\$97,700	January 1	\$195,300 <u>8/</u>
FY 2019	\$0	NA	\$0	0.00%	-0-	\$97,600	January 1	\$0 <u>9/</u>
FY 2020	\$0	NA	\$0	0.00%	-0-	\$69,735,100	July 1	\$69,735,100 <u>10/</u>

- 1/ Represents General Fund savings from the pay reduction that were budgeted in FY 2011, along with uncaptured furlough savings realized in FY 2011 during the FY 2012 budget process.
- 2/ Represents 6 furlough days (2.3%) except for certain exempted positions and a (2.75)% pay reduction. Where possible, the (2.75)% reduction was intended to eliminate the FY 2007 and FY 2008 Performance Adjustments. The furlough was originally authorized for FY 2011 and FY 2012 only, while the salary reduction was permanent.
- 3/ Represents General Fund savings from the prior enacted mandatory 6 day furlough, less additional funding to restore the furlough for several smaller agencies. The FY 2011 General Appropriation Act assumed a fixed level of General Fund savings associated with the furlough - savings were actually \$3.5 million greater and were reflected in the FY 2012 budget. Laws 2011, Chapter 26 eliminated one of the 6 mandatory furlough days in FY 2011 and all furlough days in FY 2012, but the budget did not restore any of the associated funding except for \$158,800 from the General Fund to several smaller agencies in FY 2012.
- 4/ Originally represented a one-time critical retention payment to state employees in FY 2013. The payments were made to non-university state employees who were uncovered on the effective date of September 29, 2012, and were equal to 5% of an employee's annual salary level prorated for the remainder of the fiscal year, increasing an employee's annual salary by an effective rate of 3.75%. This adjustment included payments to employees who converted from covered to uncovered status as a result of the 2012 omnibus personnel bill (Laws 2012, Chapter 321). The FY 2014 budget subsequently made the 5% adjustment permanent.
- 5/ Funds a 2.0% pay increase for all employees at the Arizona Department of Public Safety (DPS).
- 6/ Funds a 3.0% pay increase for all sworn officers and civilian staff within the Highway Patrol division at DPS, effective July 1, 2016.
- 7/ Funds the first half-year of a 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The pay raise became effective on January 1, 2017 and will be followed by another 1.5% increase effective on January 1, 2018.
- 8/ Funds the first half-year of a second 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The second year pay raise becomes effective January 1, 2018.
- 9/ Funds the annualization of the second-year 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The second year pay raise became effective January 1, 2018. Annual cost of \$195,300 reflected in FY 2018.
- 10/ Funds salary increases for select state employees in the Department of Agriculture, Attorney General, Department of Child Safety, Corporation Commission, Department of Corrections, Game and Fish Department, Department of Health Services, Department of Insurance, Judiciary, Department of Juvenile Corrections, Department of Liquor Licenses and Control, Arizona State Parks Board, Department of Public Safety, and Department of Transportation. See General Provisions section for more information.

SALARY ADJUSTMENTS FOR ELECTED OFFICIALS

	Jan. 1, 2002 *	Jan. 1, 2007 *	Jan. 1, 2009	Jan. 1, 2018
Governor	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000
Secretary of State	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Treasurer	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Attorney General	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000
Superintendent of Public Instruction	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
Corporation Commissioners	\$ 79,500	\$ 79,500	\$ 79,500	\$ 79,500
Mine Inspector	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Supreme Court Chief Justice	\$ 129,150	\$ 145,294	\$ 160,000	\$ 164,800
Other Supreme Court Justices	\$ 126,525	\$ 142,341	\$ 155,000	\$ 159,650
Appellate Judges	\$ 123,900	\$ 139,388	\$ 150,000	\$ 154,500
Superior Court Judges	\$ 120,750	\$ 135,844	\$ 145,000	\$ 149,400
Legislators	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000

* There were no changes in elected officials' salaries between January 1, 2002 and January 1, 2007 and January 1, 2007 and January 1, 2009.

AGENCY DETAIL AND ALLOCATIONS

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2019 GF <u>1</u> / JLBC Baseline	FY 2019 Changes	FY 2019 GF Revised	FY 20 Baseline <u>1</u> / Above FY 19	FY 2020 Changes	FY 2020 GF Enacted Budget
OPERATING SPENDING CHANGES						
DOA - Arizona Department of Administration	7,939,100		7,939,700			8,147,600
DOA - Statewide Adjustments					(62,500)	
DOA - Named Claimants (Ch. 231)		600				
DOA - Sierra Vista Public Safety Communications					271,000	
APF - Automation Projects Fund/ADOA	5,000,000		5,000,000			11,100,000
APF - DCS Automation					5,100,000	
APF - Business OneStop Shop Web Portal					1,000,000	
OAH - Office of Administrative Hearings	868,900		868,900			889,800
OAH - Statewide Adjustments					20,900	
AAM - Commission of African-American Affairs	127,200		127,200			128,100
AAM - Statewide Adjustments					900	
AGR - Department of Agriculture	9,640,000		9,640,000			10,865,500
AGR - Statewide Adjustments					(73,400)	
AGR - Dairy Inspector Salary Increase					137,000	
AGR - Mariposa Port of Entry Cold Inspection Facility					See Capital	
AGR - AG Lab Relocation					411,900	
AXS - AHCCCS	1,777,093,500		1,740,528,600			1,760,748,100
AXS - Statewide Adjustments					48,200	
AXS - Formula Changes		(36,564,900)		38,999,200	(65,000,000)	
AXS - Use PDRF As Fund Transfer Rather Than Offset				(36,927,800)	53,657,900	
AXS - Statutory Adjustments				(150,200)		
AXS - Proposition 206 Rate Increase				1,944,500		
AXS - Asset Verification System					Other Fund	
AXS - Electronic Visit Verification System					Other Fund	
AXS - Provider Management System					Other Fund	
AXS - Eliminate KidsCare Freeze					1,586,900	
AXS - DD Behavioral Health Services Transfer to DES					(26,054,100)	
AXS - Additional ALTCS Provider Funding					7,000,000	
AXS - Make Prop 206 Assistance Ongoing					4,800,000	
AXS - Rural Graduate Medical Education					1,666,700	
AXS - Urban Graduate Medical Education					1,333,300	
AXS - North Country Graduate Medical Education					750,000	
ART - Arizona Commission on the Arts	0		0			2,200,000
ART - One-Time Funding					2,000,000	
ART - Nonprofit Theater Capital Support					200,000	
ATT - Attorney General	25,940,300		25,942,300			26,082,400
ATT - Statewide Adjustments		2,000		2,000	140,100	
CHA - State Board for Charter Schools	1,209,800		1,209,800			1,714,500
CHA - Statewide Adjustments					111,900	
CHA - Additional FTEs					392,800	
DCS - Department of Child Safety	375,838,700		375,838,700			384,653,400
DCS - Statewide Adjustments					6,422,700	
DCS - Kinship Stipend					2,392,000	
ACA - Arizona Commerce Authority	21,800,000		21,800,000			19,275,000
ACA - Competes Fund Deposit Reduction				(6,000,000)		
ACA - One-Time Rural Development Broadband Grants					3,000,000	
ACA - New Trade Offices (2 Mexico/1 Israel)					475,000	
CCO - Arizona Community Colleges	57,205,500		57,205,500			97,400,700
CCO - Formula Changes				1,431,400	245,300	
CCO - Maricopa CCD Healthcare Specialty Expansion					5,800,000	
CCO - Pima CCD Aviation Center					15,000,000	
CCO - Dine College Remedial Education					1,000,000	
CCO - Maricopa/Pima STEM Funding (Thru FY 22)					2,000,000	
CCO - One-Time Rural Funding (By Student Count)					14,200,000	
CCO - Rural County Allocation Adjustment					518,500	
COR - Corporation Commission	814,600		814,600			620,800
COR - Statewide Adjustments					2,800	
COR - Remove One-Time Railroad Safety Inspector Funding				(196,600)		
ADC - Department of Corrections	1,099,670,000		1,099,746,600			1,167,111,300
ADC - Statewide Adjustments					33,544,800	
ADC - Remove Lease Purchase Payment				(3,072,900)		

	FY 2019 GF <u>1</u> / JLBC Baseline	FY 2019 Changes	FY 2019 GF Revised	FY 20 Baseline <u>1</u> / Above FY 19	FY 2020 Changes	FY 2020 GF Enacted Budget
ADC - Named Claimants (Ch. 231)		76,600				
ADC - Inmate Health Care Contract Costs					30,900,000	
ADC - Inmate Health Care Monitoring (10 FTE)					985,900	
ADC - Private Prison CO Salary Increase					5,083,500	
CF - County Funding	20,566,200		20,566,200			10,650,700
CF - Rural EORP Assistance				(1,655,500)	3,000,000	
CF - Remove One-Time DJC Offset				(11,260,000)		
SDB - Arizona State Schools for the Deaf and the Blind	21,659,300		21,659,300			23,214,400
SDB - Statewide Adjustments					(44,900)	
SDB - Early Childhood Services Fund Shift				1,600,000		
OEC - Office of Economic Opportunity	488,800		488,800			968,300
OEC - Statewide Adjustments					(20,500)	
OEC - WIFA - Small Water Systems Fund					500,000	
DES - Department of Economic Security	650,936,900		662,286,900			749,708,200
DES - Statewide Adjustments					593,000	
DES - Formula Adjustments				50,962,300		
DES - Case Management Funding		3,700,000			1,861,900	
DES - One-time Proposition 206 Assistance				(11,000,000)	13,000,000	
DES - Additional DD Provider Funding					13,000,000	
DES - FY 19 DD Cap Rate Increase		6,700,000			6,700,000	
DES - One-Time Food Bank Funding		950,000				
DES - Remove One-Time Food Bank Funding				(1,000,000)		
DES - Remove One-Time Medical Room and Board				(2,000,000)		
DES - Remove One-Time SNAP Benefit Match Funding				(400,000)		
DES - DD Behavioral Health Services Transfer to DES					26,054,100	
DES - Caregiver Grants					1,000,000	
BOE - State Board of Education	1,146,300		1,146,300			1,158,900
BOE - Statewide Adjustments					12,600	
ADE - Arizona Department of Education	4,704,652,000		4,687,820,500			5,200,184,900
ADE - Statewide Adjustments		1,900		1,900	42,400	
ADE - Formula Adjustments		(10,000,000)		197,489,200	(54,700,000)	
ADE - Additional Assistance Increase (Enacted)				67,774,700		
ADE - Teacher Salary Increases (Enacted)				164,700,000		
ADE - One-Time American Civics Funding (Enacted)				500,000		
ADE - Eliminate One-Time Gifted Education Funding				(1,000,000)		
ADE - Excess Debt Service Funds		(6,833,400)				
ADE - Results-Based Funding					30,000,000	
ADE - CTED Incentive Program					FY 21/22 - \$5 M	
ADE - SRO/School Counselors Grant Program					20,000,000	
ADE - One-Time Additional Assistance Increase					67,774,700	
ADE - Payoff K-12 Rollover					FY 22 - \$30 M	
ADE - Juvenile Detention Education Programs					700,000	
ADE - High Quality Teacher Scholarships (Also \$400k in FY 21/22)					400,000	
ADE - Mingus Unified Consolidation Costs					50,000	
ADE - Gifted Education					1,000,000	
ADE - Yuma Elementary School Construction					800,000	
EMA - Department of Emergency & Military Affairs	11,098,200		11,098,200			12,201,600
EMA - Statewide Adjustments					103,400	
EMA - National Guard Tuition Reimbursement					1,000,000	
DEQ - Department of Environmental Quality	0		0			200,000
DEQ - Maricopa County Dust Suppression Pilot Program					200,000	
EQU - State Board of Equalization	652,000		652,000			659,000
EQU - Statewide Adjustments					7,000	
EXE - Board of Executive Clemency	1,137,000		1,137,000			1,150,000
EXE - Statewide Adjustments					13,000	
DFI - Dept of Financial Institutions	1,984,800		1,984,800			1,980,900
DFI - Statewide Adjustments					(3,900)	
FOR - Department of Forestry and Fire Management	11,156,700		11,156,700			15,917,400
FOR - Statewide Adjustments					10,700	
FOR - Hazardous Vegetation Removal					1,000,000	
FOR - Fire Training Center (Taylor)					1,000,000	
FOR - Non-Native Vegetation Eradication (Thru FY 29)					1,000,000	
FOR - Non-Native Vegetation Eradication (One-Time)					1,000,000	
FOR - Mount Lemmon Fire District Water Line					750,000	
GAM - Department of Gaming	1,779,500		1,779,500			2,509,500
GAM - County Fair Promotion					730,000	

	FY 2019 GF <u>1</u> / JLBC Baseline	FY 2019 Changes	FY 2019 GF Revised	FY 20 Baseline <u>1</u> / Above FY 19	FY 2020 Changes	FY 2020 GF Enacted Budget
GOV - Office of the Governor	8,538,800		8,540,900			8,699,900
GOV - Statewide Adjustments		2,100		2,100	159,000	
GOV - Retain Foster Youth Education Funding				(1,500,000)	1,500,000	
OSP - Gov's Office of Strategic Planning & Budgeting	2,022,100		2,022,100			2,684,100
OSP - Statewide Adjustments					12,000	
OSP - Additional Funding					650,000	
DHS - Department of Health Services	89,931,200		89,931,200			97,158,300
DHS - Statewide Adjustments					2,920,500	
DHS - Alzheimer's Research (One-Time)					Other Fund	
DHS - Prenatal Services Funding (One-Time)					1,000,000	
DHS - Public Health Emergency Fund Backfill					106,600	
DHS - Benson and Northern Cochise Hospitals					1,500,000	
DHS - Primary Care Clinic - Colorado City					700,000	
DHS - Loan Repayment Program					750,000	
DHS - Vulnerable Caregiver Workshops					250,000	
AZH - Arizona Historical Society	3,195,000		3,195,000			3,107,700
AZH - Statewide Adjustments					32,700	
AZH - Risk Management Adjustment				(120,000)		
PAZ - Prescott Historical Society	832,700		832,700			837,200
PAZ - Statewide Adjustments					4,500	
DOH - Department of Housing	0		0			15,000,000
DOH - Housing Trust Fund Deposit (One-Time)					15,000,000	
INS - Department of Insurance	5,628,400		5,628,400			5,663,200
INS - Statewide Adjustments					34,800	
SPA - Judiciary - Supreme Court	19,870,100		19,894,600			20,875,000
SPA - Statewide Adjustments		24,500		24,500	428,100	
SPA - Judicial Nominating Commissions (2 Counties)					117,500	
SPA - Employee Salary Increase					477,500	
SPA - Risk Management Shift				(42,700)		
COA - Judiciary - Court of Appeals	15,992,400		16,066,500			16,765,000
COA - Statewide Adjustments - Division I		53,900		53,900	17,000	
COA - Statewide Adjustments - Division II		20,200		20,200	6,700	
COA - Risk Management Shift				27,600		
COA - General Operating Expenses					236,100	
COA - Employee Salary Increase					411,100	
SUP - Judiciary - Superior Court	80,714,500		80,848,000			92,596,500
SUP - Statewide Adjustments		133,500		133,500	386,900	
SUP - Risk Management Shift				15,100		
SUP - Maricopa County Judges Phase-In (Enacted)				6,972,000		
SUP - Water Master					39,500	
SUP - Digitization/Case Management System					250,000	
SUP - Adult Probation Growth					243,300	
SUP - Employee Salary Increase					257,800	
SUP - Health/Dental Cost Adjustment					54,100	
SUP - Annualize New Probation Officers				137,500		
SUP - CORP Increase					2,354,000	
SUP - Probation Salary Deficit					1,038,300	
DJC - Department of Juvenile Corrections	22,734,500		22,742,500			36,926,500
DJC - Statewide Adjustments					2,932,000	
DJC - Named Claimants (Ch. 231)		8,000				
DJC - Repeal Rural County Cost Sharing (One-Time Maricopa/Pima)					11,260,000	
LAN - State Land Department	11,733,400		11,605,100			11,654,300
LAN - Statewide Adjustments					49,200	
LAN - CAP Rate Adjustment		(128,300)		(128,300)		
Legislature						
AUD - Auditor General	19,709,600		19,709,600			20,629,300
AUD - Statewide Adjustments					22,200	
AUD - CTED Study					400,000	
AUD - Increase Staffing for Performance Audit Division (Enacted)				497,500		
HOU - House of Representatives	13,835,000		13,866,400			16,407,500
HOU - Statewide Adjustments		31,400		31,400	41,100	
HOU - Additional Funding					2,500,000	
JLBC - Joint Legislative Budget Committee	2,504,800		2,504,800			2,834,200

	FY 2019 GF <u>1</u> / JLBC Baseline	FY 2019 Changes	FY 2019 GF Revised	FY 20 Baseline <u>1</u> / Above FY 19	FY 2020 Changes	FY 2020 GF Enacted Budget
JLBC - Statewide Adjustments					4,400	
JLBC - Additional Funding					325,000	
LEG - Legislative Council	8,304,900		8,304,900			8,814,900
LEG - Statewide Adjustments					10,000	
LEG - Additional Funding					500,000	
SEN - Senate	9,747,200		9,762,900			12,948,900
SEN - Statewide Adjustments		15,700		15,700	11,000	
SEN - Additional Funding					3,175,000	
MIN - State Mine Inspector	1,255,800		1,256,900			1,269,300
MIN - Statewide Adjustments		1,100		1,100	12,400	
NAV - Arizona Navigable Steam Adjudication Comm.	127,400		127,400			129,000
NAV - Statewide Adjustments					1,600	
POS - Commission for Postsecondary Education	1,646,800		1,646,800			1,680,900
POS - Internal IT System Development					34,100	
DPS - Department of Public Safety	104,241,700		104,462,800			92,350,300
DPS - Statewide Adjustments					21,659,500	
DPS - Highway Safety Fee Fund Shift				(30,000,000)	(24,056,800)	
DPS - Named Claimants (Ch. 231)		221,100				
DPS - Wrong Way Driving Patrol (6 Maricopa FTE)					1,468,800	
DPS - Border Strike Task Force Enhancement (12 FTE Southern AZ)					2,974,600	
DPS - Loop 202 South Mountain Freeway Patrol					6,433,500	
DPS - AZ POST Funding					Other Fund	
DPS - Highway Patrol Vehicle Replacement					4,000,000	
DPS - Retirement Adjustment					4,129,000	
DPS - Interoperability Project					1,500,000	
PSP - Public Safety Personnel Retirement System	7,000,000		7,000,000			6,000,000
PSP - Expiration of Multi-Year Prescott Fire Dept. Funding				(1,000,000)		
PSP - Retain Prescott Fire Dept. Funding Thru FY 26				(1,000,000)	1,000,000	
REA - State Real Estate Department	2,911,700		2,911,700			2,909,500
REA - Statewide Adjustments					(2,200)	
REV - Department of Revenue	31,063,800		31,063,800			31,245,200
REV - Statewide Adjustments					181,400	
SFB - School Facilities Board	274,700,300		299,700,300			325,650,300
SFB - Statewide Adjustments					17,800	
SFB - New School Funding Completion (FY 18 Starts)				(37,989,800)		
SFB - Continue New School Construction Projects (FY 19 Starts)				(12,910,000)		
SFB - Begin New School Construction Projects (FY 20 Starts)				49,305,000		
SFB - Advance Funding For New School Construction					15,953,600	
SFB - Lease-Purchase Adjustment				(2,416,800)		
SFB - Final New School Construction Approvals					10,617,200	
SFB - One-Time Building Renewal Funding		25,000,000		(34,417,900)	62,790,900	
SOS - Secretary of State	15,568,800		16,270,300			17,367,900
SOS - Statewide Adjustments		1,500		1,500	371,000	
SOS - Presidential Preference Election				1,650,000	(626,400)	
SOS - Record Storage		700,000				
SOS - 2 FTE Positions (IT Staff)					200,000	
SOS - Election Services					103,000	
SOS - Uniform State Laws Commission					100,000	
TAX - State Board of Tax Appeals	280,400		280,400			281,800
TAX - Statewide Adjustments					1,400	
TOU - Office of Tourism	7,112,000		7,112,000			8,214,000
TOU - Statewide Adjustments					2,000	
TOU - Marketing Funding Increase (Includes \$100k Wine Promotion)					1,100,000	
DOT - Department of Transportation	65,000		65,000			0
DOT - Remove One-Time Transit Planning Funding				(65,000)		
DOT - Interstate 17 Expansion					See Capital	
TRE - State Treasurer	1,205,100		1,205,100			1,205,100
OTR - Governor's Office on Tribal Relations	60,900		60,900			62,900
OTR - Statewide Adjustments					2,000	
UNI - Universities						
UNI - Arizona Board of Regents	6,898,100		6,898,100			22,397,700

	FY 2019 GF <u>1</u> / JLBC Baseline	FY 2019 Changes	FY 2019 GF Revised	FY 20 Baseline <u>1</u> / Above FY 19	FY 2020 Changes	FY 2020 GF Enacted Budget
UNI - Statewide Adjustments					39,600	
UNI - Adaptive Athletics					160,000	
UNI - Washington Center					300,000	
UNI - Teacher's Academy					15,000,000	
UNI - ASU	328,775,800		328,775,800			341,916,800
UNI - Statewide Adjustments					(480,100)	
UNI - Lease Purchase Adjustment				(22,400)		
UNI - Inflation Adjustment (2017 Capital Infrastructure)				238,500		
UNI - Remove '19 One-Time Operating Funding				(4,245,000)		
UNI - New '20 One-Time Operating Funding					18,900,000	
UNI - Remove One-Time Economic Development Funding				(250,000)		
UNI - Remove One-Time Freedom School Funding				(1,000,000)		
UNI - Northern Arizona University	112,095,700		112,095,700			117,250,900
UNI - Statewide Adjustments					1,700	
UNI - Lease Purchase Adjustment				3,300		
UNI - Inflation Adjustment (2017 Capital Infrastructure)				90,400		
UNI - Remove Multi-Year Biomedical Research Funding				(3,000,000)		
UNI - Continue Biomedical Research Funding					3,000,000	
UNI - Retain Freedom School Funding				(500,000)	500,000	
UNI - Remove '19 One-Time Operating Funding				(1,590,200)		
UNI - New '20 One-Time Operating Funding					6,650,000	
UNI - UA - Main Campus	208,836,400		208,836,400			215,808,900
UNI - Statewide Adjustments					477,100	
UNI - Inflation Adjustment (2017 Capital Infrastructure)				211,000		
UNI - Lease Purchase Adjustment				(800)		
UNI - Remove '19 One-Time Operating Funding				(2,164,800)		
UNI - New '20 One-Time Operating Funding					9,450,000	
UNI - Remove One-Time Freedom School Funding				(1,000,000)		
UNI - UA - Health Sciences Center	68,897,700		68,897,700			76,897,700
UNI - Phoenix Biomedical Center					8,000,000	
VSC - Department of Veterans' Services	6,120,600		6,120,600			7,792,900
VSC - Statewide Adjustments					21,800	
VCS - Remove One-Time Hyperbaric Therapy Funding				(25,000)		
VSC - Veteran Suicide Prevention					1,675,500	
WAT - Department of Water Resources	16,169,800		23,169,800			66,937,700
WAT - Statewide Adjustments					27,900	
WAT - Infrastructure Projects		7,000,000				
WAT - Additional Staff					540,000	
WAT - Water Protection Fund Deposit					500,000	
WAT - Digitization					200,000	
WAT - Remove One-Time Northwest Basins Study Funding				(100,000)		
WAT - Water System Conservation Funding					30,000,000	
WAT - Agriculture Infrastructure Projects Loan					20,000,000	
WAT - Remove One-Time Water Protection Fund Deposit				(400,000)		
OTH - Other						
OTH - Debt Service Payments	84,112,000		84,112,000	(3,500)	(6,399,200)	77,709,300
OTH - Phoenix Convention Center Debt Service	22,996,300		22,996,300	503,700		23,500,000
OTH - 2010B Sale/Leaseback Payoff (SB 1215)	0		0		190,000,000	190,000,000
OTH - Rio Nuevo District	14,000,000		14,000,000			14,000,000
OTH - Budget Stabilization Fund Deposit	0	271,107,000	271,107,000		271,107,000	271,107,000
OTH - Unallocated IT Pro-Rata Charge Increase	500		500	(500)		0
OTH - Unallocated Retirement Rate Adjustment	150,500		150,500	(150,500)		0
OTH - Unallocated HITF One-Time Employer Premium	32,400		32,400	(32,400)	51,500	51,500
OTH - Administrative Adjustments	143,000,000	(17,000,000)	126,000,000	7,000,000	(22,000,000)	128,000,000
OTH - Revertments	(167,000,000)	(4,000,000)	(171,000,000)	(6,000,000)		(173,000,000)
TOTAL - OPERATING SPENDING CHANGES	10,418,025,400	241,224,500	10,659,249,900	375,602,100	959,402,600	11,753,780,100
CAPITAL SPENDING						
Agriculture - Mariposa Port of Entry Cold Inspection Facility	0		0		700,000	700,000
DEMA - Tucson Readiness Center - One-Time Funding	3,759,000		3,759,000	(3,759,000)		0
DEMA - West Valley Readiness Center	0		0		3,875,000	3,875,000
DPS - Modular Housing - One-Time Funding	1,200,000		1,200,000	(1,200,000)		0
DOT - Interstate 17 Expansion	0		0		Other Fund	Other Fund
ADOA - State Route 24 Bridge	0		0		6,500,000	6,500,000
DOT - I-10 Widening Study	0		0		10,000,000	10,000,000
DOT - Aviation Fund Deposit	0		0		10,000,000	10,000,000
ADOA - Kingman I-40 Interchange	0		0		20,000,000	20,000,000
DOT - US 95 Yuma Road Widening	0		0		28,000,000	28,000,000
DOT - Local Road Construction Distribution	0		0		18,000,000	18,000,000
ADOA - Globe Bridge Repair	0		0		2,810,000	2,810,000

	FY 2019 GF <u>1/</u> JLBC Baseline	FY 2019 Changes	FY 2019 GF Revised	FY 20 Baseline <u>1/</u> Above FY 19	FY 2020 Changes	FY 2020 GF Enacted Budget
TOTAL - CAPITAL SPENDING	4,959,000	0	4,959,000	(4,959,000)	99,885,000	99,885,000
TOTAL - ALL SPENDING	10,422,984,400	241,224,500	10,664,208,900	370,643,100	1,059,287,600	11,853,665,100
REVENUE CHANGES						
Ongoing Revenue						
REV - Ongoing Revenue	10,789,267,600	(66,000,000)	10,723,267,600	386,506,700	(16,900,000)	11,158,874,300
REV - Conformity/Wayfair	0	155,000,000	155,000,000		(24,000,000)	(24,000,000)
REV - Highway Safety Fee Revenue Changes	0		0		(24,110,500)	(24,110,500)
REV - Charitable Tax Credit	0		0		(1,200,000)	(1,200,000)
REV - Fertilizer TPT Exemption	0		0		(7,350,000)	(7,350,000)
REV - Corporate STO Deceleration	0		0			FY 21 Impact
REV - Liquor License Fee Diversions	0		0		(181,300)	(181,300)
REV - Treasurer Other Fund Agency Issues	0		0		(380,000)	(380,000)
One-Time Revenue						
REV - Beginning Balance	449,632,000		449,632,000	495,370,300	(180,629,900)	764,372,400
REV - Prescription Drug Rebate Transfer	0		0		69,000,000	69,000,000
REV - Reduce TPT Estimated Payment (Thru FY 23)	0		0		(10,322,600)	(10,322,600)
REV - One-Time Conformity Offset Loss (Wayfair Partial Year Impact)	0		0		(28,000,000)	(28,000,000)
REV - Wells Fargo Settlement	0		0		20,000,000	20,000,000
Prior-Year Enacted Fund Transfers						
REV - FY 2019 Fund Transfers	100,681,700		100,681,700	(100,681,700)		0
REV - DEQ - Air Quality Fund	0		0		993,900	993,900
REV - DPS - Joint Fund	0		0		846,800	846,800
TOTAL - REVENUE CHANGES <u>2/</u>	11,339,581,300	89,000,000	11,428,581,300	783,036,000	(204,074,300)	11,918,543,000
ENDING BALANCE	916,596,900	(152,224,500)	764,372,400	412,392,900	(1,263,361,900)	64,877,900

1/ Represents FY 2020 Baseline cost above FY 2019 Baseline.

2/ Represents all revenue changes, including fund transfers.

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2019 OF 1/ JLBC Baseline	FY 2019 Changes	FY 2019 OF Revised	FY 20 Baseline 1/ Above FY 19	FY 2020 Changes	FY 2020 OF Enacted Budget
OPERATING SPENDING CHANGES						
SBA - State Board of Accountancy	2,037,900		2,037,900			2,045,300
SBA - Statewide Adjustments					7,400	
ACU - Acupuncture Board of Examiners	171,900		171,900			176,000
ACU - Statewide Adjustments					6,300	
ACU - Administrative Staff Consolidation					(2,200)	
DOA - Arizona Department of Administration	194,938,400		204,119,100			204,836,500
DOA - Statewide Adjustments					(180,100)	
DOA - Federal Repayment		9,168,400				
DOA - Named Claimants (Ch. 231)		12,300				
DOA - Remove One-Time Monument/Memorial Repair Funding				(25,300)		
DOA - Cybersecurity Controls (Funded with New Charge)					2,888,600	
DOA - Enterprise Email and Calendar Solution					4,500,000	
DOA - Government Transformation Office Operations (1 FTE)					1,000,000	
DOA - Government Website Support (One-Time)					250,000	
DOA - Shared Hosted Data Center Operating Costs					1,354,300	
DOA - Central Services Bureau Shared Services					110,600	
APF - Automation Projects Fund/ADDOA	23,125,100		22,675,100			17,311,000
APF - ADDOA Business OneStop Portal					1,000,000	
APF - Agriculture Weights and Measures IT Assessment					200,000	
APF - Remove One-Time Automation Project Funding				(18,125,100)		
APF - e-Licensing Project		(450,000)				
APF - Child Safety - CHILDS Replacement Initiative					5,100,000	
APF - ADE - School Finance System Replacement					3,000,000	
APF - Medical Board - Cloud Migration					300,000	
APF - DPS - Concealed Weapons Tracking System					410,000	
APF - DPS - Criminal Justice System Updates					2,301,000	
AGR - Department of Agriculture	1,720,200		1,720,200			1,750,200
AGR - Statewide Adjustments					3,600	
AGR - Nuclear Emergency Management Fund Assessment				26,400		
AXS - AHCCCS	328,044,500		328,044,500			339,302,400
AXS - Statewide Adjustments					8,100	
AXS - Formula Changes				5,406,400	(16,730,100)	
AXS - Statutory Adjustments				150,200		
AXS - Prescription Drug Rebate One-Time Fund Shift				36,927,800	(36,927,800)	
AXS - IT System Costs (One-Time)					2,068,000	
AXS - KidsCare					20,355,300	
ART - Arizona Commission on the Arts	2,000,000		2,000,000			0
ART - Remove One-Time Budget Stabilization Fund				(2,000,000)		
BAT - Board of Athletic Training	123,500		123,500			127,000
BAT - Statewide Adjustments					3,500	
ATT - Attorney General	49,023,800		49,023,800			55,235,900
ATT - Statewide Adjustments					41,600	
ATT - Remove One-Time Sec. of State Litigation Funding				(500,000)		
ATT - Remove One-Time Case Management IT Upgrade Funding				(1,489,000)		
ATT - 3 Southern AZ FTEs (CPRF)					319,000	
ATT - Shift Costs from Anti-Racketeering to CPRF					476,000	
ATT - Shift Criminal Division from RICO to CPRF					850,000	
ATT - Criminal Division CPRF: \$950k '21; \$2.3 M '22 & '23					Yes	
ATT - Rent Restoration					884,500	
ATT - 2 GASL FTEs (CPRF)					250,000	
ATT - Police Equipment Grants (One-Time)					2,500,000	
ATT - Child and Family Advocacy Centers (One-Time)					400,000	
ATT - Arizona Peace Officer Memorial Fund Deposit (One-Time)					1,000,000	
ATT - Voter Fraud Unit (4 FTEs)					530,000	
ATT - Survivors of Human Trafficking (One-Time)					300,000	
ATT - First Responder Mental Health Training (One-Time)					400,000	
ATT - Multidisciplinary Youth Program (One-Time)					250,000	
ATA - Automobile Theft Authority	5,308,900		5,308,900			5,312,100
ATA - Statewide Adjustments					3,200	
BAR - Board of Barbers	401,100		401,100			406,300
BAR - Statewide Adjustments					5,200	
BHE - Board of Behavioral Health Examiners	1,772,300		1,772,300			1,770,000
BHE - Statewide Adjustments					(2,300)	

	FY 2019 OF 1/ JLBC Baseline	FY 2019 Changes	FY 2019 OF Revised	FY 20 Baseline 1/ Above FY 19	FY 2020 Changes	FY 2020 OF Enacted Budget
DCS - Department of Child Safety	189,715,700		197,115,700			193,495,200
DCS - Statewide Adjustments					149,500	
DCS - Remove One-Time Litigation Funding				(3,770,000)		
DCS - Child Care Development Fund Authority		7,400,000			7,400,000	
DCS - Transfer \$608k from Out of Home to Kinship					Yes	
BCE - State Board of Chiropractic Examiners	429,700		429,700			438,600
BCE - Statewide Adjustments					8,900	
ACA - Arizona Commerce Authority	0		0			2,500,000
ACA - Blockchain and Wearable Technology Applied Research (One-Time)					2,000,000	
ACA - Institute for Automated Mobility (One-Time)					500,000	
ROC - Registrar of Contractors	12,300,100		12,300,100			12,368,800
ROC - Statewide Adjustments					68,700	
COR - Corporation Commission	26,965,900		26,965,900			27,148,000
COR - Statewide Adjustments					182,100	
ADC - Department of Corrections	53,963,100		53,963,100			53,280,600
ADC - Statewide Adjustments					275,500	
ADC - Remove One-Time Equipment Funding				(958,000)		
COS - Board of Cosmetology	1,926,300		1,926,300			1,949,100
COS - Statewide Adjustments					27,800	
COS - Digitization (One-Time)					70,000	
COS - Remove One-Time Document Scanning Funding				(75,000)		
CF - County Funding	500,000		500,000			500,000
JUS - Arizona Criminal Justice Commission	7,258,100		7,258,100			7,815,400
JUS - Statewide Adjustments					7,300	
JUS - Remove One-time Criminal Justice Statistics Pilot Funding				(200,000)		
JUS - Appropriate Statistical Analysis Center FTEs (2 FTEs)					Yes	
JUS - Yavapai Felony Pretrial Intervention					750,000	
SDB - AZ State Schools for the Deaf and the Blind	13,607,900		13,607,900			12,921,700
SDB - Statewide Adjustments					122,500	
SDB - Base Level Increase - Formula				1,261,300		
SDB - Early Childhood Services Fund Shift				(1,600,000)		
SDB - Remove One-Time Equipment Funding				(470,000)		
HEA - Comm for the Deaf & the Hard of Hearing	4,613,500		4,613,500			4,624,900
HEA - Statewide Adjustments					11,400	
HEA - Public Research/Policy FTE					Yes	
DEN - Board of Dental Examiners	1,300,500		1,300,500			1,229,800
DEN - Statewide Adjustments					17,100	
DEN - Remove One-Time Document Scanning				(87,800)		
DES - Department of Economic Security	290,774,900		340,174,900			336,309,000
DES - Statewide Adjustments					205,100	
DES - FY 19 DD State Only Case Management		1,000,000				
DES - Child Care Development Fund Authority		48,400,000			48,400,000	
DES - Remove One-Time Early Intervention Funding				(1,900,000)		
DES - Replace One-Time Adult Services Funding with Federal \$				(1,171,000)		
ADE - Arizona Department of Education	291,154,100		297,987,500			304,065,200
ADE - Statewide Adjustments					37,300	
ADE - Land Trust Distribution				12,800,000	573,800	
ADE - Basic State Aid Fund Shift		6,833,400				
ADE - Remove One-Time Code Writing Funding				(500,000)		
EMA - Department of Emergency & Military Affairs	1,461,600		1,461,600			1,458,700
EMA - Nuclear Emergency Management Fund Assessment				(2,900)		
DEQ - Department of Environmental Quality	82,063,500		82,063,500			84,881,600
DEQ - Statewide Adjustments					248,800	
DEQ - Wastewater Infrastructure - Nogales (VEI/Air Quality)					2,569,300	
OEO - Governor's Office of Equal Opportunity	190,700		190,700			190,200
OEO - Statewide Adjustments					(500)	
COL - Arizona Exposition and State Fair Board	12,549,300		12,549,300			13,282,200
COL - Statewide Adjustments					77,300	
COL - Prop 206 Minimum Wage Increase					90,600	
COL - Security					565,000	

	FY 2019 OF 1/ JLBC Baseline	FY 2019 Changes	FY 2019 OF Revised	FY 20 Baseline 1/ Above FY 19	FY 2020 Changes	FY 2020 OF Enacted Budget
DFI - Dept of Financial Institutions	4,012,600		4,012,600			4,037,200
DFI - Statewide Adjustments					36,600	
DFI - Remove One-Time Equipment Funding				(12,000)		
EMB - Board of Funeral Directors and Embalmers	443,400		443,400			399,700
EMB - Statewide Adjustments					20,000	
EMB - Remove One-Time IT Funding				(75,000)		
EMB - Retirement Payout					11,300	
FIS - Arizona Game and Fish Department	42,752,600		42,752,600			43,979,100
FIS - Statewide Adjustments					1,226,500	
GAM - Department of Gaming	15,657,700		15,657,700			16,054,000
GAM - Statewide Adjustments					44,300	
GAM - Unarmed Combat Subaccount (Now Appropriated Fund)				126,500	(26,500)	
GAM - Yavapai Racetrack Staffing					252,000	
DHS - Department of Health Services	51,203,700		51,203,700			56,170,300
DHS - Statewide Adjustments					110,100	
DHS - COSF/Indirect Fund Lab Cost Shift (\$230.1K)					Yes	
DHS - 25 FTEs Licensing (2018 Opioid Bill)					2,686,500	
DHS - Radiation Reg Salaries/Other					660,000	
DHS - Licensing Indirect Cost Charge					1,200,000	
DHS - Retain One-Time Alzheimer's Funding				(2,000,000)	2,000,000	
DHS - Retain Multi-Year Biomedical Research Funding				(2,000,000)	2,000,000	
DHS - ASH Temporary Staff Cost Increase					310,000	
HOM - Board of Homeopathic & Integrated Medicine Examiners	90,700		90,700			46,100
HOM - Statewide Adjustments					5,900	
HOM - Share Staff with Acupuncture					(50,500)	
DOH - Department of Housing	322,200		322,200			322,200
IND - Industrial Commission	20,001,800		20,001,800			20,055,500
IND - Statewide Adjustments					53,700	
SPA - Judiciary - Supreme Court	30,446,900		30,446,900			30,536,600
SPA - Statewide Adjustments					109,700	
SPA - Remove One-Time IT Programming Funding				(20,000)		
SUP - Judiciary - Superior Court	11,958,100		11,958,100			11,973,200
SUP - Statewide Adjustments					15,100	
DJC - Department of Juvenile Corrections	17,657,400		17,657,400			6,405,600
DJC - Statewide Adjustments					8,200	
DJC - Eliminate County Cost Sharing (Non-Maricopa/Pima Permanent)					(11,260,000)	
LAN - State Land Department	8,048,800		8,048,800			8,042,300
LAN - Statewide Adjustments					(6,500)	
LIQ - Department of Liquor Licenses & Control	3,086,000		3,086,000			3,373,800
LIQ - Statewide Adjustments					106,500	
LIQ - Litigation Costs/General Operating					20,000	
LIQ - Increase AG Assignment to Full Time					69,600	
LIQ - Information Technology Funding					50,000	
LIQ - Add Customer Service FTE					41,700	
LOT - Arizona State Lottery Commission	138,586,200		138,586,200			146,806,100
LOT - Statewide Adjustments					19,000	
LOT - Tab Ticket Increase				175,900		
LOT - On-Line Sales Decrease				(1,301,100)		
LOT - Instant Ticket Sales Increase				2,693,100		
LOT - Retailer Commissions Increase				6,633,000		
BMT - Board of Massage Therapy	460,900		460,900			471,600
BMT - Statewide Adjustments					10,700	
MED - Arizona Medical Board	6,987,100		6,987,100			7,036,900
MED - Statewide Adjustments					49,800	
MIN - State Mine Inspector	112,900		112,900			112,900
NAT - Naturopathic Physicians Medical Board	187,400		187,400			193,400
NAT - Statewide Adjustments					6,000	
NAV - Navigable Stream Adjudication Commission	200,000		200,000			200,000

	FY 2019 OF 1/ JLBC Baseline	FY 2019 Changes	FY 2019 OF Revised	FY 20 Baseline 1/ Above FY 19	FY 2020 Changes	FY 2020 OF Enacted Budget
NUR - State Board of Nursing	4,738,200		4,738,200			4,771,000
NUR - Statewide Adjustments					32,800	
NUR - FTE Position Increase (6.3 FTEs)				Yes		
NCI - Nursing Care Inst. Administrators Board	443,600		443,600			455,000
NCI - Statewide Adjustments					11,400	
OCC - Board of Occupational Therapy Examiners	190,100		190,100			199,000
OCC - Statewide Adjustments					1,800	
OCC - Contract with Athletic Training Board					7,100	
DIS - State Board of Dispensing Opticians	149,100		149,100			155,900
DIS - Statewide Adjustments					6,800	
OPT - State Board of Optometry	243,800		243,800			240,700
OPT - Statewide Adjustments					6,900	
OPT - Remove One-Time Document Scanning Funding				(10,000)		
OST - AZ Board of Osteopathic Examiners in Medicine/Surgery	903,500		903,500			1,012,300
OST - Statewide Adjustments					15,100	
OST - Increased Investigation Staff Hours					93,700	
SPB - Arizona State Parks Board	14,771,400		14,771,400			16,982,800
SPB - Statewide Adjustments					352,200	
SPB - Eliminate OHV Fund for Operating/Backfill with Park Fees					692,100	
SPB - Great Western Trail (OHV)					692,100	
SPB - Arizona Trail					250,000	
SPB - Buckskin Fire District Equipment					225,000	
PER - Personnel Board	361,000		361,000			368,100
PER - Statewide Adjustments					7,100	
PER - Reduction in FTE Position				(42,200)	42,200	
PHA - Arizona State Board of Pharmacy	2,190,000		2,190,000			2,665,300
PHA - Statewide Adjustments					23,100	
PHA - Compliance Officer and Investigators (3 FTEs)					329,000	
PHA - Full-Time Assistant Attorney General					68,200	
PHA - New Office Equipment (One-Time)					55,000	
PHY - Board of Physical Therapy Examiners	499,600		499,600			503,700
PHY - Statewide Adjustments					9,100	
PHY - Remove One-Time Document Scanning Funding				(5,000)		
PIO - Arizona Pioneers' Home	6,684,000		6,684,000			6,574,200
PIO - Statewide Adjustments					22,000	
PIO - Remove One-Time Equipment Funding					(131,800)	
POD - State Board of Podiatry Examiners	161,900		161,900			168,100
POD - Statewide Adjustments					6,200	
POS - Commission for Postsecondary Education	1,537,200		1,537,200			1,536,700
POS - Statewide Adjustments					(500)	
PRI - Board for Private Postsecondary Education	417,800		417,800			423,300
PRI - Statewide Adjustments					5,500	
PSY - State Board of Psychologist Examiners	495,000		495,000			516,100
PSY - Statewide Adjustments					9,100	
PSY - E-Licensing System Enhancements					12,000	
DPS - Department of Public Safety	188,320,300		188,606,100			240,683,100
DPS - Statewide Adjustments					1,510,700	
DPS - Remove One-Time Maricopa County Troopers Funding				(397,000)		
DPS - Remove One-Time Southern Arizona Troopers Funding				(793,900)		
DPS - Continue One-Time AZPOST Funding (Highway Patrol Fund)				(837,000)	1,027,300	
DPS - Adjust Peace Officer Training Equipment Funding				(2,005,500)		
DPS - Highway Safety Fee Fund Shift				30,000,000	24,056,800	
DPS - HURF Reduction/Highway Safety Fee Shift (\$15.5 M)				Yes	Yes	
DPS - State Highway Fund/Highway Safety Fee Shift				Yes	Yes - \$7.8 M	
DPS - Named Claimants (Ch. 231)		285,800				
DPS - Remove One-Time Phar. Diversion Task Force Funding				(198,600)		
DPS - Shift Drug Task Force to Highway Patrol (\$559k)					Yes	
RUC - Residential Utility Consumer Office	1,342,600		1,342,600			1,348,600
RUC - Statewide Adjustments					6,000	

	FY 2019 OF 1/ JLBC Baseline	FY 2019 Changes	FY 2019 OF Revised	FY 20 Baseline 1/ Above FY 19	FY 2020 Changes	FY 2020 OF Enacted Budget
RES - Board of Respiratory Care Examiners	314,400		314,400			322,600
RES - Statewide Adjustments					8,200	
RET - Arizona State Retirement System	25,030,300		25,030,300			24,194,000
RET - Statewide Adjustments					63,700	
RET - 5 FTE Positions Reduction				Yes		
RET - Long Term Disability Contract Savings				(400,000)		
RET - Remove One-Time IT Funding				(500,000)		
REV - Department of Revenue	47,323,200		47,323,200			49,730,100
REV - Statewide Adjustments					381,600	
REV - Remove ESA Administration Funding (Prop 305)				(50,000)		
REV - Increase Unclaimed Property Audit Funding				150,300		
REV - Remove One-Time TPT Contracting Study Funding				(75,000)		
REV - Formalize ISA from AHCCCS for Tobacco Tax Unit					Yes	
REV - Wayfair Administration (One-Time)					2,000,000	
SOS - Secretary of State	8,823,600		8,823,600			742,800
SOS - Statewide Adjustments					(1,600)	
SOS - Reduction of Elections Services Line Item					(615,500)	
SOS - Remove Voter Registration System Funding				(2,063,300)		
SOS - Eliminate One-Time HAVA Funding				(5,400,400)		
TEC - State Board of Technical Registration	2,291,700		2,291,700			2,199,500
TEC - Statewide Adjustments					9,800	
TEC - Remove One-Time e-Licensing					(102,000)	
DOT - Department of Transportation	414,458,300		414,458,800			433,177,300
DOT - Statewide Adjustments					1,502,600	
DOT - Remove One-Time Equipment Funding				(2,434,200)		
DOT - Named Claimants (Ch. 231)		500				
DOT - Shift \$25.6M from Highway Maintenance to Preventative Trtmt					Yes	
DOT - Increase Preventative Road Treatment					10,535,200	
DOT - New South Mountain Freeway Maintenance					2,173,000	
DOT - Highway Maintenance Workload					514,900	
DOT - Security Systems - Ports of Entry					951,500	
DOT - Highway Damage Recovery Appropriation Adjustment					4,000,000	
DOT - Second Special License Plate					122,500	
DOT - Driver License and License Plate Volume Increase					297,700	
DOT - Rent Appropriation Correction					127,800	
DOT - New Flagstaff Office Appropriation Extension					Yes	
DOT - SETIF and VITEF \$600K Shift					Yes	
DOT - Weigh Scales Line Item Shift					Yes	
DOT - Interlock and DUI Fund \$170K Shift					Yes	
DOT - Create ADOT Motor Pool Fund					In FY 21	
DOT - Aeronautics Program Grant Management (2 FTEs)					178,000	
DOT - License Plate/Signage					750,000	
TRE - State Treasurer	5,429,600		5,429,600			5,839,000
TRE - Statewide Adjustments					29,400	
TRE - 3 FTEs/IT Upgrades					380,000	
UNI - Universities						
UNI - ASU	663,674,600		663,674,600			663,182,400
UNI - Statewide Adjustments					(492,200)	
UNI - Northern Arizona University	160,958,900		160,958,900			161,100,200
UNI - Statewide Adjustments					141,300	
UNI - UA - Main Campus	385,101,700		385,101,700			386,248,600
UNI - Statewide Adjustments					1,146,900	
UNI - UA - Health Sciences Center	53,623,800		53,623,800			53,623,800
VSC - Department of Veterans' Services	35,414,100		35,414,100			35,607,900
VSC - Statewide Adjustments					193,800	
VME - Veterinary Medical Examining Board	605,500		605,500			600,000
VME - Statewide Adjustments					8,900	
VME - Remove One-Time E-Licensing Upgrade Funding				(14,400)		
WAT - Department of Water Resources	2,427,100		2,427,100			2,444,500
WAT - Statewide Adjustments					17,400	
OTH - Other						
OTH - Unallocated HITF One-Time Reduction					(1,307,100)	(1,307,100)
OTH - Unallocated HITF One-Time Employer Premium	1,306,900		1,306,900	(1,306,900)	235,700	235,700

	FY 2019 OF 1/ JLBC Baseline	FY 2019 Changes	FY 2019 OF Revised	FY 20 Baseline 1/ Above FY 19	FY 2020 Changes	FY 2020 OF Enacted Budget
OTH - Unallocated ADOA Shared Services					30,000	30,000
OTH - Unallocated State Rent - Agency Relocation	(3,700)		(3,700)	3,700	(14,100)	(14,100)
OTH - Unallocated State Rent Increase	246,500		246,500	(246,500)	159,900	159,900
OTH - Unallocated IT Rate Increase	72,200		72,200	(72,200)	137,600	137,600
OTH - Unallocated Retirement Adjustments	416,000		416,000	(416,000)	220,700	220,700
OTH - Unallocated Risk Management Adjustments	22,300		22,300	(22,300)	700	700
TOTAL - OPERATING SPENDING CHANGES	\$3,982,645,000	\$72,650,400	\$4,055,295,400	\$40,782,000	\$116,601,200	\$4,140,028,200
CAPITAL SPENDING CHANGES						
Building Renewal						
Arizona Department of Administration	11,000,000		11,000,000		6,000,000	17,000,000
ADC Building Renewal	5,464,300		5,464,300		1,400,000	6,864,300
Game & Fish Department	981,400		981,400	62,300	See Below	1,043,700
Arizona Lottery Commission	126,300		126,300	7,800		134,100
Arizona Department of Transportation	5,492,000		5,492,000		7,789,700	13,281,700
New Projects						
ADOA - 1275 W. Washington Demolition	1,000,000		1,000,000	(1,000,000)		0
ADOA - Capitol Mall Consolidation Fund	10,000,000		10,000,000	(10,000,000)		0
ADOA - Air Handler Units	0		0		1,000,000	1,000,000
ADOA - Capitol Mall Elevator Replacement Supplemental	0	4,100,000	4,100,000			0
State Fair Civic Building Roof	0		0		400,000	400,000
Arizona Exposition and State Fair	1,000,000		1,000,000	(1,000,000)	1,300,000	1,300,000
Game & Fish Department - Dam Maintenance	150,000		150,000	(150,000)	150,000	150,000
Game & Fish Department - Property Maintenance	300,000		300,000	(300,000)	300,000	300,000
Game & Fish Department - Hatchery Maintenance	0		0		400,000	400,000
State Parks Board Capital Projects	2,000,000		2,000,000	(2,000,000)		0
State Parks Board - Buckskin Mountain (+ \$1M SLIF)	1,500,000		1,500,000	(1,500,000)		0
State Parks Board - Oracle State Park	4,000,000		4,000,000	(4,000,000)		0
State Parks Board - Tonto Bridge Repairs	0		0		1,250,000	1,250,000
Pioneers' Home - Building Repairs	600,000		600,000	(600,000)	414,000	414,000
DPS - 202 Radio Tower	0		0	0	309,000	309,000
DPS - Remote Officer Housing (Highway Patrol)	800,000		800,000	(800,000)	2,400,000	2,400,000
ADOT - Statewide Highway Construction	114,952,000		114,952,000	14,536,000		129,488,000
ADOT - Controlled Access	103,833,000		103,833,000	9,609,000		113,442,000
ADOT - Debt Service	144,232,000		144,232,000	6,270,000		150,502,000
ADOT - Airport Planning	18,798,500		18,798,500	4,321,500	10,000,000	33,120,000
ADOT - Seligman/Williams Maintenance Bldgs	0		0	0	2,300,000	2,300,000
ADOT - Wickenburg Maintenance Yard	0		0	0	4,600,000	4,600,000
ADOT - Spreader Racks - Replacing 17	1,720,000		1,720,000	(1,720,000)		0
ADOT - Keams Canyon Truck Barn/Office	1,790,000		1,790,000	(1,790,000)		0
ADOA - Interstate 17 Expansion	0		0		40,000,000	40,000,000
ADOT - New Materials Test Lab	2,250,000		2,250,000	(2,250,000)		0
Veterans' Services - Flagstaff/Yuma Homes Additional Costs	8,000,000		8,000,000	(8,000,000)		0
TOTAL - CAPITAL SPENDING CHANGES	\$439,989,500	4,100,000	\$444,089,500	(303,400)	80,012,700	\$519,698,800
TOTAL - OPERATING & CAPITAL SPENDING	\$4,422,634,500	76,750,400	\$4,499,384,900	40,478,600	196,613,900	\$4,659,727,000
FUND TRANSFERS						
APF/DOA - Automation Projects Fund - All For IT Projects						
APF/DOA - ADOA Automation Operations for IT	5,330,000		5,330,000	(5,330,000)		0
APF/DOA - ADOA State Web Portal for IT	3,517,000		3,517,000	(3,517,000)		0
APF/DOA - ADOA Personnel Fund for IT	171,900		171,900	(171,900)		0
APF/DOA - Behavioral Health Examiners for e-Licensing	450,000		450,000	(450,000)		0
APF/DOA - DEQ Permit Administration for IT	1,800,000		1,800,000	(1,800,000)		0
APF/DOA - DEQ Underground Storage Tank for IT	1,400,000		1,400,000	(1,400,000)		0
APF/DOA - Public Safety Equipment Fund for DPS IT	1,250,000		1,250,000	(1,250,000)		0
APF/DOA - DPS Highway Patrol Fund for IT	2,806,200		2,806,200	(2,806,200)		0
APF/DOA - DFI Receivership Revolving Fund for e-Licensing	1,400,000		1,400,000	(1,400,000)		0
APF/DOA - ADE Empowerment Scholarship Account Fund for AELAS					3,000,000	3,000,000
APF/DOA - Medical Examiners Board Fund for IT					300,000	300,000
APF/DOA - DPS Highway Patrol Fund for IT					2,301,000	2,301,000
APF/DOA - DPS Concealed Weapons Permit Fund for IT					410,000	410,000
APF/DOA - Agriculture Air Quality Fund for IT					200,000	200,000
Other Transfers						
DPS - Highway Patrol Fund to Highway Fund (Highway Safety Fee)	0		0		15,492,300	15,492,300
TOTAL - FUND TRANSFERS	\$18,125,100	0	\$18,125,100	(18,125,100)	21,703,300	\$21,703,300

1/ Represents FY 2020 Baseline cost above FY 2019 Baseline.

**CROSSWALK OF FY 2020 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
GENERAL FUND 1/**

GF General Appropriation Act - Individual Agency	GF Risk Management 2/	GF IT Pro Rata 3/	GF Elected Officials Retirement 3/	GF Correctional Officer Retirement 3/	GF Employee Pay 4/	GF Rent Charges 3/	GF COSF Increase 3/	GF Shared Services 3/	GF Health Insurance Trust Fund Reduction 3/	GF Health Insurance Trust Fund Increase 3/	GF FY 2020 Additional Appropriations 5/	GF Prior Year/ Statutory Appropriations 6/	GF FY 2020 Approp Rpt Total
BUDGET UNITS													
Administration, Arizona Department of	\$8,210,100	\$11,500	\$7,700	\$0	\$0	\$0	(\$85,000)	\$300	\$0	(\$51,200)	\$54,200		\$8,147,600
Administration, Arizona Department of Automation Projects Fund	11,100,000	0	0	0	0	0	0	0	0	0	0		11,100,000
Administrative Hearings, Office of	868,900	0	700	0	0	(100)	8,600	10,600	(4,300)	5,400			889,800
African-American Affairs, Arizona Commission of	127,200	0	100	0	0	0	800	0	(500)	500			128,100
Agriculture, Arizona Department of	10,188,900	(14,500)	7,000	0	29,900	(132,100)	31,200	0	(60,900)	66,000	750,000		10,865,500
AHCCCS	1,760,699,900	14,600	22,300	0	0	0	900	0	(203,100)	213,500			1,760,748,100
Arts, Arizona Commission on the	2,200,000	0	0	0	0	0	0	0	0	0			2,200,000
Attorney General - Department of Law	24,355,300	(13,600)	20,500	2,000	54,800	(69,400)	150,400	0	(112,800)	110,200	1,585,000		26,082,400
Charter Schools, State Board for	1,602,600	101,000	900	0	0	0	9,600	0	(5,800)	6,200			1,714,500
Child Safety, Department of	378,230,700	784,400	76,600	0	5,459,000	0	46,500	0	(75,000)	131,200			384,653,400
Commerce Authority, Arizona	3,775,000	0	0	0	0	0	0	0	0	0	15,500,000		19,275,000
Community Colleges, Arizona	91,154,900	0	0	0	0	0	0	0	0	0	6,245,800		97,400,700
Corporation Commission	618,000	0	700	0	0	0	400	0	(4,100)	5,800			620,800
Corrections, State Department of	1,133,566,500	617,900	524,000	0	(3,549,000)	35,479,300	1,700	230,300	(4,879,300)	5,119,900			1,167,111,300
County Funding	10,650,700	0	0	0	0	0	0	0	0	0			10,650,700
Deaf and the Blind, Schools for the	23,259,300	21,100	15,000	0	0	0	0	0	(238,100)	157,100			23,214,400
Economic Opportunity, Office of	988,800	2,700	400	0	0	(22,000)	0	0	(3,500)	1,900			968,300
Economic Security, Department of	749,115,200	(57,000)	96,900	0	0	600	245,200	0	(247,700)	555,000			749,708,200
Education, State Board of	1,146,300	100	600	0	0	0	11,800	0	(1,700)	1,800			1,158,900
Education, Department of	4,054,212,900	(2,800)	12,100	1,900	0	0	44,100	0	(63,800)	52,800	1,145,927,700		5,200,184,900
Emergency and Military Affairs, Department of	8,008,200	95,700	3,700	0	0	0	800	0	(19,100)	22,300	4,090,000		12,201,600
Environmental Quality, Department of	200,000	0	0	0	0	0	0	0	0	0			200,000
Equalization, State Board of	652,000	1,400	400	0	0	2,100	2,900	0	(1,700)	1,900			659,000
Executive Clemency, Board of	1,137,000	300	800	0	0	0	11,800	0	(3,300)	3,400			1,150,000
Financial Institutions, State Department of	1,984,800	800	800	0	0	0	0	0	(17,200)	11,700			1,980,900
Forestry and Fire Management, Arizona Department of	12,906,700	5,200	4,900	0	0	0	0	0	(27,900)	28,500	3,000,000		15,917,400
Gaming, Department of	2,509,500	0	0	0	0	0	0	0	0	0			2,509,500
Governor, Office of the	8,538,800	57,400	5,500	2,100	0	0	90,100	0	(30,000)	36,000			8,699,900
Governor's Office of Strategic Planning and Budgeting	2,672,100	600	1,700	0	0	0	17,900	0	(8,200)	0			2,684,100
Health Services, Department of	94,237,800	19,100	53,800	0	2,793,400	0	47,600	0	(390,800)	397,400			97,158,300
Historical Society, Arizona	3,075,000	28,900	1,900	0	0	0	0	0	(15,800)	17,700			3,107,700
Historical Society, Prescott	832,700	3,300	700	0	0	0	0	0	(6,600)	7,100			837,200
Housing, Department of	15,000,000	0	0	0	0	0	0	0	0	0			15,000,000
Insurance, Department of	5,628,400	(600)	4,100	0	19,900	8,400	0	0	(28,800)	31,800			5,663,200
Judiciary													
Supreme Court	20,422,400	4,800	11,700	24,500	0	0	402,900	0	(139,200)	147,900			20,875,000
Court of Appeals	16,667,200	5,000	13,200	74,100	0	0	0	0	(70,400)	75,900			16,765,000
Superior Court	92,076,100	374,300	12,600	133,500	0	0	0	0	0	0			92,596,500
SUBTOTAL - Judiciary	129,165,700	384,100	37,500	232,100	0	0	402,900	0	(209,600)	223,800	0	0	130,236,500
Juvenile Corrections, Department of	33,994,500	11,800	23,600	0	(161,100)	3,241,300	(248,900)	49,900	(216,300)	231,700			36,926,500
Land Department, State	11,605,100	(72,800)	10,200	0	0	0	106,700	0	(54,500)	59,600			11,654,300
Legislature													
Auditor General	19,524,100	8,100	16,700	0	0	0	0	0	(102,600)	100,000	1,083,000		20,629,300
House of Representatives	16,335,000	23,000	11,100	31,400	0	0	0	0	(88,400)	95,400			16,407,500
Joint Legislative Budget Committee	2,829,800	1,500	2,100	0	0	0	0	0	(9,900)	10,700			2,834,200
Legislative Council	8,804,900	3,600	4,400	0	0	0	0	0	(25,100)	27,100			8,814,900
Senate	12,922,200	(1,200)	7,500	15,700	0	0	0	0	(59,900)	64,600			12,948,900
SUBTOTAL - Legislature	60,416,000	35,000	41,800	47,100	0	0	0	0	(285,900)	297,800	0	1,083,000	61,634,800
Mine Inspector, State	1,255,800	800	800	1,100	0	0	10,300	0	(5,900)	6,400			1,269,300
Navigable Stream Adjudication Commission	127,400	0	100	0	0	0	1,400	0	(800)	900			129,000
Postsecondary Education, Commission for	1,680,900	0	0	0	0	0	0	0	0	0			1,680,900
Public Safety, Department of	70,690,800	225,900	49,300	0	21,490,100	0	8,300	0	(323,100)	209,000			92,350,300
Public Safety Personnel Retirement System	1,000,000	0	0	0	0	0	0	0	0	0	5,000,000		6,000,000
Real Estate Department, State	2,911,700	500	2,100	0	0	(5,800)	0	0	(12,800)	13,800			2,909,500
Revenue, Department of	31,063,800	26,000	12,600	0	0	0	132,600	0	(128,200)	138,400			31,245,200
School Facilities Board	288,905,800	1,200	1,300	0	0	0	14,900	0	(5,500)	5,900	36,726,700		325,650,300
Secretary of State	16,995,400	16,400	6,800	1,500	0	0	343,000	0	(51,700)	56,500			17,367,900
Tax Appeals, State Board of	280,400	300	200	0	0	800	0	0	(1,100)	1,200			281,800
Tourism, Office of	8,212,000	2,000	0	0	0	0	0	0	0	0			8,214,000
Treasurer, State	1,205,100	0	0	0	0	0	0	0	0	0			1,205,100
Tribal Relations, Governor's Office on	60,900	200	0	0	0	0	1,800	0	(300)	300			62,900
Universities													
Board of Regents	22,358,100	37,100	2,100	0	0	0	0	0	(7,400)	7,800			22,397,700
Arizona State University	316,774,700	(499,600)	0	0	0	0	0	0	(1,039,300)	1,058,800	25,622,200		341,916,800
Northern Arizona University	106,738,400	0	0	0	0	0	0	0	(28,500)	30,200		10,510,800	117,250,900
University of Arizona - Main Campus	190,318,900	467,700	0	0	0	0	0	0	(1,006,600)	1,016,000	25,012,900		215,808,900

GF General Appropriation Act - Individual Agency	GF		GF		GF		GF		GF		GF		GF		GF	
	Management	Risk	IT Pro Rata	Elected Officials Retirement	Correctional Officer Retirement	GF Employee Pay	Rent Charges	COSF Increase	GF Shared Services	Health Insurance Trust Fund Reduction	Health Insurance Trust Fund Increase	FY 2020 Additional Appropriations	Prior Year/ Statutory Appropriations	FY 2020 Approp Rpt Total		
University of Arizona - Health Sciences Center	76,897,700	0	0	0	0	0	0	0	0	0	0	0	0	76,897,700		
SUBTOTAL - Universities	713,087,800	5,200	2,100	0	0	0	0	0	0	(2,081,800)	2,112,800	0	61,145,900	774,272,000		
Veterans' Services, Department of	7,771,100	19,000	4,500	0	0	0	0	0	0	(28,400)	26,700	0	0	7,792,900		
Water Resources, Department of	34,909,800	8,600	11,000	0	0	0	0	0	0	(60,500)	68,800	32,000,000	0	66,937,700		
OPERATING BUDGET TOTAL	\$9,838,794,200	\$2,341,700	\$1,067,700	\$287,800	(\$3,710,100)	\$68,567,700	(\$549,700)	\$2,023,000	\$10,600	(\$9,967,600)	\$10,492,900	\$32,000,000	\$1,281,054,100	\$11,222,412,300		
Risk Management Adjustments	2,341,700	(2,341,700)	0	0	0	0	0	0	0	0	0	0	0	0		
IT Pro Rata Adjustments	1,067,700	0	(1,067,700)	0	0	0	0	0	0	0	0	0	0	0		
Continue FY 2019 EORP Supplemental	287,800	0	0	(287,800)	0	0	0	0	0	0	0	0	0	0		
Employee Pay Adjustments	68,567,700	0	0	0	0	(68,567,700)	0	0	0	0	0	0	0	0		
ADC/Judiciary Retirement Rate Adjustment	(3,710,100)	0	0	0	3,710,100	0	0	0	0	0	0	0	0	0		
Remove FY 2019 Agency Health Insurance Adjustments	(9,967,600)	0	0	0	0	0	0	0	0	9,967,600	0	0	0	0		
FY 2020 Agency Health Insurance Adjustments	10,544,400	0	0	0	0	0	0	0	0	(10,492,900)	0	0	0	51,500		
Agency Rent Adjustments	(549,700)	0	0	0	0	0	549,700	0	0	0	0	0	0	0		
COSF Rental Rate Increase	2,023,000	0	0	0	0	0	0	(2,023,000)	0	0	0	0	0	0		
ADOA Shared Services (1740 W Adams)	10,600	0	0	0	0	0	0	0	(10,600)	0	0	0	0	0		
Budget Stabilization Fund Deposit	271,107,000	0	0	0	0	0	0	0	0	0	0	0	0	271,107,000		
Capital Outlay - 2010 Leaseback Debt Service	77,709,300	0	0	0	0	0	0	0	0	0	0	0	0	77,709,300		
Capital Outlay - Phoenix Convention Center Debt Service	23,500,000	0	0	0	0	0	0	0	0	0	0	0	0	23,500,000		
Capital Outlay - Rio Nuevo District	14,000,000	0	0	0	0	0	0	0	0	0	0	0	0	14,000,000		
Capital Outlay	99,885,000	0	0	0	0	0	0	0	0	0	0	0	0	99,885,000		
2010B Sale/Leaseback Payoff	0	0	0	0	0	0	0	0	0	0	0	190,000,000	0	190,000,000		
Administrative Adjustments	128,000,000	0	0	0	0	0	0	0	0	0	0	0	0	128,000,000		
Revertments	(173,000,000)	0	0	0	0	0	0	0	0	0	0	0	0	(173,000,000)		
GRAND TOTAL	\$10,350,611,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	222,000,000	\$1,281,054,100	\$11,853,665,100		

1/ This chart provides a crosswalk between an agency's appropriation in the FY 2020 General Appropriation Act (Laws 2019, Chapter 263) and the individual agency amount as it appears in the FY 2020 Appropriations Report.

2/ Represents individual agency section of the FY 2020 General Appropriation Act and other direct appropriations in the General Appropriation Act.

3/ Section 171 of the FY 2020 General Appropriation Act appropriates statewide adjustments from the General Fund for Employer Health Insurance Contribution Reduction, Employer Health Insurance Contribution Increase, Elected Officials Retirement, Agency Risk Management Adjustments, Agency Rent Adjustments, State Building Rent Increases, Shared Services Adjustments, Correctional Officer Retirement Adjustments and Information Technology Pro Rata Adjustments. Section 171 requires JLBC Staff to determine the agency-by-agency distribution of these funds, which are reflected below.

4/ Section 172 of the FY 2020 General Appropriation Act appropriates statewide adjustments from the General Fund for Employee Pay Adjustments for certain agencies and positions.

5/ Appropriations separate from the FY 2020 General Appropriation Act enacted in the 54th Legislature, 1st Regular Session. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

6/ Represents ongoing statutory appropriations or appropriations enacted prior to the 54th Legislature, 1st Regular Session. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

**CROSSWALK OF FY 2020 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
OTHER FUNDS 1**

	OF General Appropriation Act - Individual Agency	OF Risk Management	OF IT Pro Rata	OF Retirement	OF Employee Pay	OF Health Insurance Trust Fund Reduction	OF Health Insurance Trust Fund Increase	OF Rent Charges	OF COSF Increase	OF Shared Services	OF FY 2020 Additional Appropriations	OF Prior Year/ Statutory Appropriations	OF FY 2020 Approp Rpt Total
	2/	3/	3/	3/	4/	3/	3/	3/	3/	3/	5/	6/	
BUDGET UNITS													
Accountancy, State Board of													
Board of Accountancy Fund	\$2,037,900	\$800	\$1,100	\$2,500	\$0	(\$7,400)	\$7,700	\$2,700	\$0	\$0			\$2,045,300
Acupuncture Board of Examiners													
Acupuncture Board of Examiners Fund	169,700	200	100	300	0	(100)	100	3,500	1,100	1,100			176,000
Administration, Arizona Department of													
Air Quality Fund	927,300	0	0	0	0	0	0	0	0	0			927,300
Arizona Financial Information System Collections Fund	9,447,700	400	3,200	7,600	0	(31,000)	23,600	(32,800)	0	0			9,418,700
Automation Operations Fund	31,399,800	12,600	6,100	14,600	0	(19,000)	38,600	(415,400)	3,600	0			31,040,900
Capital Outlay Stabilization Fund	18,136,300	5,900	4,400	10,500	0	(35,400)	35,900	345,200	40,800	0			18,543,600
Corrections Fund	572,500	200	200	500	0	(1,100)	1,400	0	0	0			573,700
Federal Surplus Materials Revolving Fund	464,900	100	0	100	0	(300)	400	0	0	0			465,200
Information Technology Fund	8,436,000	1,400	1,700	4,000	0	(5,800)	10,400	(4,300)	0	0			8,443,400
Motor Vehicle Pool Revolving Fund	10,162,600	17,400	500	1,300	0	(2,900)	4,000	0	8,300	0			10,191,200
Personnel Division Fund	12,747,800	5,800	8,200	19,600	0	(36,800)	39,000	(71,100)	11,300	0			12,723,800
Risk Management Revolving Fund	94,569,100	5,000	4,800	11,600	0	(28,000)	27,800	(12,600)	2,200	0			94,579,900
Special Employee Health Insurance Trust Fund	5,283,800	2,800	3,300	8,000	0	(18,500)	18,700	(6,200)	0	0			5,291,900
Special Services Revolving Fund	1,190,700	200	600	1,400	0	(2,900)	5,400	(38,700)	9,100	3,200			1,169,000
State Surplus Materials Revolving Fund	2,963,700	800	500	1,200	0	(4,800)	4,600	0	11,800	0			2,977,800
State Web Portal Fund	6,798,100	0	1,700	3,900	0	(2,200)	4,600	38,400	0	0			6,844,500
Telecommunications Fund	1,916,300	700	1,200	2,800	0	(4,900)	5,800	(283,300)	7,000	0			1,645,600
Total - Arizona Department of Administration	205,016,600	53,300	36,400	87,100	0	(193,600)	220,200	(480,800)	94,100	3,200	0	0	204,836,500
Administration, Arizona Department of - Automation Projects Fund													
Automation Projects Fund	\$17,311,000	0	0	0	0	0	0	0	0	0			17,311,000
Agriculture, Arizona Department of													
Air Quality Fund	1,445,200	0	1,100	2,700	0	(8,700)	8,500	0	0	0			1,448,800
Nuclear Emergency Management Fund	0	0	0	0	0	0	0	0	0	0	301,400	0	301,400
Total - Arizona Department of Agriculture	1,445,200	0	1,100	2,700	0	(8,700)	8,500	0	0	0	301,400	0	1,750,200
AHCCCS													
Budget Neutrality Compliance Fund	3,906,400	0	0	0	0	0	0	0	0	0			3,906,400
Children's Health Insurance Program Fund	104,642,000	700	1,400	3,400	0	(1,800)	4,500	0	0	0			104,650,200
Prescription Drug Rebate Fund - State	150,526,800	0	0	100	0	(300)	100	0	0	0			150,526,700
Substance Abuse Services Fund	2,250,200	0	0	0	0	0	0	0	0	0			2,250,200
Tobacco Products Tax Fund													
Emergency Health Services Account	16,216,300	0	0	0	0	0	0	0	0	0			16,216,300
Tobacco Tax and Health Care Fund													
Medically Needy Account	61,752,600	0	0	0	0	0	0	0	0	0			61,752,600
Total - AHCCCS	339,294,300	700	1,400	3,500	0	(2,100)	4,600	0	0	0	0	0	339,302,400
Athletic Training, Board of													
Athletic Training Fund	123,500	1,100	100	200	0	(1,100)	1,200	0	700	1,300			127,000
Attorney General - Department of Law													
Antitrust Enforcement Revolving Fund	148,500	(100)	100	200	0	(700)	600	0	0	0			148,600
Attorney General Legal Services Cost Allocation Fund	2,102,800	(1,000)	1,500	3,500	0	(11,000)	9,200	0	0	0			2,105,000
Collection Enforcement Revolving Fund	6,904,500	(3,600)	4,700	100	9,000	(23,900)	23,900	0	0	0			6,914,700
Consumer Protection-Consumer Fraud Rev. Fund	15,373,100	(3,800)	5,000	(18,000)	11,700	(18,500)	14,900	0	0	0			15,364,400
Interagency Service Agreements Fund	16,428,600	(8,300)	13,000	14,300	0	(64,300)	62,200	0	0	0			16,445,500
Internet Crimes Against Children Enforcement Fund	900,000	0	0	0	0	0	0	0	0	0			900,000
Risk Management Revolving Fund	9,570,000	(5,700)	7,800	18,200	0	(42,600)	42,300	0	0	0			9,590,000
Victims' Rights Fund	3,766,800	(300)	400	1,000	0	(1,400)	1,200	0	0	0			3,767,700
Total - Attorney General - Department of Law	55,194,300	(22,800)	32,500	19,300	20,700	(162,400)	154,300	0	0	0	0	0	55,235,900
Automobile Theft Authority													
Automobile Theft Authority Fund	5,308,900	700	400	1,100	0	(3,000)	3,200	800	0	0			5,312,100
Barbers, Board of													
Board of Barbers Fund	401,100	300	300	600	0	(1,800)	1,900	500	2,500	900			406,300
Behavioral Health Examiners, Board of													
Board of Behavioral Health Examiners Fund	1,772,300	2,800	1,200	2,700	0	(8,400)	8,800	(18,800)	7,300	2,100			1,770,000
Child Safety, Department of													
Child Abuse Prevention Fund	1,459,300	0	0	0	0	0	0	0	0	0			1,459,300
Children and Family Services Training Program Fund	207,100	0	0	0	0	0	0	0	0	0			207,100

OF General Appropriation Act - Individual Agency	OF Risk Management 2/	OF IT Pro Rata 3/	OF Retirement 3/	OF Employee Pay 4/	OF	OF	OF	OF	OF	OF	OF	OF	OF
					Health Insurance Trust Fund Reduction 3/	Health Insurance Trust Fund Increase 3/	Rent Charges 3/	COSF Increase 3/	Shared Services 3/	FY 2020 Additional Appropriations 5/	Prior Year/ Statutory Appropriations 6/	FY 2020 Approp Rpt Total	
Federal Child Care and Development Fund Block Grant	34,400,000	0	0	0	0	0	0	0	0	0			34,400,000
Federal Temporary Assistance for Needy Families Block Grant	157,279,300	0	43,800	105,700	0	0	0	0	0	0			157,428,800
Total - Department of Child Safety	193,345,700	0	43,800	105,700	0	0	0	0	0	0	0	0	193,495,200
Chiropractic Examiners, State Board of Board of Chiropractic Examiners Fund	429,700	300	300	600	0	(2,200)	2,300	3,400	2,600	1,600			438,600
Commerce Authority, Arizona State Web Portal Fund	2,500,000	0	0	0	0	0	0	0	0	0			2,500,000
Contractors, Registrar of Registrar of Contractors Fund	12,300,100	(200)	7,400	17,600	0	(48,100)	50,300	0	41,700	0			12,368,800
Corporation Commission Arizona Arts Trust Fund	50,700	(200)	0	100	0	(700)	800	0	0	0			50,700
Investment Management Regulatory and Enforcement Fund	714,700	(2,900)	700	1,600	2,900	(3,700)	4,700	0	0	0			718,000
Public Access Fund	6,713,000	(19,400)	3,900	9,200	0	(32,600)	31,900	0	65,800	0			6,771,800
Securities Regulatory and Enforcement Fund	5,038,200	(9,800)	3,800	9,000	15,600	(24,400)	27,500	0	55,900	0			5,115,800
Utility Regulation Revolving Fund	14,449,300	(33,400)	12,100	8,000	0	(73,200)	75,200	0	53,700	0			14,491,700
Total - Corporation Commission	26,965,900	(65,700)	20,500	27,900	18,500	(134,600)	140,100	0	175,400	0	0	0	27,148,000
Corrections, State Department of Alcohol Abuse Treatment Fund	555,500	0	0	0	0	0	0	0	0	0			555,500
Corrections Fund	30,312,300	0	0	0	0	0	0	0	0	0			30,312,300
Inmate Store Proceeds Fund	1,340,400	0	700	200	0	0	0	0	0	0			1,341,300
Penitentiary Land Fund	2,507,400	0	300	200	0	0	0	272,400	0	0			2,780,300
Prison Construction and Operations Fund	12,500,000	0	0	0	0	0	0	0	0	0			12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,500	300	0	0	0	0	0	0	0	0		500,000	2,661,800
State Education Fund for Correctional Education	727,900	0	600	300	0	(3,400)	3,900	0	0	0			729,300
Transition Program Fund	2,400,100	0	0	0	0	0	0	0	0	0			2,400,100
Total - State Department of Corrections	53,005,100	300	1,600	700	0	(3,400)	3,900	272,400	0	0	0	0	53,280,600
Cosmetology, Board of Board of Cosmetology Fund	1,921,300	1,300	1,200	2,800	0	(12,400)	13,000	3,000	11,600	7,300			1,949,100
County Funding State Charitable, Penal and Reformatory Institutions Land Fund	0	0	0	0	0	0	0	0	0	0		500,000	500,000
Criminal Justice Commission, Arizona Criminal Justice Enhancement Fund	650,000	700	300	800	0	(2,200)	2,600	3,300	0	0			655,500
Drug and Gang Prevention Resource Center Fund	612,000	0	300	800	0	(1,600)	1,700	0	0	0			613,200
Fingerprint Clearance Card Fund	0	0	0	0	0	0	0	0	0	0		600,000	600,000
State Aid to County Attorneys Fund	973,700	0	0	0	0	0	0	0	0	0			973,700
Transition Program Fund	750,000	0	0	0	0	0	0	0	0	0			750,000
Victim Compensation and Assistance Fund	4,222,400	0	200	400	0	(1,400)	1,400	0	0	0			4,223,000
Total - Arizona Criminal Justice Commission	7,208,100	700	800	2,000	0	(5,200)	5,700	3,300	0	0	0	600,000	7,815,400
Deaf and the Blind, Arizona Schools for the Schools for the Deaf and the Blind Fund	12,799,200	0	10,300	24,700	0	(7,800)	95,300	0	0	0			12,921,700
Total - Arizona State Schools for the Deaf and the Blind	12,799,200	0	10,300	24,700	0	(7,800)	95,300	0	0	0	0	0	12,921,700
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	4,613,500	1,100	1,400	3,300	0	(7,900)	8,300	5,200	0	0			4,624,900
Dental Examiners, State Board of Dental Board Fund	1,212,700	9,900	700	1,600	0	(6,400)	6,700	0	0	4,600			1,229,800
Economic Security, Department of Child Support Enforcement Administration Fund	16,973,100	0	30,500	72,800	0	(233,800)	248,500	0	3,600	0			17,094,700
Domestic Violence Services Fund	4,000,000	0	0	0	0	0	0	0	0	0			4,000,000
Federal Child Care and Development Fund Block Grant	158,918,600	0	8,400	20,000	0	0	0	0	5,900	0			158,952,900
Federal Temporary Assistance for Needy Families Block Grant	65,324,900	0	12,100	28,700	0	0	0	0	30,200	0			65,395,900
Long Term Care System Fund	26,559,600	0	0	0	0	0	0	0	0	0			26,559,600
Public Assistance Collections Fund	422,500	0	300	600	0	0	0	0	0	0			423,400
Special Administration Fund	4,506,300	0	1,200	2,800	0	(9,500)	10,400	0	0	0			4,511,200
Spinal and Head Injuries Trust Fund	2,354,400	0	200	500	0	(29,300)	700	0	300	0			2,326,800
Statewide Cost Allocation Plan Fund	1,000,000	0	0	0	0	0	0	0	0	0			1,000,000
Workforce Investment Act Grant	56,044,500	0	0	0	0	0	0	0	0	0			56,044,500
Total - Department of Economic Security	336,103,900	0	52,700	125,400	0	(272,600)	259,600	0	40,000	0	0	0	336,309,000

	OF General					OF Health Insurance Trust Fund Reduction 3/	OF Health Insurance Trust Fund Increase 3/	OF Rent Charges 3/	OF COSF Increase 3/	OF Shared Services 3/	OF FY 2020 Additional Appropriations 5/	OF Prior Year/ Statutory Appropriations 6/	OF FY 2020 Approp Rpt Total
	Appropriation Act - Individual	OF Risk Management 3/	OF IT Pro Rata 3/	OF Retirement 3/	OF Employee Pay 4/								
	Agency												
Education, Department of						0							
Department of Education Empowerment Scholarship Account Fund	1,246,100	(1,000)	3,400	7,600	0	(12,900)	22,000	0	18,200	0			1,283,400
Department of Education Professional Development Revolving Fund	2,700,000	0	0	0	0	0	0	0	0	0			2,700,000
Permanent State School Fund	290,489,100	0	0	0	0	0	0	0	0	0			290,489,100
Proposition 301 Fund	7,000,000	0	0	0	0	0	0	0	0	0			7,000,000
Teacher Certification Fund	2,342,700	0	0	0	0	0	0	0	0	0			2,342,700
Tribal College Dual Enrollment Program Fund	250,000	0	0	0	0	0	0	0	0	0			250,000
Total - Department of Education	304,027,900	(1,000)	3,400	7,600	0	(12,900)	22,000	0	18,200	0	0	0	304,065,200
Emergency and Military Affairs, Department of Nuclear Emergency Management Fund	0	0	0	0	0	0	0	0	0	0	1,458,700		1,458,700
Environmental Quality, Department of Air Quality Fund	5,682,900	0	2,400	5,700	0	(8,700)	13,600	0	0	0	2,600,000		8,295,900
Emergency Response Fund	132,800	0	0	0	0	0	0	0	0	0	0		132,800
Emissions Inspection Fund	27,857,000	0	1,500	3,600	0	(13,300)	8,500	0	0	0	2,800,000		30,657,300
Hazardous Waste Management Fund	1,742,400	0	900	2,300	0	(5,200)	7,800	0	0	0			1,748,200
Indirect Cost Recovery Fund	13,524,900	25,900	9,400	22,300	0	(37,400)	57,100	0	13,700	0			13,615,900
Permit Administration Fund	7,146,800	0	3,800	9,000	0	(22,200)	18,300	0	0	0	1,000,000		8,155,700
Recycling Fund	1,359,300	0	800	2,000	0	(4,300)	4,000	0	0	0	2,152,000		3,513,800
Safe Drinking Water Program Fund	1,802,100	0	1,000	2,500	0	0	6,400	0	0	0			1,812,000
Solid Waste Fee Fund	1,245,800	0	700	1,700	0	(4,800)	4,400	0	0	0			1,247,800
Underground Storage Tank Fund Revolving Fund	30,200	0	4,400	10,500	0	0	20,200	59,400	2,000	0	5,000,000		5,126,700
Water Quality Fee Fund	10,556,600	0	6,000	14,300	0	(32,100)	30,700	0	0	0			10,575,500
Total - Department of Environmental Quality	71,080,800	25,900	30,900	73,900	0	(128,000)	171,000	59,400	15,700	0	13,552,000	0	84,881,600
Equal Opportunity, Governor's Office of Personnel Fund	190,700	0	200	400	0	(1,100)	0	0	0	0			190,200
Exposition and State Fair Board, Arizona Arizona Exposition and State Fair Fund	13,204,900	64,800	5,900	5,900	0	(14,900)	15,600	0	0	0			13,282,200
Financial Institutions, Department of Revolving Fund	50,000	0	100	200	0	0	300	0	0	0			50,600
Financial Services Fund	3,950,600	2,200	3,700	8,900	0	(8,400)	15,700	13,900	0	0			3,986,600
Total - Department of Financial Institutions	4,000,600	2,200	3,800	9,100	0	(8,400)	16,000	13,900	0	0	0	0	4,037,200
Funeral Directors and Embalmers, Board of Board of Funeral Directors' and Embalmers' Fund	379,700	12,000	200	600	0	(1,800)	1,900	3,600	2,000	1,500			399,700
Game and Fish Department, Arizona Capital Improvement Fund	1,001,200	0	0	0	0	0	0	0	0	0			1,001,200
Game and Fish Fund	36,558,300	41,800	18,000	653,700	478,600	(116,200)	124,100	300	0	0			37,758,600
Game, Nongame, Fish and Endangered Species Fund	347,200	0	100	300	0	(700)	800	0	0	0			347,700
Watercraft Licensing Fund	4,829,700	0	1,300	17,000	7,100	(14,700)	15,000	0	0	0			4,855,400
Wildlife Endowment Fund	16,200	0	0	0	0	0	0	0	0	0			16,200
Total - Arizona Game and Fish Department	42,752,600	41,800	19,400	671,000	485,700	(131,600)	139,900	300	0	0	0	0	43,979,100
Gaming, Department of Tribal-State Compact Fund	2,091,300	0	1,600	3,900	0	(8,600)	10,100	0	0	0			2,098,300
Racing Regulation Fund	2,403,100	(400)	1,100	2,600	0	(8,500)	4,500	0	0	0			2,402,400
Racing Regulation Fund - Uarmed Combat Subaccount	100,000	0	0	0	0	0	0	0	0	0			100,000
State Lottery Fund	300,000	0	0	0	0	0	0	0	0	0			300,000
Arizona Benefits Fund	11,115,300	(1,100)	6,500	15,500	0	(39,900)	44,800	10,300	1,900	0			11,153,300
Total - Department of Gaming	16,009,700	(1,500)	9,200	22,000	0	(57,000)	59,400	10,300	1,900	0	0	0	16,054,000
Health Services, Department of Arizona State Hospital Fund	2,590,300	0	0	0	0	(16,900)	18,600	0	0	0			2,592,000
ASH Land Earnings Fund	650,000	0	0	0	0	0	0	0	0	0			650,000
Child Fatality Review Fund	95,700	0	100	200	0	(800)	900	0	0	0			96,100
Disease Control Research Fund	1,000,000	0	0	0	0	0	0	0	0	0			1,000,000
Emergency Medical Services Operating Fund	5,731,300	300	2,300	5,600	0	(16,500)	17,600	0	0	0			5,740,600
Environmental Laboratory Licensure Revolving Fund	929,200	0	500	1,100	0	(3,500)	3,800	0	0	0			931,100
Federal Child Care and Development Fund Block Grant	879,900	0	600	1,500	0	(6,100)	6,700	0	0	0			882,600
Health Services Licensing Fund	15,793,700	200	9,200	21,600	0	(61,100)	71,800	0	0	0			15,835,400
Health Services Lottery Monies Fund	100,000	0	0	0	0	0	0	0	0	0			100,000
Indirect Cost Fund	10,371,800	9,400	5,500	13,200	0	(22,200)	35,100	0	0	0			10,412,800
Newborn Screening Program Fund	7,660,200	0	1,500	3,600	0	(12,400)	11,300	0	0	0			7,664,200
Nuclear Emergency Management Fund	0	0	0	0	0	0	0	0	0	0	789,700		789,700

OF General Appropriation Act - Individual Agency	OF Risk Management ^{2/}	OF IT Pro Rata ^{3/}	OF Retirement ^{3/}	OF Employee Pay ^{4/}	OF	OF	OF	OF	OF	OF	OF	OF	OF
					Health Insurance Trust Fund Reduction ^{3/}	Health Insurance Trust Fund Increase ^{3/}	OF Rent Charges ^{3/}	OF COSF Increase ^{3/}	OF Shared Services ^{3/}	FY 2020 Additional Appropriations ^{5/}	Prior Year/ Statutory Appropriations ^{6/}	FY 2020 Approp Rpt Total	
Nursing Care Institution Resident Protection													
Revolving Fund	138,200	0	0	0	0	0	0	0	0	0			138,200
Prescription Drug Rebate Fund - State	1,000,000	0	0	0	0	0	0	0	0	0			1,000,000
Tobacco Tax and Health Care Fund													
Health Research Account	4,000,000	0	0	0	0	0	0	0	0	0			4,000,000
Tobacco Tax and Health Care Fund													
Medically Needy Account	700,000	0	0	0	0	0	0	0	0	0			700,000
Vital Records Electronic Systems Fund	3,630,200	0	1,300	3,100	0	(7,400)	10,400	0	0	0			3,637,600
Total - Department of Health Services	55,270,500	9,900	21,000	49,900	0	(146,900)	176,200	0	0	0	789,700	0	56,170,300
Homeopathic and Integrated Medicine													
Examiners, Board of													
Board of Homeopathic and Integrated Medicine													
Examiners' Fund	40,200	100	0	100	0	(700)	700	3,500	1,100	1,100			46,100
Housing, Department of													
Housing Trust Fund	322,200	(300)	300	0	0	(1,900)	1,900	0	0	0			322,200
Industrial Commission of Arizona													
Administrative Fund	20,001,800	6,400	12,400	29,500	0	(89,400)	94,800	0	0	0			20,055,500
Judiciary - Supreme Court													
Confidential Intermediary and Fiduciary Fund	491,300	0	300	800	0	(1,400)	1,100	0	0	0			492,100
Court Appointed Special Advocate Fund	3,597,700	0	600	1,300	0	(2,800)	4,500	0	0	0			3,601,300
Criminal Justice Enhancement Fund	4,384,500	900	2,400	4,800	0	(12,400)	19,500	0	0	0			4,399,700
Defensive Driving School Fund	4,208,200	0	2,200	5,000	0	(2,900)	13,600	0	0	0			4,226,100
Judicial Collection Enhancement Fund	14,800,000	4,700	7,900	17,800	0	(6,100)	47,800	0	0	0			14,872,100
State Aid to the Courts Fund	2,945,200	0	0	0	0	0	100	0	0	0			2,945,300
Total - Judiciary - Supreme Court	30,426,900	5,600	13,400	29,700	0	(25,600)	86,600	0	0	0	0	0	30,536,600
Judiciary - Superior Court													
Criminal Justice Enhancement Fund	5,440,000	13,300	500	1,300	0	0	0	0	0	0			5,455,100
Judicial Collection Enhancement Fund	6,015,200	0	0	0	0	0	0	0	0	0			6,015,200
Drug Treatment and Education Fund	502,900	0	0	0	0	0	0	0	0	0			502,900
Total - Judiciary - Superior Court	11,958,100	13,300	500	1,300	0	0	0	0	0	0	0	0	11,973,200
SUBTOTAL - Judiciary	42,385,000	18,900	13,900	31,000	0	(25,600)	86,600	0	0	0	0	0	42,509,800
Juvenile Corrections, Department of													
Criminal Justice Enhancement Fund	531,400	0	200	0	0	(100)	0	0	0	0			531,500
State Charitable, Penal and Reformatory													
Institutions Land Fund	4,011,600	0	800	0	0	0	0	0	0	0			4,012,400
State Education Fund for Committed Youth	1,854,400	0	1,900	1,700	0	(7,800)	11,500	0	0	0			1,861,700
Total - Department of Juvenile Corrections	6,397,400	0	2,900	1,700	0	(7,900)	11,500	0	0	0	0	0	6,405,600
Land Department, State													
Due Diligence Fund	500,000	0	0	0	0	0	0	0	0	0			500,000
Environmental Special Plate Fund	260,600	0	0	0	0	0	0	0	0	0			260,600
Trust Land Management Fund	7,288,200	(9,500)	1,100	2,500	0	(1,500)	900	0	0	0			7,281,700
Total - State Land Department	8,048,800	(9,500)	1,100	2,500	0	(1,500)	900	0	0	0	0	0	8,042,300
Liquor Licenses and Control, Department of													
Liquor Licenses Fund	3,267,300	(24,800)	1,600	42,200	85,800	(15,500)	15,600	0	1,600	0			3,373,800
Lottery Commission, Arizona State													
State Lottery Fund	146,787,100	(4,300)	6,300	14,900	0	(40,500)	42,600	0	0	0			146,806,100
Massage Therapy, Board of													
Board of Massage Therapy Fund	460,900	100	200	600	0	(2,300)	2,500	4,400	2,900	2,300			471,600
Medical Board, Arizona													
Arizona Medical Board Fund	6,987,100	(7,100)	4,500	10,500	0	(23,000)	24,200	6,700	21,300	12,700			7,036,900
Mine Inspector, State													
Aggregate Mining Reclamation Fund	112,900	0	0	0	0	0	0	0	0	0			112,900
Naturopathic Physicians Medical Board													
Naturopathic Physicians Medical Board Fund	187,400	(500)	100	300	0	(1,500)	1,600	3,500	1,300	1,200			193,400
Navigable Stream Adjudication Commission													
Arizona Water Banking Fund	200,000	0	0	0	0	0	0	0	0	0			200,000
Nursing, State Board of													
Board of Nursing Fund	4,738,200	7,100	3,500	7,100	0	(23,600)	24,800	(14,300)	19,200	9,000			4,771,000
Nursing Care Institution Administrators Board													
Nursing Care Institution Administrators'													
Licensing and Assisted Living Facility													
Managers' Certification Fund	443,600	400	300	1,500	0	(2,300)	2,400	4,100	2,400	2,600			455,000
Occupational Therapy Examiners, Board of													
Occupational Therapy Fund	197,200	800	100	300	0	(1,200)	1,300	300	700	(500)			199,000
Opticians, State Board of Dispensing													
Board of Dispensing Opticians Fund	149,100	100	100	200	0	(700)	800	3,500	1,200	1,600			155,900

	OF General					OF	OF	OF	OF	OF	OF	OF	OF
	Appropriation Act - Individual Agency	Risk Management	IT Pro Rata	Retirement	Employee Pay	Health Insurance Trust Fund Reduction	Health Insurance Trust Fund Increase	Rent Charges	COSF Increase	Shared Services	FY 2020 Additional Appropriations	Prior Year/ Statutory Appropriations	FY 2020 Approp Rpt Total
Optometry, State Board of													
Board of Optometry Fund	233,800	200	100	300	0	(800)	900	3,500	1,400	1,300			240,700
Osteopathic Examiners, Arizona Board of													
Board of Osteopathic Examiners Fund	997,200	700	500	1,300	0	(4,100)	4,300	6,100	3,800	2,500			1,012,300
Parks Board, Arizona State													
State Lake Improvement Fund	225,000	0	0	0	0	0	0	0	0	0			225,000
State Parks Revenue Fund	15,713,500	38,900	8,500	223,600	75,300	(56,900)	56,700	0	6,100	0			16,065,700
Off-Highway Vehicle Recreation Fund	692,100	0	0	0	0	0	0	0	0	0			692,100
Total - Arizona State Parks Board	16,630,600	38,900	8,500	223,600	75,300	(56,900)	56,700	0	6,100	0	0	0	16,982,800
Personnel Board, State													
Personnel Board Subaccount of the													
Personnel Division Fund	361,000	200	200	400	0	(1,200)	1,200	3,500	1,300	1,500			368,100
Pharmacy, Arizona State Board of													
Arizona State Board of Pharmacy Fund	2,642,200	1,200	1,600	3,700	0	(9,900)	10,400	0	16,100	0			2,665,300
Physical Therapy, Board of													
Board of Physical Therapy Fund	494,600	400	300	600	0	(2,800)	2,900	3,500	2,300	1,900			503,700
Pioneers' Home, Arizona													
Miners' Hospital for Miners with Disabilities Land Fund	2,047,000	4,100	1,500	3,300	0	(14,000)	17,300	0	0	0			2,059,200
State Charitable Fund	4,505,200	0	3,100	7,700	0	(31,500)	30,500	0	0	0			4,515,000
Total - Arizona Pioneers' Home	6,552,200	4,100	4,600	11,000	0	(45,500)	47,800	0	0	0	0	0	6,574,200
Podiatry Examiners, State Board of													
Podiatry Fund	161,900	100	100	200	0	(800)	900	3,500	1,100	1,100			168,100
Postsecondary Education, Commission for													
Postsecondary Education Fund	1,537,200	600	200	400	0	(2,600)	900	0	0	0			1,536,700
Private Postsecondary Education, Board for													
Board for Private Postsecondary Education Fund	417,800	400	300	700	0	(1,800)	1,900	200	2,200	1,600			423,300
Psychologist Examiners, State Board of													
Board of Psychologist Examiners Fund	507,000	(1,000)	300	700	0	(2,500)	2,600	4,100	2,300	2,600			516,100
Public Safety, Department of													
Arizona Highway Patrol Fund	194,133,700	620,900	77,700	4,000	0	(632,900)	760,000	900	4,200	0			194,968,500
Concealed Weapons Permit Fund	2,717,700	0	1,800	0	0	(5,600)	5,800	0	0	0			2,719,700
Criminal Justice Enhancement Fund	2,927,300	6,800	2,100	0	0	(12,500)	13,100	0	0	0			2,936,800
DPS Forensics Fund	22,495,800	0	16,400	37,900	0	(80,600)	84,700	0	0	0			22,554,200
Fingerprint Clearance Card Fund	1,502,500	12,500	4,900	11,500	0	0	25,000	0	0	0			1,556,400
GIITEM Border Security and Law Enforcement Subaccount	2,540,700	0	400	0	0	(1,900)	2,000	0	0	0			2,541,200
Motor Vehicle Liability Insurance Enforcement Fund	1,250,000	0	700	200	0	0	0	0	0	0			1,250,900
Motorcycle Safety Fund	205,000	0	0	0	0	0	0	0	0	0			205,000
Parity Compensation Fund	3,451,500	7,300	2,200	533,100	0	(9,300)	5,700	0	0	0			3,990,500
Peace Officer Training Equipment Fund	1,047,500	0	300	0	0	0	0	0	0	0			1,047,800
Public Safety Equipment Fund	2,893,700	0	0	0	0	0	0	0	0	0			2,893,700
Risk Management Revolving Fund	1,345,300	0	1,200	300	0	(4,000)	4,300	0	2,200	0			1,349,300
Safety Enforcement and Transportation Infrastructure Fund - Department of													
Public Safety Subaccount	1,643,500	6,200	1,000	200	0	0	0	0	0	0			1,650,900
State Aid to Indigent Defense Fund	700,000	0	0	0	0	0	0	0	0	0			700,000
State Highway Fund	318,200	0	0	0	0	0	0	0	0	0			318,200
Total - Department of Public Safety	239,172,400	653,700	108,700	587,200	0	(746,800)	900,600	900	6,400	0	0	0	240,683,100
Residential Utility Consumer Office													
Residential Utility Consumer Office Revolving Fund	1,342,600	400	1,000	2,300	0	(5,300)	5,600	2,000	0	0			1,348,600
Respiratory Care Examiners, Board of													
Board of Respiratory Care Examiners Fund	314,400	100	200	500	0	(1,600)	1,700	4,000	1,800	1,500			322,600
Retirement System, Arizona State													
Long-Term Disability Trust Fund Administration Account	1,800,000	0	0	0	0	0	0	0	0	0			1,800,000
Arizona State Retirement System Administration Account	22,330,300	(1,300)	17,300	41,300	0	(118,700)	125,100	0	0	0			22,394,000
Total - Arizona State Retirement System	24,130,300	(1,300)	17,300	41,300	0	(118,700)	125,100	0	0	0	0	0	24,194,000
Revenue, Department of													
Department of Revenue Administrative Fund	47,864,200	39,200	26,500	62,600	0	(174,500)	223,600	0	201,400	0			48,243,000
Liability Setoff Program Revolving Fund	802,800	400	300	700	0	(2,800)	3,400	0	800	0			805,600
Tobacco Tax and Health Care Fund	681,500	600	200	500	0	(1,800)	0	0	500	0			681,500
Total - Department of Revenue	49,348,500	40,200	27,000	63,800	0	(179,100)	227,000	0	202,700	0	0	0	49,730,100

	OF General					OF	OF	OF	OF	OF	OF	OF	OF
	Appropriation Act - Individual Agency	Risk Management	IT Pro Rata	Retirement	Employee Pay	Health Insurance Trust Fund Reduction	Health Insurance Trust Fund Increase	Rent Charges	COSF Increase	Shared Services	FY 2020 Additional Appropriations	Prior Year/ Statutory Appropriations	FY 2020 Approp Rpt Total
Secretary of State													
Records Services Fund	744,400	0	200	500	0	(3,200)	900	0	0	0			742,800
Total - Secretary of State	744,400	0	200	500	0	(3,200)	900	0	0	0	0	0	742,800
Technical Registration, State Board of													
Technical Registration Fund	2,189,700	1,200	1,400	3,400	0	(13,100)	13,700	3,200	0	0			2,199,500
Transportation, Department of													
Air Quality Fund	324,100	0	0	0	0	0	100	0	0	0			324,200
Highway User Revenue Fund	654,400	0	500	1,100	0	(3,400)	5,400	0	0	0			658,000
Highway Damage Recovery Account	8,000,000	0	0	0	0	0	0	0	0	0			8,000,000
Ignition Interlock Device Fund	320,000	0	100	0	0	(800)	1,000	0	0	0			320,300
Motor Vehicle Liability Insurance Enforcement Fund	2,672,100	0	1,200	2,700	0	(9,500)	8,700	0	0	0			2,675,200
Safety Enforcement and Transportation Infrastructure Fund - Department of													
Transportation Subaccount	882,000	0	700	200	0	(10,500)	8,100	0	0	0			880,500
State Aviation Fund	2,007,000	0	1,100	2,400	0	(9,400)	9,800	0	0	0			2,010,900
State Highway Fund	396,143,200	0	195,000	451,900	510,000	(1,655,700)	1,940,900	100	0	0			397,585,400
Transportation Department Equipment Fund	18,609,300	0	11,300	26,700	0	(100,400)	107,900	0	0	0			18,654,800
Vehicle Inspection and Certificate of Title Enforcement Fund	2,062,600	0	1,200	2,700	0	(9,500)	11,000	0	0	0			2,068,000
Total - Department of Transportation	431,674,700	0	211,100	487,700	510,000	(1,799,200)	2,092,900	100	0	0	0	0	433,177,300
Treasurer, State													
Law Enforcement and Boating Safety Fund	2,183,800	0	0	0	0	0	0	0	0	0			2,183,800
State Treasurer Empowerment Scholarship Account Fund	304,400	0	0	0	0	0	0	0	0	0			304,400
State Treasurer's Operating Fund	3,025,800	1,300	2,800	5,300	0	(14,800)	15,500	0	19,300	0	295,600		3,350,800
State Treasurer's Management Fund	295,600	0	0	0	0	0	0	0	0	0	(295,600)		0
Total - State Treasurer	5,809,600	1,300	2,800	5,300	0	(14,800)	15,500	0	19,300	0	0	0	5,839,000
Universities													
Arizona State University													
Technology and Research Initiative Fund	3,600,000	0	0	0	0	0	0	0	0	0			3,600,000
University Collections Fund	660,074,600	(1,032,500)	0	405,600	0	(2,270,900)	2,405,600	0	0	0			659,582,400
Total - Arizona State University	663,674,600	(1,032,500)	0	405,600	0	(2,270,900)	2,405,600	0	0	0	0	0	663,182,400
Northern Arizona University													
University Collections Fund	160,958,900	0	0	138,800	0	(39,800)	42,300	0	0	0			161,100,200
University of Arizona - Main Campus													
University Collections Fund	385,101,700	711,200	0	295,100	0	(1,595,700)	1,736,300	0	0	0			386,248,600
University of Arizona - Health Sciences Center													
University Collections Fund	53,623,800	0	0	0	0	0	0	0	0	0			53,623,800
SUBTOTAL - Universities	1,263,359,000	(321,300)	0	839,500	0	(3,906,400)	4,184,200	0	0	0	0	0	1,264,155,000
Veterans' Services, Department of													
State Home for Veterans Trust Fund	35,414,100	75,800	18,300	87,300	0	(138,900)	151,300	0	0	0			35,607,900
Total - Department of Veterans' Services	35,414,100	75,800	18,300	87,300	0	(138,900)	151,300	0	0	0	0	0	35,607,900
Veterinary Medical Examining Board													
Veterinary Medical Examining Board Fund	591,100	500	500	1,100	0	(1,600)	1,700	900	3,400	2,400			600,000
Water Resources, Department of													
Assured and Adequate Water Supply Admin Fund	268,500	0	200	400	0	(1,600)	1,100	0	0	0			268,600
Water Resources Fund	946,400	0	400	1,000	0	(4,300)	2,600	14,200	3,400	0			963,700
Water Banking Fund	1,212,200	0	0	0	0	0	0	0	0	0			1,212,200
Total - Department of Water Resources	2,427,100	0	600	1,400	0	(5,900)	3,700	14,200	3,400	0	0	0	2,444,500
OPERATING BUDGET TOTAL	\$4,115,177,000	\$622,700	\$762,400	\$3,779,300	\$1,196,000	(\$8,692,900)	\$9,764,300	(\$55,900)	\$740,100	\$70,000	\$16,101,800	\$1,100,000	\$4,140,564,800
Risk Management Adjustments	623,400	(622,700)	0	0	0	0	0	0	0	0			700
IT Pro Rata Adjustments	900,000	0	(762,400)	0	0	0	0	0	0	0			137,600
Retirement Adjustments	4,000,000	0	0	(3,779,300)	0	0	0	0	0	0			220,700
Employee Pay Adjustments	1,196,000	0	0	0	(1,196,000)	0	0	0	0	0			0
Remove FY 2019 Agency Health Insurance Adjustments	(10,000,000)	0	0	0	0	8,692,900	0	0	0	0			(1,307,100)
FY 2020 Agency Health Insurance Adjustments	10,000,000	0	0	0	0	0	(9,764,300)	0	0	0			235,700
Agency Rent Adjustments	(70,000)	0	0	0	0	0	0	55,900	0	0			(14,100)
COSF Rental Rate Increase	900,000	0	0	0	0	0	0	0	(740,100)	0			159,900
ADOA Shared Services (1740 W Adams)	100,000	0	0	0	0	0	0	0	0	(70,000)			30,000
Capital Outlay - Building Renewal/Projects	519,698,800	0	0	0	0	0	0	0	0	0			519,698,800
GRAND TOTAL	\$4,642,525,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,101,800	\$1,100,000	\$4,659,727,000

OF General Appropriation Act - Individual Agency	OF Risk Management	OF IT Pro Rata	OF Retirement	OF Employee Pay	OF Health Insurance Trust Fund Reduction	OF Health Insurance Trust Fund Increase	OF Rent Charges	OF COSF Increase	OF Shared Services	OF FY 2020 Additional Appropriations	OF Prior Year/ Statutory Appropriations	OF FY 2020 Approp Rpt Total
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**CROSSWALK OF FY 2020 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
EXPENDITURE AUTHORITY**

AHCCCS	\$10,704,184,400	\$34,000	\$52,000	\$0	\$0	(\$473,200)	\$497,500	\$0	\$2,100	\$0	\$0	\$0	\$10,704,296,800
Child Safety, Department of	437,430,200	0	0	0	963,400	0	0	0	0	0	0	0	438,393,600
Economic Security, Department of	1,445,901,300	0	101,500	0	0	(259,500)	582,000	0	0	0	0	0	1,446,325,300
Education, Department of	743,292,100	0	0	0	0	0	0	0	0	0	0	0	743,292,100
GRAND TOTAL	\$13,330,808,000	\$34,000	\$153,500	\$0	\$963,400	(\$732,700)	\$1,079,500	\$0	\$2,100	\$0	\$0	\$0	\$13,332,307,800

^{1/} This chart provides a crosswalk between an agency's appropriation in the FY 2020 General Appropriation Act (Laws 2019, Chapter 263) and the individual agency amount as it appears in the FY 2020 Appropriations Report.

^{2/} Represents individual agency section of FY 2020 General Appropriation Act and other direct appropriations in the General Appropriation Act.

^{3/} Section 171 of the FY 2020 General Appropriation Act appropriates statewide adjustments from Other Appropriated Funds for Employer Health Insurance Contribution Reduction, Employer Health Insurance Contribution Increase, Agency Retirement Adjustments, Agency Risk Management Adjustments, Agency Rent Adjustments, State Building Rent Increases, Shared Services Adjustments, and Information Technology Pro Rata Adjustments. Section 171 requires JLBC Staff to determine the agency-by-agency distribution of these funds, which are reflected below.

^{4/} Section 172 of the FY 2020 General Appropriation Act appropriates statewide adjustments from Other Appropriated Funds for Employee Pay Adjustments for certain agencies and positions.

^{5/} Appropriations separate from the FY 2020 General Appropriation Act enacted in the 54th Legislature, 1st Regular Session. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

^{6/} Represents ongoing statutory appropriations or appropriations enacted prior to the 54th Legislature, 1st Regular Session. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

SUMMARY OF RISK MANAGEMENT CHARGES 1/

<u>Agency</u>	<u>FY 2020 Charge</u>
Accountancy, Arizona State Board of	\$4,300
Acupuncture Board of Examiners	1,300
Administration, Arizona Department of	1,358,300
Administrative Hearings, Office of	3,800
Agriculture, Arizona Department of	106,900
AHCCCS	261,200
African-American Affairs, Arizona Commission of	1,000
Arts, Arizona Commission on the	6,200
Athletic Training, Board of	1,100
Attorney General - Department of Law	475,000
Automobile Theft Authority	3,100
Barbers, Board of	1,500
Behavioral Health Examiners, Board of	8,800
Charter Schools, State Board for	103,700
Child Safety, Department of	2,998,700
Chiropractic Examiners, State Board of	4,000
Citizens Clean Election Commission	2,100
Commerce Authority, Arizona	24,000
Constable Ethics Standards and Training Board	1,300
Contractors, Registrar of	28,100
Corporation Commission	77,900
Corrections, State Department of	8,320,800
Cosmetology, Board of	6,700
Criminal Justice Commission, Arizona	9,500
Deaf and the Blind, Arizona State Schools for the	324,800
Deaf and the Hard of Hearing, Commission for the	5,800
Dental Examiners, State Board of	13,200
Early Childhood Development and Health Board, Arizona	88,300
Economic Opportunity, Office of	6,500
Economic Security, Department of	2,628,900
Education, Board of	1,100
Education, Department of	131,100
Emergency and Military Affairs, Department of	899,700
Environmental Quality, Department of	194,400
Equal Opportunity, Governor's Office of	1,000
Equalization, State Board of	6,600
Executive Clemency, Board of	3,600
Exposition and State Fair Board, Arizona	294,700
Financial Institutions, Department of	17,100
Forestry and Fire Management, Arizona Department of	156,700
Funeral Directors and Embalmers, State Board of	13,200
Game and Fish Department, Arizona	678,600
Gaming, Department of	41,700
Governor, Office of the	122,600
Governor's Office of Strategic Planning and Budgeting	4,500
Health Services, Department of	963,100
Historical Society, Arizona	448,600
Historical Society of Arizona, Prescott	16,900
Homeland Security, Arizona Department of	14,000
Homeopathic and Integrated Medical Examiners, Board of	1,100
Housing, Arizona Department of	19,800
Independent Redistricting Commission,	1,000
Industrial Commission of Arizona	109,700
Insurance, Department of	28,300
Judiciary - Court of Appeals, Division I	23,200
Judiciary - Court of Appeals, Division II	9,400
Judiciary - Superior Court	1,555,800
Judiciary - Supreme Court	196,200
Juvenile Corrections, Department of	261,800
Land Department, State	331,200

<u>Agency</u>	<u>FY 2020 Charge</u>
Legislature - Legislative Council	14,800
Legislature - Auditor General	52,700
Legislature - House of Representatives	106,900
Legislature - Joint Legislative Budget Committee	9,500
Legislature - Senate	88,700
Liquor Licenses and Control, Department of	13,700
Lottery Commission, Arizona State	39,400
Massage Therapy, Board of	1,700
Medical Board, Arizona	17,500
Mine Inspector, State	10,000
Naturopathic Physicians Medical Board	1,500
Navigable Stream Adjudication Commission, Arizona	1,000
Nursing, State Board of	18,500
Nursing Care Institution of Administrators and Assisted Living Facility Managers, Board of Examiners of	2,800
Occupational Therapy Examiners, Board of	1,300
Opticians, State Board of Dispensing	1,100
Optometry, State Board of	1,300
Osteopathic Examiners in Medicine and Surgery, Arizona Board of	2,600
Park Board, Arizona State	309,800
Personnel Board, State	1,300
Pharmacy, Arizona State Board of	9,000
Physical Therapy, Board of	2,100
Pioneers' Home, Arizona	44,500
Podiatry Examiners, State Board of	1,100
Postsecondary Education, Commission for	4,900
Power Authority, Arizona	20,200
Private Postsecondary Education, State Board for	2,500
Psychologist Examiners, State Board of	2,000
Public Safety, Department of	3,804,800
Public Safety Personnel Retirement System	74,200
Real Estate Department, State	11,200
Residential Utility Consumer Office	2,600
Respiratory Care Examiners, Board of	1,700
Retirement System, Arizona State	149,300
Revenue, Department of	252,600
School Facilities Board	9,400
Secretary of State, Department of State	164,400
Tax Appeals, State Board of	1,300
Technical Registration, State Board of	7,200
Tourism, Office of	9,700
Transportation, Department of <u>2/</u>	15,981,300
Treasurer, State	8,100
Tribal Relations, Governor's Office on	1,300
Universities - Arizona State University	9,879,400
Universities - Northern Arizona University	3,124,800
Universities - Regents, Arizona Board of	49,900
Universities - University of Arizona	11,782,400
Veterans' Services, Department of	378,800
Veterinary Medical Examining Board, Arizona State	2,400
Water Infrastructure Financing Agency	4,700
Water Resources, Department of	39,600
<i>Other Agencies</i>	
Boyce Thompson Arboretum	11,000
Central Arizona Water Conservation District	5,100
GRAND TOTAL	<u><u>69,963,100</u></u>

1/ Total charges reflect Arizona Department of Administration billed amounts with the exception of the Arizona Department of Transportation (ADOT).

2/ A General Appropriation Act footnote requires ADOT to pay Risk Management charges of \$15,981,300.

**BUDGET RECONCILIATION BILLS
AND MAJOR FOOTNOTE CHANGES**

FY 2020 BUDGET RECONCILIATION BILLS (BRBs) AND MAJOR FOOTNOTE CHANGES*

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*Chapter numbers refer to Laws 2019, 1st Regular Session.

FY 2020 BUDGET RECONCILIATION BILL PROVISIONS

The budget includes the enactment of statutory changes associated with its funding amount. The following provisions are grouped by subject into Budget Reconciliation Bills (BRBs).

BUDGET PROCEDURES - CHAPTER 267 (HB 2751)

Statewide	<u>Section</u>
1. As session law, increase the FY 2020 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration (ADOA) at \$17.87/square foot for rentable office space and \$6.43/square foot for rentable storage space.	14
2. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.	13
3. As permanent law, change the Information Technology pro rata rate from 0.3% to 0.43% beginning July 1, 2019.	3,20
4. As permanent law, change the deadline, from June 1 to July 1, for the Governor to provide the forms to be used by budget units in submitting their budget estimates and request for appropriations. (Session law last year).	6
5. As session law, continue to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund through FY 2022.	15
6. As permanent law, reduce the number of hard copies of budget submissions from state agencies from 5 to 2.	7
7. As permanent law, require agencies to seek approval from OSPB and ADOA prior to implementing line item transfers.	2,8
 Arizona Department of Administration	
8. As permanent law, eliminate the JLBC review requirement for the AFIS transaction fee.	10
9. As permanent law, modify requirement that ADOA annually report on the Emergency Telecommunication Services Revolving Fund to include all expenditures and eliminate JLBC review requirement. Previous session law required ADOA to submit a report for review on wireless expenditures.	9
10. As permanent law, amend A.R.S. § 18-421 to expand the allowable uses of the State Web Portal Fund to include operations of the Government Transformation Office.	4
 Office of Economic Opportunity	
11. As permanent law, require the Arizona Industrial Development Authority to report on its annual revenues, expenditures, and program activity by October 1 annually.	11
 Public Safety Personnel Retirement System	
12. As session, notwithstanding statute to require PSPRS to submit a final report on contribution rate for the ensuing fiscal year on December 1 st instead of December 31 st .	18
 Department of Revenue	
13. As permanent law, continue to allow the Liability Setoff Program Revolving Fund to be used for general operating expenditures of the department. This provision had previously been authorized as session law.	12
 Secretary of State	
14. As permanent law, create a county contributions fund for the operational costs of the state's voter registration system. County contributions currently comingled with other monies.	1
15. As session law, allow political parties to opt out of participating in the 2020 presidential preference election by submitting written notice to the Secretary of State by September 16, 2019.	19

Department of Transportation

16. As permanent law, establish an appropriated Motor Pool Fund for the purposes of reimbursing the Department of Transportation for costs related to implementing an intergovernmental agreement with the Department of Administration. The fund would become effective July 1, 2020. As session law, require a joint report of ADOA and ADOT to the JLBC and OSPB by October 1, 2019 and October 1, 2020 on the progress in transitioning the state motor pool operations to ADOT and necessary legislative changes to fully implement the transfer. 5,16

State Treasurer

17. As session law, when merging the Treasurer’s Operating and Management Funds, include language to transfer the unexpended and unencumbered balance 17

CRIMINAL JUSTICE - CHAPTER 268 (HB 2752)

Section

Attorney General – Department of Law

18. As session law, on June 30, 2019, transfer to the General Fund any unobligated balance from the Colorado River Land Claims Revolving Fund. 7
19. As permanent law, prohibit the use of the Anti-Racketeering Revolving Fund (ARRF) for more than 16 FTE Positions within the Attorney General’s office. 1
20. As permanent law, increase the non-appropriated expenditure authority of the Consumer Remediation Subaccount from \$3,500,000 to \$4,000,000. 5

State Department of Corrections

21. As session law, continue to require the department to report actual FY 2019, estimated FY 2020, and requested FY 2021 expenditures as delineated in the prior year when the department submits its FY 2021 budget request pursuant to A.R.S. § 35-113. 12
22. As permanent law, exempt correctional officers from jury duty until January 1, 2022. 2

Department of Emergency and Military Affairs

23. As session law, extend to FY 2020 the lapsing date of the FY 2019 appropriation of \$1.25 million from the Military Installation Fund for the construction of a new Readiness Center. 6

Department of Juvenile Corrections

24. As permanent law, repeal the requirement for all counties except Maricopa and Pima to pay an assessed amount determined by the county’s proportional share by population of \$11,260,000 for the costs of the Department of Juvenile Corrections. As session law, suspend the \$8,450,900 in county cost sharing for Maricopa and Pima Counties on a one-time basis in FY 2020. 4,15

Department of Public Safety

25. As session law, continue to require the Department of Public Safety (DPS) to receive JLBC review of the expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount FY 2020 appropriation prior to its expenditure. 10
26. As session law, continue to allow the use of the Concealed Weapons Permit Fund and the State Aid to Indigent Defense Fund for DPS operating expenses. 13
27. As session law, continue to allow DPS to utilize \$144,900 from the FY 2020 GIITEM Subaccount appropriation for costs related to an increase in the PSPRS employer contribution rate. 11
28. As session law, continue to allocate \$400,000 from the GIITEM General Fund distribution to the Pima County Sheriff's Office. 9
29. As session law, allow DPS to use the Highway Patrol Fund for the Pharmaceutical Diversion and Drug Theft Task Force on a one-time basis in FY 2020. The Task Force had previously been funded by the Arizona Drug and Gang Resource Center Fund. 14
30. As session law, allow the Department of Public Safety to use the Board of Fingerprinting Fund for capital expenditures. 8

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|-----|--|---|
| 31. | As permanent law, repeal the highway safety fee effective June 30, 2021. Eliminate the rulemaking exemption for setting the fee. | 3 |
| 32. | As permanent law, repeal the requirement that the ADOT director establish the Highway Safety Fee at 110% of the cost of the Highway Patrol budget. | 3 |

ENVIRONMENT - CHAPTER 269 (HB 2753)

		<u>Section</u>
Arizona Department of Agriculture		
33.	As permanent law, authorize the department to re-record livestock brands of the same design that were issued prior to August 3, 2017 without protest.	1
Department of Environmental Quality		
34.	As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2020 for department administrative expenses and for sewage remediation.	8
35.	As session law, continue to suspend the requirement to appropriate \$15,000,000 from the state General Fund to the Water Quality Assurance Revolving Fund (WQARF). The fund sources for WQARF in FY 2020 would be as follows: \$5,000,000 from the Underground Storage Tank Revolving Fund, \$2,800,000 from the Vehicle Emissions Inspection Fund, \$2,600,000 from the Air Quality Fund, \$2,152,000 from the Recycling Fund, and \$1,000,000 from the Permit Administration Fund for a total of \$13,552,000. With \$2,000,000 of non-appropriated funds, total WQARF funding would be \$15,552,000.	10
36.	As session law, continue to include a legislative intent statement that the WQARF appropriations are being supplemented by \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.	10
37.	As session law, continue the FY 2019 level of vehicle emissions inspection fees in FY 2020 (FY 2019 fees are \$3 less than FY 2016 in Area A, which includes Maricopa County and portions of Pinal and Yavapai Counties.)	11
38.	As permanent law, amend A.R.S. § 49-544 to allow the department to use the Vehicle Emissions Inspections Fund to pay for the travel reduction programs in Maricopa and Pima Counties.	5
39.	As permanent law, allow monies in the Permit Administration Fund to be used for staff support to the Oil and Gas Conservation Commission.	4
Arizona Department of Forestry and Fire Management		
40.	As permanent law, increase the maximum loan that the Department of Forestry and Fire Management may receive from the Budget Stabilization Fund for federal wildland fire claims expenses awaiting reimbursement from the federal government from \$10,000,000 to \$20,000,000.	2
41.	As permanent law, establish the Nonnative Vegetative Species Eradication Fund to provide grants to other state agencies, cities, towns, counties, Indian tribes, other political subdivisions, and nonprofit organizations for projects that will assist in preventing fire and flooding, conserving water, replacing nonnative vegetative species with native vegetative species and restoring habitat to wildlife. The fund would be non-appropriated and would consist of legislative appropriations. Requires a September 1, 2020 report from the department to the Legislature on the use of the funds from the prior year.	3
Arizona Navigable Stream Adjudication Commission		
42.	As session law, continue to allow use of the Water Banking Fund for the commission's legal obligations.	9
Arizona State Parks Board		
43.	As session law, require the board to allocate \$692,100 from the Off-Highway Vehicle Recreation Fund for the Great Western Trail instead of the agency operating budget. The agency's operating budget is increased by a corresponding \$692,100 from the State Parks Revolving Fund.	6

Department of Water Resources

- 44. As session law, continue to allow the department’s Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2020. 7
- 45. As session law, continue to allow the department non-municipality special fee authority, including an intent clause that limits additional revenue up to \$100,200, and exempt the department from rulemaking for this purpose. 12

HEALTH - CHAPTER 270 (HB 2754)

Section

AHCCCS

Rates and Services

- 46. As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels. 20
- 47. As permanent law, repeal the requirement that AHCCCS freeze enrollment in the KidsCare program when the match rate falls below 100%. Restores AHCCCS authority to freeze enrollment if the director determines that state and federal funding for the program is insufficient. 10
- 48. As permanent law, allows monies in the Seriously Mentally Ill Housing Trust Fund to be expended on rental assistance for seriously mentally ill persons. 11

Counties

- 49. As session law, set the FY 2020 county Arizona Long Term Care System (ALTCs) contributions at \$290,276,100. 14
- 50. As session law, set the County Acute Care contribution at \$46,161,700. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328. 17
- 51. As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations. 18
- 52. As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2020 if the counties’ proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act. 16

Hospitals

- 53. As session law, continue to establish FY 2020 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (MIHS), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. Keep the MIHS distribution of \$113,818,500 in FY 2020. 15
- 54. As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow MIHS to be eligible for Pool 5 allocations. Permit local jurisdictions to provide additional local match for Pool 5 distributions. 15

Available Funding

- 55. As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation. 24

Reports

- 56. As permanent law, continue to require AHCCCS and the Department of Health Services (DHS) to submit a joint report to the Legislature and the Governor by January 2 of each year on hospital costs and charges. This provision had previously been authorized as session law. 9
- 57. As permanent law, continue to require AHCCCS to report to JLBC on or before January 2 of each year on the availability of inpatient psychiatric treatment and "psychiatric boarding" in emergency rooms for children and adults enrolled in Arizona’s Regional Behavioral Health Authorities. This provision had previously been authorized as session law. 9
- 58. As session law, require AHCCCS to complete a study with a contracted third party entity on or before January 31, 2022 on the costs and effectiveness of secure behavioral health residential facilities for individuals with a serious mental illness. The study must take into account impacts on outcomes related to health, employment, and interactions with the criminal justice system for such individuals. 23

Department of Economic Security

- 59. As permanent law, establish the Family Caregiver Grant Program beginning January 1, 2020 within the Department of Economic Security to provide grants of up to \$1,000 for expenses that relate directly to caring for or supporting a family member requiring assistance with activities of daily living. 12,13
- 60. As session law, notwithstanding A.R.S. § 36-108.01 in order to allow the Department of Economic Security to use the Health Services Lottery Fund for a Division of Developmental Disabilities (DDD) State-Only shortfall in FY 2019. 22

Department of Health Services

- 61. As permanent law, continue to require all cities and counties to pay 100% of cost of Restoration to Competency treatment at the Arizona State Hospital. Allow counties to use any source of county revenue to make the transfers. This provision had previously been authorized as session law. 1
- 62. As session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations. 19
- 63. As permanent law, permit DHS to use Tobacco Tax and Health Care Fund - Health Research Account for Alzheimer’s disease research. This provision had previously been authorized as session law. 8
- 64. As session law, continue to notwithstanding A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services. 22
- 65. As session law, continue fee raising authority and an exemption relating to establishing fees for the Bureau of Radiation Control in FY 2020. Includes an intent clause that limits additional revenues to \$1,900,000. 21
- 66. As permanent law, continue to allow DHS to use the Disease Control Research Fund for AIDS reporting and surveillance. This provision had previously been authorized as session law. 2
- 67. As permanent law, require the Department of Health Services to license a new class of secure behavioral health residential facilities that provide 24-hour onsite supervision to individuals with a serious mental illness who are chronically resistant to treatment and are placed in the facility pursuant to a court order. 4,5,6,7
- 68. As permanent law, only permit unlicensed behavioral health workers ages 18-20 to serve individuals receiving outpatient behavioral health services. Inpatient behavioral health care would require unlicensed behavioral health workers to be age 21 or older. 3

HIGHER EDUCATION - CHAPTER 266 (HB 2750)

Section

Arizona Community Colleges

- 69. As session law, continue to suspend the Operating State Aid funding formula in FY 2020 for Maricopa and Pima Counties. 10
- 70. As session law, continue to suspend Science, Technology, Engineering and Mathematics and Workforce Programs funding formula for FY 2020 and specify the funding in the General Appropriation Act, which for Pinal would again equal \$96,500. 9
- 71. As permanent law, prohibit community college district employees from being compensated for work performed on behalf of an elected employee representative organization. 1

Universities

- 72. As session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into Arizona Financial Aid Trust (AFAT). 8
- 73. As permanent law, amend A.R.S. § 35-146 to allow each university to retain revenue from tuition and fees instead of remitting those monies to the State Treasurer. 7
- 74. As permanent law, expand eligibly for the Arizona Teachers Academy to include resident and non-resident university students enrolled in education and non-education majors, community college students enrolled in a post-baccalaureate teacher certification program, and teachers seeking a national board certification. 4

75. As permanent law, in addition to STEM programs, require the Arizona Teachers Academy to include accelerated models for special education and students committed to teaching in critical need areas of the state. 4
76. As permanent law, set Arizona Teachers Academy scholarships at \$10,000 for graduate students, \$5,000 for undergraduate students, \$3,000 for community college post-baccalaureate students, and \$2,500 for teachers seeking national board certification, and require scholarships to be awarded after all other aid received. 4
77. As permanent law, require ABOR, in consultation with eligible postsecondary institutions, to develop centralized administrative processes for the Arizona Teachers Academy. 4
78. As permanent law, require ABOR to establish criteria for distributing monies appropriated for the Arizona Teachers Academy to eligible institutions. 4
79. As permanent law, limit expenditures of monies appropriated for the Arizona Teachers Academy to scholarships, induction services, marketing and promotion and administration of the program. Caps spending for administrative and marketing expenses at 3%. 4
80. As permanent law, cap tuition waivers for the Arizona Teachers Academy at 4 years (8 semesters) for university students and 2 years (4 semesters) for community college students in post-baccalaureate programs. 4
81. As permanent law, require non-Education majors in the Arizona Teachers Academy to complete one or more teacher preparation courses prior to graduation. 4
82. As permanent law, not allow universities and community colleges to charge the remaining balance of tuition and fees if the waiver provided does not cover the total cost. 4
83. As permanent law, require the Arizona Teachers Academy teaching commitment (one year of support for every one year of teaching) for students concurrently teaching and receiving support to begin after completion of the program. 4
84. As permanent law, require ABOR to establish repayment processes for students who fail to meet Arizona Teachers Academy service requirements. 4
85. As permanent law, establish the non-appropriated Arizona Teachers Academy Fund consisting of legislative appropriations. The fund will be administered by ABOR and the monies in the fund will be non-lapsing. 4
86. As permanent law, require that the General Fund appropriation for the Arizona Teachers Academy be reduced each fiscal year by the amount of unexpended monies in the Arizona Teachers Academy Fund from the prior fiscal year. 4
87. As permanent law, require ABOR to submit a report to JLBC and OSPB by March 1 of each year including information on Arizona Teachers Academy enrollment and the number of graduates receiving induction services in the current academic year, and information for monies committed from the fund in the current fiscal year. 4
88. As permanent law, require ABOR to include in the Arizona Teachers Academy annual report information on enrollment by program type and year of enrollment, the number of students receiving induction services, the number of students who have completed repayment agreements, and ABOR's annual funding distribution by eligible institution. Change annual report date from July to September 1. 4
89. As permanent law, repeals a section of the FY 2019 Higher Education BRB that continued the Arizona Teachers Academy after the 2017-2018 academic year. The FY 2020 Higher Education BRB makes the program permanent. 5
90. As permanent law, require universities to deposit 20% of cumulative net income exceeding \$1.0 million for licensure and royalty agreements to the Arizona Financial Aid Trust. Universities previously deposited 20% of net income to the General Fund for the first 3 years of an agreement and 20% of gross revenues to the General Fund after the first 3 years. 2,3,6
91. As permanent law, require universities to deposit 20% of cumulative net income exceeding \$1.0 million for the sale of intellectual property to the Arizona Financial Aid Trust. Universities previously deposited 25% of gross revenues to the General Fund. 2,3,6

HUMAN SERVICES - CHAPTER 271 (HB 2755)

	<u>Section</u>
Department of Child Safety	
92. As permanent law, continue to require the department to report to the JLBC on or before February 1 of each year with the Early Childhood Development and Health Board on collaborative efforts on child welfare issues. This provision had previously been authorized as session law.	1
Department of Economic Security	
93. As session law, continue to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable cause to believe that the recipient uses illegal drugs.	7
94. As permanent law, continue to permit DES to reduce income eligibility levels for all child care programs. Require DES to report to the JLBC within 15 days of any change in levels. This provision had previously been authorized as session law.	5
95. As session law, continue to allow the Special Administration Fund to be used for purposes other than administration of unemployment benefits.	6
96. As permanent law, repeal the requirement in A.R.S. § 36-2960B to provide an inflation adjustment to the appropriation for DD High Cost/High Need client services.	3
97. As permanent law, increase the annual fee for never-assisted child support cases from \$25 to \$35 pursuant to federal Bipartisan Budget Act of 2018.	2
Arizona Department of Housing	
98. As permanent law, allow the Department of Housing to expend Housing Trust Fund monies on constructing or renovating facilities and housing assistance, including support services, for individuals with a serious mental illness and who are chronically resistant to treatment.	4

K-12 EDUCATION - CHAPTER 265 (HB 2749)

	<u>Section</u>
Arizona State Schools for the Deaf and the Blind	
99. As permanent law, remove the requirement that monies from the Enterprise Fund be used exclusively for operating ASDB facilities.	13
Department of Education	
<i>Formula Requirements</i>	
100. As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school "Additional Assistance" amounts (A.R.S. § 15-185B4) by 2.0% for standard inflation.	3,7,10
101. As permanent law, increase the base level by an additional \$111.16 (2.8%) to incorporate into Basic State Aid \$164,700,000 for teacher salary increases already appropriated for FY 2020 by Section 136 of the FY 2019 General Appropriation Act.	7
102. As permanent law, modify the Basic State Aid funding formula for education programs in county juvenile detention centers to increase the "base amount" to \$100,000 per county versus \$20,000 currently and the "variable" amount per student within each county program to \$25 per day versus \$15 per day currently. As permanent law, require any excess monies in a county's Detention Center Education Fund to be used to supplement classroom spending.	9
103. As session law, amend Laws 2018, Chapter 285, Sections 27 and 28 to reduce the District Additional Assistance suspension for FY 2020 by an additional \$(64,366,500) and the Charter Additional Assistance suspension for FY 2020 by an additional \$(3,407,200).	20,21
<i>Results-Based Funding</i>	
104. As session law, allocate Results-Based Funding using the same formula that was used in FY 2019, but based on AzMERIT test results from spring 2018 rather than spring 2017. Under permanent	25

	law, the Results-Based Funding instead would be distributed in FY 2020 to schools with a letter grade A under the A-F performance rating developed by the State Board of Education.	
105.	As session law, expand eligibility to schools with AzMERIT test results in the top 13% versus top 10% currently for schools with less than 60% of students eligible for free and reduced-price lunch (FRPL) and to the top 27% versus top 10% currently for schools with more than 60% FRPL eligibility.	25
106.	As session law, establishes per-pupil funding levels of \$225 for qualifying schools with less than 60% FRPL eligibility and for schools with more than 60% FRPL eligibility that have AzMERIT results in the top 27%, but not the top 13% of schools with more than 60% FRPL eligibility. Qualifying schools with greater than 60% FRPL eligibility and with AzMERIT results in the top 13% of schools with 60% or more FRPL eligibility would receive \$400.	25
107.	As session law, provide an alternative school with \$400 per student if it reported AzMERIT scores for both math and English language arts for spring 2018 testing and its average pass rate for those 2 tests combined equaled or exceeded the average combined pass rate observed for the top 27% of schools with 60% or higher free or reduced price lunch eligibility rates. In prior years an alternative school instead received \$400 per student if it was assigned the equivalent of a letter grade of "A" in 2014.	25
108.	As permanent law, exclude from free and reduced-price lunch eligibility percentage calculations students who are not eligible to be included in a school's student count (primarily preschool students). Clarifies allowable uses of program funding, and adds reporting requirements.	5
	<i>CTE Industry Credential Incentive Program</i>	6
109.	As permanent law, establish the Arizona Industry Credential Incentive Program to provide awards of up to \$1,000 per student for school districts, charter schools or career and technical education districts for high school graduates who obtain a certification, credential, or license that is accepted by a vocation or industry through a career and technical education program. Establishes the Industry Credentials Incentive Fund to be administered by ADE.	
110.	As permanent law, require the Office of Economic Opportunity to provide a list to the Department of Education by September 1 annually that identifies and ranks the top occupations in each industry that addresses a critical statewide, regional or local economic need. Following publication of the September 1 list, ADE shall align the in-demand list to ADE's credential list and by February 1, the Quality Skills Commission shall review the list.	6
111.	As permanent law, require the department to report by February 1 annually to the President of the Senate, the Speaker of the House, the Governor and the Secretary of State on student participation in the program and the distribution of awards by school.	6
112.	As permanent law, require the department to publish by March 1 annually the list of CTE certificates, credentials or licenses qualifying for a \$1,000 award from the program in the subsequent fiscal year and submit it to the JLBC for review.	6
113.	As permanent law, allow program awards to school districts, charter schools, and career and technical education districts to be expended on instructional costs and professional development for a CTE teacher, offset the costs of the certification to the student, development costs related to creating, expanding or improving an approved site of a certificate, credential license career and technical program courses, instructional hardware, software or supplies required for the certification, and career exploration and awareness activities for parents students and the community.	6
	<i>Other</i>	
114.	As session law, continue stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.	27
115.	As permanent law, make the American Civics Education Fund a non-appropriated fund to eliminate the need for the Legislature to appropriate monies both into and out of it.	22
116.	As permanent law, delete the definition of "base level" for FY 2017 and prior years from A.R.S. § 15-901B2, as they are no longer needed. (A new definition of "base level" is added to A.R.S. § 15-901B2 each year for the upcoming fiscal year.)	7

117.	As permanent law, replace obsolete references to the Homeowners Rebate percentage in A.R.S. § 15-972B with the current rebate percentage of 47.19% that was established by DOR for FY 2017 and subsequent years pursuant to Laws 2011, 2 nd Special Session, Chapter 1, Section 127.	11
118.	As permanent law, update the Qualifying Tax Rate and State Equalization Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2020 under it.	18
119.	As permanent law, amend A.R.S. § 15-249.06B and F to make the annual report on the College Credit by Examination Incentive Program not subject to JLBC review.	4
120.	As permanent law, modify A.R.S. § 15-249.06 to require ADE to make payments to schools no later than March 1 each year. Permit schools to appeal allocation of bonus monies no later than August 1 each year. Permit ADE to withhold up to \$10,000 of bonus monies to address allocation appeals. Retroactive to July 1, 2018.	4,26
121.	As permanent law, amend A.R.S. § 15-154 to allow school safety monies to also be used for school counselors or social workers and add program definitions.	1,2
122.	As session law, amend Laws 2017, Chapter 284 to 1) extend the High-Quality Teacher Professional Development Pilot Program, which provides scholarships and grants of up to \$2,000 for teachers in high-need content areas, until July 1, 2025 versus July 1, 2022 currently, and 2) allow the Department of Education to retain up to 3% of monies appropriated for the pilot program to offset administrative costs.	19
123.	As session law, notwithstanding A.R.S. § 15-185 to require the Department of Education to allocate the full amount of the small school weight through FY 2020 to charter schools sponsored by entities other than the State Board for Charter Schools. Prohibits the department from seeking repayment of small school weight monies paid to such schools in prior years. The department would pay 67% of the small school weight to such schools in FY 2021 and 33% of the weight in FY 2022. Addresses ASU Preparatory Charter School.	23
124.	As permanent law, set the K-12 State Equalization Tax Rate (SETR) for a county for a given fiscal year at the lesser of the “normal” statutory rate or the rate that would have generated for its school districts collectively in the prior fiscal year the amount needed to backfill any of their K-12 formula costs not funded by Qualifying Tax Rate (QTR) revenues.	12
125.	As session law, give Duncan Unified and Blue Elementary additional “budget capacity” (spending authority) for FY 2020 and require them to fund that additional budget capacity with carry-forward monies rather than through tax rate increases. The additional capacity could only be expended upon capital.	24
126.	As permanent law, stipulate for purposes of concurrent enrollment that every 3 credits that a K-12 student earns at a community college or university course shall generate one-eighth of an Average Daily Membership under the Basic State Aid funding formula.	8
127.	As permanent law, require the department to hire a third-party administrator to assist it in the financial administration of Arizona Empowerment Scholarship Accounts.	17

School Facilities Board

128.	As permanent law, require SFB to report to JLBC within 30 days of making a transfer into the Emergency Deficiencies Corrections Fund.	15
129.	As permanent law, require the SFB to fund the construction of new schools, if needed, in 2 years for an elementary school, middle school or high school.	14,16
130.	As permanent law, at the point when the SFB approves the distribution of new school construction funding, allow the SFB to decline a portion of the funding if the square footage is no longer needed due to revised enrollment projections.	16
131.	As permanent law, change the date, from July 1 to September 1, for school districts to submit their capital plans to SFB.	16
132.	As permanent law, change the date, from December 1 to December 15, for the SFB to approve new school construction projects.	16

REVENUE - CHAPTER 272 (HB 2756)

	<u>Section</u>
Statewide	
133. As permanent law, require state agencies to include cost estimates associated with local minimum wages exceeding the statewide minimum wage in their budget submissions. The Legislature may allocate an amount to be collected by ADOA from counties, cities, and towns that raise their minimum wage above the statewide minimum wage, which would reimburse the state for cost increases of state services resulting from local minimum wages. Counties, cities, and towns that do not comply with ADOA's collection would have the monies withheld from their Transaction Privilege Tax (TPT) distributions.	2,3
Arizona Department of Agriculture	
134. As session law, continue fee changing authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2020. The bill continues an intent clause that limits additional revenues to \$357,000.	11
Counties and Cities & Towns	
135. As session law, continue to allow counties with a population below 250,000 in the 2010 decennial census to use any source of county revenue to meet a county fiscal obligation for FY 2020, up to \$1,250,000 of county revenue for each county. Requires counties using this authority to report to the Director of JLBC on the intended amount and sources of funds by October 1, 2019.	12
Department of Gaming	
136. As session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2020 only.	9
Arizona Department of Housing	
137. As permanent law, as it relates to the Office of Manufactured Housing within the Department of Housing, modifies the definition of factory-built building and defines in statute the terms: closed construction, open construction, commercial, residential.	1,4
Department of Insurance	
138. As session law, continue to suspend the requirement that fees collected by the department be between 95% and 110% of the department's appropriation.	13
Department of Public Safety	
139. As permanent law, establish the Public Safety Interoperability Fund which shall be used for DPS interoperable communication systems. The fund is subject to legislative appropriation.	5
Department of Revenue	
140. As session law, continue legislative intent statement that local fees to fund the Department of Revenue (DOR) are not to exceed \$20,755,835 and are to be allocated between cities and towns, counties, the Maricopa Association of Governments and the Pima Association of Governments based on the prorated share of all revenues distributed to them (excluding Highway User Revenue Fund money).	10
141. As permanent law, expand the definition of "multistate service providers" used to determine the allocation of the sales of services for corporate income tax purposes to include a taxpayer with more than 2,000 employees in this state and that derives more than 85% of its sales from support services provided to a regionally accredited institution of higher education. Addresses Grand Canyon University.	7,8,14,15
142. As permanent law, require that licensed escrow agents file an information return for sales of real property located in Arizona with the Department of Revenue. Licensed escrow agents would be required to submit this return to the Department of Revenue by March 31 for sales closed during the prior calendar year. This provision is intended to increase compliance for capital	6

gains taxes owed by non-residents that sell real estate in the state. Requires that DOR report to JLBC and OSPB annually on the additional estimated revenue collected from nonresident real estate transactions as a result of this new reporting requirement for licensed escrow agents.

OMNIBUS TAX PROVISIONS (CONFORMITY/WAYFAIR) - CHAPTER 273 (HB 2757)

Tax Conformity/Wayfair

143. As session law, conforms Arizona to the federal definition of adjusted gross income as of January 1, 2018 for tax year 2018, and January 1, 2019 for tax year 2019. 2,12,30,31
144. As permanent law, reduces the number of tax brackets from 5 to 4 and reduces tax rates as follows: 17

<u>Brackets – Current Law</u>	<u>Rates – Current Law</u>	<u>Proposed Brackets</u>	<u>Proposed Rates</u>
\$0 - \$10,600	2.59%	\$0 - \$26,500	2.59%
\$10,601 – 26,500	2.88%	Collapsed	2.59%
\$26,501 - \$53,000	3.36%	\$26,501 - \$53,000	3.34%
\$53,001 - \$159,000	4.24%	\$53,001 - \$159,000	4.17%
\$159,001 and over	4.54%	\$159,001 and over	4.50%

145. As permanent law, remove the Arizona subtraction from taxable income for lottery winnings. 18,19,21
146. As permanent law, increases the standard deduction as follows and indexes the standard deduction for inflation. 23

<u>Filing Status</u>	<u>Standard Deduction -</u>	<u>Standard Deduction -</u>
	<u>Current Law</u>	<u>Proposed</u>
Single/Married Filing Separate	\$5,312	\$12,000
Single Head of Household	\$10,613	\$18,000
Married Filing Jointly	\$10,613	\$24,000

147. As permanent law, eliminates the personal and dependent exemptions shown below. 3,15,16,20,22, 24,26,28,29

Personal Exemption, No Dependents	\$2,200
Personal Exemption, Married with Dependents	\$6,600
Dependent Exemption	\$2,300

148. As permanent law, allows taxpayers that take the standard deduction to increase their standard deduction by 25% of their charitable contributions that otherwise would have been deductible had they itemized their tax returns. 14,23
149. As permanent law, establishes a dependent tax credit of \$100 for each dependent under 17 years old and \$25 for each dependent age 17 and above. This credit is to be phased out for singles with over \$200,000 of adjusted gross income and \$400,000 for married couples filing jointly. 13,27
150. As permanent law, establish as of October 1, 2019, the economic nexus thresholds under which an out-of-state business be required to collect and remit tax on retail sales in Arizona. If the out-of-state business does not conduct sales through a marketplace facilitator, economic nexus applies if sales in Arizona exceed \$200,000 in calendar year 2019, \$150,000 in calendar year 2020, and \$100,000 in calendar year 2021 and thereafter. If the out-of-state business is a marketplace facilitator, economic nexus applies if sales in Arizona from the marketplace facilitator's own business or on behalf of at least one marketplace seller exceed \$100,000 in the calendar year. 1,4,5,6,7,8,32, 33

151.	As permanent law, require municipal ordinances and other local laws related to the taxation of retail sales be superseded by the state's transaction privilege tax statutes for the retail classification.	10,11
152.	As permanent law, provides cities and towns the option to levy a transaction privilege tax on the sale of: (1) food for home consumption, (2) textbooks required by a state university or community college sold at bookstores, (3) livestock and poultry feed, salt, vitamins and other additives used in the business of farming and ranching, (4) nonmetalliferous mined materials sold at retail, (5) works of fine art, and (6) motor vehicles sold to nonresidents or enrolled members of an Indian Tribe.	11
153.	As permanent law, allows a city or town to continue to levy an existing transaction privilege tax, which was levied on or before May 1, 2019, on the sale of: (1) propagative materials, including fertilizers, (2) implants used as growth promotants and injectable medicines for livestock or poultry, and (3) animals such as horses, sheep, and goats used as breeding or production stock. For a city or town with a population of 50,000 or less, the tax is only allowed to be levied through June 30, 2021. For a city or town with a population of more than 50,000, the tax is only allowed to be levied through December 31, 2019.	11
154.	As permanent law, allows cities and towns the option to exempt from tax the sale of paintings, sculptures, or similar works of fine art if sold by the original artist.	9,11
155.	As session law, provides that the Legislature will not move any sales tax classifications other than retail from the Model City Tax Code to state statute for a period of 5 years from the effective date of the act.	33

FY 2020 MAJOR FOOTNOTE CHANGES

The budget includes the following major additions, deletions or modifications of footnotes. This list does not typically include footnote changes conforming to enacted policy. All footnotes appear in the General Appropriation Act unless designated with a "CO" for the Capital Outlay Act.

Arizona Department of Administration

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| 1. | Adds footnote extending the lapsing date of the FY 2017 appropriation for the Department of Corrections automation project appropriation through FY 2020. | 3 |
| 2. | Deletes footnote that limits the subsidy that the department may provide for public transit opportunities to 50%. Adds footnote requiring the department to report on pilot projects implemented in FY 2020 with those monies. | 8 |
| 3. | Adds footnote to restrict to \$10.42 per user per month the amount that the department may charge for enterprise email and calendar service. | 8 |
| 4. | Adds footnote specifying that the department shall distribute monies in the Public Safety Regional Communications line item to City of Sierra Vista for technology infrastructure maintenance at the Southeastern Arizona Communications Center. | 8 |
| 5. | Modifies footnote requiring the department to report semiannually the status of all capital projects and expenditures rather than just building renewal projects. (Capital) | CO 2 |
| 6. | Adds footnote extending the FY 2019 Capitol Mall Consolidation Fund appropriation through FY 2021. (Capital) | CO 29 |
| 7. | Adds footnote that conditions the availability of the appropriation for a second State Route 24 Ellsworth Road traffic interchange bridge overpass structure on the Maricopa Association of Governments (MAG) including the first bridge overpass structure in its Regional Transportation Plan: Freeway Program in the ADOT Five Year Program by June 30, 2020. If MAG does not include the project in its plan, the appropriation would lapse on June 30, 2020. (Capital) | CO 19 |
| 8. | Adds footnote that conditions the availability of the appropriation for the I-40 Kingman Interchanges on the City of Kingman raising sufficient funds for the remainder of the project budget otherwise the appropriation lapses on June 30, 2024. (Capital) | CO 22 |
| 9. | Adds footnote that conditions the availability of the appropriation for the Mariposa Port of Entry cold facility storage on the Greater Nogales Santa Cruz County Port Authority providing sufficient funds for the remainder of the project budget otherwise the appropriation lapses on June 30, 2022. (Capital) | CO 5 |

AHCCCS

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| 10. | Adds footnote specifying AHCCCS distributions of supplemental payments for graduate medical education programs to hospitals in counties with a population of more than 500,000 people and hospitals in a county with less than 500,000 people. Stipulates that General Fund distributions may supplement, but not supplant voluntary political subdivision payments for graduate medical education programs. Requires AHCCCS to prioritize General Fund distributions to hospitals located in health professional shortage areas. | 12 |
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Arizona Department of Agriculture

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| 11. | Adds footnote specifying that \$137,000 is appropriated from the General Fund for Personal Services, Employee Related Expenditures, and salary increases and related expenditures for dairy inspectors. | 11 |
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Attorney General - Department of Law

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| 12. | Adds footnote appropriating \$950,000 in FY 2021, \$2.3 million in FY 2022, and \$2.3 million in FY 2023 from CPRF. | 14 |
| 13. | Adds footnote requiring the Attorney General to submit a report on its distribution of police equipment grants to the President of the Senate, Speaker of the House, JLBC Staff, and OSPB Staff on or before March 1, 2020. | 14 |
| 14. | Adds footnote requiring the Attorney General to submit a report for review to the JLBC on its expenditure plan for the Arizona Peace Officer Memorial Fund prior to expenditure. | 14 |

15. Adds footnote requiring the Attorney General to forward complaints of the use of school resources to influence elections to the Governor, House and Senate. 14

Department of Child Safety

16. Adds footnote requiring the Department of Child Safety to report to JLBC by January 2, 2020 on its efforts to implement the federal Family First Prevention Act of 2018. The report shall provide information, including any fiscal impacts, associated DCS' efforts to address federal funding changes for congregate care placements and in-home preventive services. 19
17. Modifies footnote for the Kinship Stipend to require the department to provide the stipend to all unlicensed kinship caregivers without requiring the caregiver to file an application. 19

Arizona Commerce Authority

18. Adds footnote requiring the ACA report to the JLBC on or before January 31, 2020 on its plan for distributing rural broadband development grants. The appropriation is non-lapsing. 130
19. Adds footnote requiring ACA to submit an annual expenditure and performance report to JLBC and OSPB concerning applied research centers on blockchain technology as well as the Institute for Automated Mobility 129

Arizona Community Colleges

20. Adds footnote requiring that the Diné Board of Regents submit a report by October 15, 2020 which details the course completion rate for students who received remedial education during the 2019-2020 academic year. 20

State Department of Corrections

21. Modifies footnote establishing annual bed capacity report to require ADC to provide rationale for 1) closing permanent beds rather than temporary beds or 2) opening new beds. 24
22. Adds footnote requiring department to report on inmate healthcare performance measures and provides copies of court ordered reports on or before August 1, 2019 and February 1, 2020. 24
23. Modifies footnote requiring the department to report semiannually the status of all capital projects and expenditures rather than just building renewal projects. (Capital) CO 2
24. Adds footnote specifying that the appropriation includes \$5,083,500 from the State General Fund to provide a 10% salary adjustment to correctional officers at private prisons. 24
25. Adds footnote delineating the department's lump sum includes \$384,534,400 for Personal Services and \$240,063,200 for Employee Related Expenditures. Requires the department to submit an expenditure plan for JLBC review prior to spending these monies on non-Personal Services or Employee Related Expenditures. 24
26. Adds footnote requiring department to submit a report on quarterly benchmarks for correctional officer staffing for JLBC review. 24
27. Modifies footnote requiring the department to submit monthly on month and year-to-date expenditures to include correctional officer and medical staff staffing levels. 24
28. Adds footnote requiring the department to obtain approval from the Arizona Strategic Enterprise Office and the Information Technology Authorization Committee prior to using any monies for the replacement of the Adult Inmate Management System (AIMS). 24
29. Adds footnote requiring the Arizona Strategic Enterprise Technology (ASET) Office to submit an expenditure plan on behalf of the department to the JLBC for review prior to the expenditure of any monies for the replacement of AIMS. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with the department's prior reports for its appropriations from the Automation Projects Fund. 24

Board of Cosmetology

30. Adds footnote extending annual leave payout line item appropriations through FY 2023. 25

Office of Economic Opportunity (Water Infrastructure Finance Authority)

31. Adds footnote requiring WIFA to submit a report annually on or before December 31 to the JLBC on the allocation of funds from the Small Drinking Water Systems Fund. The report shall be submitted through FY 2022. 132

Department of Economic Security

32. Adds footnote requiring DES to engage with community stakeholders prior to implementing provider rate increases for FY 2020. Requires DES to report to JLBC on its stakeholder engagement efforts and plans to increase provider rates by August 1, 2019. 31
33. Modifies footnote to authorize DES to receive a loan from the Budget Stabilization Fund on or after April 1, 2020 to provide funding for reimbursement of federal grants as part of the closing process for FY 2020. DES must notify JLBC and OSPB before using the loan authority. The loan must be repaid on or before September 1, 2020. 109
34. Adds footnote requiring the ASET Office to submit an expenditure plan on behalf of the department to the JLBC for review prior to the expenditure of any monies for the replacement of child support IT system. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with the department's prior reports for its appropriations from the Automation Projects Fund. 31
35. Adds footnote appropriating \$150,000 from political subdivisions funds and \$350,000 from developmental disabilities Medicaid expenditure authority in FY 2019 for assistance to developmental disabilities providers in the City of Flagstaff. Authorizes DES to spend \$2 of developmental disabilities Medicaid expenditure authority for every \$1 of funds provided by the City of Flagstaff. The appropriation is non-lapsing. 108

Department of Education

36. Modifies footnote to include the Special Education Fund line item as another potential source of, and recipient of, monies in FY 2020 to resolve FY 2019 formula funding shortfalls. 33
37. Adds footnote appropriating \$30 million to eliminate the K-12 Rollover in FY 2022 for districts with a student count of less than 1,350 pupils. 164
38. Adds footnote that makes non-lapsing until July 1, 2022 the \$50,000 state General Fund appropriation to the department that is for distribution to any new unified school created as the result of an election in 2019 or 2020 pursuant to A.R.S. § 15-459F. 136
39. Adds footnotes stipulating that state General Fund monies appropriated in FY 2020 for schools on proving grounds 1) may only be used to demolish an existing or former school that is located on a proving ground operated by the United States Army or to construct a new replacement school on that same proving ground, 2) may be spent only if the United States Department of Defense provides matching monies equivalent to 80% of project costs, and 3) do not lapse until the project is completed or abandoned unless no expenditure or encumbrance has been made by October 1, 2029, and 4) revert to the state General Fund on October 1, 2029 if unexpended and unencumbered. 135

Arizona Exposition and State Fair Board

40. Adds footnote requiring the Exposition and State Fair Board to allocate from the appropriation for capital improvements an amount sufficient for the repayment of Arizona Department of Administration building renewal. (Capital) CO 7

Arizona Department of Forestry and Fire Management

41. Adds footnote stipulating that monies appropriated for the Taylor Fire Training Center line item shall be distributed to the Navajo County Community College District to fund a public safety and emergency training facility. The facility shall be available to both public and private entities for training. The appropriation is non-lapsing. 41
42. Adds footnote appropriating \$1,000,000 from the General Fund to the Nonnative Vegetative Species Eradication Fund in FY 2021 through FY 2029. Monies from the line item are used to provide grants for nonnative vegetative species eradication projects that will assist in preventing fire and flooding. 142
43. Adds footnote making the appropriation for the Mount Lemmon Fire District non-lapsing through December 31, 2021. 141

State Board of Funeral Directors and Embalmers

44. Adds footnote extending FY 2019 appropriation for document digitization services through FY 2020. 111

Arizona Game and Fish Department

45. Modifies footnote requiring the department to report semiannually the status of all capital projects and expenditures rather than just building renewal projects. (Capital) CO 2

Department of Health Services

46. Continues footnote requiring DHS to distribute biomedical research support funding to a nonprofit medical research institute specializing in genomic technologies and sequencing to clinical care and requires the recipient to commission an annual audit of expenditures to submit to the department by February 1 each year. 47
47. Adds footnote specifying that \$700,000 is appropriated from the General Fund to the department to establish a community-based primary care program in a geographically isolated area of the state which is medically underserved, has a health professional shortage, and a population less than 15,000 persons. Specifies the services the program should provide. 144
48. Adds footnote requiring DHS to distribute \$1.5 million to Benson Hospital and Northern Cochise Community Hospital to maintain emergency department and trauma services. 143
49. Adds footnote specifying that the appropriation for Alzheimer's Disease Research shall be distributed to a nonprofit that has been headquartered in the state for at least 10 years and has participating member institutions that conduct research and education. 47

Arizona Department of Housing

50. Adds footnote specifying that \$3,500,000 of the appropriation for the Housing Trust Fund Deposit line item shall be expended on constructing or renovating facilities and housing assistance, including support services, for persons determined to be seriously mentally ill and to be chronically resistant to treatment. 51

Judiciary

51. Modifies footnote regarding county probation officer spending to delete duplicative provision. 54
52. Adds footnote specifying that the sum of \$1,146,400 is appropriated for salary adjustments for the Administrative Office of the Courts. It is the intent of the Legislature that this amount shall not be annualized in future years. 54
53. Modifies footnote to require JLBC review of Administrative Office of the Court's report on county approved-salary adjustments. 54

Legislature - Auditor General

54. Adds footnote allowing the Auditor General to use balance of \$31,200 from the FY 2014 appropriation for DCS-affiliated consultant contract (Laws 2014, 2nd Special Session, Chapter 2, Section 9) for general operating expenses in FY 2020. 2
55. Adds footnote requiring the Auditor General to 1) Identify by January 1, 2020, in collaboration with the Arizona Commerce authority and businesses, industry and higher education leaders, the industry certifications earned by Career Technical Education (CTED) students that are most associated with multi-year Career Technical Education programs that successfully prepare students for jobs in high demand technical fields. 2) Evaluate by December 1, 2020 the effectiveness of CTED districts in preparing students for jobs in high demand technical fields. 160

Arizona State Parks Board

56. Adds footnote requiring the Arizona State Parks Board to report semiannually the status of all capital projects and expenditures. (Capital) CO 27
57. Adds footnote extending the \$1.3 million FY 2018 appropriation for capital improvements and \$4.0 million FY 2018 appropriation for Rockin' River project. (Capital) CO 24
58. Adds footnote specifying that the appropriation for the Arizona Trail is for employment of youth conservation corps to maintain the trail. Requires the Arizona State Parks Board to submit an expenditure plan for review to the JLBC prior to expenditure. 71

Department of Public Safety

59. Adds footnote requiring the department to submit an expenditure plan for the Peace Officer Training Equipment to JLBC for review prior to any expenditures in FY 2020. 80
60. Adds footnote requiring DPS to report to the JCCR on a cost comparison between the provision of housing versus a housing allowance for state troopers stationed in remote areas. (Capital) CO 15

School Facilities Board

61. Modifies footnote stipulating the FY 2020 New School Facility appropriation shall be used for facilities and land costs for school districts that received final approval from the board on or before September 1, 2019. 86

Secretary of State

62. Adds footnote extending the FY 2018 appropriation for the Helping America Vote Act through FY 2020. 111

Department of Transportation

63. Adds footnote specifying that of the \$205,693,000 appropriated to the lump sum operating budget, \$675,000 is appropriated on a one-time basis for special license plate implementation and production costs. 91
64. Adds footnote specifying that of the \$141,493,000 appropriated to the Highway Maintenance line item, \$75,000 is appropriated on a one-time basis for highway signage installation and production. 91
65. Adds footnote requiring ADOT to report to JLBC Staff by December 31, 2019 on the status of all Aviation Grant awards and distributions. (Capital) CO 26
66. Modifies footnote to require ADOT semiannual building renewal status update to also include all non-highway construction capital projects. (Capital) CO 2
67. Adds footnote extending FY 2018 appropriation to equip and furnish a new Flagstaff office building through FY 2020. 154
68. Adds footnote specifying that of the \$10 million appropriated for deposit into the State Aviation Fund, at least \$1 million in grants shall be distributed to Ernest A. Love Field Airport in Prescott. (Capital) CO 21
69. Adds footnote requiring each city and town to receive an equal amount of the \$18.0 million of new General Fund monies for local roads. (Capital) CO 24

State Treasurer

70. Adds footnote requiring upon completion of a request for proposals, the State Treasurer shall report to the JLBC on the total cost of development and ongoing annual operating costs of the General Ledger Information Technology System. 92
71. Adds footnote requiring the State Treasurer to report to the JLBC Staff and OSPB on its current fiscal year and estimated next fiscal year expenditures of interest earnings spent pursuant to A.R.S. § 35-315 and A.R.S. § 35-318 for its banking service contract, external investment management agreement, administrative and information technology costs, and any other costs. The report is due on or before June 30, 2019 and June 30, 2020. 92

Universities

72. Adds footnote requiring the Medical Research Foundation to submit an expenditure and performance report to Northern Arizona University. The university shall submit the report to JLBC on or before February 1, 2020. The report shall include the type and amount of expenditures from all state sources of monies, grants received, and performance measures. 96
73. Adds footnote specifying that \$160,000 is appropriated to the Arizona Board of Regents (ABOR) to distribute to universities that maintain and operate an intercollegiate adaptive athletics program. Monies may be spent only: 1) When universities collect matching funds, 2) on scholarships, equipment, travel expenses and tournament fees for participants in the program. Monies cannot be spent on administrative costs. 94

- 74. Adds footnote specifying that monies in the Washington D.C. Internship line item shall be distributed by ABOR equally to the universities to provide student internships in Washington D.C. in partnership with a third-party organization selected by ABOR. 94
- 75. Continues footnote requiring each university to report to the JLBC on or before August 1, 2019 on the intended use of one-time appropriations. Prior to any expenditure of monies for capital improvements, each university shall submit the scope, purpose, and estimated cost of the capital improvements to the JCCR for review. 155
- 76. Adds footnote specifying that it is the intent of the Legislature that the \$8,000,000 appropriated to the Phoenix Medical Campus line item be used to expand the University of Arizona Phoenix Medical School and to provide tuition waivers to medical students. It is the intent of the Legislature that this \$8,000,000 not be annualized in future years. 97

Department of Veterans' Services

- 77. Adds footnote specifying that the suicide prevention appropriation includes funding for distribution to a nonprofit veterans' services organization that provides services related to reducing suicides among Arizona's military and veteran population. The department may spend up to \$75,700 of the appropriation to hire a program specialist to liaise between the department and the selected nonprofit. Requires department to submit an expenditure plan including the status of non-state matching grant monies to JLBC for review. 98
- 78. Adds footnote specifying that the trauma treatment services appropriation includes funding for grants to contractors who provide trauma treatment service training to specified licensed health professionals. 98

Statewide (Statewide Adjustments)

- 79. Adds footnote allowing the JLBC to allocate General Fund and Other Fund statewide adjustments for adjustments to CORP, EORP, and state agency retirement. 171
- 80. Adds footnote allowing the JLBC to allocate General Fund and Other Fund statewide adjustments for adjustments to state agencies relocating to and within state-owned and lease-purchase buildings. 171
- 81. Adds footnote allowing the JLBC to allocate General Fund and Other Fund statewide adjustments for adjustments to agency rent. The rate increases from \$16.08 to \$17.87 per square foot for office space and from \$5.79 to \$6.43 per square foot for storage space. 171
- 82. Adds footnote allowing the JLBC to allocate General Fund and Other Fund statewide adjustments for adjustments for shared services for agencies located in the 1740 W. Adams building and shared administrative services. 171
- 83. Adds footnote allowing the JLBC to allocate General Fund and Other Fund statewide adjustments for employer health insurance contribution adjustments. The adjustments include 1) a one-time reduction to employer contribution rates; and 2) a new one-time increase to employer contribution rates. Consistent with the FY 2019 statewide allocation, the JLBC shall use the overall allocation of General Fund and appropriated tuition for each university when determining that university's specific adjustment. 171
- 84. Adds footnote allowing the JLBC to allocate General Fund and Other Fund statewide adjustments for adjustments for risk management premiums. 171
- 85. Adds footnote allowing the JLBC to allocate General Fund and Other Fund statewide adjustments for adjustments the Information Technology pro-rata. 171

Statewide (Public Safety Compensation)

- 86. Adds footnote stating that it is the intent of the Legislature that salary adjustments be allocated as outlined. 172
- 87. Adds footnote requiring agencies to adjust salary schedules and step plans as applicable to conform with actual salary adjustments implemented for each agency and position. Except as otherwise noted, the specific pay raise percentages are not specified. 172

Department of Corrections	
Security/Correctional Officers	10.00%
Education/Teachers	9.17%
Correctional Records	5.00%
Counseling/Treatment	13.16%
Religion	5.00%
Department of Juvenile Corrections	
Security/Correctional Officers	14.90%
Education/Teachers	8.45%
Department of Public Safety	
Sworn Positions	10.00%
Civilian Positions	5.00%

Arizona Department of Agriculture	
Livestock Officers	
Attorney General - Department of Law	
Investigators	
Department of Child Safety	
Caseworkers	
Case Aides	
Program Supervisors	
Program Specialists	
Entry-level Administration	
Corporation Commission	
Securities Division - Special Investigators	
Arizona Game and Fish Department	
Wildlife Law Enforcement	
Wildlife Managers	
Department of Health Services	
Behavioral Health Technicians	
Nurses	
Security	
Department of Insurance	
Insurance Fraud Investigators	
Department of Liquor Licenses and Control	
Investigators	
Arizona State Parks Board	
Park Ranger - Law Enforcement Officers	
Department of Transportation	
Enforcement and Compliance Officers	

FY 2020 GENERAL APPROPRIATION ACT PROVISIONS - CHAPTER 263 (HB 2747)

The Baseline includes the following provisions in the General Appropriation Act. These provisions are in addition to the individual agency appropriations, but exclude supplemental appropriations, ex-appropriations, and fund transfers.

Arizona Commerce Authority

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| 1. | As session law, in accordance with statute (A.R.S. § 43-409), allocate \$15,500,000 of General Fund withholding tax revenue to the Authority in FY 2020. | 120 |
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Counties and Cities & Towns

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| 2. | As session law, continue to appropriate \$550,050 to all counties with populations under 900,000 people according to the 2010 Census. As session law, continue to appropriate additional \$500,000 to Graham County. | 115 |
| 3. | As session law, in accordance with A.R.S. § 9-601, appropriate \$23,499,950 from the General Fund in FY 2020 for the Phoenix Convention Center. | 145 |
| 4. | As session law, in accordance with A.R.S. § 42-5031, continue to provide sales tax revenues, estimated at \$14,000,000 in FY 2020, to the Rio Nuevo Multipurpose Facility District. | 146 |

Department of Education

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| 5. | As session law, continue to defer \$930,727,700 in Basic State Aid payments for FY 2020 until FY 2021. Appropriate \$930,727,700 in FY 2021 for these deferred Basic State Aid payments. Continue to exempt school districts with less than 600 students from the K-12 Rollover. Allow ADE to make the rollover payment no later than July 12, 2020. | 156 |
| 6. | As session law, continue to require school districts to include in the FY 2020 revenue estimates that they use for computing their FY 2020 tax rates the rollover monies that they will receive for FY 2020 in July 2020. | 156 |

Debt Service

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| 7. | As session law, appropriate \$77,709,300 from the General Fund to the Arizona Department of Administration in FY 2020 for a debt service payment on the 2010 sale and leaseback of state buildings. The dollar amount consists of 2 separate appropriations of \$53,699,500 and \$24,009,800. The former amount reflects a reduction of \$(6,399,200) from prior years due to a refinancing. | 144 |
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Revenues

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| 8. | As session law, continue to specify revenue and expenditure estimates for FY 2019, FY 2020, FY 2021, and FY 2022. | 164 |
| 9. | As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2019 ending balances by September 15, 2019. Require JLBC Staff to report to JLBC by October 15, 2019 as to whether FY 2020 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections. | 164 |

Statewide

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| 10. | As session law, continue to state legislative intent that all budget units receiving appropriations continue to report actual, estimated and requested expenditures in a format similar to prior years. | 160 |
| 11. | As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2020 in all agencies and provide it to the JLBC Director by October 1, 2020. The Universities are exempt from the report but are required to report separately. | 162 |
| 12. | As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2019 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2019. | 161 |
| 13. | As session law, continue to require ADOA to report monthly to the JLBC Director on agency transfers of spending authority from one expenditure class to another or between programs. | 163 |

General

- 14. As session law, continue to define “*” as designating an appropriation exempt from lapsing. 165
- 15. As session law, continue to define “expenditure authority” as continuously appropriated monies included in individual line items of appropriations. 166
- 16. As session law, continue to define "review by the Joint Legislative Budget Committee" as a review by a vote of a majority of a quorum of the members. 167

**FY 2019
GENERAL FUND ADJUSTMENTS**

FY 2019 GENERAL FUND ADJUSTMENTS

	FY 2018 Actual	FY 2019 Original <u>1/</u>	Baseline Adjustments	FY 2019 JLBC Baseline	Session Changes	FY 2019 Enacted
REVENUES						
Ongoing Revenues	\$10,713,593,000	10,921,547,200	542,524,800	\$11,464,072,000	(66,000,000)	\$11,398,072,000
Previously Enacted Changes		(75,296,200)	75,296,200 <u>2/</u>		0	
Newly Enacted Changes		61,490,400	(61,490,400) <u>2/</u>		155,000,000	155,000,000
Highway Safety Fee Offset/Transfers		72,364,500	(72,364,500)		0	
Urban Revenue Sharing	(680,770,100)	(674,804,400)	0	(674,804,400)	0	(674,804,400)
Net Ongoing Revenues	\$10,032,822,900	\$10,305,301,500	\$483,966,100	\$10,789,267,600	\$89,000,000	\$10,878,267,600
One-time Financing Sources						
Balance Forward	\$150,871,000	\$204,482,000	\$245,150,000	\$449,632,000	\$0	449,632,000
Moody's Settlement Fund Transfer	8,172,700	0	0	0	0	
TY 2017 IRC Conformity	0	(5,000,000)	5,000,000	0	0	
Fund Transfers	66,219,000	120,681,700	(20,000,000)	100,681,700	0	100,681,700
Subtotal One-time Revenues	\$225,262,700	\$320,163,700	\$230,150,000	\$550,313,700	\$0	\$550,313,700
Total Revenues	\$10,258,085,600	\$10,625,465,200	\$714,116,100	\$11,339,581,300	\$89,000,000	\$11,428,581,300
EXPENDITURES						
Operating Budget Appropriations	\$9,625,696,700	\$10,200,028,900	\$0	\$10,200,028,900	\$0	\$10,200,028,900
FY 2019 Supplementals/Ex-Approp.		0	(28,405,400)	(28,405,400)	(14,433,400)	(42,838,800)
Administrative Adjustments		100,000,000	43,000,000	143,000,000	(17,000,000)	126,000,000
Reversions		(145,000,000)	(22,000,000)	(167,000,000)	(4,000,000)	(171,000,000)
Subtotal Ongoing Expenditures	\$9,625,696,700	\$10,155,028,900	(\$7,405,400)	\$10,147,623,500	(\$35,433,400)	\$10,112,190,100
One-time Expenditures						
Capital Outlay	\$5,700,000	\$4,959,000	\$0	\$4,959,000	\$0	4,959,000
Budget Stabilization Fund Deposit	0	0	0		271,107,000	271,107,000
Operating One-Time Spending	180,142,500	241,996,500	0	241,996,500	0	241,996,500
FY 2018 One-Time Supplementals	21,045,300	0	0		0	
FY 2019 One-Time Supplementals		0	0		33,956,300	33,956,300
ADOT One-Time Savings		(12,523,500)	12,523,500		0	
AHCCCS One-Time Savings	(24,130,900)	0	0	0	0	
Subtotal One-time Expenditures	\$182,756,900	\$234,432,000	\$12,523,500	\$246,955,500	\$305,063,300	\$552,018,800
Total Expenditures	\$9,808,453,600	\$10,389,460,900	\$5,118,100	\$10,394,579,000	\$269,629,900	\$10,664,208,900
Ending Balance <u>2/</u>	\$449,632,000	\$236,004,300	\$708,998,000	\$945,002,300	(\$180,629,900)	\$764,372,400
Structural Balance <u>3/</u>	\$407,126,200	\$150,272,600	\$491,371,500	\$641,644,100	\$124,433,400	\$766,077,500

1/ Reflects FY 2019 Budget as published in the *FY 2019 Appropriations Report*.

2/ Reflects forecast adjustments to revenue and other technical adjustments in January 2019 as part of the FY 2020 JLBC Baseline. Baseline adjustments move previously enacted changes to ongoing revenue.

3/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

4/ This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments. The Legislature makes the ongoing and one-time classifications as part of its 3-year spending plan. Excludes any Budget Stabilization Fund balance.

FY 2019 GENERAL FUND ADJUSTMENTS

FY 2019 Budget Revision — The preceding chart illustrates the changes to the FY 2019 budget from the June 2018 publication of the *FY 2019 Appropriations Report* (including changes through the 53rd Legislature, 2nd Regular Session) to the current estimate in this *FY 2020 Appropriations Report*. The chart includes the changes from the passage of bills in the 1st Regular Session of the 54th Legislature addressing the FY 2019 budget.

Original Budget Estimate — At the time of the publication of the *FY 2019 Appropriations Report* in June 2018, the FY 2019 budget was anticipated to have a \$236 million balance.

Mid-Year Balance — As estimated in January 2019, higher-than-expected revenues together with other changes led to the state’s projected FY 2019 ending balance of \$236 million increasing to a balance of \$945 million. The components of this \$709 million shift were as follows:

	<u>(\$ in M)</u>
• Increased FY 2018 Carry-Forward	245
• Increase in FY 2019 Ongoing Revenues	484
• Decreased FY 2019 One-Time Revenues	(15)
• Supplemental FY 2019 Expenditures	<u>(5)</u>
Total	\$709

As enacted in May 2018, the original FY 2019 budget included \$204 million in revenues from an FY 2018 carry-forward balance. The FY 2018 revenue growth at the end of the year, however, was greater than originally budgeted, which produced a FY 2018 ending balance of \$450 million, or \$245 million more than budgeted.

An upward revision to FY 2019 growth rates based on the January consensus forecast along with incorporating the higher-than-expected growth for FY 2018 increased revenues by \$484 million. This increase was slightly offset by reducing one-time revenues by \$(15) million, mostly reflecting the deposit of an Attorney General settlement with the Volkswagen group in May 2018 instead of in FY 2019 as anticipated.

Finally, the budget was estimated to require an additional \$5 million in spending, including a net \$19 million for higher-than-projected spending from prior-year appropriations and \$13 million for a technical adjustment for transportation spending, offset by \$(29) million of savings associated with lower-than-projected AHCCCS caseloads.

2019 Legislative Session — Laws 2019, Chapter 263, the General Appropriation Act, made a series of changes in the FY 2019 budget. These adjustments changed the projected ending balance of \$945 million to a projected ending balance of \$764 million, the result of ongoing revenue changes in addition to one-time FY 2019 supplemental expenditure changes.

The budget includes \$89 million in new ongoing General Fund revenues, which reflects an \$(66) million decrease in "base" forecasted revenues offset by \$155 million in new ongoing revenues associated with passage of Laws 2019, Chapter 273, which made a series of changes associated with conformity to the federal tax code.

The budget also includes \$270 million in net new FY 2019 spending. Of this amount, ongoing spending declined by \$(35) million, consisting of \$(8) million caseload savings in AHCCCS (bringing its total FY 2019 savings to \$(37) million); \$(17) million in Arizona Department of Education (ADE) savings, reflecting \$(10) million of caseload savings and using \$(7) million of available excess School Facilities Board (SFB) debt service funds; offsetting \$10 million in caseload and capitation rate increases in the Medicaid portion of Developmental Disabilities (DD) spending in the Department of Economic Security (DES); and \$(21) million in lower estimates of prior-year appropriation spending.

In addition, the budget included a \$271 million deposit into the Budget Stabilization Fund and supplemental appropriations totaling \$34 million. These appropriations included \$25 million for SFB building renewal grants, \$7 million for agriculture infrastructure projects appropriated by Laws 2019, Chapter 1, \$950,000 for DES food banks, and \$700,000 for the Secretary of State.

With an estimated FY 2019 ending balance in January of \$945 million, \$89 million in new General Fund revenues, \$(35) million in decreased ongoing spending, \$271 million in a BSF deposit, and \$34 million in supplemental spending, the FY 2019 budget is estimated to have an ending balance of \$764 million.

Other Fund Adjustments — The FY 2019 revisions included \$73 million in net Other Fund supplementals. The largest supplemental was \$56 million from the Federal Child Care and Development Fund Block Grant in DES and the Department of Child Safety for increased child care placements and reimbursement rates. Other revisions included \$9 million from the Risk Management Fund in the Department of Administration for federal reimbursements and \$7 million of SFB debt service funds to offset ADE caseload costs.

FY 2019 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	GF FY 2019 Approp Rpt June 2018	GF Adjustments	GF FY 2019 Supplementals 2/	GF FY 2019 Additional Appropriations 2/	GF Enacted FY 2019
<u>BUDGET UNITS</u>					
Administration, Arizona Department of	\$7,939,100		600		\$7,939,700
Administration, Arizona Department of Automation Projects Fund	5,000,000				5,000,000
Administrative Hearings, Office of	868,900				868,900
African-American Affairs, Arizona Commission of	127,200				127,200
Agriculture, Arizona Department of	9,640,000				9,640,000
AHCCCS	1,777,093,500		(36,564,900)		1,740,528,600
Attorney General - Department of Law	25,940,300		2,000		25,942,300
Charter Schools, State Board for	1,209,800				1,209,800
Child Safety, Department of	375,838,700				375,838,700
Commerce Authority, Arizona	21,800,000				21,800,000
Community Colleges, Arizona	57,205,500				57,205,500
Corporation Commission	814,600				814,600
Corrections, State Department of	1,099,670,000		76,600		1,099,746,600
County Funding	20,566,200				20,566,200
Deaf and the Blind, Schools for the	21,659,300				21,659,300
Economic Opportunity, Office of	488,800				488,800
Economic Security, Department of	650,936,900		11,350,000		662,286,900
Education, State Board of	1,146,300				1,146,300
Education, Department of	4,704,652,000		(16,831,500)		4,687,820,500
Emergency and Military Affairs, Department of	11,098,200				11,098,200
Equalization, State Board of	652,000				652,000
Executive Clemency, Board of	1,137,000				1,137,000
Financial Institutions, State Department of	1,984,800				1,984,800
Forestry and Fire Management, Arizona Department of	11,156,700				11,156,700
Gaming, Department of	1,779,500				1,779,500
Governor, Office of the	8,538,800		2,100		8,540,900
Governor's Office of Strategic Planning and Budgeting	2,022,100				2,022,100
Health Services, Department of	89,931,200				89,931,200
Historical Society, Arizona	3,195,000				3,195,000
Historical Society, Prescott	832,700				832,700
Insurance, Department of	5,628,400				5,628,400
Judiciary					
Supreme Court	19,870,100		24,500		19,894,600
Court of Appeals	15,992,400		74,100		16,066,500
Superior Court	80,714,500		133,500		80,848,000
SUBTOTAL - Judiciary	116,577,000	0	232,100	0	116,809,100
Juvenile Corrections, Department of	22,734,500		8,000		22,742,500
Land Department, State	11,733,400		(128,300)		11,605,100
Legislature					
Auditor General	19,709,600				19,709,600

	GF FY 2019 Approp Rpt June 2018	GF Adjustments	GF FY 2019 Supplementals	GF FY 2019 Additional Appropriations	GF Enacted FY 2019
House of Representatives	13,835,000		31,400		13,866,400
Joint Legislative Budget Committee	2,504,800				2,504,800
Legislative Council	8,304,900				8,304,900
Senate	9,747,200		15,700		9,762,900
SUBTOTAL - Legislature	54,101,500	0	47,100	0	54,148,600
Mine Inspector, State	1,255,800		1,100		1,256,900
Navigable Stream Adjudication Commission	127,400				127,400
Postsecondary Education, Commission for	1,646,800				1,646,800
Public Safety, Department of	104,241,700		221,100		104,462,800
Public Safety Personnel Retirement System	7,000,000				7,000,000
Real Estate Department, State	2,911,700				2,911,700
Revenue, Department of	31,063,800				31,063,800
School Facilities Board	274,700,300		25,000,000		299,700,300
Secretary of State	15,568,800		701,500		16,270,300
Tax Appeals, State Board of	280,400				280,400
Tourism, Office of	7,112,000				7,112,000
Transportation, Department of	65,000				65,000
Treasurer, State	1,205,100				1,205,100
Tribal Relations, Governor's Office on	60,900				60,900
Universities					
Board of Regents	6,898,100				6,898,100
Arizona State University	328,775,800				328,775,800
Northern Arizona University	112,095,700				112,095,700
University of Arizona - Main Campus	208,836,400				208,836,400
University of Arizona - Health Sciences Center	68,897,700				68,897,700
SUBTOTAL - Universities	725,503,700	0	0	0	725,503,700
Veterans' Services, Department of	6,120,600				6,120,600
Water Resources, Department of	16,169,800			7,000,000	23,169,800
OPERATING BUDGET TOTAL	\$10,320,733,700	\$0	(\$15,882,500)	\$7,000,000	\$10,311,851,200
Budget Stabilization Fund Deposit	0		271,107,000		271,107,000
Capital Outlay - Building Renewal/Projects	4,959,000				4,959,000
Capital Outlay - 2010 Leaseback Debt Service	84,112,000				84,112,000
Capital Outlay - Phoenix Convention Center Debt Service	22,996,300				22,996,300
Capital Outlay - Rio Nuevo District 3/	14,000,000				14,000,000
ADOT I-10 Project Reversion (Equipment Sales)	(12,523,500)	12,523,500			0
Unallocated Retirement Adjustments	150,500				150,500
Unallocated Information Technology Pro Rata Adjustments	500				500
Unallocated Employer Health Insurance Contributions	32,400				32,400
Administrative Adjustments	100,000,000	26,000,000			126,000,000
Revertments	(145,000,000)	(26,000,000)			(171,000,000)
GRAND TOTAL	\$10,389,460,900	\$12,523,500	\$255,224,500	\$7,000,000	\$10,664,208,900

GF FY 2019 Approp Rpt June 2018	GF Adjustments	GF FY 2019 Supplementals	GF FY 2019 Additional Appropriations	GF Enacted FY 2019
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- 1/ This chart provides a crosswalk between an agency's original appropriation in the *FY 2019 Appropriations Report* and its final FY 2019 appropriation, excluding capital appropriations.
- 2/ Reflects changes enacted in the FY 2020 General Appropriation Act (Laws 2019, Chapter 263) and additional appropriations in the 1st Regular Session. Any supplementals enacted prior to the 1st Regular Session are reflected in the Adjustments column. (There were no supplementals in this category for FY 2019.)
- 3/ Represents an estimated cost.

FY 2019 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2019 Approp Rpt June 2018	OF Adjustments	OF FY 2019 Supplementals <u>2/</u>	OF Enacted FY 2019
<u>BUDGET UNITS</u>				
Accountancy, State Board of				
Board of Accountancy Fund	\$2,037,900			\$2,037,900
Acupuncture Board of Examiners				
Acupuncture Board of Examiners Fund	171,900			171,900
Administration, Arizona Department of				
Air Quality Fund	927,300			927,300
Arizona Financial Information System Collections Fund	9,447,700			9,447,700
Automation Operations Fund	25,545,500			25,545,500
Capital Outlay Stabilization Fund	18,136,300		11,900	18,148,200
Corrections Fund	572,500			572,500
Federal Surplus Materials Revolving Fund	464,900			464,900
Information Technology Fund	5,547,400			5,547,400
Motor Vehicle Pool Revolving Fund	10,162,600			10,162,600
Personnel Division Fund	12,747,800			12,747,800
Risk Management Revolving Fund	94,569,100		9,168,800	103,737,900
Special Employee Health Insurance Trust Fund	5,283,800			5,283,800
Special Services Revolving Fund	1,080,100			1,080,100
State Surplus Materials Revolving Fund	2,963,700			2,963,700
State Web Portal Fund	5,548,100			5,548,100
State Monument and Memorial Repair Fund	25,300			25,300
Telecommunications Fund	1,916,300			1,916,300
Total - Arizona Department of Administration	194,938,400	0	9,180,700	204,119,100
Administration, Arizona Department of - Automation Projects Fund				
Automation Projects Fund	23,125,100		(450,000)	22,675,100
Agriculture, Arizona Department of				
Air Quality Fund	1,445,200			1,445,200
Nuclear Emergency Management Fund	275,000			275,000
Total - Arizona Department of Agriculture	1,720,200	0	0	1,720,200
AHCCCS				
Budget Neutrality Compliance Fund	3,756,200			3,756,200
Children's Health Insurance Program Fund	87,572,700			87,572,700
Prescription Drug Rebate Fund - State	148,458,800			148,458,800
Substance Abuse Services Fund	2,250,200			2,250,200
Tobacco Products Tax Fund Emergency Health Services Account	17,966,100			17,966,100
Tobacco Tax and Health Care Fund Medically Needy Account	68,040,500			68,040,500
Total - AHCCCS	328,044,500	0	0	328,044,500
Arts, Arizona Commission on the Budget Stabilization Fund	2,000,000			2,000,000

	OF FY 2019 Approp Rpt June 2018	OF Adjustments	OF FY 2019 Supplementals 2/	OF Enacted FY 2019
Athletic Training, Board of				
Athletic Training Fund	123,500			123,500
Attorney General - Department of Law				
Antitrust Enforcement Revolving Fund	148,500			148,500
Attorney General Legal Services Cost Allocation Fund	2,102,800			2,102,800
Collection Enforcement Revolving Fund	6,904,500			6,904,500
Consumer Protection-Consumer Fraud Rev. Fund	7,213,600			7,213,600
Consumer Restitution and Remediation Revolving Fund - Consumer Remediation Subaccount	1,489,000			1,489,000
Interagency Service Agreements Fund	16,428,600			16,428,600
Internet Crimes Against Children Enforcement Fund	900,000			900,000
Risk Management Revolving Fund	10,070,000			10,070,000
Victims' Rights Fund	3,766,800			3,766,800
Total - Attorney General - Department of Law	<u>49,023,800</u>	<u>0</u>	<u>0</u>	<u>49,023,800</u>
Automobile Theft Authority				
Automobile Theft Authority Fund	5,308,900			5,308,900
Barbers, Board of				
Board of Barbers Fund	401,100			401,100
Behavioral Health Examiners, Board of				
Board of Behavioral Health Examiners Fund	1,772,300			1,772,300
Child Safety, Department of				
Child Abuse Prevention Fund	1,459,300			1,459,300
Children and Family Services Training Program Fund	207,100			207,100
Federal Child Care and Development Fund Block Grant	27,000,000		7,400,000	34,400,000
Federal Temporary Assistance for Needy Families Block Grant	157,279,300			157,279,300
Risk Management Revolving Fund	3,770,000			3,770,000
Total - Department of Child Safety	<u>189,715,700</u>	<u>0</u>	<u>7,400,000</u>	<u>197,115,700</u>
Chiropractic Examiners, State Board of				
Board of Chiropractic Examiners Fund	429,700			429,700
Contractors, Registrar of				
Registrar of Contractors Fund	12,300,100			12,300,100
Corporation Commission				
Arizona Arts Trust Fund	50,700			50,700
Investment Management Regulatory and Enforcement Fund	714,700			714,700
Public Access Fund	6,713,000			6,713,000
Securities Regulatory and Enforcement Fund	5,038,200			5,038,200
Utility Regulation Revolving Fund	14,449,300			14,449,300
Total - Corporation Commission	<u>26,965,900</u>	<u>0</u>	<u>0</u>	<u>26,965,900</u>
Corrections, State Department of				
Alcohol Abuse Treatment Fund	555,500			555,500
Corrections Fund	30,312,300			30,312,300

	OF FY 2019 Approp Rpt June 2018	OF Adjustments	OF FY 2019 Supplementals 2/	OF Enacted FY 2019
Inmate Store Proceeds Fund	1,340,400			1,340,400
Penitentiary Land Fund	2,507,400			2,507,400
Prison Construction and Operations Fund	12,500,000			12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	3,079,500			3,079,500
State Education Fund for Correctional Education	727,900			727,900
Transition Program Fund	2,940,100			2,940,100
Total - State Department of Corrections	53,963,100	0	0	53,963,100
Cosmetology, Board of				
Board of Cosmetology Fund	1,926,300			1,926,300
County Funding				
State Charitable, Penal and Reformatory Institutions Land Fund	500,000			500,000
Criminal Justice Commission, Arizona				
Criminal Justice Enhancement Fund	650,000			650,000
Drug and Gang Prevention Resource Center Fund	812,000			812,000
Fingerprint Clearance Card Fund	600,000			600,000
State Aid to County Attorneys Fund	973,700			973,700
Victim Compensation and Assistance Fund	4,222,400			4,222,400
Total - Arizona Criminal Justice Commission	7,258,100	0	0	7,258,100
Deaf and the Blind, Arizona Schools for the				
Schools for the Deaf and the Blind Fund	11,537,900			11,537,900
Telecommunication Fund for the Deaf	2,070,000			2,070,000
Total - Arizona State Schools for the Deaf and the Blind	13,607,900	0	0	13,607,900
Deaf and the Hard of Hearing, Comm. for the				
Telecommunication Fund for the Deaf	4,613,500			4,613,500
Dental Examiners, State Board of				
Dental Board Fund	1,300,500			1,300,500
Economic Security, Department of				
Child Support Enforcement Administration Fund	16,973,100			16,973,100
Domestic Violence Services Fund	4,000,000			4,000,000
Federal Child Care and Development Fund Block Grant	110,518,600		48,400,000	158,918,600
Federal Temporary Assistance for Needy Families Block Grant	65,324,900			65,324,900
Health Services Lottery Monies Fund	0		1,000,000	1,000,000
Long Term Care System Fund	26,559,600			26,559,600
Public Assistance Collections Fund	422,500			422,500
Special Administration Fund	5,677,300			5,677,300
Spinal and Head Injuries Trust Fund	4,254,400			4,254,400
Statewide Cost Allocation Plan Fund	1,000,000			1,000,000
Workforce Investment Act Grant	56,044,500			56,044,500
Total - Department of Economic Security	290,774,900	0	49,400,000	340,174,900

	OF FY 2019 Approp Rpt June 2018	OF Adjustments	OF FY 2019 Supplementals 2/	OF Enacted FY 2019
Education, Department of				
Department of Education Empowerment				
Scholarship Account Fund	1,246,100			1,246,100
Department of Education Professional				
Development Revolving Fund	2,700,000			2,700,000
Permanent State School Fund	277,115,300			277,115,300
Proposition 301 Fund	7,000,000			7,000,000
State School Trust Revenue Bond Debt Service Fund	0		6,833,400	6,833,400
State Web Portal Fund	500,000			500,000
Teacher Certification Fund	2,342,700			2,342,700
Tribal College Dual Enrollment Program Fund	250,000			250,000
Total - Department of Education	291,154,100	0	6,833,400	297,987,500
Emergency and Military Affairs, Department of				
Nuclear Emergency Management Fund	1,461,600			1,461,600
Environmental Quality, Department of				
Air Quality Fund	9,382,900			9,382,900
Emergency Response Fund	132,800			132,800
Emissions Inspection Fund	33,087,700			33,087,700
Hazardous Waste Management Fund	1,742,400			1,742,400
Indirect Cost Recovery Fund	13,524,900			13,524,900
Permit Administration Fund	7,146,800			7,146,800
Recycling Fund	3,411,300			3,411,300
Safe Drinking Water Program Fund	1,802,100			1,802,100
Solid Waste Fee Fund	1,245,800			1,245,800
Underground Storage Tank Fund Revolving Fund	30,200			30,200
Water Quality Fee Fund	10,556,600			10,556,600
Total - Department of Environmental Quality	82,063,500	0	0	82,063,500
Equal Opportunity, Governor's Office of				
Personnel Fund	190,700			190,700
Exposition and State Fair Board, Arizona				
Arizona Exposition and State Fair Fund	12,549,300			12,549,300
Financial Institutions, Department of				
Revolving Fund	50,000			50,000
Financial Services Fund	3,962,600			3,962,600
Total - Department of Financial Institutions	4,012,600	0	0	4,012,600
Funeral Directors and Embalmers, Board of				
Board of Funeral Directors' and Embalmers' Fund	443,400			443,400
Game and Fish Department, Arizona				
Capital Improvement Fund	1,001,200			1,001,200
Game and Fish Fund	36,558,300			36,558,300
Game, Nongame, Fish and Endangered				
Species Fund	347,200			347,200
Watercraft Licensing Fund	4,829,700			4,829,700
Wildlife Endowment Fund	16,200			16,200
Total - Arizona Game and Fish Department	42,752,600	0	0	42,752,600

	OF FY 2019 Approp Rpt June 2018	OF Adjustments	OF FY 2019 Supplementals 2/	OF Enacted FY 2019
Gaming, Department of				
Tribal-State Compact Fund	2,091,300			2,091,300
Racing Regulation Fund	2,151,100			2,151,100
State Lottery Fund	300,000			300,000
Arizona Benefits Fund	11,115,300			11,115,300
Total - Department of Gaming	<u>15,657,700</u>	0	0	<u>15,657,700</u>
Health Services, Department of				
Arizona State Hospital Fund	2,590,300			2,590,300
ASH Land Earnings Fund	650,000			650,000
Capital Outlay Stabilization Fund	230,100			230,100
Child Fatality Review Fund	95,700			95,700
Disease Control Research Fund	1,000,000			1,000,000
Emergency Medical Services Operating Fund	5,731,300			5,731,300
Environmental Laboratory Licensure Revolving Fund	929,200			929,200
Federal Child Care and Development Fund Block Grant	879,900			879,900
Health Services Licensing Fund	10,937,200			10,937,200
Health Services Lottery Monies Fund	100,000			100,000
Indirect Cost Fund	10,141,700			10,141,700
Newborn Screening Program Fund	7,660,200			7,660,200
Nuclear Emergency Management Fund	789,700			789,700
Nursing Care Institution Resident Protection Revolving Fund	138,200			138,200
Tobacco Tax and Health Care Fund Health Research Account	5,000,000			5,000,000
Tobacco Tax and Health Care Fund Medically Needy Account	700,000			700,000
Vital Records Electronic Systems Fund	3,630,200			3,630,200
Total - Department of Health Services	<u>51,203,700</u>	0	0	<u>51,203,700</u>
Homeopathic and Integrated Medicine Examiners, Board of Board of Homeopathic and Integrated Medicine Examiners' Fund	90,700			90,700
Housing, Department of Housing Trust Fund	322,200			322,200
Industrial Commission of Arizona Administrative Fund	20,001,800			20,001,800
Judiciary - Supreme Court Confidential Intermediary and Fiduciary Fund	491,300			491,300
Court Appointed Special Advocate Fund	3,597,700			3,597,700
Criminal Justice Enhancement Fund	4,384,500			4,384,500
Defensive Driving School Fund	4,208,200			4,208,200
Judicial Collection Enhancement Fund	14,800,000			14,800,000
Peace Officer Training Equipment Fund	20,000			20,000

	OF FY 2019 Approp Rpt June 2018	OF Adjustments	OF FY 2019 Supplementals 2/	OF Enacted FY 2019
State Aid to the Courts Fund	2,945,200			2,945,200
Total - Judiciary - Supreme Court	<u>30,446,900</u>	<u>0</u>	<u>0</u>	<u>30,446,900</u>
Judiciary - Superior Court				
Criminal Justice Enhancement Fund	5,440,000			5,440,000
Judicial Collection Enhancement Fund	6,015,200			6,015,200
Drug Treatment and Education Fund	502,900			502,900
Total - Judiciary - Superior Court	<u>11,958,100</u>	<u>0</u>	<u>0</u>	<u>11,958,100</u>
SUBTOTAL - Judiciary	<u>42,405,000</u>	<u>0</u>	<u>0</u>	<u>42,405,000</u>
Juvenile Corrections, Department of				
Criminal Justice Enhancement Fund	531,400			531,400
Department of Juvenile Corrections Local Cost Sharing Fund	11,260,000			11,260,000
State Charitable, Penal and Reformatory Institutions Land Fund	4,011,600			4,011,600
State Education Fund for Committed Youth	1,854,400			1,854,400
Total - Department of Juvenile Corrections	<u>17,657,400</u>	<u>0</u>	<u>0</u>	<u>17,657,400</u>
Land Department, State				
Due Diligence Fund	500,000			500,000
Environmental Special Plate Fund	260,600			260,600
Trust Land Management Fund	7,288,200			7,288,200
Total - State Land Department	<u>8,048,800</u>	<u>0</u>	<u>0</u>	<u>8,048,800</u>
Liquor Licenses and Control, Department of				
Liquor Licenses Fund	3,086,000			3,086,000
Lottery Commission, Arizona State				
State Lottery Fund	125,298,200	13,288,000		138,586,200
Massage Therapy, Board of				
Board of Massage Therapy Fund	460,900			460,900
Medical Board, Arizona				
Arizona Medical Board Fund	6,987,100			6,987,100
Mine Inspector, State				
Aggregate Mining Reclamation Fund	112,900			112,900
Naturopathic Physicians Medical Board				
Naturopathic Physicians Medical Board Fund	187,400			187,400
Navigable Stream Adjudication Commission				
Arizona Water Banking Fund	200,000			200,000
Nursing, State Board of				
Board of Nursing Fund	4,738,200			4,738,200
Nursing Care Institution Administrators Board				
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	443,600			443,600
Occupational Therapy Examiners, Board of				
Occupational Therapy Fund	190,100			190,100
Opticians, State Board of Dispensing				
Board of Dispensing Opticians Fund	149,100			149,100

	OF FY 2019 Approp Rpt June 2018	OF Adjustments	OF FY 2019 Supplementals 2/	OF Enacted FY 2019
Optometry, State Board of				
Board of Optometry Fund	243,800			243,800
Osteopathic Examiners, Arizona Board of				
Board of Osteopathic Examiners Fund	903,500			903,500
Parks Board, Arizona State				
State Parks Revenue Fund	14,771,400			14,771,400
Total - Arizona State Parks Board	<u>14,771,400</u>	<u>0</u>	<u>0</u>	<u>14,771,400</u>
Personnel Board, State				
Personnel Board Subaccount of the				
Personnel Division Fund	361,000			361,000
Pharmacy, Arizona State Board of				
Arizona State Board of Pharmacy Fund	2,190,000			2,190,000
Physical Therapy, Board of				
Board of Physical Therapy Fund	499,600			499,600
Pioneers' Home, Arizona				
Miners' Hospital for Miners with Disabilities Land Fund	2,178,800			2,178,800
State Charitable Fund	4,505,200			4,505,200
Total - Arizona Pioneers' Home	<u>6,684,000</u>	<u>0</u>	<u>0</u>	<u>6,684,000</u>
Podiatry Examiners, State Board of				
Podiatry Fund	161,900			161,900
Postsecondary Education, Commission for				
Postsecondary Education Fund	1,537,200			1,537,200
Private Postsecondary Education, Board for				
Board for Private Postsecondary Education				
Fund	417,800			417,800
Psychologist Examiners, State Board of				
Board of Psychologist Examiners Fund	495,000			495,000
Public Safety, Department of				
Arizona Highway Patrol Fund	116,321,400		19,400	116,340,800
Concealed Weapons Permit Fund	3,554,700			3,554,700
Criminal Justice Enhancement Fund	2,927,300		2,300	2,929,600
DPS Forensics Fund	22,495,800		264,100	22,759,900
Drug and Gang Prevention Resource Center Fund	758,100			758,100
Fingerprint Clearance Card Fund	1,502,500			1,502,500
GIITEM Border Security and Law				
Enforcement Subaccount	2,540,700			2,540,700
Highway User Revenue Fund	15,508,700			15,508,700
Motor Vehicle Liability Insurance				
Enforcement Fund	1,250,000			1,250,000
Motorcycle Safety Fund	205,000			205,000
Parity Compensation Fund	3,451,500			3,451,500
Peace Officer Training Equipment Fund	3,053,000			3,053,000
Public Safety Equipment Fund	2,893,700			2,893,700
Risk Management Revolving Fund	1,345,300			1,345,300
Safety Enforcement and Transportation				

	OF FY 2019 Approp Rpt June 2018	OF Adjustments	OF FY 2019 Supplementals 2/	OF Enacted FY 2019
Infrastructure Fund - Department of Public Safety Subaccount	1,643,500			1,643,500
State Aid to Indigent Defense Fund	700,000			700,000
State Highway Fund	8,169,100			8,169,100
Total - Department of Public Safety	188,320,300	0	285,800	188,606,100
Residential Utility Consumer Office Residential Utility Consumer Office Revolving Fund	1,342,600			1,342,600
Respiratory Care Examiners, Board of Board of Respiratory Care Examiners Fund	314,400			314,400
Retirement System, Arizona State Long-Term Disability Trust Fund Administration Account	2,200,000			2,200,000
Arizona State Retirement System Administration Account	22,830,300			22,830,300
Total - Arizona State Retirement System	25,030,300	0	0	25,030,300
Revenue, Department of Department of Revenue Administrative Fund	45,713,900			45,713,900
Department of Revenue Empowerment Scholarship Account Fund	50,000			50,000
Liability Setoff Program Revolving Fund	802,800			802,800
Residential Contractors' Recovery Fund	75,000			75,000
Tobacco Tax and Health Care Fund	681,500			681,500
Total - Department of Revenue	47,323,200	0	0	47,323,200
Secretary of State Data Processing Acquisition Fund	115,500			115,500
Election Systems Improvement Fund	7,463,700			7,463,700
Records Services Fund	1,244,400			1,244,400
Total - Secretary of State	8,823,600	0	0	8,823,600
Technical Registration, State Board of Technical Registration Fund	2,291,700			2,291,700
Transportation, Department of Air Quality Fund	324,100			324,100
Driving Under the Influence Abatement Fund	153,100			153,100
Highway User Revenue Fund	654,400			654,400
Highway Damage Recovery Account	4,000,000			4,000,000
Ignition Interlock Device Fund	150,000			150,000
Motor Vehicle Liability Insurance Enforcement Fund	1,720,600			1,720,600
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	1,482,000			1,482,000
State Aviation Fund	1,829,000			1,829,000
State Highway Fund	384,073,200		500	384,073,700
Transportation Department Equipment Fund	18,609,300			18,609,300

	OF FY 2019 Approp Rpt June 2018	OF Adjustments	OF FY 2019 Supplementals 2/	OF Enacted FY 2019
Vehicle Inspection and Certificate of Title Enforcement Fund	1,462,600			1,462,600
Total - Department of Transportation Treasurer, State	414,458,300	0	500	414,458,800
Law Enforcement and Boating Safety Fund	2,183,800			2,183,800
State Treasurer Empowerment Scholarship Account Fund	304,400			304,400
State Treasurer's Operating Fund	2,645,800			2,645,800
State Treasurer's Management Fund	295,600			295,600
Total - State Treasurer Universities	5,429,600	0	0	5,429,600
Arizona State University				
Technology and Research Initiative Fund	3,600,000			3,600,000
University Collections Fund	684,347,600	(24,273,000)		660,074,600
Total - Arizona State University	687,947,600	(24,273,000)	0	663,674,600
Northern Arizona University				
University Collections Fund	157,620,700	3,338,200		160,958,900
University of Arizona - Main Campus				
University Collections Fund	412,085,600	(26,983,900)		385,101,700
University of Arizona - Health Sciences Center				
University Collections Fund	49,776,300	3,847,500		53,623,800
SUBTOTAL - Universities	1,307,430,200	(44,071,200)	0	1,263,359,000
Veterans' Services, Department of				
State Home for Veterans Trust Fund	35,414,100			35,414,100
Total - Department of Veterans' Services	35,414,100	0	0	35,414,100
Veterinary Medical Examining Board				
Veterinary Medical Examining Board Fund	605,500			605,500
Water Resources, Department of				
Assured and Adequate Water Supply Admin Fund	268,500			268,500
Water Resources Fund	946,400			946,400
Water Banking Fund	1,212,200			1,212,200
Total - Department of Water Resources	2,427,100	0	0	2,427,100
OPERATING BUDGET TOTAL	\$4,011,368,000	(\$30,783,200)	\$72,650,400	\$4,053,235,200
Unallocated Elected Officials Retirement Adjustments	22,300			22,300
Unallocated Retirement Adjustments	416,000			416,000
Unallocated State Building Rent Increases	246,500			246,500
Unallocated Agency Rent Adjustments	(3,700)			(3,700)
Unallocated Information Technology Pro Rata Adjustments	72,200			72,200
Unallocated Employer Health Insurance Contributions	1,306,900			1,306,900
Capital Outlay - Building Renewal/Projects	439,989,500		4,100,000	444,089,500
GRAND TOTAL	\$4,453,417,700	(\$30,783,200)	\$76,750,400	\$4,499,384,900

OF FY 2019 Approp Rpt June 2018	OF Adjustments	OF FY 2019 Supplementals 2/	OF Enacted FY 2019
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FY 2019 EXPENDITURE AUTHORITY CROSSWALK - ORIGINAL TO FINAL ESTIMATES

AHCCCS	\$10,415,340,700	\$117,602,900	\$0	10,532,943,600
Child Safety, Department of	437,430,200	0	0	437,430,200
Economic Security, Department of	1,215,745,600	0	24,571,300	1,240,316,900
Education, Department of	715,775,500	0	0	715,775,500
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GRAND TOTAL	\$12,784,292,000	\$117,602,900	\$24,571,300	\$12,926,466,200

**JLBC STAFF AND
AGENCY DIRECTORY LISTINGS**

APPROPRIATIONS COMMITTEE MEMBERS
Fifty-fourth Legislature
First Regular Session

SENATE

David Gowan, Chairman
 Vince Leach, Vice-Chairman
 Lela Alston
 Sean Bowie
 Heather Carter
 Sine Kerr
 David Livingston
 Lisa Otondo
 Michelle Ugenti-Rita

HOUSE

Regina Cobb, Chairman
 John Kavanagh, Vice-Chairman
 Diego Espinoza
 Charlene R. Fernandez
 John Fillmore
 Randall Friese
 Anthony Kern
 Aaron O. Lieberman
 Bret Roberts
 Ben Toma
 Michelle Udall

STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE

- Director..... Richard Stavneak
- Office Manager..... Linda Monsanto
- Deputy Directors Steve Schimpp
 Stefan Shepherd
- Assistant Director Jack Brown
- Chief Economist..... Hans Olofsson
- Senior Fiscal Analysts..... Steve Grunig
 Patrick Moran
 Rebecca Perrera
- Fiscal Analysts..... Sam Beres
 Elizabeth Dagle
 Morgan Dorcheus
 Henry Furtick
 Jeremy Gunderson
 Josh Hope
 Jordan Johnston
 Ben Murphy
 Geoffrey Paulsen
- Assistant Fiscal Analyst..... Adam Golden
- Administrative Assistant/JLBC & JCCR Clerk..... Kristy Paddack

JOINT LEGISLATIVE BUDGET COMMITTEE

The Joint Legislative Budget Committee was established in 1966 pursuant to Laws 1966, Chapter 96. The primary powers and duties of the JLBC relate to ascertaining facts and making recommendations to the Legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and functions of state government. The following members served on the Committee during the 54th Legislature, 1st Regular Session:

Representative Regina E. Cobb Chairman	Senator David M. Gowan Vice-Chairman
Representative Diego Espinoza	Senator Lela Alston
Representative Charlene R. Fernandez	Senator Sean Bowie
Representative Randall Friese	Senator Rick Gray
Representative John Kavanagh	Senator Vince Leach
Representative Warren Petersen	Senator David Livingston
Representative Bret M. Roberts	Senator J.D. Mesnard
Representative Ben Toma	Senator Lisa Otondo

The objectives and major products of the staff of the JLBC are:

- Analysis and recommendations for the state budget, which is presented in January of each year.
- Technical, analytical, and preparatory support in the development of appropriations bills considered by the Legislature.
- Periodic economic and state revenue forecasts.
- Preparation of fiscal notes on legislation and ballot propositions that have a fiscal impact on the state or any of its political subdivisions.
- An annual *Appropriations Report*, which is published shortly after the budget is completed and provides detail on the budget along with an explanation of legislative intent.
- Support to the JLBC with respect to recommendations on business items placed on the committee's agenda such as transfers of appropriations pursuant to A.R.S. § 35-173.
- Support to the Joint Committee on Capital Review (JCCR) with respect to all capital outlay issues including land acquisition, new construction, and building renewal projects.
- Analyze the state tax structure, tax burdens on individuals and businesses and tax incentives for businesses pursuant to A.R.S. § 41-1272A4.

Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007
Phone: (602) 926-5491
Email: jlbcwebmaster@azleg.gov
Website: <http://www.azleg.gov/jlbc.htm>

JOINT COMMITTEE ON CAPITAL REVIEW

The Joint Committee on Capital Review (JCCR) was first established on April 11, 1986 pursuant to Laws 1986, Chapter 85. The primary powers and duties of the Joint Committee on Capital Review relate to ascertaining facts and making recommendations to the Legislature regarding state expenditures for land, buildings and improvements. This portion of the state budget is known as “capital outlay.” The following members served on the Committee during the 54th Legislature, 1st Regular Session:

Senator David M. Gowan
Chairman

Senator Lela Alston
Senator Sean Bowie
Senator David Bradley
Senator Rick Gray
Senator Sine Kerr
Senator Vince Leach

Representative Regina E. Cobb
Vice-Chairman

Representative Charlene R. Fernandez
Representative Randall Friese
Representative John Kavanagh
Representative Aaron O. Lieberman
Representative Warren Petersen
Representative Ben Toma

The JCCR is staffed by the JLBC Staff. The objectives and major products of the JCCR are to:

- Recommend capital appropriations to the Legislature.
- Approve capital transfers within a budget unit.
- Review the scope, purpose and cost of projects before releasing appropriations.
- Develop a “Building Renewal Formula.”
- Approve the use of Renewal funds for infrastructure repair.
- Approve lease-purchase agreements, and the acquisition of certain real property and buildings.
- Along with the Legislature, approve corrections and state operated juvenile facilities expenditures from the Corrections Fund.
- Review the issuance of revenue bonds by the Board of Regents.
- Approve Arizona Department of Administration land and building purchases and condemnations.
- Review “Capital Improvement Plans.”
- Determine rental rates for buildings owned by the state.
- Review Community College District revenue bond projects.
- Review School Facilities Board assumptions for new school construction.
- Review School Facilities Board lease-to-own agreements.

**DIRECTORY OF JLBC ANALYSTS
AND AGENCY/DEPARTMENT HEADS
(As of June 28, 2019)**

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of	Ben Murphy	Monica Petersen [Executive Director]	602-364-0870
Acupuncture Board of Examiners	Steve Grunig	David Geriminsky [Executive Director]	602-542-3095
Administration, Arizona Department of	Rebecca Perrera/ Morgan Dorcheus	Andy Tobin [Director]	602-542-1500
Administrative Hearings, Office of	Elizabeth Dagle	Greg Hanchett [Interim Director]	602-542-9830
African-American Affairs, Arizona Commission of	Elizabeth Dagle	Cloves Campbell [Executive Director]	602-542-5484
Agriculture, Arizona Department of	Henry Furtick	Mark Killian [Director]	602-542-4373
Arizona Health Care Cost Containment System	Patrick Moran/Adam Golden	Jami Snyder [Director]	602-417-4111
Arizona State University	Morgan Dorcheus	Michael Crow, Ph.D. [President]	480-965-8972
Arts, Arizona Commission on the	Elizabeth Dagle	Jaime Dempsey [Executive Director]	602-771-6520
Athletic Training, Board of	Henry Furtick	Karen Whiteford [Executive Director]	602-589-8353
Attorney General - Department of Law	Adam Golden	Honorable Mark Brnovich [Attorney General]	602-542-5025
Auditor General	Steve Grunig	Lindsey Perry [Auditor General]	602-553-0333
Automobile Theft Authority	Jordan Johnston	James McGuffin [Interim Executive Director]	602-364-2888
Barbers, Board of	Ben Murphy	Sam Barcelona [Executive Director]	602-542-4498
Behavioral Health Examiners, Board of	Jordan Johnston	Tobi Zavala [Executive Director]	602-542-1882
Charter Schools, State Board for	Elizabeth Dagle	Charles Tack [Executive Director]	602-364-3080
Child Safety, Department of	Patrick Moran	Greg McKay [Director]	602-542-5844
Chiropractic Examiners, State Board of	Elizabeth Dagle	Justin Bohall [Executive Director]	602-864-5088
Citizens Clean Elections Commission	Ben Murphy	Thomas M. Collins [Executive Director]	602-364-3477
Commerce Authority, Arizona	Sam Beres	Sandra Watson [President and CEO]	602-845-1252
Community Colleges, Arizona	Geoffrey Paulsen	--	--
Constable Ethics Standards and Training Board	Josh Hope	Mike Cobb [Chairman]	602-343-6280
Contractors, Registrar of	Jordan Johnston	Jeffrey Fleetham [Director]	602-771-6802
Corporation Commission	Jeremy Gunderson	Honorable Bob Burns [Chairman]	602-542-3682
Corrections, State Department of	Geoffrey Paulsen	Charles L. Ryan [Director]	602-542-5225
Cosmetology, Board of	Ben Murphy	Kim Scoplitte [Director]	480-784-4539
Court of Appeals, Division I	Geoffrey Paulsen	Honorable Samuel Anderson Thumma [Chief Judge]	602-452-6790
Court of Appeals, Division II	Geoffrey Paulsen	Honorable Peter Eckerstrom [Chief Judge]	520-628-6950
Criminal Justice Commission, Arizona	Josh Hope	Andrew LeFevre [Executive Director]	602-364-1146
Deaf and the Blind, Arizona State Schools for the	Henry Furtick	Annette Reichman [Superintendent]	520-770-3704
Deaf and the Hard of Hearing, Commission for the	Elizabeth Dagle	Sherri L. Collins [Executive Director]	602-542-3383
Dental Examiners, State Board of	Jordan Johnston	Ryan Edmonson [Executive Director]	602-542-4451
Early Childhood Development and Health Board, Arizona	Elizabeth Dagle	Marilee Dal Pra [Executive Director]	602-771-5100
Economic Opportunity, Office of	Sam Beres	Sandra Watson [Director]	602-771-2222
Economic Security, Department of	Elizabeth Dagle/Patrick Moran	Michael Traylor [Director]	602-542-5757
Education, State Board of	Elizabeth Dagle	Alicia Williams [Executive Director]	602-542-5057
Education, Department of	Steve Schimpp/ Adam Golden	Honorable Kathy Hoffman [Superintendent of Public Instruction]	602-364-1972
Emergency and Military Affairs, Department of	Josh Hope	Michael McGuire [Adjutant General]	602-267-2710
Environmental Quality, Department of	Josh Hope	Misael Cabrera [Director]	602-771-2204
Equal Opportunity, Governor's Office of	Elizabeth Dagle	Barry Wong [Executive Director]	602-542-3711
Equalization, State Board of	Adam Golden	George R. Shook [Interim Chairman]	602-364-1611
Executive Clemency, Board of	Jordan Johnston	Kathryn Blades [Executive Director]	602-542-5656
Exposition and State Fair Board, Arizona	Henry Furtick	Wanell Costello [Executive Director]	602-252-6771
Financial Institutions, Department of	Jeremy Gunderson	Keith Schraad [Interim Superintendent]	602-771-2800
Forestry and Fire Management, Arizona Department of	Henry Furtick	David Tenney [State Forester]	602-771-1400
Funeral Directors and Embalmers, State Board of	Steve Grunig	Judith Stapley [Executive Director]	602-542-8152
Game and Fish Department, Arizona	Ben Murphy	Ty Gray [Director]	602-942-3000
Gaming, Department of	Henry Furtick	Ted Vogt [Director]	602-771-4263
Governor, Office of the	Steve Grunig	Honorable Doug Ducey [Governor]	602-542-4331
Governor's Office of Strategic Planning and Budgeting	Steve Grunig	Matthew Gress [Director]	602-542-5381

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Health Services, Department of	Morgan Dorcheus	Dr. Cara Christ [Director]	602-542-1025
Historical Society, Arizona	Elizabeth Dagle	W. James Burns [Executive Director]	480-929-0292
Historical Society of Arizona, Prescott	Elizabeth Dagle	Fred Veil [Executive Director]	928-445-3122
Homeland Security, Arizona Department of	Josh Hope	Gilbert M. Orrantia [Director]	602-542-7013
Homeopathic and Integrated Medicine Examiners, Board of	Steve Grunig	Susie Myers [Executive Director]	602-542-3095
House of Representatives	Steve Grunig	Honorable Russell "Rusty" Bowers [Speaker of the House]	602-926-3312
Housing, Arizona Department of	Henry Furtick	Carol Ditmore [Director]	602-771-1007
Industrial Commission of Arizona	Jordan Johnston	James Ashley [Director]	602-542-4411
Insurance, Department of	Jeremy Gunderson	Keith Schraad [Interim Director]	602-364-3471
Joint Legislative Budget Committee	Steve Grunig	Richard Stavneak [Director]	602-926-5491
Juvenile Corrections, Department of	Josh Hope	Jeff Hood [Director]	602-364-4051
Land Department, State	Henry Furtick	Lisa Atkins [Land Commissioner]	602-542-4621
Legislative Council	Steve Grunig	Mike E. Braun [Executive Director]	602-926-4236
Liquor Licenses and Control, Department of	Jeremy Gunderson	John Cocca [Director]	602-542-9020
Lottery Commission, Arizona State	Jeremy Gunderson	Gregory Edgar [Executive Director]	480-921-4505
Massage Therapy, Board of	Steve Grunig	Ryan Edmonson [Interim Executive Director]	602-542-8804
Medical Board, Arizona	Adam Golden	Patricia McSorley [Executive Director]	480-551-2700
Mine Inspector, State	Henry Furtick	Honorable Joe Hart [State Mine Inspector]	602-542-5971
Naturopathic Physicians Medical Board	Steve Grunig	Gail Anthony [Director]	602-542-8242
Navigable Stream Adjudication Commission, Arizona	Henry Furtick	George Mehnert [Executive Director]	602-542-9214
Northern Arizona University	Elizabeth Dagle	Rita Cheng, Ph.D. [President]	928-523-3232
Nursing, State Board of	Adam Golden	Jo Elizabeth Ridenour [Executive Director]	602-771-7800
Nursing Care Institution Administrators and Assisted Living Facility Managers, Board of Examiners of	Steve Grunig	Allen Imig [Executive Director]	602-542-8156
Occupational Therapy Examiners, Board of	Steve Grunig	Karen Whiteford [Executive Director]	602-589-8352
Opticians, State Board of Dispensing	Steve Grunig	Megan Darian [Executive Director]	602-542-8158
Optometry, State Board of	Steve Grunig	Margaret Whelan [Executive Director]	602-542-8155
Osteopathic Examiners, Arizona Board of	Jordan Johnston	Amber Brake [Executive Director]	480-657-7703
Parents Commission on Drug Education and Prevention, AZ	Jordan Johnston	Maria Fuentes [Director]	602-542-1773
Parks Board, Arizona State	Henry Furtick	Robert Broscheid [Executive Director]	602-542-4174
Personnel Board, State	Elizabeth Dagle	Robin Van Staeyen [Interim Executive Director]	602-542-3822
Pharmacy, Arizona State Board of	Henry Furtick	Kamlesh Gandhi [Executive Director]	602-771-2740
Physical Therapy, Board of	Steve Grunig	Karen Donahue [Executive Director]	602-542-8157
Pioneers' Home, Arizona	Elizabeth Dagle	Ted Ihrman [Interim Superintendent]	928-445-2181
Podiatry Examiners, State Board of	Steve Grunig	Heather Broaddus [Executive Director]	602-542-8151
Postsecondary Education, Commission for	Elizabeth Dagle	April L. Osborn [Executive Director]	602-258-2435
Power Authority, Arizona	Josh Hope	Edward A. Gerak [Executive Director]	602-368-4265
Private Postsecondary Education, State Board for	Elizabeth Dagle	Teri R. Stanfill [Executive Director]	602-542-2399
Psychologist Examiners, State Board of	Steve Grunig	Jenna Jones Director]	602-542-8162
Public Safety, Department of	Jordan Johnston	Frank Milstead [Director]	602-223-2359
Public Safety Personnel Retirement System	Josh Hope	Bret Parke [Acting Administrator]	602-255-5575
Real Estate Department, State	Jordan Johnston	Judy Lowe [Commissioner]	602-771-7799
Regents, Arizona Board of	Morgan Dorcheus	John Arnold [Executive Director]	602-229-2507
Residential Utility Consumer Office	Jeremy Gunderson	Jordy Fuentes [Director]	602-364-4835
Respiratory Care Examiners, Board of	Steve Grunig	Jack Confer [Director]	602-542-5995
Retirement System, Arizona State	Josh Hope	Paul Matson [Director]	602-240-2000
Revenue, Department of	Jeremy Gunderson	Carlton Woodruff [Interim Director]	602-716-6090
School Facilities Board	Rebecca Perrera	Paul Bakalis [Director]	602-542-6504
Secretary of State, Department of State	Adam Golden	Honorable Katie Hobbs [Secretary of State]	602-542-4285
Senate	Steve Grunig	Honorable Karen Fann [President of the Senate]	602-926-4371
Superior Court	Geoffrey Paulsen	David K. Byers [Director]	602-452-3301
Supreme Court	Geoffrey Paulsen	Scott Bales [Chief Justice]	602-452-3534
Tax Appeals, State Board of	Adam Golden	Karen Rice-Brogdon [Chairperson]	602-364-1102
Technical Registration, State Board of	Jordan Johnston	Melissa Cornelius [Executive Director]	602-364-4930
Tourism, Office of	Henry Furtick	Debbie Johnson [Director]	602-364-3717
Transportation, Department of	Ben Murphy	John Halikowski [Director]	602-712-7227

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Treasurer, State	Ben Murphy	Honorable Kimberly Yee [State Treasurer]	602-542-7800
Tribal Relations, Governor's Office on University of Arizona	Elizabeth Dagle	Kristine FireThunder [Executive Director]	602-542-4421
Veterans' Services, Department of	Sam Beres	Robert Robbins, M.D. [President]	520-621-5511
Veterinary Medical Examining Board, Arizona State	Elizabeth Dagle	Colonel Wanda Wright [Director]	602-255-3373
	Steve Grunig	Victoria Whitmore [Executive Director]	602-542-8150
Water Resources, Department of	Adam Golden	Thomas Buschatzke [Director]	602-771-1301
<u>OTHER ASSIGNMENTS</u>			
Capital Review	Jack Brown		
Economic and Revenue Forecast	Hans Olofsson		
Federal/Non-Appropriated Funds	Stefan Shepherd		
Fiscal Note Manager	Stefan Shepherd		

[] Denotes Title for Information Purposes