

FY 2026
Baseline Book

January 2025



FY 2026 BASELINE BOOK

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

	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline	FY 2028 Baseline
REVENUES				
Ongoing Revenues	\$17,265,705,200	\$17,848,113,800	\$18,642,120,100	\$19,519,951,600
Urban Revenue Sharing	(1,268,255,600)	(1,186,305,800)	(1,271,686,400)	(1,334,816,000)
Net Ongoing Revenues	\$15,997,449,600	\$16,661,808,000	\$17,370,433,700	\$18,185,135,600
One-Time Revenues				
Balance Forward	962,823,000	903,661,300		
Fund Transfers	33,991,800	17,000,000	12,000,000	
Subtotal One-Time Revenues	\$996,814,800	\$920,661,300	\$12,000,000	\$0
Total Revenues	\$16,994,264,400	\$17,582,469,300	\$17,382,433,700	\$18,185,135,600
EXPENDITURES				
Ongoing Operating Appropriations	\$15,610,223,500	\$16,582,579,400	\$17,075,913,000	\$17,682,019,000
Administrative Adjustments	130,000,000	140,000,000	145,000,000	145,000,000
Revertments	(170,000,000)	(190,000,000)	(200,000,000)	(200,000,000)
Subtotal Ongoing Expenditures	\$15,570,223,500	\$16,532,579,400	\$17,020,913,000	\$17,627,019,000
One-Time Expenditures				
Capital Outlay				25,000,000
Transportation Funding			30,000,000	136,240,000
FY 25 One-Time Supplementals	240,429,200			
FY 25 One-Time Ex-Appropriations	(335,351,600)			
Operating One-Time Spending	715,302,000	214,829,500	263,889,400	175,936,800
Hospital Assessment Savings	(100,000,000)	(100,000,000)		
Subtotal One-Time Expenditures	\$520,379,600	\$114,829,500	\$293,889,400	\$337,176,800
Total Expenditures	\$16,090,603,100	\$16,647,408,900	\$17,314,802,400	\$17,964,195,800
Ending Balance ^{1/}	\$903,661,300	\$935,060,400	\$67,631,300	\$220,939,800

^{1/} The FY 2026 cash balance is presumed to be allocated as part of the FY 2026 budget process. The displayed cash balance amounts exclude the Budget Stabilization Fund.

FY 2026 STATE GENERAL FUND BASELINE SUMMARY

Revised FY 2025 General Fund Budget

- The enacted FY 2025 budget projected FY 2025 General Fund revenues of \$16.28 billion. With \$16.18 billion in projected General Fund spending, the cash balance was estimated to be \$95.7 million at the end of FY 2025.
- The Baseline revises FY 2025 General Fund revenue projections upward to \$16.99 billion, or \$715.2 million above the enacted budget.
- Due to changes in statutory funding formula requirements and other factors, FY 2025 spending is expected to decrease to \$16.09 billion, or a decrease of \$(93) million.
- Based on these assumptions, the ending FY 2025 cash balance is now estimated to be \$904 million.

FY 2026 General Fund Revenues

- The January Baseline is based on FY 2026 General Fund revenues of \$17.58 billion, an increase of \$588 million above FY 2025. The primary component of this adjustment is a 3.4%, or \$582 million, increase in ongoing revenues above FY 2025.
- The General Fund base revenue estimates are a product of the JLBC Staff's 4-sector forecast process, which equally weights the projections for major revenue categories of 2 University of Arizona econometric models, the consensus of the private and public sector economists on the Finance Advisory Committee, and the JLBC Staff.

FY 2026 General Fund Spending

- FY 2026 General Fund Baseline spending is projected to be \$16.65 billion compared to \$16.09 billion in FY 2025, or an increase of 3.5% based on the following assumptions:
 - ⇒ A \$962 million increase in ongoing spending primarily due to formula spending adjustments and other changes as part of the FY 2025 3-year budget plan.
 - ⇒ A \$(406) million decrease in one-time spending.
- The January Baseline FY 2026 spending estimates essentially reflect changes in the cost of statutory fundings formulas as well as any adjustments required by the FY 2025 3-year budget plan. The main drivers of FY 2026 General Fund spending are delineated below by function of government.

General Fund and Budget Stabilization Fund Balances

- Based on \$17.58 billion in projected revenues and \$16.65 billion in projected spending, the Baseline estimates an ending FY 2026 cash balance of \$935 million.
- Apart from the General Fund, the Budget Stabilization Fund will have an estimated balance of \$1.61 billion in FY 2026.

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 statutory revenue and funding requirements.
- FY 2027 revenues are projected to be \$17.38 billion compared to FY 2027 spending of \$17.31 billion. This would result in a cash balance of \$68 million in FY 2027.
- FY 2028 revenues are projected to be \$18.19 billion compared to FY 2028 spending of \$17.96 billion. This would result in a cash balance of \$221 million in FY 2028.

Education

Department of Education (ADE)

- ADE General Fund spending increases by \$496.6 million, or 6.5% above the FY 2025 appropriation, including:
 - ⇒ \$117.2 million for a prior year rebase due to higher-than-budgeted expenses for FY 2025 Basic State Aid, including:
 - \$43.1 million increased state aid costs for public schools, primarily due to a higher-than-budgeted cost per student.
 - \$50.6 million for increased Empowerment Scholarship Account (ESA) awards in FY 2025. This figure assumes that by the end of FY 2025, ESA enrollment will grow to 88,603 and that awards will reach \$872.6 million. As of December 2024, there were 86,660 ESA enrollees qualifying for annual awards of \$864.3 million in FY 2025.
 - \$23.5 million to cover lower-than-expected local property taxes to cover the school district share of the formula.
 - ⇒ \$129.6 million for Empowerment Scholarship Account (ESA) growth in FY 2026. This amount assumes total ESA program enrollment reaches 97,905 in FY 2026, or 9,245 above estimated FY 2025 enrollment of 88,603. In total, the Baseline includes \$1.0 billion for original and universal ESA awards in FY 2026, which represents an increase of \$180.1 million above the original FY 2025 budget amount of \$822.0 million.

- ⇒ \$(58.3) million for FY 2026 public school enrollment declines. Total unweighted public school Average Daily Membership (ADM) would decline by an estimated (1.2)% to reach a level of 1,066,995 in FY 2026. The (1.2)% estimate assumes a (0.6)% base enrollment decline associated with demographic trends plus an additional (0.6)% decline due to switchers to the ESA program.
- ⇒ \$166.7 million for a 2.0% statutory inflation adjustment of funding levels for the per pupil base level, transportation, and charter additional assistance.
- ⇒ \$(49.0) million in savings due to property tax growth from new construction.
- ⇒ \$285.6 million to backfill reduced land trust endowment distributions under Proposition 123, which lowers the distribution rate from 6.9% in FY 2025 to 2.5% in FY 2026. The 3-year spending plan associated with the enacted FY 2025 budget included this backfill to ensure that ADE's appropriation is sufficient to cover Basic State Aid expenses if no further changes are made to current law. It was not intended to reflect a prediction of the final of resolution of whether or how to continue Proposition 123.
- ⇒ \$3.7 million for increased Homeowner's Rebate expenses.
- ⇒ \$(37.0) million to remove one-time funding for a supplement to the Free and Reduced Price Lunch (FRPL) Group B weight. Under the FY 2025 3-year budget plan, this funding is restored as ongoing in FY 2028.
- ⇒ \$(29.0) million to remove one-time funding for a supplement to Additional Assistance. Under the FY 2025 3-year budget plan, this funding is restored as ongoing in FY 2028.
- ⇒ \$(12.0) million to remove one-time funding for Adult Education.
- ⇒ \$(7.0) million to remove one-time funding for a Holocaust Education Center.
- ⇒ \$(5.0) million to remove one-time funding for increased costs from ADE's contract for the Arizona English Language Learner Assessment (AZELLA).
- ⇒ \$(3.8) million to remove one-time funding for Onetime School Meal Grants.
- ⇒ \$(2.0) million to remove one-time funding for Low-Income After School Program Grants.
- ⇒ \$(2.0) million to remove one-time funding for a K-12 Mental Health Telehealth Pilot.
- ⇒ \$(1.0) million to remove one-time funding for a Center for High School Success.
- ⇒ \$(100,000) to remove one-time funding for Live, Remote Instruction.
- The Baseline includes a General Fund supplemental appropriation of \$164.2 million in FY 2025 based on the following adjustments:
 - ⇒ \$117.2 million for higher-than-budget Basic State Aid costs, as outlined above.
 - ⇒ \$61.0 million for one-time Basic State Aid recalculations associated with the *Qasimyar v. Maricopa County* property tax litigation.
 - ⇒ \$(14.0) million for lower-than-anticipated Homeowner's Rebate expenses.

Arizona Department of Administration/School Facilities Division (SFD)

- SFD General Fund spending decreases by \$(141.6) million, or (44.1)%, including:
 - ⇒ \$41.7 million for a net one-time increase in new school construction costs. The budget funds a total of \$151.1 million for new construction, including the completion of 5 FY 2025 schools, and the initial funding for 4 FY 2026 schools in the Laveen, Nadaburg, Snowflake, and Tolleson School Districts.
 - ⇒ \$(183.3) million for a decrease in one-time building renewal monies.

Universities

- University General Fund spending decreases by \$(46.4) million, or (4.8)%, including:
 - ⇒ \$(46.0) million to remove one-time operating funding.
 - ⇒ \$(1.0) million to remove one-time funding for the Arizona Teachers Academy.
 - ⇒ \$596,800 for adjustments to capital appropriations.
- Fall 2024 enrollment increased by 10,468 full-time equivalent students, or 5.0% above Fall 2023, for total enrollment of 221,564.

Community Colleges

- Community College General Fund spending increases by \$5.7 million, or 5.9%, for formula adjustments.
- The Community College funding formula is based on student counts from 2 years prior. FY 2024 rural district enrollment increased by 889 full-time equivalent students, or 3.6%, for a total rural enrollment of 25,368. Including the Maricopa and Pima districts, total enrollment increased by 3,798, or 4.2%, to 93,809.

Health and Welfare

AHCCCS

- AHCCCS General Fund spending increases by \$113.6 million, or 4.3%, including:
 - ⇒ \$118.8 million for formula adjustments, including 1.2% caseload growth, a 3.0% inflation adjustment, and the reduction of the regular match rate from 65.24% to 64.48%. This amount also annualizes a \$(76.4) million FY 2025 savings due to lower enrollment in FY 2025.
 - ⇒ \$(4.2) million to remove one-time critical access hospital supplemental pool funding.
 - ⇒ \$(1.0) million to remove one-time case manager provider wage increases.
- The Baseline includes an ex-appropriation of \$(246.4) million in FY 2025. This consists of \$(76.4) million for lower-than-budgeted FY 2025 caseloads and \$(170.0) million to due to the federal government's one-time retroactive adjustment to the state's match rate.
- AHCCCS enrollment is projected to be 1.99 million recipients by June 2026. This level represents a caseload increase of 23,200, or 1.2%, from June 2025.

Department of Child Safety (DCS)

- DCS General Fund spending decreases by \$(16.5) million, or (3.6)%, including:
 - ⇒ \$(11.0) million to remove one-time funding for the Healthy Families Arizona Program.
 - ⇒ \$(5.5) million to remove one-time provider rate increases associated with children and family supports contracts.
- The Baseline also includes an ex-appropriation of \$(9.0) million in FY 2025 to account for a retroactive adjustment to the state's match rate.

Department of Economic Security (DES)

- DES General Fund spending increases by \$243.5 million, or 18.1%, including:
 - ⇒ \$262.5 million for Developmental Disabilities (DD) formula adjustments, including 5.0% enrollment growth, a 3.0% capitation rate increase, and the reduction of the regular match rate from 65.24% to 64.48%. This amount also annualizes a \$76.1 million cost due to higher-than-budgeted FY 2025 formula costs.
 - ⇒ \$1.0 million in one-time funding for homeless youth assistance.
 - ⇒ \$(12.0) million to remove one-time funding for child care.
 - ⇒ \$(2.0) million to remove one-time funding for the Area Agencies on Aging.
 - ⇒ \$(1.0) million to remove one-time funding for the Pascua Yaqui tribal government for social services.
 - ⇒ \$(1.0) million to remove one-time funding for food distribution services for low-income individuals in Cochise County.
 - ⇒ \$(1.0) million to remove one-time funding for DD job training and life skills.
 - ⇒ \$(1.2) million to remove funding for the Group Home Monitoring Program.
 - ⇒ \$(500,000) to remove one-time funding for Navajo Nation women's shelter and social services.
 - ⇒ \$(500,000) to remove one-time funding for nutrition, housing, and rental assistance programs in Pinal County.
 - ⇒ \$(500,000) to remove one-time funding for Navajo Nation youth programs.
 - ⇒ \$(250,000) to remove one-time funding for low-income food services for tribal communities.
- The Baseline includes a supplemental of \$76.1 million in FY 2025 for higher-than-budgeted DD formula costs. This amount reflects both higher-than-budgeted enrollment growth and a higher-than-budgeted capitation rate adjustment. A significant share of the above-budget capitation rate appears to be attributable to the Parents as Paid Caregivers (PPCG) program.
- The Baseline also includes an ex-appropriation of \$(80.0) million in FY 2025 to account for a one-time retroactive adjustment to the state's match rate.
- Medicaid Developmental Disability caseloads are projected to grow to 48,623 by June 2026. This level represents a caseload increase of 2,315, or 5.0%, above June 2025.

Department of Health Services (DHS)

- DHS General Fund spending decreases by \$(5.1) million, or (4.2)%, including:
 - ⇒ \$1.0 million to remove a one-time funding shift for Alzheimer's disease research.
 - ⇒ \$(1.2) million to remove one-time funding for additional licensing compliance staff.
 - ⇒ \$(1.0) million to remove one-time funding for senior health promotion in Santa Cruz County.
 - ⇒ \$(1.0) million to remove one-time funding of southern Arizona counseling and community service grants.
 - ⇒ \$(900,000) to remove one-time funding for licensing database upgrades.
 - ⇒ \$(500,000) to remove one-time funding for counseling services for parents whose children have died as a result of violence.

- ⇒ \$(500,000) to remove one-time funding for heat mitigation programs in Arizona.
- ⇒ \$(500,000) to remove one-time funding for preventative health services for low-income, underserved women.
- ⇒ \$(500,000) to remove the final year of funding for the Preceptor Grant Program.

Department of Housing (ADOH)

- ADOH General Fund spending decreases by \$(15.0) million, or (100)%, to remove a one-time deposit to the Housing Trust Fund.

Department of Veterans' Services (DVS)

- DVS General Fund spending decreases by \$(500,000), or (4.2)%, to remove one-time funding for a veterans center.

Criminal Justice/Public Safety

Department of Corrections (ADC)

- ADC General Fund spending decreases by \$(9.5) million, or (0.6)%, including:
 - ⇒ \$(6.8) million to remove one-time funding for additional injunction-related staffing
 - ⇒ \$(2.7) million to remove one-time funding for injunction-related department operating costs.
- The systemwide November 2024 prison population was 35,554, an increase of 1,132 or 3.3% above November 2023.

Department of Emergency and Military Affairs (DEMA)

- DEMA General Fund spending decreases by \$(462,900), or (2.9)%, to remove one-time hazard mitigation assistance funding.

Judiciary

- Judiciary General Fund spending increases by \$2.0 million, or 1.2%, including:
 - ⇒ \$2.3 million for the second year of a 2-year phase in of judicial salary increases approved in the FY 2025 budget.
 - ⇒ \$(280,000) to remove one-time funding for digital evidence software.

Department of Public Safety (DPS)

- DPS General Fund spending increases by \$23.7 million, or 9.0%, including:
 - ⇒ \$27.7 million to remove a one-time shift of border drug interdiction and local border support from the General Fund to the Border Security Fund.
 - ⇒ \$(4.0) million to remove one-time funding for local border support.

Natural Resources

Department of Environmental Quality (DEQ)

- DEQ General Fund spending decreases by \$(1.0) million, or (6.3)%, to remove one-time funding of a pilot program to replace diesel heavy duty trucks with zero-emission vehicles.

Department of Forestry and Fire Management (DFFM)

- DFFM General Fund spending decreases by \$(5.0) million, or (9.7)%, to remove a one-time appropriation for fire suppression.

General Government

Arizona Department of Administration (ADOA)

- ADOA General Fund spending decreases by \$(1.0) million, or (9.9)%, including:
 - ⇒ \$(1.0) million to remove a one-time distribution to the Navajo Nation to establish household electrical connections.
 - ⇒ \$(2,500) to remove one-time equipment purchases for the Arizona State Hospital Ombudsman.

ADOA – Automation Projects Fund (APF)

- APF General Fund spending decreases by \$(3.5) million, or (23.1)%, including:
 - ⇒ \$(3.4) million to remove one-time funding for Medicaid Enterprise System modernization.
 - ⇒ \$(121,800) to reduce funding for the Department of Revenue integrated tax system modernization project, pursuant to the FY 2025 3-year budget plan.

Arizona Commerce Authority (ACA)

- ACA General Fund spending decreases by \$(500,000), or (3.7)%, to remove a one-time appropriation for small business center grants.

State Treasurer

- State Treasurer General Fund spending decreases by \$(5.7) million, or (56.4)%, including:
 - ⇒ \$271,400 increase in Justice of the Peace (JP) salaries, which are statutorily linked to the Superior Court judge salary level. The latter was increased for 2025 and 2026, thereby requiring this JP adjustment.
 - ⇒ \$(6.0) million to remove a one-time distribution to county recorders for ballot paper with specific security features.
- The Baseline includes an FY 2025 supplemental increase of \$138,600 to address a shortfall in the Justice of the Peace Salaries appropriation.

State Employees

- The Baseline increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 38.7 FTE Positions in FY 2026. These adjustments would bring the total FTE Position ceiling to 55,532.8 in FY 2026.

Capital

- The Baseline includes \$49.4 million from Other Funds in FY 2026 for building renewal at ADOA, ADC, Arizona Game and Fish Department, Lottery Commission, and Arizona Department of Transportation.
- The Baseline includes an ex-appropriation of \$(22.7) million from the State Parks Revenue Fund. This reflects 9 projects cancelled by the Arizona State Parks Board, of which \$(19.1) million was funded in FY 2025 and \$(3.5) million was funded in FY 2023.
- The Baseline includes no capital funding from the General Fund in FY 2026.

Debt

- At the end of FY 2025, the state's projected level of lease-purchase and bonding capital obligations will be \$5.47 billion. The associated annual debt service payment is \$609.1 million.
- Of the \$5.47 billion in total lease-purchase and bonding obligations, the General Fund share is \$763.7 million. The General Fund annual debt service is projected to be \$95.7 million in FY 2026.
- Of the \$763.7 million, \$325.2 million is related to the state's share of Phoenix Convention Center costs and \$421.0 million is for university capital projects.

Statewide Adjustments

- The Baseline includes a decrease of \$(140.0) million from the General Fund and \$(41.6) million from Other Funds for the removal of a one-time FY 2025 state employee health insurance subsidy.
- The Baseline includes a decrease of \$(3.3) million from the General Fund and \$(1.5) million from Other Funds for the removal of one-time FY 2025 state fleet adjustments.

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

	FY 2025 Baseline	FY 2026 \$ Above FY 2025	FY 2026 Baseline	FY 2027 \$ Above FY 2026	FY 2027 Baseline	FY 2028 \$ Above FY 2027	FY 2028 Baseline
EXPENDITURES							
Operating Budget							
-- Department of Administration	\$8,681,400	(2,500)	\$8,678,900		\$8,678,900		\$8,678,900
-- ADOA - School Facilities Division	28,170,500		28,170,500		28,170,500	(2,454,600)	25,715,900
-- Office of Administrative Hearings	926,900		926,900		926,900		926,900
-- Arizona Department of Agriculture	13,797,500		13,797,500		13,797,500		13,797,500
-- AHCCCS	2,762,740,500	118,781,200	2,881,521,700	168,785,300	3,050,307,000	167,238,400	3,217,545,400
-- Attorney General	26,007,800		26,007,800		26,007,800		26,007,800
-- State Board for Charter Schools	2,701,600		2,701,600		2,701,600		2,701,600
-- Department of Child Safety	439,187,400	1,500,000	440,687,400		440,687,400		440,687,400
-- Commerce Authority	13,050,000		13,050,000		13,050,000		13,050,000
-- Community Colleges	96,082,700	5,655,600	101,738,300	4,326,000	106,064,300	4,691,200	110,755,500
-- Corporation Commission	741,300		741,300		741,300		741,300
-- Department of Corrections	1,442,593,500	(9,488,900)	1,433,104,600		1,433,104,600		1,433,104,600
-- County Funding	10,650,700		10,650,700		10,650,700		10,650,700
-- Arizona Criminal Justice Commission	4,600,000		4,600,000		4,600,000		4,600,000
-- Schools for the Deaf and the Blind	23,801,400		23,801,400		23,801,400		23,801,400
-- Office of Economic Opportunity	489,600		489,600		489,600		489,600
-- Department of Economic Security	1,320,831,300	263,456,900	1,584,288,200	131,019,000	1,715,307,200	129,505,600	1,844,812,800
-- State Board of Education	3,322,600		3,322,600		3,322,600		3,322,600
-- Department of Education	7,577,275,400	595,538,800	8,172,814,200	183,955,800	8,356,770,000	306,002,300	8,662,772,300
-- Dept. of Emergency & Military Affairs	15,571,800		15,571,800		15,571,800		15,571,800
-- Department of Environmental Quality	15,000,000		15,000,000		15,000,000		15,000,000
-- State Board of Equalization	711,500		711,500		711,500		711,500
-- Board of Executive Clemency	1,348,200		1,348,200		1,348,200		1,348,200
-- Dept. of Forestry and Fire Management	43,865,400		43,865,400		43,865,400		43,865,400
-- Department of Gaming	6,204,500		6,204,500		6,204,500		6,204,500
-- Office of the Governor	8,834,800		8,834,800		8,834,800		8,834,800
-- Gov's Ofc of Strategic Planning and Budgeting	2,770,300		2,770,300		2,770,300		2,770,300
-- Department of Health Services	116,812,700	(900,000)	115,912,700		115,912,700		115,912,700
-- Arizona Historical Society	2,839,700		2,839,700		2,839,700		2,839,700
-- Prescott Historical Society	945,500		945,500		945,500		945,500
-- Arizona Dept. of Homeland Security	10,000,000		10,000,000		10,000,000		10,000,000
-- Industrial Commission	84,700		84,700		84,700		84,700
-- Dept. of Insurance and Financial Institutions	7,799,300	(1,878,100)	5,921,200		5,921,200		5,921,200
-- Judiciary	167,117,800	2,269,600	169,387,400	1,134,800	170,522,200		170,522,200
-- Department of Juvenile Corrections	29,149,000		29,149,000		29,149,000		29,149,000
-- State Land Department	11,929,500	(333,000)	11,596,500		11,596,500		11,596,500
-- Legislature							
Auditor General	25,869,000		25,869,000		25,869,000		25,869,000
House of Representatives	20,799,700		20,799,700		20,799,700		20,799,700
Joint Legislative Budget Committee	2,968,800		2,968,800		2,968,800		2,968,800
Legislative Council	9,073,900		9,073,900		9,073,900		9,073,900
Ombudsman	1,543,000		1,543,000		1,543,000		1,543,000
Senate	17,461,100		17,461,100		17,461,100		17,461,100
SUBTOTAL - Legislature	\$77,715,500	\$0	\$77,715,500	\$0	\$77,715,500	\$0	\$77,715,500
-- State Mine Inspector	2,232,300		2,232,300		2,232,300		2,232,300

GENERAL FUND SPENDING BY BUDGET UNITS 1/
ONGOING FUNDING

	FY 2025 Baseline	FY 2026 \$ Above FY 2025	FY 2026 Baseline	FY 2027 \$ Above FY 2026	FY 2027 Baseline	FY 2028 \$ Above FY 2027	FY 2028 Baseline
-- State Natural Resource Conservation Board		389,400	389,400		389,400		389,400
-- Navigable Stream Adjudication Commission	133,600		133,600		133,600		133,600
-- Department of Public Safety	285,516,600		285,516,600		285,516,600		285,516,600
-- Public Safety Personnel Retirement System	6,000,000		6,000,000	(1,000,000)	5,000,000		5,000,000
-- State Real Estate Department	3,011,700		3,011,700		3,011,700		3,011,700
-- Department of Revenue	57,266,100		57,266,100		57,266,100		57,266,100
-- Secretary of State	17,663,500	(4,000,000)	13,663,500	4,000,000	17,663,500		17,663,500
-- Tax Appeals, State Board of	305,700		305,700		305,700		305,700
-- Office of Tourism	8,208,400		8,208,400		8,208,400		8,208,400
-- State Treasurer	4,160,700	271,400	4,432,100		4,432,100		4,432,100
-- Governor's Office on Tribal Relations	64,600		64,600		64,600		64,600
-- Universities	851,075,700	596,800	851,672,500	613,000	852,285,500	625,100	852,910,600
-- Department of Veterans' Services	11,211,800		11,211,800		11,211,800		11,211,800
-- Department of Water Resources	24,021,800		24,021,800		24,021,800		24,021,800
-- Phoenix Convention Center Payment	25,998,700	498,700	26,497,400	499,700	26,997,100	498,000	27,495,100
-- Rio Nuevo District	19,000,000		19,000,000		19,000,000		19,000,000
Total - Operating Budget	\$15,610,223,500	\$972,355,900	\$16,582,579,400	\$493,333,600	\$17,075,913,000	\$606,106,000	\$17,682,019,000
-- Hospital Assessment Savings	(100,000,000)		(100,000,000)	100,000,000			
-- Capital Outlay						25,000,000	25,000,000
-- FY 25 One-Time Supplementals	240,429,200	(240,429,200)					
-- FY 25 One-Time Ex-Appropriations	(335,351,600)	335,351,600					
-- Transportation Funding				30,000,000	30,000,000	106,240,000	136,240,000
-- Operating One-Time Spending	715,302,000	(500,472,500)	214,829,500	49,059,900	263,889,400	(87,952,600)	175,936,800
-- Administrative Adjustments	130,000,000	10,000,000	140,000,000	5,000,000	145,000,000		145,000,000
-- Revertments	(170,000,000)	(20,000,000)	(190,000,000)	(10,000,000)	(200,000,000)		(200,000,000)
Total Spending	\$16,090,603,100	\$556,805,800	\$16,647,408,900	\$667,393,500	\$17,314,802,400	\$649,393,400	\$17,964,195,800

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 in the Summary of One-Time General Fund Adjustments chart.

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline	FY 2028 Baseline
Operating Spending				
ADOA - Navajo Nation Household Electrical Connections	1,000,000			
ADOA/APF - DOR Integrated Tax System (Thru FY 28)	11,847,300	11,725,500	12,538,400	7,591,700
ADOA/APF - AHCCCS Mainframe Replacement Initiative	3,396,000			
ADOA/SFD - Building Renewal Grants	183,300,000			
ADOA/SFD - New Construction (FY 24 Authorization)	77,898,600			
ADOA/SFD - New Construction (FY 25 Authorization)	31,489,500	45,077,100		
ADOA/SFD - New Construction (FY 26 Authorization)		105,973,400	94,137,900	
ADOA/SFD - New Construction (FY 27 Authorization)			102,729,600	95,009,600
ADOA/SFD - New Construction (FY 28 Authorization)				73,135,500
AHCCCS - Critical Access Hospitals Supplemental Pool	4,200,000			
AHCCCS - Case Management Provider Wage Increases	1,000,000			
Arts Commission - Arts Trust Fund Deposit	2,000,000			
DCS - Children and Family Supports Contract	5,500,000			
DCS - Healthy Families	12,500,000			
Commerce - Small Business Center Grants	500,000			
ADC - Private Prison Rate Increase	54,283,500	54,283,500	54,283,500	
DES - Area Agency on Aging	2,000,000			
DES - Low-Income Food Services for Tribal Reservations	250,000			
DES - Navajo Nation Women's Shelter and Social Services	500,000			
DES - Navajo Nation Tribal Youth Programs	500,000			
DES - Nutrition, Housing and Rental Assistance Programs (Pinal County)	500,000			
DES - Pascua Yaqui Tribe Social Services Program	1,000,000			
DES - Food Distribution for Low-Income Individuals (Cochise County)	1,000,000			
DES - DD Job Training and Life Skills Services (Rural Counties)	1,000,000			
DES - DD Group Home Monitoring Pilot	1,200,000			
DES - Child Care Network Funding	12,000,000			
ADE - Live Remote Instruction (Within College Credit Program)	100,000			
ADE - Flagstaff Unified Robotics Program	20,000	20,000		
ADE - Center for High School Success	1,000,000			
ADE - Remove Co-Pays for School Meals	3,800,000			
ADE - Fund Continuing High School Workforce One-Time	4,000,000			
ADE - Fund Comm College Adult Education One-Time	4,000,000			
ADE - Fund Adult Workforce Diploma One-Time	4,000,000			
ADE - English Language Learner Achievement Testing Funding	5,000,000			
ADE - Arizona Holocaust Education Center	7,000,000			
ADE - 3rd Year of Incremental Low Income Weight	37,000,000			
ADE - 3rd Year of Incremental Additional Assistance	29,000,000			
ADE - K-12 Mental Health Telehealth Pilot	2,000,000			
ADE - Low Income After School Program Grants	2,000,000			
DEMA - STORM Act Federal Matching Funds (Thru FY 28)	200,000	200,000	200,000	200,000

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline	FY 2028 Baseline
DEMA - Hazard Mitigation Assistance	462,900			
DEQ - Zero Emissions Heavy-Duty 8-Ton Pilot Program	1,000,000			
Forestry - Fire Suppression	5,000,000			
Gaming - Racing Purse Enhancement	4,000,000			
Gaming - Racetrack Capital Projects and Maintenance/Operations	1,500,000			
DHS - Preceptor Grant Program for Graduate Students	500,000			
DHS - Licensing Compliance Funding	1,202,400			
DHS - Shift Biomedical Research to Health Research Fund	(2,000,000)	(2,000,000)		
DHS - Shift Alzheimer's Research to Tobacco Tax Fund	(1,000,000)			
DHS - Low Income/Underserved Women Preventative Health Services	500,000			
DHS - Counseling Services for Parents of Deceased Children	500,000			
DHS - Heat Mitigation in Southern Arizona	500,000			
DHS - Southern Arizona Counseling and Community Service Grants	1,000,000			
DHS - Senior Health Promotion and Coordination (Santa Cruz County)	1,000,000			
AZ Dept. of Homeland Security - Cybersecurity Programs	200,000			
Housing - Housing Trust Fund Deposit	15,000,000			
Judiciary - Supreme Court - Juvenile Monetary Sanctions Funding Backfill	250,000	250,000		
Judiciary - Supreme Court - Digital Evidence Software	280,000			
DJC - Operating Budget Shift to DJC Land Trust Fund	(800,000)	(800,000)		
DJC - Operating Budget Shift to CJEF	(100,000)	(100,000)		
Parks - Arizona Trail Fund Deposit	100,000			
DPS - State Crime Lab Funding	200,000	200,000		
DPS - Shift DEMA Emergency Operations Center Capital Funding	(27,677,200)			
DPS - Local Border Support	4,000,000			
SOS - One-Time Operating Funding	1,000,000			
SOS - Primary/General Election Funding	3,900,000			
Treasurer - Election Security Funding	6,000,000			
Universities - ABOR - Teachers Academy Funding	1,000,000			
Universities - ASU - Operating Funding	21,200,000			
Universities - NAU - Operating Funding	10,100,000			
Universities - UA - Operating Funding	14,700,000			
Veterans' Services - Veterans Center Funding	500,000			
Other - Statewide Fleet Adjustments	3,299,000			
Other - HITF Employer Premium Increase	140,000,000			
Subtotal - Operating Spending	\$ 715,302,000	\$ 214,829,500	\$ 263,889,400	\$ 175,936,800
Hospital Assessment Savings	\$ (100,000,000)	\$ (100,000,000)		
Capital Outlay				
Capital - Veterans' Services - Northwest AZ Veterans Home				25,000,000
Subtotal - Capital Outlay	\$ -	\$ -	\$ -	\$ 25,000,000

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline	FY 2028 Baseline
FY 2025 One-Time Supplementals				
DES - Developmental Disabilities Formula Supplemental	76,100,000			
ADE - K-12 Formula Supplemental	103,190,600			
ADE - Qasimyar State Aid Adjustments Supplemental	61,000,000			
Treasurer - Justice of the Peace Salary Adjustment Supplemental	138,600			
Subtotal - FY 2025 One-Time Supplementals	\$ 240,429,200	\$ -	\$ -	\$ -
FY 2025 One-Time Ex-Appropriations				
AHCCCS - Medicaid Formula Ex-Appropriation	(76,351,600)			
AHCCCS - Enhanced FMAP Savings Ex-Appropriation	(170,000,000)			
DCS - Enhanced FMAP Savings Ex-Appropriation	(9,000,000)			
DES - Enhanced FMAP Savings Ex-Appropriation	(80,000,000)			
Subtotal - FY 2025 One-Time Ex-Appropriations	\$ (335,351,600)	\$ -	\$ -	\$ -
Transportation Funding				
Capital - ADOT - Pinal Parkway East-West Corridor Design				9,240,000
Capital - ADOT - SR 347/Riggs Road Overpass Construction Costs				49,000,000
Capital - ADOT - Expand I-10 Between SR 85/Citrus Road			30,000,000	78,000,000
Subtotal - Transportation Funding	\$ -	\$ -	\$ 30,000,000	\$ 136,240,000
Total - One-Time Spending	\$ 520,379,600	\$ 114,829,500	\$ 293,889,400	\$ 337,176,800

1/ The displayed amounts reflect one-time General Fund adjustments included in the FY 2025 enacted budget's multi-year spending plan. The Legislature makes the one-time classification as part of the 3-year spending plan. These items are not included in the individual agency amounts displayed in the General Fund Spending By Budget Units - Ongoing Funding chart.

FY 2026 GENERAL FUND SUMMARY BY AGENCY

	GF FY 2025 Baseline	GF FY 2026 Baseline	GF FY 2026 Baseline - FY 2025
Budget Units			
Administration, Arizona Department of	10,147,600	9,145,100	(1,002,500)
Administration, Arizona Department of Automation Projects Fund	15,243,300	11,725,500	(3,517,800)
Administration, Arizona Department of - School Facilities Division	320,918,800	179,281,200	(141,637,600)
Administrative Hearings, Office of	970,000	970,000	-
Agriculture, Arizona Department of	14,639,800	14,639,800	-
AHCCCS	2,669,731,700	2,783,312,900	113,581,200
Arts, Arizona Commission on the	2,000,000	-	(2,000,000)
Attorney General - Department of Law	27,092,700	27,092,700	-
Charter Schools, State Board for	2,749,300	2,749,300	-
Child Safety, Department of	458,089,500	441,589,500	(16,500,000)
Commerce Authority, Arizona	13,550,000	13,050,000	(500,000)
Community Colleges, Arizona 1/ Corporation Commission	96,082,700	101,738,300	5,655,600
Corrections, State Department of	1,537,433,400	1,527,944,500	(9,488,900)
County Funding	10,650,700	10,650,700	-
Criminal Justice Commission, Arizona	4,600,000	4,600,000	-
Deaf and the Blind, Schools for the	25,291,300	25,291,300	-
Economic Opportunity, Office of	507,100	507,100	-
Economic Security, Department of	1,344,531,100	1,588,038,000	243,506,900
Education, State Board of	3,342,400	3,342,400	-
Education, Department of	7,676,669,800	8,173,308,600	496,638,800
Emergency and Military Affairs, Department of	16,225,400	15,762,500	(462,900)
Environmental Quality, Department of	16,000,000	15,000,000	(1,000,000)
Equalization, State Board of	724,400	724,400	-
Executive Clemency, Board of	1,377,600	1,377,600	-
Forestry and Fire Management, Arizona Department of	51,471,600	46,471,600	(5,000,000)
Gaming, Department of	11,704,500	6,204,500	(5,500,000)
Governor, Office of the	8,996,800	8,996,800	-
Governor's Office of Strategic Planning and Budgeting	2,852,500	2,852,500	-
Health Services, Department of	122,466,300	117,363,900	(5,102,400)
Historical Society, Arizona	2,978,700	2,978,700	-
Historical Society, Prescott	995,300	995,300	-
Homeland Security, Department of	10,200,000	10,000,000	(200,000)
Housing, Department of	15,000,000	-	(15,000,000)
Industrial Commission of AZ	84,700	84,700	-
Insurance and Financial Institutions, Department of	8,090,100	6,212,000	(1,878,100)
Judiciary			
Supreme Court	29,864,200	29,710,300	(153,900)
Court of Appeals	24,407,400	24,911,700	504,300
Superior Court	115,194,800	116,834,000	1,639,200
SUBTOTAL - Judiciary	169,466,400	171,456,000	1,989,600
Juvenile Corrections, Department of	29,978,900	29,978,900	-
Land Department, State	12,411,300	12,078,300	(333,000)
Legislature			
Auditor General	26,722,700	26,722,700	-
House of Representatives	21,565,600	21,565,600	-
Joint Legislative Budget Committee	3,055,800	3,055,800	-
Legislative Council	9,275,700	9,275,700	-
Ombudsmen-Citizens Aide Office	1,578,400	1,578,400	-
Senate	18,000,200	18,000,200	-
SUBTOTAL - Legislature	80,198,400	80,198,400	-

	GF FY 2025 Baseline	GF FY 2026 Baseline	GF FY 2026 Baseline - FY 2025
Mine Inspector, State	2,299,300	2,299,300	-
Natural Resource Conservation Board, State	-	389,400	389,400
Navigable Stream Adjudication Commission	140,500	140,500	-
Parks Board, Arizona State	100,000	-	(100,000)
Public Safety, Department of	264,461,100	288,138,300	23,677,200
Public Safety Personnel Retirement System	6,000,000	6,000,000	-
Real Estate Department, State	3,111,800	3,111,800	-
Revenue, Department of	59,677,700	59,677,700	-
Secretary of State	22,993,900	14,093,900	(8,900,000)
Tax Appeals, State Board of	318,600	318,600	-
Tourism, Office of	8,325,000	8,325,000	-
Treasurer, State	10,160,700	4,432,100	(5,728,600)
Tribal Relations, Governor's Office on	67,100	67,100	-
Universities			
Board of Regents	55,726,000	54,726,000	(1,000,000)
Arizona State University	408,638,200	387,698,800	(20,939,400)
Northern Arizona University	134,294,400	124,294,200	(10,000,200)
University of Arizona - Main Campus	295,913,700	281,450,100	(14,463,600)
University of Arizona - Health Sciences Center	75,428,400	75,428,400	-
SUBTOTAL - Universities	970,000,700	923,597,500	(46,403,200)
Veterans' Services, Department of	11,999,100	11,499,100	(500,000)
Water Resources, Department of	24,618,200	24,618,200	-
OPERATING BUDGET TOTAL	16,180,526,800	16,795,210,500	614,683,700
FY 2025 Supplemental Appropriations <u>2/</u>	240,429,200	-	(240,429,200)
FY 2025 Ex-Appropriations <u>2/</u>	(335,351,600)	-	335,351,600
Remove One-Time Fleet Adjustments	-	(3,299,000)	(3,299,000)
Remove One-Time Health Insurance Adjustments	-	(140,000,000)	(140,000,000)
Capital Outlay - Phoenix Convention Center Debt Service	25,998,700	26,497,400	498,700
Capital Outlay - Rio Nuevo District <u>3/</u>	19,000,000	19,000,000	-
Administrative Adjustments	130,000,000	140,000,000	10,000,000
Revertments	(170,000,000)	(190,000,000)	(20,000,000)
GRAND TOTAL	16,090,603,100	16,647,408,900	556,805,800

1/ Includes estimated rural county reimbursements and tribal community college allocations.

2/ Please see the FY 2025 Adjustments section for individual agency detail.

3/ Represents an estimated cost.

FY 2026 OTHER FUND SUMMARY BY AGENCY

	OF FY 2025 Baseline	OF FY 2026 Baseline	OF FY 2026 Baseline - FY 2025
Budget Units			
Accountancy, State Board of			
Board of Accountancy Fund	2,258,100	2,258,100	-
Acupuncture Board of Examiners			
Acupuncture Board of Examiners Fund	199,700	199,700	-
Administration, Arizona Department of			
Air Quality Fund	929,900	929,900	-
Arizona Financial Information System Collections Fund	11,524,300	10,967,300	(557,000)
Automation Operations Fund	29,840,500	29,840,500	-
Capital Outlay Stabilization Fund	21,137,300	21,137,300	-
Corrections Fund	629,400	629,400	-
Cyber Risk Insurance Fund	23,037,200	23,037,200	-
Federal Surplus Materials Revolving Fund	473,500	473,500	-
Information Technology Fund	3,956,500	3,956,500	-
Personnel Division Fund	14,046,200	13,796,200	(250,000)
Risk Management Revolving Fund	101,938,500	101,938,500	-
Special Employee Health Insurance Trust Fund	5,715,200	5,715,200	-
Special Services Revolving Fund	1,255,700	1,255,700	-
State Surplus Materials Revolving Fund	3,211,500	3,211,500	-
State Web Portal Fund	9,354,700	8,854,700	(500,000)
Telecommunications Fund	2,404,600	2,079,600	(325,000)
Total - Arizona Department of Administration	229,455,000	227,823,000	(1,632,000)
Administration, Arizona Department of - Automation Projects Fund			
Automation Projects Fund	29,694,000	19,256,800	(10,437,200)
Agriculture, Arizona Department of			
Air Quality Fund	1,615,700	1,615,700	-
Nuclear Emergency Management Fund	308,600	347,100	38,500
Total - Arizona Department of Agriculture	1,924,300	1,962,800	38,500
AHCCCS			
Budget Neutrality Compliance Fund	4,914,300	5,112,300	198,000
Children's Health Insurance Program Fund	174,041,000	194,417,200	20,376,200
Prescription Drug Rebate Fund - State	189,832,200	189,832,200	-
Seriously Mentally Ill Housing Trust Fund	217,700	217,700	-
Substance Abuse Services Fund	2,250,200	2,250,200	-
Tobacco Products Tax Fund -			
Emergency Health Services Account	17,458,500	15,400,000	(2,058,500)
Tobacco Tax and Health Care Fund -			
Medically Needy Account	66,586,300	57,545,600	(9,040,700)
Total - AHCCCS	455,300,200	464,775,200	9,475,000
Athletic Training, Board of			
Athletic Training Fund	167,800	167,800	-
Attorney General - Department of Law			
Antitrust Enforcement Revolving Fund	162,300	162,300	-
Attorney General Legal Services Cost Allocation Fund	2,343,200	2,343,200	-
Collection Enforcement Revolving Fund	7,339,500	7,339,500	-
Consumer Protection-Consumer Fraud Rev. Fund	14,886,000	14,886,000	-
Consumer Restitution and Remediation Revolving Fund -			
Consumer Remediation Subaccount	49,000,000	40,000,000	(9,000,000)
Interagency Service Agreements Fund	18,246,300	18,246,300	-
Internet Crimes Against Children Enforcement Fund	900,000	900,000	-
Risk Management Revolving Fund	13,266,600	13,266,600	-
Victims' Rights Fund	3,815,400	3,815,400	-
Total - Attorney General - Department of Law	109,959,300	100,959,300	(9,000,000)
Barbering and Cosmetology Board			
Barbering and Cosmetology Fund	3,230,900	3,230,900	-
Behavioral Health Examiners, Board of			

	OF FY 2025 Baseline	OF FY 2026 Baseline	OF FY 2026 Baseline - FY 2025
Budget Units			
Board of Behavioral Health Examiners Fund	2,757,400	2,721,100	(36,300)
Child Safety, Department of			
Child Abuse Prevention Fund	1,459,300	1,459,300	-
Child Welfare Licensing Fee Fund	1,021,600	1,021,600	-
Children and Family Services Training Program Fund	207,500	207,500	-
Federal Child Care and Development Fund Block Grant	40,516,000	40,516,000	-
Federal Temporary Assistance for Needy Families Block Grant	161,076,300	161,076,300	-
Total - Department of Child Safety	204,280,700	204,280,700	-
Chiropractic Examiners, State Board of			
Board of Chiropractic Examiners Fund	643,700	643,700	-
Contractors, Registrar of			
Registrar of Contractors Fund	13,925,600	13,925,600	-
Corporation Commission			
Arizona Arts Trust Fund	60,000	60,000	-
Investment Management Regulatory and Enforcement Fund	1,329,700	1,329,700	-
Public Access Fund	8,121,600	8,121,600	-
Securities Regulatory and Enforcement Fund	7,345,800	7,345,800	-
Utility Regulation Revolving Fund	18,547,300	18,547,300	-
Total - Corporation Commission	35,404,400	35,404,400	-
Corrections, State Department of			
Alcohol Abuse Treatment Fund	555,800	555,800	-
Corrections Fund	31,312,500	31,312,500	-
Inmate Store Proceeds Fund	1,280,800	1,280,800	-
Penitentiary Land Fund	3,466,000	3,466,000	-
Prison Construction and Operations Fund	12,500,100	12,500,100	-
State Charitable, Penal and Reformatory Institutions Land Fund	3,733,100	3,733,100	-
State Education Fund for Correctional Education	736,400	736,400	-
Transition Program Fund	15,048,600	2,400,300	(12,648,300)
Total - State Department of Corrections	68,633,300	55,985,000	(12,648,300)
Criminal Justice Commission, Arizona			
Criminal Justice Enhancement Fund	742,200	742,200	-
Drug and Gang Prevention Resource Center Fund	647,100	647,100	-
State Aid to County Attorneys Fund	973,700	973,700	-
State Aid to Indigent Defense Fund	700,000	700,000	-
Victim Compensation and Assistance Fund	4,255,800	4,255,800	-
Total - Arizona Criminal Justice Commission	7,318,800	7,318,800	-
Deaf and the Blind, Arizona Schools for the			
Cooperative Services Fund	20,092,400	19,131,000	(961,400)
Schools for the Deaf and the Blind Fund	14,878,500	14,142,800	(735,700)
Telecommunication Fund for the Deaf	168,000	168,000	-
Total - Arizona State Schools for the Deaf and the Blind	35,138,900	33,441,800	(1,697,100)
Deaf and the Hard of Hearing, Comm. for the			
Telecommunication Fund for the Deaf	5,047,800	4,847,800	(200,000)
Dental Examiners, State Board of			
Dental Board Fund	2,129,800	2,120,500	(9,300)
Economic Security, Department of			
Child Support Enforcement Administration Fund	17,678,400	17,678,400	-
Domestic Violence Services Fund	4,000,300	4,000,300	-
Federal Child Care and Development Fund Block Grant	331,027,900	200,027,900	(131,000,000)
Federal Temporary Assistance for Needy Families Block Grant	66,588,900	66,588,900	-

	OF FY 2025 Baseline	OF FY 2026 Baseline	OF FY 2026 Baseline - FY 2025
Budget Units			
Long Term Care System Fund	34,429,200	34,971,600	542,400
Public Assistance Collections Fund	441,800	441,800	-
Special Administration Fund	4,654,600	4,654,600	-
Spinal and Head Injuries Trust Fund	2,390,200	2,390,200	-
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	-
Workforce Investment Act Grant	87,116,200	87,116,200	-
Total - Department of Economic Security	549,327,500	418,869,900	(130,457,600)
Education, Department of			
Department of Education Empowerment			-
Scholarship Account Fund	359,000	359,000	-
Education Sales Tax - Accountability	7,000,000	7,000,000	-
Permanent State School Fund	357,889,000	72,263,000	(285,626,000)
Teacher Certification Fund	2,547,000	2,547,000	-
Tribal College Dual Enrollment Program Fund	325,000	325,000	-
Total - Department of Education	368,120,000	82,494,000	(285,626,000)
Emergency and Military Affairs, Department of			
Nuclear Emergency Management Fund	2,176,000	2,320,900	144,900
Environmental Quality, Department of			
Air Quality Fund	9,207,200	6,307,200	(2,900,000)
Emergency Response Fund	132,800	132,800	-
Emissions Inspection Fund	33,012,700	33,012,700	-
Hazardous Waste Management Fund	1,960,100	1,960,100	-
Indirect Cost Fund	18,788,100	18,788,100	-
Permit Administration Fund	7,333,900	7,333,900	-
Recycling Fund	2,484,100	1,534,100	(950,000)
Safe Drinking Water Program Fund	2,001,600	2,001,600	-
Solid Waste Fee Fund	2,592,700	2,592,700	-
Water Quality Fee Fund	20,852,800	20,852,800	-
Total - Department of Environmental Quality	98,366,000	94,516,000	(3,850,000)
Equal Opportunity, Governor's Office of			
Personnel Division Fund	311,700	311,700	-
Exposition and State Fair Board, Arizona			
Arizona Exposition and State Fair Fund	23,698,700	19,927,300	(3,771,400)
Game and Fish Department, Arizona			
Capital Improvement Fund	1,001,200	1,001,200	-
Game and Fish Fund	36,079,800	36,079,800	-
Game, Nongame, Fish and Endangered Species Fund	391,700	391,700	-
Watercraft Licensing Fund	5,063,300	5,063,300	-
Wildlife Endowment Fund	16,200	16,200	-
Total - Arizona Game and Fish Department	42,552,200	42,552,200	-
Gaming, Department of			
Arizona Benefits Fund	16,610,000	16,610,000	-
Fantasy Sports Contest Fund	150,100	150,100	-
Racing Regulation Fund	3,948,400	3,948,400	-
Racing Regulation Fund - Unarmed Combat Subaccount	105,200	105,200	-
State Lottery Fund	300,000	300,000	-
Tribal-State Compact Fund	2,330,300	2,330,300	-
Total - Department of Gaming	23,444,000	23,444,000	-
Health Services, Department of			
Arizona State Hospital Fund	3,395,700	3,395,700	-
ASH Land Earnings Fund	650,000	650,000	-
Child Fatality Review Fund	196,500	196,500	-
Disease Control Research Fund	1,000,000	1,000,000	-
Emergency Medical Services Operating Fund	4,260,700	4,260,700	-
Environmental Laboratory Licensure Revolving Fund	1,008,400	1,008,400	-
Federal Child Care and Development Fund			-

	OF FY 2025 Baseline	OF FY 2026 Baseline	OF FY 2026 Baseline - FY 2025
Budget Units			
Block Grant	1,011,300	1,011,300	-
Health Services Licensing Fund	17,607,900	17,607,900	-
Indirect Cost Fund	13,323,700	13,318,300	(5,400)
Newborn Screening Program Fund	12,838,700	12,838,700	-
Nursing Care Institution Resident Protection Revolving Fund	238,200	238,200	-
Tobacco Tax and Health Care Fund - Health Research Account	3,000,000	2,000,000	-
Tobacco Tax and Health Care Fund - Medically Needy Account	700,000	700,000	-
Vital Records Electronic Systems Fund	3,893,800	3,893,800	-
Total - Department of Health Services	63,124,900	62,119,500	(1,005,400)
Homeland Security, Arizona Department of Information Technology Fund	11,054,700	11,054,700	-
Homeopathic and Integrated Medicine Examiners, Board of Board of Homeopathic and Integrated Medicine Examiners' Fund	61,500	61,500	-
Housing, Department of Housing Trust Fund	388,800	388,800	-
Industrial Commission of Arizona Administrative Fund	22,138,000	22,138,000	-
Insurance and Financial Institutions, Department of Automobile Theft Authority Fund	6,749,300	6,749,300	-
Financial Services Fund	6,057,500	6,057,500	-
Department Revolving Fund	50,300	50,300	-
Total - Department of Insurance and Financial Institutions	12,857,100	12,857,100	-
Judiciary - Supreme Court Confidential Intermediary and Fiduciary Fund	690,600	690,600	-
Court Appointed Special Advocate and Vulnerable Persons Fund	6,793,700	6,622,600	(171,100)
Criminal Justice Enhancement Fund	4,765,200	4,765,200	-
Defensive Driving School Fund	4,521,000	4,521,000	-
Judicial Collection Enhancement Fund	15,303,000	15,303,000	-
State Aid to the Courts Fund	2,946,900	2,946,900	-
Total - Judiciary - Supreme Court	35,020,400	34,849,300	(171,100)
Judiciary - Superior Court Criminal Justice Enhancement Fund	5,496,000	5,496,000	-
Drug Treatment and Education Fund	504,200	504,200	-
Judicial Collection Enhancement Fund	6,015,400	6,015,400	-
Total - Judiciary - Superior Court	12,015,600	12,015,600	-
SUBTOTAL - Judiciary	47,036,000	46,864,900	(171,100)
Juvenile Corrections, Department of Criminal Justice Enhancement Fund	528,900	528,900	-
Department of Juvenile Corrections Local Cost Sharing Fund	6,724,000	6,724,000	-
State Charitable, Penal and Reformatory Institutions Land Fund	4,881,100	4,881,100	-
State Education Fund for Committed Youth	1,463,700	1,463,700	-
Total - Department of Juvenile Corrections	13,597,700	13,597,700	-
Land Department, State Due Diligence Fund	5,000,000	5,000,000	-
Environmental Special Plate Fund	260,600	-	(260,600)
Off-Highway Vehicle Recreation Fund	177,600	177,600	-
Trust Land Management Fund	7,058,000	7,058,000	-
Total - State Land Department	12,496,200	12,235,600	(260,600)
Liquor Licenses and Control, Department of Liquor Licenses Fund	6,126,800	6,126,800	-
Lottery Commission, Arizona State			

	OF FY 2025 Baseline	OF FY 2026 Baseline	OF FY 2026 Baseline - FY 2025
<u>Budget Units</u>			
State Lottery Fund	187,408,000	195,493,600	8,085,600
Massage Therapy, Board of			
Board of Massage Therapy Fund	607,700	607,700	-
Medical Board, Arizona			
Arizona Medical Board Fund	8,424,900	8,424,900	-
Mine Inspector, State			
Aggregate Mining Reclamation Fund	112,900	112,900	-
Natural Resource Conservation Board, State			
Environmental Special Plate Fund	-	260,600	260,600
Naturopathic Physicians Medical Board			
Naturopathic Physicians Medical Board Fund	220,000	220,000	-
Navigable Stream Adjudication Commission			
Arizona Water Banking Fund	200,000	200,000	-
Nursing, State Board of			
Board of Nursing Fund	7,016,600	6,982,800	(33,800)
Nursing Care Institution Administrators Board			
Nursing Care Institution Administrators'			-
Licensing and Assisted Living Facility			-
Managers' Certification Fund	613,100	613,100	-
Occupational Therapy Examiners, Board of			
Occupational Therapy Fund	306,700	302,700	(4,000)
Opticians, State Board of Dispensing			
Board of Dispensing Opticians Fund	198,500	198,500	-
Optometry, State Board of			
Board of Optometry Fund	295,600	295,600	-
Osteopathic Examiner in Medicine and Surgery, Arizona Board of			
Board of Osteopathic Examiners in Medicine			-
and Surgery Fund	1,403,100	1,403,100	-
Parks Board, Arizona State			
Off-Highway Vehicle Recreation Fund	16,700	16,700	-
State Parks Store Fund	1,513,100	1,513,100	-
State Parks Revenue Fund	19,518,500	19,018,500	(500,000)
Total - Arizona State Parks Board	21,048,300	20,548,300	(500,000)
Personnel Board, State			
Personnel Board Subaccount of the			-
Personnel Division Fund	363,700	363,700	-
Pharmacy, Arizona State Board of			
Arizona State Board of Pharmacy Fund	3,568,600	3,504,000	(64,600)
Physical Therapy, Board of			
Board of Physical Therapy Fund	596,000	596,000	-
Pioneers' Home, Arizona			
Miners' Hospital for Miners with Disabilities Land Fund	2,363,700	2,363,700	-
State Charitable Fund	6,128,400	6,128,400	-
Total - Arizona Pioneers' Home	8,492,100	8,492,100	-
Podiatry Examiners, State Board of			
Podiatry Fund	202,700	202,700	-
Private Postsecondary Education, Board for			
Board for Private Postsecondary Education			-
Fund	453,000	453,000	-
Psychologist Examiners, State Board of			
Behavior Analyst Licensing and Regulation Account	216,100	216,100	-
Board of Psychologist Examiners Fund	428,700	428,700	-
Total - State Board of Psychologist Examiners	644,800	644,800	-
Public Safety, Department of			
Arizona Highway Patrol Fund	27,028,500	27,028,500	-
Concealed Weapons Permit Fund	3,388,400	3,388,400	-
Criminal Justice Enhancement Fund	3,049,900	3,049,900	-
DPS Forensics Fund	23,198,800	23,198,800	-
Fingerprint Clearance Card Fund	2,036,100	2,036,100	-

	OF FY 2025 Baseline	OF FY 2026 Baseline	OF FY 2026 Baseline - FY 2025
Budget Units			
GIITEM Border Security and Law Enforcement Subaccount	2,396,400	2,396,400	-
Motor Vehicle Liability Insurance Enforcement Fund	1,003,300	1,003,300	-
Motorcycle Safety Fund	198,900	198,900	-
Parity Compensation Fund	3,156,800	3,156,800	-
Public Safety Equipment Fund	3,664,000	2,894,000	(770,000)
Risk Management Revolving Fund	1,141,900	1,141,900	-
State Highway Fund	10,000,000	10,000,000	-
Total - Department of Public Safety	80,263,000	79,493,000	(770,000)
Residential Utility Consumer Office			
Residential Utility Consumer Office Revolving Fund	1,606,500	1,606,500	-
Respiratory Care Examiners, Board of			
Board of Respiratory Care Examiners Fund	426,700	426,700	-
Retirement System, Arizona State			
Long-Term Disability Trust Fund Administration Account	1,800,000	1,800,000	-
Arizona State Retirement System Administration Account	27,063,400	27,063,400	-
Total - Arizona State Retirement System	28,863,400	28,863,400	-
Revenue, Department of			
Department of Revenue Administrative Fund	27,101,900	27,101,900	-
Liability Setoff Program Revolving Fund	2,094,800	894,800	(1,200,000)
Tobacco Tax and Health Care Fund	730,300	730,300	-
Total - Department of Revenue	29,927,000	28,727,000	(1,200,000)
Secretary of State			
Election Systems Improvement Fund	483,500	483,500	-
Records Services Fund	1,820,700	1,370,700	(450,000)
Total - Secretary of State	2,304,200	1,854,200	(450,000)
Technical Registration, State Board of			
Technical Registration Fund	2,646,000	2,646,000	-
Transportation, Department of			
Air Quality Fund	1,078,300	878,300	(200,000)
Department Fleet Operations Fund	27,522,700	27,522,700	-
Highway Damage Recovery Account	7,999,300	7,999,300	-
Highway User Revenue Fund	951,500	951,500	-
Ignition Interlock Device Fund	365,600	365,600	-
Motor Vehicle Liability Insurance Enforcement Fund	1,615,600	1,615,600	-
State Aviation Fund	2,289,300	2,289,300	-
State Fleet Operations Fund	29,146,900	22,867,800	(6,279,100)
State Highway Fund	488,489,300	481,554,700	(6,934,600)
State Vehicle Replacement Fund	11,370,000	7,250,000	(4,120,000)
Vehicle Inspection and Certificate of Title Enforcement Fund	1,646,400	1,646,400	-
Total - Department of Transportation	572,474,900	554,941,200	(17,533,700)
Treasurer, State			
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	-
Peace Officer Training Equipment Fund	2,953,200	-	(2,953,200)
State Treasurer's Operating Fund	4,334,600	4,334,600	-
Total - State Treasurer	9,471,600	6,518,400	(2,953,200)
Universities			
Arizona State University			
University Collections Fund <u>1</u> /	856,998,800	856,998,800	-
Northern Arizona University			
University Collections Fund <u>1</u> /	131,836,800	131,836,800	-
University of Arizona - Main Campus			
University Collections Fund <u>1</u> /	368,549,100	368,549,100	-

	OF FY 2025 Baseline	OF FY 2026 Baseline	OF FY 2026 Baseline - FY 2025
Budget Units			
University of Arizona - Health Sciences Center			
University Collections Fund 1/	61,522,800	61,522,800	-
Total - Universities	1,418,907,500	1,418,907,500	-
Veterans' Services, Department of			
State Homes for Veterans' Trust Fund	60,994,800	60,994,800	-
Veterinary Medical Examining Board			
Veterinary Medical Examining Board Fund	787,900	787,900	-
Water Resources, Department of			
Assured and Adequate Water Supply Admin Fund	291,800	291,800	-
Water Resources Fund	1,726,500	1,726,500	-
Total - Department of Water Resources	2,018,300	2,018,300	-
OPERATING BUDGET TOTAL	4,957,215,600	4,490,908,600	(466,307,000)
Remove One-Time FY 2025 Fleet Adjustments	-	(1,453,600)	(1,453,600)
Remove One-Time FY 2025 Health Insurance Adjustments	-	(41,551,600)	(41,551,600)
Unallocated FY 2025 Health Insurance Adjustments	18,448,400	-	(18,448,400)
Unallocated FY 2025 Fleet Rate Adjustments	171,400	-	(171,400)
Unallocated FY 2025 Rent and COP Adjustments	13,000	-	(13,000)
Unallocated FY 2025 Retirement Adjustments	392,500	-	(392,500)
Capital Outlay - Building Renewal/Projects	549,174,500	552,549,000	3,374,500
GRAND TOTAL	5,525,415,400	5,000,452,400	(524,963,000)

FY 2026 EXPENDITURE AUTHORITY SUMMARY BY AGENCY

	EA FY 2025 Baseline	EA FY 2026 Baseline	EA FY 2026 Baseline - FY 2025
Budget Units			
AHCCCS			
AHCCCS Fund	13,434,104,500	13,779,150,300	345,045,800
Arizona Tobacco Litigation Settlement Fund	102,000,000	102,000,000	-
Delivery System Reform Incentive Payment Fund	17,922,700	24,321,800	6,399,100
Health Care Investment Fund	911,052,600	913,772,900	2,720,300
Hospital Assessment Fund	694,319,800	622,867,900	(71,451,900)
Long Term Care System Fund	1,959,660,600	1,869,102,100	(90,558,500)
Nursing Care Facility Provider Assessment Fund	94,906,800	93,066,100	(1,840,700)
Political Subdivision Funds	242,411,000	441,383,700	198,972,700
Prescription Drug Rebate Fund - Federal	609,060,300	609,060,300	-
Third Party Liability and Recovery Fund	194,700	194,700	-
Tobacco Products Tax Fund - Prop. 204 Protection Account	36,662,900	32,340,000	(4,322,900)
Total - AHCCCS	18,102,295,900	18,487,259,800	384,963,900
Child Safety, Department of			
Child Safety Expenditure Authority	438,921,400	438,921,400	-
Comprehensive Health Plan Fund	159,828,000	162,881,200	3,053,200
Total - Department of Child Safety	598,749,400	601,802,600	3,053,200
Economic Security, Department of			
Child Support Enforcement Administration Fund	44,401,200	44,401,200	-
Health Care Investment Fund	43,247,300	36,148,000	(7,099,300)
Long Term Care System Fund (Federal Match)	3,313,409,500	4,056,619,200	743,209,700
Total - Department of Economic Security	3,401,058,000	4,137,168,400	736,110,400
Education, Department of			
Classroom Site Fund	1,053,335,300	1,053,335,300	-
Education Sales Tax - Basic State Aid	150,380,500	150,380,500	-
Education Sales Tax - Character Education	200,000	200,000	-
Education Sales Tax - Failing Schools Tutoring Fund	1,500,000	1,500,000	-

	OF FY 2025 Baseline	OF FY 2026 Baseline	OF FY 2026 Baseline - FY 2025
Budget Units			
Education Sales Tax - School Safety	7,800,000	7,800,000	-
Instructional Improvement Fund	80,425,700	80,425,700	-
Total - Department of Education	1,293,641,500	1,293,641,500	-
FY 2025 Supplemental Appropriations <u>2/</u>	333,619,000		
GRAND TOTAL	23,729,363,800	24,519,872,300	790,508,500

1/ Reflects estimated tuition revenues.

2/ Please see the FY 2025 Adjustments section for individual agency detail.

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2025 GF Adj. Appropriation	FY 26 Baseline 1/ Above FY 25	FY 2026 GF JLBC Baseline
OPERATING SPENDING CHANGES			
1	DOA - Arizona Department of Administration	10,147,600	9,145,100
2	DOA - Remove One-Time Navajo Nation Household Electrical Connections	(1,000,000)	
3	DOA - Remove One-Time ASH Ombudsman Equipment	(2,500)	
4	APF - Automation Projects Fund/ADOA	15,243,300	11,725,500
5	APF - Remove One-Time AHCCCS IT Mainframe Replacement	(3,396,000)	
6	APF - Adjust DOR Integrated Tax System (part of FY 25 3-year plan)	(121,800)	
7	SFD - School Facilities Division/ADOA	320,918,800	179,281,200
8	SFD - Remove One-Time Building Renewal Funding	(183,300,000)	
9	SFD - Remove New School Construction Projects (FY 24 Starts)	(77,898,600)	
10	SFD - Continue New School Construction Projects (FY 25 Starts)	13,587,600	
11	SFD - Begin New School Construction Projects (FY 26 Starts)	105,973,400	
12	OAH - Office of Administrative Hearings	970,000	970,000
13	AGR - Department of Agriculture	14,639,800	14,639,800
14	AXS - AHCCCS	2,669,731,700	2,783,312,900
15	AXS - Formula Adjustments	118,781,200	
16	AXS - Remove One-Time Critical Access Hospital Supplemental Pool	(4,200,000)	
17	AXS - Remove One-Time Case Management Provider Wage Increases	(1,000,000)	
18	ART - Arizona Commission on the Arts	2,000,000	0
19	ART - Remove One-Time Arts Trust Fund Deposit	(2,000,000)	
20	ATT - Attorney General	27,092,700	27,092,700
21	CHA - State Board for Charter Schools	2,749,300	2,749,300
22	DCS - Department of Child Safety	458,089,500	441,589,500
23	DCS - Remove One-Time Children and Family Supports Contract Increase	(5,500,000)	
24	DCS - Remove One-Time Healthy Families Expansion	(12,500,000)	
25	DCS - Preventative Services Technical Correction	1,500,000	
26	ACA - Arizona Commerce Authority	13,550,000	13,050,000
27	ACA - Remove One-Time Small Business Center Grants	(500,000)	
28	CCO - Arizona Community Colleges	96,082,700	101,738,300
29	CCO - Formula Adjustments	5,655,600	
30	COR - Corporation Commission	789,000	789,000
31	ADC - Department of Corrections	1,537,433,400	1,527,944,500
32	ADC - Remove One-Time Injunction-Related Costs	(9,488,900)	
33	CF - County Funding	10,650,700	10,650,700
34	JUS - Arizona Criminal Justice Commission	4,600,000	4,600,000
35	SDB - Arizona State Schools for the Deaf and the Blind	25,291,300	25,291,300
36	OEC - Office of Economic Opportunity	507,100	507,100
37	DES - Department of Economic Security	1,344,531,100	1,588,038,000
38	DES - Formula Adjustments	262,456,900	
39	DES - Remove One-Time Area Agencies on Aging Funding	(2,000,000)	

	FY 2025 GF Adj. Appropriation	FY 26 Baseline 1/ Above FY 25	FY 2026 GF JLBC Baseline
40	DES - Remove One-Time Low-Income Food Services for Tribal Reservations	(250,000)	
41	DES - Remove One-Time Navajo Nation Women's Services	(500,000)	
42	DES - Remove One-Time Navajo Nation Tribal Youth Programs	(500,000)	
43	DES - Remove One-Time Nutrition/Housing/Rent Programs (Pinal County)	(500,000)	
44	DES - Remove One-Time Pascua Yaqui Tribe Social Services Programs	(1,000,000)	
45	DES - Remove One-Time Low-Income Food Distribution (Cochise County)	(1,000,000)	
46	DES - Remove One-Time DD Job Training/Life Skills (Rural Counties)	(1,000,000)	
47	DES - Remove One-Time DD Group Home Monitoring Pilot	(1,200,000)	
48	DES - Remove One-Time Child Care Network Funding	(12,000,000)	
49	DES - Homeless Youth Assistance Backfill	1,000,000	
50	BOE - State Board of Education	3,342,400	3,342,400
51	ADE - Arizona Department of Education	7,676,669,800	8,173,308,600
52	ADE - Formula Adjustments	595,538,800	
53	ADE - Remove One-Time Increase FRPL Group B Weight	(37,000,000)	
54	ADE - Remove One-Time Increase DAA/CAA Per Pupil Funding	(29,000,000)	
55	ADE - Remove One-Time Live Remote Instruction	(100,000)	
56	ADE - Remove One-Time Center for High School Success	(1,000,000)	
57	ADE - Remove One-Time Elimination of School Meal Co-Pay	(3,800,000)	
58	ADE - Remove One-Time Continuing High School and Workforce Training	(4,000,000)	
59	ADE - Remove One-Time Comm College Adult Education	(4,000,000)	
60	ADE - Remove One-Time Adult Workforce Diploma Funding	(4,000,000)	
61	ADE - Remove One-Time English Language Learner Achievement Testing	(5,000,000)	
62	ADE - Remove One-Time Arizona Holocaust Education Center	(7,000,000)	
63	ADE - Remove One-Time K-12 Mental Health Telehealth Pilot	(2,000,000)	
64	ADE - Remove One-Time Low Income After School Programs	(2,000,000)	
65	EMA - Department of Emergency & Military Affairs	16,225,400	15,762,500
66	EMA - Remove One-Time Hazard Mitigation Assistance	(462,900)	
67	DEQ - Department of Environmental Quality	16,000,000	15,000,000
68	DEQ - Remove One-Time Zero Emissions Heavy-Duty 8-Ton Pilot Program	(1,000,000)	
69	EQU - State Board of Equalization	724,400	724,400
70	EXE - Board of Executive Clemency	1,377,600	1,377,600
71	FOR - Department of Forestry and Fire Management	51,471,600	46,471,600
72	FOR - Remove One-Time Fire Suppression Funding	(5,000,000)	
73	GAM - Department of Gaming	11,704,500	6,204,500
74	GAM - Remove One-Time Racing Purse Enhancement Funding	(4,000,000)	
75	GAM - Remove One-Time Racetrack Capital and Maint./Operations	(1,500,000)	
76	GOV - Office of the Governor	8,996,800	8,996,800
77	OSP - Gov's Office of Strategic Planning & Budgeting	2,852,500	2,852,500
78	DHS - Department of Health Services	122,466,300	117,363,900
79	DHS - Remove One-Time Preceptor Grant Program for Graduate Students	(500,000)	
80	DHS - Remove One-Time Funding Licensing Staff Costs	(1,202,400)	
81	DHS - Remove One-Time Women's Preventive Health Services	(500,000)	
82	DHS - Remove One-Time Services for Parents of Deceased Children	(500,000)	
83	DHS - Remove One-Time Heat Mitigation in Southern Arizona	(500,000)	
84	DHS - Remove One-Time Southern AZ Counseling/Community Service	(1,000,000)	
85	DHS - Remove One-Time Senior Health Promotion (Santa Cruz County)	(1,000,000)	
86	DHS - Remove One-Time AZ Care Check Portal Funding	(900,000)	
87	DHS - Remove One-Time Alzheimer's Research Shift to Health Care Fund	1,000,000	
88	AZH - Arizona Historical Society	2,978,700	2,978,700

	FY 2025 GF Adj. Appropriation	FY 26 Baseline 1/ Above FY 25	FY 2026 GF JLBC Baseline
89 PAZ - Prescott Historical Society	995,300		995,300
90 HOM - Department of Homeland Security	10,200,000		10,000,000
91 HOM - Remove One-Time Cybersecurity Programs		(200,000)	
92 DOH - Department of Housing	15,000,000		0
93 DOH - Remove One-Time Housing Trust Fund Deposit		(15,000,000)	
94 ICA - Industrial Commission	84,700		84,700
95 DIF - Department of Insurance and Financial Institutions	8,090,100		6,212,000
96 DIF - Insurance Fraud Unit Budget Shift to Non-Appropriated Funds		(1,878,100)	
97 SPA - Judiciary - Supreme Court	29,864,200		29,710,300
98 SPA - Remove One-Time Digital Evidence Software Funding		(280,000)	
99 SPA - Judicial Salary Increase (2nd of 3rd Phase)		126,100	
100 COA - Judiciary - Court of Appeals	24,407,400		24,911,700
101 COA - Judicial Salary Increase (2nd of 3rd Phase)		504,300	
102 SUP - Judiciary - Superior Court	115,194,800		116,834,000
103 SUP - Judicial Salary Increase (2nd of 3rd Phase)		1,639,200	
104 DJC - Department of Juvenile Corrections	29,978,900		29,978,900
105 LAN - State Land Department	12,411,300		12,078,300
106 LAN - CAP Rate Adjustment		56,400	
107 LAN - Transfer Funding to Natural Resource Conservation Board		(389,400)	
108 Legislature			
109 AUD - Auditor General	26,722,700		26,722,700
110 HOU - House of Representatives	21,565,600		21,565,600
111 JLBC - Joint Legislative Budget Committee	3,055,800		3,055,800
112 LEG - Legislative Council	9,275,700		9,275,700
113 LEG - Ombudsman-Citizens Aide Office	1,578,400		1,578,400
114 SEN - Senate	18,000,200		18,000,200
115 MIN - State Mine Inspector	2,299,300		2,299,300
116 NRB - State Natural Resource Conservation Board	0		389,400
117 NRB - Transfer Funding from State Land Department		389,400	
118 NAV - Arizona Navigable Steam Adjudication Comm.	140,500		140,500
119 SPB - Arizona State Parks Board	100,000		0
120 SPB - Remove One-Time Arizona Trail Fund Deposit		(100,000)	
121 DPS - Department of Public Safety	264,461,100		288,138,300
122 DPS - Remove One-Time Local Border Support Funding		(4,000,000)	
123 DPS - Remove One-Time Shift of Border Funding to Border Security Fund		27,677,200	
124 PSP - Public Safety Personnel Retirement System	6,000,000		6,000,000
125 REA - State Real Estate Department	3,111,800		3,111,800

	FY 2025 GF Adj. Appropriation	FY 26 Baseline 1/ Above FY 25	FY 2026 GF JLBC Baseline	
126	REV - Department of Revenue	59,677,700	59,677,700	
127	SOS - Secretary of State	22,993,900	14,093,900	
128	SOS - Remove One-Time Operating Funding		(1,000,000)	
129	SOS - Remove One-Time Primary/General Election Funding		(7,900,000)	
130	TAX - State Board of Tax Appeals	318,600	318,600	
131	TOU - Office of Tourism	8,325,000	8,325,000	
132	TRE - State Treasurer	10,160,700	4,432,100	
133	TRE - Remove One-Time Election Security Funding		(6,000,000)	
134	TRE - Justice of the Peace Salary Adjustment		271,400	
135	OTR - Governor's Office on Tribal Relations	67,100	67,100	
136	UNI - Universities			
137	UNI - Arizona Board of Regents	55,726,000	54,726,000	
138	UNI - Remove One-Time Arizona Teachers Academy Funding		(1,000,000)	
139	UNI - ASU	408,638,200	387,698,800	
140	UNI - Lease-Purchase Adjustment		(5,400)	
141	UNI - Inflation Adjustment (2017 Capital Infrastructure)		266,000	
142	UNI - Remove One-Time Operating Funding		(21,200,000)	
143	UNI - Northern Arizona University	134,294,400	124,294,200	
144	UNI - Lease-Purchase Adjustment		(1,000)	
145	UNI - Inflation Adjustment (2017 Capital Infrastructure)		100,800	
146	UNI - Remove One-Time Operating Funding		(10,100,000)	
147	UNI - UA - Main Campus	295,913,700	281,450,100	
148	UNI - Lease-Purchase Adjustment		1,100	
149	UNI - Inflation Adjustment (2017 Capital Infrastructure)		235,300	
150	UNI - Remove One-Time Operating Funding		(14,700,000)	
151	UNI - UA - Health Sciences Center	75,428,400	75,428,400	
152	VSC - Department of Veterans' Services	11,999,100	11,499,100	
153	VSC - Remove One-Time Veterans Center Funding		(500,000)	
154	WAT - Department of Water Resources	24,618,200	24,618,200	
155	OTH - Other			
156	OTH - AHCCCS Formula Costs (Ex-Appropriation)	(76,351,600)	76,351,600	0
157	OTH - AHCCCS Federal Match Savings (Ex-Appropriation)	(170,000,000)	170,000,000	0
158	OTH - DCS Federal Match Savings (Ex-Appropriation)	(9,000,000)	9,000,000	0
159	OTH - DES Formula Costs (Supplemental)	76,100,000	(76,100,000)	0
160	OTH - DES Federal Match Savings (Ex-Appropriation)	(80,000,000)	80,000,000	0
161	OTH - ADE Formula Costs (Supplemental)	103,190,600	(103,190,600)	0
162	OTH - ADE Qasimyar State Aid Adjustments (Supplemental)	61,000,000	(61,000,000)	0
163	OTH - Treasurer Justice of the Peace Salary Adjustment (Supplemental)	138,600	(138,600)	0
164	OTH - Phoenix Convention Center Debt Service	25,998,700	498,700	26,497,400
165	OTH - Rio Nuevo District	19,000,000		19,000,000
166	OTH - Remove One-Time FY 2025 State Fleet Adjustments	0	(3,299,000)	(3,299,000)
167	OTH - Remove One-Time FY 2025 Health Insurance Adjustments	0	(140,000,000)	(140,000,000)
168	OTH - Administrative Adjustments	130,000,000	10,000,000	140,000,000
169	OTH - Revertments	(170,000,000)	(20,000,000)	(190,000,000)
170	TOTAL - OPERATING SPENDING CHANGES	16,090,603,100	556,805,800	16,647,408,900
171	TOTAL - CAPITAL SPENDING	0	0	0

	FY 2025 GF Adj. Appropriation	FY 26 Baseline ^{1/} Above FY 25	FY 2026 GF JLBC Baseline
172	TOTAL - ALL SPENDING	16,090,603,100	16,647,408,900
173	REVENUE CHANGES		
174	Ongoing Revenue		
175	REV - Ongoing Revenue (Including Urban Revenue Sharing)	15,997,449,600	16,661,808,000
176	One-Time Revenue		
177	REV - Beginning Balance	962,823,000	903,661,300
178	REV - One-Time Fund Transfers to GF	33,991,800	17,000,000
179	TOTAL - REVENUE CHANGES	16,994,264,400	17,582,469,300
180	ENDING BALANCE	903,661,300	935,060,400

^{1/} Represents FY 2026 Baseline spending above the FY 2025 Adjusted Appropriation.

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2025 OF 1/ Adj. Appropriation	FY 26 Baseline 2/ Above FY 25	FY 2026 OF JLBC Baseline
OPERATING SPENDING CHANGES			
1	SBA - State Board of Accountancy	2,258,100	2,258,100
2	ACU - Acupuncture Board of Examiners	199,700	199,700
3	DOA - Arizona Department of Administration	229,455,000	227,823,000
4	DOA - Remove One-Time School District Actuarial Study to Expand HITF	(250,000)	
5	DOA - Remove One-Time Critical Applications Catalogue	(500,000)	
6	DOA - Remove One-Time Capitol Mall Fiber Network Upgrades	(325,000)	
7	DOA - Remove One-Time AFIS Operations/Maintenance Funding	(557,000)	
8	APF - Automation Projects Fund/ADOA	29,694,000	19,256,800
9	APF - Remove One-Time ADOA Personnel System (HRIS) Replacement	(6,841,200)	
10	APF - Remove One-Time AHCCCS IT Mainframe Replacement	(3,396,000)	
11	APF - Adjust DOR Integrated Tax System Funding	(200,000)	
12	AGR - Department of Agriculture	1,924,300	1,962,800
13	AGR - NEMF Assessment Alignment	38,500	
14	AXS - AHCCCS	455,300,200	464,775,200
15	AXS - Formula Adjustments	7,802,400	
16	AXS - Valleywise Adjustments	1,672,600	
17	BAT - Board of Athletic Training	167,800	167,800
18	ATT - Attorney General	109,959,300	100,959,300
19	ATT - Remove One-Time Veterans Substance Abuse Treatment Grants	(5,000,000)	
20	ATT - Remove One-Time Opioid Remediation - Fentanyl Interdiction (DEMA)	(3,000,000)	
21	ATT - Remove One-Time Opioid Remediation - Overdose Medication (DHS)	(1,000,000)	
22	BCB - Barbering and Cosmetology Board	3,230,900	3,230,900
23	BHE - Board of Behavioral Health Examiners	2,757,400	2,721,100
24	BHE - Remove One-Time Licensing/Investigations FTE Costs	(36,300)	
25	DCS - Department of Child Safety	204,280,700	204,280,700
26	BCE - State Board of Chiropractic Examiners	643,700	643,700
27	ROC - Registrar of Contractors	13,925,600	13,925,600
28	COR - Corporation Commission	35,404,400	35,404,400
29	ADC - Department of Corrections	68,633,300	55,985,000
30	ADC - Remove One-Time Food Contract Increase	(12,648,300)	
31	JUS - Arizona Criminal Justice Commission	7,318,800	7,318,800
32	SDB - AZ State Schools for the Deaf and the Blind	35,138,900	33,441,800
33	SDB - Formula Adjustments	(1,697,100)	
34	HEA - Comm for the Deaf & the Hard of Hearing	5,047,800	4,847,800
35	HEA - Remove One-Time Website Security Upgrades	(200,000)	
36	DEN - Board of Dental Examiners	2,129,800	2,120,500
37	DEN - Remove One-Time Annual Leave Payout	(9,300)	
38	DES - Department of Economic Security	549,327,500	418,869,900
39	DES - Formula Adjustments	542,400	

	FY 2025 OF 1/ Adj. Appropriation	FY 26 Baseline 2/ Above FY 25	FY 2026 OF JLBC Baseline
40	DES - Remove One-Time Child Care Assistance Program Funding	(131,000,000)	
41	ADE - Arizona Department of Education	368,120,000	82,494,000
42	ADE - Endowment Earnings Adjustment	(285,626,000)	
43	EMA - Department of Emergency & Military Affairs	2,176,000	2,320,900
44	EMA - NEMF Assessment Alignment	144,900	
45	DEQ - Department of Environmental Quality	98,366,000	94,516,000
46	DEQ - Remove One-Time Voluntary Vehicle Repair/Retrofit Funding	(2,900,000)	
47	DEQ - Remove One-Time Backfill for Solid Waste Program	(950,000)	
48	OEO - Governor's Office of Equal Opportunity	311,700	311,700
49	COL - Arizona Exposition and State Fair Board	23,698,700	19,927,300
50	COL - Remove One-Time Enhanced Operations Funding	(3,771,400)	
51	FIS - Arizona Game and Fish Department	42,552,200	42,552,200
52	GAM - Department of Gaming	23,444,000	23,444,000
53	DHS - Department of Health Services	63,124,900	62,119,500
54	DHS - Remove One-Time FTE Costs	(5,400)	
55	DHS - Remove One-Time Alzheimer's Research Shift to Hlth Research Fund	(1,000,000)	
56	HLS - Arizona Department of Homeland Security	11,054,700	11,054,700
57	HOM - Board of Homeopathic & Integrated Medicine Examiners	61,500	61,500
58	DOH - Department of Housing	388,800	388,800
59	IND - Industrial Commission	22,138,000	22,138,000
60	DIF - Department of Insurance and Financial Institutions	12,857,100	12,857,100
61	SPA - Judiciary - Supreme Court	35,020,400	34,849,300
62	SPA - Remove One-Time CASA Volunteer Ads/Salary Funding	(171,100)	
63	SUP - Judiciary - Superior Court	12,015,600	12,015,600
64	DJC - Department of Juvenile Corrections	13,597,700	13,597,700
65	LAN - State Land Department	12,496,200	12,235,600
66	LAN - Transfer Funding to Natural Resource Conservation Board	(260,600)	
67	LIQ - Department of Liquor Licenses & Control	6,126,800	6,126,800
68	LOT - Arizona State Lottery Commission	187,408,000	195,493,600
69	LOT - Tab Tickets	86,500	
70	LOT - Instant Ticket Sales	1,935,400	
71	LOT - On-Line Vendor Fees	845,100	
72	LOT - Retailer Commissions	5,218,600	
73	BMT - Board of Massage Therapy	607,700	607,700
74	MED - Arizona Medical Board	8,424,900	8,424,900
75	MIN - State Mine Inspector	112,900	112,900
76	NRB - State Natural Resource Conservation Board	0	260,600

	FY 2025 OF 1/ Adj. Appropriation	FY 26 Baseline 2/ Above FY 25	FY 2026 OF JLBC Baseline
77	NRB - Transfer Funding from State Land Department		260,600
78	NAT - Naturopathic Physicians Medical Board	220,000	220,000
79	NAV - Navigable Stream Adjudication Commission	200,000	200,000
80	NUR - State Board of Nursing	7,016,600	6,982,800
81	NUR - Remove One-Time APRN Investigator FTE Costs		(12,700)
82	NUR - Remove One-Time Senior Investigator FTE Costs		(21,100)
83	NCI - Nursing Care Inst. Administrators Board	613,100	613,100
84	OCC - Board of Occupational Therapy Examiners	306,700	302,700
85	OCC - Remove One-Time Investigator FTE Costs		(4,000)
86	DIS - State Board of Dispensing Opticians	198,500	198,500
87	OPT - State Board of Optometry	295,600	295,600
88	OST - AZ Board of Osteopathic Examiners in Medicine/Surgery	1,403,100	1,403,100
89	SPB - Arizona State Parks Board	21,048,300	20,548,300
90	SPB - Remove One-Time Veterans Memorial State Park Feasibility Study		(500,000)
91	PER - Personnel Board	363,700	363,700
92	PHA - Arizona State Board of Pharmacy	3,568,600	3,504,000
93	PHA - Remove One-Time Annual Leave Payout		(64,600)
94	PHY - Board of Physical Therapy Examiners	596,000	596,000
95	PIO - Arizona Pioneers' Home	8,492,100	8,492,100
96	POD - State Board of Podiatry Examiners	202,700	202,700
97	PRI - State Board for Private Postsecondary Education	453,000	453,000
98	PSY - State Board of Psychologist Examiners	644,800	644,800
99	DPS - Department of Public Safety	80,263,000	79,493,000
100	DPS - Remove One-Time Rifle Replacement		(770,000)
101	RUC - Residential Utility Consumer Office	1,606,500	1,606,500
102	RES - Board of Respiratory Care Examiners	426,700	426,700
103	RET - Arizona State Retirement System	28,863,400	28,863,400
104	REV - Department of Revenue	29,927,000	28,727,000
105	REV - Remove One-Time IT Infrastructure for Cybersecurity/IRS Issues		(1,200,000)
106	SOS - Secretary of State	2,304,200	1,854,200
107	SOS - Remove One-Time Electronic Records Repository Program		(450,000)
108	TEC - State Board of Technical Registration	2,646,000	2,646,000
109	DOT - Department of Transportation	572,474,900	554,941,200
110	DOT - Remove One-Time State Vehicle Replacement Funding		(4,120,000)
111	DOT - Remove One-Time MVD Security Modernization Funding (SHF)		(724,900)
112	DOT - Remove One-Time Passenger Rail Study Operating Costs		(200,000)

	FY 2025 OF 1/ Adj. Appropriation	FY 26 Baseline 2/ Above FY 25	FY 2026 OF JLBC Baseline
113	DOT - Remove One-Time ADOT Fleet Fuel Inflation Adjustment (SHF)		(3,297,900)
114	DOT - Remove One-Time State Fleet Operating Adjustments		(6,273,900)
115	DOT - Remove One-Time State Fleet Operating Costs		(5,200)
116	DOT - Remove One-Time Construction Mgmt System Replacement (SHF)		(1,885,000)
117	DOT - Remove One-Time South Mountain Highway Maintenance (SHF)		(509,300)
118	DOT - Remove One-Time I-17 Flex Lane Highway Maintenance (SHF)		(517,500)
119	DOT - Technical Shift for FY 24 Salary Increase in SLIs (SHF)		Yes
120	TRE - State Treasurer	9,471,600	6,518,400
121	TRE - Remove One-Time Peace Officer Training Equipment Fund Allocation		(2,953,200)
122	UNI - Universities		
123	UNI - ASU	856,998,800	856,998,800
124	UNI - Northern Arizona University	131,836,800	131,836,800
125	UNI - UA - Main Campus	368,549,100	368,549,100
126	UNI - UA - Health Sciences Center	61,522,800	61,522,800
127	VSC - Department of Veterans' Services	60,994,800	60,994,800
128	VME - Veterinary Medical Examining Board	787,900	787,900
129	WAT - Department of Water Resources	2,018,300	2,018,300
130	OTH - Other		
131	OTH - Remove One-Time FY 2025 Fleet Adjustments	0	(1,453,600)
132	OTH - Remove One-Time FY 2025 Health Insurance Adjustments	0	(41,551,600)
133	OTH - Unallocated FY 2025 Health Insurance Adjustments	18,448,400	(18,448,400)
134	OTH - Unallocated FY 2025 Fleet Adjustments	171,400	(171,400)
135	OTH - Unallocated FY 2025 Rent and COP Adjustments	13,000	(13,000)
136	OTH - Unallocated FY 2025 Retirement Adjustments	392,500	(392,500)
137	TOTAL - OPERATING SPENDING CHANGES	\$4,976,240,900	(\$528,337,500)
138	CAPITAL SPENDING CHANGES		
139	Building Renewal		
140	Arizona Department of Administration	19,000,000	19,000,000
141	Arizona Department of Corrections	8,557,000	(2,692,700)
142	Game & Fish Department	1,795,000	20,700
143	Arizona Lottery Commission	218,200	218,200
144	State Parks Board	3,022,000	(3,022,000)
145	Pioneers' Home	465,000	(465,000)
146	Arizona Department of Transportation	22,540,100	22,540,100
147	New Projects		
148	Parks - Statewide Campground Improvements	4,100,000	(4,100,000)
149	Parks - Statewide Solar Shade Structures	2,233,300	(2,233,300)
150	Parks - Statewide Water Conservation Projects	1,339,000	(1,339,000)
151	Parks - Yuma Territorial Prison State Historic Park	5,945,000	(5,945,000)
152	Parks - Red Rock Historic Building Renovations	4,000,000	(4,000,000)
153	Parks - San Rafeal Historic Building Renovation	1,500,000	(1,500,000)
154	Parks - Ex-Appropriate Unfunded/Cancelled FY 2025 Parks Projects	(19,117,300)	19,117,300
155	Parks - Cancelled Dead Horse Amphitheater (FY 2023 Ex-Appropriation)	(210,000)	210,000
156	Parks - Cancelled Construction Svcs Relocation (FY 2023 Ex-Appropriation)	(2,000,000)	2,000,000
157	Parks - Cancelled Water Conservation (FY 2023 Ex-Appropriation)	(1,339,000)	1,339,000
158	ADOT - Airport Planning	25,550,000	18,790,700
159	ADOT - Controlled Access	137,319,000	3,995,000
160	ADOT - Debt Service	128,482,000	(9,709,000)

	FY 2025 OF 1/ Adj. Appropriation	FY 26 Baseline 2/ Above FY 25	FY 2026 OF JLBC Baseline
161	ADOT - Statewide Highway Construction	196,687,000	198,683,000
162	ADOT - Vehicle Fueling Stations Shortfall (10 Stations) (SHF)	9,088,200	0
163	TOTAL - CAPITAL SPENDING CHANGES	\$549,174,500	\$552,549,000
164	TOTAL - OPERATING & CAPITAL SPENDING	\$5,525,415,400	\$5,000,452,400
165	FUND TRANSFERS		
166	APF/DOA - Automation Projects Fund - All For IT Projects		
167	APF/DOA - DOR Integrated Tax System	7,609,500	7,531,300
168	APF/DOA - One-Time ADOA Personnel System (HRIS) Replacement	2,421,200	0
169	Other Fund Transfers		
170	OTH - Water Quality Fee Fund from Air Quality Fund	7,200,000	0
171	TOTAL - FUND TRANSFERS	\$17,230,700	\$7,531,300
172	EXPENDITURE AUTHORITY CHANGES		
173	AXS - AHCCCS 3/	18,102,295,900	18,487,259,800
174	AXS - Formula Adjustments		25,230,200
175	AXS - Valleywise Adjustments		389,407,100
176	AXS - Remove One-Time Critical Access Supplemental Pool		(7,762,400)
177	AXS - Remove One-Time IT Mainframe Replacement Funding		(21,911,000)
178	DCS - Department of Child Safety	598,749,400	601,802,600
179	DCS - Formula Adjustments		3,053,200
180	DES - Department of Economic Security	3,401,058,000	4,137,168,400
181	DES - Formula Adjustments		382,441,700
182	DES - Administrative Pass-Through Adjustment		262,168,700
183	DES - Directed Payments		91,500,000
184	ADE - Arizona Department of Education	1,293,641,500	1,293,641,500
185	OTH - Other		
186	OTH - DES Formula Costs (Supplemental)	333,619,000	0
187	TOTAL - EXPENDITURE AUTHORITY CHANGES	\$23,729,363,800	\$24,519,872,300

1/ Represents original FY 2025 appropriations adjusted for revisions in Lottery Commission and the Universities.

2/ Represents FY 2025 Baseline spending above the FY 2025 Adjusted Appropriation.

SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline	FY 2028 Baseline
Operating				
ADOA - Accounting System Upgrade	557,000			
ADOA - School District Actuarial Study to Expand HITF	250,000			
ADOA - Critical Applications Catalogue	500,000			
ADOA - Capitol Mall Fiber Upgrades	325,000			
APF - ADOA Personnel System Replacement	6,841,200			
APF - DOR Integrated Tax System	19,456,800	19,256,800	18,456,800	12,468,000
APF - AHCCCS IT Mainframe Replacement	3,396,000			
Agriculture - Nuclear Emergency Management	308,600	347,100		
Attorney General - Veterans Substance Abuse Treatment Grants	5,000,000			
Attorney General - Opioid Remediation (DEMA)	3,000,000			
Attorney General - Opioid Remediation (DHS)	1,000,000			
Barbering/Cosmetology - IT Development (Laws 2024, Ch. 250)	200,000	200,000		
Behavioral Health Examiners - Increased Licensing Workload	36,300			
ADC - Food Contract Increase	12,648,300			
Deaf & Hard of Hearing Comm. - Website Security Upgrades	200,000			
Dental Examiners - Annual Leave Payout	9,300			
DES - Child Care Assistance	131,000,000			
DEMA - Nuclear Emergency Management Fund	2,176,000	2,320,900		
DEQ - Voluntary Vehicle Repair/Retrofit Program Fund	2,900,000			
DEQ - Solid Waste Program Shortfall	950,000			
DHS - Procurement, Leg Specialist, Budget Analyst FTEs	5,400			
DHS - Shift Biomedical Research from GF to Health Care Fund	2,000,000	2,000,000		
DHS - Shift Alzheimer's Research from GF to Health Care Fund	1,000,000			
Exposition and State Fair Board - Enhanced Operations	3,771,400			
Judiciary - Supreme Court - CASA Volunteer Ads/Salaries	171,100			
DJC - Operating Budget Shift to Land Trust Fund	800,000	800,000		
DJC - Operating Budget Shift to CJEF	100,000	100,000		
Nursing - One-Time APRN Investigator Costs	12,700			
Nursing - One-Time Senior Investigator Costs	21,100			
Occupational Therapy - One-Time Part-Time Investigator Costs	4,000			
Parks - Veterans Memorial State Park Feasibility Study	500,000			
Pharmacy - Annual Leave Payout	64,600			
DPS - Rifle Replacement	770,000			
DOR - IT Infrastructure for Cybersecurity and IRS Issues	1,200,000			
SOS - Electronic Records Repository Program	450,000			
ADOT - One-Time Vehicle Purchases	4,120,000			
ADOT - MVD Security Modernization	724,900			
ADOT - Passenger Rail Service Costs	200,000			
ADOT - ADOT Fleet Fuel Inflation Adjustment	3,297,900			
ADOT - State Fleet Operating Adjustments	6,273,900			
ADOT - State Fleet Operations Costs	5,200			
ADOT - Construction Management System Replacement	1,885,000			
ADOT - South Mountain Highway Maintenance	509,300			
ADOT - I-17 Flex Lane Highway Maintenance	517,500			
State Treasurer - Peace Officer Training Equip Fund Allocation	2,953,200			
Subtotal - Operating Funding	222,111,700	25,024,800	18,456,800	12,468,000
Capital Outlay				
ADOA - Building Renewal	19,000,000	19,000,000		
ADC - Building Renewal	8,557,000	5,864,300		
Game and Fish - Building Renewal	1,795,000	1,815,700		
Lottery - Building Renewal	218,200	218,200		
Parks - Building Renewal	3,022,000			
Pioneers' Home - Building Renewal	465,000			
ADOT - Building Renewal	22,540,100	22,540,100		
Parks - Statewide Campground Improvements	4,100,000			
Parks - Statewide Solar Shade Structures	2,233,300			
Parks - Statewide Water Conservation Projects	1,339,000			
Parks - Yuma Territorial Prison Historic Renovations	5,945,000			
Parks - Red Rock Historic Building Renovations	4,000,000			
Parks - San Rafael Historic Building Renovations	1,500,000			
Parks - Unfunded/Cancelled FY 2025 Projects	(19,117,300)			
Parks - Unfunded/Cancelled FY 2023 Projects	(3,549,000)			
ADOT - Airport Planning	25,550,000	44,340,700		

SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2025 Baseline	FY 2026 Baseline	FY 2027 Baseline	FY 2028 Baseline
ADOT - Controlled Access	137,319,000	141,314,000		
ADOT - Debt Service	128,482,000	118,773,000		
ADOT - Statewide Highway Construction	196,687,000	198,683,000		
ADOT - Vehicle Fueling Stations Shortfall	9,088,200			
Subtotal - Capital Outlay	549,174,500	552,549,000	-	-
Total - One-Time Spending	771,286,200	577,573,800	18,456,800	12,468,000

FY 2025 ADJUSTMENTS

JLBC Baseline
 Change to
 Original FY 25
 Budget

SUPPLEMENTAL APPROPRIATIONS

General Fund

Department of Economic Security - Formula Costs	\$76,100,000
Department of Education - Formula Costs	103,190,600
Department of Education - Qasimyar State Aid Adjustments	61,000,000
Treasurer - Justice of the Peace Salary Adjustment	138,600
Total - General Fund	\$240,429,200

Expenditure Authority

Department of Economic Security - Formula Costs	\$333,619,000
Total - Expenditure Authority	\$333,619,000

EX-APPROPRIATIONS

General Fund

AHCCCS - Formula Costs	(\$76,351,600)
AHCCCS - Federal Match Savings	(170,000,000)
Department of Child Safety - Federal Match Savings	(9,000,000)
Department of Economic Security - Federal Match Savings	(80,000,000)
Total - General Fund	(\$335,351,600)

Other Funds

Parks - Unfunded/Cancelled FY 2023 and FY 2025 Capital Projects	(\$22,666,300)
Total - Other Funds	(\$22,666,300)

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/

For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
BUDGET UNITS			
Arizona Department of Administration (ADA)			
Certificate of Participation (5005)	\$14,809,700	\$14,660,200	\$14,660,200
Construction Insurance (4219)	9,871,700	10,038,000	10,038,000
Co-Op State Purchasing Agreement (4213)	7,335,500	7,856,600	7,856,600
Coronavirus State and Local Fiscal Recovery (2985)	18,228,400	65,508,700	34,500,000
Emergency Telecommunication Services Revolving (2176)	19,775,900	21,266,100	21,266,100
Employee Related Expenditures/Benefits Admin (ITA3035)	40,455,000	41,644,400	41,644,400
Federal Grants (2000)	618,000	2,050,500	726,000
Fire Incident Management Fund (9998)	0	0	0
Governor's Emergency Education Relief (2980)	0	0	0
IGA and ISA (2500)	58,039,400	20,350,100	20,350,100
Payroll Administration (9200)	(61,000)	67,100	67,100
Retiree Accumulated Sick Leave (3200)	16,052,300	15,785,500	15,785,500
School Safety Interoperability (3076)	0	0	0
Special Employee Health Insurance Trust (3015)	1,011,237,900	1,086,787,600	1,190,028,900
Special Events (2503)	4,000	0	0
Special Services Revolving (4208)	1,255,300	1,320,100	1,320,100
State Employee Travel Reduction (2261)	440,500	472,600	472,600
Statewide Donations (2025)	2,200	2,500	2,500
Traffic and Parking Control (2453)	0	0	0
Transparency Website (2955)	26,000	26,000	26,000
VW Diesel Emissions Environment Migration Trust (3917)	0	0	0
Total - Arizona Department of Administration	<u>\$1,198,090,800</u>	<u>\$1,287,836,000</u>	<u>\$1,358,744,100</u>
Department of Administration - School Facilities Division (SFA)			
Arizona Public School Credit Enhancement (9999)	\$0	\$0	\$0
Building Renewal Grant (2392)	0	0	0
Emergency Deficiencies Correction (2484)	350,300	1,301,600	1,301,600
Federal (2000)	26,500	977,800	2,090,100
Lease-to-Own Debt Service (2373)	0	0	0
New School Facilities (2460)	0	0	0
School Improvement Revenue Bond Debt Service (5020)	0	0	0
State School Trust Revenue Bond Service (5030)	0	0	0
Total - Department of Administration - School Facilities Division	<u>\$376,800</u>	<u>\$2,279,400</u>	<u>\$3,391,700</u>
Office of Administrative Hearings (HGA)			
IGA and ISA (2500)	\$1,017,100	\$1,145,000	\$1,145,000
Total - Office of Administrative Hearings	<u>\$1,017,100</u>	<u>\$1,145,000</u>	<u>\$1,145,000</u>
Arizona Department of Agriculture (AHA)			
Administrative Support (2436)	\$41,600	\$49,000	\$49,000
Agricultural Consulting and Training Trust (1239)	0	4,400	4,400
Agricultural Products Marketing (2368)	544,400	523,100	523,100
Aquaculture Trust (2297)	3,900	15,000	15,000
Beef Council (2083)	410,300	350,000	350,000
Citrus Trust (2299)	36,700	80,000	80,000
Citrus, Fruit and Vegetable Trust (2260)	254,100	343,100	343,100
Commercial Feed Trust (2012)	294,500	964,500	964,500
Commodity Promotion (2458)	5,000	5,000	5,000
Cotton Research and Protection Council (2013)	3,191,900	5,059,100	5,059,100
Dangerous Plants, Pests and Diseases Trust (2054)	56,700	114,200	114,200
Designated (3011)	1,020,000	1,753,300	1,753,300
Egg Inspection Trust (2022)	1,831,900	2,160,300	2,160,300
Equine Inspection (2489)	0	0	0
Federal-State Inspection (2113)	9,241,100	14,577,600	14,577,600
Federal (2000)	5,968,100	8,024,100	8,024,100
Fertilizer Materials Trust (2081)	370,400	780,100	780,100
Grain Trust (2201)	112,100	96,000	96,000
Iceberg Lettuce Trust (2259)	69,000	75,000	75,000
Indirect Cost Recovery (9000)	264,200	106,000	106,000
Industrial Hemp Trust (2372)	272,500	231,700	231,700
Livestock and Crop Conservation (2378)	2,400	112,100	112,100
Livestock Custody Trust (2065)	5,400	40,000	40,000
Livestock Operator Fire and Flood Assistance (2374)	0	0	0

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
Pest Management Trust (2050)	1,289,200	1,500,000	1,500,000
Pesticide Trust (2051)	394,900	1,034,100	1,034,100
Produce Safety Trust (2371)	0	0	0
Protected Native Plant Trust (2298)	17,500	28,000	28,000
Seed Law Trust (2064)	79,500	127,500	127,500
Total - Arizona Department of Agriculture	<u>\$25,777,300</u>	<u>\$38,153,200</u>	<u>\$38,153,200</u>
AHCCCS (HCA)			
AHCCCS Fund (2120)	\$11,809,438,100	\$13,434,104,500	\$13,779,150,300
Arizona Tobacco Litigation Settlement (2468)	\$88,272,600	\$102,000,000	\$102,000,000
Children's Behavioral Health Services (2735)	4,037,500	0	0
Coronavirus State and Local Fiscal Recovery Fund (2985)	673,600	0	0
Delivery System Reform Incentive Payment (2130)	3,656,900	17,922,700	24,321,800
Employee Recognition (2449)	800	800	800
Federal (2000)	150,307,800	186,030,400	186,030,400
Health Care Investment (2588)	529,190,200	911,052,600	913,772,900
Hospital Assessment (2576)	546,269,700	694,319,800	622,867,900
IGA and ISA Fund (2500)	0	0	0
IGA for County Behavioral Health Services (4503)	78,619,900	86,096,100	86,096,100
Intergovernmental Service (2442)	28,592,600	40,187,300	40,187,300
Long Term Care System Fund (2223)	1,707,996,000	1,959,660,600	1,869,102,100
Nursing Facility Provider Assessment (2567)	100,283,000	94,906,800	93,066,100
Polltical Subdivision (1111)	227,965,900	242,411,000	441,383,700
Prescription Drug Rebate - Federal (2546)	609,060,300	609,060,300	609,060,300
Proposition 202 - Trauma and Emergency Services (2494)	39,034,100	39,034,100	39,034,100
Seriously Mentally Ill Housing Trust (2555)	0	0	0
Substance Use Disorder Services (2325)	1,445,400	0	0
Third Party Liability and Recovery (3791/3019)	194,700	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account (1303)	33,944,500	36,662,900	32,340,000
Total - AHCCCS	<u>\$15,958,983,600</u>	<u>\$18,453,644,600</u>	<u>\$18,838,608,500</u>
Arizona Commission on the Arts (HUA)			
Arizona Arts Trust (3043)	\$1,368,500	\$1,279,900	\$1,098,300
Arts Special Revenues (2116)	343,400	385,600	230,600
Federal Grants (2000)	1,136,800	1,154,300	0
State Poet Laureate (2569)	0	0	0
Total - Arizona Commission on the Arts	<u>\$2,848,700</u>	<u>\$2,819,800</u>	<u>\$1,328,900</u>
Attorney General - Department of Law (AGA)			
Anti-Racketeering Revolving - Cases (2132)	\$506,500	\$131,400	\$131,400
Anti-Racketeering Revolving - Operations (2130)	\$2,669,100	\$12,812,400	\$12,812,400
Anti-Racketeering Revolving - Pass Through (2131)	\$5,582,300	\$4,019,200	\$4,019,200
Child and Family Advocacy Center (2540)	60,300	100,000	100,000
CJEF Distribution to County Attorneys (2362)	2,908,500	3,295,700	3,295,700
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving (2574)	538,400	4,000,000	4,000,000
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving (2573)	874,900	5,023,800	5,023,800
Coronavirus State and Local Fiscal Recovery Fund (2985)	3,650,200	12,422,800	0
Court-Ordered Trust (3181)	863,900	0	0
Criminal Case Processing (7361)	51,000	119,600	119,600
Federal Grants (2000)	5,528,300	9,712,700	9,712,700
Indirect Cost Recovery (9001)	10,549,200	14,478,300	14,478,300
Intergovernmental Agreements (2500)	27,871,000	28,379,600	28,379,600
Motor Carrier Safety Revolving (2380)	0	0	0
Non-Federal Grant (3010)	5,500	6,200	6,200
Prosecuting Attorneys' Advisory Council Training (2361)	1,219,200	1,116,500	1,116,500
Smart and Safe Arizona Fund (1120)	0	0	0
Total - Attorney General - Department of Law	<u>\$62,878,300</u>	<u>\$95,618,200</u>	<u>\$83,195,400</u>
State Board for Charter Schools (CHA)			
Charter Arizona Online Instruction Processing (2319)	\$12,000	\$0	\$0
New Charter Application Processing (2568)	31,500	0	0
Total - State Board for Charter Schools	<u>\$43,500</u>	<u>\$0</u>	<u>\$0</u>
Department of Child Safety (CHA)			

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
Child Restraint (2192)	\$0	\$91,000	\$91,000
Child Safety Donations (2025)	0	0	0
Child Safety Expenditure Authority (2009)	335,945,200	438,921,400	438,921,400
Client Trust (3152)	0	0	0
Comprehensive Health Plan (2121)	134,042,700	159,828,000	162,881,200
Extended Foster Care Comprehensive Services Model (2728)	0	0	0
Total - Department of Child Safety	<u>\$469,987,900</u>	<u>\$598,840,400</u>	<u>\$601,893,600</u>
Citizens Clean Elections Commission (ECA)			
Citizens Clean Elections (2425)	\$5,578,300	\$13,066,500	\$13,066,500
Arizona Commerce Authority (CAA)			
ADOA Business One-Stop Fund (1027)	\$500	\$246,900	\$246,900
Application Fees (3005)	\$1,813,100	\$1,937,900	\$1,937,900
Arizona Commerce Authority Carryover (1001)	228,800	764,800	764,800
Arizona Commerce Authority (2547)	0	0	0
Arizona Competes (2548)	0	0	0
Arizona Innovation Accelerator (9507)	2,882,800	5,753,000	5,753,000
Asian Trade Offices (1024)	0	0	0
Asia-Pacific Trade Offices (1242)	0	0	0
Blockchain/Wearables (1016)	0	0	0
Canada Trade Office Fund (1241)	0	0	0
Coronavirus State and Local Fiscal Recovery (2985)	4,410,300	66,166,500	66,166,500
Donations (3189)	47,900	47,500	47,500
Economic Development (1026)	5,622,900	4,512,100	4,512,100
Economic Development Marketing and Attraction (1003)	0	0	0
Economic Transition Resources (1003)	0	0	0
Federal (2000)	17,406,300	115,238,400	115,238,400
FY 20224 Budget Specific Allocation Fund (1002)	0	0	0
Frankfurt Germany (1023)	0	0	0
Institute for Automated Mobility (4080)	116,600	18,000	18,000
Israel Trade Office (1021)	0	0	0
Major Events (9999)	0	0	0
Mexico Trade Office (1020)	0	0	0
Non-Federal Grant (3010)	0	0	0
RevAZ (9971)	1,029,500	2,200,000	2,200,000
Rural Broadband Accelerated Match Fund (1032)	0	0	0
Rural Broadband Grants (1006)	0	0	0
State Exploration and Aeronautics Research Fund	0	0	0
State Workforce Programs (1025)	0	0	0
Trade Office Fund (1220)	0	0	0
Water Infrastructure and Commerce Grant (1090)	0	0	0
Wearable Technology Research Fund	0	0	0
Total - Arizona Commerce Authority	<u>\$33,558,700</u>	<u>\$196,885,100</u>	<u>\$196,885,100</u>
Arizona Community Colleges (CMA)			
Smart and Safe Arizona (varies by account)	\$52,654,000	\$54,854,500	\$54,854,500
Tribal Assistance (NA)	1,302,800	1,378,700	1,378,700
Workforce Development Accounts (varies by account)	34,017,600	35,347,400	35,347,400
Total - Arizona Community Colleges	<u>\$87,974,400</u>	<u>\$91,580,600</u>	<u>\$91,580,600</u>
Constable Ethics Standards and Training Board (CNA)			
Constable Ethics Standards and Training (2346)	\$472,400	\$716,200	\$716,200
Registrar of Contractors (RGA)			
Registrar of Contractors Cash Bond (3721)	\$0	\$0	\$0
Residential Contractors' Recovery (3155)	6,713,000	9,592,500	6,892,500
Total - Registrar of Contractors	<u>\$6,713,000</u>	<u>\$9,592,500</u>	<u>\$6,892,500</u>
Corporation Commission (CCA)			
Federal (2000)	\$1,211,500	\$3,315,800	\$3,315,800
IGA and ISA (2500)	185,900	0	0
Public Access - Money on Deposit Account (2334)	0	0	0
Utility Siting (2076)	34,000	0	0
Total - Corporation Commission	<u>\$1,431,400</u>	<u>\$3,315,800</u>	<u>\$3,315,800</u>
State Department of Corrections (DCA)			
Arizona Correctional Industries Revolving (4002)	\$44,911,700	\$46,781,900	\$46,781,900
Community Corrections Enhancement (2395)	546,600	495,200	495,200

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
Federal (2000)	14,021,300	8,754,800	6,049,400
Indirect Cost Recovery (9000)	3,164,800	19,500	19,500
Inmate Store Proceeds (2505)	6,694,200	5,087,300	5,087,300
Interagency Service Agreement (2500)	3,480,900	1,598,100	616,800
Special Services (3187)	8,275,300	8,354,300	8,354,300
State DOC Opioid Remediation Fund (2573)	51,760,100	63,240,000	63,240,000
State DOC Revolving (2515)	8,001,700	5,788,100	5,788,100
Statewide Employee Recognition Gifts/Donations (2449)	152,500	156,500	156,500
Total - State Department of Corrections	\$141,009,100	\$140,275,700	\$136,589,000
Arizona Criminal Justice Commission (JCA)			
Coronavirus State and Local Fiscal Recovery (2985)	\$4,505,400	\$6,769,200	\$6,769,200
Criminal Justice Enhancement (2134)	608,500	540,000	540,000
Drug and Gang Enforcement (2516)	2,837,200	3,798,700	3,798,700
Employee Recognition (2449)	0	0	0
Federal Grants (2000)	10,443,700	12,671,700	12,671,700
IGA and ISA (2500)	0	0	0
Law Enforcement Crime Victim Notification (3710)	0	0	0
State Aid for Juvenile Dependency Proceedings (2040)	0	0	0
Total - Arizona Criminal Justice Commission	\$18,394,800	\$23,779,600	\$23,779,600
Arizona State Schools for the Deaf and the Blind (SDA)			
ASDB Classroom Site (2486)	\$5,796,900	\$4,931,100	\$4,931,100
Enterprise (4222)	248,800	194,400	194,400
Federal Grants (2000)	5,444,700	4,097,100	4,097,100
Instructional Improvement (2492)	0	0	0
State Grants (2011)	300,100	344,300	344,300
Trust (3148)	140,000	176,700	176,700
Total - Arizona State Schools for the Deaf and the Blind	\$11,930,500	\$9,743,600	\$9,743,600
Commission for the Deaf and the Hard of Hearing (DFA)			
Private Grants (2025)	\$0	\$0	\$0
Arizona Early Childhood Development and Health Board (CDA)			
Early Childhood Development and Health (2542)	\$129,730,200	\$137,871,000	\$137,871,000
Federal Grants (2000)	97,751,300	16,091,200	0
Total - Arizona Early Childhood Development and Health Board	\$227,481,500	\$153,962,200	\$137,871,000
Office of Economic Opportunity (EOA)			
Arizona Finance Authority Operations (FAA5352)	\$242,800	\$1,500,000	\$1,500,000
Arizona Industrial Development Authority (FAA9973)	0	0	0
Economic Development (3777)	787,700	6,211,400	6,211,400
Federal Grants (2000)	6,155,300	7,413,900	7,413,900
Greater Arizona Development Authority Revolving (2311)	84,800	500,000	500,000
IGA and ISA (2500)	75,100	40,000	40,000
Microbusiness Loan Fund (2073)	0	0	0
Office of Economic Opportunity Operations (9903)	3,543,800	2,000,000	2,000,000
Total - Office of Economic Opportunity	\$10,889,500	\$17,665,300	\$17,665,300
Department of Economic Security (DEA)			
Child Support Enforcement Administration (2091)	\$59,627,800	\$44,401,200	\$44,401,200
Client Trust (3152)	0	0	0
Coronavirus State and Local Fiscal Recovery (2985)	52,431,000	62,974,900	3,142,900
Developmentally Disabled Client Investment (3146)	0	0	0
Developmentally Disabled Client Services Trust (2019)	0	0	0
Donations (3145)	0	0	0
Economic Security Capital Investment (2093)	0	0	0
Employee Recognition (2449)	0	0	0
Family Caregiver Grant Program (2347)	54,300	0	0
Federal Grants (2000)	3,085,928,400	3,227,538,700	3,237,648,700
Health Care Investment (2588)	0	43,247,300	36,148,000
IGA and ISA (2500)	0	0	0
Long Term Care System - Federal Match (2225)	2,307,854,800	3,313,409,500	4,056,619,200
Neighbors Helping Neighbors (2348)	37,000	37,000	37,000
Revenue from State or Local Agency Fund (3193)	5,038,200	3,288,300	3,288,300
Special Olympics Tax Refund (3207)	93,500	95,500	95,500
Unemployment Insurance Benefits (7510)	315,222,300	324,499,000	345,436,000
Total - Department of Economic Security	\$5,826,287,300	\$7,019,491,400	\$7,726,816,800

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/

For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
State Board of Education (EBA)			
Donations (2025)	\$0	\$0	\$0
Department of Education (EDA)			
Adult Workforce Diploma Program (1125)	\$0	\$0	\$0
American Civics Education (2612)	0	0	0
Arizona Agricultural Youth Organization Special Plate (2651)	162,400	162,400	162,400
Arizona Civics Education and Leadership Development Fund (2613)	0	0	0
Arizona English Language Learner (2535)	0	0	0
Arizona Industry Credentials Incentive (2685)	0	0	0
Arizona Youth Farm Loan (2136)	0	0	0
Assistance for Education (2420)	42,700	42,500	42,500
Broadband Expansion (2145)	0	0	0
Character Education Special Plate (2522)	18,700	19,000	19,000
Classroom Site (2471)	1,010,776,400	1,053,335,300	1,053,335,300
College Credit by Examination Development (2641)	0	0	0
Community College Adult Education Workforce Development Program (1124)	0	0	0
Computer Science Professional Development Program (2635)	0	0	0
Department of Education Empowerment Scholarship Account (2570)	0	0	0
Department of Education Production Revolving (4211)	1,100,400	1,106,900	1,106,900
Dual Enrollment Student Development Fund (2605)	0	0	0
Dual Enrollment Teacher Development Fund (2607)	0	0	0
Early Education and Career Exploration Program Fund (2690)	0	0	0
Education Commodity (4210)	567,700	600,100	600,100
Education Donations (2025)	34,200	34,600	34,600
Education Sales Tax - Basic State Aid (1115)	150,380,500	150,380,500	150,380,500
Education Sales Tax - Character Education (1117)	200,000	200,000	200,000
Education Sales Tax - Failing School Tutoring (2470)	1,500,000	1,500,000	1,500,000
Education Sales Tax - School Safety (1116)	7,800,000	7,800,000	7,800,000
Extraordinary Special Education Needs (2483)	0	0	0
Federal (2000)	2,405,961,200	2,194,686,800	2,194,686,800
Golden Rule Special Plate (2366)	236,200	245,000	245,000
Governor's Emergency Education Relief (2980)	422,100	4,100	4,100
IGA and ISA (2500)	5,780,600	661,400	661,400
Indirect Cost Recovery (9000)	7,929,800	8,157,300	8,157,300
Industry-Recognized Certification and Licensure Reimbursement (2780)	0	0	0
Instructional Improvement (2492)	99,754,800	80,425,700	80,425,700
Internal Services (4209)	11,517,600	7,334,200	7,334,200
Invest in Postsecondary Success Program (2196)	0	0	0
Special Education (1009)	0	0	0
Total - Department of Education	<u>\$3,704,185,300</u>	<u>\$3,506,695,800</u>	<u>\$3,506,695,800</u>
Department of Emergency and Military Affairs (MAA)			
Anti-Human Trafficking Grant (2606)	\$242,400	\$0	\$0
Border Security (2655)	40,549,300	55,806,700	55,806,700
Camp Navajo (2106)	12,858,500	14,513,700	14,513,700
Coronavirus Relief (2975)	0	0	0
Crisis Contingency and Safety Net (3240)	0	0	0
DEMA Opioid Remediation Fund (2573)	0	0	0
Emergency Management Assistance Compact Revolving (2602)	0	0	0
Federal - Emergency (2000)	9,211,900	58,923,600	58,923,600
Federal - Military (2000)	54,070,900	53,805,300	53,805,300
Hazard Mitigation Revolving Fund (9999)	0	0	0
Indirect Cost Recovery (9000)	861,000	1,083,200	1,083,200
Interagency Service Agreement (2500)	1,463,700	945,300	945,300
Military Installation (1010)	155,000	1,591,200	1,591,200
Morale, Welfare and Recreational (2124)	79,500	360,000	360,000
National Guard Cyber Response Revolving (2619)	7,300	900	900
National Guard (2140)	70,800	400,000	400,000
State Armory Property (2146)	28,500	22,000	22,000
Total - Department of Emergency and Military Affairs	<u>\$119,598,800</u>	<u>\$187,451,900</u>	<u>\$187,451,900</u>
Department of Environmental Quality (EVA)			

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
Coronavirus State and Local Fiscal Recovery (2985)	\$1,217,500	\$33,800	\$33,800
Employee Recognition (2449)	900	1,400	1,400
Federal (2000)	24,412,100	31,585,300	31,585,300
IGA and ISA (2500)	8,088,400	8,953,700	8,953,700
Institutional and Engineering Control (2563)	400	2,200	2,200
Monitoring Assistance (2308)	648,400	998,000	998,000
Specific Site Judgment (3006)	0	0	0
Underground Storage Tank Revolving Summary (2271)	40,595,000	36,104,700	36,104,700
Voluntary Remediation (2564)	292,800	226,700	226,700
Voluntary Vehicle Repair and Retrofit Program (2365)	1,286,100	1,588,200	1,588,200
Water Quality Assurance Revolving (2221)	14,640,800	25,080,400	25,080,400
Total - Department of Environmental Quality	<u>\$91,182,400</u>	<u>\$104,574,400</u>	<u>\$104,574,400</u>
Board of Executive Clemency (PPA)			
IGA and ISA (2500)	\$21,600	\$28,000	\$28,000
Arizona Department of Forestry and Fire Management (FFM)			
Arson Detection Reward (2169)	\$0	\$12,000	\$12,000
Cooperative Forestry (2232)	15,392,100	16,320,500	16,320,500
Fire Suppression Revolving (2360)	51,187,800	53,765,200	53,765,200
IGA and ISA (2500)	2,956,000	1,392,500	1,392,500
Indirect Cost Recovery (9000)	260,400	459,700	459,700
Nonnative Vegetation Species Eradication (2456)	0	0	0
Trampoline Court Safety (2578)	0	0	0
Total - Arizona Department of Forestry and Fire Management	<u>\$69,796,300</u>	<u>\$71,949,900</u>	<u>\$71,949,900</u>
Arizona Game and Fish Department (GFA)			
Arizona Game and Fish Department Fleet Operations (9902)	\$2,419,800	\$2,459,400	\$2,459,400
Arizona Game and Fish Department Fleet Vehicle Replacement (9901)	3,933,000	2,145,000	2,145,000
Conservation Development (2062)	1,859,700	1,009,700	1,009,700
Federal (2000)	0	0	0
Federal Revolving (2028)	58,834,600	62,302,700	62,302,700
Firearms Safety and Ranges (2442)	98,200	103,100	103,100
Game and Fish Federal Duck Stamps (3711)	0	0	0
Game and Fish In-Lieu Fee Program Restoration			
Endowment Trust (3167)	171,400	205,700	205,700
Game and Fish Publications Revolving (4007)	247,800	307,800	307,800
Game and Fish Trust (3111)	4,336,100	4,860,500	4,860,500
Heritage - Acquisition (2294)	737,100	3,846,900	3,846,900
Heritage - Administration (2292)	39,200	85,600	85,600
Heritage - Environmental Education (2290)	450,900	500,500	500,500
Heritage - Habitat Evaluation or Habitat Protection (2291)	1,350,300	2,006,300	2,006,300
Heritage - Identification, Inventory, Protection and Mgmt (2295)	4,054,500	4,047,300	4,047,300
Heritage - Public Access (2293)	359,900	497,800	497,800
Heritage - Urban Wildlife and Urban Life Habitat (2296)	1,373,300	1,977,900	1,977,900
IGA and ISA (2500)	0	0	0
Indirect Cost Recovery (9000)	9,077,800	10,556,900	10,556,900
Kaibab Co-op (3714)	0	0	0
Off Highway Vehicle Recreation (2253)	2,025,900	2,832,800	2,832,800
Wildlife Conservation Enterprise (2029)	0	0	0
Wildlife Conservation (2497)	7,925,600	11,173,100	11,173,100
Wildlife Theft Prevention (2080)	110,500	107,500	107,500
Total - Arizona Game and Fish Department	<u>\$99,405,600</u>	<u>\$111,026,500</u>	<u>\$111,026,500</u>
Department of Gaming (GMA)			
2021 Compact Trust (2021)	\$0	\$0	\$0
Arizona Breeders' Award (2206)	1,731,100	1,400,000	1,400,000
Coronavirus State and Local Fiscal Recovery Fund (2985)	0	0	0
Event Wagering (2330)	2,074,600	2,290,000	2,290,000
IGA and ISA (2500)	0	0	0
Racing Commission Bond Deposit (3720)	0	0	0
Racing Investigation (2369)	0	0	0
Retired Racehorse Adoption (2015)	27,100	25,000	25,000
Total - Department of Gaming	<u>\$3,832,800</u>	<u>\$3,715,000</u>	<u>\$3,715,000</u>
Office of the Governor (GVA)			
Arizona Commission of African-American Affairs (2397)	\$3,400	\$0	\$0

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
Coronavirus Relief (2975)	\$0	\$0	\$0
Coronavirus State and Local Fiscal Recovery (2985)	420,833,000	842,880,800	527,789,200
County Fairs Livestock and Agriculture Promotion (2037)	0	0	0
Drug Treatment and Education (2277)	5,425,600	6,366,100	6,366,100
Federal Grants (2000)	63,348,100	61,805,800	61,805,800
Foster Youth Education Success (1400)	0	0	0
Governor's Emergency Education Relief (2980)	25,049,700	0	0
Governor's Endowment Partnership (3206)	115,800	355,800	280,000
IGA and ISA (2500)	1,513,400	1,824,400	1,824,400
Indirect Cost Recovery (9000)	(40,000)	3,030,800	3,030,800
Prevention of Child Abuse (2439)	158,100	225,000	225,000
Total - Office of the Governor	<u>\$516,407,100</u>	<u>\$916,488,700</u>	<u>\$601,321,300</u>
Department of Health Services (HSA)			
Alzheimer's Disease Research (2255)	\$0	\$34,500	\$34,500
Arizona Nurse Education Investment Pilot Program (4200)	0	0	0
Arizona State Hospital Charitable Trust (9985)	93,300	266,000	266,000
Breast and Cervical Cancer Screening and Diagnostic Special Plate (2513)	314,200	550,500	550,500
Childhood Cancer and Rare Childhood Disease Research (2560)	82,800	32,200	32,200
Collaborative Care Uptake Fund (4270)	0	0	0
Congenital Heart Defect Special Plate (2258)	32,000	34,300	34,300
Coronavirus State and Local Fiscal Recovery (2985)	7,271,100	21,121,000	21,121,000
DHS Opioid Remediation Fund (9999)	0	0	0
Disease Control Research (2090)	1,730,800	3,054,700	3,054,700
Donations - DHS (3010)	9,800	330,800	330,800
Donations - Statewide (2025)	6,900	5,400	5,400
Drug Disposal Education and Awareness (2230)	0	0	0
Federal Child Care and Development Fund Block Grant (2008)	5,055,700	0	0
Federal (2000)	492,191,500	459,154,400	459,154,400
Health Services Lottery Monies (4250)	6,304,100	9,725,900	9,725,900
IGA and ISA (4500)	13,010,000	8,461,800	8,461,800
Internal Services (4202)	(12,600)	0	0
Justice Reinvestment (1121)	5,546,200	15,840,100	15,840,100
Laser Safety (2388)	76,300	30,000	30,000
Medical Marijuana (2544)	16,135,400	14,040,900	14,040,900
Oral Health (3038)	138,200	476,700	476,700
Public Health Emergencies (2775)	(7,600)	0	0
Smart and Safe Arizona (1120)	13,059,400	13,838,900	13,838,900
Smoke-Free Arizona (2541)	3,117,000	2,604,800	2,604,800
Tobacco Tax and Health Care - Health Education Account (1308)	11,146,500	18,600,100	18,600,100
Tobacco Tax and Health Care - Health Research Account (2096)	4,003,200	9,487,700	9,487,700
Total - Department of Health Services	<u>\$579,304,200</u>	<u>\$577,690,700</u>	<u>\$577,690,700</u>
Arizona Historical Society (HIA)			
Federal Grants (2000)	0	30,000	30,000
Permanent Arizona Historical Society Revolving (2900)	573,100	1,527,100	1,527,100
Preservation and Restoration (2125)	22,800	0	0
Private (9447)	136,800	0	0
Trust (9450)	0	0	0
Total - Arizona Historical Society	<u>\$732,700</u>	<u>\$1,557,100</u>	<u>\$1,557,100</u>
Prescott Historical Society of Arizona (PHA)			
Sharlot Hall Historical Society (9505)	\$1,017,100	\$1,317,200	\$1,317,200
Department of Homeland Security (HLA)			
Antihuman Trafficking Grant Fund (9999)	0	0	0
Arizona Nonprofit Security Grant Program Fund (8888)	0	0	0
Federal (2000)	32,840,500	32,855,600	32,855,600
Total - Department of Homeland Security	<u>32,840,500</u>	<u>32,855,600</u>	<u>32,855,600</u>
Arizona Department of Housing (HDA)			
CDBG-CV CARES Act (2976)	\$3,299,900	\$1,963,200	\$1,963,200
Consumer Recovery (3090)	47,500	49,900	49,900
Coronavirus State and Local Fiscal Recovery (2985)	16,392,700	37,906,300	37,906,300

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
DPS-FBI Fingerprint (2159)	6,500	6,800	6,800
Federal (2000)	105,061,600	105,495,900	105,495,900
Federal Grants - American Recovery and Reinvestment Act (2999)	0	0	0
Home ARPA (8610)	5,260,900	5,262,100	5,262,100
Home Investment Partnership Act (1410)	14,640,600	14,839,400	14,839,400
Homeless Shelter and Services Fund (3888)	0	0	0
Homeowner's Assistance (2986)	59,937,800	530,100	530,100
Housing Choice Voucher Emergency Housing (3202)	300,100	304,900	304,900
Housing Program (2200)	7,166,900	12,640,600	12,640,600
Housing Stability Counseling (9919)	322,300	13,600	13,600
Housing Trust (2235)	0	0	0
IGA and ISA (2500)	6,023,100	6,023,100	6,023,100
Manufactured Housing Cash Bond (3722)	0	0	0
Military Transitional Housing (3808)	0	0	0
Mobile Home Relocation (2237)	0	0	0
Total - Arizona Department of Housing	<u>\$218,459,900</u>	<u>\$185,035,900</u>	<u>\$185,035,900</u>
Industrial Commission of Arizona (ICA)			
Coronavirus State and Local Fiscal Recovery Fund (2985)	\$17,232,500	\$2,767,500	\$2,767,500
Federal Grants (2000)	\$3,664,900	\$3,674,800	\$3,674,800
Municipal Firefighters Cancer Reimbursement (2182)	5,459,000	7,500,000	7,500,000
Proposition 206 Fair Wages and Healthy Families (2185)	20,000	48,500	48,500
Revolving (2002)	218,800	190,200	190,200
Special (2180)	16,169,600	16,407,300	16,407,300
Total - Industrial Commission of Arizona	<u>\$42,764,800</u>	<u>\$30,588,300</u>	<u>\$30,588,300</u>
Department of Insurance and Financial Institutions (IDA)			
Arizona Property and Casualty Insurance Guaranty (2114)	\$5,132,200	\$5,132,200	\$5,132,200
Assessment Fund for Voluntary Plans (2316)	0	0	0
Captive Insurance Regulatory/Supervision (2377)	840,900	1,009,800	1,009,800
Federal (2000)	29,300	0	0
Financial Surveillance (2473)	608,900	708,900	708,900
Fraud Unit Assessment Fund (9999)	0	0	1,878,100
Health Care Appeals (2467)	262,900	249,000	249,000
IGA and ISA (2500)	0	0	0
Insurance Department Fingerprinting (2163)	0	0	0
Insurance Examiners' Revolving (2034)	2,704,000	2,970,900	2,970,900
Insurance Premium Tax Clearing (3727)	0	0	0
Life and Disability Insurance Guaranty (2154)	5,566,900	5,566,900	5,566,900
Mortgage Recovery (BDA1997)	9,100	12,600	12,600
Receivership Liquidation (3104)	129,900	128,200	128,200
Receivership Revolving (BDA3023)	7,000	0	0
Revolving (BDA2126)	263,700	320,200	320,200
Settlement (ATA1991)	0	0	0
Total - Department of Insurance and Financial Institutions	<u>\$15,554,800</u>	<u>\$16,098,700</u>	<u>\$17,976,800</u>
Judiciary - Supreme Court (SPA)			
Alternative Dispute Resolution (3245)	\$276,500	\$739,000	\$739,000
Arizona Trial and Digital Evidence (2382)	987,500	2,170,300	2,170,300
Certified Reporters (2440)	74,800	122,500	122,500
Drug Treatment and Education (2277)	1,060,600	1,026,500	1,026,500
General Adjudication Personnel and Support (1098)	0	0	0
Grants and Special Revenue (2084)	23,468,900	27,394,200	27,394,200
Juvenile Probation Services (2193)	0	0	0
Public Defender Training (3013)	348,800	359,300	359,300
Smart and Safe Arizona (1120)	0	0	0
State Court Fleet Operations and Replacement (3800)	0	0	0
Total - Judiciary - Supreme Court	<u>\$26,217,100</u>	<u>\$31,811,800</u>	<u>\$31,811,800</u>
Judiciary - Superior Court (SPA)			
Community Punishment Program Fines (2119)	\$0	\$52,000	\$52,000
Coronavirus State and Local Fiscal Recovery Fund	\$965,800	\$1,039,000	\$1,039,000
Criminal Justice Enhancement (2075)	0	0	0
Drug and Gang Enforcement Account (2074)	956,300	1,005,600	1,005,600
Drug Treatment and Education (2277)	3,798,000	3,976,600	3,976,600
Grants and Special Revenue (2084)	3,032,700	2,788,600	2,788,600

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
Juvenile Probation Services (2193)	0	0	0
Total - Judiciary - Superior Court	\$8,752,800	\$8,861,800	\$8,861,800
Department of Juvenile Corrections (DJA)			
Coronavirus Relief (2975)	\$7,800	\$0	\$0
Coronavirus State and Local Fiscal Recovery (2985)	23,200	924,800	0
DJC Career and Technical Education (2326)	0	0	0
DJC Restitution (2476)	5,400	8,100	8,100
Employee Recognition (2449)	11,400	10,000	10,000
Federal (2000)	725,300	698,700	698,700
IGA and ISA (2500)	(32,100)	0	0
Indirect Cost Recovery (9000)	0	0	0
Juvenile Corrections (3024)	7,400	12,600	12,600
State Education System for Committed Youth Classroom Site (2487)	142,700	240,100	240,100
Statewide Donations (2025)	300	300	300
Total - Department of Juvenile Corrections	\$891,400	\$1,894,600	\$969,800
State Land Department (LDA)			
CAP Municipal and Industrial Repayment (2129)	\$0	\$0	\$0
Federal Reclamation Trust (2024)	0	0	0
IGA and ISA (2500)	0	0	0
Interagency Agreements (2212)	0	0	0
Land Clearance Fund (3732)	0	0	0
Off-Highway Vehicle Recreation (2253)	127,300	105,000	105,000
Resource Analysis Division Revolving (4009)	99,900	98,500	98,500
Riparian Acquisition Trust (3201)	0	0	0
State Land Department (2451)	486,400	355,000	355,000
Universities Timber Land Account (3134)	0	0	0
Total - State Land Department	\$713,600	\$558,500	\$558,500
Legislature - Auditor General (AUA)			
Audit Services Revolving (2242)	\$1,784,900	\$1,289,200	\$1,289,200
Legislature - Legislative Council (LCA)			
Museum Gift Shop Revolving (4008)	\$42,800	\$42,800	\$42,800
State Monument and Memorial Repair Fund (2338)	\$0	\$15,000	\$15,000
Total - Legislative Council	\$42,800	\$57,800	\$57,800
Department of Liquor Licenses and Control (LLA)			
Anti-Racketeering Revolving (2131)	\$0	\$0	\$0
Audit Surcharge (3010)	226,600	272,300	272,300
Direct Shipment License Issuance (3017)	19,300	103,500	103,500
Direct Shipment License Renewal (3018)	281,300	289,100	289,100
DPS - FBI Fingerprint (2159)	0	2,300	2,300
Enforcement Surcharge - Enforcement Unit (3012)	105,600	543,300	543,300
Enforcement Surcharge - Multiple Complaints (3011)	413,800	536,200	536,200
Federal Grants (2000)	739,200	888,000	888,000
Growlers (1997)	45,000	45,100	45,100
IGA and ISA (2500)	0	0	0
Liquor License and Special Collections (3008)	0	0	0
Sampling Privileges (1998)	25,700	25,600	25,600
Total - Department of Liquor Licenses and Control	\$1,856,500	\$2,705,400	\$2,705,400
Arizona State Lottery Commission (LOA)			
State Lottery (2122)	\$1,013,051,800	\$1,228,350,300	\$1,228,350,300
State Mine Inspector (MIA)			
Abandoned Mines Safety (2408)	\$0	\$0	\$0
Federal Education and Training (2400)	84,700	103,700	103,700
Federal Grants (2000)	427,100	450,900	450,900
Total - State Mine Inspector	\$511,800	\$554,600	\$554,600
State Natural Resource Conservation Board (NRC)			
Natural Resource Conservation District (9999)	\$0	\$0	\$0
State Board of Nursing (BNA)			
Nurse Aide Training and Registration (2000)	\$414,700	\$414,700	\$414,700
Statewide Donations (2025)	4,685,400	24,028,700	24,028,700
Total - State Board of Nursing	\$5,100,100	\$24,443,400	\$24,443,400
Arizona State Parks Board (PRA)			

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/
For Fiscal Years 2024, 2025 and 2026**

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
Arizona State Parks Heritage (3126)	\$238,600	\$0	\$0
Arizona Trail (2525)	0	0	0
Federal (2000)	974,200	8,823,600	8,823,600
Off Highway Vehicle Recreation (2253)	957,700	4,745,900	4,745,900
Partnership (2448)	151,700	2,518,000	2,518,000
State Lake Improvement (2106)	7,418,300	7,423,900	7,423,900
State Parks (3117)	0	50,000	50,000
Sustainable State Parks and Roads (3125)	0	50,000	50,000
Total - Arizona State Parks Board	<u>\$9,740,500</u>	<u>\$23,611,400</u>	<u>\$23,611,400</u>
Arizona State Board of Pharmacy (PMA)			
Controlled Substances Prescription Monitoring Program (2359)	\$2,114,700	\$2,100,000	\$2,100,000
Federal Grants (2000)	0	0	0
Total - Arizona State Board of Pharmacy	<u>\$2,114,700</u>	<u>\$2,100,000</u>	<u>\$2,100,000</u>
Arizona Pioneers' Home (PIA)			
Pioneers' Home (Cemetery Proceeds) (3144)	\$14,300	\$4,300	\$4,300
Pioneers' Home (Donations) (3143)	6,400	6,400	6,400
Total - Arizona Pioneers' Home	<u>\$20,700</u>	<u>\$10,700</u>	<u>\$10,700</u>
Arizona Power Authority (PAA)			
Arizona Power Authority (9506)	\$307,500	\$368,800	\$368,800
Hoover Uprating (1113)	18,663,900	20,210,900	20,210,900
Interest Income (1112)	305,300	348,000	348,000
Total - Arizona Power Authority	<u>\$19,276,700</u>	<u>\$20,927,700</u>	<u>\$20,927,700</u>
State Board for Private Postsecondary Education (PVA)			
Student Tuition Recovery (3027)	\$263,100	\$262,000	\$262,000
Department of Public Safety (PSA)			
Anti-Racketeering Revolving (3123)	\$3,020,400	\$2,158,500	\$2,158,500
Board of Fingerprinting (2435)	757,100	829,700	829,700
Capitol Police Administrative Towing (1999)	600	600	600
Coronavirus Relief (2975)	0	0	0
Coronavirus State and Local Fiscal Recovery (2985)	10,347,900	16,356,700	2,329,600
Criminal Justice Enhancement (3702)	0	0	0
DPS Administration (2322)	12,070,500	37,450,000	37,450,000
DPS Licensing (2490)	1,553,600	1,823,700	1,572,500
Driving Under the Influence Abatement (2422)	388,800	1,425,000	1,425,000
Families of Fallen Police Officers Special Plate (2386)	219,000	275,000	275,000
Federal Grants (2000)	41,071,900	54,076,000	59,862,200
Fentanyl Prosecution, Diversion and Testing Fund (2524)	592,600	0	0
Fingerprint Clearance Card (2433)	8,874,000	9,751,300	9,751,300
IGA and ISA (2500)	11,855,600	15,837,600	15,837,600
Indirect Cost Recovery (9000)	2,594,000	3,078,200	992,600
Motor Carrier Safety Revolving (2380)	0	0	0
Peace Officers' Training (2049)	1,249,400	1,159,500	1,159,500
Public Safety Equipment (2391)	1,108,600	1,200,000	1,200,000
Records Processing (2278)	5,628,800	5,973,200	5,973,200
Smart and Safe Arizona (1120)	0	22,000	22,000
State Highway Work Zone Safety (2480)	2,100	4,000	4,000
Victims' Rights Enforcement (2519)	999,000	1,110,900	1,110,900
Total - Department of Public Safety	<u>\$102,333,900</u>	<u>\$152,531,900</u>	<u>\$141,954,200</u>
Public Safety Personnel Retirement System (NA)			
Disability Program Trust (NA)	\$0	\$0	\$0
Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program Account (NA)	274,300	302,100	302,100
Investment and Administrative Expenses (NA)	49,281,000	52,669,100	52,669,100
Retiree Pool Account (NA)	0	0	0
Total - Public Safety Personnel Retirement System	<u>\$49,555,300</u>	<u>\$52,971,200</u>	<u>\$52,971,200</u>
State Real Estate Department (REA)			
Condominium and Planned Community Hearing Office (2537)	\$0	\$0	\$0
Education Revolving (4011)	15,700	0	0
Recovery (3119)	6,200	0	0
Total - State Real Estate Department	<u>\$21,900</u>	<u>\$0</u>	<u>\$0</u>
Arizona State Retirement System (RSA)			

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
Administrative Account - Investment Expenses (1407)	\$513,060,800	\$294,335,300	\$294,335,300
ASRS Self-Insurance Administration (1409)	2,508,100	2,806,200	2,806,200
Total - Arizona State Retirement System	<u>\$515,568,900</u>	<u>\$297,141,500</u>	<u>\$297,141,500</u>
Department of Revenue (RVA)			
Escheated Estates (3745)	\$0	\$0	\$0
Estate and Unclaimed Property (1520)	0	0	0
I Didn't Pay Enough (1031)	0	0	0
IGA and ISA (2500)	1,360,400	1,125,200	1,125,200
Revenue Publications Revolving (2166)	33,300	33,300	33,300
Smart and Safe Arizona (1120)	481,600	522,800	522,800
Special Collections (2168)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	1,100	0	0
Waste Tire (2356)	0	0	0
Total - Department of Revenue	<u>\$1,876,400</u>	<u>\$1,681,300</u>	<u>\$1,681,300</u>
Secretary of State - Department of State (STA)			
Address Confidentiality Program (2557)	\$453,600	\$0	\$0
Coronavirus State and Local Fiscal Recovery (2985)	479,200	639,800	639,800
County Contributions to the Voter Registration System (2367)	185,100	0	0
Data Processing Acquisition (2265)	268,500	200,000	200,000
Election Training (2521)	12,900	0	0
Federal Grants (2000)	5,063,400	4,808,700	4,808,700
IGA and ISA (2500)	864,600	600,000	600,000
Notary Bond (2387)	198,000	65,000	65,000
Standing Political Committee Administrative (2426)	74,700	0	0
State Library (2115)	108,000	651,400	651,400
Total - Secretary of State - Department of State	<u>\$7,708,000</u>	<u>\$6,964,900</u>	<u>\$6,964,900</u>
State Board of Technical Registration (TEA)			
Technical Registration Board of Investigations (2072)	\$11,300	\$0	\$0
Office of Tourism (TOA)			
CARES Act Recovery and Assistance Fund (2977)	136,900	1,182,700	1,182,700
Coronavirus State and Local Fiscal Recovery (2985)	6,860,600	4,951,800	4,951,800
Federal Grants Fund	298,700	2,500,000	2,500,000
Tourism Development (9999)	0	0	0
Tourism (2236)	30,198,300	41,766,800	41,766,800
Total - Office of Tourism	<u>\$37,494,500</u>	<u>\$50,401,300</u>	<u>\$50,401,300</u>
Department of Transportation (DTA)			
Abandoned Vehicle Administration (2150)	\$1,005,000	\$1,000,000	\$1,000,000
Arizona Highways Magazine (2031)	5,456,900	6,230,300	6,230,300
Cash Deposits (2266)	0	0	0
Commercial Vehicle Fleet License Plate Fund (9999)	0	0	0
Coronavirus State and Local Fiscal Recovery (2985)	4,400,300	0	0
Economic Strength Project (2244)	0	0	0
Federal Grants (2097)	20,949,300	0	0
Highway Expansion and Extension Loan Program (2417)	0	0	0
IGA and ISA (2500)	3,157,000	333,200	333,200
Local Agency Deposits (3701)	0	0	0
Maricopa Regional Area Road (2029)	12,996,400	15,845,400	15,845,400
Motor Carrier Safety Revolving (2380)	0	0	0
Rental Tax and Bond Deposit (3737)	(200)	0	0
Shared Location and Advertising Agreements Expense (2414)	0	0	0
State Match Advantage for Rural Transportation (9901)	71,900	0	0
Statewide Employee Recognition Gifts/Donations (2449)	1,200	13,000	13,000
Statewide Special Plates (2650)	6,380,200	0	0
Total - Department of Transportation	<u>\$54,418,000</u>	<u>\$23,421,900</u>	<u>\$23,421,900</u>
State Treasurer (TRA)			
Arizona Health Innovation Trust (3324)	\$0	\$0	\$0
AZ529, Arizona's Education Savings Plan Trust (3122)	986,500	1,101,500	1,101,500
Criminal Justice Enhancement (3702)	3,543,000	3,543,000	3,543,000
Justice Reinvestment (1121)	1,094,900	1,200,000	1,200,000
Public Deposit Administration (2574)	40,700	43,000	43,000
Smart and Safe Arizona (1120)	14,167,700	13,248,000	13,248,000

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/

For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
State Treasurer's Financial Literacy (2725)	100	1,000	1,000
Total - State Treasurer	<u>\$19,832,900</u>	<u>\$19,136,500</u>	<u>\$19,136,500</u>
Governor's Office on Tribal Relations (IAA)			
Arizona Indian Town Hall (4014)	\$0	\$0	\$0
Statewide Donations (2025)	0	0	0
Total - Governor's Office on Tribal Relations	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Arizona Board of Regents (BRA)			
Arizona Community Colleges Promise Program Fund (9999)	\$0	\$0	\$0
Arizona Health Education Center Program (2)	0	0	0
Arizona Promise Program (4501)	0	0	0
Arizona Teacher Student Loan (2358)	0	0	0
Arizona Teachers Academy (4300)	0	0	0
Arizona Veterinary Loan Assistance (5000)	0	0	0
Federal (2000)	2,957,200	275,000	275,000
Postsecondary Educational (2405)	1,078,500	1,168,300	1,168,300
Regents Local (8900)	8,857,200	11,675,800	11,675,800
Spouses and Dependents of Law Enforcement Officers	0	0	0
Tuition Scholarship Fund (2500)	0	0	0
Spouses of Military Veterans Tuition Scholarship (5100)	0	0	0
Technology and Research Initiative (2472)	22,400,000	22,400,000	22,400,000
Trust Land (3131/3132/3134/3136)	0	0	0
Total - Arizona Board of Regents	<u>\$35,292,900</u>	<u>\$35,519,100</u>	<u>\$35,519,100</u>
Arizona State University (ASA)			
Auxiliary (UNI8906)	\$316,778,600	\$306,864,900	\$306,864,900
Capital Infrastructure (UNI3001)	9,269,000	9,402,000	11,649,100
Designated - Other (UNI8905)	333,307,800	352,274,200	352,274,200
Designated - Tuition and Fees (UNI8905)	1,596,338,700	1,785,153,500	1,882,561,300
Endowment and Life Income (UNI8904)	3,266,300	0	0
Federal Grants (UNI8903)	547,325,100	542,225,400	542,225,400
Federal Indirect Cost Recovery (UNI8902)	79,653,100	73,854,700	73,854,700
Indirect Cost Recovery (Non-Federal) (UNI8900)	31,897,200	29,575,600	29,575,600
Loan (UNI8901)	1,021,400	0	0
Restricted (Excluding Federal Funds) (UNI8907)	519,952,900	517,437,900	517,437,900
University Capital Improvement Lease-to-Own and Bond (BRA3042)	11,163,600	17,656,300	17,656,300
Total - Arizona State University	<u>\$3,449,973,700</u>	<u>\$3,634,444,500</u>	<u>\$3,734,099,400</u>
Northern Arizona University (NAA)			
Auxiliary (UNI8906)	\$121,945,700	\$127,054,700	\$129,529,000
Capital Infrastructure (UNI3002)	0	0	0
Designated - Other (UNI8905)	118,443,900	98,233,500	99,594,400
Designated - Tuition and Fees (UNI8905)	120,669,400	124,488,400	128,089,500
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	140,809,800	142,217,900	143,640,100
Federal Indirect Cost Recovery (UNI8902)	17,785,900	17,963,800	17,963,800
Indirect Cost Recovery (Non-Federal) (UNI8900)	20,345,900	25,207,000	25,746,900
Loan (UNI8901)	23,600	100,000	100,000
Restricted (Excluding Federal Funds) (UNI8907)	50,194,500	51,705,600	53,258,900
University Capital Improvement Lease-to-Own and Bond (BRA3042)	10,020,400	9,987,700	9,987,700
Total - Northern Arizona University	<u>\$600,239,100</u>	<u>\$596,958,600</u>	<u>\$607,910,300</u>
University of Arizona - Main Campus (UAA)			
Auxiliary (UNI8906)	\$395,314,400	\$365,040,800	\$375,592,000
Capital Infrastructure (UNI3003)	0	0	0
Designated - Other (UNI8905)	367,047,000	370,429,100	376,013,000
Designated - Tuition and Fees (UNI8905)	992,706,900	1,007,850,800	1,028,008,100
Endowment and Life Income (UNI8904)	385,700	401,100	409,000
Federal Grants (UNI8903)	251,061,400	242,171,000	247,046,400
Federal Indirect Cost Recovery (UNI8902)	68,193,400	69,557,300	70,948,600
Geological Survey (UNI3030)	248,400	248,600	248,600
Geological Survey Federal Grants (UNI3031)	1,659,700	1,604,500	1,604,500
Geological Survey - Mining, Mineral and Natural Resources			
Educational Museum Account (UNI9999)	17,000	51,400	51,400
Indirect Cost Recovery (Non-Federal) (UNI8900)	7,611,100	7,763,500	7,918,900
Loan (UNI8901)	1,111,800	1,041,500	1,062,300

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
On-Farm Irrigation Efficiency (8888)	0	0	0
Restricted (Excluding Federal Funds) (UNI8907)	365,787,100	361,549,800	368,786,700
University Capital Improvement Lease-to-Own and Bond (BRA3042)	26,016,200	25,995,100	25,995,100
Total - University of Arizona - Main Campus	\$2,477,160,100	\$2,453,704,500	\$2,503,684,600
University of Arizona - Health Sciences Center (UAA)			
Auxiliary (UNI8906)	\$296,200	\$17,200	\$7,500
Designated - Other (UNI8905)	254,934,500	278,119,000	283,681,400
Designated - Tuition and Fees (UNI8905)	20,645,500	20,638,700	21,051,500
Endowment and Life Income (UNI8904)	20,078,500	20,881,600	21,299,400
Federal Grants (UNI8903)	169,900,800	225,951,600	324,681,500
Federal Indirect Cost Recovery (UNI8902)	56,998,200	58,138,200	59,300,900
Indirect Cost Recovery (Non-Federal) (UNI8900)	7,722,900	7,877,300	8,034,800
Loan (UNI8901)	(9,222,900)	0	0
Restricted (Excluding Federal Funds) (UNI8907)	80,409,300	82,016,600	83,656,500
Total - University of Arizona - Health Sciences Center	\$601,763,000	\$693,640,200	\$801,713,500
Department of Veterans' Services (VSA)			
Arizona State Veterans' Cemetery Trust (2499)	\$1,043,000	\$310,600	\$310,600
Federal (2000)	5,700,000	200,900	200,900
Military Family Relief (2339)	1,265,500	79,500	79,500
Statewide Employee Recognition Gifts (2449)	0	0	0
Veterans' Donations (2441)	1,887,000	2,400,000	2,400,000
Total - Department of Veterans' Services	\$9,895,500	\$2,991,000	\$2,991,000
Water Infrastructure Finance Authority (WFA)			
Clean Water Annual Debt Service Interest (FAA4313)	\$827,400	\$1,028,800	\$1,028,800
Clean Water Annual Debt Service Principal Fund (FAA4312)	0	25,233,000	25,233,000
Clean Water Debt Service Reserve - Clean Water (FAA4315)	0	0	0
Clean Water Federal Loan (FAA4310)	23,492,100	20,874,000	20,874,000
Clean Water Fee Program Income (FAA4309)	2,560,500	55,000	55,000
Clean Water Fees Non Program Income (FAA4317)	11,598,500	5,609,400	5,609,400
Clean Water Financial Assistance (FAA4319)	16,152,300	16,636,800	16,636,800
Clean Water State Loan (FAA4311)	0	0	0
Drinking Water Annual Debt Service Interest (FAA4333)	1,635,800	5,296,700	5,296,700
Drinking Water Annual Debt Service Principal (FAA4332)	9,571,600	7,484,700	7,484,700
Drinking Water Debt Service Reserve (FAA4320)	0	0	0
Drinking Water Federal Loan (FAA4335)	29,028,500	60,119,000	60,119,000
Drinking Water Fees Non Program (FAA4322)	6,667,500	6,929,100	6,929,100
Drinking Water Fees Program Income (FAA4336)	602,500	712,400	712,400
Drinking Water Financial Assistance (FAA4324)	16,884,500	0	0
Drinking Water State Loan (FAA4331)	0	0	0
Long-Term Water Augmentation (9999)	2,270,400	2,645,200	2,645,200
Small and Disadvantaged Communities Drinking Water Assistance (FAA2230)	178,600	310,000	310,000
Small Drinking Water Systems (FAA2225)	0	0	0
Water Conservation Grant (9998)	1,736,600	99,131,700	99,131,700
Water Supply Development Revolving (2336)	216,300	25,264,900	25,264,900
Total - Water Infrastructure Financing Authority	\$123,423,100	\$277,330,700	\$277,330,700
Department of Water Resources (WCA)			
Arizona System Conservation (9900)	\$0	\$0	\$0
Arizona Water Banking (2110)	1,620,700	2,552,300	2,552,300
Arizona Water Protection (1302)	1,351,000	2,591,300	2,591,300
Arizona Water Quality (2304)	211,200	243,300	243,300
Augmentation and Conservation Assistance (2213)	1,875,500	925,000	925,000
Colorado River Water Use Fee Clearing Account (2538)	37,300	37,000	37,000
Coronavirus State and Local Fiscal Recovery (2985)	14,305,600	11,856,800	11,856,800
Dam Repair (2218)	11,200	800,000	800,000
Employee Recognition (2449)	3,800	2,100	2,100
Federal Grants (2000)	364,200	649,100	649,100
Flood Warning System (1021)	20,600	132,100	132,100
General Adjudication Personnel and Support (7777)	0	0	0
General Adjudications (2191)	15,900	16,000	16,000
Indirect Cost Recovery (9000)	(185,900)	1,788,300	413,300
Interagency Service Agreement (2500)	348,400	320,600	320,600

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES ^{1/} For Fiscal Years 2024, 2025 and 2026

	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate
Production and Copying (2411)	0	1,000	1,000
Publication and Mailing (2410)	0	3,000	3,000
Purchase and Retirement (2474)	0	0	0
Statewide Donations (2025)	0	0	0
Temporary Groundwater and Irrigation Efficiency Projects (9901)	1,324,500	2,500,000	2,500,000
Well Administration and Enforcement (2491)	591,200	1,273,500	1,273,500
Total - Department of Water Resources	\$21,895,200	\$25,691,400	\$24,316,400
Capital Funds			
Aviation Federal Funds (DTA2267)	\$2,386,000	\$9,963,000	\$20,017,000
Bond Proceeds (DTA5004/5008/2463)	59,976,000	3,032,000	11,915,000
Federal Grants (DTA2097)	1,092,516,000	1,075,485,000	1,077,403,000
Economic Strength Project (DTA2244)	1,000,000	1,000,000	1,000,000
Local Agency Deposits (DTA3701)	13,170,000	8,739,000	8,508,000
Maricopa Regional Area Road (DTA2029)	377,137,000	802,401,000	737,924,000
State Parks Board - State Lake Improvement (2105)	0	0	0
OPERATING FUNDS TOTAL	\$38,785,673,800	\$43,579,512,300	\$44,652,976,800
Subtotal - Other Funds	26,697,775,900	29,821,437,400	30,482,796,900
Subtotal - Federal Funds	12,087,897,900	13,758,074,900	14,170,179,900
CAPITAL FUNDS TOTAL	\$1,546,185,000	\$1,900,620,000	\$1,856,767,000
Subtotal - Other Funds	451,283,000	815,172,000	759,347,000
Subtotal - Federal Funds	1,094,902,000	1,085,448,000	1,097,420,000
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$40,331,858,800	\$45,480,132,300	\$46,509,743,800
Subtotal - Other Funds	27,149,058,900	30,636,609,400	31,242,143,900
Subtotal - Federal Funds	13,182,799,900	14,843,522,900	15,267,599,900

^{1/} If General Fund monies are deposited into a non-appropriated fund, the expenditures of these monies are not displayed in this chart to avoid double counting.

**PREVIOUSLY ENACTED APPROPRIATIONS
FY 2026 and BEYOND 1/**

GENERAL FUND

	FY 2026	FY 2027	FY 2028
<u>Administration, Arizona Department of - School Facilities Division</u>			
Laws 2024, Ch. 209 - New School Facilities Fund	45,077,100		
<u>Attorney General</u>			
A.R.S. § 26-263 - Military Airport Planning	85,000	85,000	85,000
<u>Commerce Authority, Arizona</u>			
A.R.S. § 43-409 - Withholding Tax Revenues	10,500,000	10,500,000	10,500,000
<u>Community Colleges</u>			
A.R.S. § 42-5031.01 - Tribal Postsecondary Institutions 2/	1,411,100	1,411,100	1,411,100
A.R.S. § 15-1469.01 - Rural County Allocation 3/	6,109,000	6,109,000	6,109,000
<u>Emergency and Military Affairs, Department of</u>			
A.R.S. § 26-263 - Military Airport Planning	90,000	90,000	90,000
A.R.S. § 35-192 - Governor's Emergency Authority	4,000,000	4,000,000	4,000,000
<u>Environmental Quality, Department of</u>			
A.R.S. § 49-282 - WQARF Priority Site Remediation 4/	15,000,000	15,000,000	15,000,000
<u>Forestry and Fire Management, Department of</u>			
Laws 2019, Ch. 263 - Nonnative Species Eradication (through FY 2029)	1,000,000	1,000,000	1,000,000
A.R.S. § 37-1305 - Wild Land Fire Emergency	3,000,000	3,000,000	3,000,000
<u>Public Safety Personnel Retirement System</u>			
Laws 2019, Ch. 263 - Prescott Fire Dept. Pension Liability	1,000,000		
A.R.S. § 38-810 - EORP Closure (through FY 2043)	5,000,000	5,000,000	5,000,000
<u>Transportation, Department of</u>			
Laws 2024, Ch. 211 - I-10 Widening (SR 85/Citrus Road)		30,000,000	78,000,000
Laws 2024, Ch. 211 - Overpass at Riggs Road & SR 347			49,000,000
Laws 2024, Ch. 211 - West Pinal Parkway East-West Corridor Design			9,240,000
<u>Treasurer, State</u>			
A.R.S. § 41-2308 - Special Sporting Event Marketing (through FY 2051)	1,500,000	1,500,000	1,500,000
<u>Arizona State University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase 5/	13,453,900	13,450,100	13,436,200
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) 6/	13,566,700	13,838,000	14,114,800
<u>Northern Arizona University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase 5/	4,884,500	4,884,300	4,894,000
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) 6/	5,142,200	5,245,000	5,349,900
<u>University of Arizona</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase 5/	14,248,400	14,251,300	14,254,100
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) 6/	12,001,900	12,241,900	12,486,700
<u>Veterans' Services, Department of</u>			
Laws 2024, Ch. 211 - Northwest Arizona Veterans' Home			25,000,000
<u>Other</u>			
A.R.S. § 9-602 - Phoenix Convention Center Financing 7/	26,497,400	26,997,100	27,495,100
A.R.S. § 42-5031 - Rio Nuevo Multi-Purpose Facility District 8/	19,000,000	19,000,000	19,000,000
GENERAL FUND TOTAL	202,567,200	187,602,800	319,965,900

PREVIOUSLY ENACTED APPROPRIATIONS FY 2026 and BEYOND 1/

OTHER FUNDS

	FY 2026	FY 2027	FY 2028
<u>Barbering and Cosmetology Board</u>			
Laws 2024, Ch. 250 - IT Development Costs	200,000		
OTHER FUNDS TOTAL	200,000	-	-

- 1/ All statutory appropriations are indefinite unless otherwise noted in this report. The appropriations in each column represent the total appropriation in each fiscal year and do not represent the increase above the prior year.
- 2/ Pursuant to A.R.S. § 42-5031.01, the JLBC Staff assumes an annual distribution of \$923,700 to the Navajo Nation, comprised of \$615,800 for Dine College and \$307,900 for Navajo Technical College, and an annual distribution of \$517,400 for the Tohono O'Odham Community College.
- 3/ Pursuant to A.R.S. § 15-1469.01, the JLBC Staff assumes an annual distribution of \$6,109,000 for the Community College Rural County Allocation. Statute requires the General Fund to pay the initial cost of students attending community colleges from counties that are not part of an established community college district, and the state will withhold these counties' sales tax revenues to offset the cost.
- 4/ A.R.S. § 49-282 requires that \$18,000,000 be deposited annually into the Water Quality Assurance Revolving Fund, including at least \$15,000,000 from the corporate income tax. The Environment Budget Reconciliation Bill of each year transfers the \$15,000,000 to WQARF, but does not permit any additional corporate income tax adjustment above that level.
- 5/ A.R.S. § 15-1670 appropriates monies from the General Fund to each public university for research infrastructure lease-purchase payments in varying amounts through FY 2031.
- 6/ A.R.S. § 15-1671 appropriates monies from the General Fund to each public university for debt service payments on capital projects as part of the \$1 billion bonding program. This amount increases by lesser of 2% or inflation each fiscal year through FY 2043.
- 7/ Pursuant to A.R.S. § 9-602, the City of Phoenix receives an annual distribution for Phoenix Convention Center financing based on a statutory debt schedule, which requires that cumulative payments to the city do not exceed estimated revenue resulting from the project.
- 8/ Pursuant to A.R.S. § 42-5031, the JLBC Staff assumes an annual distribution of \$19,000,000 from the General Fund for the Rio Nuevo Multi-Purpose Facility District. The district receives a diversion of Transaction Privilege Tax (TPT) revenue to finance the development of a multipurpose facility and supporting projects.

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2025 and 2026 1/

BUDGET UNITS	Fiscal Year 2025			Fiscal Year 2026		
	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	115.2	432.9	548.1	115.2	432.9	548.1
School Facilities Division	17.0	0.0	17.0	17.0	0.0	17.0
SUBTOTAL - Administration, Arizona Department of	132.2	432.9	565.1	132.2	432.9	565.1
Administrative Hearings, Office of	12.0	0.0	12.0	12.0	0.0	12.0
Agriculture, Arizona Department of	192.2	20.1	212.3	192.2	19.7	211.9
AHCCCS	401.0	873.5	1,274.5	401.0	873.5	1,274.5
AHCCCS - DES Eligibility	557.3	627.5	1,184.8	557.3	627.5	1,184.8
SUBTOTAL - AHCCCS <u>2/</u>	958.3	1,501.0	2,459.3	958.3	1,501.0	2,459.3
Athletic Training, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Attorney General - Department of Law	233.6	438.1	671.7	233.6	438.1	671.7
Barbering and Cosmetology Board	0.0	33.5	33.5	0.0	33.5	33.5
Behavioral Health Examiners, Board of	0.0	27.0	27.0	0.0	27.0	27.0
Charter Schools, State Board for	25.0	0.0	25.0	25.0	0.0	25.0
Child Safety, Department of <u>3/</u>	1,593.6	1,689.5	3,283.1	1,593.6	1,689.5	3,283.1
Chiropractic Examiners, State Board of	0.0	6.0	6.0	0.0	6.0	6.0
Commerce Authority, Arizona	100.0	0.0	100.0	100.0	0.0	100.0
Contractors, Registrar of	0.0	105.6	105.6	0.0	105.6	105.6
Corporation Commission	50.8	251.1	301.9	50.8	251.1	301.9
Corrections, State Department of	9,571.0	21.0	9,592.0	9,548.0	21.0	9,569.0
Criminal Justice Commission, Arizona	0.0	11.0	11.0	0.0	11.0	11.0
Deaf and the Blind, Arizona State Schools for the	284.8	277.4	562.2	284.8	277.4	562.2
Deaf and the Hard of Hearing, Commission for the	0.0	21.0	21.0	0.0	21.0	21.0
Dental Examiners, State Board of	2.0	11.0	13.0	2.0	11.0	13.0
Economic Opportunity, Office of	5.0	0.0	5.0	5.0	0.0	5.0
Economic Security, Department of <u>4/</u>	1,144.9	3,466.9	4,611.8	1,170.6	3,513.2	4,683.8
Education, State Board of	23.0	0.0	23.0	23.0	0.0	23.0
Education, Department of	217.7	15.2	232.9	217.7	15.2	232.9
Emergency and Military Affairs, Department of <u>5/</u>	62.5	8.5	71.0	64.1	8.0	72.1
Environmental Quality, Department of	0.0	358.7	358.7	0.0	358.7	358.7
Equal Opportunity, Governor's Office of	0.0	5.0	5.0	0.0	5.0	5.0
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
Forestry and Fire Management, Arizona Department of	235.5	0.0	235.5	235.5	0.0	235.5
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	858.4	309.6	1,168.0	858.4	309.6	1,168.0
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
Homeland Security, Arizona Department of	0.0	20.0	20.0	0.0	20.0	20.0
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	1.0	235.6	236.6	1.0	235.6	236.6
Insurance and Financial Institutions, Department of	95.8	60.6	156.4	86.8	60.6	147.4
Judiciary						
Supreme Court	149.6	55.4	205.0	149.6	55.4	205.0
Court of Appeals	162.8	0.0	162.8	162.8	0.0	162.8
Superior Court	231.8	8.7	240.5	231.8	8.7	240.5
SUBTOTAL - Judiciary	544.2	64.1	608.3	544.2	64.1	608.3
Juvenile Corrections, Department of	478.5	260.0	738.5	478.5	260.0	738.5
Land Department, State	131.7	5.0	136.7	131.7	5.0	136.7
Legislature						
Auditor General	224.8	0.0	224.8	224.8	0.0	224.8
Joint Legislative Budget Committee	29.0	0.0	29.0	29.0	0.0	29.0
Legislative Council	56.0	0.0	56.0	56.0	0.0	56.0
Ombudsman-Citizens Aide Office	12.0	0.0	12.0	12.0	0.0	12.0
SUBTOTAL - Legislature	321.8	0.0	321.8	321.8	0.0	321.8

BUDGET UNITS	Fiscal Year 2025			Fiscal Year 2026		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
Liquor Licenses and Control, Department of	0.0	58.2	58.2	0.0	58.2	58.2
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	63.5	63.5	0.0	63.5	63.5
Mine Inspector, State	22.0	0.0	22.0	22.0	0.0	22.0
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	63.0	63.0	0.0	63.0	63.0
Nursing Care Institution of Administrators, Board of	0.0	7.0	7.0	0.0	7.0	7.0
Occupational Therapy Examiners, Board of	0.0	2.0	2.0	0.0	2.0	2.0
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	10.0	10.0	0.0	10.0	10.0
Parks Board, Arizona State	0.0	167.0	167.0	0.0	167.0	167.0
Personnel Board, State	0.0	2.0	2.0	0.0	2.0	2.0
Pharmacy, Arizona State Board of	0.0	25.4	25.4	0.0	25.4	25.4
Physical Therapy, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Pioneers' Home, Arizona	0.0	107.3	107.3	0.0	107.3	107.3
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Private Postsecondary Education, Board for	0.0	4.0	4.0	0.0	4.0	4.0
Psychologist Examiners, State Board of	0.0	4.5	4.5	0.0	4.5	4.5
Public Safety, Department of	891.7	1,276.0	2,167.7	891.7	1,276.0	2,167.7
Real Estate Department, State	37.0	0.0	37.0	37.0	0.0	37.0
Residential Utility Consumer Office	0.0	12.0	12.0	0.0	12.0	12.0
Respiratory Care Examiners, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Retirement System, Arizona State	0.0	240.9	240.9	0.0	240.9	240.9
Revenue, Department of	274.0	618.8	892.8	274.0	618.8	892.8
Secretary of State, Department of State	144.1	2.0	146.1	144.1	0.0	144.1
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	31.0	0.0	31.0	31.0	0.0	31.0
Transportation, Department of	0.0	4,571.0	4,571.0	0.0	4,571.0	4,571.0
Treasurer, State	0.0	38.4	38.4	0.0	38.4	38.4
Tribal Relations, Governor's Office on	3.0	0.0	3.0	3.0	0.0	3.0
Universities 6/7/						
Regents, Arizona Board of	30.9	0.0	30.9	30.9	0.0	30.9
Arizona State University	2,565.8	5,791.6	8,357.4	2,565.8	5,791.6	8,357.4
Northern Arizona University	1,132.6	1,266.4	2,399.0	1,132.6	1,266.4	2,399.0
University of Arizona - Main Campus	2,771.1	3,391.7	6,162.8	2,771.1	3,391.7	6,162.8
University of Arizona - Health Sciences Center	541.7	502.3	1,044.0	541.7	502.3	1,044.0
SUBTOTAL - Universities	7,042.1	10,952.0	17,994.1	7,042.1	10,952.0	17,994.1
Veterans' Services, Department of	148.3	644.0	792.3	148.3	644.0	792.3
Veterinary Medical Examining Board, Arizona State	0.0	7.0	7.0	0.0	7.0	7.0
Water Resources, Department of	198.0	6.0	204.0	198.0	6.0	204.0
TOTAL APPROPRIATED FUNDS	26,180.1	29,314.0	55,494.1	26,175.4	29,357.4	55,532.8

- 1/ Full-Time Equivalent (FTE) Positions shown for individual agencies include only those positions funded by appropriated funds. The number reflects the FTE Position ceiling and not the actual number of current employees. The detail for changes in FTE Positions that occurred between FY 2025 and FY 2026 can be found in the individual agency pages.
- 2/ Includes 1,488.5 FTE Positions in FY 2025 and FY 2026 in the Other Fund FTE Positions columns funded from the AHCCCS Fund Expenditure Authority.
- 3/ Includes 970.3 FTE Positions in FY 2025 and FY 2026 in the Other Fund FTE Positions columns funded from Expenditure Authority.
- 4/ Includes 2,427.8 FTE Positions in FY 2025 and 2,474.1 FTE Positions in FY 2026 in the Other Fund columns funded from the Long Term Care System Fund and Child Support Enforcement Expenditure Authority.
- 5/ The FY 2025 General Appropriations Act included a clerical error reducing FTE Positions by (3.6). These positions were added back in the FY 2026 Baseline.
- 6/ The FY 2025 General Appropriations Act originally appropriated 18,040.9 FTE Positions to the Universities for FY 2025. This FTE Position amount has been revised to 17,994.1 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.

FY 2026 BUDGET RECONCILIATION BILL PROVISIONS

The Baseline includes the enactment of statutory changes associated with its funding amount. The following provisions would be grouped by subject into Budget Reconciliation Bills (BRBs).

Statewide

1. As session law, continues to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.
2. As session law, continues to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund (BSF) through FY 2028. Also, notwithstanding the 10% BSF cap for FY 2026.
3. As session law, continues to set the FY 2026 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration at \$17.87/square foot for rentable office space and \$6.43/square foot for rentable storage space.

Arizona Department of Agriculture

4. As session law, continues to allow the department to lower existing fees for any funds held in trust subject to review from the Agriculture Advisory Council. Continues to require the department to adopt emergency rules, in conjunction with the industry, to modify fees deposited in the Dangerous Plants, Pests, and Diseases Trust Fund in FY 2026. The rules are to be reviewed by the Agriculture Advisory Council. The department does not currently plan to use their FY 2025 BRB authority to lower fees in FY 2025.

AHCCCS

Rates and Services

5. As session law, continues the FY 2010 risk contingency rate reduction for all managed care organizations. Continues to allow AHCCCS to impose a reduction on funding for all managed care organizations' administrative funding levels.

Counties

6. As session law, continues to exclude Proposition 204 administration costs from county expenditure limitations.
7. As session law, sets the FY 2026 County Acute Care contribution at \$42,814,200.
8. As session law, continues to require AHCCCS to transfer any excess monies back to the counties by December 31, 2026, if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.
9. As session law, sets the FY 2026 county Arizona Long Term Care System (ALTCs) contributions at \$409,537,600.

Hospitals

10. As session law, modify the FY 2026 disproportionate share (DSH) distributions to continue to include the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center but eliminate the distribution to Valleywise which is now receiving funding from a separate federal program.
11. As session law, continues to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions.
12. As session law, continues to establish priority for payments to private hospitals via the DSH-Voluntary program in FY 2026 according to county population size. Hospitals in rural counties (i.e., excluding Maricopa, Pima, and Pinal) have first priority; hospitals in Pinal County have second priority; and hospitals in Maricopa and Pima Counties have third priority.

Available Funding

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

Arizona Community Colleges

14. As session law, continues to suspend the Operating State Aid funding at levels specified in the General Appropriation Act, which effectively means suspending the formula in FY 2026 for only Maricopa and Pima Counties.

15. As session law, continues to set the Science, Technology, Engineering and Mathematics and Workforce Programs district funding at levels specified in the General Appropriation Act, which effectively means suspending the inflation adjustment in FY 2026 for all community college districts.

Counties and Cities & Towns

16. As session law, continues to allow counties with a population of less than 250,000 according to the 2020 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY 2026, up to \$1,250,000 of county revenue for each county. The Baseline would continue to require 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, 2025.

Arizona School for the Deaf and the Blind

17. As session law, continues to allow the Telecommunication for the Deaf Fund to be spent on educational and operational costs of ASDB.

Department of Economic Security

18. As session law, continues 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.

Department of Education

Formula Requirements

19. As permanent law, increases 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.
20. As permanent law, update the Qualifying Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2026.

Other

21. As session law, continue to notwithstanding A.R.S. 15-241 to allow ADE to expend monies in FY 2025 from the Failing Schools Tutoring Fund for school improvement. Require ADE to report on proposed expenditures from the fund to the Governor, Speaker of the House, President of the Senate, JLBC and OSPB by September 1, 2025.
22. As session law, continues 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.

Department of Environmental Quality

23. As session law, continues to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank Fund in FY 2026 for department administrative expenses and for sewage remediation.
24. As session law, continues notwithstanding the \$18,000,000 annual funding level for the Water Quality Assurance Revolving Fund (WQARF) and limiting the General Fund transfer to \$15,000,000.
25. As session law, continue to require the department reduce emission inspection fees in FY 2026 for Area A such that total Area A fee collections are reduced by 5% of the level of FY 2024 Area A fee collections. The FY 2025 Environment BRB required ADEQ to reduce emissions inspection fees for Area A, starting in FY 2025, such that total Area A collections are reduced by 5%. As of this writing, DEQ has not decreased the emissions inspection fees. Area A refers to the Phoenix Metropolitan Area and includes Maricopa County as well as portions of Pinal and Yavapai Counties

Department of Gaming

26. As session law, continues to set the Regulatory Wagering Assessment at 0.5% in FY 2026 only.
27. As session law, changes the requirement that racehorses need to receive "gate approval" every 30 days to every 60 days in 2026. "Gate approval" means a demonstration to confirm a racehorse has been trained on how to safely enter and exit the starting gate prior to racing at a commercial racetrack.

Department of Health Services

28. As session law, continues to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.

Navigable Stream Adjudication Commission

29. As session law, continues to allow use of the Water Banking Fund for the commission's legal obligations.

Department of Revenue

30. As session law, stipulates legislative intent that the amount to be charged to all counties, cities, towns, Council of Governments and regional transportation authorities with a population greater than 800,000 for the Integrated Tax System project shall not exceed \$6,558,800 for FY 2026. Each local government type (for example all counties share of the \$6,558,800) is based on that government type's proportionate share of certain state and locally-collected revenues received by those local entities 2 fiscal years prior to the current fiscal year. Once each government type's share of the local assessment has been calculated, population is the basis for determining the apportioning of fees among counties as well as among cities and towns.
31. As session law, stipulates legislative intent that included within the amount that is charged to all counties, cities, towns, Council of Governments and regional transportation authorities with a population greater than 800,000 for the Integrated Tax System project shall also include the Maricopa County Road Tax that becomes effective January 1, 2026 (Proposition 479)
32. As session law, stipulates legislative intent that the amounts charged to the 16% recreational marijuana excise tax and the 0.6% education sales tax for the Integrated Tax System Project shall not exceed \$177,200 and \$795,300, respectively, in FY 2026.

Department of Transportation

33. As permanent law, on or before July 31 each year, requires the department to submit an annual report to the Joint Legislative Budget Committee on the progress in improving Motor Vehicle Division wait times and vehicle registration renewal by mail turnaround times for the prior fiscal year in a format similar to prior years. This language replaces an ongoing annual footnote.

Universities

34. As session law, continues 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).

Department of Water Resources

35. As session law, continues 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 2026.

FY 2026 GENERAL APPROPRIATION ACT PROVISIONS

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.

Department of Education

1. As session law, continue deferral of \$800,727,700 of Basic State Aid payments for FY 2026 until FY 2027. Continue to exempt districts with less than 4,000 students from the deferral. Appropriate \$800,727,700 in FY 2027 for these deferred Basic State Aid payments. Allow ADE to make the rollover payment no later than July 12, 2026.
2. As session law, continue to require school districts to include in the FY 2026 revenue estimates that they use for computing their FY 2026 tax rates the rollover monies that they will receive for FY 2026 in July 2026.

Revenues

3. As session law, continue to specify revenue and expenditure estimates for FY 2025, FY 2026, FY 2027, and FY 2028.
4. As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2025 ending balances by September 15, 2025. Require the Joint Legislative Budget Committee (JLBC) Staff to report to JLBC by October 15, 2025 as to whether FY 2026 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections.

Statewide

5. 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.
6. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2026 in all agencies and provide it to the Director by October 1, 2026. The Universities are exempt from the report but are required to report separately.
7. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2025 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2025.
8. 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.
9. As session law, the following entities shall report to the Senate President, Speaker of the House of Representatives, Appropriations Committee Chairmen, and the JLBC Director on all total planned allocations and actual expenditures for monies received from the American Rescue Plan Act. The report is due within 45 days after the last day of the calendar quarter.
 - The Governor's Office would report on the Coronavirus State Fiscal Recovery Fund and the Coronavirus Capital Projects Fund.
 - The Superintendent of Public Instruction would report on the Elementary and Secondary School Emergency Relief Fund.
 - The Arizona Board of Regents (ABOR) and each community college district would report on the Higher Education Emergency Relief Fund.

The Legislature's intent is that the Executive Branch also report on any additional federal aid distributed to Arizona through federal legislation enacted before the end of FY 2026.

General

10. As session law, continue to define "*" as designating an appropriation exempt from lapsing.
11. As session law, continue to define "expenditure authority" as continuously appropriated monies included in individual line items of appropriations.
12. As session law, continue to define "review by the Joint Legislative Budget Committee" (JLBC) as a review by a vote of a majority of a quorum of the members.

FY 2026 MAJOR FOOTNOTE CHANGES

The Baseline includes the following major additions, deletions or modifications of footnotes. This list does not include footnote changes pertaining to one-time reports or appropriations or footnote changes conforming to enacted policy.

ADOA

1. Adds footnote requiring the department to submit a report on or before March 31, 2026, to JLBC and OSPB on the amount that Valleywise Health has agreed to send the department for deposit to the General Fund in FY 2026, including the reason for any change in amount from the prior year, if applicable.

AHCCCS

2. Replace existing footnote language specifying Valleywise Health share of Disproportionate Share Hospital (DSH) payments since they will no longer participate in DSH. Adds a new footnote requiring AHCCCS to report by March 31, 2026 on the amount of directed payments that Valleywise will receive from the new Safety Net Services Initiative.

Department of Economic Security

3. Modifies footnote requiring DES to submit a report on coronavirus relief-related child care development block grant monies to require a biannual report regarding balances, revenues, and expenditures in the current year and budget year for all federal child care monies.

Department of Education

4. Adds footnote requiring ADE to allocate the amount appropriated for a State Aid Supplement on a pro rata basis to districts and charters using a school's weighted student count, and to increase each school's budget limit accordingly. This footnote continues previous footnote language in effect for FY 2016 through FY 2025 related to the distribution of the Proposition 123 State Aid Supplement pursuant to Laws 2015, 1st Special Session, Chapter 1.

Lottery

5. Modifies footnote stating an amount appropriated to pay online vendor fees shall be equal to a percentage of total ticket sales rather than actual online game sales. The amount appropriated for these fees in FY 2026 is \$17,747,100, or 1.079% of total lottery ticket sales. In prior years, the amount was equal to 4.256% of online ticket sales.

Department of Transportation

6. Deletes footnote requiring an annual report to JLBC from the department on the progress in improving Motor Vehicle Division wait times and vehicle registrations renewal by mail turnaround times for the prior fiscal year. The Baseline proposes to convert this footnote into permanent law.

Capital

7. Deletes footnote allowing ADOA to use up to 5.0% of the amount appropriated to the agency in the Capital Outlay Bill for project management expenses. The FY 2025 budget increased the ADOA operating budget appropriation by an ongoing \$1.9 million from COSF for project management expenses to eliminate the need for the footnote.

INDIVIDUAL AGENCY ESTIMATES

Arizona State Board of Accountancy

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	908,400	1,083,500	1,083,500
Employee Related Expenditures	334,400	430,000	430,000
Professional and Outside Services	364,200	435,500	435,500
Travel - In State	2,600	6,900	6,900
Travel - Out of State	4,000	12,000	12,000
Other Operating Expenditures	239,900	261,200	261,200
Equipment	17,100	29,000	29,000
AGENCY TOTAL	1,870,600	2,258,100	2,258,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Accountancy Fund	1,870,600	2,258,100	2,258,100
SUBTOTAL - Other Appropriated Funds	1,870,600	2,258,100	2,258,100
SUBTOTAL - Appropriated Funds	1,870,600	2,258,100	2,258,100
TOTAL - ALL SOURCES	1,870,600	2,258,100	2,258,100

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

FOOTNOTES

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

Operating Budget

The Baseline includes \$2,258,100 and 14 FTE Positions from the Board of Accountancy Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Board of Accountancy Fund (ABA2001/A.R.S. § 32-705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of public accountants.		
Purpose of Fund: To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.		
Funds Expended	1,870,600	2,258,100
Year-End Fund Balance	2,135,600	1,532,100

Acupuncture Board of Examiners

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	108,700	108,700	108,700
Employee Related Expenditures	56,900	57,000	57,000
Other Operating Expenditures	27,300	34,000	34,000
AGENCY TOTAL	192,900	199,700	199,700^{1/}

FUND SOURCES

Other Appropriated Funds

Acupuncture Board of Examiners Fund	192,900	199,700	199,700
SUBTOTAL - Other Appropriated Funds	192,900	199,700	199,700
SUBTOTAL - Appropriated Funds	192,900	199,700	199,700
TOTAL - ALL SOURCES	192,900	199,700	199,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$199,700 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Acupuncture Board of Examiners Fund (ANA2412/A.R.S. § 32-3905)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of acupuncturists.		
Purpose of Fund: To examine, license, investigate, and regulate acupuncturists, and for board administration.		
Funds Expended	192,900	199,700
Year-End Fund Balance	84,400	77,500

Arizona Department of Administration

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	539.1	548.1	548.1
Personal Services	29,660,500	31,951,900	31,951,900
Employee Related Expenditures	10,567,800	11,214,600	11,214,600
Professional and Outside Services	5,714,000	5,379,300	5,379,300
Travel - In State	338,500	347,200	347,200
Travel - Out of State	23,500	27,900	27,900
Other Operating Expenditures	33,172,400	43,172,500	43,172,500
Equipment	266,800	2,115,800	1,788,300
OPERATING SUBTOTAL	79,743,500	94,209,200	93,881,700^{1/}
SPECIAL LINE ITEMS			
Facilities Management			
Utilities	5,745,400	7,649,900	7,649,900
Financial Services			
Arizona Financial Information System	13,127,800	11,524,300	10,967,300
Named Claimants	14,300	0	0
Information Technology Services			
Critical Applications Catalogue	0	900,000	400,000
Cybersecurity Systems Administration	0	446,500	446,500
Digital Solutions Office	0	1,345,700	1,345,700
Information Technology Project Management and Oversight	1,560,500	1,674,600	1,674,600
Risk Management			
Cyber Risk Insurance	1,394,100	23,037,200	23,037,200 ^{2/}
Federal Transfer Payment	9,493,000	0	0 ^{3/}
Risk Management Administrative Expenses	10,436,700	10,870,700	10,870,700
Risk Management Losses and Premiums	46,468,200	54,414,800	54,414,800
Workers' Compensation Losses and Premiums	24,731,900	28,395,000	28,395,000
Support Services			
School District Health Insurance Actuarial Study	0	250,000	0
Employee Compensation Study	1,800,000	0	0
Government Transformation Office	1,979,900	2,074,700	2,074,700
State Surplus Property Sales Agency Proceeds	2,058,700	1,810,000	1,810,000
Other			
Fire Incident Management Fund Deposit	12,200,000	0	0
Health Care Interoperability Grants	3,000,000	0	0
Skull Valley School District Distribution	300,000	0	0
Navajo Nation Household Electrical Connections	0	1,000,000	0
AGENCY TOTAL	214,054,000	239,602,600	236,968,100^{4/ 5/ 6/}

FUND SOURCES

General Fund	25,585,300	10,147,600	9,145,100
<u>Other Appropriated Funds</u>			
Air Quality Fund	400,200	929,900	929,900
Arizona Financial Information System Collections Fund	13,127,800	11,524,300	10,967,300
Automation Operations Fund	24,693,000	29,840,500	29,840,500 ^{2/}
Capital Outlay Stabilization Fund	16,365,900	21,137,300	21,137,300
Corrections Fund	487,800	629,400	629,400
Cyber Risk Insurance Fund	1,394,100	23,037,200	23,037,200
Federal Surplus Materials Revolving Fund	40,200	473,500	473,500
Information Technology Fund	2,023,500	3,956,500	3,956,500

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
Personnel Division Fund	12,898,500	14,046,200	13,796,200
Risk Management Revolving Fund	97,399,100	101,938,500	101,938,500
Special Employee Health Insurance Trust Fund	5,638,800	5,715,200	5,715,200
Special Services Revolving Fund	1,223,600	1,255,700	1,255,700
State Surplus Materials Revolving Fund	3,372,600	3,211,500	3,211,500 ^{8/}
State Web Portal Fund	7,863,500	9,354,700	8,854,700
Telecommunications Fund	1,540,100	2,404,600	2,079,600
SUBTOTAL - Other Appropriated Funds	188,468,700	229,455,000	227,823,000
SUBTOTAL - Appropriated Funds	214,054,000	239,602,600	236,968,100
Other Non-Appropriated Funds	1,179,244,400	1,220,276,800	1,323,518,100
Federal Funds	18,846,400	67,559,200	35,226,000
TOTAL - ALL SOURCES	1,412,144,800	1,527,438,600	1,595,712,200

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/ On or before September 1, 2026, the department shall submit a report to the joint legislative budget committee on the results of projects implemented in fiscal year 2025-2026 for the state employee public transportation service reimbursements pursuant to section 41-710.01, Arizona Revised Statutes, in a vehicle emissions control area as defined in section 49-541, Arizona Revised Statutes, of a county with a population of more than four hundred thousand persons. (General Appropriations Act footnote)
- 2/ On or before November 1, 2026, the department shall submit a report to the director of the joint legislative budget committee on expenditures made from the cyber risk insurance fund established by section 41-622, Arizona Revised Statutes, from the prior year. (General Appropriations 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 section 38-654, Arizona Revised Statutes, unless the proposed agreements have been reviewed by the joint legislative budget committee. (General Appropriations Act footnote)
- 4/ Within fifteen days of the last day of each quarter in fiscal year 2025-2026, the department of administration shall report to the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting the year-to-date expenditures and year-to-date encumbrances for operating and capital spending from the state general fund and other agency funds in fiscal year 2025-2026. The information shall be separately delineated by agency, budget fiscal year and fund source, and shall classify each appropriation by agency lump sum, special line item, or project. (General Appropriations Act footnote)
- 5/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 6/ **NEW** On or before March 31, 2026, the department shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting on the amount valleywise health has agreed to send to the department for deposit to the General Fund in fiscal year 2025-2026. If there is any change in the amount that valleywise health has agreed to send to the department from fiscal year 2024-2025, the report shall include the reason for the change. (General Appropriations Act footnote)
- 7/ The appropriation from the automation operations fund established by section 41-711, Arizona Revised Statutes, is an estimate representing all monies, including balance forward, revenues and transfers during fiscal year 2025-2026. These monies are appropriated to the department of administration for the purposes established in section 41-711, Arizona Revised Statutes. 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 \$29,840,500 in fiscal year 2025-2026, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act footnote)
- 8/ All state surplus materials revolving fund monies received by the department of administration in excess of \$3,048,900 in fiscal year 2024-2025 are appropriated to the department. Before spending state surplus materials revolving fund monies in excess of \$3,211,500 in fiscal year 2025-2026, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act footnote)

Operating Budget

The Baseline includes \$93,881,700 and 497.1 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$9,145,100
Air Quality Fund	929,900
Automation Operations Fund	29,840,500
Capital Outlay Stabilization Fund (COSF)	13,487,400
Corrections Fund	629,400
Federal Surplus Materials Revolving Fund	473,500
Information Technology Fund	2,164,300
Personnel Division Fund	13,796,200
Risk Management Revolving Fund	8,258,000
Special Employee Health Insurance Trust Fund	5,715,200
Special Services Revolving Fund	1,255,700
State Surplus Materials Revolving Fund	1,401,500
State Web Portal Fund	4,705,400
Telecommunications Fund	2,079,600

Adjustments are as follows:

Arizona State Hospital Ombudsman Position

The Baseline includes a decrease of \$(2,500) from the General Fund in FY 2026 to remove one-time funding for equipment costs related to the establishment of a new Ombudsman position to handle complaints and grievances concerning the Arizona State Hospital.

Capital Mall Fiber Network Upgrade

The Baseline includes a decrease of \$(325,000) from the Telecommunications Fund in FY 2026 to remove funding for one-time equipment and installation costs related to upgrading lateral fibers and riser cabling on the Capitol Mall to improve network transmission rates.

Facilities Management

Utilities

The Baseline includes \$7,649,900 from the Capital Outlay Stabilization Fund in FY 2026 for Utilities. This amount is unchanged from FY 2025.

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

Financial Services

Arizona Financial Information System

The Baseline includes \$10,967,300 and 28 FTE Positions from the Arizona Financial Information System Collections Fund in FY 2026 for the Arizona Financial Information System (AFIS). Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(557,000) from the AFIS Collections Fund in FY 2026 to remove one-time funding for the operation and maintenance of the upgraded AFIS system.

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

Named Claimants

The Baseline includes no funding in FY 2026 for Named Claimants. This amount is unchanged from FY 2025.

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 2024, Chapter 81 appropriated \$355,099.75 in FY 2024 for prior year unpaid claims from all state agencies.

Information Technology Services

Critical Applications Catalogue

The Baseline includes \$400,000 from the State Web Portal Fund in FY 2026 the Critical Applications Catalogue. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the State Web Portal Fund in FY 2026 to remove one-time

funding for the development and operation of a critical applications catalogue.

This line item funds a database of comprehensive information on all state IT systems.

Cybersecurity Systems Administration

The Baseline includes \$446,500 from the Information Technology Fund in FY 2026 for Cybersecurity Systems Administration. This amount is unchanged from FY 2025.

This line item funds costs related to the administration and operation of the single sign-on tool, domain name system and active directory. The IT Fund receives revenue from a 0.61% pro-rata charge on agency payroll.

Digital Solutions Office

The Baseline includes \$1,345,700 and 8 FTE Positions from the Information Technology Fund in FY 2026 for the Digital Solutions Office. These amounts are unchanged from FY 2025.

This line item provides funding to perform management support for state IT services. The office provides guidance in the areas of IT procurement, product management and design. The IT Fund receives revenue from a 0.61% pro-rata charge on agency payroll.

Information Technology Project Management and Oversight

The Baseline includes \$1,674,600 and 15 FTE Positions from the State Web Portal Fund in FY 2026 for IT Project Management and Oversight. These amounts are unchanged from FY 2025.

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

Cyber Risk Insurance

The Baseline includes \$23,037,200 from the Cyber Risk Insurance Fund in FY 2026 for Cyber Risk Insurance. This amount is unchanged from FY 2025.

This amount funds an insurance deductible in the event of a cyber security breach or incident, plus funding for

insurance premiums. The latter would fund third-party insurance to assist the state with a large cyber breach with costs over \$10,000,000.

Federal Transfer Payment

The Baseline includes no funding in FY 2026 for one-time payments to the federal government. This amount is unchanged from FY 2025.

The FY 2025 General Appropriations Act included an FY 2024 supplemental appropriation of \$9,493,000 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and for fund transfers in FY 2023. In addition, the FY 2025 General Appropriations Act continued to specify 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 the Health Insurance Trust Fund (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. Examples of restricted use include fund transfers from one ADOA fund to another fund, using an ADOA fund for a federally disallowed operating purpose, or retaining an excess fund balance.

Amounts owed for FY 2025 will be paid in FY 2026 through a supplemental appropriation. The final appropriated amount will be determined once ADOA reaches agreement with the federal government. *(Please see the FY 2025 Federal Financial Participation Payment section in Other Issues for more information.)*

Risk Management Administrative Expenses

The Baseline includes \$10,870,700 from the Risk Management Revolving Fund in FY 2026 for Risk Management Administrative Expenses. This amount is unchanged from FY 2025.

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 Baseline includes \$54,414,800 from the Risk Management Revolving Fund in FY 2026 for Risk

Management Losses and Premiums. This amount is unchanged from FY 2025.

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 Baseline includes \$28,395,000 from the Risk Management Revolving Fund in FY 2026 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2025.

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

School District Health Insurance Actuarial Study

The Baseline includes no funding in FY 2026 for a School District Health Insurance Actuarial Study. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the Personnel Division Fund in FY 2026 to remove one-time funding for an actuarial study.

The FY 2025 budget included a footnote requiring the money appropriated for the study to be used by the department to examine the cost and benefits for school district optional participation in the state health insurance program.

Government Transformation Office

The Baseline includes \$2,074,700 from the State Web Portal Fund in FY 2026 for the Government Transformation Office (GTO). This amount is unchanged from FY 2025.

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

State Surplus Property Sales Agency Proceeds

The Baseline includes \$1,810,000 from the State Surplus Materials Revolving Fund in FY 2026 for State Surplus Property Sales Agency Proceeds. This amount is unchanged from FY 2025.

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

Navajo Nation Household Electrical Connections

The Baseline includes no funding in FY 2026 for Navajo Nation Household Electrical Connections. Adjustments are as follows:

One-Time Distribution

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove a one-time distribution to the Navajo Nation to establish electrical connections for individuals without access to electricity.

Other Issues

This section includes information on the following topics:

- FY 2025 Federal Financial Participation Payment
- Health Insurance Trust Fund
- Valleywise Transfer

FY 2025 Federal Financial Participation Payment

ADOA's FY 2026 budget request includes an FY 2025 supplemental appropriation of \$15,000,000 from the General Fund for one-time payments to the federal government for disallowed costs and fund transfers in FY 2024. This payment has historically been made from the Risk Management Revolving Fund.

(Please see the Federal Transfer Payment line item above for more information.)

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.

HITF has experienced financial issues for several years. Beyond the regular employer contributions, HITF has been subsidized since FY 2023 through one-time appropriations of General Fund and other monies to maintain a fund balance with a sufficient reserve for claims. Most recently, the FY 2025 budget included \$140,000,000 from the General Fund (including a university tuition backfill) and \$230,903,200 total funds for a one-time employer premium increase

ADOA implemented no changes to employee premiums, deductibles, copays, or plan structure for Plan Year 2025, with 2 exceptions: 1) a 32.0% increase for COBRA continuation coverage member premiums, and 2) a minor increase to the Health Savings Account (HSA) deductible to comply with federal HSA requirements.

At the end of FY 2024, the fund had a cash balance of \$98,316,000. 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. One month's reserve would be approximately \$90 million.

Valleywise Transfer

In FY 2024, ADOA and the Valleywise system of public hospitals entered into an intergovernmental agreement (IGA) for Valleywise to transfer \$71,249,000 to ADOA for deposit to the General Fund. The Baseline assumes the \$71,249,000 amount will be deposited to the General Fund annually.

The Baseline adds a footnote that would require ADOA to report to the JLBC and OSPB by March 31, 2026, on the amount Valleywise has agreed to send to the department for deposit to the General Fund in FY 2026. If there is any change in the amount that Valleywise has agreed to send to the department from FY 2025, the report shall include the reason for the change.

Table 1	
Health Insurance Trust Fund	
(\$ in M)	
	FY 24
	Actual
Beginning Balance	\$128.7
<u>Revenue</u>	
Ongoing Premiums	866.8
One-time Employer Increase	<u>120.4</u>
<i>Net Revenues</i>	<i>\$987.2</i>
<u>Expenses</u>	
Ongoing Medical Expenses	\$1,011.4
Administration	<u>6.2</u>
<i>Net Expenses</i>	<i>\$1,017.6</i>
Cash Balance	\$98.3

SUMMARY OF FUNDS	FY 2024	FY 2025
	Actual	Estimate
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
Funds Expended	400,200	929,900
Year-End Fund Balance	528,000	448,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Financial Information System Collections Fund (ADA1234/A.R.S. § 41-740.01)		Appropriated
Source of Revenue: Revenues are collected from state agencies to recover pro rata costs of operating AFIS. Pro rata charges are determined by ADOA and allocated to each agency based on AFIS usage.		
Purpose of Fund: Supplements the cost of operating AFIS.		
Funds Expended	13,127,800	11,524,300
Year-End Fund Balance	3,835,500	3,510,600
Automation Operations Fund (ADA4230/A.R.S. § 41-711)		Appropriated
Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated sub-accounts for agreements made with other states and the Arizona Health Care Cost Containment System.		
Purpose of Fund: To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information.		
Funds Expended	24,693,000	29,840,500
Year-End Fund Balance	11,026,100	4,757,700
Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying ADOA owned buildings.		
Purpose of Fund: To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
Funds Expended	16,365,900	21,137,300
Year-End Fund Balance	25,180,200	(4,457,700)
Capitol Mall Consolidation Fund (ADA3211/A.R.S. § 41-792.02)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: For repair and renovations of state-owned buildings. Monies in the fund for capital expenses are not displayed in the ADOA operating budget.		
Funds Expended	0	0
Year-End Fund Balance	227,000	227,000
Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)		Non-Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
Purpose of Fund: To make COP lease-purchase payments on buildings under such agreements.		
Funds Expended	14,809,700	14,660,200
Year-End Fund Balance	4,942,900	4,897,700
Construction Insurance Fund (ADA4219/A.R.S. § 41-622)		Non-Appropriated
Source of Revenue: Risk management charges to agencies for state construction projects. The construction and design insurance rate is set by ADOA and reviewed by the Joint Committee on Capital Review.		
Purpose of Fund: To self-insure state construction projects against tort losses from design and construction defects.		
Funds Expended	9,871,700	10,038,000
Year-End Fund Balance	9,900,200	5,246,300
Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Annual subscription fees paid by local governments for state purchasing records, fees paid by individuals for copies of public records, and fees paid by vendors participating in the State Contract Show.		
Purpose of Fund: To operate the cooperative purchasing program and support its membership list.		
Funds Expended	7,335,500	7,856,600
Year-End Fund Balance	4,682,400	5,477,700

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Coronavirus State and Local Fiscal Recovery Fund (ADA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	18,228,400	65,508,700
Year-End Fund Balance	29,388,000	1,500,000
Corrections Fund (ADA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: To pay for construction, major maintenance, lease, purchase, renovation, or conversion of Arizona Department of Corrections (ADC) and Department of Juvenile Corrections (DJC) facilities. ADOA uses these monies to oversee construction projects benefiting ADC or DJC.		
Funds Expended	487,800	629,400
Year-End Fund Balance	0	0
Cyber Risk Insurance Fund (ADA4217/A.R.S. § 41-622)		Appropriated
Source of Revenue: The FY 2023 budget transferred \$24,624,400 from the Risk Management Revolving Fund in FY 2023 into the Cyber Risk Insurance Fund for FY 2023 and FY 2024 costs. Beginning in FY 2025, revenues may include actuarial charges assessed to state agencies, boards, and commissions insured under the state's risk management system.		
Purpose of Fund: To pay claim costs and administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits for Cyber Security.		
Funds Expended	1,394,100	23,037,200
Year-End Fund Balance	10,785,000	(13,895,200)
Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704)		Non-Appropriated
Source of Revenue: The telecommunication services excise tax, currently 20¢ per wire or wireless account, levied on monthly telephone bills and remitted by telephone companies, as authorized by A.R.S. § 42-5252. In addition, a tax equal to 0.8% of the gross income derived from the retail sale of prepaid wireless telecommunication services, as authorized by A.R.S. § 42-5402.		
Purpose of Fund: To aid the political subdivisions of the state in implementing and operating emergency telecommunication services (911); to purchase necessary equipment and consulting services (up to 5% of revenue); to pay monthly recurring costs for capital, maintenance, and operations; and to reimburse wireless carriers for the costs of compliance.		
Funds Expended	19,775,900	21,266,100
Year-End Fund Balance	12,477,300	11,608,300
Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05)		Non-Appropriated
Source of Revenue: State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.		
Purpose of Fund: To administer state employee benefit plans and pay non-health insurance premiums.		
Funds Expended	40,455,000	41,644,400
Year-End Fund Balance	0	0
Federal Grant Fund (ADA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants, including pass through grants from several agencies.		
Purpose of Fund: To pay for security related equipment and programs, as well as to administer monies as sub-grantee for federal projects.		
Funds Expended	618,000	2,050,500
Year-End Fund Balance	7,000	1,400

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606)		Appropriated
Source of Revenue: Federal surplus property service and handling fees.		
Purpose of Fund: To collect, store, and administer the sale of federal surplus property. Federal regulations concerning the disposition of federal surplus property cap the year-end balance of this fund at \$50,000. When the fund exceeds this cap, the department must discount its service and handling charges for federal surplus materials transferred to agencies in the following fiscal year.		
Funds Expended	40,200	473,500
Year-End Fund Balance	50,200	(353,300)
Fire Incident Management Fund (ADA9998/Laws 2023, Chapter 138)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To provide grants to municipal fire departments and districts to purchase hardware and software. No more than \$200,000 may be used for administrative costs. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Governor's Emergency Education Relief Fund (ADA2980/U.S. P.L. 116-136)		Federal Funds
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the state educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA and ISA Fund (ADA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	58,039,400	20,350,100
Year-End Fund Balance	31,066,800	15,533,400
Information Technology Fund (ADA2152/A.R.S. § 18-401)		Appropriated
Source of Revenue: A pro rata share of 0.61% of total payroll, charged to all budget units subject to oversight of information technology projects by ADOA's Arizona Strategic Enterprise Technology (ASET) Office or by the Information Technology Authorization Committee (ITAC).		
Purpose of Fund: Provides personnel funding for statewide information technology planning, coordinating, oversight, and consulting. Additionally, monies from the IT Fund also support the operation of the Statewide Information Security and Privacy Office (SISPO) in the Arizona Department of Homeland Security. Balances reflect transfers into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
Funds Expended	2,023,500	3,956,500
Year-End Fund Balance	9,882,400	11,097,600
Legislative, Executive, and Judicial Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)		Appropriated
Source of Revenue: State trust land lease revenues.		
Purpose of Fund: To support state Legislative, Executive, and Judicial buildings. Monies appropriated for capital expenses are not displayed in the ADOA operating budget.		
Funds Expended	0	0
Year-End Fund Balance	5,628,600	6,563,600

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Payroll Administration Fund (ADA9200/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collects and pays out all monies associated with the statewide payroll functions. Fund 9200 incorporates several payroll funds (ADA9220, ADA9230, NAU9202, UAA9203, and ASU9221). Fund 9230 collects a one-time \$50 charge for setting up a garnishment, which is granted by the court, a \$5 employee fee for each non-exempt statement that is generated per payday, and a \$1 administrative fee for child and spousal support orders.		
Purpose of Fund: Generally, revenues and expenditures are not used for normal payroll activities. The only balance that accumulates in this fund is for Unemployment Tax. For Fund 9230, monies are used for administrative costs related to garnishments and child support.		
Funds Expended	(61,000)	67,100
Year-End Fund Balance	8,700	29,400
Personnel Division Fund (ADA1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.83% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund: To operate the ADOA Human Resources Division.		
Funds Expended	12,898,500	14,046,200
Year-End Fund Balance	2,577,500	2,347,500
Retiree Accumulated Sick Leave Fund (ADA3200/A.R.S. § 38-616)		Non-Appropriated
Source of Revenue: A 0.40% charge on the total benefit-eligible payroll of each agency within the ADOA personnel system. By statute, the rate may not exceed 0.55% and is set by ADOA with Joint Legislative Budget Committee review.		
Purpose of Fund: To compensate eligible retiring state employees for accumulated sick leave, to pay insurance premiums, and to administer the program. Payments are calculated as a percentage, tiered according to accrual level of hourly salary. Payments to an individual shall not exceed \$30,000.		
Funds Expended	16,052,300	15,785,500
Year-End Fund Balance	17,823,800	22,828,300
Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to state agencies, boards, and commissions insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
Funds Expended	97,399,100	101,938,500
Year-End Fund Balance	56,449,100	32,767,500
School Safety Interoperability Fund (ADA3076/A.R.S. § 41-1733)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund school safety pilot programs which enable the deployment of a secure, multimedia data communications system to a user base consisting of public safety agencies and public schools. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. The FY 2023 Automation Budget Reconciliation Bill (BRB) transferred this fund from the State Treasurer to ADOA in FY 2023.		
Funds Expended	0	0
Year-End Fund Balance	2,600,000	260,000
Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)		Appropriated
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. Only administrative expenditures from this fund are subject to legislative appropriation. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	5,638,800	5,715,200
Year-End Fund Balance	98,448,400	86,554,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)		Non-Appropriated
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. The Non-Appropriated expenditures reflect the state's self-insured health care claims costs. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	1,011,237,900	1,086,787,600
Year-End Fund Balance	98,448,400	86,554,800
Special Events Fund (ADA2503/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Set-up fees for special events on state property.		
Purpose of Fund: To set up special events on state property.		
Funds Expended	4,000	0
Year-End Fund Balance	0	0
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193.02)		Appropriated
Source of Revenue: Payments by agencies using administrative services offered by ADOA.		
Purpose of Fund: Appropriated monies are collected from 11 small regulatory boards residing in the State Boards' Office to provide centralized administrative services. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	1,223,600	1,255,700
Year-End Fund Balance	161,400	(288,700)
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193)		Non-Appropriated
Source of Revenue: Payments by agencies using administrative services offered by ADOA.		
Purpose of Fund: Non-Appropriated expenditures reflect various centralized printing, copying, and repair services offered by ADOA. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	1,255,300	1,320,100
Year-End Fund Balance	161,400	(288,700)
State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03)		Non-Appropriated
Source of Revenue: Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.		
Purpose of Fund: To operate and administer a ride-sharing program for the transportation of state employees between home and work.		
Funds Expended	440,500	472,600
Year-End Fund Balance	407,800	514,000
State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606)		Appropriated
Source of Revenue: State surplus property sales revenues.		
Purpose of Fund: To collect, store, and administer the sale of state surplus property. The majority of revenues are returned to donor agencies. The department retains a service and handling fee.		
Funds Expended	3,372,600	3,211,500
Year-End Fund Balance	1,685,200	979,400
State Web Portal Fund (ADA2531/A.R.S. § 18-421)		Appropriated
Source of Revenue: Grants, donations, and web portal revenues, including any fees collected from the sale of certain types of motor vehicle records to commercial customers, less revenues deposited into the Highway User Revenue Fund, as stipulated in A.R.S. § 18-421.		
Purpose of Fund: To maintain and upgrade the state's common web portal, including enhancement of existing products and the development of new applications. Monies received from private grants or donations, as well as federal grants, are non-appropriated.		
Funds Expended	7,863,500	9,354,700
Year-End Fund Balance	5,286,600	5,314,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Employee donations and other miscellaneous deposits.		
Purpose of Fund: Employee donations are used to recognize outstanding employees.		
Funds Expended	2,200	2,500
Year-End Fund Balance	4,000	7,000
Telecommunications Fund (ADA4231/A.R.S. § 41-713)		Appropriated
Source of Revenue: Administrative surcharges on telecommunications services for agencies and other political entities.		
Purpose of Fund: To operate the Telecommunications Program Office, which manages and oversees statewide contracts for telecommunications products and services. The state's contractors operate and equip telecommunications voice, data, video, and graphics systems, allowing the collection, storage, interchange, retrieval, and transmission of information.		
Funds Expended	1,540,100	2,404,600
Year-End Fund Balance	1,198,100	337,500
Traffic and Parking Control Fund (ADA2453/A.R.S. § 41-796)		Non-Appropriated
Source of Revenue: Penalties and fees collected for traffic and parking violations on state property.		
Purpose of Fund: To post signs, markings, and notices for the regulation of vehicles on state property, as well as to maintain state parking lots and structures.		
Funds Expended	0	0
Year-End Fund Balance	2,500	2,500
Transparency Website Fund (ADA2955/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges to local governments that utilize the state's transparency website, Arizona OpenBooks.		
Purpose of Fund: To maintain the transparency website for public use.		
Funds Expended	26,000	26,000
Year-End Fund Balance	37,900	37,900
VW Diesel Emissions Environment Mitigation Trust Fund (ADA3917/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies deposited from the National Volkswagen Lawsuit Settlement. Arizona will receive approximately \$57.0 million over 10 years in settlement monies to support eligible air pollution mitigation activities.		
Purpose of Fund: To support eligible air pollution mitigation activities.		
Funds Expended	0	0
Year-End Fund Balance	191,700	191,700

Arizona Department of Administration - Automation Projects Fund

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
SPECIAL LINE ITEMS ^{1/2/}			
ADOA Business One-Stop Shop Web Portal	4,332,800	0	0
ADOA K-12 School Financial Transparency Reporting Portal	93,200	0	0
ADOA HRIS Replacement	13,722,600	6,841,200	0
Dept. of Agriculture IT Projects and Cloud Migration	0	0	0
AHCCCS Statewide HHIS Technology Projects	1,000,400	0	0
AHCCCS Medicaid Enterprise System Modernization	0	3,396,000	0
Corporation Commission Online Records & Filing System	262,500	0	0
DES Child Care Management System	371,200	0	0
ADE Education Learning and Accountability System	1,859,400	0	0
Judiciary Community Supervision Electronic Monitoring	0	0	0
Judiciary Probation Case Management System Replacement	2,371,600	0	0
DPS Concealed Weapons Tracking System	51,200	0	0
DOR Integrated Tax System Modernization	18,287,000	19,456,800	19,256,800 ^{3/}
SOS Electronic Record Storage Study	250,600	0	0
DWR Application Modernization and Integration	1,522,600	0	0
AGENCY TOTAL	44,125,100	29,694,000	19,256,800 ^{4/5/}

FUND SOURCES

Other Appropriated Funds

Automation Projects Fund	0	1,320,000	0
Corporation Commission APF Subaccount	262,500	0	0
Department of Administration APF Subaccount	4,426,000	0	0
Department of Economic Security APF Subaccount	371,200	0	0
Department of Education APF Subaccount	1,859,400	0	0
Department of Public Safety APF Subaccount	51,200	0	0
Department of Revenue APF Subaccount	18,287,000	19,456,800	19,256,800
Department of Water Resources APF Subaccount	1,522,600	0	0
Health and Human Services Information System (HHIS) APF Subaccount	1,000,400	0	0
Human Resources Information System APF Subaccount	13,722,600	5,521,200	0
Judiciary – Supreme Court APF Subaccount	2,371,600	0	0
Medicaid Enterprise System Modernization APF Subaccount	0	3,396,000	0
Secretary of State APF Subaccount	250,600	0	0
SUBTOTAL - Other Appropriated Funds	44,125,100	29,694,000	19,256,800
SUBTOTAL - Appropriated Funds	44,125,100	29,694,000	19,256,800 ^{6/}
TOTAL - ALL SOURCES	44,125,100	29,694,000	19,256,800

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 3* 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/} Represents expenditures from the APF. Because many of the APF appropriations are spent over multiple years, the FY 2024 actual column also includes non-lapsing expenditures from prior year appropriations.

- 3/ The monies appropriated in this subsection shall be spent for an integrated tax system modernization project that meets the following minimum specifications:
1. Captures data fields from electronically-filed individual and corporate income tax returns and makes the data available for querying and reporting purposes. The system shall provide the department of revenue staff, the joint legislative budget committee staff and governor's office of strategic planning and budgeting staff direct access to the querying and reporting functions. The querying and reporting functions shall include procedures to protect taxpayer confidentiality under applicable state and federal law.
 2. For electronic corporate income tax returns, captures information regarding the principal business activity of the corporation. This requirement may be satisfied through North American industry classification system data listed on federal tax forms. The tax system shall allow for querying and reporting based on principal business activity.
 3. Includes an integrated individual income tax model within the project and provides the department of revenue staff, the joint legislative budget committee staff and governor's office of strategic planning and budgeting staff direct access to the individual income tax model. At a minimum, the model shall allow the department of revenue staff, the joint legislative budget committee staff and governor's office of strategic planning and budgeting staff to adjust tax law parameters against an anonymized representative sample of income tax returns to estimate the fiscal impact of proposed tax legislation. The model shall only include data from state and federal tax returns that are captured by the tax system. The individual income tax model shall include procedures to protect taxpayer confidentiality under applicable state and federal law.
 4. Makes individual and corporate income tax data available for querying, modeling and reporting within twenty-four months following the end of a tax year. (General Appropriations Act footnote)
- 4/ The amount appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2024-2025 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2026. (General Appropriations Act footnote)
- 5/ Within thirty days after the last day of each calendar quarter, the department of administration shall submit to the joint legislative budget committee a quarterly report on implementing projects approved by the information technology authorization committee established by section 18-121, Arizona Revised Statutes, including the projects' expenditures to date, deliverables, timeline for completion and current status. (General Appropriations Act footnote)
- 6/ The transfers into the automation projects fund established by section 41-714, Arizona Revised Statutes, are not appropriations out of the automation projects fund. Only direct appropriations out of the automation projects fund are appropriations. (General Appropriations Act footnote)

Background

The APF is administered by ADOA and consists of subaccounts used to implement, upgrade, or maintain automation and information technology (IT) projects for state agencies. Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit to the Joint Legislative Budget Committee (JLBC) for review an expenditure plan that includes project costs, deliverables, timeline for completion and method of procurement.

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. If project costs are greater than \$5,000,000, A.R.S. § 18-104 requires an additional third-party analysis before receiving ITAC approval and requires agencies to submit quarterly progress reports from the third-party consultant. Unless otherwise noted, appropriations are non-lapsing for 2 years.

Department of Administration Subaccount

ADOA Business One-Stop Shop Web Portal

The Baseline includes no funding in FY 2026 for the Business One-Stop Shop Web Portal. This amount is unchanged from FY 2025. (Please see the FY 2025 Appropriations Report for additional background on the project.)

ADOA K-12 School Financial Transparency Reporting Portal

The Baseline includes no funding in FY 2026 for the K-12 School Financial Transparency Reporting Portal. This amount is unchanged from FY 2025.

The FY 2022 K-12 Budget Reconciliation Bill (BRB) included a provision which requires ADOA to develop a school financial transparency portal with school level data from districts and charter schools on revenues generated by

weighted student count, allocation of federal, state, and local revenue, allocation of Classroom Site Fund monies, and expenditures on teacher pay and benefits, classroom supplies, student support, and other expenditures.

The FY 2022 appropriation was financed by an appropriation for the General Fund to the ADOA APF Subaccount. The FY 2022 General Appropriations Act also included appropriations of \$1,500,000 in both FY 2023 and FY 2024 for the completion of the project. In addition, the FY 2024 budget included an additional \$2,000,000 financed from the General Fund. These appropriations are non-lapsing through FY 2025.

Human Resources Information System Subaccount

ADOA HRIS Replacement

The Baseline includes no funding in FY 2026 for the HRIS Replacement project. Adjustments are as follows:

Remove One-Time Project Funding

The Baseline includes a decrease of \$(6,841,200) in FY 2026 to eliminate one-time funding for the HRIS replacement project. This amount consists of:

HRIS APF Subaccount	\$(5,521,200)
Automation Projects Fund	(1,320,000)

The FY 2023 budget appropriated \$22,397,800 and the FY 2024 budget appropriated \$20,647,800 for the project. A total of \$20,647,800 of the FY 2023 appropriation and all of the FY 2024 appropriation was financed via a proportional pro rata charge to state agencies. Agencies were allocated additional resources as a statewide adjustment to pay the fee. Of that amount, \$8,011,400 was from the General Fund and \$12,636,400 was charged to other appropriated and non-appropriated agency funds. These funds were allocated to individual agency budgets in FY 2023 to pay HRIS user charges.

In addition, \$1,750,000 was transferred from the balance of ADOA's Personnel Division Fund into the HRIS APF Subaccount in FY 2023 for the project as an FY 2023 supplemental appropriation.

The FY 2025 budget included \$5,521,200 from the HRIS APF Subaccount for the project. This amount was financed by an FY 2024 supplemental transfer of \$3,100,000 from the Personnel Division Fund into the HRIS APF Subaccount and an additional transfer of \$2,421,200 in FY 2025. The FY 2025 budget also appropriated \$1,320,000 of unallocated monies from the Automation Projects Fund for the project.

HRIS is the state's central hub for salary and benefit administration, employee records, time and leave management, and other workforce data. The FY 2023 budget assumed that total project costs would be \$68,000,000 over 3 years. In July 2022, ADOA awarded a contract for the project and reduced the total project costs to \$44,166,800. In May 2024, ITAC approved a change request in which ADOA provided a revised cost estimate of \$62,309,100. A total of \$49,886,800 has been appropriated for this project between FY 2023 and FY 2025. As a result, the revised cost estimate currently exceeds the amount of available funds by \$12,422,300.

Department of Agriculture Subaccount

Agriculture IT Projects and Cloud Migration

The Baseline includes no funding in FY 2026 for IT projects and cloud migration at the Department of Agriculture. This amount is unchanged from FY 2025.

The FY 2023 budget appropriated \$2,000,000 to the department to continue its efforts to modernize its IT systems and move the systems to the cloud. The FY 2023 appropriation was financed from the General Fund. At its December 2022 meeting, the JLBC gave a favorable review of the department's \$300,000 expenditure plan to conduct a feasibility study for the project. The Committee included a provision that required the department to report to the JLBC staff on the outcome of the feasibility study.

In November 2023, the department issued a task order to procure a cloud-based system based on the feasibility study roadmap. The project will be completed about 18 months after contract is awarded to the winning bidder.

The FY 2025 budget extended the lapsing date of the FY 2023 appropriation through FY 2026. JLBC has not yet reviewed the remaining amount of the FY 2023 appropriation.

Health and Human Services Information System Subaccount

AHCCCS Statewide HHIS Technology Projects

The Baseline includes no funding in FY 2026 for Statewide HHIS Technology Projects. This amount is unchanged from FY 2025.

The FY 2024 budget appropriated \$15,000,000 from the General Fund for Statewide HHIS Technology Projects. The

appropriation was financed from the General Fund. The FY 2025 budget reduced the FY 2024 appropriation by \$(1,800,000) and specified that, of the remaining amount:

- \$6,700,000 shall be used for a new information technology platform to authenticate individuals applying for health and human service programs to prevent fraud, waste, and abuse.
- \$2,814,600 shall be used for the development of several modules associated with the Medicaid Enterprise System (MES) mainframe replacement. This project deemed to have been favorably reviewed by JLBC so as to prevent a delay in proceeding with the project.
- \$1,685,400 shall be used for MES fraud and waste abuse prevention enhancements. This project was deemed to have been favorably reviewed by JLBC so as to prevent a delay in proceeding with the project.
- \$2,000,000 shall be used for the MES Systems Integrator and ServiceNow projects. This project had already been favorably reviewed by the JLBC at its June 2023 meeting.

The AHCCCS project includes \$7,500,000 in federal expenditure authority from its operating budget.

MES Modernization Subaccount

Medicaid Enterprise System Mainframe Modernization

The Baseline includes no funding in FY 2026 for the MES Mainframe Modernization. Adjustments are as follows:

Remove One-Time Project Funding

The Baseline includes a decrease of \$(3,396,000) from the MES Modernization Subaccount in FY 2026 to remove one-time funding for the MES Mainframe Modernization.

The FY 2024 budget included \$13,200,000 for Statewide HHIS Technology Projects (see above). Of this amount, \$2,814,600 was dedicated to the MES Mainframe Modernization project. The FY 2025 budget established a separate subaccount for this project and provided an additional appropriation of \$3,396,000.

AHCCCS currently utilizes a mainframe-based application to support its core business operations. The mainframe-based PMMIS was developed using a now-outdated coding standard. The primary objective of the MES Mainframe Modernization is to migrate the AHCCCS mainframe system to the cloud.

The total project budget is estimated to be \$114,323,833. Of this amount, state costs are \$13,405,431. The remaining amount will come from federal funds and the state of Hawaii, which currently shares Medicaid systems with AHCCCS.

Corporation Commission Subaccount

Corporation Commission Online Records & Filing System

The Baseline includes no funding in FY 2026 for an Online Records and Filing System Replacement project. This amount is unchanged from FY 2025.

The Corporation Commission e-Corp system provides online access to corporation and limited liability company records on file with the agency's Corporations Division. The vendor stopped maintaining the current system in FY 2024. The FY 2024 budget included \$7,000,000 from the Corporation Commission APF Subaccount to implement and migrate to a new cloud-based system. The FY 2024 appropriation was financed by a transfer from the Securities Regulatory and Enforcement Fund.

Department of Economic Security Subaccount

DES Child Care Management System

The Baseline includes no funding in FY 2026 for the Department of Economic Security (DES) Child Care Management System. This amount is unchanged from FY 2025. *(Please see the FY 2024 Appropriations Report for additional background on the project.)*

Department of Education Subaccount

ADE Education Learning and Accountability System

The Baseline includes no funding in FY 2026 for the Arizona Department of Education (ADE) Education Learning and Accountability System (ELAS). This amount is unchanged from FY 2025. *(Please see the FY 2024 Appropriations Report for additional background on the project.)*

Judiciary Supreme Court Subaccount

Judiciary Community Supervision Electronic Monitoring

The Baseline includes no funding in FY 2026 for the Statewide Community Supervision Electronic Monitoring System. This amount is unchanged from FY 2025.

In FY 2023, the Supreme Court initiated a \$2,500,000 pilot project funded with the American Rescue Plan Act (ARPA) Funds. The system is designed to enable probation officers to monitor and communicate with individuals involved in the criminal justice system, both pre-trial and in selected probation groups, using a cell phone. The FY 2024 budget included \$2,500,000 from the Judiciary Supreme Court APF Subaccount to continue the project. The FY 2024 appropriation was financed from the General Fund. At its October 2023 meeting, the JLBC gave a favorable review of the project which is expected to be completed in FY 2027.

The FY 2025 budget extends the lapsing date of the FY 2024 appropriation through FY 2027.

Judiciary Probation Case Management System

The Baseline includes no funding in FY 2026 to replace the Probation Case Management System. This amount is unchanged from FY 2025.

The statewide system is used by all 15 county adult probation departments. The current system is over 20 years old and has reached its end of life.

The Supreme Court estimates that the total project costs are approximately \$11,100,000 over 3 years. In FY 2023, the Supreme Court initiated the project with approximately \$4,372,300 of operating funds. The FY 2024 budget included \$3,270,000 from the Judiciary Supreme Court APF Subaccount to continue the project. The FY 2024 appropriation was financed from the General Fund. At its October 2023 meeting, the Committee gave a favorable review of the FY 2024 expenditure plan.

Department of Public Safety Subaccount

DPS Concealed Weapons Tracking System

The Baseline includes no funding in FY 2026 for upgrades to the Department of Public Safety (DPS) Concealed Weapons Tracking System. This amount is unchanged from FY 2025.

The FY 2022 budget included \$550,000 from the DPS APF Subaccount to complete upgrades to the Concealed Weapons Tracking System. The FY 2024 budget included an additional \$494,500 for the same purpose.

The system tracks concealed weapon permits and allows law enforcement to verify permits. The current system uses antiquated mainframe technology. The new system will interface with other law enforcement systems and allow the public to renew permits online. *(Please see the FY 2022 Appropriations Report for additional details and background on the project.)*

Department of Revenue Subaccount

DOR Integrated Tax System Modernization

The Baseline includes \$19,256,800 from the Department of Revenue (DOR) APF Subaccount in FY 2026 for the DOR's development of a new integrated tax system. Adjustments are as follows:

Fourth-Year Development costs

The Baseline includes a decrease of \$(200,000) from the DOR APF Subaccount in FY 2026 for the development of a new integrated tax system modernization project. The FY 2026 funding level is included in the FY 2025 budget's 3-year General Fund spending plan. The FY 2026 JLBC Baseline's 3-year spending plan includes the FY 2026 – FY 2028 funding levels as displayed in *Table 1*.

The FY 2026 appropriation will be financed by a transfer from the following funds to the DOR APF Subaccount:

- \$11,725,500 from the General Fund
- \$7,531,300 from the Integrated Tax System Project Fund. The Integrated Tax System Project Fund consists of monies recovered from local governments (including regional transportation authorities) and state non-General Fund accounts that will benefit from the system.

As part of the FY 2023 budget, DOR estimated that the system will cost \$104,827,600 to implement by FY 2028. The long-term spending plan for the tax system assumed that development costs would be allocated as follows: 1) 60.89% from the General Fund; 2) 34.06% from Local Governments; 3) 4.13% from the 0.6% Education Sales Tax; and 4) 0.92% from the 16% recreational marijuana excise tax. As noted above, the non-General Fund sources (which total 39.11% of the project budget) are deposited into the Integrated Tax System Project Fund.

Given these fixed allocation percentages, of the total project budget of \$104,827,600, the General Fund cost would be \$63,829,700. The remaining \$40,997,900 is to be appropriated from the Integrated Tax System Project Fund as shown in *Table 1*.

	General Fund	Integrated Tax System Project Fund	Total
FY 2023	\$9,632,700	\$6,187,100	\$15,819,800
FY 2024 ^{1/}	10,494,100	7,575,300	18,069,400
FY 2025	11,847,300	7,609,500	19,456,800
FY 2026	11,725,500	7,531,300	19,256,800
FY 2027	12,538,400	7,218,400	19,756,800
FY 2028	<u>7,591,700</u>	<u>4,876,300</u>	<u>12,468,000</u>
Total	\$63,829,700	\$40,997,900	\$104,827,600

^{1/} The FY 2024 budget transferred \$11,794,100 from the General Fund to the DOR APF Subaccount for this project. The FY 2025 budget transferred \$1,300,000 back to the General Fund and increased the FY 2027 General Fund allocation by \$1,300,000.

DOR is given annual guidance in budget legislation on the dollar amounts of these non-General Fund allocations, which represent the fixed percentages multiplied by that year's annual project budget. In addition, budget legislation also provides DOR guidance for the assessment of the local government charges. *(Please see the Department of Revenue operating budget for the proposed statutory change for FY 2026).*

The Baseline continues a footnote that details the system requirements for the project.

The JLBC favorably reviewed the \$15,819,800 FY 2023 appropriation at two different meetings. At the September 2022 JLBC meeting, the Committee gave DOR a favorable review for initial scoping and procurement costs totaling \$870,900.

At its June 1, 2023 meeting, the JLBC favorably reviewed both the expenditure plan for the remaining FY 2023 monies as well as the project specifications. The selected vendor submitted a bid at \$55 million for development costs. This amount, combined with DOR's internal costs of \$40 million, results in a total development budget of \$95 million, leaving \$9.4 million for a contingency (see *Table 2*). The selected vendor's contract included \$30 million for 10 years of post-implementation operations and maintenance. This latter amount was not included in the DOR project budget.

In August 2023, DOR initiated an 18-month "discovery" phase with the selected vendor to design the system and determine the order of onboarding functionality and tax types. At its December 14, 2023 meeting, the JLBC

favorably reviewed the department's request to use \$16.7 million of the FY 2024 appropriation to complete the planning and discovery phase for the project.

	6-Year Budget
Vendor Development Costs	55.0
DOR Internal Development Costs	40.0
Total	95.0

Secretary of State Subaccount

SOS Electronic Record Storage Study

The Baseline includes no funding in FY 2026 for an electronic record storage feasibility study. This amount is unchanged from FY 2025. *(Please see the FY 2025 Appropriations Report for additional background on the project.)*

Department of Water Resources Subaccount

DWR Application Modernization and Integration

The Baseline includes no funding in FY 2026 to update the Department of Water Resources' (DWR's) applications. This amount is unchanged from FY 2025.

The FY 2023 budget included \$1,700,000 for DWR Application Modernization and Integration. The FY 2025 budget included an FY 2024 supplemental appropriation of \$2,500,000 for the same purpose. Both appropriations were financed with transfers from the Water Resources Fund.

The modernized applications and portal will centralize data, reduce manual data entry by department staff, reduce the processing time of applications, and allow applicants for DWR permits and licenses to submit and follow-up on their applications online.

Other Issues

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, General Fund deposits into the APF are projected to increase by \$812,900 in FY 2027 above FY 2026 and decrease by

\$(4,946,700) in FY 2028 below FY 2027. This estimate is based on assumed project funding for the the DOR Integrated Tax System modernization.

<u>Other Appropriated Funds</u>	<u>Transfer Amount</u>
Department of Administration	
Automation Projects Fund	\$ 1,376,400

Subaccount Balance Transfers

A.R.S § 41-714 allows ADOA to transfer unspent APF subaccount funding back to the fund of origin at the completion of an IT project. ADOA is required to annually report on transfers. In FY 2024, ADOA reported the following transfers:

Table 3			
Automation Projects Fund Transfers ^{1/}			
(\$ in thousands)			
	<u>FY 2024</u> ^{2/}	<u>FY 2025</u>	<u>FY 2026</u>
<u>Department of Administration Subaccount</u>			
General Fund	3,500.0 ^{3/}		
<u>HHIS Subaccount</u>			
General Fund	15,000.0 ^{4/}		
<u>Medicaid Enterprise System Modernization Subaccount</u>			
General Fund		3,396.0	
<u>HRIS Subaccount</u>			
General Fund	8,011.4		
Other Agency Funds	12,636.4		
Personnel Division Fund	3,100.0 ^{5/}	2,421.2	
<u>Corporation Commission</u>			
Securities Regulatory and Enforcement Fund	7,000.0		
<u>Judiciary -Supreme Court Subaccount</u>			
General Fund	5,770.0		
<u>Department of Public Safety Subaccount</u>			
Concealed Weapons Permit Fund	494.5		
<u>Department of Revenue Subaccount</u>			
General Fund	11,794.1 ^{6/}	11,847.3	11,725.5
Integrated Tax System Project Fund	7,575.3	7,609.5	7,531.3
<u>Department of Water Resources</u>			
Water Resources Fund	2,500.0 ^{7/}		
General Fund Subtotal	44,075.5	15,243.3	11,725.5
Other Appropriated Fund Subtotal	33,306.2	10,030.7	7,531.3
Total	77,381.7	25,274.0	19,256.8

^{1/} The purpose of this table is to show transfers into the APF. Displayed values have not been adjusted for transfers out of the APF.
^{2/} The FY 2024 column of numbers are transfers, not actuals, and therefore may not match the FY 2024 Actual column in the Budget table above.
^{3/} Laws 2024, Chapter 209, Section 133 transfers \$(7,000,000) from the Department of Administration APF Subaccount to the General Fund in FY 2024.
^{4/} Laws 2024, Chapter 209, Section 11 transfers \$(1,800,000) of this \$15,000,000 from the HHIS APF Subaccount to the General Fund in FY 2024.
^{5/} The FY 2025 budget includes a supplemental transfer of \$3,100,000 from the Personnel Division Fund to the HRIS APF Subaccount in FY 2024. This amount finances a portion of the FY 2025 appropriation for the ADOA HRIS Replacement project.
^{6/} Laws 2024, Chapter 209, Section 133 transfers \$(1,300,000) of this \$11,794,100 from the Department of Revenue APF Subaccount to the General Fund in FY 2024.
^{7/} The FY 2025 budget includes a supplemental transfer of \$2,500,000 from the Water Resources Fund to the Department of Water Resources APF Subaccount in FY 2024.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Automation Projects Fund (ADA2566/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects for any state agency. A.R.S § 41-714 requires ADOA to establish subaccounts for each agency that implements an Information Technology project funded through the APF.		
Funds Expended	0	1,320,000
Year-End Fund Balance	1,394,000	74,000
Corporation Commission APF Subaccount (ADA9961/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Corporation Commission.		
Funds Expended	262,500	0
Year-End Fund Balance	6,737,500	0
Department of Administration APF Subaccount (ADA9966/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Administration.		
Funds Expended	4,426,000	0
Year-End Fund Balance	8,754,900	2,695,900
Department of Agriculture APF Subaccount (ADA9974/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Agriculture.		
Funds Expended	0	0
Year-End Fund Balance	1,820,500	0
Department of Economic Security APF Subaccount (ADA9989/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Economic Security.		
Funds Expended	371,200	0
Year-End Fund Balance	0	0
Department of Education APF Subaccount (ADA9975/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Education.		
Funds Expended	1,859,400	0
Year-End Fund Balance	917,000	0
Department of Public Safety APF Subaccount (ADA9964/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Public Safety.		
Funds Expended	51,200	0
Year-End Fund Balance	680,500	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Department of Revenue APF Subaccount (ADA9978/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Revenue.		
Funds Expended	18,287,000	19,456,800
Year-End Fund Balance	15,099,100	0
Department of Water Resources APF Subaccount (ADA9993/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Water Resources.		
Funds Expended	1,522,600	0
Year-End Fund Balance	2,500,000	0
Health and Human Services Information System (HHIS) APF Subaccount (ADA9995/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects for health and human services systems statewide.		
Funds Expended	1,000,400	0
Year-End Fund Balance	12,199,600	0
Human Resources Information System APF Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Administration (Human Resources Information System Replacement).		
Funds Expended	13,722,600	5,521,200
Year-End Fund Balance	20,170,400	22,200
Judiciary – Supreme Court APF Subaccount (ADA9962/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Supreme Court.		
Funds Expended	2,371,600	0
Year-End Fund Balance	3,398,400	0
Medicaid Enterprise System Modernization APF Subaccount (ADA9996/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects for the Medicare Enterprise System modernization project.		
Funds Expended	0	3,396,000
Year-End Fund Balance	0	0
Secretary of State APF Subaccount (ADA9982/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Secretary of State.		
Funds Expended	250,600	0
Year-End Fund Balance	49,400	0

Arizona Department of Administration - School Facilities Division

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	1,070,500	1,151,300	1,151,300
Employee Related Expenditures	398,900	403,100	403,100
Professional and Outside Services	55,600	0	0
Travel - In State	10,500	8,000	8,000
Travel - Out of State	2,200	2,000	2,000
Other Operating Expenditures	72,900	60,300	60,300
OPERATING SUBTOTAL	1,610,600	1,624,700	1,624,700
SPECIAL LINE ITEMS			
New School Facilities (FY 2023 Authorizations)	26,365,000	0	0
New School Facilities (FY 2024 Authorizations)	116,089,400	77,898,600	0
New School Facilities (FY 2025 Authorizations)	0	31,489,500	45,077,100 ^{1/}
New School Facilities (FY 2026 Authorizations)	0	0	105,973,400 ^{2/3/}
Santa Cruz Valley New School	2,000,000	0	0
New School Facilities Debt Service	9,938,100	9,938,100	9,938,100 ^{4/5/}
Building Renewal Grants Deposit	199,967,900	199,967,900	16,667,900
School Facilities Inspections	172,200	0	0
AGENCY TOTAL	356,143,200	320,918,800	179,281,200 ^{6/}
FUND SOURCES			
General Fund	356,143,200	320,918,800	179,281,200
SUBTOTAL - Appropriated Funds	356,143,200	320,918,800	179,281,200
Other Non-Appropriated Funds	350,300	1,301,600	1,301,600
Federal Funds	26,500	977,800	2,090,100
TOTAL - ALL SOURCES	356,520,000	323,198,200	182,672,900

AGENCY DESCRIPTION — The School Facilities Division in the Arizona Department of Administration 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. The division is assisted in its duties by a School Facilities Oversight Board composed of 7 gubernatorial appointments, along with the State Superintendent of Public Instruction and the Director of the Department of Administration serving as advisory non-voting members.

FOOTNOTES

- ^{1/} Laws 2024, Chapter 209, appropriated \$45,077,100 from the General Fund in FY 2026 for the New School Facilities FY 2025 authorizations.
- ^{2/} Pursuant to section 41-5741, Arizona Revised Statutes, 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 division of school facilities on or before December 15, 2024. (General Appropriations Act footnote)
- ^{3/} After approving a distribution of funding for a land purchase, a land lease or the construction of a new school, the division of school facilities shall report to the joint legislative budget committee and the governor's office of strategic planning and budgeting the final amount of the distribution. (General Appropriations Act footnote)
- ^{4/} At least thirty days before any monies are transferred out of the new school facilities debt service line item, the division of school facilities shall report the proposed transfer to the director of the joint legislative budget committee. (General Appropriations Act footnote)
- ^{5/} Pursuant to section 35-142.01, Arizona Revised Statutes, any reimbursement received by or allocated to the division of school facilities under the federal qualified school construction bond program in fiscal year 2025-2026 shall be deposited in or revert to the state general fund. (General Appropriations Act footnote)
- ^{6/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by division.

Operating Budget

The Baseline includes \$1,624,700 and 17.0 FTE Positions from the General Fund in FY 2026 for the operating budget. This amount is unchanged from FY 2025.

New School Facilities

The Baseline includes \$151,050,500 from the General Fund in FY 2026 for New School Facilities, which is an increase of \$41,662,400 from FY 2025. The funding amount for New School Facilities includes the following:

- \$45,077,100 for the remaining 50% of construction funding to complete 5 projects which were authorized to begin construction in FY 2025.
- \$105,973,400 for projects authorized to begin construction in FY 2026, which includes \$94,137,900 for the first 50% of construction costs for 3 projects, \$2,080,500 for 100% of construction costs for 1 smaller project, \$7,000,000 for a land purchase, \$800,000 for a land donation credit, and \$1,955,000 for site conditions.

All new school construction is labeled as one-time spending rather than ongoing spending. (See Table 3 for a summary of New School Facilities Funding)

Background – The New School Facilities line item provides funding for school districts to build new K-12 school facilities. The division distributes the monies to school districts as work is completed on approved projects. A school district qualifies for new construction funding when the districtwide square feet per student is predicted to fall below the statutory minimum within the next 2 years. Funding is then provided to the district at a statutorily-prescribed dollar amount per square foot.

The dollar amount per square foot is adjusted annually based on a construction market index identified by the JLBC. At its December 18, 2024 meeting, the JLBC approved a 3.88% adjustment in the cost per square foot. This inflation adjustment is based on a measure of construction costs since December 2023 when the Committee last adopted an adjustment. This adjustment applies to the FY 2026 projects approved by the division. (See Table 1 for the current statutory funding amounts)

Table 1

New School Facilities Statutory Funding Guidelines – FY 2026 Awards ^{1/2/}

Type of School	Per Student	Funding Per Square Foot
K-6	90	\$342.04
7-8	100	\$361.11
9-12 (<1,800 pupils)	134	\$418.04
9-12 (≥1,800 pupils)	125	\$418.04

^{1/} Increased by 5% for rural school districts.

^{2/} Adjusted annually for inflation in subsequent years.

In addition, the division distributes money for land acquisition and site conditions. Site conditions funding is used 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.

New School Facilities (FY 2024 Authorization)

The Baseline includes no funding in FY 2026 for New School Facilities projects which were authorized to start construction in FY 2024. Adjustments are as follows:

New School Funding Completion

The Baseline includes a decrease of \$(77,898,600) from the General Fund in FY 2026 for the completion of 7 projects:

- [Agua Fria \(9-12\)](#) – for a new high school including land
- [Liberty \(K-8\)](#) – for a new elementary school including land.
- [Queen Creek \(K-6\)](#) – for 2 elementary school additions.
- [Queen Creek \(K-6\)](#) – for a new elementary school including land.
- [Queen Creek \(7-8\)](#) – for 2 middle school additions.
- [Saddle Mountain \(9-12\)](#) – for a high school addition.
- [Snowflake \(9-12\)](#) – for a new high school including land.

New School Facilities (FY 2025 Authorization)

The Baseline includes \$45,077,100 from the General Fund in FY 2026 for New School Facilities projects which were authorized to start construction in FY 2025. Adjustments are as follows:

Continue New School Construction Projects

The Baseline includes an increase of \$18,741,700 from the General Fund in FY 2026 for New School Facilities projects. These school districts are projected to be at capacity in FY 2026 or before. The Baseline assumes 50% of construction costs for each project will be appropriated in FY 2026. 100% of land costs for each project were also funded in FY 2025. The projects are as follows:

- Maricopa (6-8) – for a new middle school and a land purchase
- Queen Creek (9-12) – for 2 high school additions.
- Sahuarita (9-12) – for high school addition and site conditions. The SFD award (and corresponding appropriated amount) for this project reflects a deduction of \$(484,900) for design costs previously funded.
- Valentine (K-8) – for a replacement school, site conditions, and demolition. SFD has determined that Valentine Elementary School has outlived its useful life. Under statute, with that determination, SFD removed the school's capacity and recalculated the new construction square footage requirements based on total district enrollment and minimum adequacy guidelines. SFD then awarded the district a 15,463 square feet project.

This adjustment also includes the removal of one-time savings associated with the Agua Fria 9-12 project (which was funded in FY 2024) and the Douglas 9-12 project (which was funded in FY 2020). The savings from these projects' lower land costs were realized by reducing SFD's FY 2025 New School Facilities appropriation.

The FY 2025 General Appropriations Act appropriated the remaining \$45,077,100 of funding in FY 2026 to fund the remaining 50% of construction costs for these projects. As a result, these monies will not appear in the FY 2026 General Appropriations Act.

Remove One-Time Prior Year Land Costs

The Baseline includes a decrease of \$(160,400) from the General Fund in FY 2026 to remove one-time funding for prior year land cost adjustments. Statute requires the state to pay for land costs for SFD-funded schools in the amount of the lowest 2 appraisals. The FY 2024 budget appropriated \$11,100,000 from the General Fund for land for a new K-6 elementary school in Queen Creek Unified School District. The final cost of the land was \$11,260,400. As a result, the FY 2025 budget included an increase of \$160,400 to fully fund this cost.

Remove One-Time Site Conditions

The Baseline includes a decrease of \$(4,650,400) from the General Fund in FY 2026 to remove one-time funding for site conditions for prior year projects. SFD approved additional site conditions for the following projects:

Pima 9-12 (FY 2023 School)	\$1,241,000
Queen Creek K-6 (FY 2024 School)	\$956,700
Queen Creek 7-8 (FY 2024 School)	\$73,800
Sahuarita 9-12 (FY 2025 School)	\$906,500
Santa Cruz Valley (FY 2020 School)	\$137,400
Valentine K-8 (FY 2025 School)	\$1,335,000

Remove One-Time Unallocated Monies

The Baseline includes a decrease of \$(343,300) in FY 2026 to remove one-time funding for other expenses from the New School Facilities Fund. This amount could be used by SFD for any expenses allowed by statute for FY 2025 authorization projects.

New School Facilities (FY 2026 Authorization)

The Baseline includes \$105,973,400 from the General Fund in FY 2026 for New School Facilities projects which are authorized to start construction in FY 2026. Adjustments are as follows:

Begin New School Construction Projects

The Baseline includes an increase of \$104,018,400 from the General Fund in FY 2026 for New School Facilities projects. These school districts are projected to be at capacity in FY 2027 or before. The Baseline assumes 50% of construction costs and 100% of land costs for each project will be appropriated in FY 2026, with the exception of certain smaller projects which are typically funded in a single year. The projects are as follows:

- Laveen (K-8) – for a new elementary school including land.
- Nadaburg (K-8) – for a new elementary school including land.
- Snowflake (7-8) – for a new middle school.
- Tolleson (9-12) – for a new high school.

Project estimates include land costs when SFD indicates land is required that is not already available to the district. Unless a land cost estimate was specifically provided by SFD, land costs are projected using an estimated parcel size within the range required by SFD policy (based on school type/size) and estimated land market values.

One-Time Site Condition Funding

The Baseline includes an increase of \$1,955,000 for one-time funding related to the Pima Unified High School project that was funded in FY 2023 and FY 2024. This funding is in addition to the \$26,799,600 appropriated in the FY 2023 budget to build the school (including \$4,500,000 of land purchase costs which were reallocated to construction costs).

New School Facilities Debt Service

The Baseline includes \$9,938,100 from the General Fund in FY 2026 for New School Facilities Debt Service. This amount is unchanged from FY 2025.

SFD's only current debt service is for an FY 2010 lease-purchase agreement used to finance the costs of new school construction. That agreement requires the \$9,938,100 annual debt service payment through FY 2027 and a final lower debt service amount in FY 2028.

The FY 2026 Baseline includes \$9,938,100 for the debt service requirement for the 2010 Qualified School Construction Bonds (QSCB) issuance. 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 \$3,729,900 in FY 2026 related to the lease-purchase payment.

Pursuant to A.R.S. § 35-142.01, the subsidy funds will be deposited as revenue into the state General Fund, thereby leaving a net debt service obligation of \$6,208,200.

Other Programs

Building Renewal Grants

The Baseline includes \$16,667,900 from the General Fund in FY 2026 for Building Renewal Grants. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(183,300,000) from the General Fund in FY 2026 to remove one-time funding for building renewal grants.

Since FY 2014, the state has funded an ongoing "base" amount of Building Renewal Grant funding of \$16,667,900. (See Table 2.)

Background – SFD distributes monies to school districts to fund "primary" building renewal projects. SFD prioritizes projects with emphasis given to school districts that have provided routine preventative maintenance. "Primary" building renewal projects are those required to meet the minimum adequacy guidelines. Statute also requires SFD to prioritize funding to critical projects.

Table 2

**Building Renewal Appropriations
FY 2013 - FY 2025**

Fiscal Year	Ongoing	One-Time	Total
2013	2,667,900	0	2,667,900
2014	16,667,900	0	16,667,900
2015	16,667,900	0	16,667,900
2016	16,667,900	15,000,000	31,667,900
2017	16,667,900	15,000,000	31,667,900
2018	16,667,900	27,167,900	43,835,800
2019	16,667,900	59,417,900	76,085,800
2020	16,667,900	90,790,900	107,458,800
2021	16,667,900	129,591,100	146,259,000
2022	16,667,900	183,949,100	200,617,000
2023	16,667,900	183,300,000	199,967,900
2024	16,667,900	183,300,000	199,967,900
2025	16,667,900	183,300,000	199,967,900

Pursuant to A.R.S. § 41-5721, SFD 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.

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.

Other Issues

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, SFD's General Fund costs are projected to increase by \$45,817,000 in FY 2027 above FY 2026 and decrease by \$(31,177,000) in FY 2028 above FY 2027. These estimates are based on:

New School Construction

The long-term estimates assume 2 types of new school construction funding: 1) Providing the remaining funding in FY 2027 for the schools which were authorized to begin construction in FY 2026; and 2) Conceptual approvals made by SFD as part of the agencies' long-term planning process.

In FY 2027, new school construction spending is projected to increase by \$45,817,000. Projects are as follows:

- Buckeye Union (9-12) – for a new high school including land.
- Marana (9-12) – for a new high school.
- Queen Creek (K-6) – for a new elementary school.
- Somerton (K-6) – for a new elementary school including land.

In addition, FY 2028 new school construction spending is projected to decrease by \$(28,722,400). Projects are as follows:

- Buckeye Elementary (K-8) – for a new elementary school including land.
- Maricopa (K-5) – for a new elementary school including land.
- Maricopa (9-12) – for a high school addition.
- Nadaburg (9-12) – for a high school addition including land.

Long-term estimates include land costs when SFD indicates land is required which is not already available to the district. Unless a land cost estimate was specifically provided by SFD, land costs are projected using an estimated parcel size within the range required by SFD policy (based on school type/size) and an estimated market value. Given the general proximity of projects with no specific SFD land cost estimate, these other projects using JLBC methodology assumed a land purchase cost of \$200,000 per acre based on recent land sales data. The following land cost estimates were specifically provided by SFD and are not estimated using JLBC methodology:

- Laveen Land (FY 2026 Start) – At its December 2023 meeting, SFD approved \$7,000,000 for Laveen to purchase land in FY 2026 for its new K-8 school approved to begin construction in FY 2026.
- Buckeye Union Land (FY 2027 Start) – \$7,400,000 for a land purchase in FY 2027.
- Maricopa Land Donation (FY 2028 Start) - \$480,000 for a land donation credit, which was approved by SFD in March 2024.

New construction projects assumed to start in FY 2027 and FY 2028 reflect SFD conceptual approvals as of December 2024.

New School Facilities Debt Service

SFD new school facilities debt service funding would decrease by \$(2,454,600) in FY 2028 below FY 2027. This decrease represents the lower amount in the final year of SFD's debt service schedule for an FY 2010 lease-purchase agreement used to finance the costs of new school construction.

Agua Fria Land Lease

In FY 2024, the Agua Fria Union High School District signed a 75-year lease with the State Land Department for land for a new high school. The FY 2024 budget (as modified by the FY 2025 budget) appropriated sufficient monies to pay for this land lease cost. Under A.R.S. § 37-221, the monies paid to the Land Department for the lease are deposited back into the New School Facilities Fund. As such, the Baseline considers the initial annual lease payment of \$1,776,300 a one-time FY 2024 cost. However, every 5

years, the cost of the lease increases by 5% of the preceding year's lease price. Therefore the first cost adjustment for the Agua Fria lease would be an incremental increase of \$88,800 in FY 2029.

End of Useful Life Replacement Projects

At its December 13, 2024 meeting, the School Facilities Oversight Board (SFOB) also approved replacement space projects for 3 districts at a total cost of \$7,889,400. These 3 projects are not included in the Baseline funding amounts described above and in *Table 3*.

Under A.R.S. § 41-5741, a school district may apply to SFD for a new construction project if a school building has outlived its useful life. If SFD determines that a school building has outlived its useful life, the Division must remove that building from the district's square footage calculation and recalculate the district's capacity. If the required recalculation results in the district no longer having capacity for its student population, the district qualifies for New School Facilities monies to construct a new school or building.

The following 3 projects were considered by SFOB pursuant to A.R.S. § 41-5741. While these districts did not qualify for a new building under the recalculation required by statute, SFOB approved these projects under the belief that there were extenuating circumstances in each case. The projects are as follows:

- Chino Valley (9-12) – \$3,887,500 for 9,200 square feet, which would include 8 classrooms of 900 square feet each and one art classroom of 2,000 square feet.
- Holbrook (K-8) – \$2,281,500 for 6,270 square feet to construct a new indoor physical education space.
- St. David (9-12) – \$1,730,400 for 4,300 square feet to construct a new workshop space.

Table 3

Long-Term New School Facilities Funding ^{1/}

	Type	Sq. Ft	Rate	Student Capacity	FY 2025	FY 2026	FY 2027	FY 2028
FY 2024 Starts ^{1/}								
Agua Fria 9-12	New	125,000	377.80	1000	\$ 23,613,000			
Liberty K-8	New	73,920	313.19	800	11,575,400			
Queen Creek K-6	Addition	18,330	309.11	229	2,832,950			
Queen Creek K-6	Addition	14,520	309.11	182	2,244,150			
Queen Creek K-6	New	90,000	309.11	1000	13,909,800			
Queen Creek 7-8	Addition	39,918	326.34	499	6,513,400			
Queen Creek 7-8	Addition	25,082	326.34	314	4,092,600			
Saddle Mountain 9-12	Addition	57,620	377.80	430	10,884,700			
Snowflake 9-12 (Rural)	New	11,256	396.69	84	2,232,600			
Subtotal - FY 2024 Starts					\$ 77,898,600			
FY 2025 Starts								
Maricopa 6-8	New	96,670	341.44	1,000	16,503,500	16,503,500		
Maricopa 6-8 Land					5,872,000			
Queen Creek 9-12	Addition	37,500	402.43	300	7,545,600	7,545,600		
Queen Creek 9-12	Addition	62,500	402.43	500	12,576,000	12,576,000		
Sahuarita 9-12 ^{2/}	Addition	29,750	402.43	238	5,743,700	5,743,700		
Sahuarita Site Conditions					906,500			
Valentine K-8 (Rural)	Replacement	15,463	350.29	151	2,708,300	2,708,300		
Valentine Site Conditions & Demo					1,335,000			
Agua Fria 9-12 Land - Lease Savings					(21,488,700)			
Douglas Land Savings					(3,125,000)			
Prior Year Land Adjustments					160,400			
Prior Year Site Conditions					2,408,900			
Unallocated					343,300			
Subtotal - FY 2025 Starts					\$ 31,489,500	\$ 45,077,100		
FY 2026 Starts								
Laveen K-8	New	92,400	346.55	1,000		16,010,600	16,010,600	
Laveen Land	New	92,400	346.55	1,000		7,000,000		
Nadaburg K-8	New	73,920	346.55	800		12,808,500	12,808,500	
Nadaburg K-8 Land Donation	New	73,920	346.55	800		800,000		
Pima 9-12 Site Conditions						1,955,000		
Snowflake 7-8 (Rural)	New	5,700	379.17	57		2,080,500		
Tolleson 9-12	New	312,500	418.04	2,500		65,318,800	65,318,800	
Subtotal - FY 2026 Starts						\$ 105,973,400	\$ 94,137,900	
FY 2027 Starts								
Buckeye Union 9-12	New	300,000	418.04	2,400			62,706,000	62,706,000
Buckeye Union 9-12 Land	New	300,000	418.04	2,400			7,400,000	
Marana 9-12	New	62,500	418.04	500			13,063,800	13,063,800
Queen Creek K-6	New	67,500	342.04	750			11,543,900	11,543,900
Somerton K-6	New	45,000	342.04	500			7,695,900	7,695,900
Somerton K-6 Land Donation	New	45,000	342.04	500			320,000	
Subtotal - FY 2027 Starts							\$ 102,729,600	\$ 95,009,600
FY 2028 Starts								
Buckeye Elementary K-8	New	87,780	346.55	950				15,210,100
Buckeye Elementary K-8 Land	New	87,780	346.55	950				4,000,000
Maricopa K-5	New	72,000	342.04	800				12,313,500
Maricopa K-5 Land Donation	New	72,000	342.04	800				480,000
Maricopa 9-12	Addition	125,000	418.04	1,000				26,127,500
Nadaburg 9-12	Addition	67,000	418.04	500				14,004,400
Nadaburg 9-12 Land Donation	Addition	67,000	418.04	500				1,000,000
Subtotal - FY 2028 Starts								\$ 73,135,500
Total					\$ 109,388,100	\$ 151,050,500	\$ 196,867,500	\$ 168,145,100

1/ See the Arizona Department of Administration section for additional FY 2024 funding associated with the Miami Unified School District and the Skull Valley Elementary

2/ Project formula reduced by \$484,900 for design costs previously funded.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Public School Credit Enhancement Fund (SFA9999/A.R.S. § 41-5857)		Non-Appropriated
Source of Revenue: Revenues include fees paid by participating schools, repayments of monies used to make payments of principal and interest on guaranteed financings, proceeds of program funding obligations, gifts, grants, and donations. The fund is administered by the Treasurer's Office. (Please see the State Treasurer's Section for more information.)		
Purpose of Fund: To make payments of principal or interest on guaranteed financings. To pay administrative expenses for the Arizona Credit Enhancement Program. The School Facilities Division allows the Governor's Office to administer the program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Building Renewal Grant Fund (SFA2392/A.R.S. § 41-5741)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide grants to school districts for maintaining the adequacy of existing school facilities. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. The balance amounts displayed represent unencumbered funds which have not been awarded by the division.		
Funds Expended	0	0
Year-End Fund Balance	167,348,400	0
Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 41-5721)		Non-Appropriated
Source of Revenue: Monies transferred from the Building Renewal Grants Fund or New School Facilities Fund.		
Purpose of Fund: To provide school districts monies for facility emergencies.		
Funds Expended	350,300	1,301,600
Year-End Fund Balance	208,800	208,800
Federal Grant Fund (SFA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: School facilities related federal grants.		
Purpose of Fund: To support school facilities related programs, including the Supporting America's School Infrastructure (SASI) program that provides funding for developing a database of school facilities and implementing a school facilities index to analyze building conditions.		
Funds Expended	26,500	977,800
Year-End Fund Balance	7,000	1,400
Lease to Own Debt Service Fund (SFA2373/A.R.S. § 41-5704)		Non-Appropriated
Source of Revenue: Appropriated monies and interest earnings from the investment of lease-to-own Certificates of Participation proceeds.		
Purpose of Fund: To pay the debt service on any lease-to-own agreements entered into by the school facilities oversight board to finance the costs of new school construction. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	1,738,400	1,738,400
New School Facilities Fund (SFA2460/A.R.S. § 41-5731)		Non-Appropriated
Source of Revenue: Appropriated monies, monies received by the State Land Department from the lease of state public school land, and proceeds from lease-to-own agreements. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To provide school districts with monies for constructing new school facilities, and to pay for the following: construction project management services, school building structural assessments, and land acquisition.		
Funds Expended	0	0
Year-End Fund Balance	189,453,900	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
School Improvement Revenue Bond Debt Service Fund (SFA5010/A.R.S. § 41-5084)		Non-Appropriated
Source of Revenue: Revenues from a 0.6% increase in the state Transaction Privilege Tax (as approved under Proposition 301 in the 2000 General Election) and monies credited to the fund from the Permanent State School Fund.		
Purpose of Fund: To pay the debt service on \$793,650,000 in Proposition 301 revenue bonds and \$26,350,000 in QZAB revenue bonds.		
Funds Expended	0	0
Year-End Fund Balance	9,785,000	9,943,600
State School Trust Revenue Bond Debt Service Fund (SFA5030/Laws 2003, Chapter 264)		Non-Appropriated
Source of Revenue: Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.81).		
Purpose of Fund: To pay the debt service on \$246,600,000 in State Land Trust Revenue bonds.		
Funds Expended	0	0
Year-End Fund Balance	23,700	23,700

Office of Administrative Hearings

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	12.0	12.0	12.0
Personal Services	622,600	621,600	621,600
Employee Related Expenditures	250,100	250,000	250,000
Other Operating Expenditures	117,300	98,400	98,400
AGENCY TOTAL	990,000	970,000	970,000 ^{1/}
FUND SOURCES			
General Fund	990,000	970,000	970,000
SUBTOTAL - Appropriated Funds	990,000	970,000	970,000
Other Non-Appropriated Funds	1,017,100	1,145,000	1,145,000
TOTAL - ALL SOURCES	2,007,100	2,115,000	2,115,000

AGENCY DESCRIPTION — The Office of Administrative Hearings (OAH) 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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$970,000 and 12 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
IGA and ISA Fund (HGA2500/A.R.S. § 41-1092.01)		Non-Appropriated
Source of Revenue: Monies received by OAH for contractual, administrative law judge services provided to state agencies.		
Purpose of Fund: To cover actual expenses of providing personnel and services to state agencies on a contractual basis.		
Funds Expended	1,017,100	1,145,000
Year-End Fund Balance	1,900	1,900

Arizona Department of Agriculture

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	212.8	212.3	211.9 ^{1/}
Personal Services	8,683,000	8,406,200	8,406,200
Employee Related Expenditures	3,523,700	3,591,500	3,591,500
Professional and Outside Services	743,400	313,300	313,300
Travel - In State	1,601,300	1,473,700	1,473,700
Travel - Out of State	53,200	84,200	84,200
Other Operating Expenditures	2,874,900	2,022,400	2,022,400
Equipment	179,500	117,000	117,000
OPERATING SUBTOTAL	17,659,000	16,008,300	16,008,300
SPECIAL LINE ITEMS			
Agricultural Consulting and Training	133,500	135,700	135,700
Agricultural Employment Relations Board	23,300	23,300	23,300
Animal Damage Control	65,000	65,000	65,000
Nuclear Emergency Management Program	309,000	308,600	347,100 ^{1/2/}
Red Imported Fire Ant Control	23,200	23,200	23,200
AGENCY TOTAL	18,213,000	16,564,100	16,602,600 ^{3/}
FUND SOURCES			
General Fund	16,320,700	14,639,800	14,639,800
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,583,300	1,615,700	1,615,700
Nuclear Emergency Management Fund	309,000	308,600	347,100
SUBTOTAL - Other Appropriated Funds	1,892,300	1,924,300	1,962,800
SUBTOTAL - Appropriated Funds	18,213,000	16,564,100	16,602,600
Other Non-Appropriated Funds	19,545,000	30,023,100	30,023,100
Federal Funds	6,232,300	8,130,100	8,130,100
TOTAL - ALL SOURCES	43,990,300	54,717,300	54,755,800

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. It 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 2.44 OF FTE Positions funded from separate legislation in FY 2026.
- ^{2/} 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.
- ^{3/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$16,008,300 and 209.4 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$14,392,600
Air Quality Fund	1,615,700

These amounts are unchanged from FY 2025.

An FY 2025 General Appropriations Act footnote specifies that \$899,600 from the department's FY 2024 General Fund operating budget appropriation is exempt from lapsing through FY 2026, for the purpose of IT modernization.

Agricultural Consulting and Training

The Baseline includes \$135,700 from the General Fund in FY 2026 for the Agricultural Consulting and Training line item. This amount is unchanged from FY 2025.

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 Baseline includes \$23,300 from the General Fund in FY 2026 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2025.

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 Baseline includes \$65,000 from the General Fund in FY 2026 for the Animal Damage Control line item. This amount is unchanged from FY 2025.

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 Baseline includes \$347,100 and 2.44 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2026 for the Nuclear Emergency Management Program line item. Adjustments are as follows:

New NEMF Assessment

The Baseline includes an increase of \$38,500 and a decrease of (0.44) FTE Positions from the NEMF in FY 2026 for a new NEMF assessment.

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. The Legislature enacts this revised fee level in a bill outside of the budget process.

DEMA has provided recommendations for the FY 2026 and FY 2027 NEMF funding levels. The recommendations include an increase of \$38,500 in FY 2026 and an increase of \$5,800 in FY 2027 above the FY 2026 level for the Department of Agriculture. The Baseline increases NEMF funding to the department by \$38,500 in FY 2026 based on the DEMA recommendations. The final amount, which typically reflects the DEMA recommendation, will be determined in the 2025 Legislative Session as part of separate legislation. As a result, these monies and the FTE positions will not appear in the General Appropriations Act.

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 Baseline includes \$23,200 from the General Fund in FY 2026 for the Red Imported Fire Ant Control line item. This amount is unchanged from FY 2025.

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.

with the industry, to modify fees deposited in the Dangerous Plants, Pests, and Diseases Trust Fund in FY 2026. The rules are to be reviewed by the Agriculture Advisory Council. The department does not currently plan to use their FY 2025 BRB authority to lower fees in FY 2025.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allow the department to lower existing fees for any funds held in trust subject to review from the Agriculture Advisory Council. The Baseline would also continue to require the department to adopt emergency rules, in conjunction

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Administrative Support Fund (AHA2436/A.R.S. § 3-108)		Non-Appropriated
Source of Revenue: Monies are collected from each commodity council based on annually negotiated interagency agreements.		
Purpose of Fund: For costs incurred by the department in providing administrative support.		
Funds Expended	41,600	49,000
Year-End Fund Balance	63,000	54,300
Agricultural Consulting and Training Trust Fund (AHA1239/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund the agricultural consulting and training program established by A.R.S. § 3-109.01.		
Funds Expended	0	4,400
Year-End Fund Balance	11,900	7,500
Agricultural Products Marketing (AHA2368/A.R.S. § 3-419)		Non-Appropriated
Source of Revenue: Assessments on the Arizona Leafy Green Products Shipper Marketing Agreement commodities.		
Purpose of Fund: To fund the Arizona Leafy Green Products Shipper Marketing Committee and to ensure compliance with the accepted food safety practices through mandatory government audits.		
Funds Expended	544,400	523,100
Year-End Fund Balance	177,500	176,900
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
Funds Expended	1,583,300	1,615,700
Year-End Fund Balance	0	0
Aquaculture Trust Fund (AHA2297/A.R.S. § 3-2913)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the regulation of aquaculture.		
Purpose of Fund: To administer and enforce the provisions of A.R.S. Title 3, Chapter 16, relating to aquaculture. Aquaculture is the controlled growth and harvest of aquatic plants and animals such as fish, shellfish, and algae.		
Funds Expended	3,900	15,000
Year-End Fund Balance	48,800	39,600

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Beef Council (Livestock Board Collection and Administration) Fund (AHA2083/A.R.S. § 3-1236)		Non-Appropriated
Source of Revenue: \$1 per head surcharge collected on behalf of the Arizona Beef Council when animals are inspected by the department for sale. The department retains 5 cents per dollar, while 95 cents per dollar is forwarded to this fund.		
Purpose of Fund: For collection and administration costs.		
Funds Expended	410,300	350,000
Year-End Fund Balance	68,400	34,200
Citrus Trust Fund (AHA2299/A.R.S. § 3-468.04, 3-468.06)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the assessment on citrus produced in the state, other charges, and interest.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, eradication of citrus pests, and other programs deemed appropriate to production, harvesting, handling, and hauling from field to market.		
Funds Expended	36,700	80,000
Year-End Fund Balance	172,900	116,900
Citrus, Fruit and Vegetable Trust Fund (AHA2260/A.R.S. § 3-447)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the assessments and civil penalties relating to the standardization of citrus, other fruits, and vegetables.		
Purpose of Fund: To enable producers and shippers to develop uniform grades and standards for citrus, fresh fruit, and vegetables and to allow field and shed inspections of commodities produced in the state.		
Funds Expended	254,100	343,100
Year-End Fund Balance	147,800	127,200
Commercial Feed Trust Fund (AHA2012/A.R.S. § 3-2607)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund for licensing fees and fees collected for the inspection of animal and bird feeds.		
Purpose of Fund: To regulate animal and bird feeds.		
Funds Expended	294,500	964,500
Year-End Fund Balance	1,392,900	851,700
Commodity Promotion Fund (AHA2458/A.R.S. § 3-109.02)		Non-Appropriated
Source of Revenue: Proceeds of a fee collected for a Certificate of Free Sale and any sales of merchandise with the Arizona Grown trademark. A Certificate of Free Sale is a document authenticating that a commodity is generally and freely sold in domestic channels of trade. Many countries require this documentation before allowing a shipment of consumable products to enter their borders and markets.		
Purpose of Fund: To provide for programs to promote the production and consumption of Arizona agricultural products domestically and abroad.		
Funds Expended	5,000	5,000
Year-End Fund Balance	28,000	28,100
Cotton Research and Protection Council Fund (AHA2013/A.R.S. § 3-1085)		Non-Appropriated
Source of Revenue: Assessments on each bale of cotton produced in the state, as well as fines and interest earnings.		
Purpose of Fund: To support research programs related to cotton production or protection and to provide a program to refund collected fees as an incentive for boll weevil control.		
Funds Expended	3,191,900	5,059,100
Year-End Fund Balance	9,027,200	8,206,600
Dangerous Plants, Pests and Diseases Trust Fund (AHA2054/A.R.S. § 3-214.01)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund for certification fees and reimbursements for the destruction of dangerous plants, pests, and diseases.		
Purpose of Fund: To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests, and diseases.		
Funds Expended	56,700	114,200
Year-End Fund Balance	305,200	293,400

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Designated Fund (AHA3011/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees for laboratory services and phytosanitary certifications (certifying produce that is sent overseas), 5% of Beef Council surcharges, and other grants and contributions.		
Purpose of Fund: To administer the purpose for which the fee, grant, or contribution is intended.		
Funds Expended	1,020,000	1,753,300
Year-End Fund Balance	1,720,000	998,0
Egg Inspection Trust Fund (AHA2022/A.R.S. § 3-717)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees from the regulation of eggs and egg products.		
Purpose of Fund: To administer the Egg Inspection Program.		
Funds Expended	1,831,900	2,160,300
Year-End Fund Balance	1,495,500	1,311,200
Equine Inspection Fund (AHA2489/A.R.S. § 3-1345.01)		Non-Appropriated
Source of Revenue: Inspection fees for processing ownership and transportation of horses.		
Purpose of Fund: To fund the issuance of horse ownership and transportation certificates.		
Funds Expended	0	0
Year-End Fund Balance	1,400	1,600
Federal - State Inspection Fund (AHA2113/A.R.S. § 3-499)		Non-Appropriated
Source of Revenue: Fees for inspection of domestic produce imported from Mexico pursuant to a cooperative agreement with the U.S. Department of Agriculture.		
Purpose of Fund: The Arizona Department of Agriculture is the fiduciary of this program, which monitors produce being imported from Mexico at the Nogales Port of Entry in accordance with the cooperative agreement between the department and the U.S. Department of Agriculture.		
Funds Expended	9,241,100	14,577,600
Year-End Fund Balance	20,914,700	18,187,600
Federal Funds (AHA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants.		
Purpose of Fund: As determined by federal law with regard to U.S. Department of Agriculture meat inspection regulation enforcement, hazardous plant pest eradication, increasing consumption of specialty crops, and studies of threatened and endangered plant species. (The meat and poultry inspection amounts are a reimbursement to the General Fund and, therefore, pass through this fund without a net impact on expenditures shown here.)		
Funds Expended	5,968,100	8,024,100
Year-End Fund Balance	137,400	17,100
Fertilizer Materials Trust Fund (AHA2081/A.R.S. § 3-269)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees collected for the inspection of materials and a portion of the fertilizer manufacturer's license fee.		
Purpose of Fund: To regulate fertilizers.		
Funds Expended	370,400	780,100
Year-End Fund Balance	905,100	554,200
Grain Trust Fund (AHA2201/A.R.S. § 3-590)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from an assessment on commercial grain sales.		
Purpose of Fund: To support the Grain Research and Promotion Council's promotion and research activities with public or private organizations. Such activities relate to reducing fresh water consumption, developing new varieties, improving production and handling methods, researching and designing new or improved harvesting and handling equipment, and similar programs.		
Funds Expended	112,100	96,000
Year-End Fund Balance	129,100	123,400

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Iceberg Lettuce Trust Fund (AHA2259/A.R.S. § 3-526.06)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from an assessment on iceberg lettuce prepared for market.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, including programs for pest eradication, production harvesting, handling and hauling from field to market, and other activities deemed appropriate.		
Funds Expended	69,000	75,000
Year-End Fund Balance	85,200	85,400
Indirect Cost Recovery Fund (AHA9000/A.R.S. § 3-107)		Federal Funds
Source of Revenue: Federal grants.		
Purpose of Fund: For indirect costs associated with administration of federal grants.		
Funds Expended	264,200	106,000
Year-End Fund Balance	399,900	399,600
Industrial Hemp Trust Fund (AHA2372/A.R.S. § 3-315)		Non-Appropriated
Source of Revenue: Legislative appropriations and licensing fees related to the processing, manufacturing, and distribution of industrial hemp.		
Purpose of Fund: To support the licensing and regulation of industrial hemp.		
Funds Expended	272,500	231,700
Year-End Fund Balance	314,600	157,300
Livestock and Crop Conservation Fund (AHA2378/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Originally, \$2 million annually from the Land Conservation Fund through FY 2011, as established by A.R.S. § 41-511.23. There are no new sources of revenue other than interest payments.		
Purpose of Fund: Continuously appropriated for grants to landowners, as well as to grazing and agricultural lessees of state or federal land, who implement conservation measures.		
Funds Expended	2,400	112,100
Year-End Fund Balance	215,300	109,200
Livestock Custody Trust Fund (AHA2065/A.R.S. § 3-1377)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with monies resulting from fines assessed for and proceeds resulting from the sale of mistreated or stray livestock.		
Purpose of Fund: To enforce any of the provisions of Title 3, relating to agriculture and dairying.		
Funds Expended	5,400	40,000
Year-End Fund Balance	270,800	328,300
Livestock Operator Fire and Flood Assistance Fund (AHA2374/A.R.S. § 3-109.03)		Non-Appropriated
Source of Revenue: Federal monies, legislative appropriations from the state General Fund, public and private grants and private donations received for the purpose of providing grant monies to landowners and lessees of a livestock operation for infrastructure projects. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To administer the Livestock Operator Assistance Program.		
Funds Expended	0	0
Year-End Fund Balance	10,477,600	7,703,600
Nuclear Emergency Management Fund (AHA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
Funds Expended	309,000	308,600
Year-End Fund Balance	76,500	76,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Pest Management Trust Fund (AHA2050/A.R.S. § 3-3604)		Non-Appropriated
Source of Revenue: Monies collected by the Division of Pest Management for the licensing of professional pest control companies and applicators of structural pesticides.		
Purpose of Fund: To license, inspect, and regulate professional pest control companies and applicators of structural pesticides.		
Funds Expended	1,289,200	1,500,000
Year-End Fund Balance	2,183,800	2,017,800
Pesticide Trust Fund (AHA2051/A.R.S. § 3-350)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from a portion of pesticide registration fees.		
Purpose of Fund: To regulate pesticides.		
Funds Expended	394,900	1,034,100
Year-End Fund Balance	1,505,700	843,900
Produce Safety Trust Fund (AHA2371/A.R.S. § 3-525.02)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and donations from public or private sources, and any monies collected by the Arizona Department of Agriculture through the administration of the Produce Safety Rule Enforcement Program.		
Purpose of Fund: To support the department's administration of the Produce Safety Rule Enforcement Program.		
Funds Expended	0	0
Year-End Fund Balance	1,000	1,000
Protected Native Plant Trust Fund (AHA2298/A.R.S. § 3-913)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from permits issued for the removal or salvage of protected native plants.		
Purpose of Fund: For the protection of native plants.		
Funds Expended	17,500	28,000
Year-End Fund Balance	34,200	34,800
Seed Law Trust Fund (AHA2064/A.R.S. § 3-234)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from seed dealers' and labelers' license fees and penalties.		
Purpose of Fund: To regulate seeds, including all agricultural, vegetable, and ornamental plant seed, transported or offered for sale in this state.		
Funds Expended	79,500	127,500
Year-End Fund Balance	361,600	339,000

Arizona Health Care Cost Containment System

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,358.3	2,459.3	2,459.3
Personal Services	60,900,700	63,636,400	63,636,400
Employee Related Expenditures	33,431,600	34,938,900	34,938,900
Professional and Outside Services	10,457,700	11,698,200	11,698,200
Travel - In State	27,700	23,400	23,400
Travel - Out of State	57,400	56,100	56,100
Other Operating Expenditures	49,557,000	45,299,900	23,108,900
Equipment	1,138,200	984,900	984,900
OPERATING SUBTOTAL	155,570,300	156,637,800	134,446,800 ^{1/}
SPECIAL LINE ITEMS			
Administration			
AHCCCS Data Storage	16,877,400	19,325,800	19,605,800
DES Eligibility	116,083,200	97,074,500	97,074,500 ^{2/}
Proposition 204 - AHCCCS Administration	12,748,900	15,625,100	15,625,100 ^{3/}
Proposition 204 - DES Eligibility	45,763,300	44,358,700	44,358,700 ^{3/}
Medicaid Services ^{4/5/6/}			
Traditional Medicaid Services	7,148,662,600	8,650,302,800	9,294,829,500 ^{7/-12/}
Proposition 204 Services	7,103,940,200	7,769,810,300	7,450,961,800 ^{11/-13/}
Adult Expansion Services	687,387,300	740,010,600	798,727,300 ^{11/12/}
Comprehensive Health Plan	151,588,400	177,233,200	178,650,800 ^{11/}
KidsCare Services	161,356,400	229,689,800	257,635,300
ALTCS Services	2,207,370,200	2,534,184,700	2,457,084,800 ^{14/-16/}
Behavioral Health Services in Schools	9,120,600	8,630,600	8,445,400
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	76,644,300	77,646,900	77,646,900 ^{17/}
Case Management Provider Wage Increases	0	1,000,000	0
Supported Housing	5,305,100	65,324,800	65,324,800
Crisis Services	16,276,000	16,391,300	16,391,300
Hospital Payments			
Disproportionate Share Payments - Private Hospitals	19,583,900	5,087,100	884,800
DSH Payments - Voluntary Match	33,221,100	65,330,500	205,641,700 ^{12/18/}
Graduate Medical Education	406,203,300	469,246,600	528,558,300 ^{12/19/-23/}
Critical Access Hospitals	30,257,400	28,416,700	16,454,300
Targeted Investments Program	30,914,800	56,000,000	67,000,000
AGENCY TOTAL	18,434,874,700	21,227,327,800	21,735,347,900 ^{24/-26/}
FUND SOURCES			
General Fund	2,401,019,000	2,669,731,700	2,783,312,900
Other Appropriated Funds			
Budget Neutrality Compliance Fund	4,669,300	4,914,300	5,112,300
Children's Health Insurance Program Fund	128,657,800	174,041,000	194,417,200
Prescription Drug Rebate Fund - State	164,907,400	189,832,200	189,832,200
Seriously Mentally Ill Housing Trust Fund	423,300	217,700	217,700
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	16,515,600	17,458,500	15,400,000
Tobacco Tax and Health Care Fund - Medically Needy Account	60,160,100	66,586,300	57,545,600
SUBTOTAL - Other Appropriated Funds	377,583,700	455,300,200	464,775,200
SUBTOTAL - Appropriated Funds	2,778,602,700	3,125,031,900	3,248,088,100

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
<u>Expenditure Authority Funds</u>			
AHCCCS Fund	11,809,438,100	13,434,104,500	13,779,150,300
Arizona Tobacco Litigation Settlement Fund	88,272,600	102,000,000	102,000,000
Delivery System Reform Incentive Payment Fund	3,656,900	17,922,700	24,321,800
Health Care Investment Fund	529,190,200	911,052,600	913,772,900
Hospital Assessment Fund	546,269,700	694,319,800	622,867,900
Long Term Care System Fund	1,707,996,000	1,959,660,600	1,869,102,100
Nursing Facility Provider Assessment Fund	100,283,100	94,906,800	93,066,100
Political Subdivision Funds	227,965,900	242,411,000	441,383,700
Prescription Drug Rebate Fund - Federal	609,060,300	609,060,300	609,060,300
Third Party Liability and Recovery Fund	194,700	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account	33,944,500	36,662,900	32,340,000
SUBTOTAL - Expenditure Authority Funds	15,656,272,000	18,102,295,900	18,487,259,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	18,434,874,700	21,227,327,800	21,735,347,900
Other Non-Appropriated Funds	151,730,300	165,318,300	165,318,300
Federal Funds	150,981,400	186,030,400	186,030,400
TOTAL - ALL SOURCES	18,737,586,400	21,578,676,500	22,086,696,600

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/ Before spending the monies for the replacement of the prepaid medicaid management information system, the Arizona strategic enterprise technology office shall submit, on behalf of the Arizona health care cost containment system, an expenditure plan for review by the joint legislative budget committee. The report shall include the project cost, deliverables, the timeline for completion and the method of procurement that are consistent with the department's prior reports for its appropriations from the automation projects fund. (General Appropriations Act footnote)
- 2/ 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 Appropriations Act footnote)
- 3/ 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 section 36-2901.01, subsection B, Arizona Revised Statutes. (General Appropriations Act footnote)
- 4/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the Arizona health care cost containment system administration shall report its expenditure plan for review by the joint legislative budget committee. (General Appropriations Act footnote)
- 5/ The Arizona health care cost containment system administration shall report to the joint legislative budget committee on or before March 1, 2026 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 two percent. 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 \$1,000,000 or more for any fiscal year, the administration shall submit the policy change for review by the joint legislative budget committee. (General Appropriations Act footnote)
- 6/ **NEW** On or before March 31, 2026, the Arizona health care cost containment system administration shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting on the amount of

directed payments valleywise health will receive from the safety net services initiative in fiscal year 2025-2026, disaggregated by state match and by federal match. (General Appropriations Act footnote)

- 7/ The Arizona health care cost containment system administration shall transfer up to \$1,200,000 from the traditional medicaid services line item for fiscal year 2025-2026 to the attorney general for costs associated with e-cigarette enforcement and tobacco settlement litigation. (General Appropriations Act footnote)
- 8/ The Arizona health care cost containment system administration shall transfer \$836,000 from the traditional medicaid services line item for fiscal year 2025-2026 to the department of revenue for enforcement costs associated with the March 13, 2013 master settlement agreement with tobacco companies. (General Appropriations Act footnote)
- 9/ The amount appropriated for the traditional medicaid services line item includes \$4,098,200 from the state general fund and \$8,059,900 from expenditure authority for inpatient payments to rural hospitals as defined in section 36-2905.02, Arizona Revised Statutes. (General Appropriation Act footnote)
- 10/ Of the amount appropriated from the expenditure authority fund source, \$3,606,700,000 is for hospital enhanced access leading to health improvements initiative payments in fiscal year 2025-2026. This amount includes monies from hospital assessments collected pursuant to section 36-2999.72, Arizona Revised Statutes, and any federal monies used to match those payments. (General Appropriations Act footnote)
- 11/ The legislature intends that the percentage attributable to administration and profit for the regional behavioral health authorities be nine percent of the overall capitation rate. (General Appropriations Act footnote)
- 12/ 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 fiscal year 2025-2026 costs of graduate medical education, disproportionate share payments — voluntary match, traditional medicaid services, proposition 204 services and adult expansion services line items are included in the expenditure authority fund source. (General Appropriations Act footnote)
- 13/ Of the amount appropriated for the proposition 204 services line item, \$100,000,000 shall be used from the hospital assessment fund established by section 36-2901.09, Arizona Revised Statutes, to cover a portion of the nonfederal share of the costs of services described in section 36-2907, subsection F, Arizona Revised Statutes. This amount is included in the expenditure authority fund source. (General Appropriations Act footnote)
- 14/ Any federal monies that the Arizona health care cost containment system 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. (General Appropriations Act footnote)
- 15/ Pursuant to section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2025-2026 nonfederal costs of providing long-term care system services is \$409,537,600. This amount is included in the expenditure authority fund source. (General Appropriations Act footnote)
- 16/ Any supplemental payments received in excess of \$93,066,100 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2025-2026, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2025-2026. 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 Appropriations Act footnote)
- 17/ On or before June 30, 2026, the Arizona health care cost containment system 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, eight 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 Appropriations Act footnote)
- D/ ~~The \$5,087,100 appropriation for disproportionate share payments for fiscal year 2024-2025 made pursuant to section 36-2903.01, subsection O, Arizona Revised Statutes, includes \$4,202,300 for the Maricopa county health care district and \$884,800 for private qualifying disproportionate share hospitals. (General Appropriations Act footnote)~~
- 18/ 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 fiscal year 2025-2026 by the Arizona health care cost containment system administration in excess of \$155,153,000 are appropriated to the administration in fiscal year 2025-2026. 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 Appropriations Act footnote)

- 19/ Any monies for graduate medical education received in fiscal year 2025-2026, including any federal matching monies, by the Arizona health care cost containment system administration in excess of \$528,558,300 are appropriated to the administration in fiscal year 2025-2026. 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 Appropriations Act footnote)
- 20/ If any graduate medical education monies remain after the Arizona health care cost containment system administration has funded all eligible graduate medical education programs in counties with a population of less than five hundred thousand persons, the administration may fund the costs of graduate medical education programs operated by community health centers and rural health clinics. (General Appropriations Act footnote)
- 21/ Notwithstanding section 36-2903.01, subsection G, paragraph 9, subdivisions (a), (b) and (c), Arizona Revised Statutes, the amount for graduate medical education includes \$5,000,000 from the state general fund and \$9,384,300 from expenditure authority for the direct and indirect costs of graduate medical education programs located in counties with a population of less than five hundred thousand 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 Appropriations Act footnote)
- 22/ Notwithstanding section 36-2903.01, subsection G, paragraph 9, subdivisions (a), (b) and (c), Arizona Revised Statutes, the amount for graduate medical education includes \$4,000,000 from the state general fund and \$7,507,500 from expenditure authority for the direct and indirect costs of graduate medical education programs located in counties with a population of more than five hundred thousand 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. (General Appropriations Act footnote)
- 23/ Monies appropriated for graduate medical education in this section are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)
- 24/ The nonappropriated portion of the prescription drug rebate fund established by section 36-2930, Arizona Revised Statutes, is included in the federal portion of the expenditure authority fund source. (General Appropriations Act footnote)
- 25/ On or before July 1, 2026, the Arizona health care cost containment system 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, 2025. (General Appropriations Act footnote)
- 26/ General Appropriations Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS's FY 2026 General Fund spending increases by \$113,581,200 from FY 2025. This amount includes:

- \$118,781,200 for formula adjustments.
- \$(1,000,000) for removal of one-time case management provider wage increases.
- \$(4,200,000) for removal of one-time FY 2025 critical access hospital supplemental payments funding.

Below is an overview of FY 2026 formula adjustments, which *Table 1* summarizes, as well as any non-formula adjustments. As part of the Baseline's 3-year spending plan, AHCCCS's General Fund costs are projected to increase by \$268,785,300 in FY 2027 above FY 2026 and by \$167,238,400 in FY 2028 above FY 2027. (See the *Other Issues* section for more information.)

Formula Adjustments

Formula adjustments represent changes that occur under current law, including caseload, capitation, and federal

Table 1

AHCCCS State Match Spending Changes (in millions) ^{1/}

State Match Formula Adjustments

FY 2025 Rebase	(105)
FY 2026 Caseload Growth	(8)
FY 2026 Inflation Increase	210
FY 2026 Federal Medicaid Match Rate Change	58
<i>State Match Costs Subtotal</i>	<u>156</u>

Non-General Fund State Match Offsets

Political Subdivisions Fund Increase	114
County Funds Increase ^{2/}	10
Nursing Facility Provider Assessment Fund	(2)
Hospital Assessment Fund	(71)
Health Care Investment Fund	3
Tobacco Funds	(15)
<i>General Fund Offsets Subtotal</i>	<u>37</u>

Non-Formula Adjustments

Remove FY 2025 One-Time Funding	(5)
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Total General Fund Spending Change **\$114**

^{1/} Numbers may not sum due to rounding.

^{2/} County funds for the acute care program are displayed within the AHCCCS Fund. County funds for ALTCS are displayed within the Long Term Care System Fund.

AHCCCS Enrollment ^{1/}					
	June 2024	June 2025	June 2025	June 2026	'25-'26 %
<u>Population</u>	<u>(Actual)</u>	<u>(Enacted)^{2/}</u>	<u>(Forecast)</u>	<u>(Forecast)</u>	<u>Change</u>
Traditional	1,075,839	1,051,118	1,053,746	1,063,660	0.9%
Prop 204 Childless Adults	506,129	513,136	443,101	447,519	1.0%
Other Prop 204	184,106	175,254	167,358	169,988	1.6%
Adult Expansion	76,801	72,608	71,203	71,914	1.0%
KidsCare	62,025	69,628	66,502	70,277	5.7%
CHP	8,705	9,802	8,036	8,072	0.4%
ALTCS - Elderly & Physically Disabled ^{3/}	28,345	30,455	28,861	29,351	1.7%
Emergency Services	<u>132,594</u>	<u>129,547</u>	<u>129,871</u>	<u>131,093</u>	<u>0.9%</u>
Total Enrollment	2,074,544	2,051,548	1,968,679	1,991,874	1.2%

^{1/} The figures represent June 1 enrollment for both capitated and fee-for-service members.
^{2/} The figures in this column represent enrollment estimates included in the FY 2025 enacted budget.
^{3/} The ALTCS - Elderly and & Physically Disabled program is funded in AHCCCS. An additional 43,364 people received Medicaid services through the Department of Economic Security's ALTCS - Developmental Disabilities program as of June 2024.

match rate revisions. The Baseline includes an increase of \$118,781,200 from the General Fund in FY 2026 for the following AHCCCS formula adjustments. This amount includes:

- \$156,069,200 for state match expenses associated with formula adjustments.
- \$(37,288,000) for changes in General Fund offsets.

FY 2025 Base Adjustment

The Baseline includes a decrease of \$(104,877,700) from state match and a Total Funds decrease of \$(337,743,100) in FY 2026 for an FY 2025 base adjustment. The base adjustment is primarily associated with enrollment and capitation adjustments that occurred following the adoption of the enacted budget. Through December 2024, AHCCCS capitated enrollment was 1.70 million, or (90,000) below the enacted budget assumption of 1.79 million.

The FY 2025 base adjustment is the net result of the lower-than-budgeted caseloads, as well as the October 2024 capitation adjustment implemented by AHCCCS. Members between the ages of 1 and 20 received the largest rate increase of any group, which has an outsized impact on General Fund formula costs. We estimate the capitation adjustment resulted in \$31,675,200 of General Fund expenses above the enacted budget. Combined with the lower-than-budgeted caseloads, on net, we estimate that AHCCCS will end FY 2025 with an FY 2025 General Fund surplus of \$(76,351,600).

Additionally, federal regulators announced in November 2024 that Arizona recently qualified for a one-time upward revision to its federal match rate. This further increases the FY 2025 General Fund surplus. (See *Other Issues for additional information.*) However, because the

revision is one-time, its impact is excluded from the FY 2025 base adjustment amount.

FY 2026 Caseload Adjustment

Formula adjustments reflect a 1.2% enrollment growth in FY 2026. *Table 2* displays historical and forecasted member months across AHCCCS populations. The Baseline assumes each individual category will increase based on estimated population growth rates among children and adults.

We estimate, however, that the 1.2% growth nevertheless results in a small amount of General Fund caseload savings. This is due to the annualization of caseload declines that have occurred throughout FY 2025, as discussed above. Overall, caseload declines are expected to decrease state match expenses by \$(7,846,700) and Total Funds expenses by \$(141,003,900) in FY 2026.

FY 2026 Inflation Adjustments

The Baseline assumes a 3.0% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2025. This increase is based on several factors, including the medical care consumer price index and the growth certain categories experienced in the FY 2025 capitation rate adjustment. The Baseline also annualizes the FY 2025 capitation rate adjustment. Inflation adjustments increase AHCCCS state costs by \$210,303,200 and Total Funds costs by \$815,405,100 in FY 2026.

FY 2026 Federal Match Rate Changes

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year.

During SFY 2026, the standard FMAP rates will be as follows:

- Traditional Medicaid rate will decrease to 64.48%, a (0.76) percentage point decrease.
- Proposition 204 Childless Adult rate will remain at 90.0%.
- Adult Expansion rate will remain at 90.0%.
- CHIP rate will decrease to 75.14%, a (0.53) percentage point decrease.

The Baseline includes an increase of \$58,490,400 in state costs and a corresponding decrease of \$(58,490,400) in federal match costs in FY 2026 as a result of these FMAP adjustments.

Non-General Fund State Match Items

The gross state match contribution from the FY 2025 base adjustment and FY 2026 caseload growth, inflation, and federal match rate changes is projected to increase by \$156,069,200. The Non-General Fund state match is projected to increase by \$37,288,000, resulting in a net General Fund change of \$118,781,200.

The non-General Fund state match offsets are as follows:

- An increase of \$113,780,900 in Political Subdivision Funds, mostly for the state match costs of a new directed payments program called the Safety Net Services Initiative (SNSI). *(Please see the Valleywise Directed Payments section for additional information.)* The increase in expenditure authority in FY 2026 for this program is displayed separately from formula adjustments among the Medicaid Services line items.
- An increase of \$9,501,500 in County Funds, mostly for ALTCS. County Funds are displayed within the Budget Neutrality Compliance Fund, the AHCCCS Fund under the Traditional Medicaid Services line item, and the Long Term Care System Fund. *(Please see County Contributions in Other Issues for additional information.)*
- A decrease of \$(71,451,900) from the Hospital Assessment Fund in FY 2026 for physical health costs of enrollees in the Proposition 204 and Adult Expansion programs. AHCCCS estimates that the average member will receive a lower share of physical health services and a higher share of behavioral health services in FY 2026 than in prior years. Combined with a decline in enrollment among the Proposition 204 population, this lowers Hospital Assessment Fund costs.
- A decrease of \$(1,840,700) from the Nursing Facility Provider Assessment Fund within ALTCS.

- An increase of \$2,720,300 from the Health Care Investment Fund, mostly within Traditional.
- A decrease of \$(15,422,100) from lower tobacco tax revenues.

Hospital Assessment

Under A.R.S. § 36-2901.08 and A.R.S. § 36-2999.72, AHCCCS is required to establish, administer, and collect an assessment on hospitals. Below we provide more details on how the assessment is allocated, adjustments in the FY 2025 budget, and projections for the assessment in the FY 2026 Baseline.

Background

The amount of the levy for each hospital is computed based on its volume of inpatient and outpatient services. Monies collected from the assessment are allocated as follows:

- The Hospital Assessment Fund (HAF) receives assessment monies designated to cover the state match costs of the Proposition 204 and Adult Expansion populations not otherwise covered by voter-approved tobacco revenues and other state funds.
- The Health Care Investment Fund (HCIF) receives assessment monies designated to increase base reimbursement rates for services on AHCCCS' dental and physician fee schedules, and to make directed payments to hospitals (called the Hospital Enhanced Access Leading to Health Improvements Initiative, or "HEALTHII" payments) to supplement base reimbursement levels using federal Medicaid matching funds.

Under federal law, combined levies from the HAF and HCIF may not exceed 6% of hospital inpatient and outpatient services revenues.

FY 2025 Budget

The enacted FY 2025 budget included 2 changes that impacted the Hospital Assessment levy for Federal Fiscal Year (FFY) 2025:

- One-Time Behavioral Health Shift: Section 6 of the FY 2025 Health BRB (Laws 2024, Chapter 215) stipulates that, as session law, for FY 2025 and FY 2026, AHCCCS may increase the levy for the HAF to cover a portion of the behavioral health costs of the Proposition 204 and Adult Expansion populations. Under permanent law, behavioral health expenses for those populations would otherwise be covered by the General Fund. The enacted budget reduced AHCCCS' General Fund

budget by \$(100,000,000) to account for the shift. The 3-year spending plan associated with the enacted budget assumed this shift would end after FY 2026.

- **HCIF Hospital Payments Increase:** The enacted budget included total expenditure authority of \$3,606,700,000 for HEALTHII payments to hospitals to offset the financial impact of the behavioral health shift. This figure was based on an estimate of \$3,106,700,000 in HEALTHII payments to hospitals, plus \$500,000,000 as a "buffer" to ensure AHCCCS could increase HEALTHII payments above the \$3,106,700,000 level without a supplemental appropriation.

Based on the above policy changes, AHCCCS implemented a total FFY 2025 Hospital Assessment levy of \$1,423,100,000. According to AHCCCS, the \$1,423,100,000 represents 5.999% of combined hospital inpatient and outpatient service revenues (increase of 0.5% from 5.49% in FFY 2024) and consists of:

- \$682,100,000 for deposit in the HAF.
- \$741,000,000 for deposit in the HCIF.

Based on AHCCCS' modeling, these changes resulted in a net financial gain to Arizona hospitals of \$457,200,000 in FFY 2025 compared with FFY 2024, as follows:

- Revenue gain of \$557,200,000, primarily from increased federal revenues from HEALTHII payments, which were drawn down via an increase in the HCIF portion of the assessment.
- Revenue loss of \$(100,000,000) from shift of Medicaid behavioral health expenses to the Hospital Assessment in FY 2025, as noted above.

FY 2026 Baseline

Pursuant to the 3-year spending plan associated with the enacted FY 2025 budget, the Baseline assumes that the Hospital Assessment would continue to cover \$100,000,000 of behavioral health expenses for Proposition 204 and Adult Expansion combined in FY 2026. We estimate that with the behavioral health shift in place, Hospital Assessment Fund expenditures would reach \$622,867,900 in FY 2026, or a decrease of \$(59,232,100) in comparison with AHCCCS' FFY 2025 levy. The decrease is primarily based on enrollment declines in the Proposition 204 and Adult Expansion populations.

In FY 2027, under the 3-year spending plan associated with the enacted budget, the behavioral health shift would expire, which would result in a \$(100,000,000) decrease in the Hospital Assessment and a corresponding \$100,000,000 increase to the General Fund for that year. The Baseline continues this assumption.

The Baseline would also continue the footnote providing \$3,606,700,000 in expenditure authority for HEALTHII payments in FY 2026.

Valleywise Directed Payments

In March 2024, AHCCCS received approval from the Centers for Medicare & Medicaid Services (CMS) to provide directed payments to the Valleywise system of public hospitals via a new program called the Safety Net Services Initiative (SNSI). CMS approved \$286,460,000 of total payments in the first year. This amount consists of \$61,856,200 from Valleywise serving as the state match and \$224,603,800 in federal matching funds.

AHCCCS did not notify the Legislature of this new program. As a result, the FY 2025 budget did not account for the impact of these payments. The Baseline, however, anticipates that AHCCCS will have sufficient expenditure authority in FY 2025 to make its requested level of payments due to lower-than-budgeted caseloads. (*Please see Formula Adjustments for additional information.*) The Baseline also includes an increase of \$395,282,000 in FY 2026 from expenditure authority funds for AHCCCS to make its requested level of payments in FY 2026.

According to AHCCCS, these directed payments will reduce the level of Valleywise uncompensated care to \$0. Prior budgets assumed that the federal funds portion of Disproportionate Share Hospital (DSH) payments to Valleywise would be available for deposit to the General Fund. (*Please see the Hospital Payments section for additional information.*) Because the SNSI program has reduced the level of uncompensated care at Valleywise, the associated federal DSH funds will no longer be available for deposit to the General Fund.

We estimate Valleywise experienced a net increase in revenue of \$214,672,300 as a result of the SNSI program in FY 2024. This consists of \$286,460,000 in total payments, reduced by the following amounts:

- \$(61,856,200) from Valleywise to serve as the state match.
- \$(5,729,200) in insurance premium tax payments to the state.
- \$(4,202,300) in federal DSH payments Valleywise will no longer be eligible to receive.

The Baseline adds a footnote that would require AHCCCS to report to the JLBC and OSPB by March 31, 2026, on the amount of directed payments Valleywise will receive from the SNSI program in FY 2026, disaggregated by state match and by federal match.

Operating Budget

The Baseline includes \$134,446,800 and 1,143.2 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$38,522,800
Children's Health Insurance Program (CHIP) Fund	5,461,600
Health Care Investment Fund	2,472,200
Prescription Drug Rebate Fund (PDRF) - State	663,200
Nursing Facility Provider Assessment Fund	453,400
Seriously Mentally Ill (SMI) Housing Trust Fund	217,700
AHCCCS Fund	86,655,900

Adjustments are as follows:

Shift Funding to AHCCCS Data Storage

The Baseline includes a decrease of \$(280,000) from the CHIP Fund in FY 2026 to shift funding to the AHCCCS Data Storage line item for data costs related to the Children's Health Insurance Program.

Remove One-Time MES Modernization Funding

The Baseline includes a decrease of \$(21,911,000) from the AHCCCS Fund in FY 2026 to remove one-time funding for replacement of AHCCCS's Medicaid Enterprise System (MES), formerly known as the Prepaid Medicaid Management Information System (PMMIS). The corresponding General Fund state match amount of \$3,396,000 was included in the Arizona Department of Administration – Automation Projects Fund. *(Please see ADOA – Automation Projects Fund narrative for additional information.)*

Administration

AHCCCS Data Storage

The Baseline includes \$19,605,800 in FY 2026 for AHCCCS Data Storage. This amount consists of:

General Fund	5,915,400
CHIP Fund	440,000
AHCCCS Fund	13,250,400

Adjustments are as follows:

Funding Shift

The Baseline includes an increase of \$280,000 from the CHIP Fund in FY 2026 for data costs related to the

Children's Health Insurance Program. The Baseline shifts this funding from the Operating Lump Sum for no net overall change to agency resources.

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. Funds may also be used for broader computing expenses, including cloud migration and storage costs.

DES Eligibility

The Baseline includes \$97,074,500 and 885 FTE Positions in FY 2026 for DES Eligibility services. These amounts consist of:

General Fund	30,191,200
AHCCCS Fund	66,883,300

These amounts are unchanged from FY 2025.

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

Proposition 204 - AHCCCS Administration

The Baseline includes \$15,625,100 and 131 FTE Positions in FY 2026 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,942,300
PDRF - State	60,900
AHCCCS Fund	10,621,900

These amounts are unchanged from FY 2025.

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

Proposition 204 - DES Eligibility

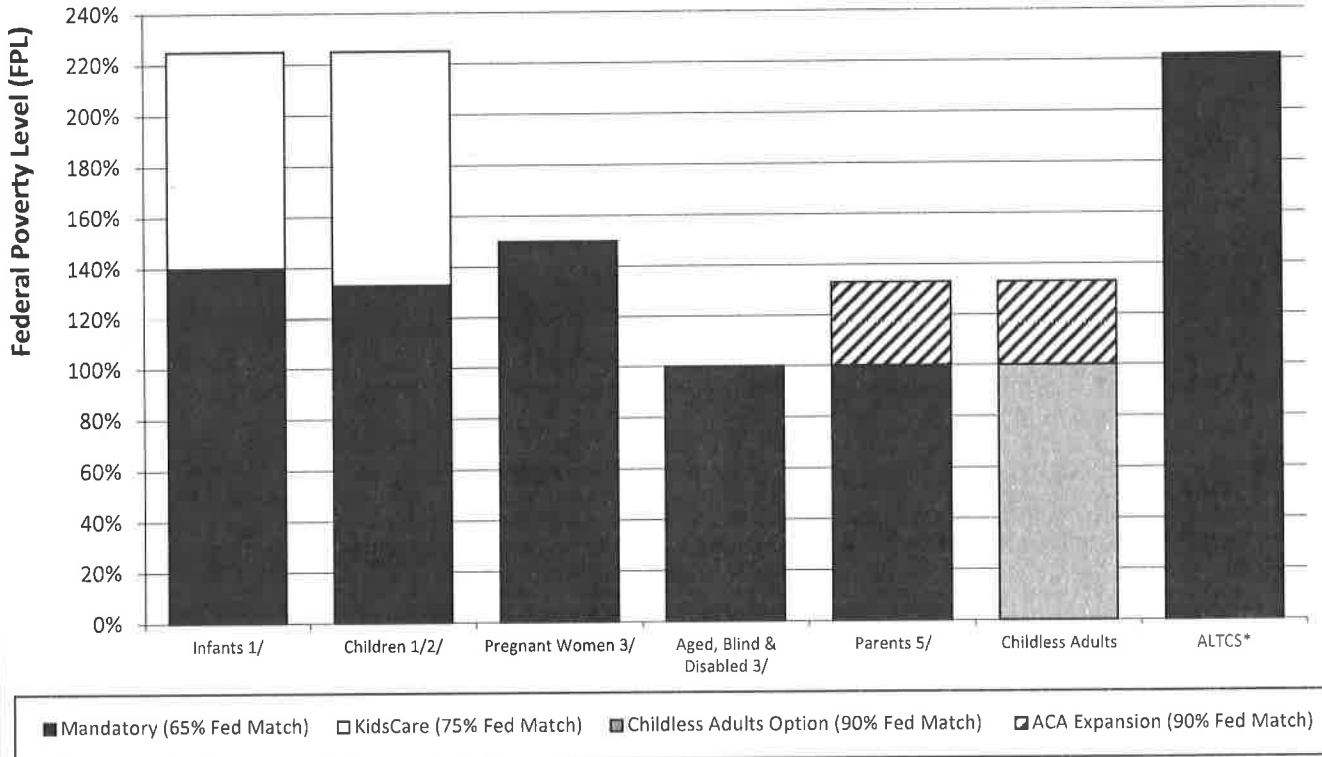
The Baseline includes \$44,358,700 and 300.1 FTE Positions in FY 2026 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	15,609,900
Budget Neutrality Compliance Fund (BNCF)	5,112,300
AHCCCS Fund	23,636,500

Adjustments are as follows:

Chart 1

AHCCCS Eligibility



- 1/ The KidsCare expansion from 200% to 225% FPL is in effect beginning April 1, 2024.
- 2/ Children ages 6 to 18 years in families with incomes between 100% FPL and 133% FPL are eligible to receive an 78.69% federal match in FFY 2023.
- 3/ Women diagnosed with breast or cervical cancer by a provider recognized by the Well Women Healthcheck program and those in the "Ticket to Work" program receive coverage to 250% FPL.

Formula Adjustments

The Baseline includes a decrease of \$(198,000) from the General Fund and a corresponding increase of \$198,000 from the BNCF in FY 2026 to reflect an increase of county contributions in FY 2026. This adjustment assumes an inflation adjustment of 2.39% and a state population adjustment of 1.64% pursuant to A.R.S. § 11-292.

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 2026. A description of program components can be found in the *Other Issues* section.

Traditional Medicaid Services

The Baseline includes \$9,294,829,500 in FY 2026 for Traditional Medicaid Services. This amount consists of:

General Fund	1,950,711,400
Health Care Investment Fund	599,199,100
Political Subdivision Funds	122,755,400
PDRF - State	181,529,700
TTHCF - Medically Needy Account	57,545,600
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
AHCCCS Fund	5,810,255,300

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$479,195,000 in FY 2026 for formula adjustments. This amount consists of:

General Fund	122,363,500
Health Care Investment Fund	2,203,900
Political Subdivision Funds	6,744,500
TTHCF - Medically Needy Account	(9,040,700)
AHCCCS Fund	356,923,800

New Valleywise Directed Payments Program

The Baseline includes an increase of \$165,331,700 in FY 2026 for a new Valleywise directed payments program. This amount consists of:

Political Subdivision Funds	58,610,100
AHCCCS Fund	106,721,600

(Please see the Valleywise Directed Payments section for additional information.)

Background – Traditional Medicaid Services funds acute care and behavioral health services of the following populations:

- Children under 1, up to 147% of the federal poverty level (FPL).
- Children aged 1-5, up to 141% FPL.
- Children ages 6-19, up to 133% FPL.
- Pregnant women (including 1 year postpartum), up to 156% FPL.
- Aged, blind, and disabled adults, up to 75% FPL.
- Parents, up to 17% 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 Baseline includes \$7,450,961,800 in FY 2026 for Proposition 204 Services. This amount consists of:

General Fund	99,518,700
Health Care Investment Fund	243,225,300
Hospital Assessment Fund	575,993,200
Political Subdivision Funds	47,775,100
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	15,400,000
TPTF - Proposition 204 Protection Account	32,340,000
AHCCCS Fund	6,334,709,500

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(518,462,300) in FY 2026 for formula adjustments. This amount consists of:

General Fund	(15,492,800)
Health Care Investment Fund	419,100
Hospital Assessment Fund	(74,032,000)
Political Subdivision Funds	4,110,000
TPTF - Emergency Health Services Account	(2,058,500)
TPTF - Proposition 204 Protection Account	(4,322,900)
AHCCCS Fund	(427,085,200)

New Valleywise Directed Payments Program

The Baseline includes an increase of \$199,613,800 in FY 2026 for a new Valleywise directed payments program. This amount consists of:

Political Subdivision Funds	29,718,500
AHCCCS Fund	169,895,300

(Please see the Valleywise Directed Payments section for additional information.)

Background – The Proposition 204 program serves adults with incomes that exceed the income limits for the Traditional population but are below 100% FPL.

Adult Expansion Services

The Baseline includes \$798,727,300 in FY 2026 for Adult Expansion Services. This amount consists of:

General Fund	8,334,800
Health Care Investment Fund	19,866,000
Hospital Assessment Fund	46,874,700
Political Subdivision Funds	2,821,000
AHCCCS Fund	720,830,800

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$41,635,200 in FY 2026 for formula adjustments. This amount consists of:

General Fund	314,700
Health Care Investment Fund	132,100
Hospital Assessment Fund	2,580,100
Political Subdivision Funds	(24,500)
AHCCCS Fund	38,632,800

New Valleywise Directed Payments Program

The Baseline includes an increase of \$17,081,500 in FY 2026 for a new Valleywise directed payments program. This amount consists of:

Political Subdivision Funds	1,708,200
AHCCCS Fund	15,373,300

(Please see the Valleywise Directed Payments section for additional information.)

Background – The Adult Expansion Services line item funds Medicaid services for adults from 100% to 133% FPL who are not eligible for another Medicaid program.

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 Health Plan

The Baseline includes \$178,650,800 in FY 2026 for the Comprehensive Health Plan (CHP). This amount consists of:

General Fund	56,176,700
Health Care Investment Fund	6,588,300
AHCCCS Fund	115,885,800

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$1,417,600 in FY 2026 for formula adjustments. This amount consists of:

General Fund	1,821,400
Health Care Investment Fund	(112,200)
AHCCCS Fund	(291,600)

Background – This line item provides coverage to CHP-eligible children. CHP is the health plan responsible for providing health services for children in foster care. The Department of Child Safety (DCS) administers both the physical and behavioral health services for this population. The funding amounts listed above are transferred to DCS, where they appear as expenditure authority.

KidsCare Services

The Baseline includes \$257,635,300 in FY 2026 for KidsCare Services. This amount consists of:

General Fund	54,381,900
Health Care Investment Fund	13,010,600

Political Subdivision Funds	1,727,200
CHIP Fund	188,515,600

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$25,721,000 in FY 2026 for formula adjustments. This amount consists of:

General Fund	6,599,400
Health Care Investment Fund	74,300
Political Subdivision Funds	343,700
CHIP Fund	18,703,600

New Valleywise Directed Payments Program

The Baseline includes an increase of \$2,224,500 in FY 2026 for a new Valleywise directed payments program. This amount consists of:

Political Subdivision Funds	551,900
CHIP Fund	1,672,600

(Please see the Valleywise Directed Payments section for additional information.)

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 225% FPL. Laws 2023, Chapter 139 raised the upper limit, previously 200% FPL, which went into effect on April 1, 2024. Households are charged a monthly premium of \$10 to \$70, depending on the family's 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. *(For additional program history, please refer to the FY 2020 Appropriations Report.)*

ALTCS Services

The Baseline includes \$2,457,084,800 in FY 2026 for ALTCS Services. This amount consists of:

General Fund	403,711,900
Health Care Investment Fund	29,411,400
Political Subdivision Funds	18,246,300
PDRF - State	7,578,400
PDRF - In Lieu of Federal Funds	36,422,000
Nursing Facility Provider Assessment Fund	92,612,700
Long Term Care System Fund	1,869,102,100

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(88,130,400) in FY 2026 for formula adjustments. This amount consists of:

General Fund	3,277,700
Health Care Investment Fund	3,100
Political Subdivision Funds	9,131,500
Nursing Facility Provider Assessment Fund	(1,840,700)
Long Term Care System Fund	(98,702,000)

New Valleywise Directed Payments Program

The Baseline includes an increase of \$11,030,500 in FY 2026 for a new Valleywise directed payments program. This amount consists of:

Political Subdivision Funds	2,887,000
Long Term Care System Fund	8,143,500

(Please see the Valleywise Directed Payments section for additional information.)

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$33,433 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 \$11,295 per person.

Pursuant to A.R.S. § 11-292, counties and the state jointly cover the state match of the ALTCS program based on a statutory formula. The county monies are deposited in the Long Term Care System Fund along with federal funds. A General Appropriations Act footnote would continue to specify the county share of cost for the program, which the Baseline assumes will reach \$409,537,600 in FY 2026.

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 2025, AHCCCS estimates that client contributions will pay for 3.8%, or \$66,122,000, of the cost of care.

A.R.S. § 36-2999.52 authorizes 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 2022, Chapter 64 continued the assessment through September 30, 2031. The assessment ranges from \$1.80 to \$15.63 per day of patient care. 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 Baseline includes \$8,445,400 in FY 2026 for Behavioral Health Services in Schools. This amount consists of:

General Fund	3,000,000
AHCCCS Fund	5,445,400

Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(185,200) from the AHCCCS Fund in FY 2026 for a change in the federal match rate.

Background – This line item funds behavioral health services at or near public school campuses for both Medicaid-eligible and non-Medicaid students. Funds are allocated to behavioral health providers contracted with AHCCCS health plans working directly in schools.

Non-Medicaid Behavioral Health Services

Non-Medicaid Seriously Mentally Ill Services

The Baseline includes \$77,646,900 from the General Fund in FY 2026 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2025.

Background – This line item provides funding for Non-Medicaid SMI clients. The state was a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population. *(Please see footnotes for more information on service targets established by the Arnold v. Sarn exit agreement and see the FY 2015 Appropriations Report for a history of the case.)*

Case Management Provider Wage Increases

The Baseline includes no funding in FY 2026 for Case Management Provider Wage Increases. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove one-time funding for distribution to entities that provide case management for persons with serious mental illness. The FY 2025 budget required the monies to be used for providers with fewer than 5,000 members.

Supported Housing

The Baseline includes \$65,324,800 in FY 2025 for Supported Housing. This amount consists of:

General Fund	5,324,800
AHCCCS Fund	60,000,000

These amounts are unchanged from FY 2025.

Background – This line item funds housing services that enable individuals to live in the community. These funds may serve Medicaid and 100% state-funded recipients. AHCCCS administers its housing programs via a contracted third-party public housing authority. Available housing services include rental subsidies for permanent supported housing and other housing-related supports, such as eviction prevention, move-in assistance, and move-in deposits. Most of the funding is reserved for members with an SMI designation, though some services are available for individuals without an SMI designation who have a general mental health or substance use disorder.

This line item also supports the "Housing and Health Opportunities" (H2O) demonstration, which provides housing services for AHCCCS members who are homeless or at risk of homelessness. Specific services allowed under the waiver include short-term post-transition housing up to 6 months, housing supports, pre-tenancy and tenancy supportive services, and home modifications deemed medically necessary. The H2O waiver amendment, which received CMS approval in October 2022 and began October 1, 2024, is intended to 1) increase homeless outreach, 2) provide housing for members who are homeless or at risk, and 3) expand wraparound housing services to ensure housing stability.

In addition to the \$5,324,800 General Fund appropriation 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. AHCCCS reports \$24,501,200 General Fund was spent for Supported Housing services from the Non-Medicaid Seriously Mentally Ill Services line item in FY 2024. These amounts are used to draw down federal funding for the H2O program. AHCCCS reports that the approved waiver would allow the agency to draw down an estimated \$68.9 million in Federal Funds annually for housing initiatives through FY 2027.

Obtaining the full federal allocation, however, requires AHCCCS to identify \$5.5 million in additional state monies over and above existing state housing funding. In FY 2025, the additional state match is being funded from the Housing Trust Fund.

As of July 2024, 2,187 households are enrolled in AHCCCS's housing program.

Crisis Services

The Baseline includes \$16,391,300 in FY 2026 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 2025.

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.

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 Consolidated Appropriations Act of 2024 delayed nationwide DSH payment reductions that were originally authorized by the federal Affordable Care Act (ACA) until January 1, 2025. Given that Congress has enacted multiple delays to the ACA's DSH payment reductions to states, the Baseline does not assume any federal funding loss related to DSH in FY 2025 and FY 2026. The Baseline therefore assumes that Arizona's DSH allocation would be adjusted in FY 2026 through FY 2028 according to the regular federal formula, as outlined below.

Distribution

The FY 2025 enacted budget appropriated \$4,202,300 of federal DSH funds associated with uncompensated care at Maricopa Integrated Health System (Valleywise) for distribution to Valleywise. Due to the availability of a new federal program, the DSH Valleywise payments are no longer being made, starting with FY 2024.

Table 3

Disproportionate Share Hospital Payments

	<u>FY 2024 (Actual)</u>	<u>FY 2025 (Enacted)^{1/}</u>	<u>FY 2025 (Estimated)</u>	<u>FY 2026 (Estimated)</u>
Eligible Funding ^{1/}				
Valleywise - CPE ^{2/}	\$ 0	\$ 92,291,200	\$ 0	\$ 0
ASH - CPE	28,474,900	28,474,900	28,474,900	28,474,900
Private Hospitals	884,800	884,800	884,800	884,800
DSH Voluntary Match	<u>163,429,900</u>	<u>65,330,500</u>	<u>197,948,100</u>	<u>205,641,700</u>
Total Funding	\$ 192,789,600	\$ 186,981,400	\$ 227,307,800	\$ 235,001,400
General Fund				
Retain FF of CPE (via Valleywise)	\$ 0	\$ 55,685,500	\$ 0	\$ 0
Retain FF of CPE (via ASH)	<u>18,876,000</u>	<u>18,477,400</u>	<u>18,693,800</u>	<u>18,320,800</u>
Subtotal - General Fund	\$ 18,876,000	\$ 74,162,900	\$ 18,693,800	\$ 18,320,800
Other Entities				
Valleywise	\$ 0	\$ 4,202,300	\$ 0	\$ 0
Private Hospitals	<u>884,800</u>	<u>884,800</u>	<u>884,800</u>	<u>884,800</u>
Subtotal - Other Entities	<u>884,800</u>	<u>5,087,100</u>	<u>884,800</u>	<u>884,800</u>
Total DSH Distributions	\$ 19,760,800	\$ 80,590,400	\$ 19,578,600	\$ 19,205,600
Voluntary Match	\$ 163,429,900	\$ 65,330,500	\$ 197,948,100	\$ 205,641,700
Total Distributions	\$ 183,190,700	\$ 145,920,900	\$ 217,526,700	\$ 224,847,300

- 1/ Amounts include state and federal match funding.
- 2/ The FY 2025 budget continued a Valleywise DSH limit of \$113,818,500 in the FY 2025 Health Care BRB to maximize the DSH General Fund revenue deposit in the event actual uncompensated care is higher. However, due to uncompensated care not reaching the statutory limit in recent years, the budget assumes the FY 2022 uncompensated care amount of \$92,291,200 in FY 2024 and FY 2025.
- 3/ The FY 2025 budget did not account for the impact of newly approved directed payments to Valleywise on DSH distributions. AHCCCS reports that these payments will reduce Valleywise's eligible funding for DSH to \$0. The Baseline incorporates these changes for FY 2025 and FY 2026.

The Baseline assumes that in FY 2025, the General Fund will receive \$18,693,800 via federal DSH funds associated with uncompensated care at the Arizona State Hospital (with adjustments in FY 2026 and in future years for changes in the federal match rate). The Baseline also eliminates the \$4,202,300 appropriation of federal DSH funds for distribution to Valleywise in FY 2026. Finally, the Baseline would modify a provision of session law to no longer include Valleywise among the entities that receive DSH distributions.

Change in Uncompensated Care Payments

In FY 2026, the Baseline assumes that the state's total DSH payments will reach \$235,001,400 due to federal adjustments for inflation. Of the \$235,001,400 of eligible DSH funding in FY 2026, \$224,847,300 is distributed according to the allocations described below and listed in Table 3. The remaining \$10,154,100 of eligible funding represents existing expenditures used as part of the state match. (See the Hospital Payments program summary on the JLBC website.)

The \$224,847,300 distribution in FY 2026 includes a \$140,311,200 increase in funding for DSH voluntary match payments above the FY 2025 amount. The FY 2025 budget allowed up to \$113,818,500 in DSH funding for Valleywise, but because Valleywise is no longer eligible, the \$113,818,500 is now available for voluntary match payments.

Disproportionate Share Payments - Private Hospitals

The Baseline includes \$884,800 in FY 2026 for Disproportionate Share Payments to private hospitals. This amount consists of:

General Fund	315,500
AHCCCS Fund	569,300

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$4,800 from the General Fund and a corresponding decrease of \$(4,800) from the AHCCCS Fund in FY 2026 to reflect a change in the federal match rate.

Eliminate Valleywise Distribution

The Baseline includes a decrease of \$(4,202,300) from the AHCCCS Fund in FY 2026 to eliminate the distribution of federal DSH funds to Valleywise. Accordingly, the Baseline deletes a footnote that specifies that \$4,202,300 is distributed to Valleywise.

In FY 2023, there were 16 private hospitals that received DSH payments.

DSH Payments - Voluntary Match

The Baseline includes \$205,641,700 in FY 2026 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	73,331,800
AHCCCS Fund	132,309,900

Adjustments are as follows:

Increased Funding

The Baseline includes an increase of \$140,311,200 in FY 2026 due to DSH formula adjustments. This amount consists of:

Political Subdivision Funds	51,119,400
AHCCCS Fund	89,191,800

The level of funding for voluntary match payments was previously determined by the amount remaining of Arizona's DSH allocation after distributions to the General Fund (via Valleywise and ASH) and private hospitals. The increase in funding for voluntary match payments in FY 2026 is primarily a result of Valleywise no longer being eligible to receive \$113,818,500 in DSH funding.

Background – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The Baseline would continue a provision that gives priority to eligible rural hospitals when allocating voluntary match DSH payments but would delete a provision that permits AHCCCS to include Valleywise in allocations of voluntary match DSH payments if Valleywise's CPE and matching Federal Funds exceed \$113,818,500. (Please see Table 3.)

Graduate Medical Education

The Baseline includes \$528,558,300 in FY 2026 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	9,000,000
Political Subdivision Funds	174,726,900
AHCCCS Fund	344,831,400

Adjustments are as follows:

Funding Adjustment

The Baseline includes an increase of \$59,311,700 in FY 2026 for a GME funding adjustment. This amount consists of:

Political Subdivision Funds	34,072,400
AHCCCS Fund	25,239,300

The funding adjustment reflects AHCCCS' estimate of hospital participation in the program in FY 2026, as well as changes in the federal match rate.

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 2024, 29 hospitals received a total of \$406,203,400 for Graduate Medical Education.

The General Fund portion of the program supports GME payments to hospitals located in health professional shortage areas. The Baseline continues footnotes that instruct AHCCCS how to allocate monies for this program.

The Baseline also continues to include a footnote making monies appropriated for the GME program non-lapsing through the end of the following fiscal year (FY 2027).

Critical Access Hospitals

The Baseline includes \$16,454,300 in FY 2026 for Critical Access Hospitals (CAH). This amount consists of:

General Fund	5,867,600
AHCCCS Fund	10,586,700

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$90,500 from the General Fund and a corresponding decrease of \$(90,500) from the AHCCCS Fund in FY 2026 due to a change in the federal match.

Remove FY 2025 Supplemental Pool Increase

The Baseline includes a decrease of \$(11,962,400) in FY 2026 to remove one-time supplemental payments to Critical Access Hospitals. This amount consists of:

General Fund	(4,200,000)
AHCCCS Fund	(7,762,400)

Background – This line item funds the CAH program, which provides increased reimbursement to small rural hospitals that are federally designated as CAHs. To be eligible as a CAH, the hospital must be in a rural area more than 35 miles from the nearest hospital and maintain no more than 25 inpatient beds. Funding is distributed according to a hospital's share of the cost in

serving Medicaid enrollees during the prior year. In FY 2024, 12 hospitals qualified for funding from CAH.

Targeted Investments Program

The Baseline includes \$67,000,000 in FY 2026 for the Targeted Investments (TI) Program. This amount consists of:

Delivery System Reform	24,321,800
Incentive Payment (DSRIP) Fund	
AHCCCS Fund	42,678,200

Adjustments are as follows:

Funding Adjustment

The Baseline includes an increase of \$11,000,000 in FY 2026 for increased TI program payments. This amount consists of:

DSRIP Fund	6,399,100
AHCCCS Fund	4,600,900

AHCCCS included waiver authority for this program as part of its 2022-2027 waiver renewal application, which received CMS approval in October 2022.

Background – In January 2017, CMS approved AHCCCS's 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 initially authorized up to \$300,000,000 in total funds for the program from FY 2018 through FY 2022. In October 2022, CMS granted a 5-year extension of the program at a total funding level of \$250,000,000. 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 2025 Ex-Appropriation
- Statutory Changes
- Long-Term Budget Impacts
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2025 Ex-Appropriation

The Baseline includes an FY 2025 ex-appropriation of \$(246,351,600) to account for an estimated General Fund surplus. The \$(246,351,600) surplus consists of:

- \$(76,351,600) for lower-than-budgeted caseloads. *(See Formula Adjustments for additional information.)*
- \$(170,000,000) for revisions to the state's FMAP.

In certain circumstances, the federal government can provide one-time upward adjustments in a state's FMAP if the state would otherwise experience a rapid decline in the match rate due to personal income growth. In December 2024, the federal government determined that Arizona qualified for such one-time adjustments for FY 2024 due to a (3.27)% decline in the state's regular match rate between FY 2023 and FY 2024. Arizona's one-time increase is approximately 1.2% for FY 2024 and FY 2025.

This results in the following match rates:

- 66.29% to 67.93% in FFY 2024.
- 64.89% to 65.65% in FFY 2025.

The Baseline assumes this adjustment generates \$(259,000,000) of General Fund savings across the AHCCCS, DES, and DCS budgets. Of this amount, approximately \$(170,000,000) is within the AHCCCS budget. The Baseline ex-appropriates this amount in FY 2025.

Statutory Changes

The Baseline would:

Rates and Services

- As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continues to allow AHCCCS to impose a reduction on funding for all managed care organizations administrative funding levels.

Counties

- As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
- As session law, set the FY 2026 County Acute Care contribution at \$42,814,200.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2026, 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 2026 county Arizona Long Term Care System (ALTCs) contributions at \$409,537,600.

Hospitals

- As session law, modify the FY 2026 disproportionate share (DSH) distributions to continue to include the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center but eliminate the distribution to Valleywise, which is now funded from a separate federal program.
- As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions.
- As session law, continue to establish priority for payments to private hospitals via the DSH-Voluntary program in FY 2026 according to county population size. Hospitals in rural counties (i.e. excluding Maricopa, Pima, and Pinal) have first priority; hospitals in Pinal County have second priority; and hospitals in Maricopa and Pima Counties have third priority.

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.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, AHCCCS's General Fund costs are projected to increase by \$268,785,300 in FY 2027 above FY 2026 and by \$167,238,400 in FY 2028 above FY 2027.

The FY 2027 estimate is based on:

- 1% caseload growth.
- 3.0% capitation growth.
- An estimated 64.11% FMAP in SFY 2027.
- Adjustments to non-General Fund state match offsets.
- \$100,000,000 to backfill a portion of the behavioral health costs of certain AHCCCS expansion populations that would no longer be covered via the Hospital Assessment Fund.

The FY 2028 estimate is based on:

- 1% caseload growth.
- 3.0% capitation growth.
- An estimated 64.03% FMAP in SFY 2028.
- Adjustments to non-General Fund state match offsets.

County Contributions

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in *Table 4*. 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. (See the *County Contributions program summary on the JLBC website*.)

Program Components

Traditional Medicaid, Proposition 204, Adult Expansion, KidsCare, ALTCs, and CHP 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 2026, the average capitation rate is expected to be approximately \$607 per member per month (or \$7,300 annually). Of that amount, an average of \$161 is from state match and \$446 from federal Medicaid and CHIP funds.

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 member 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.

Table 4

County Contributions

County	FY 2025			FY 2026		
	<u>BNCF</u> ^{1/}	<u>Acute</u> ^{2/}	<u>ALTCS</u> ^{3/}	<u>BNCF</u> ^{1/}	<u>Acute</u> ^{2/}	<u>ALTCS</u> ^{3/}
Apache	\$162,000	\$268,800	975,500	\$168,500	\$268,800	707,000
Cochise	302,100	2,214,800	973,400	314,300	2,214,800	7,510,100
Coconino	298,100	742,900	2,928,200	310,100	742,900	2,122,700
Gila	122,400	1,413,200	3,161,900	127,300	1,413,200	3,173,800
Graham	87,000	536,200	1,596,200	90,500	536,200	2,339,400
Greenlee	22,400	190,700	43,400	23,300	190,700	66,900
La Paz	46,300	212,100	990,200	48,200	212,100	828,800
Maricopa	0	15,145,900	269,359,200	0	14,783,900	275,201,600
Mohave	347,900	1,237,700	11,389,600	361,900	1,237,700	10,438,200
Navajo	228,000	310,800	4,037,000	237,200	310,800	2,926,600
Pima	2,072,300	14,951,800	62,975,600	2,155,700	14,951,800	63,729,700
Pinal	405,500	2,715,600	16,370,500	421,800	2,715,600	17,094,300
Santa Cruz	95,800	482,800	2,880,000	99,700	482,800	2,949,900
Yavapai	383,000	1,427,800	9,862,900	398,500	1,427,800	7,808,600
Yuma	<u>341,500</u>	<u>1,325,100</u>	<u>12,328,500</u>	<u>355,300</u>	<u>1,325,100</u>	<u>12,640,000</u>
Subtotal	\$4,914,300	\$43,176,200	\$399,872,100	\$5,112,300	\$42,814,200	\$409,537,600
Total			\$447,962,600			\$457,464,100

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

^{2/} County contributions to the acute care program are displayed within the AHCCCS Fund under the Traditional Medicaid Services line item.

^{3/} County contributions to the ALTCS program are displayed within the Long Term Care System Fund.

Tobacco Master Settlement Agreement

The Baseline continues to require AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2026 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.
- \$836,000 to the Department of Revenue to fund 6 positions that perform luxury tax enforcement and audit duties. (See the program summary on the JLBC website.)

Tobacco Tax Allocations

The Baseline projects AHCCCS and DHS will receive \$124,486,100 in transfers of tobacco tax collections in FY 2026. This amount represents a decrease of \$(1,257,400) from the FY 2025 estimated amount. Table 5 summarizes tobacco tax transfers and allocations to the agencies.

Table 5

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

	<u>FY 2024</u>	<u>FY 2025</u>
Medically Needy Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ (1,446,100)
Transfer In - Tobacco Tax and Health Care Fund	37,924,000	37,544,800
Transfer In - Tobacco Products Tax Fund	20,790,000	20,582,100
Total Funds Available	\$ 58,714,000	\$ 56,680,800
<u>Allocations</u>		
<u>AHCCCS</u>		
AHCCCS State Match Appropriation	\$ 59,460,100	\$ 65,886,300
Total AHCCCS Allocations	\$ 59,460,100	\$ 65,886,300
<u>DHS</u>		
Folic Acid	\$ 400,000	\$ 400,000
Renal, Dental Care, and Nutrition Supplements	300,000	300,000
Administrative Adjustments	0	0
Total DHS Allocations	700,000	700,000
Balance Forward*	\$ (1,446,100) *	\$ (9,905,500) *
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 780,000	\$ (824,500)
Transfer In - Tobacco Products Tax Fund	32,340,000	32,016,600
Total Funds Available	\$ 33,120,000	\$ 31,192,100
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 33,944,500	\$ 36,662,900
Administrative Adjustments	0	0
Balance Forward	\$ (824,500) *	\$ (5,470,800) *
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 723,000	\$ (392,600)
Transfer In - Tobacco Products Tax Fund	15,400,000	15,246,000
Total Funds Available	\$ 16,123,000	\$ 14,853,400
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 16,515,600	\$ 17,458,500
Administrative Adjustments	0	0
Balance Forward ^{1/}	\$ (392,600) *	\$ (2,605,100) *
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 18,847,500	\$ 22,005,500
Transfer In - Tobacco Tax and Health Care Fund	12,460,800	12,336,200
Transfer In - Tobacco Products Tax Fund	1,540,000	1,524,600
Smoke-Free Arizona Fund	303,700	300,700
Total Funds Available	\$ 33,152,000	\$ 36,167,000
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 9,733,900	\$ 16,368,100
Leading Causes of Death - Prevention and Detection	1,412,600	2,232,000
Balance Forward	\$ 22,005,500	\$ 17,566,900
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 9,788,700	\$ 12,344,300
Transfer In - Tobacco Tax and Health Care Fund	2,708,800	2,681,700
Transfer In - Tobacco Products Tax Fund	3,850,000	3,811,500
Total Funds Available	\$ 16,347,500	\$ 18,837,500
<u>Allocations</u>		
Research Grants	4,003,200	12,487,700
Balance Forward	\$ 12,344,300	\$ 6,349,800

^{1/} Unencumbered funds in Emergency Health Services Account are transferred to Prop 204 Protection Account at end of year.
* Actual ending balance will not be negative.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
AHCCCS Fund (HCA2120/A.R.S. § 36-2913)		Expenditure Authority
Source of Revenue: Federal matching funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services that is deposited in the AHCCCS Fund, along with county contributions serving as the state match for federal Medicaid dollars.		
Purpose of Fund: For AHCCCS's administrative costs and for the provision of services to eligible Medicaid populations.		
Funds Expended	11,809,438,100	13,434,104,500
Year-End Fund Balance	59,238,400	59,238,400
Arizona Tobacco Litigation Settlement Fund (HCA2468/A.R.S. § 36-2901.02)		Expenditure Authority
Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement.		
Purpose of Fund: Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs.		
Funds Expended	88,272,600	102,000,000
Year-End Fund Balance	0	100
Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)		Appropriated
Source of Revenue: County contributions.		
Purpose of Fund: To provide administrative funding for costs associated with the implementation of the Proposition 204 expansion. Proposition 204 shifted some county administrative functions to the state, for which the counties now compensate the state.		
Funds Expended	4,669,300	4,914,300
Year-End Fund Balance	9,800	9,800
Children's Behavioral Health Services Fund (HCA2735/A.R.S. § 36-3436)		Non-Appropriated
Source of Revenue: Includes monies appropriated to the fund, gifts or donations to the fund, and any interest earned.		
Purpose of Fund: To provide behavioral health services for uninsured or underinsured non-Medicaid children. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	4,037,500	0
Year-End Fund Balance	216,600	216,600
Children's Health Insurance Program Fund (HCA2410/A.R.S. § 36-2995)		Appropriated
Source of Revenue: Includes Medicaid matching monies for Arizona's State Children's Health Insurance Program (CHIP), called KidsCare. General Fund monies are used to leverage federal monies for KidsCare and are not included in the reported CHIP Fund expenditures.		
Purpose of Fund: To provide health insurance for low-income children 19 years of age and under. The eligibility limit for the KidsCare program has been set at 225% of the Federal Poverty Level (FPL), which is approximately \$67,500 for a family of 4.		
Funds Expended	128,657,800	174,041,000
Year-End Fund Balance	7,560,400	7,560,400
Coronavirus State and Local Fiscal Recovery Fund (HCA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	673,600	0
Year-End Fund Balance	1,092,200	1,092,200

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Delivery System Reform Incentive Payment Fund (HCA2130/A.R.S. § 36-2930.04)		Expenditure Authority
Source of Revenue: Monies voluntarily given to AHCCCS from local governments or Arizona public universities in order to obtain a federal match. Federal revenues and expenditures associated with DSRIP are accounted for in Federal Medicaid Authority.		
Purpose of Fund: To fund incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services through the Targeted Investment Program (TI Program). The projects will be funded with existing state matching monies and intergovernmental transfers (IGTs) from counties and universities.		
Funds Expended	3,656,900	17,922,700
Year-End Fund Balance	65,570,400	79,885,500
Employee Recognition Fund (HCA2449/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Private donations.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	800	800
Year-End Fund Balance	3,300	2,800
Federal Funds (HCA2000/A.R.S. § 36-2913)		Federal Funds
Source of Revenue: Non-Medicaid federal grant monies.		
Purpose of Fund: To support specific federally funded behavioral health programs, including the Mental Health Block Grant and the Substance Abuse Prevention and Treatment Block Grant.		
Funds Expended	150,307,800	186,030,400
Year-End Fund Balance	1,266,100	1,266,100
Health Care Investment Fund (HCA2588/A.R.S. § 36-2999.73)		Expenditure Authority
Source of Revenue: An assessment on hospital revenues, discharges, or beds days in addition to the Hospital Assessment established by A.R.S. § 36-2901.09, interest earnings, and legislative appropriations.		
Purpose of Fund: To increase the base reimbursement level for hospital services, to increase dental and physician fee schedules, and to cover related administrative expenses incurred by AHCCCS.		
Funds Expended	529,190,200	911,052,600
Year-End Fund Balance	135,577,200	125,326,300
Hospital Assessment Fund (HCA2576/A.R.S. § 36-2901.09)		Expenditure Authority
Source of Revenue: An assessment on hospital revenues, discharges, or beds days.		
Purpose of Fund: For funding the non-federal share of Proposition 204 services and the adult population who became eligible for AHCCCS services on January 1, 2014.		
Funds Expended	546,269,700	694,319,800
Year-End Fund Balance	139,634,900	139,634,900
IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)		Non-Appropriated
Source of Revenue: Operating transfers to provide the state matches for the Department of Economic Security Long-Term Care Program, Department of Corrections claims processing for inmates, and county claims for processing inmates. Excludes amounts received from political subdivisions for GME, DSH, APSI and PSI programs.		
Purpose of Fund: To receive and spend monies associated with intergovernmental agreements and interagency service agreements. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	142,093,400	142,093,400

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
IGA for County Behavioral Health Services Fund (HCA4503/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: Monies from local governments and state liquor service fees.		
Purpose of Fund: To fund the delivery of behavioral health services to seriously mentally ill (SMI) individuals, some mental health services for non-SMI individuals, and the administration of Local Alcohol Reception Centers (LARC) to treat substance abuse.		
Funds Expended	78,619,900	86,096,100
Year-End Fund Balance	5,669,400	5,669,400
Intergovernmental Service Fund (HCA2442/A.R.S. § 36-2927)		Non-Appropriated
Source of Revenue: Monies collected from the State of Hawaii.		
Purpose of Fund: To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medicaid Management Information System.		
Funds Expended	28,592,600	40,187,300
Year-End Fund Balance	4,029,700	4,029,700
Long Term Care System Fund (HCA2223/A.R.S. § 36-2913)		Expenditure Authority
Source of Revenue: Federal matching funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services that is deposited in the Long Term Care System Fund, along with county contributions serving as the state match for federal Medicaid dollars.		
Purpose of Fund: For AHCCCS's administrative costs and for the provision of services to the long-term care population.		
Funds Expended	1,707,996,000	1,959,660,600
Year-End Fund Balance	263,281,200	263,281,200
Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)		Expenditure Authority
Source of Revenue: Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources.		
Purpose of Fund: To qualify for federal matching funds for supplemental payments for nursing facility services, to reimburse the Medicaid sharer of the assessment, to provide Medicaid supplemental payments to fund covered nursing facility services for Medicaid beneficiaries, and to pay up to 1% in administrative expenses incurred by AHCCCS for administering this fund.		
Funds Expended	100,283,000	94,906,800
Year-End Fund Balance	479,000	479,000
Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)		Expenditure Authority
Source of Revenue: Portion of IGA and ISA Fund monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: To expand funding for hospitals through supplemental payments and the Access to Professional Services Initiative. Includes agreements for the Disproportionate Share Hospital (DSH) Voluntary Match Payments, Graduate Medical Education (GME), and Pediatric Services Initiative (PSI) programs.		
Funds Expended	227,965,900	242,411,000
Year-End Fund Balance	0	0
Prescription Drug Rebate Fund - Federal (HCA2546/A.R.S. § 36-2930)		Expenditure Authority
Source of Revenue: Prescription drug rebate collections, interest from prescription drug rebate late payments, and federal monies made available to this state for the operation of the AHCCCS Prescription Drug Rebate Program.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Federal monies are listed as Expenditure Authority. All other monies are appropriated. Expenditures displayed only include the federal share of disbursements and exclude "contra expenses" recorded in AFIS associated with the federal share of rebate collections.		
Funds Expended	609,060,300	609,060,300
Year-End Fund Balance	172,991,100	86,495,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Prescription Drug Rebate Fund - State (HCA2546/A.R.S. § 36-2930)		Appropriated
Source of Revenue: Prescription drug rebate collections and interest from prescription drug rebate late payments.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. The federal share of rebates is retained by the state and is used in lieu of federal match funds. Monies in the fund used in lieu of federal match funds are subject to expenditure authority; all other monies are appropriated. Expenditures displayed only include the state share of disbursements from the fund and exclude "contra expenses" recorded in AFIS associated with the state share of rebate collections.		
Funds Expended	164,907,400	189,832,200
Year-End Fund Balance	149,879,100	260,935,900
Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)		Non-Appropriated
Source of Revenue: Gaming monies received from the Arizona Benefits Fund.		
Purpose of Fund: For unrecovered trauma center readiness and emergency services costs.		
Funds Expended	39,034,100	39,034,100
Year-End Fund Balance	10,922,300	11,279,900
Seriously Mentally Ill Housing Trust Fund (HCA2555/A.R.S. § 41-3955.01)		Appropriated
Source of Revenue: Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
Purpose of Fund: To cover related administrative expenses. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	423,300	217,700
Year-End Fund Balance	0	0
Seriously Mentally Ill Housing Trust Fund (HCA2555/A.R.S. § 41-3955.01)		Non-Appropriated
Source of Revenue: Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
Purpose of Fund: To fund housing projects and rental assistance for seriously mentally ill persons. The Legislature may appropriate up to 10% of the monies from the fund for administrative costs of services. Appropriated monies are displayed in the Appropriated portion of the fund. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	13,641,900	16,000,100
Substance Abuse Services Fund (HCA2227/A.R.S. § 36-2005)		Appropriated
Source of Revenue: The fund receives 23.6% of monies collected from the Medical Services Enhancement Fund, which is a 13% penalty levied on criminal offenses, motor vehicle civil violations, and game and fish violations. Monies are deposited into 2 subaccounts.		
Purpose of Fund: To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services; to contract for preventive or rehabilitative and substance abuse services; and to provide priority for treatment services to pregnant substance abusers.		
Funds Expended	2,250,200	2,250,200
Year-End Fund Balance	(286,900)	100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Substance Use Disorder Services Fund (HCA2325/A.R.S. § 36-2930.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund, any gifts or donations to the fund, and interest earned on those monies.		
Purpose of Fund: To enter into agreements with one or more contractors for substance use disorder services. Monies in the fund shall not be used for persons eligible for Medicaid or Children's Health Insurance Program services. Preferences shall be given to persons with lower household incomes. Contractor administrative costs shall not exceed 8% of the expenditures for services. Monies in the fund are non-lapsing. Expenditures are not displayed to avoid double counting of General Fund monies.		
Funds Expended	1,445,400	0
Year-End Fund Balance	41,800	41,800
Third Party Liability and Recovery Fund (HCA3791 Acute Care/A.R.S. § 36-2913)		Expenditure Authority
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	194,700	194,700
Year-End Fund Balance	0	0
Third Party Liability and Recovery Fund (HCA3791 Acute Care//A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members. This account displays payment of the Third Party Liability contractor fee and return of the federal share of recoveries to CMS. Please see the Expenditure Authority portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	10,646,600	10,428,000
Tobacco Products Tax Fund - Emergency Health Services Account (HCA1304/A.R.S. § 36-776)		Appropriated
Source of Revenue: This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		
Funds Expended	16,515,600	17,458,500
Year-End Fund Balance	(392,600)	100
Tobacco Products Tax Fund - Proposition 204 Protection Account (HCA1303/A.R.S. § 36-778)		Expenditure Authority
Source of Revenue: This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: To fund state match costs in AHCCCS for the Proposition 204 program. These monies are non-appropriated and must be spent before any other state monies on the Proposition 204 program.		
Funds Expended	33,944,500	36,662,900
Year-End Fund Balance	(824,500)	0
Tobacco Tax and Health Care Fund - Medically Needy Account (HCA1306/A.R.S. § 36-774)		Appropriated
Source of Revenue: The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account.		
Purpose of Fund: For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to the DHS for statutorily established services, grants and pilot programs. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.		
Funds Expended	60,160,100	66,586,300
Year-End Fund Balance	(1,446,100)	100

Arizona Commission on the Arts

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
SPECIAL LINE ITEMS			
Arts Trust Fund Deposit	5,000,000	2,000,000	0
AGENCY TOTAL	5,000,000	2,000,000 ^{1/}	0
FUND SOURCES			
General Fund	5,000,000	2,000,000	0
SUBTOTAL - Appropriated Funds	5,000,000	2,000,000	0
Other Non-Appropriated Funds	1,711,900	1,665,500	1,328,900
Federal Funds	1,136,800	1,154,300	0
TOTAL - ALL SOURCES	7,848,700	4,819,800	1,328,900

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/} General Appropriations Act funds are appropriated as a Special Line Item by Agency.

Arts Trust Fund Deposit

The Baseline includes no funding from the General Fund in FY 2026 for deposit into the non-appropriated Arts Trust Fund. Adjustments are as follows:

Remove One-Time FY 2025 Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2026 to remove one-time 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.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Arts Trust Fund (HUA3043/A.R.S. § 41-983.01)		Non-Appropriated
Source of Revenue: An annual report filing fee from domestic and foreign for-profit corporations.		
Purpose of Fund: To award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are to be used to provide grants to: 1) organizations representing handicapped persons; 2) racial or ethnic minorities; and 3) organizations representing rural areas. Amounts transferred in from the General Fund are not displayed to avoid double counting of appropriations.		
Funds Expended	1,368,500	1,279,900
Year-End Fund Balance	358,500	182,600
Arts Special Revenues Fund (HUA2116/A.R.S. § 41-983)		Non-Appropriated
Source of Revenue: Public and private grants, donations, exhibit rentals, admissions, charges for services, and amounts transferred in from the Budget Stabilization Fund.		
Purpose of Fund: To award grants to arts programs in all areas of the state. The applicant organizations must contribute to each grant awarded by the Arts Commission.		
Funds Expended	343,400	385,600
Year-End Fund Balance	101,400	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Federal Grants (HUA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants from the National Endowment for the Arts.		
Purpose of Fund: To award grants to non-profits, schools and government entities in the state. A state funding match is required.		
Funds Expended	1,136,800	1,154,300
Year-End Fund Balance	0	0
State Poet Laureate Fund (HUA2569/A.R.S. § 41-988)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To pay costs of the State poet laureate.		
Funds Expended	0	0
Year-End Fund Balance	2,500	2,500

Board of Athletic Training

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	80,200	75,400	75,400
Employee Related Expenditures	28,100	62,400	62,400
Travel - In State	200	1,200	1,200
Other Operating Expenditures	15,500	28,800	28,800
Equipment	200	0	0
AGENCY TOTAL	124,200	167,800	167,800^{1/}

FUND SOURCES

Other Appropriated Funds

Athletic Training Fund	124,200	167,800	167,800
SUBTOTAL - Other Appropriated Funds	124,200	167,800	167,800
SUBTOTAL - Appropriated Funds	124,200	167,800	167,800
TOTAL - ALL SOURCES	124,200	167,800	167,800

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

FOOTNOTES

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

Operating Budget

The Baseline includes \$167,800 and 1.5 FTE Positions from the Athletic Training Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Athletic Training Fund (BAA2583/A.R.S. § 32-4105)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of athletic trainers.		
Purpose of Fund: To examine, license, investigate, and regulate athletic trainers, and for board administration.		
Funds Expended	124,200	167,800
Year-End Fund Balance	98,600	84,300

Attorney General - Department of Law

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	671.7	671.7	671.7
Personal Services	33,965,800	37,221,200	37,221,200
Employee Related Expenditures	11,705,100	14,511,000	14,511,000
Professional and Outside Services	1,071,000	565,500	565,500
Travel - In State	190,900	249,800	249,800
Travel - Out of State	92,200	86,000	86,000
Other Operating Expenditures	10,490,400	11,134,300	11,134,300
Equipment	767,000	280,200	280,200
OPERATING SUBTOTAL	58,282,400	64,048,000	64,048,000 ^{1/2/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Capital Postconviction Prosecution	826,300	885,500	885,500
Criminal Division Major Fraud Unit	687,000	1,191,200	1,191,200
Southern Arizona Law Enforcement	1,555,000	1,682,500	1,682,500
State Grand Jury	178,500	195,300	195,300
Opioid-Related Distributions			
Opioid Abatement	11,000 ^{3/}	0	0
Transfer to ADC for Opioid Remediation/Allowable Settlement Uses	75,000,000	40,000,000	40,000,000 ^{4/}
Transfer to DEMA for Opioid Remediation/Allowable Settlement Uses	0	3,000,000	0
Transfer to DHS for Opioid Remediation/Allowable Settlement Uses	0	1,000,000	0
Veterans Substance Abuse Treatment Grants	0	5,000,000	0
Other Programs			
Child and Family Advocacy Centers	600,000	100,000	100,000 ^{5/}
Government Accountability and Special Litigation	1,095,300	1,293,200	1,293,200
Internet Crimes Against Children Enforcement	23,000	1,278,300	1,278,300 ^{6/}
Military Airport Planning	82,700	85,000	85,000 ^{7/}
Organized Retail Theft Task Force	546,900	1,575,700	1,575,700 ^{8/}
Risk Management Interagency Service Agreement	8,310,200	10,812,100	10,812,100
Tobacco Enforcement	89,300	877,500	877,500
Victims' Rights	2,335,800	4,027,700	4,027,700
AGENCY TOTAL	149,623,400	137,052,000	128,052,000 ^{9/}
FUND SOURCES			
General Fund	26,761,100	27,092,700	27,092,700
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	89,100	162,300	162,300
Attorney General Legal Services Cost Allocation Fund	1,784,700	2,343,200	2,343,200
Collection Enforcement Revolving Fund – Operating	7,144,600	7,339,500	7,339,500
Consumer Protection - Consumer Fraud Revolving Fund	10,504,100	14,886,000	14,886,000
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund	75,011,000	49,000,000	40,000,000
Interagency Service Agreements Fund	15,651,800	18,246,300	18,246,300
Internet Crimes Against Children Enforcement Fund	21,900	900,000	900,000
Risk Management Revolving Fund	10,519,800	13,266,600	13,266,600
Victims' Rights Fund	2,135,300	3,815,400	3,815,400

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
SUBTOTAL - Other Appropriated Funds	122,862,300	109,959,300	100,959,300
SUBTOTAL - Appropriated Funds	149,623,400	137,052,000	128,052,000
Other Non-Appropriated Funds	53,699,800	73,482,700	73,482,700
Federal Funds	9,178,500	22,135,500	9,712,700
TOTAL - ALL SOURCES	212,501,700	232,670,200	211,247,400

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/ 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 fiscal year 2025-2026. (General Appropriations Act footnote)
- 2/ Within ten days after receiving a complaint alleging a violation of section 15-511, Arizona Revised Statutes, 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 Appropriations Act footnote)
- 3/ Of the amount appropriated to the attorney general for the opioid abatement line item in fiscal year 2023-2024 pursuant to Laws 2023, chapter 133, section 13, \$12,000,000 from the consumer remediation subaccount of the consumer restitution and remediation revolving fund established by section 44-1531.02, Arizona Revised Statutes, is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (General Appropriations Act footnote)
- 4/ A. In addition to any other appropriation made in fiscal year 2025-2026, the sum of \$40,000,000 is appropriated from the consumer remediation subaccount of the consumer restitution and remediation revolving fund established by section 44 1531.02, Arizona Revised Statutes, in fiscal year 2025-2026 to the attorney general. This amount consists of monies deposited in the subaccount pursuant to opioid claims-related litigation or settlements.
 B. On or before July 3, 2025, or, if sufficient monies are not available on July 3, 2025, within three calendar days after sufficient monies become available, the attorney general shall transfer the monies appropriated in subsection A of this section to the state department of corrections opioid remediation fund established pursuant to section 35-142, Arizona Revised Statutes.
 C. The state department of corrections shall use the monies in the state department of corrections opioid remediation fund only for past and current department costs for care, treatment, programs and other expenditures for individuals with opioid use disorder and any co-occurring substance use disorder or mental health conditions or for any other approved purposes as prescribed in a court order, a settlement agreement or the one Arizona distribution of opioid settlement funds agreement that is entered into by this state and other parties to the opioid litigation.
 D. Except as provided in subsection C of this section, the attorney general shall not impose any conditions on the transfer of the monies into the state department of corrections opioid remediation fund.
 E. If the attorney general does not transfer the full amount specified in subsection A of this section on or before the date specified in subsection B of this section, the general accounting office of the department of administration shall directly transfer the amount from the consumer remediation subaccount of the consumer restitution and remediation revolving fund established by section 44-1531.02, Arizona Revised Statutes, to the state department of corrections opioid remediation fund.
 F. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations 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 section 41-191.11, Arizona Revised Statutes. (General Appropriations Act footnote)
- 6/ The \$900,000 appropriation from the internet crimes against children enforcement fund established by section 41-199, Arizona Revised Statutes, and the \$378,300 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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)
- 7/ 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 Appropriations Act.
- 8/ The \$1,575,700 appropriation for the organized retail theft task force line item shall be used for operational expenses of the organized retail task force and for hiring one attorney, one paralegal, two investigators and one support staff person

within the office of the attorney general and four peace officers who are assigned to the task force to focus specifically on investigating and prosecuting organized retail crime. (General Appropriations Act footnote)

9/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$64,048,000 and 513.5 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$23,786,100
Antitrust Enforcement Revolving Fund	162,300
Attorney General Legal Services Cost Allocation Fund (LSCAF)	2,343,200
Collection Enforcement Revolving Fund (CERF)	7,339,500
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	9,716,100
Interagency Service Agreements (ISA) Fund	18,246,300
Risk Management Revolving Fund	2,454,500

These amounts are unchanged from FY 2025.

Additional Operating Resources

Capital Postconviction Prosecution

The Baseline includes \$885,500 and 6 FTE Positions from the General Fund in FY 2026 for Capital Postconviction Prosecution. These amounts are unchanged from FY 2025.

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

Criminal Division Major Fraud Unit

The Baseline includes \$1,191,200 and 7 FTE Positions from the CPCF Revolving Fund in FY 2026 for the Criminal Division Major Fraud Unit. These amounts are unchanged from FY 2025.

This line item provides funding for increased caseload demand for the Major Fraud Unit. The Criminal Division Major Fraud Unit investigates complaints submitted by Arizona citizens and referred by other law enforcement agencies.

Southern Arizona Law Enforcement

The Baseline includes \$1,682,500 and 16 FTE Positions in FY 2026 for Southern Arizona Law Enforcement. These amounts consist of:

General Fund	1,355,400
CPCF Revolving Fund	327,100

These amounts are unchanged from FY 2025.

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 Baseline includes \$195,300 and 1.6 FTE Positions from the General Fund in FY 2026 for the State Grand Jury. These amounts are unchanged from FY 2025.

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.

Opioid-Related Distributions

Opioid Abatement

The Baseline includes no funding in FY 2026 for the Opioid Abatement line item. This amount is unchanged from FY 2025.

Monies in this line item come from a portion of monies deposited into the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund pursuant to recent settlements with opioid distributors.

In accordance with these settlement agreements, an FY 2024 General Appropriations Act footnote requires monies in this line item to be used to treat opioid use disorders and support persons in treatment and recovery. The Attorney General is required to submit an expenditure plan to the JLBC for review prior to the expenditure of any monies in this line item. In October 2023, the JLBC gave a favorable review of a plan to spend \$11,500,000 of the \$12,000,000

appropriation for a competitive grant for rural county reentry programs for counties that already operate a reentry program as defined in A.R.S. § 11-392. The plan allocated the remaining \$500,000 to governmental entities that received monies from the Child and Family Advocacy Centers Fund in FY 2023.

An FY 2025 General Appropriations Act footnote makes the FY 2024 appropriation non-lapsing until June 30, 2025.

(Please see the Other Issues – Opioid Settlements section for more information.)

Transfer to ADC for Opioid Remediation/Allowable Settlement Uses

The Baseline includes \$40,000,000 from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2026 for a transfer to the State Department of Corrections Opioid Remediation Fund established within the Arizona Department of Corrections (ADC) for opioid remediation and allowable settlement uses. This amount is unchanged from FY 2025.

A General Appropriations Act footnote requires ADC to use the monies in the State Department of Corrections Opioid Remediation Fund only for past and current department costs for care, treatment, programs and other expenditures for individuals with opioid use disorder and any co-occurring substance use disorder or mental health conditions or for any other approved purposes as prescribed in a court order, a settlement agreement or the One Arizona distribution of opioid settlement funds agreement that is entered into by this state and other parties to the opioid litigation.

An FY 2025 General Appropriations Act footnote requires the \$40,000,000 FY 2025 appropriation to be transferred to the ADC Opioid Remediation Fund by July 3, 2024 or within 3 calendar days after sufficient monies become available, whichever is sooner. As of September 30, 2024, the AG had transferred \$40,000,000 to ADC. These monies are non-lapsing.

The FY 2025 budget included a supplemental appropriation of \$75,000,000 from the Consumer Remediation Subaccount in FY 2024 and an appropriation of \$40,000,000 from the Consumer Remediation Subaccount in FY 2025 for transfers to the State Department of Corrections Opioid Remediation Fund. Both appropriations were governed by footnote language comparable to the language governing the FY 2026 appropriation, as noted previously.

Transfer to DEMA for Opioid Remediation/Allowable Settlement Uses

The Baseline includes no funding in FY 2026 for a transfer to the Department of Emergency and Military Affairs Opioid Remediation Fund established within the Arizona Department of Emergency and Military Affairs (DEMA) to expand existing drug interdiction efforts for the purposes of reducing drug trafficking activities, with a focus on assisting law enforcement agencies in fentanyl cases. Adjustments are as follows:

Remove One Time Funding

The Baseline includes a decrease of \$(3,000,000) from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2026 to remove one-time funding for a transfer to DEMA.

An FY 2025 General Appropriations Act footnote requires DEMA to use the monies in the Department of Emergency and Military Affairs Opioid Remediation Fund only for approved purposes as prescribed in a court order, a settlement agreement or the One Arizona distribution of opioid settlement funds agreement that is entered into by this state and other parties to the opioid litigation.

An FY 2025 General Appropriations Act footnote requires the \$3,000,000 FY 2025 appropriation to be transferred to the DEMA Opioid Remediation Fund by July 3, 2024 or within 3 calendar days after sufficient monies become available, whichever is sooner. As of September 30, 2024, the AG had transferred \$3,000,000 to DEMA. These monies are non-lapsing.

Transfer to DHS for Opioid Remediation/Allowable Settlement Uses

The Baseline includes no funding in FY 2026 for a transfer to the Department of Health Services Opioid Remediation Fund established within the Arizona Department of Health Services (DHS) to distribute and equip first responders with overdose reversal medication. Adjustments are as follows:

Remove One Time Funding

The Baseline includes a decrease of \$(1,000,000) from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2026 to remove one-time funding for a transfer to DHS.

An FY 2025 General Appropriations Act footnote requires DHS to use the monies in the Department of Health Services Opioid Remediation Fund only for approved purposes as prescribed in a court order, a settlement agreement or the One Arizona distribution of opioid settlement funds agreement that is entered into by this state and other parties to the opioid litigation.

An FY 2025 General Appropriations Act footnote requires the \$1,000,000 FY 2025 appropriation to be transferred to the DHS Opioid Remediation Fund by July 3, 2024 or within 3 calendar days after sufficient monies become available, whichever is sooner. As of September 30, 2024, the AG had transferred \$1,000,000 to DHS. These monies are non-lapsing.

One-Time Veterans Substance Abuse Treatment Grants

The Baseline includes no funding in FY 2026 for veterans substance abuse treatment grants. Adjustments are as follows:

Remove One Time Funding

The Baseline includes a decrease of \$(5,000,000) from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2026 to remove one-time funding for veterans substance abuse treatment grants.

An FY 2025 General Appropriations Act footnote specifies that organizations must treat opioid use disorder in conjunction with judicial substance abuse treatment programs to be eligible for these grants. The AG must submit an expenditure plan to JLBC for review before distributing any money from this line item.

Monies in this line item come from a portion of monies deposited into the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund pursuant to a settlement with opioid distributors.

Other Programs

Child and Family Advocacy Centers

The Baseline includes \$100,000 from the General Fund in FY 2026 for the Child and Family Advocacy Centers line item. This amount is unchanged from FY 2025.

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.

Government Accountability and Special Litigation

The Baseline includes \$1,293,200 and 10 FTE Positions from the CCPF Revolving Fund in FY 2026 for the Government Accountability and Special Litigation (GASL) line item. These amounts are unchanged from FY 2025.

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.

Internet Crimes Against Children Enforcement

The Baseline includes \$1,278,300 in FY 2026 for the Internet Crimes Against Children (ICAC) Enforcement line item. This amount consists of:

General Fund	378,300
ICAC Enforcement Fund	900,000

These amounts are unchanged from FY 2025.

A.R.S. § 41-199 requires the Attorney General to enter into 1 or more intergovernmental agreements to operate 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.

An ongoing General Appropriations Act footnote makes the amount non-lapsing through the following fiscal year.

Military Airport Planning

The Baseline includes \$85,000 and 1 FTE Position from the General Fund in FY 2026 for Military Airport Planning. These amounts are unchanged from FY 2025.

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 Appropriations Act although the 1 FTE Position authority does appear there. Monies in this line item pay for the review and determination of compliance with land use plans.

Organized Retail Theft Task Force

The Baseline includes \$1,575,700 and 9 FTE Positions from the CCPF Revolving Fund in FY 2026 for the Organized Retail Theft Task Force line item. These amounts are unchanged from FY 2025.

The Organized Retail Theft Task Force combats crimes that relate to the stealing, embezzling, or obtaining of

retail merchandise by illegal means for the purpose of reselling the items. The task force ends on July 1, 2029. A General Appropriations Act footnote also requires this funding be used for 9 FTE Positions, including 1 attorney, 1 paralegal, 2 investigators, 1 support person, and 4 peace officers assigned to the task force. *(Please see the FY 2022 Appropriations Report for a more detailed history.)*

Risk Management Interagency Service Agreement

The Baseline includes \$10,812,100 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2026 for the Risk Management Interagency Service Agreement. These amounts are unchanged from FY 2025.

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.

Tobacco Enforcement

The Baseline includes \$877,500 and 6.6 FTE Positions in FY 2026 for Tobacco Enforcement. These amounts consist of:

General Fund	94,800
CPCF Revolving Fund	782,700

These amounts are unchanged from FY 2025.

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. The AG has stated that it also plans to spend these monies on consumer fraud investigations into tobacco products, including e-cigarettes and alternative nicotine products.

In addition to the monies provided in this line item, the Baseline continues to require AHCCCS to transfer up to \$1,200,000 to the Attorney General for MSA and e-cigarette enforcement. As a result, the Baseline includes a total of up to \$2,077,500 for the Attorney General to enforce the MSA in FY 2026.

Victims’ Rights

The Baseline includes \$4,027,700 and 8 FTE Positions in FY 2026 for Victims’ Rights. These amounts consist of:

General Fund	212,300
Victims' Rights Fund	3,815,400

These amounts are unchanged from FY 2025.

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 is funded by a \$9 penalty on civil and criminal violations.

Other Issues

This section includes information on the following topics:

- Opioid Settlements
- Attorney General Legal Services Cost Allocation Fund

Opioid Settlements

The Attorney General has reported that they estimate the state will receive \$501.9 million over the lifetime of numerous settlements with opioid manufacturers and distributors for their role in the proliferation of opioid addiction. Under the terms of the majority of these settlements, the state receives 44% of the total settlement amount, with the remaining 56% going to cities and counties. The \$501.9 million figure represents the state's 44% share of the total settlement amount. The Attorney General currently projects that settlement payments will finish by FY 2039.

These settlement monies may be used for opioid treatment and prevention programs and in accordance with approved, nationally recognized strategies to address the opioid epidemic as outlined in the One Arizona Opioid Settlement Memorandum of Understanding. These include treatment of opioid addiction, support for individuals in treatment or at risk of addiction, prevention, education, prison and jail opioid use and opioid interdiction and abatement on the southern border.

Opioid settlement monies are deposited in the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund. Beginning in FY 2024, all opioid settlement monies deposited in the Consumer Remediation Subaccount are subject to both JLBC review and legislative appropriation, pursuant to A.R.S. 44-1531.02C.

Since FY 2024, the Legislature has made the following appropriations of opioid settlement monies to the Attorney General:

- FY 2023: \$5.0 million for grants to counties and medically underserved populations.
- FY 2024: \$11.5 million for grants to counties with coordinated reentry programs; \$500,000 to governmental child and family advocacy centers; and \$75.0 million for transfer to ADC for opioid remediation expenses.
- FY 2025: \$40.0 million for transfer to ADC for opioid remediation expenses; \$5.0 million for Veterans Substance Abuse Treatment Grants; \$3.0 million for transfer to DEMA for opioid remediation expenses; and \$1.0 million for transfer to DHS for opioid remediation expenses.

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 Appropriations Act each year. See *Table 1* for a list of agencies and their corresponding FY 2026 Attorney General Legal Services charge. These charges do not necessarily represent the full cost for Attorney General legal services paid by an agency, which may also include costs associated with interagency service agreements between an agency and the Attorney General's office. These amounts are unchanged from FY 2025.

(Please see the FY 2022 and FY 2015 Appropriations Reports for a more detailed history on legal services charges and the FY 2018 Appropriations Report for changes that occurred after FY 2015.)

Table 1

FY 2026 Attorney General Legal Services Charges

<u>Agency</u>	<u>Charge</u>
Arizona Department of Administration	\$ 127,700
Office of Administrative Hearings	3,000
Arizona Commission on the Arts	3,100
Citizens Clean Elections Commission	2,700
State Department of Corrections	2,000
Arizona Criminal Justice Commission	8,700
Arizona State Schools for the Deaf and the Blind	100,200
Commission for the Deaf and the Hard of Hearing	4,100
Arizona 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
Arizona Exposition and State Fair Board	20,900
Arizona Department of Forestry and Fire Management	13,400
Department of Gaming	37,300
Department of Health Services	173,800
Arizona Historical Society	700
Arizona Department of Housing	19,300
Department of Insurance and Financial Institutions	13,800
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
Department of Public Safety	677,400
Arizona Board of Regents	1,800
Arizona State Retirement System	69,100
Department of Revenue	4,900
Department of State - Secretary of State	1,800
State Treasurer	9,200
Department of Veterans' Services	52,700
Total Legal Services Charges	\$ 1,798,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Anti-Racketeering Revolving Fund – Cases (AGA2132/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes, to fund gang prevention, substance abuse prevention/education, and witness protection programs. This sub-fund consists of seized cash held in trust until litigation is resolved and the monies are either returned to the defendant or forfeited to the applicable law enforcement agency.		
Funds Expended	506,500	131,400
Year-End Fund Balance	262,900	131,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Anti-Racketeering Revolving Fund – Operations (AGA2130/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes, to fund gang prevention, substance abuse prevention/education, and witness protection programs. This sub-fund consists of monies forfeited directly to the Attorney General's office.		
Funds Expended	2,669,100	12,812,400
Year-End Fund Balance	4,160,100	4,583,300
Anti-Racketeering Revolving Fund – Pass Through (AGA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeiture of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes, to fund gang prevention, substance abuse prevention/education, and witness protection programs. This sub-fund consists of monies forfeited to law enforcement agencies other than the Attorney General. These monies are held in trust until the agency requests access to the funds. The Attorney General has no authority to expend monies in this sub-fund except to transfer to other agencies.		
Funds Expended	5,582,300	4,019,200
Year-End Fund Balance	8,284,000	16,600,000
Antitrust Enforcement Revolving Fund (AGA6311/A.R.S. § 41-191.02)		Appropriated
Source of Revenue: Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
Purpose of Fund: For antitrust enforcement expenses, excluding attorney compensation.		
Funds Expended	89,100	162,300
Year-End Fund Balance	1,123,900	1,033,600
Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)		Appropriated
Source of Revenue: Flat dollar amount from agencies as annually specified by the General Appropriation Act.		
Purpose of Fund: To fund non-contracted Attorney General Legal Services.		
Funds Expended	1,784,700	2,343,200
Year-End Fund Balance	650,800	104,300
Child and Family Advocacy Center Fund (AGA2540/A.R.S § 41-191.11)		Non-Appropriated
Source of Revenue: Appropriated funds as well as other monies such as private gifts and grants.		
Purpose of Fund: Funds shall be distributed to child and family advocacy centers that apply for funding and meet certain eligibility requirements. The Attorney General may use up to 5% of the monies in the fund for administrative costs.		
Funds Expended	60,300	100,000
Year-End Fund Balance	639,800	0
CJEF Distribution to County Attorneys Fund (AGA2362/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: 12.38% of the Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To enhance prosecutorial efforts of county attorneys.		
Funds Expended	2,908,500	3,295,700
Year-End Fund Balance	886,600	443,300
Collection Enforcement Revolving Fund – Operating (AGA3211/A.R.S. § 41-191.03)		Appropriated
Source of Revenue: 35% of monies recovered by the Attorney General from debts owed to the state, or to any agency, board, commission, or department of the state from proceedings initiated by the Attorney General.		
Purpose of Fund: For expenses related to debt collection owed to the state, including reimbursement of other accounts within the department. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement		
Funds Expended	7,144,600	7,339,500
Year-End Fund Balance	2,400,800	1,939,700

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Consumer Protection - Consumer Fraud Revolving Fund (AGA6211/A.R.S. § 44-1531.01)		Appropriated
Source of Revenue: Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.		
Purpose of Fund: For consumer fraud education and for investigative and enforcement operations of the Consumer Protection Division, excluding attorney compensation. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration. The fund balance excludes monies deposited in the fund's Restricted subaccount.		
Funds Expended	10,504,100	14,886,000
Year-End Fund Balance	26,574,700	25,838,000
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2574/A.R.S. § 44-1531.02)		Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Remediation Subaccount consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable person. All monies from opioid claims-related litigation or settlements are subject to legislative appropriation. All other monies in the Consumer Remediation Subaccount up to \$4,000,000 are continuously appropriated, subject to JLBC review. Any amount of money collected over that amount is subject to legislative appropriation. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	75,011,000	49,000,000
Year-End Fund Balance	52,963,300	27,655,600
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2574/A.R.S. § 44-1531.02)		Non-Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Remediation Subaccount consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable person. All monies from opioid claims-related litigation or settlements are subject to legislative appropriation. All other monies in the Consumer Remediation Subaccount up to \$4,000,000 are continuously appropriated, subject to JLBC review. Any amount of money collected over that amount is subject to legislative appropriation. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	538,400	4,000,000
Year-End Fund Balance	52,963,300	27,655,600
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Non-Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Restitution Subaccount is to be used for monies collected from lawsuits intended to compensate a specific, identifiable person, including the state, for economic loss resulting from violations of consumer protection laws.		
Funds Expended	874,900	5,023,800
Year-End Fund Balance	10,108,700	9,247,700

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Coronavirus State and Local Fiscal Recovery Fund (AGA2985/U.S. P.L 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	3,650,200	12,422,800
Year-End Fund Balance	(203,700)	0
Court-Ordered Trust Fund (AGA3181/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Court-ordered deposits held in trust for parties to lawsuits. Includes funds from a 2012 nationwide settlement between numerous states and mortgage loan services. Arizona residents received a total of \$1.6 billion from the settlement, of which \$33.9 million was allocated to the Attorney General.		
Purpose of Fund: To assure funds are available to pay judgments. Future payments are dependent on case settlements.		
Funds Expended	863,900	0
Year-End Fund Balance	940,900	962,500
Criminal Case Processing Fund (AGA7361/A.R.S. § 41-2421)		Non-Appropriated
Source of Revenue: A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
Purpose of Fund: For the processing of criminal cases.		
Funds Expended	51,000	119,600
Year-End Fund Balance	146,400	79,600
Federal Grants (AGA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Grants awarded by various federal agencies and state agencies which pass through federal monies.		
Purpose of Fund: To be used in accordance with the terms of the individual grants.		
Funds Expended	5,528,300	9,712,700
Year-End Fund Balance	1,816,100	2,065,900
Indirect Cost Recovery Fund (AGA9001/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grant monies and other appropriated and non-appropriated funds.		
Purpose of Fund: To pay administrative costs not directly attributable to any single agency program.		
Funds Expended	10,549,200	14,478,300
Year-End Fund Balance	5,692,200	3,401,900
Interagency Service Agreements Fund (AGA2657/A.R.S. § 41-192)		Appropriated
Source of Revenue: Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
Purpose of Fund: To provide contracted legal services to state agencies and political subdivisions.		
Funds Expended	15,651,800	18,246,300
Year-End Fund Balance	2,604,900	0
Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Any monies received from state agencies for specialized projects.		
Purpose of Fund: For costs associated with approved projects.		
Funds Expended	27,871,000	28,379,600
Year-End Fund Balance	1,838,800	1,565,100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Internet Crimes Against Children Enforcement Fund (AGA3217/A.R.S. § 41-199)		Appropriated
Source of Revenue: Pursuant to A.R.S. § 5-554, the fund receives \$900,000 from the proceeds of lottery games that are sold from a vending machine in age-restricted areas. If the lottery games do not produce sufficient funds for the \$900,000 allocation, then unclaimed lottery prize monies will be used to backfill the difference. A.R.S. § 5-554 also directs \$100,000 from the same lottery game revenue to the Victims' Rights Enforcement Fund administered by the Department of Public Safety. (Please see the Department of Public Safety for more detail on the Victims' Rights Enforcement Fund.)		
Purpose of Fund: For the Attorney General to enter into 1 or more intergovernmental agreements to continue the operation of the federally recognized Internet Crimes Against Children Task Force program that coordinates a national network of coordinated task forces that assist federal, state, local, and tribal law enforcement agencies in investigations, forensic examinations, and prosecutions related to technology-facilitated sexual exploitation of children and internet crimes against children.		
Funds Expended	21,900	900,000
Year-End Fund Balance	1,731,200	71,200
Motor Carrier Safety Revolving Fund (AGA5361/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: This fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28, Chapter 14; and monies received from private grants or donations.		
Purpose of Fund: The Department of Public Safety conducts motor carrier safety investigations, the Motor Vehicle Division of the Department of Transportation administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	46,300	46,300
Non-Federal Grants Fund (AGA3102/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Restricted donations and gifts from individuals and corporations.		
Purpose of Fund: For purposes specified by donors or grantors.		
Funds Expended	5,500	6,200
Year-End Fund Balance	18,300	13,300
Prosecuting Attorneys' Advisory Council Training Fund (AGA2361/A.R.S. § 41-1830.03)		Non-Appropriated
Source of Revenue: 5.18% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
Funds Expended	1,219,200	1,116,500
Year-End Fund Balance	133,000	66,500
Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal services ISA contract between the Attorney General and the Arizona Department of Administration.		
Funds Expended	10,519,800	13,266,600
Year-End Fund Balance	4,705,800	0
Smart and Safe Arizona Fund (AGA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After select agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General.		
Funds Expended	0	0
Year-End Fund Balance	997,800	1,331,400

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Victims' Rights Fund (AGA7511/A.R.S. § 41-191.08)		Appropriated
Source of Revenue: A \$9 penalty on civil and criminal violations.		
Purpose of Fund: For states and local entities that provide victims' rights services and assistance.		
Funds Expended	2,135,300	3,815,400
Year-End Fund Balance	3,502,000	1,965,400

Barbering and Cosmetology Board

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.5	33.5	33.5
Personal Services	1,174,200	1,540,600	1,540,600
Employee Related Expenditures	493,500	739,500	739,500
Professional and Outside Services	87,600	123,700	123,700
Travel - In State	43,400	38,000	38,000
Travel - Out of State	3,100	9,500	9,500
Other Operating Expenditures	868,500	570,100	570,100
Equipment	143,200	9,500	9,500
OPERATING SUBTOTAL	2,813,500	3,030,900	3,030,900
SPECIAL LINE ITEMS			
IT Development	0	200,000	200,000 ^{1/}
AGENCY TOTAL	2,813,500	3,230,900	3,230,900 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Barbering and Cosmetology Fund	2,813,500	3,230,900	3,230,900
SUBTOTAL - Other Appropriated Funds	2,813,500	3,230,900	3,230,900
SUBTOTAL - Appropriated Funds	2,813,500	3,230,900	3,230,900
TOTAL - ALL SOURCES	2,813,500	3,230,900	3,230,900

AGENCY DESCRIPTION — The board administers licensing examinations and licenses; inspects salons, barber establishments and schools; and investigates violations of sanitation requirements and procedures. It conducts hearings and imposes enforcement actions where appropriate. Prior to January 1, 2022, these regulatory activities were conducted by 2 separate agencies, the Board of Barbers and the Board of Cosmetology.

FOOTNOTES

- 1/ Laws 2024, Chapter 250 appropriated \$200,000 from the Barbering and Cosmetology Fund in FY 2026 for information technology development. Because this appropriation is in separate legislation, it is not included in the General Appropriations Act. This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.
- 2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$3,030,900 and 33.5 FTE Positions from the Barbering and Cosmetology Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Laws 2024, Chapter 250 appropriated \$298,300 and 4 FTE Positions from the Barbering and Cosmetology Fund in FY 2025 for enforcement of the state's Barbering and Cosmetology statutes. The Chapter 250 monies are non-lapsing. Because this appropriation was in separate legislation, it was not included in the FY 2025 General Appropriations Act. For FY 2026, the General

Appropriations Act will include the 4 FTE Positions and the \$298,300 for the enforcement of the board's statutes.

IT Development

Laws 2024, Chapter 250 appropriates \$200,000 from the Barbering and Cosmetology Fund in FY 2026 for IT development.

Laws 2024, Chapter 250 appropriated \$200,000 from Barbering and Cosmetology Fund for IT Development in FY 2025 and FY 2026. These appropriations are non-lapsing. This is separate legislation; it is not included in the General Appropriation Act.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Barbering and Cosmetology Fund (BCB2017/A.R.S. § 32-505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of cosmetologists and barbers, salons, cosmetology schools, barber schools, and barbering establishments.		
Purpose of Fund: To examine, license, investigate, and regulate cosmetologists, barbers, salons, cosmetology schools, barber schools, and barbering establishments, and for board administration. The Board reported their FY 2024 fund balance as \$1.6 million as displayed below. Based on the state's accounting system, the FY 2024 fund balance is \$5.0 million.		
Funds Expended	2,813,500	3,230,900
Year-End Fund Balance	1,581,900	79,100

Board of Behavioral Health Examiners

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	20.0	27.0	27.0
Personal Services	1,308,600	1,509,400	1,509,400
Employee Related Expenditures	481,400	689,600	689,600
Professional and Outside Services	80,400	191,300	191,300
Travel - In State	9,300	20,000	20,000
Travel - Out of State	1,500	15,000	15,000
Other Operating Expenditures	193,200	256,400	256,400
Equipment	32,900	75,700	39,400
AGENCY TOTAL	2,107,300	2,757,400	2,721,100^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Behavioral Health Examiners Fund	2,107,300	2,757,400	2,721,100
SUBTOTAL - Other Appropriated Funds	2,107,300	2,757,400	2,721,100
SUBTOTAL - Appropriated Funds	2,107,300	2,757,400	2,721,100
TOTAL - ALL SOURCES	2,107,300	2,757,400	2,721,100

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$2,721,100 and 27 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2026 for the operating budget. Adjustments are as follows:

Remove One-Time Equipment Costs

The Baseline includes a decrease of \$(36,300) from the Board of Behavioral Health Examiners to remove one-time staffing equipment costs.

Other Issues

Auditor General Report

In September 2024, the Auditor General published a performance audit and sunset review of the Board of Behavioral Health Examiners including recommendations on the Board's investigation and resolution of complaints, and the appropriateness of its fees.

The report found that the Board did not address staffing needs in response to an increase in complaints, resulting in untimely complaint resolution. Additionally, the Board charged fees inconsistent with a statutory requirement to establish fees that approximate the cost of maintaining the Board.

The Auditor General made the following key recommendations:

- Develop a process to annually assess the Board's staffing levels and hire additional investigators, as necessary, to resolve complaints within 180 days.
- Establish fees that align with its operating costs as required by statute.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Board of Behavioral Health Examiners Fund (BHA2256/A.R.S. § 32-3254)		Appropriated
Source of Revenue: Monies collected by the board from the certification and regulation of behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling.		
Purpose of Fund: To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.		
Funds Expended	2,107,300	2,757,400
Year-End Fund Balance	1,702,700	1,719,500

State Board for Charter Schools

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	1,381,900	1,480,500	1,480,500
Employee Related Expenditures	504,900	409,500	409,500
Professional and Outside Services	350,800	82,100	82,100
Travel - In State	9,800	10,000	10,000
Travel - Out of State	12,000	5,500	5,500
Other Operating Expenditures	245,600	236,800	236,800
Equipment	79,900	524,900	524,900
AGENCY TOTAL	2,584,900	2,749,300	2,749,300 ^{1/}
FUND SOURCES			
General Fund	2,584,900	2,749,300	2,749,300
SUBTOTAL - Appropriated Funds	2,584,900	2,749,300	2,749,300
Other Non-Appropriated Funds	43,500	0	0
TOTAL - ALL SOURCES	2,628,400	2,749,300	2,749,300

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, 5 members of the general public, 2 members of the business community, a charter school teacher, a charter school operator, an alternative charter school operator, and 3 members of the Legislature who serve as advisory members. Currently the board oversees over 550 charter schools.

FOOTNOTES

1/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$2,749,300 and 25 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Charter Arizona Online Instruction Processing Fund (CHA2319/A.R.S. § 15-183)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of contract amendments for charter schools participating in Arizona online instruction.		
Funds Expended	12,000	0
Year-End Fund Balance	9,900	66,900
New Charter Application Processing Fund (CHA2568/A.R.S. § 15-183.01)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of applications submitted for new charters.		
Funds Expended	31,500	0
Year-End Fund Balance	59,800	59,800

Department of Child Safety

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,283.1	3,283.1	3,283.1
Personal Services	73,031,700	82,555,200	82,555,200
Employee Related Expenditures	31,011,000	33,850,500	33,850,500
Professional and Outside Services	12,070,300	4,849,900	4,849,900
Travel - In State	520,100	414,800	414,800
Travel - Out of State	73,500	0	0
Other Operating Expenditures	32,609,600	24,046,600	24,046,600
Equipment	400,900	863,900	863,900
OPERATING SUBTOTAL	149,717,100	146,580,900	146,580,900 ^{1/-6/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	27,894,900	27,989,800	27,989,800 ^{2/}
Caseworkers	146,498,000	132,118,700	132,188,700 ^{8/}
Office of Child Welfare Investigations	10,400,800	10,613,300	10,613,300
Training Resources	4,237,400	9,150,000	9,150,000
Out-of-Home Placements			
Congregate Care	105,623,000	103,682,000	103,682,000
Extended Foster Care	19,659,200	19,887,200	19,887,200
Extended Foster Care Service Model Fund Deposit	5,679,300	0	0
Foster Home Placement	34,713,900	42,547,300	42,547,300
Foster Home Recruitment, Study and Supervision	28,303,700	32,753,600	32,753,600
Kinship Care	16,214,200	20,584,600	20,584,600 ^{9/10/}
Permanent Placements			
Permanent Guardianship Subsidy	15,622,000	17,186,800	17,186,800
Adoption Services	268,556,500	286,840,400	286,840,400
Support Services			
DCS Child Care Subsidy	43,842,700	61,675,400	61,675,400
In-Home Mitigation	36,796,200	43,914,300	38,414,300
Out-of-Home Support Services	83,977,000	113,284,600	113,284,600
Preventive Services	20,404,200	32,412,700	21,412,700 ^{11/}
Comprehensive Health Plan			
Comprehensive Health Plan Administration	26,758,200	28,641,600	25,072,800
Comprehensive Health Plan Premium Tax	2,686,400	3,196,600	3,257,700
Comprehensive Health Plan Services	104,598,100	127,989,800	134,550,700
AGENCY TOTAL	1,152,182,800	1,261,119,600 ^{12/}	1,247,672,800 ^{3/13/14/}
FUND SOURCES			
General Fund	479,963,700	458,089,500	441,589,500
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,300	1,459,300
Child Welfare Licensing Fee Fund	633,000	1,021,600	1,021,600
Children and Family Services Training Program Fund	0	207,500	207,500
Federal Child Care and Development Fund Block Grant	40,516,000	40,516,000	40,516,000
Federal Temporary Assistance for Needy Families Block Grant	161,082,200	161,076,300	161,076,300
SUBTOTAL - Other Appropriated Funds	202,231,200	204,280,700	204,280,700
SUBTOTAL - Appropriated Funds	682,194,900	662,370,200	645,870,200
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	335,945,200	438,921,400	438,921,400

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
Comprehensive Health Plan Fund	134,042,700	159,828,000	162,881,200
SUBTOTAL - Expenditure Authority Funds	469,987,900	598,749,400	601,802,600
FUND SOURCES			
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,152,182,800	1,261,119,600	1,247,672,800
Other Non-Appropriated Funds	0	91,000	91,000
TOTAL - ALL SOURCES	1,152,182,800	1,261,210,600	1,247,763,800

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/ 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 Appropriations Act footnote)
- 2/ The legislature intends that the department of child safety use its funding to achieve a one hundred percent investigation rate. (General Appropriations Act footnote)
- 3/ The amount appropriated for any line item may not be transferred to another line item or to the operating budget unless the transfer is reviewed by the joint legislative budget committee, except that transfers between any two line items relating to the comprehensive health plan are not subject to review. (General Appropriations Act footnote)
- 4/ The department of child safety may transfer up to ten percent 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 Appropriations Act footnote)
- 5/ For the purposes of this section:
 1. "Backlog case":
 - a) Means any nonactive case for which documentation has not been entered in the child welfare automated system for at least sixty days and for which services have not been authorized for at least sixty days and any case that has had an investigation, has been referred to another unit and has had no contact for at least sixty days.
 - b) Includes any case for which the investigation has been open without any documentation or contact for at least sixty days, any case involving in-home services for which there has been no contact or services authorized for at least sixty 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 sixty days.
 2. "Long-term case" means any case in which the child has been in an out-of-home placement for at least eighteen months.
 3. "Open report" means a report that is under investigation or awaiting closure by a supervisor.

On or before February 28, 2026 and August 31, 2026, the department of child safety shall present a report to the joint legislative budget committee on the progress made during July 2025 through December 2025 and January 2026 through June 2026, respectively, in meeting the caseload standard and reducing the number of backlog and long-term cases. Each report shall include the number of backlog cases, the number of open reports, the number of long-term cases and the caseworker workload in comparison to the previous six months. Each 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 long-term cases assigned to each field office.

For backlog cases, the department's benchmark is 1,000 cases.

For open reports, the department's benchmark is fewer than 8,000 open reports.

For long-term cases, the department's benchmark is 3,323.

If the department of child safety has not submitted a required report within thirty days after the report is due, the director of the joint legislative budget committee shall inform the general accounting office of the department of administration, which shall withhold two percent of the department of child safety's operating lump sum semiannual budget allocation until the department of child safety submits the required report. (General Appropriations Act footnote)

- 6/ On or before December 1, 2025, 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 two 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 Appropriations Act footnote)
- 7/ 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 Appropriations Act footnote)
- 8/ On or before September 1, 2025, the department shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting on actual operating expenses for the guardian case management system in fiscal year 2024-2025, as well as proposed system operating expenses for fiscal year 2025-2026. (General Appropriations Act Footnote)
- 9/ The amount appropriated for kinship care shall be used for a stipend of \$300 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 Appropriations Act footnote)
- 10/ On or before March 31, 2026, the department of child safety shall report to the joint legislative budget committee the number of children who are part of the kinship stipend program and reside with a nonrelative caretaker of fictive kinship. (General Appropriations Act footnote)
- 11/ The preventive services line item appropriation includes \$264,400 from the state general fund to draw down \$1,322,000 in additional federal monies associated with the community based child abuse prevention block grant. If grant monies are no longer available, the appropriation is reduced by the amounts of \$264,400 from the general fund and \$1,322,000 from child safety expenditure authority. (General Appropriations Act footnote)
- 12/ The FY 2025 amounts appropriated by line item have been adjusted to reflect transfers that received a favorable review at the Joint Legislative Budget Committee meeting held December 18, 2024.
- 13/ 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, the children and family services training program fund and the comprehensive health plan expenditure authority fund. (General Appropriations Act footnote)
- 14/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

Federal TANF Block Grant	25,427,900
Child Welfare Licensing Fee Fund	1,021,600

The Baseline includes \$146,580,900 and 1,472.9 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

These amounts are unchanged from FY 2025.

	FY 2026
General Fund	\$72,116,200
Child Safety Expenditure Authority	48,015,200

Additional Operating Resources

Attorney General Legal Services

The Baseline includes \$27,989,800 and 276.2 FTE Positions in FY 2026 for Attorney General Legal Services. These amounts consist of:

General Fund	21,759,300
Child Safety Expenditure Authority	6,230,500

These amounts are unchanged from FY 2025.

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.

Caseworkers

The Baseline includes \$132,188,700 and 1,406 FTE Positions in FY 2026 for caseworkers. These amounts consist of:

General Fund	61,014,500
Children and Family Services Training Program Fund	207,500
Federal TANF Block Grant	33,612,800
Child Safety Expenditure Authority	37,353,900

These amounts are unchanged from FY 2025.

Background – 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.

In addition to the \$132,188,700 of appropriated monies to the Caseworkers line item for FY 2025, the FY 2025 budget also included an FY 2024 supplemental appropriation of \$19,700,000 from the General Fund in FY 2024 for caseworker operating expenses. The \$19,700,000 is non-lapsing until June 30, 2025.

The Legislature has funded 1,406 caseworkers (direct line staff). As of the latest available data from November 2024, DCS had 1,284 filled case specialist positions.

Office of Child Welfare Investigations

The Baseline includes \$10,613,300 and 127 FTE Positions in FY 2026 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	10,411,300
Child Safety Expenditure Authority	202,000

These amounts are unchanged from FY 2025.

Background – A.R.S. § 8-471 establishes the Office of Child Welfare Investigations (OCWI) within the Department of Child Safety to investigate criminal conduct allegations, coordinate with law enforcement, and establish task forces for the investigation of criminal conduct in cases of child abuse and neglect.

Training Resources

The Baseline includes \$9,150,000 in FY 2026 for Training Resources. This amount consists of:

General Fund	150,000
Child Safety Expenditure Authority	9,000,000

These amounts are unchanged from FY 2025.

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%.

In FY 2024, the latest data available from the agency, DCS reports that 120 ASU/NAU social work students received scholarships, including 36 Bachelors of Social Work (BSW) students and 84 Masters of Social Work (MSW) students.

Out-of-Home Placements

DCS places children in out-of-home care when the department determines in conjunction with the Juvenile Court that, after investigating a report of child abuse or neglect, no services or interventions can adequately ensure the child's health and safety in the home. *Table 1* shows out-of-home placements by setting each year.

Congregate Care

The Baseline includes \$103,682,000 in FY 2026 for Congregate Group Care. This amount consists of:

General Fund	42,357,500
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	39,901,500

These amounts are unchanged from FY 2025.

Caseload – According to the latest available data from DCS, in FY 2024, an estimated monthly average of 1,617 clients received congregate care placements at an average monthly cost of \$5,443 per placement. Assuming the same cost per placement in FY 2026, the total appropriation has the authority to support 1,587 congregate care placements.

Background – This line item funds congregate care placements for foster children up through age 17, including shelter facilities for up to 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 Comprehensive Health Plan 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.

Extended Foster Care

The Baseline includes \$19,887,200 in FY 2026 for Extended Foster Care. This amount consists of:

General Fund	11,350,000
Child Safety Expenditure Authority	8,537,200

These amounts are unchanged from FY 2025.

Caseload – According to the latest available data from DCS, a monthly average of 903 individuals aged 18-21 remained voluntarily in DCS foster care at an average monthly cost of \$1,814 in FY 2024.

Background – A.R.S. § 8-521.02 authorizes DCS to establish an Extended Foster Care program for young adults aged 18-21 who 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.

	Out-of-Home Placements ^{1/}		
	June 2022	June 2023	June 2024
Kinship Care ^{2/}	5,641	4,914	4,061
Foster Home	3,750	3,067	2,458
Congregate Care	2,067	1,845	1,538
<i>Group Home</i>	1,078	1,288	908
<i>Emergency Shelter</i>	52	22	13
<i>Behavioral Health Placement</i>	937	535	617
Independent Living	613	624	643
Other ^{3/}	485	463	516
Total	12,556	10,913	9,216 ^{4/}

1/ Includes out-of-home children up through age 17 as well as children 18-21 in Extended Foster Care.
2/ Includes unlicensed relative and non-relative placements.
3/ Includes runaways, missing children, children with no identified placement, and trial home visits.
4/ Latest available data for placement types is from June 2024 and includes "preliminary data" reported by DCS.

Extended Foster Care Service Model Fund Deposit

The Baseline includes no funding in FY 2026 for the Extended Foster Care Service Model Fund Deposit. This amount is unchanged from FY 2025.

While the FY 2024 budget established an initial deposit of \$19,243,300, the FY 2025 budget reduced the FY 2024 appropriation from the General Fund by \$(2,720,000) and removed the remaining \$(16,523,000) in FY 2025.

Background – This line item funds an extended foster care comprehensive service model that provides support services and case management from contracted community providers to young adults 17.5-20 years of age in the Extended Foster Care program. The scope of work for the Extended Foster Care Comprehensive Service Model includes weekly engagements between "success coaches" and individuals in the program, life skills training, and mental and physical health and well-being, among other components.

An FY 2024 General Appropriation Act footnote makes this appropriation non-lapsing. The FY 2025 Human Services BRB repeals the fund on June 30, 2025, and directs unexpended or unencumbered monies to be deposited into the General Fund.

Foster Home Placement

The Baseline includes \$42,547,300 in FY 2026 for Foster Home Placement. This amount consists of:

General Fund	14,443,300
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	21,130,900

These amounts are unchanged from FY 2025.

Caseload – According to the latest available data from DCS, in FY 2024, an estimated monthly average of 2,730 clients received licensed foster home placements. At an average projected monthly cost of \$1,060 per placement and the current appropriated General Fund, TANF, and federal reimbursement levels, DCS can support an average monthly caseload of 3,345 foster home placements in FY 2026.

Background – The Foster Home Placement line item provides funding for the placement of out-of-home children up through age 17 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 Baseline includes \$32,753,600 in FY 2026 for Foster Home Recruitment, Study and Supervision. This amount consists of:

General Fund	19,652,200
Child Safety Expenditure Authority	13,101,400

These amounts are unchanged from FY 2025.

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.

Beginning in FY 2024, the department is also using this line item to cover the costs of a new Kinship Support Services (KSS) program to provide home visits, licensure assistance, and other supportive services to kinship caregivers. The enacted budget did not include adjustments to cover the cost of the KSS program. As a result, the funding status of this program in FY 2025 is unclear.

Kinship Care

The Baseline includes \$20,584,600 in FY 2026 for Kinship Care. This amount consists of:

General Fund	20,084,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2025.

Caseload – In FY 2024, on average 4,376 children resided in unlicensed kinship care monthly. Based on a monthly stipend of \$300 and the current General Fund, and TANF funding level, DCS can support 5,717 kinship placements in FY 2026. DCS reports 3,625 children were placed in unlicensed kinship care in November 2024.

Background – This line item funds the Kinship Stipend, which provides a \$300 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.

A General Appropriations 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. Another General Appropriations Act footnote requires DCS to report to the Joint Legislative Budget Committee by March 31, 2026 on the number of children in the kinship care stipend program residing with non-relative caretaker of fictive kinship.

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 2* shows the total caseload for permanent placements.

	June 2022	June 2023	June 2024
Adoption	33,224	32,923	32,584
Permanent Guardianship	<u>2,719</u>	<u>3,104</u>	<u>3,511</u>
Total	35,943	36,027	36,095

Permanent Guardianship Subsidy

The Baseline includes \$17,186,800 in FY 2026 for the Permanent Guardianship Subsidy. This amount consists of:

General Fund	15,243,800
Federal TANF Block Grant	1,943,000

These amounts are unchanged from FY 2025.

Caseload – According to the latest available data from DCS, in FY 2024, an estimated monthly average of 3,351 clients received permanent guardianship subsidies. At an average monthly cost of \$385 and the current General Fund and TANF funding level, DCS can support 3,637 total placements in FY 2026.

Background – A.R.S. § 8-871 establishes the criteria for the Juvenile Court to establish a permanent guardianship for children in out-of-home care.

Adoption Services

The Baseline includes \$286,840,400 in FY 2026 for Adoption Services. This amount consists of:

General Fund	85,440,700
Federal TANF Block Grant	22,445,700
Child Safety Expenditure Authority	178,954,000

These amounts are unchanged from FY 2025.

Caseload – According to the latest available data from DCS, in FY 2024, an estimated monthly average of 32,846 clients received adoption subsidies. The line item also funds non-maintenance-related adoption services of about \$6,500,000 annually, such as non-recurring adoption legal expenses, special services related to pre-existing special needs conditions of the adopted child, and recruitment and placement supports for adoptive families. At an average monthly cost of \$664 and the assumed federal reimbursement level, the total appropriation has the authority to support 33,347 adoption placement subsidies in FY 2026.

Background – DCS is required to administer an ongoing program of subsidized adoption pursuant to A.R.S. § 8-142 for children with 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. Medical expenses are covered through AHCCCS.

Support Services

DCS provides services to families involved in the child welfare system that are intended to facilitate the reunification of out-of-home children with their biological families and reduce the probability that high-risk families

Table 3

Support Services FY 2024 Actual Expenditures by Service Category ^{1/}

Services	Amount
Nurturing Parenting Program	11,186,700
Supervised Visitation	28,570,600
Transportation	25,765,500
Family Connections	20,481,000
Preventive Services	21,400,000
Allowances	11,698,000
Counseling and Psychological Services	2,361,100
Substance Use Disorder Treatment	6,195,300
Independent Living Support	4,789,700
Lab Services	6,200,000
Other	<u>10,264,500</u>
Total	\$148,912,400 ^{2/}

^{1/} Does not include substance use disorder services spending for Arizona Families F.I.R.S.T. (AFF) recipients who are eligible for AHCCCS.

^{2/} Latest available data is from October 2024 as reported by DCS. Numbers may not match the Special Line Item expenditures reported separately by the agency.

have children enter out-of-home care. *Table 3* displays combined spending from FY 2024 for in-home mitigation and out-of-home support services by category.

DCS Child Care Subsidy

The Baseline includes \$61,675,400 in FY 2026 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,400,100
Federal CCDF Block Grant	40,516,000
Child Safety Expenditure Authority	13,759,300

These amounts are unchanged from FY 2025.

Caseload – According to the latest available data from DCS, through June of FY 2024, an estimated monthly average of 5,323 children received DCS childcare. At \$869 monthly, and the assumed federal reimbursement level, the appropriation has the authority to support an average monthly caseload of 5,914 children in FY 2026.

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 DES Child Care Subsidy line item for other child care funding.)

In-Home Mitigation

The Baseline includes \$38,414,300 and 1 FTE Position in FY 2026 for In-Home Mitigation. These amounts consist of:

General Fund	13,283,500
Child Abuse Prevention Fund	1,459,300
Federal TANF Block Grant	17,670,500
Child Safety Expenditure Authority	6,001,000

Adjustments are as follows:

Remove One-Time Provider Rate Increases

The Baseline includes a decrease of \$(5,500,000) from the General Fund in FY 2026 to remove one-time rate increases associated with the department's Nurturing Parenting Program and Family Connections contracts.

Background – This line item funds DCS’s support services contract for children 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.

Out-of-Home Support Services

The Baseline includes \$113,284,600 in FY 2026 for Out-of-Home Support Services. This amount consists of:

General Fund	46,618,100
Federal TANF Block Grant	31,080,300
Child Safety Expenditure Authority	35,586,200

These amounts are unchanged from FY 2025.

Background – This line item funds services for children in out-of-home care and their families, including supervised visitation, health care services, allowances, transportation, substance abuse treatment, and independent living services.

Preventive Services

The Baseline includes \$21,412,700 in FY 2026 for Preventive Services. This amount consists of:

General Fund	264,400
Child Safety Expenditure Authority	21,148,300

Adjustments are as follows:

Remove Healthy Families Expansion Funding

The Baseline includes a decrease of \$(11,000,000) from the General Fund in FY 2026 to remove General Fund monies for the Healthy Families Arizona Program. The reduction is in accordance with the 3-year spending plan associated with the enacted budget, which assumed Healthy Families would only be funded with expenditure authority monies.

While the intent behind the FY 2025 budget's 3-year General Fund plan was to provide \$12,500,000 of one-time funding for the Healthy Families program and \$264,400 of ongoing funding as a state match for the federal Community-Based Child Abuse Prevention (CBCAP) grant, the final FY 2025 budget only appropriated \$11,000,000 of one-time funding for the Healthy Families program and \$264,400 for the CBCAP match. As a result, the FY 2026 Baseline removes \$(11,000,000).

Background – This line item funds broad-based prevention programs to reduce the risk of involvement with DCS for at-risk families, including the Healthy Families program. The General Fund amount represents the state match to draw down federal CBCAP grant funding, which supports community-based efforts to prevent child abuse and neglect.

Comprehensive Health Plan

The Comprehensive Health Plan (CHP) includes both physical health and behavioral health services for foster care children. The program is funded by capitation payments from the Arizona Health Care Cost Containment System (AHCCCS) for Medicaid-eligible children in foster care. AHCCCS covers the cost of such payments with its General Fund appropriation and federal Medicaid matching funds. This combination of these AHCCCS General Fund and federal funds is deposited into the DCS Comprehensive Health Plan Fund and then appropriated to DCS. *(Please see the FY 2022 Appropriations Report for more detail.)*

The Baseline includes a total increase of \$3,053,200 from the Comprehensive Health Plan Fund across the 3 CHP line items. The formula adjustments consist of 0.5% enrollment growth in FY 2026, 3.0% capitation growth, and prior year base adjustments as reflected in the AHCCCS budget.

Comprehensive Health Plan Administration

The Baseline includes \$25,072,800 from the Comprehensive Health Plan Fund in FY 2026 for

Comprehensive Health Plan Administration. Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(3,568,800) from the Comprehensive Health Plan Fund in FY 2026 for CHP formula adjustments.

Background – This line item includes funding DCS receives from AHCCCS' capitation payments for the agency's administrative expenses associated with the Comprehensive Health Plan.

Comprehensive Health Plan Premium Tax

The Baseline includes \$3,257,700 from the Comprehensive Health Plan Fund in FY 2026 for Comprehensive Health Plan Premium Taxes. Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$61,100 from the Comprehensive Health Plan Fund in FY 2026 for CHP formula adjustments.

Background – This line item includes funding DCS receives from AHCCCS' capitation payments for premium tax payments. DCS pays a 2% tax on capitation and reinsurance monies associated with the Comprehensive Health Plan.

Comprehensive Health Plan Services

The Baseline includes \$134,550,700 from the Comprehensive Health Plan Fund in FY 2026 for Comprehensive Health Plan Services. Adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$6,560,900 from the Comprehensive Health Plan Fund in FY 2026 for CHP formula adjustments.

Background – This line item includes funding DCS receives from AHCCCS' capitation payments for the agency's physical and behavioral health services expenses associated with the Comprehensive Health Plan.

Other Issues

FY 2025 Ex-Appropriation

The Baseline includes an FY 2025 ex-appropriation of \$(9,000,000) due to revisions to the state's FMAP.

In certain circumstances, the federal government can provide one-time upward adjustments in a state's FMAP if the state would otherwise experience a rapid decline in the match rate due to personal income growth. In December 2024, the federal government determined that Arizona qualified for such one-time adjustments for FY 2024 due to a 3.27% decline in the state's regular match rate between FY 2023 and FY 2024. Arizona's one-time increase is approximately 1.2% for FY 2024 and FY 2025.

This results in the following match rates:

- 66.29% to 67.93% in FFY 2024.
- 64.89% to 65.65% in FFY 2025.

The Baseline assumes this adjustment generates \$(9,000,000) of General Fund savings in the DCS budget. The Baseline ex-appropriates this amount in FY 2025.

Auditor General Report

Young Adult Program Audit

In July 2024, the Auditor General published an audit of DCS's implementation of its Young Adult Program, which provides support services and case management from contracted community providers, including weekly engagements between success coaches and participating young adults.

The Auditor General found that while DCS had begun implementing program requirements, the department needed to improve contractor monitoring, including whether contractors are hiring a sufficient number of coaches to provide services. The report also stated that DCS did not develop federally required transition plans for the majority of youths reviewed. Finally, the Auditor General observed that DCS has not developed a process to comprehensively evaluate the extent to which its Young Adult Program is helping foster youth obtain the necessary competencies to transition to adulthood. As a result, the Auditor General recommended the following:

- Develop an implementation plan for the success coaching program and that an adequate number of coaches are hired to provide services.
- Establish procedures for monitoring the success of contracted success coaches.
- Develop an action plan to ensure transition plans for youth.
- Create a comprehensive performance measurement system for its adult programming.

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:

- Availability of 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.
- Limitation of federal IV-E reimbursement for congregate care placements 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 (previously, adoptive subsidies were only available to children demonstrating "special needs" as defined in federal law and that came from families with incomes at or below the TANF income eligibility level) in the IV-E adoption program until July 1, 2024.

An FY 2025 General Appropriations Act footnote required DCS to report on its implementation of the legislation by December 1, 2024, including quantification of any fiscal impacts. The FY 2026 Baseline would continue this footnote and require DCS to provide an update by December 1, 2025.

As of June 2024, DCS reports 374 children were placed in Qualified Residential Treatment Programs, or an increase of 21.4% from June 2023.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Child Abuse Prevention Fund (CHA2162/A.R.S. § 8-550.01)		Appropriated
Source of Revenue: A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.		
Purpose of Fund: To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
Funds Expended	0	1,459,300
Year-End Fund Balance	1,835,500	1,321,400
Child Restraint Fund (CHA2192/A.R.S. § 28-907)		Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in children under the age of 8 in motor vehicles.		
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
Funds Expended	0	91,000
Year-End Fund Balance	20,500	10,800
Child Safety Expenditure Authority (CHA2009/A.R.S. § 8-453)		Expenditure Authority
Source of Revenue: All non-appropriated funds and Federal Funds for the Department of Child Safety, excluding the Federal Temporary Assistance for Needy Families Block Grant, the Federal Child Care and Development Fund, the Client Trust Fund, and the Economic Security Donations Fund.		
Purpose of Fund: To fund the Department of Child Safety.		
Funds Expended	335,945,200	438,921,400
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Child Welfare Licensing Fee Fund (CHA2994/A.R.S. § 8-467)		Appropriated
Source of Revenue: License fees and legislative appropriations.		
Purpose of Fund: To issue licenses to licensees who do not contract with DCS for care and supervision of DCS children and for the inspection, examination, suspension, denial, revocation and change of licenses.		
Funds Expended	633,000	1,021,600
Year-End Fund Balance	1,427,500	1,382,700
Children and Family Services Training Program Fund (DCS2173/A.R.S. § 8-503.01)		Appropriated
Source of Revenue: A portion of monies collected from fees charged for copies of child welfare files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
Purpose of Fund: To administer training for child safety workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of child welfare files may be used only for reimbursing the department for its cost.		
Funds Expended	0	207,500
Year-End Fund Balance	14,500	(193,000)
Client Trust Fund (CHA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	0	0
Year-End Fund Balance	11,050,700	11,050,700
Comprehensive Health Plan Fund (CHA2121/A.R.S. § 8-512, 41-2501)		Expenditure Authority
Source of Revenue: Monies paid by the Arizona Health Care Cost Containment System Administration pursuant to the contract, amounts paid by third-party payors, gifts, donations and grants from any source, and interest on monies deposited in the Comprehensive Health Plan Expenditure Authority fund.		
Purpose of Fund: To fund the administration of foster children's physical, dental, and behavioral health care.		
Funds Expended	134,042,700	159,828,000
Year-End Fund Balance	626,400	1,805,200
Child Safety Donations Fund (CHA2025/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
Funds Expended	0	0
Year-End Fund Balance	34,400	35,500
Extended Foster Care Comprehensive Service Model Fund (CHA2728/Laws 2023, Chapter 141)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: For supportive services and case management provided by contracted community providers for young adults participating in the extended foster care program. The fund is repealed after June 30, 2025, with any unencumbered monies remaining transferred to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Federal Child Care and Development Fund Block Grant (CHA2008/U.S. P.L. 104-193)		Appropriated
<i>Source of Revenue:</i> Federal formula grant.		
<i>Purpose of Fund:</i> To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 12% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. DES has a separate allocation of CCDF.		
Funds Expended	40,516,000	40,516,000
Year-End Fund Balance	0	0
Federal Temporary Assistance for Needy Families Block Grant (CHA2007/U.S. P.L. 104-193)		Appropriated
<i>Source of Revenue:</i> Federal formula grant.		
<i>Purpose of Fund:</i> To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families. DES has a separate allocation of TANF.		
Funds Expended	161,082,200	161,076,300
Year-End Fund Balance	0	0
Risk Management Revolving Fund (CHA4216/A.R.S. § 41-622)		Appropriated
<i>Source of Revenue:</i> Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
<i>Purpose of Fund:</i> To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
Funds Expended	0	0
Year-End Fund Balance	289,500	0

State Board of Chiropractic Examiners

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	6.0	6.0
Personal Services	269,800	349,500	349,500
Employee Related Expenditures	114,700	152,300	152,300
Professional and Outside Services	47,100	33,000	33,000
Travel - In State	1,000	2,800	2,800
Travel - Out of State	1,400	12,000	12,000
Other Operating Expenditures	98,600	86,100	86,100
Equipment	5,700	8,000	8,000
AGENCY TOTAL	538,300	643,700	643,700^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Chiropractic Examiners Fund	538,300	643,700	643,700
SUBTOTAL - Other Appropriated Funds	538,300	643,700	643,700
SUBTOTAL - Appropriated Funds	538,300	643,700	643,700
TOTAL - ALL SOURCES	538,300	643,700	643,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$643,700 and 6 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Board of Chiropractic Examiners Fund (CEA2010/A.R.S. § 32-906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of chiropractors.		
Purpose of Fund: To examine, license, investigate, and regulate chiropractors, and for board administration.		
Funds Expended	538,300	643,700
Year-End Fund Balance	530,000	315,800

Citizens Clean Elections Commission

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	5,578,300	13,066,500	13,066,500
TOTAL - ALL SOURCES	5,578,300	13,066,500	13,066,500

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 Balance

Proposition 200 was approved in the 1998 General Election, creating the Clean Elections Fund. The fund, which helps finance participating candidate campaigns, receives revenue from a 10% surcharge on civil and criminal fines, qualifying contributions from participating candidates, and penalties paid by candidates. A maximum of 10% of the fund's revenues may be used to enforce the Citizens Clean Elections Act, and another 10% may be spent on voter education.

In FY 2024, the fund had revenues of \$6,443,000, which combined with the fund's beginning balance results in total available funds of \$33,378,800. This compared to spending of \$5,578,300 in FY 2024. For FY 2025, the commission estimates annual fund revenue will be \$5,095,000, compared to \$13,066,500 in spending. Along with surpluses from prior years, the commission forecasted the fund will have a balance of \$19,828,900 at the end of FY 2025.

For additional background and a history of Clean Elections Fund transfers to the General Fund, please see the [FY 2022 Appropriations Report](#).

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Citizens Clean Elections Fund (ECA2425/A.R.S. § 16-949)		Non-Appropriated
Source of Revenue: Election-related civil penalties; civil and criminal fine and penalty surcharges; "qualifying contributions" on behalf of candidates who seek public campaign funding. Prior to FY 2013, the commission also generated revenues from a check-off box on state income tax forms and tax credits. Laws 2012, Chapter 257 repealed those provisions.		
Purpose of Fund: To fund administrative costs of the Citizens Clean Elections Commission, campaigns of candidates who qualify for public campaign funding under A.R.S. § 16-950, and activities pertaining to voter education.		
Funds Expended	5,578,300	13,066,500
Year-End Fund Balance	27,800,400	19,828,900

Arizona Commerce Authority

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i> ^{1/}	N/A	100.0	100.0
Personal Services	5,969,500	6,060,500	6,060,500
Employee Related Expenditures	1,288,900	1,462,100	1,462,100
Professional and Outside Services	626,800	482,800	482,800
Travel - In State	69,600	94,600	94,600
Travel - Out of State	86,400	115,800	115,800
Other Operating Expenditures	5,386,000	1,740,700	1,740,700
Equipment	72,800	43,500	43,500
OPERATING SUBTOTAL	13,500,000	10,000,000	10,000,000 ^{2/}
SPECIAL LINE ITEMS			
Arizona Competes Fund Deposit	500,000	500,000	500,000
Economic Development Marketing and Attraction	1,000,000	500,000	500,000
Economic Transition Resources	9,000,000	0	0
Small Business Center Grants	0	500,000	0
Water Infrastructure and Commerce Grant Fund Deposit	7,000,000	0	0
Wearable Technology Research	2,500,000	0	0
Asia-Pacific Trade Office	750,000	0	0
Asia Trade Offices	750,000	750,000	750,000
Canada Trade Office	750,000	0	0
Frankfurt, Germany Trade Office	500,000	500,000	500,000
Israel Trade Office	300,000	300,000	300,000
Mexico Trade Offices	500,000	500,000	500,000
Trade Office Funding	2,000,000	0	0
AGENCY TOTAL	39,050,000	13,550,000	13,050,000 ^{3/}
FUND SOURCES			
General Fund	39,050,000	13,550,000	13,050,000
SUBTOTAL - Appropriated Funds	39,050,000	13,550,000	13,050,000
Other Non-Appropriated Funds	8,859,300	9,727,200	9,727,200
Federal Funds	24,699,400	187,157,900	187,157,900
TOTAL - ALL SOURCES	72,608,700	210,435,100	209,935,100

AGENCY DESCRIPTION — The Arizona Commerce Authority (ACA) promotes economic, community, and workforce development. The ACA's duties include the support of statewide business expansion, retention, attraction, workforce development and job training, online assistance for new business start-ups, and tax credit administration.

FOOTNOTES

- ^{1/} Laws 2024, Chapter 206 amended A.R.S. § 41-1502 to limit the ACA to 100 FTE positions funded from state monies. This FTE limitation became effective during FY 2025.
- ^{2/} Pursuant to section 43-409, Arizona Revised Statutes, of the amounts listed above, \$10,500,000 of the state general fund withholding tax revenues is allocated in fiscal year 2025-2026 to the Arizona commerce authority, of which \$10,000,000 is credited to the Arizona commerce authority fund established by section 41-1506, Arizona Revised Statutes, and \$500,000 is credited to the Arizona competes fund established by section 41-1545.01, Arizona Revised Statutes. (General Appropriations Act footnote)
- ^{3/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget Deposit

The Baseline includes \$10,000,000 from the General Fund in FY 2026 for the operating budget. This amount is unchanged from FY 2025.

These monies are deposited into the non-appropriated Arizona Commerce Authority Fund to be used for the ACA's operating expenses. Laws 2024, Chapter 206 amended A.R.S. § 41-1502 to limit the ACA to 100 FTE positions funded from state monies. This FTE limitation became effective during FY 2025. The Baseline would include this 100 FTE limit in the FY 2026 General Appropriations Act.

Arizona Competes Fund Deposit

The Baseline includes \$500,000 from the General Fund in FY 2026 for deposit into the Arizona Competes Fund. This amount is unchanged from FY 2025.

In addition to this deposit, each year, pursuant to A.R.S. § 43-409, the Arizona Competes Fund also receives a non-appropriated deposit of \$3,500,000 in lottery revenues pursuant to A.R.S. § 5-572. In total, the fund receives \$4,000,000 annually. As session law, the FY 2025 Amusements Budget Reconciliation Bill (BRB) reduces the \$3.5 million deposit from lottery revenues to \$1,750,000 from FY 2025 through FY 2027, after which the annual deposit will revert to \$3,500,000.

Monies in the Arizona Competes Fund are utilized to issue grants to attract, retain, and support businesses in Arizona.

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.

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.

Economic Development Marketing and Attraction

The Baseline includes \$500,000 from the General Fund in FY 2026 for the Economic Development Marketing and Attraction line item. This amount is unchanged from FY 2025.

Monies in this line item fund marketing campaigns designed to attract industries such as advanced manufacturing to Arizona.

Small Business Center Grants

The Baseline includes no funding in FY 2026 for Small Business Center Grants. Adjustments are as follows:

Remove One-Time Grant Program Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2026 for the removal of one-time grant funding for business centers and entrepreneur support organizations that provide business training, business coaching, and technical assistance to underserved small business owners.

Trade Offices

Asia Trade Offices

The Baseline includes \$750,000 from the General Fund in FY 2026 for the Asia Trade Offices line item. This amount is unchanged from FY 2025.

Currently, the ACA funds one trade office each in South Korea and Taiwan.

Frankfurt, Germany Trade Office

The Baseline includes \$500,000 from the General Fund in FY 2026 for the Frankfurt, Germany Trade Office. This amount is unchanged from FY 2025.

Israel Trade Office

The Baseline includes \$300,000 from the General Fund in FY 2026 for the Israel Trade Office. This amount is unchanged from FY 2025.

Mexico Trade Offices

The Baseline includes \$500,000 from the General Fund in FY 2026 to operate trade offices in Mexico. This amount is unchanged from FY 2025.

Currently, the ACA funds trade offices in Mexico City, Guanajuato, and Chihuahua.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
ADOA Business One-Stop Fund (CAA1027/A.R.S. § 41-1504)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To establish and maintain ADOA's Business One-Stop system.		
Funds Expended	500	246,900
Year-End Fund Balance	246,900	0
Application Fees Fund (CAA3005/A.R.S. § 41-1504)		Non-Appropriated
<i>Source of Revenue:</i> A fee equal to 1% of the relevant tax credit application being processed by the Authority.		
<i>Purpose of Fund:</i> To fund the administrative costs of the Authority's tax credit programs.		
Funds Expended	1,813,100	1,937,900
Year-End Fund Balance	1,915,500	1,551,600
Arizona Commerce Authority Carryover Fund (CAA1001/A.R.S. § 41-1504)		Non-Appropriated
<i>Source of Revenue:</i> Leftover funds and residual revenue transferred from various funds belonging to the Arizona Department of Commerce.		
<i>Purpose of Fund:</i> To provide deal closing grants to businesses for the purpose of attracting, expanding, or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
Funds Expended	228,800	764,800
Year-End Fund Balance	591,900	536,300
Arizona Commerce Authority Fund (CAA2547/A.R.S. § 41-1506)		Non-Appropriated
<i>Source of Revenue:</i> An annual deposit of \$10,000,000 in corporate income tax withholding revenues, gifts, grants, and other donations.		
<i>Purpose of Fund:</i> To fund the operating costs of the Authority. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	565,200	15,565,200
Arizona Competes Fund (CAA2548/A.R.S. § 41-1545.01)		Non-Appropriated
<i>Source of Revenue:</i> Receives an annual deposit of \$500,000 in income tax withholding revenues, \$3,500,000 in lottery ticket sales revenues, gifts, grants, and other donations. The FY 2025 Amusements BRB reduces the Arizona Competes Fund lottery allocation to \$1,750,000 during FY 2025 – FY 2027.		
<i>Purpose of Fund:</i> To provide deal closing grants to businesses for the purpose of attracting, expanding, or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	115,357,600	45,360,600
Arizona Innovation Accelerator Fund (CAA9507/A.R.S. § 35-142)		Federal Funds
<i>Source of Revenue:</i> Funds in the form of loans from the U.S. Department of Treasury under the State Small Business Credit Initiative Act of 2010.		
<i>Purpose of Fund:</i> To provide loans to small businesses and foster business expansion, capital investment, and job creation in Arizona.		
Funds Expended	2,882,800	5,753,000
Year-End Fund Balance	15,858,900	10,503,000
Asian Trade Offices Fund (CAA1024/A.R.S. § 41-1504)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To support foreign trade offices in Asia and assist Arizona companies in entering the Asian market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Asia-Pacific Trade Office Fund (CAA1242/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To support a foreign trade office in the Asia-Pacific region and assist Arizona companies in entering the Asia-Pacific market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	750,000	519,800
Blockchain/Wearables Fund (CAA1016/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: Monies in the fund are for distribution to applied research centers and institutes located in this state that specialize in blockchain or wearable technology. Expenditures are not displayed to avoid double counting the original General Fund appropriations to this fund.		
Funds Expended	0	0
Year-End Fund Balance	4,361,600	750,000
Canada Trade Office Fund (CAA1241/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To support a foreign trade office in Canada and assist Arizona companies in entering the Canadian market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	750,000	102,400
Coronavirus State and Local Fiscal Recovery Fund (CAA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	4,410,300	66,166,500
Year-End Fund Balance	(4,628,600)	(5,518,900)
Donations Fund (CAA3189/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
Funds Expended	47,900	47,500
Year-End Fund Balance	183,500	183,500
Economic Development Fund (CAA1026/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: State and local government grants.		
Purpose of Fund: To assist the agency in its operations.		
Funds Expended	5,622,900	4,512,100
Year-End Fund Balance	(200)	0
Economic Development Marketing and Attraction Fund (CAA1003/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund a special line item marketing program to attract businesses to the state, particularly advanced manufacturers. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Economic Transition Resources Fund (CAA1031/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To distribute to nonprofit organizations for capital projects, economic sustainability developments, renewable energy projects, and broadband projects located within 20 miles of a coal mine which closed within the past 5 years. The FY 2024 General Appropriation Act appropriated \$9,000,000 from the General Fund for this purpose, which lapsed at the end of FY 2024. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	104,300	0
Federal Funds (CAA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants for community development, job training, and home programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing federal grants.		
Funds Expended	17,406,300	115,238,400
Year-End Fund Balance	11,366,800	52,691,100
Fiscal Year 2024 Budget Specific Allocation Fund (CAA1002/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To distribute monies for the following one-time funding allocations in the FY 2024 budget: 1) \$1,000,000 for the State Rural Development Council; 2) \$500,000 for a Small Business Program for Inmates; 3) \$500,000 for an Economic Development Study by a statewide business trade organization; 4) \$500,000 for a Commercial Truck Driver Shortage Grant; and 5) \$1,000,000 for Small Business Export Assistance. These monies are non-lapsing. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	2,859,000	918,000
Frankfurt Germany Trade Office Fund (CAA1023/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To support a foreign trade office in Frankfurt, Germany and assist Arizona companies in entering the German market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	42,300	0
Institute for Automated Mobility Fund (CAA4080/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Private donations, grant proceeds, and support from other ACA funds.		
Purpose of Fund: To account for the activities related to the Institute for Automated Mobility established by Executive Order 2018-09 to support the advancement of autonomous vehicles in Arizona.		
Funds Expended	116,600	18,000
Year-End Fund Balance	(69,900)	0
Israel Trade Office Fund (CAA1021/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: General Fund as well as donations from public and private entities.		
Purpose of Fund: To support a trade office in Tel Aviv, Israel and assist the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	110,700	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Major Events Fund (CAA9999/A.R.S. § 41-1506.02)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To support the planning and operation of the competitive bid process for major events in coordination with the Office of Tourism, destination marketing organizations and local organizing committees. To negotiate and make grants to local organizing committees or equivalent organizations for the operating costs of major events and for other economic development activities associated with major event operations.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Mexico Trade Office Fund (CAA1020/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: General Fund, the City of Phoenix, the City of Tucson, Maricopa Association of Governments, and other public and private entities.		
Purpose of Fund: To support trade offices in Mexico City, Guanajuato, and Chihuahua, Mexico and assist Arizona companies in entering the Mexican market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	422,300	422,300
Non-Federal Grant Fund (CAA3010/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Unrestricted donations.		
Purpose of Fund: To be expended as stipulated by state statutes authorizing grants.		
Funds Expended	0	0
Year-End Fund Balance	0	0
RevAZ Fund (CAA9971/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Fees paid by private-sector entities for services in conjunction with the federal Manufacturing Extension Partnership.		
Purpose of Fund: To assist in manufacturing sector business development and management.		
Funds Expended	1,029,500	2,200,000
Year-End Fund Balance	947,600	947,600
Rural Broadband Accelerated Match Fund (CAA1032/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations from the FY 2024 General Appropriation Act.		
Purpose of Fund: To provide matching funds for federal programs aimed at expanding Internet access to rural households, schools, and libraries. The FY 2024 General Appropriation Act appropriated \$23,600,000 from the General Fund for this purpose, but these monies were subsequently ex-appropriated in the FY 2025 budget.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Rural Broadband Grants Fund (CAA1006/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To expand Internet access to rural households, schools, and libraries. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	600	0
Space Exploration and Aeronautics Research Fund (CAA8888/A. R. S. § 41-1551.02)		Non-Appropriated
Source of Revenue: Legislative appropriations and gifts, grants, and donations.		
Purpose of Fund: To provide grants to businesses or nonprofit organizations in this state that are involved in the space exploration or aeronautics industry or to a governmental entity with which the board of directors of the Arizona Space Commission has entered into an intergovernmental agreement.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
State Workforce Programs (CAA1025/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Intrastate agreements between the ACA and the Governor's Office. Funding also comes from a portion of the state's allocation from the federal Workforce Innovation and Opportunity Act.		
Purpose of Fund: To carry out workforce-related projects on behalf of the Governor's Office.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Trade Office Fund (CAA1220/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To supplement funding for foreign trade offices and assist Arizona companies in entering foreign markets. It will also expand the state's international trade and foreign direct investment opportunities. The FY 2024 General Appropriation Act appropriated \$2,000,000 from the General Fund for this purpose, which lapsed at the end of FY 2024. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	161,000	0
Water Infrastructure and Commerce Grant Fund (CAA1090/A.R.S. § 41-1510)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund water infrastructure and commerce grant disbursements. The FY 2023 and FY 2024 General Appropriation Acts appropriated \$15,000,000 and \$7,000,000 respectively from the General Fund for this purpose. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Wearable Technology Research Fund (CAA1033/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: Monies in the fund are for distribution to applied research centers and institutes located in this state that specialize in wearable technology. The FY 2024 General Appropriation Act appropriated \$2,500,000 from the General Fund for this purpose, which lapses at the end of FY 2027. Expenditures are not displayed to avoid double counting the original General Fund appropriations to this fund.		
Funds Expended	0	0
Year-End Fund Balance	2,500,000	0

Arizona Community Colleges

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
Equalization Aid			
Equalization Aid - Cochise	9,759,600	10,575,800	11,812,600
Equalization Aid - Graham	19,912,000	21,132,400	22,496,500
Equalization Aid - Navajo	11,189,600	12,016,200	12,885,200
Equalization Aid - Yuma/La Paz	716,100	896,400	1,786,400
<i>Subtotal – Equalization Aid</i>	41,577,300	44,620,800	48,980,700
Operating Aid			
Operating Aid - Cochise	4,423,700	4,000,800	3,818,600
Operating Aid - Coconino	1,415,900	1,392,500	1,426,500
Operating Aid - Gila	151,400	149,700	158,700
Operating Aid - Graham	1,661,900	1,758,900	1,808,100
Operating Aid - Mohave	924,400	961,500	1,056,600
Operating Aid - Navajo	1,346,100	1,375,600	1,430,400
Operating Aid - Pima	2,000,000	0	0
Operating Aid - Pinal	1,090,900	1,032,900	1,082,900
Operating Aid - Santa Cruz	0	54,600	45,100
Operating Aid - Yavapai	373,000	371,300	555,900
Operating Aid - Yuma/La Paz	2,260,700	2,262,400	2,402,000
<i>Subtotal – Operating Aid</i>	15,648,000	13,360,200	13,784,800
STEM Aid			
STEM Aid - Cochise	954,700	833,400	1,021,100
STEM Aid - Coconino	309,500	300,700	314,300
STEM Aid - Gila	88,700	88,100	91,700
STEM Aid - Graham	409,700	446,300	465,900
STEM Aid - Maricopa	7,927,600	8,073,700	8,441,600
STEM Aid - Mohave	378,600	392,600	430,500
STEM Aid - Navajo	262,500	273,600	295,500
STEM Aid - Pima	1,769,000	1,768,900	1,855,600
STEM Aid - Pinal	656,700	634,800	654,800
STEM Aid - Santa Cruz	21,200	41,800	38,000
STEM Aid - Yavapai	637,200	636,600	710,200
STEM Aid - Yuma/La Paz	777,700	778,200	820,600
<i>Subtotal – STEM Aid</i>	14,193,100	14,268,700	15,139,800
Rural Aid			
Rural Aid - Cochise	5,769,700	2,999,100	2,703,600
Rural Aid - Coconino	1,520,600	892,800	901,800
Rural Aid - Gila	439,500	258,000	252,800
Rural Aid - Graham	1,917,800	1,239,300	1,244,500
Rural Aid - Mohave	1,866,800	1,149,000	1,202,500
Rural Aid - Navajo	1,322,400	815,000	852,600
Rural Aid - Pinal	3,110,400	1,794,100	1,807,400
Rural Aid - Santa Cruz	97,000	113,800	99,900
Rural Aid - Yavapai	3,084,400	1,833,600	1,955,300
Rural Aid - Yuma/La Paz	4,871,400	2,905,300	2,979,600
<i>Subtotal – Rural Aid</i>	24,000,000	14,000,000	14,000,000
Additional Rural Aid			
Rural County Allocation	5,722,300	6,109,000	6,109,000 ^{1/}
Rural County Reimbursement Subsidy	1,082,900	1,082,900	1,082,900 ^{2/}
<i>Subtotal – Additional Rural Aid</i>	6,805,200	7,191,900	7,191,900
Tribal Aid			
Tribal Community Colleges	517,400	1,441,100	1,441,100 ^{3/}
Dine College Capital Improvements	10,000,000	0	0
Dine College Remedial Education	1,000,000	1,000,000	1,000,000 ^{4/}

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
San Carlos Apache College Remedial Education	2,000,000	0	0
Tohono O'odham Community College Remedial Education	2,000,000	0	0
<i>Subtotal – Tribal Aid</i>	15,517,400	2,441,100	2,441,100
Workforce Development Aid			
Additional Gila Workforce Development Aid	200,000	200,000	200,000
Arizona Western College CTE Workforce	15,000,000	0	0
Santa Cruz Provisional Community College Funding	200,000	0	0
<i>Subtotal – Workforce Development Aid</i>	15,400,000	200,000	200,000
AGENCY TOTAL	133,141,000	96,082,700	101,738,300 ^{5/}

FUND SOURCES			
General Fund	133,141,000	96,082,700	101,738,300
SUBTOTAL - Appropriated Funds	133,141,000	96,082,700	101,738,300
Other Non-Appropriated Funds	87,974,400	91,580,600	91,580,600
TOTAL - ALL SOURCES	221,115,400	187,663,300	193,318,900

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 Associates degree, Baccalaureate degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

FOOTNOTES

- 1/ 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 2026, that amount is estimated to be \$6,109,000. Because this appropriation is in permanent statute, it is not included in the General Appropriations Act.
- 2/ Of the \$1,082,900 appropriated to the rural county reimbursement subsidy line item, Apache county receives \$699,300 and Greenlee county receives \$383,600. (General Appropriations Act footnote)
- 3/ 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 Appropriations Act.
- 4/ On or before October 15, 2026, 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 2025-2026 academic year. (General Appropriations Act footnote)
- 5/ General Appropriations Act funds are appropriated as District-by-District Special Line Items.

Equalization Aid

The Baseline includes \$48,980,700 from the General Fund in FY 2026 for Equalization Aid. Adjustments are as follows:

Property Value Changes

The Baseline includes an increase of \$4,359,900 from the General Fund in FY 2026 to reflect increased formula costs for funding Equalization Aid due to assessed valuation

changes. Detail of specific district changes is shown in Table 1.

District	FY 2025	Year-over- Year Change	FY 2026
Cochise	\$10,575,800	\$1,236,800	11,812,600
Graham	21,132,400	1,364,100	22,496,500
Navajo	12,016,200	869,000	12,885,200
Yuma/La Paz	896,400	890,000	1,786,400
Total	\$44,620,800	\$4,359,900	\$48,980,700

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, according to the most recent decennial census data. Actual assessed valuation for rural districts was 7.0% higher in TY 2024 than in the preceding year. Therefore, for the FY 2026 Equalization Aid formula calculation, the minimum assessed valuation increased 7.0% to approximately \$1.98 billion. (See Table 2 for the calculation of the growth rate.)

District	TY 2023		TY 2023- 2024 % Growth
	Primary AV	Primary AV	
Cochise*	\$ 1,074,552,900	\$ 1,114,080,000	3.7 %
Graham*	303,998,800	334,238,400	10.0 %
Navajo*	969,413,100	1,035,790,900	6.9 %
Yuma/La Paz*	1,781,073,400	1,845,925,300	3.6 %
Coconino	2,171,931,000	2,298,821,800	5.8 %
Mohave	2,427,679,000	2,569,180,300	5.8 %
Pinal	3,390,905,700	3,772,917,900	11.3 %
Yavapai	<u>3,556,683,100</u>	<u>3,806,627,200</u>	7.0 %
Total ^{1/}	\$15,676,236,900	\$16,777,581,800	7.0 %
Minimum AV	\$1,846,507,600	\$1,976,317,100	7.0 %

^{1/} May not add to total due to rounding.
* These districts qualify to receive Equalization Aid under the state funding formula in FY 2026 since they fall below the minimum assessed value threshold of \$1.98 billion.

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.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.98 billion in FY 2026), 2) whether the district's dollar change in assessed value was less than the rural districts' average change, and 3) the applicable tax rate.

Operating State Aid

The Baseline includes \$13,784,800 from the General Fund in FY 2026 for Operating State Aid. Adjustments are as follows:

Enrollment Changes

The Baseline includes an increase of \$424,600 from the General Fund in FY 2026 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a 889, or 3.6%, increase in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 3). The 889 net FTSE increase consists of a 723 FTSE increase in non-dual enrollment students and a 166 FTSE increase 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.

	FY 2023 FTSE	FY 2024 FTSE	Percentage Change
Rural Districts			
Cochise	5,244	4,899	(6.6)%
Coconino	1,561	1,634	4.7%
Gila	451	458	1.6%
Graham	2,167	2,255	4.1%
Mohave	2,009	2,179	8.5%
Navajo	1,425	1,545	8.4%
Pinal	3,137	3,275	4.4%
Santa Cruz	199	181	(9.0)%
Yavapai	3,206	3,543	10.5%
Yuma/La Paz	<u>5,080</u>	<u>5,399</u>	<u>6.3%</u>
Subtotal	24,479	25,368	3.6%
Urban Districts			
Maricopa	53,964	56,294	4.3%
Pima	<u>11,568</u>	<u>12,147</u>	<u>5.0%</u>
Total	90,011	93,809	4.2%

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 2026, the last actual FTSE data was from FY 2024.)

Maricopa and Pima Counties are also statutory recipients of Operating State Aid. However, a session law provision suspends the formula.

The full formula funding for Maricopa and Pima County cannot be calculated. 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 formulaic Operating State Aid since FY 2015.

STEM and Workforce Programs State Aid

The Baseline includes \$15,139,800 from the General Fund in FY 2026 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid. Adjustments are as follows:

Enrollment Changes

The Baseline includes an increase of \$871,100 from the General Fund in FY 2026 to fund increased formula costs for STEM and Workforce Programs State Aid. This increase is the result of a net growth in enrollment in FY 2024.

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 FY 2026 Baseline continues to suspend the inflation adjustment required by statute and provides \$210 per FTSE for districts with 5,000 or less FTSE and \$160 per FTSE for districts with greater than 5,000 FTSE.

Rural Aid

The Baseline includes \$14,000,000 from the General Fund in FY 2026 for Rural Aid. This amount is unchanged from FY 2025.

The budget year funding is allocated to the 10 rural community college districts based on each district's share of the last year's actual enrollment counts. The FY 2026 allocations are based on FY 2024 enrollment counts.

Additional Rural Aid

Rural County Allocation

The Baseline includes \$6,109,000 from the General Fund in FY 2026 for Rural County Allocation. This amount is unchanged from FY 2025.

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. In practice, this provision affects Apache and Greenlee Counties. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and that the state will then withhold these counties' Transaction Privilege Tax (TPT) revenues to offset a portion of that cost.

A.R.S. § 15-1469C prescribes the formula that calculates the amount that is owed by Apache and Greenlee Counties to the out of county community college districts. The formula is based on the number Apache and Greenlee students who attended school in an established community college district, as well as the average operating cost per student of that district. In calculating the TPT withholding for Apache and Greenlee Counties, however, the state only counts the average operating aid per student generated by the primary property tax levy. The difference between the average per student operating cost generated by primary property taxes and the average overall operating cost is effectively absorbed by the state General Fund.

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 by the community colleges 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 2024, the JLBC Staff reported that the General Fund would pay a total \$6,109,000 in FY 2025, of which \$2,317,400 would be withheld from the two unestablished counties (\$1,769,100 for Apache and \$548,300 for Greenlee). The net impact is further adjusted by the Rural County Reimbursement Subsidy line item below. After TPT revenue withholdings, the General Fund net cost is \$3,791,600.

Monies for the Rural County Allocation are authorized by A.R.S. § 15-1469.01, and therefore do not appear in the General Appropriations Act.

Rural County Reimbursement Subsidy

The Baseline includes \$1,082,900 from the General Fund in FY 2026 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2025.

This line item partially offsets the remaining cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee. The Baseline continues a General Appropriations Act footnote allocating these monies. Of the \$1,082,900 subsidy, \$699,300 is distributed to Apache and \$383,600 to Greenlee.

After the reimbursement subsidy, FY 2025 net costs are \$1,069,800 to Apache and \$164,700 to Greenlee.

Tribal Aid

Tribal Community Colleges

The Baseline includes \$1,441,100 from the General Fund in FY 2026 for Tribal Community Colleges. This amount is unchanged from FY 2025.

The FY 2025 budget assumed tribal community colleges would receive \$1,372,200 from the General Fund in FY 2024 and FY 2025 based on FY 2023 actual TPT distributions. This assumption included a distribution of \$923,700 to the Navajo Nation, comprised of \$615,800 for Diné College and \$307,900 for Navajo Technical College. The budget also assumed that \$448,500 would be distributed to Tohono O'odham Community College.

Tohono O'odham Community College received a distribution of \$517,400 in FY 2024. Diné College and Navajo Technical College, however, received no TPT distributions. The Navajo Nation reported negative FY 2024 TPT revenue of \$(732,700). A negative amount is typically reported when large refund payments are made that exceed the overall level of gross TPT collections.

The Baseline adjusts the assumption upward to \$1,441,100 in FY 2025 and FY 2026. This assumption is based on the most recent actual distribution for the Navajo Nation in FY 2023 (\$923,700, comprised of \$615,800 for Diné College and \$307,900 for Navajo Technical College) and Tohono O'odham Community College in FY 2024 (\$517,400).

As described below, each of these amounts will depend on actual FY 2026 TPT revenue collections and the FY 2026 appropriation will adjust automatically.

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 2026 will depend on FY 2026 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriations Act. (*Please see the FY 2020 Appropriations Report for more information.*)

The monies received are used to support maintenance, renewal, and capital expenses on each college campus.

Diné College Remedial Education

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for Diné College Remedial Education. This amount is unchanged from FY 2025.

This line item provides additional funding to Diné College to provide remedial education to help students prepare for college-level courses such as reading, writing and mathematics. In addition, the Baseline continues a General Appropriations Act footnote that requires the Diné College Board of Regents to submit a report that details the course completion rate for students who received remedial education during the 2025-2026 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2026.

Workforce Development Aid

Additional Gila Workforce Development Aid

The Baseline includes \$200,000 from the General Fund in FY 2026 for Additional Gila Workforce Development Aid. This amount is unchanged from FY 2025.

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*).

Other Issues

Statutory Changes

The Baseline would:

- As session law, continue to suspend the Operating State Aid funding at levels specified in the General Appropriations Act, which effectively means

suspending the formula in FY 2026 for only Maricopa and Pima Counties.

- As session law, continue to set the Science, Technology, Engineering and Mathematics and Workforce Programs district funding at levels specified in the General Appropriations Act, which effectively means suspending the inflation adjustment in FY 2026 for all community college districts.

Long Term Budget Impacts

As part of the Baseline 3-year spending plan, Community College General Fund costs are projected to increase by \$4,326,000 in FY 2027 above FY 2026 and increase by \$4,691,200 in FY 2028 above FY 2027. These estimates are based on:

- Flat enrollment growth (no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2027 and FY 2028).
- An increase of \$4,326,000 for Equalization Aid in FY 2027 above FY 2026 and \$4,691,200 in FY 2028 above FY 2027. These estimates assume total Net Assessed Value (NAV) growth of 6.5% in FY 2027 and 6.6% FY 2028.

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 3.4% of their revenues (excluding bond proceeds) from state aid.

For FY 2025, base operating revenues from all sources are estimated to be \$2,058,990,500. (See Table 4 for a summary of FY 2025 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 51.5% 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 TY 2024 property tax rates.)

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

Table 4

Total Estimated Community College Revenues – FY 2025 ^{1/}

District	State Aid ^{2/}	Tuition/Fees	Property Taxes	Grants	Other ^{3/}	FY 2025 Total ^{4/}	FY 2024 Total ^{5/}	% Change from FY 2024
Cochise	\$17,575,700	\$9,943,700	\$27,232,600	\$17,533,400	\$1,692,900	\$73,978,300	\$83,870,700	(11.8)%
Coconino	2,285,300	6,866,000	15,792,900	9,844,200	1,423,600	36,212,000	31,993,900	13.2%
Gila ^{6/}	407,700	0	6,020,800	696,000	355,000	7,479,500	7,949,500	(5.9)%
Graham	24,130,600	8,226,000	8,225,300	14,624,800	13,410,100	68,616,800	65,689,900	4.5%
Maricopa	0	215,530,300	644,357,000	215,562,000	66,562,700	1,142,012,000	1,129,524,300	1.1%
Mohave	2,110,500	10,425,400	28,592,400	17,524,000	3,883,500	62,535,800	53,234,700	17.5%
Navajo	14,206,800	3,800,000	18,340,700	9,200,000	5,193,600	50,741,100	49,144,700	3.2%
Pima	0	43,941,000	141,019,000	97,439,000	13,954,000	296,353,000	246,783,600	20.1%
Pinal	2,827,000	8,636,600	68,395,500	20,811,400	11,863,000	112,533,500	103,917,200	8.3%
Santa Cruz ^{6/}	168,400	0	1,795,400	305,000	0	2,268,800	2,454,000	(7.5)%
Yavapai	2,204,900	14,111,000	56,931,900	18,275,700	10,098,300	101,621,800	93,504,900	8.7%
Yuma/La Paz	<u>6,064,100</u>	<u>15,518,600</u>	<u>42,955,200</u>	<u>33,100,000</u>	<u>7,000,000</u>	<u>104,637,900</u>	<u>121,340,600</u>	<u>(13.8)%</u>
Total	\$71,981,000	\$336,998,600	\$1,059,658,700	\$454,915,500	\$135,436,700	\$2,058,990,500	\$1,989,408,000	3.5%

^{1/} The data in this table was provided by the Arizona Community College Coordinating Council.

^{2/} State Aid revenue includes Operating State Aid and Equalization Aid.

^{3/} Includes auxiliary programs, interest income, workforce development funds, and transfers.

^{4/} Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are estimated to be \$2,337,620,300 for FY 2025.

^{5/} Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are \$2,060,632,500 for FY 2024.

^{6/} 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 – TY 2024

District	Primary Rate	Secondary Rate	Combined Rate	% Change Combined Rate from TY 2023
Cochise	\$2.44	\$0.00	\$2.44	0.6%
Coconino	0.69	0.00	0.69	12.6%
Gila	0.90	0.00	0.90	(1.7)%
Graham	2.46	0.00	2.46	(5.4)%
Maricopa	1.05	0.06	1.10	(3.1)%
Mohave	1.11	0.00	1.11	(3.2)%
Navajo	1.77	0.00	1.77	1.2%
Pima	1.25	0.00	1.25	(2.1)%
Pinal	1.69	0.12	1.81	(5.6)%
Santa Cruz	0.41	0.00	0.41	(5.4)%
Yavapai	1.50	0.00	1.50	(1.0)%
Yuma/La Paz	2.04	0.29	2.33	(1.6)%

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 16.4% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2025 weighted average tuition (weighted for each district’s proportion of the statewide FTSE count) is \$2,900 if a full-time student attends for 30 hours a year. The FY 2025 amount represents an increase of 13.6% from FY 2024. (See Table 6 for FY 2024 resident tuition and fee rates.)

Community colleges also receive grants and “other” revenue from a variety of sources. Combined, they

Table 6
Community College Resident Tuition and Fees – FY 2025

District	Average Cost Per Credit Hour	Annual Cost ^{1/}	% Change from FY 2024
Cochise	\$95	\$2,850	2.2%
Coconino	142	4,248	4.4%
Gila	98	2,940	0.0%
Graham	98	2,940	0.0%
Maricopa	97	2,910	0.0%
Mohave	91	2,730	12.3%
Navajo	91	2,730	0.0%
Pima	101	3,015	9.2%
Pinal	75	2,250	0.0%
Santa Cruz	50	1,508	9.3%
Yavapai	86	2,592	4.9%
Yuma/La Paz	97	2,910	3.2%
Weighted Average	\$97	\$2,900	13.6%

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

account for approximately 28.7% of community college revenues.

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 2025 community college expenditures. In FY 2025, total budgeted expenditures are \$2,334,978,100. As mentioned previously, base operating revenues for FY 2025 are \$2,058,990,500, however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,337,620,300. Of the total \$2,334,978,100 in budgeted expenditures, \$1,885,142,200, or 80.7%, of these expenditures are from the community colleges’ General and Restricted Funds. This includes \$546,646,300, or 23.4%, for instruction and \$424,778,100, or 18.2%, for institutional support.

Expenditures for auxiliary enterprises, including revenue-generating retail and business services such as parking lots, bookstores, and food service, are \$98,398,000 or 4.2% of the total. Plant Fund expenditures, which generally include capital costs, are \$289,080,300, or 12.4% of the total. The remaining \$62,357,700, or 2.7%, is for debt service.

Community College Expenditure Limitations

The Arizona Constitution requires the Economic Estimates Commission to calculate the expenditure limitation for community college districts based on FY 1980

Table 7
Community Colleges - FY 2025 Budgeted Expenditures

General/Restricted Funds	Total	% of Total
Instruction	\$546,646,300	23.4%
Public Service	31,685,800	1.4%
Academic Support	175,548,900	7.5%
Student Services	198,326,400	8.5%
Institutional Support	424,778,100	18.2%
Operation & Maintenance	135,841,700	5.8%
Scholarships & Grants	293,263,900	12.6%
Auxiliary Enterprises	25,000	0.0%
Contingency	79,026,000	3.4%
Subtotal ^{1/}	\$1,885,142,200	80.7%
Auxiliary Enterprises Fund	\$98,398,000	4.2%
Plant Fund	289,080,300	12.4%
Debt Service	62,357,700	2.7%
Total ^{1/}	\$2,334,978,100	100%

^{1/} May not add to subtotal and total due to rounding.

expenditures. The base limit is adjusted each year for enrollment and inflation.

The expenditure limitation does not apply to certain monies received by community college districts, such as tuition and fees or federal grants. A.R.S. § 15-1444 also excludes from the expenditure limitation auxiliary fees, entrepreneurial and commercial activities, research and development agreements, and grants from the state, political subdivisions, tribal governments, or special taxing districts.

As part of the annual budget submission process, the community college districts calculate their expenditures for the current year. These figures are then audited by the Auditor General after the end of each fiscal year. *Table 8* includes the FY 2025 expenditure limits and the estimated expenditures reported by the districts. Of the 12 districts, 9 currently estimate that they will be at the limit in FY 2025. Santa Cruz Community College district is reporting estimated expenditures that exceed the expenditure limit by \$2,900.

A.R.S. § 41-1279.07 stipulates that a community college district that exceeds its expenditure limitation without authorization will have the following amount of operating state aid withheld, based on the percentage of the excess expenditure:

- If the excess expenditures are less than 5% of the limitation, the amount withheld is equal to the excess expenditures.
- If the excess expenditures are between 5% and 10% of the limitation or are less than 5% of the limitation and it is at least the second consecutive instance of excess expenditures, the amount withheld is equal to 3 times the excess expenditures.
- If the excess expenditures are equal to 10% or more of the limitation, the amount withheld is equal to 5 times the excess expenditures or one-third of the district's allocation of state aid, whichever is less.

Laws 2023, Chapter 184 modified the penalties for community college district expenditure limit exceedances for FY 2024 and FY 2025. This session law stipulates that a community college district that exceeds its expenditure limitation without authorization will have the following

amount of operating state aid withheld, based on the percentage of the excess expenditure:

- If the excess expenditures are less than 5% of the limitation, the amount withheld is \$5,000.
- If the excess expenditures are between 5 and 10% of the limitation, the amount withheld is \$15,000.
- If the excess expenditures are between 10 and 12% of the limit, the amount withheld is \$20,000.
- If the excess expenditures are equal to or greater than 12% of the limitation, the amount withheld is equal to 5 times the excess expenditures or one-third of the district's allocation of state aid, whichever is less. For provisional districts, the maximum amount withheld cannot exceed 1% of the district budget.

Additionally, Maricopa County Proposition 486 was approved by voters in the November 2024 election, permanently adjusting the community college district's FY 1980 base expenditure limit upward by \$52,841,800. Maricopa Community College district estimates that this adjustment will increase the FY 2026 expenditure limit to \$902,317,300.

Table 8

Community College Expenditure Limits – FY 2025

<u>District</u>	<u>Expenditure Limit</u>	<u>Estimated Expenditures</u>
Cochise	\$73,173,322	\$55,300,562
Coconino	\$16,741,573	\$16,741,573
Gila*	\$4,831,807	\$4,831,807
Graham	\$32,181,287	\$32,181,287
Maricopa	\$466,516,664	\$466,516,664
Mohave	\$26,429,139	\$26,429,139
Navajo	\$15,282,620	\$15,282,620
Pima	\$137,938,978	\$137,938,978
Pinal	\$47,302,104	\$47,302,104
Santa Cruz*	\$3,266,362	\$3,269,239
Yavapai	\$53,180,239	\$53,180,239
Yuma/La Paz	\$62,690,700	\$58,078,224

* Indicates provisional community college district

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Smart and Safe Arizona Fund (varies by account/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General.		
Funds Expended	52,654,000	54,854,500
Year-End Fund Balance	0	0
Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)		Non-Appropriated
Source of Revenue: A portion of the 0.6% education sales tax. The law directs each qualifying tribal community college to receive distributions in the same manner as the transfers to individual community college district workforce development accounts. A "qualifying Indian tribe" is an Indian tribe that owns, operates, and charters any community college located on its own reservation in this state.		
Purpose of Fund: To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.		
Funds Expended	1,302,800	1,378,700
Year-End Fund Balance	0	0
Workforce Development Accounts (varies by account/A.R.S. § 15-1472)		Non-Appropriated
Source of Revenue: Three percent of collections from the 0.6% education sales tax, after debt service on state school facilities revenue bonds has been paid. This funding was authorized by voter approval of Proposition 301 in the November 2000 General Election.		
Purpose of Fund: To fund workforce development and training activities at the community college districts.		
Funds Expended	34,017,600	35,347,400
Year-End Fund Balance	0	0

Constable Ethics Standards and Training Board

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	472,400	716,200	716,200
TOTAL - ALL SOURCES	472,400	716,200	716,200

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.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Constable Ethics Standards and Training (CNA2346/A.R.S. § 22-138)		Non-Appropriated
Source of Revenue: Fees collected for every writ served on behalf of a Justice of the Peace.		
Purpose of Fund: 80% to fund constable training, equipment and related grants and 20% to fund operating expenses for the board.		
Funds Expended	472,400	716,200
Year-End Fund Balance	258,500	216,000

Registrar of Contractors

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	6,111,500	6,329,800	6,329,800
Employee Related Expenditures	2,321,900	2,531,800	2,531,800
Professional and Outside Services	236,000	267,900	267,900
Travel - In State	472,500	265,600	265,600
Travel - Out of State	8,000	5,500	5,500
Other Operating Expenditures	1,422,800	3,427,400	3,427,400
Equipment	6,300	80,000	80,000
OPERATING SUBTOTAL	10,579,000	12,908,000	12,908,000
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	353,700	1,017,600	1,017,600
AGENCY TOTAL	10,932,700	13,925,600	13,925,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Registrar of Contractors Fund	10,932,700	13,925,600	13,925,600
SUBTOTAL - Other Appropriated Funds	10,932,700	13,925,600	13,925,600
SUBTOTAL - Appropriated Funds	10,932,700	13,925,600	13,925,600
Other Non-Appropriated Funds	6,713,000	9,592,500	6,892,500
TOTAL - ALL SOURCES	17,645,700	23,518,100	20,818,100

AGENCY DESCRIPTION — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

FOOTNOTES

^{1/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$12,908,000 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Office of Administrative Hearings Costs

The Baseline includes \$1,017,600 from the Registrar of Contractors Fund in FY 2026 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2025.

Monies in this line item are transferred from the Registrar of Contractors to OAH for services provided by OAH.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Registrar of Contractors Cash Bond Fund (RGA3721/A.R.S. § 32-1152)		Non-Appropriated
Source of Revenue: Cash deposits from contractors filed with the Registrar as an alternative to the filing of surety bonds.		
Purpose of Fund: To pay for legitimate claims of damages caused by a duly licensed contractor.		
Funds Expended	0	0
Year-End Fund Balance	2,339,000	2,339,000

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Registrar of Contractors Fund (RGA2406/A.R.S. § 32-1107)		Appropriated
Source of Revenue: Monies collected from the examination and licensing of contractors. Based on the agency budget request, the FY 2025 Year-End Fund Balance assumes a transfer of \$2.7 million from the Residential Contractors' Recovery Fund to the Registrar of Contractors Fund. This transfer would require legislative approval.		
Purpose of Fund: To examine, license, investigate and regulate contractors, and for board administration.		
Funds Expended	10,932,700	13,925,600
Year-End Fund Balance	2,999,700	2,330,200
Residential Contractors' Recovery Fund (RGA3155/A.R.S. § 32-1132)		Non-Appropriated
Source of Revenue: An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
Purpose of Fund: To compensate anyone who is injured by an act, a representation, a transaction, or the conduct of a residential contractor. Compensation for damages to any one individual cannot exceed \$30,000. Up to 14% of prior fiscal year revenue may be used to administer the fund.		
Funds Expended	6,713,000	9,592,500
Year-End Fund Balance	27,569,100	25,740,300

Corporation Commission

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	301.9	301.9	301.9
Personal Services	19,171,400	20,816,900	20,816,900
Employee Related Expenditures	7,046,800	8,139,900	8,139,900
Professional and Outside Services	1,506,600	1,245,200	1,245,200
Travel - In State	300,000	349,000	349,000
Travel - Out of State	169,300	182,000	182,000
Other Operating Expenditures	3,989,900	4,453,200	4,453,200
Equipment	394,400	209,900	209,900
OPERATING SUBTOTAL	32,578,400	35,396,100	35,396,100
SPECIAL LINE ITEMS			
Corporation Filings, Same-Day Service	196,900	417,300	417,300
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000 ^{1/}
AGENCY TOTAL	32,775,300	36,193,400	36,193,400 ^{2/}
FUND SOURCES			
General Fund	798,900	789,000	789,000
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	57,700	60,000	60,000
Investment Management Regulatory and Enforcement Fund	1,305,700	1,329,700	1,329,700
Public Access Fund	8,154,100	8,121,600	8,121,600
Securities Regulatory and Enforcement Fund	6,827,300	7,345,800	7,345,800
Utility Regulation Revolving Fund	15,631,600	18,547,300	18,547,300
SUBTOTAL - Other Appropriated Funds	31,976,400	35,404,400	35,404,400
SUBTOTAL - Appropriated Funds	32,775,300	36,193,400	36,193,400
Other Non-Appropriated Funds	219,900	0	0
Federal Funds	1,211,500	3,315,800	3,315,800
TOTAL - ALL SOURCES	34,206,700	39,509,200	39,509,200

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/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)
- 2/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget	FY 2026
The Baseline includes \$35,396,100 and 299.9 FTE Positions in FY 2026 for the operating budget.	General Fund \$789,000
	Arizona Arts Trust Fund 60,000
	Investment Management Regulatory and Enforcement Fund 1,329,700
	Public Access Fund 7,704,300
These amounts consist of:	Securities Regulatory and Enforcement Fund 7,345,800

Utility Regulation Revolving Fund 18,167,300

commission charges a fee to use this program, which is then deposited into the Public Access Fund.

These amounts are unchanged from FY 2025.

Corporation Filings, Same-Day Service

The Baseline includes \$417,300 and 2 FTE Positions from the Public Access Fund in FY 2026 for Corporation Filings, Same-Day Service. These amounts are unchanged from FY 2025.

Monies in this line item are used to staff the 2-hour, same-day, and next-day corporation filing services provided by the Corporation Commission. The

Utilities Audits, Studies, Investigations & Hearings

The Baseline includes \$380,000 from the Utility Regulation Revolving Fund in FY 2026 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2025.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Arts Trust Fund (CCA3043/A.R.S. § 41-983.01)		Appropriated
<i>Source of Revenue:</i> One-third of the filing fees for the annual report of domestic and foreign corporations.		
<i>Purpose of Fund:</i> For grants under the Arizona arts program and for other expenditures as authorized by the chairman of the Arizona Arts Commission. The Corporation Commission funds 1 FTE Position with these monies to assist in collecting the fee, with the remainder transferred to the Arts Commission.		
Funds Expended	57,700	60,000
Year-End Fund Balance	24,700	100
Federal Funds (CCA2000/A.R.S. § 40-441)		Federal Funds
<i>Source of Revenue:</i> U.S. Department of Transportation grants.		
<i>Purpose of Fund:</i> To pay up to 50% of the costs associated with the inspection of interstate pipelines transporting gas and hazardous liquids, and conduction of a pipeline safety program.		
Funds Expended	1,211,500	3,315,800
Year-End Fund Balance	6,459,900	4,659,100
IGA and ISA Fund (CCA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Grants and intergovernmental agreements between state agencies and local governments.		
<i>Purpose of Fund:</i> To be used as specified in the grant or agreement.		
Funds Expended	185,900	0
Year-End Fund Balance	26,700	37,900
Investment Management Regulatory and Enforcement Fund (CCA2404/A.R.S. § 44-3298)		Appropriated
<i>Source of Revenue:</i> Fees from licensing of investment advisors and investment advisor representatives, and from costs recovered from enforcement actions associated with the licensing.		
<i>Purpose of Fund:</i> For education, regulatory, investigative and enforcement operations in the Securities Division.		
Funds Expended	1,305,700	1,329,700
Year-End Fund Balance	1,609,800	1,480,100
Public Access - Money on Deposit Account (CCA2334/A.R.S. § 10-122.01)		Non-Appropriated
<i>Source of Revenue:</i> Fees for expedited service for the filing of articles of incorporation and other documents.		
<i>Purpose of Fund:</i> To segregate unearned revenues received from customers from the overall Public Access Fund. Customers deposit funds pending their use for filing documents or for obtaining specialized listings from the public database. Once earned, the funds are then transferred to the Public Access Fund.		
Funds Expended	0	0
Year-End Fund Balance	897,500	897,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Public Access Fund (CCA2333/A.R.S. § 10-122.01)		Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: To cover a part of the commission's administrative and legal expenses as well as costs associated with an improved data processing system that allows direct, online access by any person at a remote location to all public records concerning corporations and associations.		
Funds Expended	8,154,100	8,121,600
Year-End Fund Balance	702,900	1,881,500
Securities Regulatory and Enforcement Fund (CCA2264/A.R.S. § 44-2039)		Appropriated
Source of Revenue: Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.		
Purpose of Fund: For education, regulatory, investigative, and enforcement operations in the Securities Division.		
Funds Expended	6,827,300	7,345,800
Year-End Fund Balance	11,613,400	11,422,600
Utility Regulation Revolving Fund (CCA2172/A.R.S. § 40-408)		Appropriated
Source of Revenue: Assessments against public utilities regulated by the commission, as defined by A.R.S. § 40-401.		
Purpose of Fund: For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists and other staff employed by the division.		
Funds Expended	15,631,600	18,547,300
Year-End Fund Balance	17,142,000	17,749,500
Utility Siting Fund (CCA2076/A.R.S. § 40-360.09)		Non-Appropriated
Source of Revenue: Fees paid for applications to the Power Plant and Transmission Line Siting Committee for proposed and expanded power plants and transmission lines.		
Purpose of Fund: For costs incurred by the Power Plant and Transmission Line Siting Committee in connection with the activities of the committee.		
Funds Expended	34,000	0
Year-End Fund Balance	9,600	9,600

Arizona Department of Corrections

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,569.0	9,592.0	9,569.0
Personal Services	452,716,500	442,603,700	401,635,800
Employee Related Expenditures	158,103,100	258,766,600	233,154,700
Professional and Outside Services	12,974,300	10,869,200	10,869,200
Travel - In State	496,400	169,000	169,000
Travel - Out of State	244,000	48,300	48,300
Other Operating Expenditures	146,165,500	114,801,500	99,464,300
Equipment	1,844,600	16,768,300	16,768,300
OPERATING SUBTOTAL	772,544,400	844,026,600	762,109,600 ^{1/2/3/}
SPECIAL LINE ITEMS			
Overtime and Compensatory Time	92,029,200 ^{4/}	15,540,500	75,320,300 ^{5/}
Community Corrections	20,860,000	28,280,300	28,280,300
Private Prison Per Diem	269,454,500	275,716,800	275,716,800 ^{6/7/}
Inmate Health Care Contracted Services	315,559,500	367,557,100	367,557,100 ^{8/9/}
Substance Abuse Treatment	0	3,945,400	3,945,400
Non-Contract Medication	4,131,500 ^{10/}	55,000,000	55,000,000 ^{11/}
Injunction-Related IT Upgrades	683,500 ^{12/}	16,000,000	16,000,000 ^{13/}
AGENCY TOTAL	1,475,262,600	1,606,066,700	1,583,929,500 ^{14/-20/}
FUND SOURCES			
General Fund	1,418,456,800	1,537,433,400	1,527,944,500
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	28,000	555,800	555,800
Corrections Fund	31,312,500	31,312,500	31,312,500
Inmate Store Proceeds Fund	149,300	1,280,800	1,280,800
Penitentiary Land Fund	5,208,200	3,466,000	3,466,000 ^{21/}
Prison Construction and Operations Fund	14,106,800	12,500,100	12,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	5,346,700	3,733,100	3,733,100 ^{22/}
State Education Fund for Correctional Education	112,300	736,400	736,400 ^{23/}
Transition Program Fund	542,000	15,048,600	2,400,300
SUBTOTAL - Other Appropriated Funds	56,805,800	68,633,300	55,985,000
SUBTOTAL - Appropriated Funds	1,475,262,600	1,606,066,700	1,583,929,500
Other Non-Appropriated Funds	126,987,800	131,520,900	130,539,600
Federal Funds	14,021,300	8,754,800	6,049,400
TOTAL - ALL SOURCES	1,616,271,700	1,746,342,400	1,720,518,500

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/ The FY 2025 budget transfers \$75,000,000 in FY 2024 and \$40,000,000 annually beginning in FY 2025 from the Attorney General's opioid settlement monies to ADC's non-appropriated Opioid Remediation Fund. As ADC non-appropriated monies, these funds are not included in the Appropriated Funds displayed in this table.
- 2/ Of the amount appropriated in the operating lump sum, \$401,635,800 is designated for personal services and \$233,154,700 is designated for employee-related expenditures. The department shall submit an expenditure plan for review by the joint legislative budget committee before spending these monies other than for personal services or employee-related expenditures. (General Appropriations Act footnote)

- 3/ After the department submits an expenditure plan to the joint legislative budget committee, the department may transfer personal services and employee-related expenditures savings from the operating budget to the private prison per diem line item for private prison staff stipends. The amount of any private prison staff stipend may not exceed the amount given to department staff. The expenditure plan is not subject to review by the joint legislative budget committee. (General Appropriations Act footnote)
- 4/ Prior to FY 2025, Overtime and Compensatory Time costs were displayed in the operating budget. The FY 2024 amounts have been displayed as part of this new line item for comparability.
- 5/ The department shall submit an expenditure plan for review by the joint legislative budget committee before spending monies appropriated for the overtime and compensatory time line item other than for personal services or employee-related expenditures. (General Appropriations Act footnote)
- 6/ The department shall use the amount appropriated in the private prison per diem line item to pay private prison contractors for housing and providing medical care to Arizona inmates. Before spending these monies for any other purpose, the department shall submit an expenditure plan for review by the joint legislative budget committee. (General Appropriations Act footnote)
- 7/ Private prison vendors that contract with this state may use staff vacancy savings to pay for overtime costs without incurring a penalty or staffing offset. (General Appropriations Act footnote)
- 8/ 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 Appropriations Act footnote)
- 9/ On or before August 1, 2025 and February 1, 2026, the state department of corrections shall submit a report to the joint legislative budget committee on the status of all inmate health care performance measures that are tracked by the department for contract monitoring purposes. Each report must include:
 1. The total number of performance measures, by facility, for which the department is not in substantial compliance.
 2. An explanation for each instance of noncompliance.
 3. The department's plan to comply with the performance measures. (General Appropriations Act footnote)
- 10/ The amount appropriated in the noncontract medication line item in fiscal year 2023-2024 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (FY 2024 footnote as added by the FY 2025 General Appropriations Act).
- 11/ The department shall use the amount appropriated in the noncontract medication line item to purchase medications to treat hepatitis C and for medication-assisted treatment for substance use disorder. Before spending these monies for any other purpose, the department shall submit an expenditure plan for review by the joint legislative budget committee. (General Appropriations Act footnote)
- 12/ The amount appropriated in the injunction-related IT upgrades line item in fiscal year 2023-2024 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (FY 2024 footnote as added by the FY 2025 General Appropriations Act).
- 13/ The amount appropriated in the injunction-related IT upgrades line item shall be used to address information technology improvements as required by the court in the *Jensen v. Thornell* inmate health care litigation. (General Appropriations Act footnote)
- 14/ 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 Appropriations Act footnote)
- 15/ 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 thirtieth 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 Appropriations Act footnote)
- 16/ On or before November 1, 2025, the state department of corrections shall provide a report on bed capacity to the joint legislative budget committee. 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, 2024 and June 30, 2025 and the projected capacity for June 30, 2026, 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. The report shall also include any plans to vacate beds but not permanently remove the beds from the bed count. If the department develops a plan after its November 1, 2025 report to open or close one hundred or more state operated or private prison rated beds, the department shall submit a plan detailing the proposed bed changes for review by the joint legislative budget committee before implementing these changes. (General Appropriations Act footnote)

- 17/ On or before August 1, 2025, the state department of corrections shall transfer to the public safety personnel retirement system via the department of administration its estimated required annual contribution to the corrections officer retirement plan for fiscal year 2025-2026. (General Appropriations Act footnote)
- 18/ On or before December 15, 2025 and July 15, 2026, the state department of corrections shall submit a report to the joint legislative budget committee on the progress made in meeting the staffing needs for correctional officers. Each 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 year-to-date. The report shall detail these amounts both departmentwide and by prison complex. (General Appropriations Act footnote)
- 19/ The department shall report actual fiscal year 2024-2025, estimated fiscal year 2025-2026 and requested fiscal year 2026-2027 expenditures as delineated in the prior year when the department submits its fiscal year 2026-2027 budget request pursuant to section 35-113, Arizona Revised Statutes. (General Appropriations Act footnote)
- 20/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 21/ 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 to support state penal institutions. (General Appropriations Act footnote)
- 22/ 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 Appropriations Act footnote)
- 23/ Before spending any state education fund for correctional education monies in excess of \$736,400, the state department of corrections shall report the intended use of the monies to the director of the joint legislative budget committee. (General Appropriations Act footnote)

Operating Budget

The Baseline includes \$762,109,600 and 9,382 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$752,489,600
Alcohol Abuse Treatment Fund	250,300
Corrections Fund	3,001,000
Inmate Store Proceeds Fund	1,280,800
Penitentiary Land Fund	686,800
Prison Construction and Operations Fund	2,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	1,164,600
State Education Fund for Correctional Education	736,400

Adjustments are as follows:

Overtime Funding Shift

The Baseline includes a decrease of \$(59,779,800) from the General Fund in FY 2026 to shift operating budget funding to the Overtime and Compensatory Time line item. ADC has historically shifted funding from regular personal services to overtime, due to the department's correctional officer vacancies generating savings in the

agency's operating budget while also increasing the need for overtime to maintain adequate staffing levels.

In FY 2024, the budget included \$15,540,500 of funding for ADC overtime expenses. After the agency processed line item transfers during FY 2024, ADC ultimately reported overtime spending of \$92,029,200 in FY 2024.

The FY 2025 enacted budget retained the base level of \$15,540,500 for ADC overtime funding. As of October 2024, ADC has processed a transfer with the General Accounting Office to shift \$59,779,800 from the operating budget to the Overtime and Compensatory Time line item in FY 2025. To better align the budget with current ADC spending patterns, the Baseline includes this shift in FY 2026 by removing this amount from the ADC operating budget. *(Also see the Overtime and Compensatory Time line item below).*

Remove One-Time Injunction-Related Staffing

The Baseline includes a decrease of \$(6,800,000) and (23) FTE Positions from the General Fund in FY 2026 to remove one-time staffing funding to address injunction-related requirements. This funding was added in FY 2025, but the 3-year budget plan did not continue it beyond FY 2025.

Remove One-Time Other Injunction Costs

The Baseline includes a decrease of \$(2,688,900) from the General Fund in FY 2026 to remove one-time funding for injunction-related costs such as pest control and enhanced sanitation.

Remove One-Time Food Contract Increase

The Baseline includes a decrease of \$(12,648,300) in FY 2026 from the Transition Program Fund to remove one-time funding for the increased cost of the new food contract.

Overtime and Compensatory Time

The Baseline includes \$75,320,300 from the General Fund in FY 2026 for Overtime and Compensatory Time. Adjustments are as follows:

Overtime Funding Shift

The Baseline includes an increase of \$59,779,800 from the General Fund in FY 2026 to shift operating budget funding to the Overtime and Compensatory Time line item. This would align the budget with current ADC spending patterns. (See the Operating Budget narrative above for more detail).

Background – Beginning with the FY 2025 budget, this line item funds overtime and compensatory time primarily for correctional officers to make up for vacant positions. FY 2024 actual expenditures for overtime are displayed in this line item instead of the operating budget.

Community Corrections

The Baseline includes \$28,280,300 and 184 FTE Positions in FY 2026 for Community Corrections. These amounts consist of:

General Fund	25,574,500
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,300

These amounts are unchanged from FY 2025.

Background – Monies in this line item are used for several different community corrections programs as described below. In addition to the \$28,280,300 in FY 2026 appropriated funds, ADC projects that they will utilize an additional \$6,283,300 in non-appropriated funds for these activities in FY 2026.

As of October 31, 2024, ADC has responsibility for 5,392 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 line item funds the staffing costs for correctional officers that oversee offenders on community supervision. The department also uses the appropriated monies for contracted drug testing, behavioral needs testing, and other programming.
- **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, whose services are provided by a contracted vendor. (See the Transition Program section in Other Issues.)
- **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, ADC operates the Maricopa and Pima Reentry Centers, which provide beds for inmates and an intensive treatment program. At the Pima facility, ADC also houses homeless offenders that do not have a secure placement.
- **Mental Health Transition Program:** Starting in FY 2022, offenders that have been diagnosed as seriously mentally ill and are eligible for AHCCCS benefits upon release may receive 90-days of mental health transition services. Statute requires ADC to place up to 500 inmates in the program each year.

See Table 1 for detail on the FY 2024 expenditures from the line item.

	<u>Approp.</u>	<u>Non-Approp.</u>	<u>Total</u>
Comm. Supervision	\$14,111,300	\$10,390,200	\$24,501,500
Transition Program	565,300	0	565,300
Maricopa Reentry	2,000,200	535,300	2,535,500
Pima Reentry	2,764,300	0	2,764,300
Mental Health	797,500	0	797,500
Transition Program			
Other/Overhead	<u>621,400</u>	<u>0</u>	<u>621,400</u>
Total	\$20,860,000	\$10,925,500	\$31,785,500

Private Prison Per Diem

The Baseline includes \$275,716,800 in FY 2026 for Private Prison Per Diem. This amount consists of:

General Fund	245,342,800
Corrections Fund	28,311,500
Penitentiary Land Fund	2,062,500

These amounts are unchanged from FY 2025.

Background – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 11,168 total contracted beds. The amount appropriated assumes a certain number of vacancies that typically occur during the course of the year. 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. Of the 6 existing private prison contracts, 3 (Kingman, Phoenix West and Florence West) are solely for management services as the state owns those facilities.

Of the current funding level, the FY 2025 budget's 3-year spending plan labeled \$55,283,500 (\$54,283,500 from the General Fund and \$1,000,000 from the Corrections Fund) as one-time and included that amount through FY 2027. As a result, the FY 2026 Baseline's long-term spending projections exclude this funding in FY 2028.

Inmate Health Care Contracted Services

The Baseline includes \$367,557,100 in FY 2026 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	354,271,900
Penitentiary Land Fund	716,700
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,568,500

These amounts are unchanged from FY 2025.

Background – The state contracts with a private company to provide health care to inmates in state-operated prisons. In May 2022 ADC awarded a new inmate health care contract that contract took effect in October 2022 and is for 5 years with a renewal option for an additional 5 years. (Please see the Inmate Health Care Issues section in the FY 2025 Baseline ADC section for additional information.)

The current contract does not include the cost of medications for either hepatitis C treatment and/or medication-assisted treatment of substance use disorders (see the Non-Contract Medication line item below).

Substance Abuse Treatment

The Baseline includes \$3,945,400 and 3 FTE Positions from the General Fund in FY 2026 for Substance Abuse Treatment. These amounts are unchanged from FY 2025.

This line item provides ADC with specified funding for substance abuse treatment. This includes funding for ADC programs and to contract with private vendors to provide treatment.

Non-Contract Medication

The Baseline includes \$55,000,000 from the General Fund in FY 2026 for Non-Contract Medication. This amount is unchanged from FY 2025.

A General Appropriation Act footnote requires the department to use the amount appropriated in the non-contract medication line item to purchase medications to treat hepatitis C and for medication-assisted treatment for substance use disorder. These costs are not part of the contract with the state's private health care provider (as funded in the Inmate Health Care Contracted Services line item).

Injunction-Related IT Upgrades

The Baseline includes \$16,000,000 from the General Fund in FY 2026 for Injunction-Related IT Upgrades. This amount is unchanged from FY 2025.

A General Appropriation Act footnote requires the department to use these monies to address information technology improvements as required by the court in the *Jensen v. Thornell* inmate health care litigation.

Other Issues

This section includes information on the following topics:

- Opioid Settlement Transfer
- Auditor General Report
- Transition Program
- Bed Capacity Issues
 - Inmate Growth Rate
 - Bed Capacity
 - Bed Surplus/Shortfall

Opioid Settlement Transfer

The FY 2025 budget included an FY 2024 supplemental that reduced the ADC operating General Fund appropriation by \$(75,000,000). The budget replaced that funding with a transfer of \$75,000,000 in opioid settlement funding from the Attorney General in FY 2024, resulting in no net change in overall funding to ADC.

The FY 2025 budget reduced the transfer of opioid settlement monies from the Attorney General to ADC from \$75,000,000 to \$40,000,000 beginning in FY 2025 and retains this funding on an ongoing basis.

The opioid settlement transfers are not displayed within the appropriated ADC budget as the transferred monies will be deposited in the non-appropriated ADC Opioid Remediation Fund established pursuant to A.R.S. § 35-142.

The Baseline continues an Attorney General footnote specifying that ADC shall use the opioid settlement funding only for past and current department costs for care, treatment, programs and other expenditures for individuals with opioid use disorder and any co-occurring substance use disorder or mental health conditions or for any other approved purposes as prescribed in a court order, a settlement agreement or the one Arizona distribution of opioid settlement funds agreement that is entered into by this state and other parties to the opioid litigation. *(Please see the Attorney General section for additional information.)*

Auditor General Report

In July 2024, the Auditor General published its annual performance audit evaluating whether ADC met various statutory requirements. In terms of budget implications, the Auditor General found that in some instances inmates were not released to the Transition Program as required by statute, and as a result some inmates were in custody longer than required.

The Auditor General also found that the department had data discrepancies related to inmate programming similar to those identified in previous audits, which the report noted could require IT system updates. The department agreed to all of the Auditor General's findings and is implementing the recommendations.

Transition Program

The Transition Program allows inmates meeting the conditions outlined in statute and by the department the opportunity to be released from prison 90 days prior to their release date. Transition Program participants are generally lower risk, sentenced for non-violent crimes, and classified to lower levels than the overall ADC population. Participants reside in homes or halfway houses across the state and receive substance abuse counseling and case management services.

A.R.S. § 31-254 requires that 5% of non-Driving Under the Influence 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 from an earlier release be transferred to the Transition Program Fund to pay for the vendor costs of the program. Statute does not specify from which fund these monies are transferred. ADC has transferred money from the State DOC Revolving Fund to meet this requirement.

In FY 2024, the program saved a total of 341,846 bed days. In that same year, the Transition Program Fund received revenue of \$5,928,800 from all sources. Of this amount, \$5,811,400 came from the statutory \$17 transfer and the remainder came from non-DUI inmate wages. The vendor is required to seek Medicaid payment for services like substance abuse treatment prior to billing ADC. Because Medicaid pays for much of the costs, the department's vendor costs to run the program in FY 2024 were on average \$1.59 per inmate per day, or \$542,000 total.

Bed Capacity Issues

Inmate Growth Rate

On June 30, 2024, the total inmate population was 35,138. This was an increase of 761 inmates from the June 30, 2023 population of 34,377. *Table 2* shows the year-end populations from FY 2020 to FY 2025.

Table 2

Year-End Population, FY 2020 - FY 2025

<u>Year</u>	<u>Population</u>
FY 2020	40,151
FY 2021	35,954
FY 2022	33,371
FY 2023	34,377
FY 2024	35,138
FY 2025 (as of October 31)	35,511

The decline in the ADC population from FY 2020 through FY 2022 was likely related to the pandemic.

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 38,593 public and private beds on June 30, 2024, a decrease of (560) beds since June 30, 2023. This reduction includes the elimination of (500) rated beds due to the closure of the Marana prison.
- 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 2024, the department decreased its total operating capacity by (560) beds, from 44,369 to 43,809.

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 1,792 as of June 30, 2024, an increase of 5 from June 30, 2023.

Bed Surplus/Shortfall

At the end of FY 2024, the department had a total rated bed surplus of 3,455. After adjusting for the 5,216 temporary beds in the overall ADC system, the rated bed surplus became a 8,671-operating bed surplus. Because beds are divided by gender and security level, this figure may not fully reflect system capacity. (Please see *Table 4 for more information.*)

Table 4

Fiscal Year-End Operating Capacity

State	FY 2024 Actual			FY 2025 Estimate			FY 2026 Estimate		
	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity
Douglas	1,905	140	2,045	1,805	140	1,945	1,805	140	1,945
Eyman	4,493	2,211	6,704	4,493	2,139	6,632	4,493	2,139	6,632
Perryville	4,214	129	4,343	4,214	129	4,343	4,214	129	4,343
Phoenix	552	213	765	552	213	765	552	213	765
Lewis	5,104	879	5,983	4,960	879	5,839	4,960	879	5,839
Safford	1,703	160	1,863	1,703	160	1,863	1,703	160	1,863
Tucson	4,540	582	5,122	4,540	582	5,122	4,540	582	5,122
Winslow	1,626	0	1,626	1,626	0	1,626	1,626	0	1,626
Yuma	4,350	340	4,690	4,350	340	4,690	4,350	340	4,690
Subtotal	28,487	4,654	33,141	28,243	4,582	32,825	28,243	4,582	32,825
Private (Per Diem) ^{1/}									
Kingman (\$62.69)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$89.95)	400	-	400	400	-	400	400	-	400
Florence West (\$74.50)	600	150	750	600	150	750	600	150	750
Florence II (\$84.03)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$80.83)	2,000	24	2,024	2,000	24	2,024	2,000	24	2,024
La Palma (\$88.62)	2,706	-	2,706	2,706	-	2,706	2,706	-	2,706
Subtotal	10,106	562	10,668	10,106	562	10,668	10,106	562	10,668
Total - All Beds ^{2/}	38,593	5,216	43,809	38,349	5,144	43,493	38,349	5,144	43,493
State Prison Population									
Male	22,212		22,212	22,600		22,600	22,900		22,900
Female	3,227		3,227	3,250		3,250	3,300		3,300
Subtotal	25,439		25,439	25,850		25,850	26,200		26,200
Private Prison Population									
Male	9,699		9,699	10,000		10,000	10,200		10,200
Total Population ^{3/4/}	35,138		35,138	35,850		35,850	36,400		36,400
Bed Surplus/(Shortfall)									
Male	3,455		8,671	2,499		7,643	1,949		7,093
Female	2,357		7,444	1,524		6,539	1,024		6,039
	1,098		1,227	975		1,104	925		1,054
Bed Surplus/(Shortfall) (% of Beds)	9%		20%	7%		18%	5%		16%

^{1/} 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. Kingman, Florence West and Phoenix West are management only.

^{2/} Excludes special use beds totaling 1,792 as of June 30, 2024.

^{3/} The chart excludes prisoners awaiting transfer from county jail.

^{4/} The chart reflects the actual inmate population at the end of FY 2024 and assumes a 2.0% population growth in FY 2025 over FY 2024 and 1.5% growth in FY 2026 over FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255)		Appropriated
Source of Revenue: The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses.		
Purpose of Fund: To provide alcohol abuse treatment and rehabilitation services for DUI inmates.		
Funds Expended	28,000	555,800
Year-End Fund Balance	380,400	192,300
Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624)		Non-Appropriated
Source of Revenue: Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
Purpose of Fund: To compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies; maintain and repair ACI's buildings and equipment; and pay other associated ACI operational costs. A.R.S. § 41-1624 authorizes an annual \$1,000,000 transfer into the Department of Corrections Building Renewal Fund. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	44,911,700	46,781,900
Year-End Fund Balance	22,367,700	13,335,800
Community Corrections Enhancement Fund (DCA2395/ARS § 31-418)		Non-Appropriated
Source of Revenue: A portion (30%) of a monthly supervision fee of at least \$65 paid by the prisoner. The departments may require payment of a lesser amount.		
Purpose of Fund: To pay for costs related to community corrections.		
Funds Expended	546,600	495,200
Year-End Fund Balance	350,600	185,400
Corrections Fund (DCA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products. The fund receives 20% of the monies collected from spirituous liquor and 50% of the monies collected from vinous and malt liquors are deposited in the Corrections Fund. A.R.S. § 42-3104 designates that the fund receive 50% of all general tax rate collections from the tax on tobacco products.		
Purpose of Fund: For the construction, major maintenance, lease-purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. A.R.S. § 41-1641 authorizes an annual transfer of \$2,500,000 from the Corrections Fund to the Department of Corrections Building Renewal Fund. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	31,312,500	31,312,500
Year-End Fund Balance	4,275,400	6,501,500
Department of Corrections Building Renewal Fund (DCA2551/A.R.S. § 41-797)		Appropriated
Source of Revenue: Monies transferred annually from the following funds: Inmate Store Proceeds Fund (\$500,000), Special Services Fund (\$500,000), Arizona Correctional Industries Revolving Fund (\$1,000,000), and Corrections Fund (\$2,500,000). Also includes monies from a visitation background check fee and a 1% fee on inmate deposits. Expenditures from this fund are reported in the Capital Outlay - Arizona Department of Corrections section.		
Purpose of Fund: For capital projects and preventive maintenance (up to 8% of the annual expenditures).		
Funds Expended	0	0
Year-End Fund Balance	7,947,900	13,534,500
Federal Funds (DCA2000/A.R.S. § 35-142 and A.R.S. § 41-1605)		Federal Funds
Source of Revenue: Law enforcement related federal grants.		
Purpose of Fund: For inmate education and school breakfast and lunch programs. The amounts do not include General Fund reimbursements for the incarceration of illegal aliens from the State Criminal Alien Assistance Program.		
Funds Expended	14,021,300	8,754,800
Year-End Fund Balance	116,100	2,486,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	3,164,800	19,500
Year-End Fund Balance	5,300	510,700
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: To fund inmate education. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	149,300	1,280,800
Year-End Fund Balance	7,613,800	9,464,100
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Non-Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: For inmate activities, incentive pay increases for Corrections Officers, equipment to enhance safety for both department personnel and inmates or other official needs as required, at the discretion of the Director of ADC. A.R.S. § 41-1604.02 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	6,694,200	5,087,300
Year-End Fund Balance	7,613,800	9,464,100
Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Intergovernmental agreements between ADC and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	3,480,900	1,598,100
Year-End Fund Balance	3,363,300	1,802,400
Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance.		
Funds Expended	5,208,200	3,466,000
Year-End Fund Balance	1,516,800	1,511,200
Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)		Appropriated
Source of Revenue: Assessment (ranging from \$500 to \$1,500) paid by persons convicted of DUI offenses.		
Purpose of Fund: To pay for any costs related to prison overcrowding and department support and maintenance.		
Funds Expended	14,106,800	12,500,100
Year-End Fund Balance	16,509,800	14,297,200
Special Services Fund (DCA3187/A.R.S. § 41-1604.03)		Non-Appropriated
Source of Revenue: Revenues that are generated by the inmate use of technology, including telephone systems, kiosks and tablets.		
Purpose of Fund: For the benefit, education, and welfare of committed offenders, and to pay the costs of implementing, operating and maintaining technologies and programs for inmate use. A major portion of the Special Services Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis. A.R.S. § 41-1604.03 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund; this transfer is reported as an expenditure. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	8,275,300	8,354,300
Year-End Fund Balance	5,025,500	5,099,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)		Appropriated
Source of Revenue: Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penal institutions.		
Funds Expended	5,346,700	3,733,100
Year-End Fund Balance	1,375,500	1,037,700
State Department of Corrections Opioid Remediation Fund (DCA2573/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies transferred by the Attorney General from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund. Revenue comes from monies deposited in the subaccount pursuant to opioid claims-related litigation or settlements.		
Purpose of Fund: For past and current department costs for care, treatment, programs and other expenditures for individuals with opioid use disorder and any co-occurring substance use disorder or mental health conditions or for any other approved purposes as prescribed in a court order, a settlement agreement or the One Arizona Distribution of Opioid Settlement Funds Agreement that is entered into by this state and other parties to the opioid litigation.		
Funds Expended	51,760,100	63,240,000
Year-End Fund Balance	23,239,900	(100)
State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)		Non-Appropriated
Source of Revenue: The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To provide support for rehabilitation programs and counseling for inmates who have a history of substance abuse and are released on parole.		
Funds Expended	8,001,700	5,788,100
Year-End Fund Balance	95,500	(1,417,800)
State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)		Appropriated
Source of Revenue: "Basic State Aid" funding that ADC receives from the Arizona Department of Education based on the number of Average Daily Membership pupils attending ADC education programs pursuant to A.R.S. § 15-1372.		
Purpose of Fund: To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
Funds Expended	112,300	736,400
Year-End Fund Balance	765,500	265,100
Statewide Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	152,500	156,500
Year-End Fund Balance	34,300	27,600
Transition Program Fund (DCA2379/A.R.S. § 31-284 and A.R.S. § 31-254)		Appropriated
Source of Revenue: Revenue from 5% allocation of wages (if available after other obligations) from inmates not convicted of DUI earning under \$2.00 per hour and from the cost savings from the implementation of a transition program as calculated by A.R.S. § 31-285. The source of revenue for the cost savings is the State DOC Revolving Fund that receives a share of tax revenue collected from liquor, and the expenditures of these monies are reported from this fund.		
Purpose of Fund: To pay for costs related to the administration of the Transition Program and for transition program services.		
Funds Expended	542,000	15,048,600
Year-End Fund Balance	15,407,800	5,669,800

County Funding

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
SPECIAL LINE ITEMS			
Coordinated Reentry Planning Services	7,000,000	0	0
Elected Officials Retirement Plan Offset	3,000,000	3,000,000	3,000,000
Small County Assistance	7,650,700	7,650,700	7,650,700
AGENCY TOTAL	17,650,700	10,650,700	10,650,700
FUND SOURCES			
General Fund	17,650,700	10,650,700	10,650,700
SUBTOTAL - Appropriated Funds	17,650,700	10,650,700	10,650,700
TOTAL - ALL SOURCES	17,650,700	10,650,700	10,650,700

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.

Coordinated Reentry Planning Services

The Baseline includes no funding in FY 2026 for Coordinated Reentry Planning Services. This amount is unchanged from FY 2025.

This line item provides funding to ADOA for distribution to counties to establish a coordinated reentry planning services program. The FY 2022 General Appropriation Act allocated a total of \$10,000,000: \$5,000,000 to Mohave County, \$4,000,000 to Pinal County, and \$1,000,000 to Yavapai County. The FY 2022 3-year budget plan included \$7,000,000 in both FY 2023 and FY 2024 for this purpose.

Table 1 shows the distribution of allocations for reentry planning programs from FY 2022 to FY 2024.

County	FY 22	FY 23	FY 24	Total
Mohave	\$5.0	\$2.3	\$2.3	\$9.7
Pinal	4.0	2.3	2.3	8.7
Yavapai	<u>1.0</u>	<u>2.3</u>	<u>2.3</u>	<u>5.7</u>
Total	10.0	7.0	7.0	24.0

1/ Totals may not add due to rounding.

Elected Officials Retirement Plan Offset

The Baseline includes \$3,000,000 from the General Fund in FY 2026 for the Elected Officials Retirement Plan (EORP) Offset. This amount is unchanged from FY 2025.

This amount is allocated equally among counties with a population of less than 300,000 according to the 2020

Decennial Census. Each of the 12 smallest counties receives \$250,000.

Small County Assistance

The Baseline includes \$7,650,650 from the General Fund in FY 2026 for Small County Assistance. This amount is unchanged from FY 2025.

This line item provides funding for counties with populations less than 900,000 according to the 2020 Decennial Census. With one exception, each qualifying county receives \$550,050 (see Table 2). Graham County receives \$1,050,050.

County	Ongoing Distribution	2020 Census Population
Apache	\$ 550,050	66,021
Cochise	550,050	125,447
Coconino	550,050	145,101
Gila	550,050	53,272
Graham	1,050,050	38,533
Greenlee	550,050	9,563
La Paz	550,050	16,557
Maricopa	-	4,420,568
Mohave	550,050	213,267
Navajo	550,050	106,717
Pima	-	1,043,433
Pinal	550,050	425,264
Santa Cruz	550,050	47,669
Yavapai	550,050	236,209
Yuma	<u>550,050</u>	<u>203,771</u>
Total	\$7,650,650	7,151,392

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allow counties with a population of less than 250,000 according to the 2020 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY 2026, up to \$1,250,000 of county revenue for each county. The Baseline would continue to require 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, 2025. *(See County Flexible Revenue Report section below for more information.)*

County Expenditure Limits

Article 9, Section 20 of the Arizona Constitution establishes the process for determining a county's expenditure limits. Section 20 directs the Economic Estimates Commission to determine and publish prior to April 1 of each year the expenditure limitation for the following fiscal year for each county. The expenditure limits are determined by adjusting the amount of actual payments of local revenues for each such political subdivision for FY 1980 to reflect the changes in the population of each political subdivision and the cost of living.

The governing board of any political subdivision may not authorize expenditures of local revenues more than the limit set by the Commission, except in certain circumstances outlined in Section 20 including natural and man-made disasters. Section 20 also permits the expenditure limits to be overridden, subject to voter approval, on either a one-time basis or permanently by raising the spending base. *(Please see Article 9, Section 20 of the Arizona Constitution for additional information.)*

Table 3 shows county expenditure limits set by the Commission for the most recent year with available data.

County Flexible Revenue Report

The FY 2025 Local Government BRB permits counties with a population of less than 250,000 according to the 2020 Census to use any source of county revenue, up to \$1,250,000, for purposes other than the purpose of the revenue source to meet a county fiscal obligation for FY 2025. Counties using the authority were required to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2024.

Table 3

County Expenditure Limits ^{1/}

County	Fiscal Year	Expenditure Limits	Expenditures Subject to Limit
Apache	2020	\$ 17,658,900	\$ 12,480,300
Cochise	2023	71,942,046	61,341,609
Coconino	2023	71,583,640	71,410,532
Gila	2023	46,330,256	38,857,535
Graham	2023	18,283,004	13,812,732
Greenlee	2022	14,534,572	12,509,834
La Paz	2022	34,400,063	13,778,800
Maricopa	2022	1,527,423,500	1,527,423,500
Mohave	2023	220,597,536	126,789,868
Navajo	2023	51,972,741	48,346,790
Pima	2022	623,628,000	623,627,000
Pinal	2022	303,396,000	190,262,000
Santa Cruz	2021	25,203,200	25,203,200
Yavapai	2022	137,486,867	132,561,019
Yuma	2023	100,658,729	96,593,693

^{1/} Amounts based on individual county Comprehensive Annual Financial Reports (CAFR), which are typically completed after county audits are conducted. The listed Fiscal Year indicates the most recent available data.

Of the 12 eligible counties, 1 reported using the flexibility in FY 2025:

- Coconino County: \$1,250,000 from the Jail District to the General Fund to pay down the Public Safety Personnel Retirement System (PSPRS) debt and pay for information technology needs for the Sheriff's Department.

The following 7 counties indicated that they are not utilizing this provision: Cochise, Gila, Graham, Greenlee, Mohave, Yavapai, and Yuma. The following 4 counties did not report their use of the flexibility provision: Apache, La Paz, Navajo, and Santa Cruz.

Table 4 shows the utilization of the county flexibility language in FY 2024 and FY 2025.

Table 4

County Flexibility Language Utilization

	FY 2024	FY 2025
Apache	\$1,050,000	N/A
Coconino	1,250,000	1,250,000
La Paz	<u>1,250,000</u>	<u>N/A</u>
Total	\$3,550,000	\$1,250,000

Arizona Criminal Justice Commission

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	494,800	583,300	583,300
Employee Related Expenditures	165,700	225,000	225,000
Professional and Outside Services	119,100	330,000	330,000
Travel - In State	6,200	15,000	15,000
Travel - Out of State	20,500	34,000	34,000
Other Operating Expenditures	187,800	213,100	213,100
Equipment	11,900	15,000	15,000
OPERATING SUBTOTAL	1,006,000	1,415,400	1,415,400
SPECIAL LINE ITEMS			
Law Enforcement Crime Victim Notification Fund Deposit	10,000,000	0	0
Major Incident Regional Law Enforcement Task Force	600,000	600,000	600,000
State Aid to County Attorneys	648,600	973,700	973,700
State Aid to Indigent Defense	700,000	700,000	700,000
State Aid for Juvenile Dependency Proceedings Fund Deposit	2,000,000	2,000,000	2,000,000
Victim Compensation and Assistance	2,204,700	6,229,700	6,229,700
AGENCY TOTAL	17,159,300	11,918,800	11,918,800 ^{1/}
FUND SOURCES			
General Fund	14,427,900	4,600,000	4,600,000
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	588,500	742,200	742,200
Drug and Gang Prevention Resource Center Fund	417,500	647,100	647,100
State Aid to County Attorneys Fund	648,600	973,700	973,700 ^{2/}
State Aid to Indigent Defense Fund	700,000	700,000	700,000
Victim Compensation and Assistance Fund	376,800	4,255,800	4,255,800 ^{3/}
SUBTOTAL - Other Appropriated Funds	2,731,400	7,318,800	7,318,800
SUBTOTAL - Appropriated Funds	17,159,300	11,918,800	11,918,800
Other Non-Appropriated Funds	3,445,700	4,338,700	4,338,700
Federal Funds	14,949,100	19,440,900	19,440,900
TOTAL - ALL SOURCES	35,554,100	35,698,400	35,698,400

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 3.52% of Criminal Justice Enhancement Fund (CJEF) monies.

FOOTNOTES

- ^{1/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{2/} All monies received by the Arizona criminal justice commission in excess of \$973,700 in fiscal year 2025-2026 from the state aid to county attorneys fund established by section 11-539, Arizona Revised Statutes, 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 in fiscal year 2025-2026, the Arizona criminal justice commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act footnote)
- ^{3/} All victim compensation and assistance fund monies received by the Arizona criminal justice commission in excess of \$4,255,800 in fiscal year 2025-2026 are appropriated to the crime victims program. Before spending any victim compensation and assistance fund monies in excess of \$4,255,800 in fiscal year 2025-2026, the Arizona criminal justice commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act Footnote.)

Operating Budget

The Baseline includes \$1,415,400 and 11 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
Criminal Justice Enhancement Fund (CJEF)	\$742,200
Drug and Gang Prevention Resource Center Fund	647,100
Victim Compensation and Assistance Fund	26,100

This amount is unchanged from FY 2025.

Major Incident Regional Law Enforcement Task Force

The Baseline includes \$600,000 from the General Fund in FY 2026 for the Major Incident Regional Law Enforcement Task Force. This amount is unchanged from FY 2025.

Monies in this line item are for distribution to regional law enforcement task forces to investigate instances of critical force incidents pursuant to A.R.S. § 41-1762. The requirements under this section have a delayed effective date beginning on July 1, 2027. *(Please see the Department of Public Safety narrative for more details on the Major Incident Regional Law Enforcement Task Forces.)*

State Aid to County Attorneys

The Baseline includes \$973,700 from the State Aid to County Attorneys Fund in FY 2026 for State Aid to County Attorneys. This amount is unchanged from FY 2025.

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.

State Aid to Indigent Defense

The Baseline includes \$700,000 from the State Aid to Indigent Defense Fund in FY 2026 for State Aid to Indigent Defense. This amount is unchanged from FY 2025.

This line item provides funding to the various counties in Arizona for processing of criminal cases by the offices of

the public defender, legal defender, and/or contract indigent defense counsel in each county.

The line item 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. ACJC is required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population.

State Aid for Juvenile Dependency Proceedings Fund Deposit

The Baseline includes \$2,000,000 from the General Fund in FY 2026 for State Aid for Juvenile Dependency Proceedings Fund Deposit. This amount is unchanged from FY 2025.

The FY 2023 Criminal Justice Budget Reconciliation Bill (BRB) established the State Aid for Juvenile Dependency Proceedings Fund administered by ACJC consisting of legislative appropriations to provide state aid to county public defenders, legal defenders, and contract indigent defense counsel for the processing of juvenile dependency cases. By September 1 of each fiscal year, ACJC is required to distribute monies in the fund to each eligible county in which the 3-year average of juvenile dependency case filings in the county Superior Court exceeds the 3-year average filings for FY 2013 - FY 2015. Allocations are based on the proportional share of the increase in petitions for each county.

Victim Compensation and Assistance

The Baseline includes \$6,229,700 in FY 2026 for Victim Compensation and Assistance. This amount consists of:

General Fund	2,000,000
Victim Compensation and Assistance Fund	4,229,700

These amounts are unchanged from FY 2025.

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

Rural County Diversion Programs

The FY 2023 budget appropriated \$10,000,000 from the General Fund for county attorney offices in counties with populations less than 900,000 according to the 2020 Decennial United States Census to establish and operate alternative prosecution and diversion programs based on evidence-based practices. The appropriation is exempt from lapsing.

Diversion is a pre-adjudication authority that county prosecutors can use to divert an individual from being charged with a crime through programs such as rehabilitation and counseling. Upon successful completion of a diversion program, charges are typically dismissed or not filed. Reentry programs differ in that they are for post-adjudication and include services for individuals who have already been charged and/or prosecuted of a crime. Services such as counseling and drug treatment provided through reentry programs are intended to aid an individual as they reenter society to not recidivate.

Budget footnotes required ACJC to adopt criteria for distributing grants, prohibited the monies from supplanting current county funding for such programs, and required ACJC to submit a report to the JLBC by September 30, 2023 on the use of the monies and the outcomes obtained by the programs in FY 2023.

In the initial report, ACJC reported that, 12 of the 13 rural counties submitted applications totaling \$14.6 million. ACJC awarded a base amount of \$300,000 to each county, and allocated the remaining funding based on a review of the applications and proposed project costs. The following amounts were awarded:

Apache County	\$574,200
Cochise County	503,300
Coconino County	2,100,000
Graham County	346,800
Greenlee County	356,800
La Paz County	327,900
Mohave County	725,000
Navajo County	625,000
Pinal County	1,800,000
Santa Cruz County	651,500
Yavapai County	1,300,000
Yuma County	539,500
ACJC Admin	<u>150,000</u>
Total	\$10,000,000

ACJC plans to update this report to evaluate outcomes after they have received data from the county programs.

Criminal Justice Enhancement Fund

The Criminal Justice Enhancement Fund receives revenues from penalties on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. CJEF monies are distributed on a percentage basis to various state entities.

Table 1 shows the FY 2024 amounts transferred, statutory distribution percentages, and the appropriation status of the funds and programs receiving CJEF monies. (See individual agency pages for detailed information on each recipient.)

Table 1 Criminal Justice Enhancement Fund (CJEF)			
Funds Transferred ^{1/}	FY 2024 Transfers ^{2/}	Statutory % of CJEF	Approp.
<u>Attorney General</u>			
AZ Prosecuting Attorneys Advisory Council (3)	\$ 1,241,600	5.18	no
County Attorneys (6)	2,967,300	12.38	no
<u>Arizona Criminal Justice Commission</u>			
Operation Costs (9)	843,700	3.52	yes
<u>Department of Public Safety</u>			
Forensics Fund (1,10)	6,028,000	25.15	yes
State/Local Grants (5)	2,399,200	10.01	^{3/}
<u>Department of Juvenile Corrections (2)</u>			
	855,700	3.57	yes
<u>State Treasurer</u>			
County Sheriffs (8)	3,585,000	15.06	no
<u>Supreme Court</u>			
Case Processing (7)	2,058,900	8.59	yes
Juvenile Crime (4)	2,967,300	12.38	yes
Community Punishment Program (11)	<u>997,100</u>	4.16	yes
Total Funds Distributed ^{3/}	\$ 23,943,800		

^{1/} The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401D.

^{2/} The FY 2024 figures reflect amounts as reported by individual agencies to ACJC and may not correspond directly with agencies' statutory allocation. Financial information provided by agencies reflect when revenues from CJEF were recognized by the agency, not when the Treasurer's Office indicated the revenues were available to those agencies.

^{3/} Monies retained by the Department of Public Safety for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Coronavirus State and Local Fiscal Recovery Fund (JCA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	4,505,400	6,769,200
Year-End Fund Balance	0	0
Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)		Appropriated
Source of Revenue: A 3.52% allocation of the Criminal Justice Enhancement Fund (CJEF) for operating costs. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Please see the Non-Appropriated portion of the fund for additional information.		
Purpose of Fund: For operating costs of ACJC.		
Funds Expended	588,500	742,200
Year-End Fund Balance	620,000	737,800
Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: A 3.52% allocation of CJEF and a portion of "Fill the Gap" funds pursuant to A.R.S. § 41-2124. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Please see the Appropriated portion of the fund for additional information.		
Purpose of Fund: For operating costs of ACJC.		
Funds Expended	608,500	540,000
Year-End Fund Balance	620,000	737,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Drug and Gang Enforcement Fund (JCA2516/A.R.S. § 41-2402)		Non-Appropriated
<i>Source of Revenue:</i> Drug fees and fines (A.R.S. § 13-811), selected Superior Court fees (A.R.S. § 12-284), and local matching funds.		
<i>Purpose of Fund:</i> To make grants in amounts not to exceed the percentages shown to enhance efforts to prosecute (50%), adjudicate (30%), and punish (30%) drug offenders and members of criminal street gangs, as well as to enhance investigations and education programs relating to drug and gang activities (50%), and to improve criminal justice records integration (30%). The fund may also be used to fund the Statistical Analysis Center but not the Arizona Youth Survey.		
Funds Expended	2,837,200	3,798,700
Year-End Fund Balance	4,388,600	3,600,500
Drug and Gang Prevention Resource Center Fund (JCA2280/A.R.S. § 41-2402)		Appropriated
<i>Source of Revenue:</i> 1.31% of fee collections and filings in the Superior Court, 1.31% of notary bond fees, and public and private gifts or grants, excluding federal monies.		
<i>Purpose of Fund:</i> To fund the Statistical Analysis Center and Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. The survey measures alcohol and drug use, gang affiliation, and weapons within schools.		
Funds Expended	417,500	647,100
Year-End Fund Balance	609,600	537,500
Employee Recognition Fund (JCA2449/A.R.S. § 41-709)		Non-Appropriated
<i>Source of Revenue:</i> Gifts and donations from public and private entities.		
<i>Purpose of Fund:</i> Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	0	0
Year-End Fund Balance	100	100
Federal Grants (JCA2000/A.R.S. § 35-142)		Federal Funds
<i>Source of Revenue:</i> Revenue from federal grants.		
<i>Purpose of Fund:</i> To improve the criminal justice records system in Arizona; to fund state and local correction and detention agencies' substance abuse programs for incarcerated offenders; and to provide support dealing with criminal justice issues.		
Funds Expended	10,443,700	12,671,700
Year-End Fund Balance	5,161,200	5,663,800
Fingerprint Clearance Card Fund (JCA2433/A.R.S. § 41-1758.06)		Appropriated
<i>Source of Revenue:</i> Fees charged to applicants or contract providers for a fingerprint clearance card.		
<i>Purpose of Fund:</i> To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards.		
Funds Expended	0	0
Year-End Fund Balance	125,500	125,500
IGA and ISA Fund (JCA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Various intergovernmental and interagency service agreements.		
<i>Purpose of Fund:</i> Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	0	0
Year-End Fund Balance	42,300	42,300
Law Enforcement Crime Victim Notification Fund (JCA3710/A.R.S. § 41-2414)		Non-Appropriated
<i>Source of Revenue:</i> Monies appropriated to the fund by the Legislature.		
<i>Purpose of Fund:</i> To be used by law enforcement agencies in the state to fund crime victim notification software. Expenditures from this fund are not displayed to avoid double counting appropriated expenditures.		
Funds Expended	0	0
Year-End Fund Balance	12,885,600	5,385,600

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
State Aid for Juvenile Dependency Proceedings Fund (JCA2040/A.R.S. § 41-2410)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature.		
Purpose of Fund: To provide state aid to county public defenders, legal defenders and contract indigent defense counsel for the processing of juvenile dependency cases. ACJC administers the fund and distributes the monies to each eligible county in which the 3-year average of the total juvenile dependency case filings in the Superior Court in the county exceeds the 3-year average juvenile dependency case filings in the Superior Court of the county for Fiscal Years 2013, 2014 and 2015 based on the proportional share of the increase in petitions for each county. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Aid to County Attorneys Fund (JCA2443/A.R.S. § 11-539)		Appropriated
Source of Revenue: Legislative appropriations, 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 21.61% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county attorneys to improve the processing of criminal cases in the Superior and Justice Courts. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population.		
Funds Expended	648,600	973,700
Year-End Fund Balance	70,200	(244,800)
State Aid to Indigent Defense Fund (JCA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, 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 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county public defenders, legal defenders for the processing of criminal cases.		
Funds Expended	700,000	700,000
Year-End Fund Balance	145,900	65,000
Victim Compensation and Assistance Fund (JCA2198/A.R.S. § 41-2407)		Appropriated
Source of Revenue: The fund consists of 2 subaccounts. The Victim Compensation subaccount receives revenue from a \$9 penalty on criminal and civil violations, monies collected from a 10% assessment of a working prisoner's gross compensation, and unclaimed restitution. The Victim Assistance subaccount receives revenue derived from community supervision fees and interstate compact fees.		
Purpose of Fund: To establish, maintain and support programs that compensate and assist victims of crime.		
Funds Expended	376,800	4,255,800
Year-End Fund Balance	11,176,900	10,623,400

Arizona State Schools for the Deaf and the Blind

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
PROGRAM BUDGET			
Administration/Statewide	9,787,400	8,095,700	8,095,700
Phoenix Day School for the Deaf	11,445,600	12,506,800	12,203,100
Preschool/Outreach Programs	7,267,500	7,094,800	6,949,200
Regional Cooperatives	15,428,400	20,092,400	19,131,000
Tucson Campus	11,887,900	12,640,500	12,354,100
AGENCY TOTAL	55,816,800	60,430,200	58,733,100

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	562.2	562.2	562.2
Personal Services	19,860,200	20,027,400	20,027,400
Employee Related Expenditures	7,925,600	6,648,300	6,648,300
Professional and Outside Services	5,625,800	5,277,200	5,277,200
Travel - In State	129,900	188,200	188,200
Travel - Out of State	28,400	37,600	37,600
Other Operating Expenditures	6,245,600	7,460,500	6,724,800
Equipment	206,300	329,600	329,600
OPERATING SUBTOTAL	40,021,800	39,968,800	39,233,100

SPECIAL LINE ITEMS

School Bus/Agency Vehicle Replacement	366,600	369,000	369,000
Cooperative Services	15,428,400	20,092,400	19,131,000 ^{1/}
AGENCY TOTAL	55,816,800	60,430,200	58,733,100 ^{2/}

FUND SOURCES

General Fund	25,842,900	25,291,300	25,291,300
<u>Other Appropriated Funds</u>			
Cooperative Services Fund	15,428,400	20,092,400	19,131,000
Schools for the Deaf and the Blind Fund	14,545,500	14,878,500	14,142,800 ^{3/}
Telecommunication Fund for the Deaf	0	168,000	168,000
SUBTOTAL - Other Appropriated Funds	29,973,900	35,138,900	33,441,800
SUBTOTAL - Appropriated Funds	55,816,800	60,430,200	58,733,100
Other Non-Appropriated Funds	6,485,800	5,646,500	5,646,500
Federal Funds	5,444,700	4,097,100	4,097,100
TOTAL - ALL SOURCES	67,747,300	70,173,800	68,476,700

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 June 2024, ASDB served approximately 2,027 children: 337 students in the K-12 programs (128 in Tucson and 209 in Phoenix), 139 children in preschools, 553 infant/toddlers in regional areas, and 998 children through the 3 existing regional cooperatives.

FOOTNOTES

- 1/ Before spending any cooperative services fund monies in excess of \$19,131,000 in fiscal year 2025-2026, 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 Appropriations Act footnote)
- 2/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

- 3/ Before spending any schools for the deaf and the blind fund monies in excess of \$14,142,800 in fiscal year 2025-2026, 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 Appropriations Act footnote)

Operating Budget

The Baseline includes \$39,233,100 and 562.2 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	<u>FY 2026</u>
General Fund	\$24,922,300
Schools for the Deaf and the Blind Fund	14,142,800
Telecommunication Fund for the Deaf	168,000

Adjustments are as follows:

Base Adjustment

The Baseline includes a decrease of \$(589,600) from the ASDB Fund in FY 2026 for a base adjustment reflecting lower-than-anticipated revenues compared with the enacted budget. The FY 2025 enacted budget assumed the ASDB fund would receive total revenues of \$14,878,500 from special education vouchers and state land trust endowment earnings. The FY 2026 Baseline assumes that actual revenues into the ASDB Fund in FY 2025 will be \$14,288,900, or \$(589,600) less than the appropriated amount. This estimate assumes that caseloads in ASDB's site-based programs would remain at the June 2024 level of 442.

Enrollment

The Baseline includes no net funding change from the Schools for the Deaf and the Blind (ASDB) Fund in FY 2026 for enrollment. The Baseline assumes that enrollment in ASDB site-based programs remains unchanged from FY 2025 and therefore includes no funding increase or decrease for enrollment changes for ASDB for FY 2026.

Inflation

The Baseline includes an increase of \$267,400 from the ASDB Fund for a 2.0% increase to the Base Level component of the Special Education voucher formula. A.R.S. § 15-901.01 requires annual increases for inflation in the per pupil "base level" in the Basic State Aid (BSA) formula. BSA base level increases for inflation also increase ASDB's voucher funding. The Baseline increases the BSA base level by 2.0% for inflation in FY 2026, which will increase special education voucher funding into the ASDB Fund by an estimated \$267,400 in FY 2026.

Endowment Earnings Decrease

The Baseline includes a decrease of \$(413,500) from the ASDB Fund in FY 2026 for decreased land trust endowment revenues. Under the 3-year spending plan associated with the enacted FY 2025 budget, the

distribution rate from the land trust endowment is assumed to decrease from the current 6.9% rate to 2.5% in accordance with current law requirements of Proposition 123. The \$(413,500) decrease represents the estimated impact to ASDB fund of reverting to the 2.5% rate in FY 2026. The FY 2025 budget assumption is not intended to reflect a prediction of the final resolution of whether or how to continue Proposition 123.

When combined with the 2025 base adjustment of \$(589,600), the total ASDB Fund adjustment is \$(735,700). As a result, the Baseline decreases the ASDB Fund appropriation in FY 2026 by \$(735,700) to match forecasted revenues.

The Baseline would, as session law, continue to allow the Telecommunication for the Deaf Fund to be spent on educational and operational costs of ASDB.

Background – Special education voucher monies in the ASDB Fund represent ASDB's reimbursement from the Arizona Department of Education (ADE) for educational costs based on its enrollment. As with school districts, ASDB's ADE funding is determined by statutory formula. These monies are deposited into the ASDB Fund. If enrollment is higher than anticipated, ADE will distribute additional funding to ASDB. These monies can be spent without a new appropriation, as ASDB is provided budget flexibility through an ongoing General Appropriation Act footnote. This line item includes funding for contracted specialized education services for preschool children who are blind.

School Bus/Agency Vehicle Replacement

The Baseline includes \$369,000 from the General Fund in FY 2026 for School Bus/Agency Vehicle Replacement. This amount is unchanged from FY 2025.

Monies in this line item are used for the purchase of new school buses and agency vehicles. According to the Arizona Department of Administration - School Facilities Division rules for ASDB, a gasoline-powered bus should be replaced after 10 years or 150,000 miles. (*Please see the FY 2022 Appropriations Report for more background*).

Cooperative Services

The Baseline includes \$19,131,000 from the Cooperative Services Fund in FY 2026 for Cooperative Services. Adjustments are as follows:

Base Adjustment

The Baseline includes a decrease of \$(141,400) from the Cooperative Services Fund in FY 2026 for a base adjustment reflecting lower-than-anticipated revenues in comparison with the enacted budget. The FY 2025 enacted budget assumed the Cooperative Services Fund would receive total revenues of \$20,092,400 in FY 2025 from special education vouchers, membership fees, and tuition. The FY 2026 Baseline assumes that actual revenues into the Cooperative Services Fund in FY 2025 will be \$19,951,000, or \$(141,400) less than the appropriated amount. Our estimate assumes that total enrollment in the ASDB regional cooperatives would remain unchanged from the June 2024 level of 554 in FY 2025.

Enrollment

The Baseline includes no net funding change from the Cooperative Services Fund in FY 2026 for enrollment. The Baseline assumes that enrollment of voucher students in regional cooperatives remains at the June 2024 level of 554, and therefore includes no funding increase or decrease for enrollment changes for ASDB's Cooperative Services Fund for FY 2026.

Revenue Decrease

The Baseline includes a decrease of \$(820,000) from the Cooperative Services Fund in FY 2026 for estimated revenue adjustments, including:

- An increase of \$315,300 for a 2.0% increase to the Base Level component of the Special Education Voucher formula. A.R.S. § 15-901.01 requires annual increases for inflation in the per pupil "base level" in the Basic State Aid (BSA) formula. BSA base level increases for inflation also increase ASDB's voucher funding. The Baseline increases the BSA base level by 2.0% for inflation in FY 2026, which will increase special education voucher funding into the Cooperative Services Fund by an estimated \$315,300 in FY 2026.
- A decrease of \$(1,135,300) in revenues from district membership fees and tuition receipts based on ASDB estimates of those fund sources.

The Base Level and other revenue adjustments total to \$(820,000), and when combined with the base adjustment of \$(141,400), the total Cooperatives Service Fund Baseline adjustment is \$(961,400). As a result, the Baseline decreases the Cooperative Services Fund appropriation in FY 2026 by \$(961,400) to match forecasted revenues.

Background – Regional Cooperatives provide services for deaf and blind students who are being served in a variety of settings in their home school district instead of an ASDB site-based program. The services offered by cooperative programs include full or partial inclusion in general education classrooms, resource rooms, and self-contained special education classes. Enrollment in ASDB's regional cooperatives as of June 2024 was 998.

The regional cooperatives, like ASDB's site-based programs, are funded by Special Education Vouchers paid by the Arizona Department of Education pursuant to A.R.S. § 15-1202. The program is also funded by tuition monies paid by participating districts as well as district membership fees.

The monies in this line item represent the total estimated monies available for the program from vouchers, tuition, and district membership fees deposited in the Cooperative Services Fund. If available revenues exceed the original appropriation, a General Appropriations Act footnote stipulates that ASDB submit a report to JLBC detailing the intended use of the monies.

Other Issues

Statutory Changes

The Baseline would, as session law, allow the Telecommunication for the Deaf Fund to be spent on educational and operational costs of ASDB.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
ASDB Classroom Site Fund (SDA2486/A.R.S. § 15-1305)		Non-Appropriated
Source of Revenue: Monies transferred to the fund pursuant to A.R.S. § 15-1305 from a 0.6% sales tax and growth in the Permanent State School Fund expendable earnings above the FY 2001 level. Funding level is determined by the "Group A" and "Group B" weighted student count, as specified in A.R.S. § 15-943.		
Purpose of Fund: To provide additional funding for class size reduction, teacher base pay and performance pay compensation, assessment intervention programs, teacher development, and teacher liability insurance premiums.		
Funds Expended	5,796,900	4,931,100
Year-End Fund Balance	4,307,100	3,005,400

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Cooperative Services Fund (SDA4221/A.R.S. § 15-1304E)		Appropriated
Source of Revenue: Revenues consist of tuition payments made by participating school districts or special education voucher monies claimed on their behalf by the Arizona School for the Deaf and Blind. Funds are used to support educational programs and supplemental services offered at the 3 state regional cooperatives.		
Purpose of Fund: To receive special education voucher monies paid to ASDB by the Department of Education on behalf of students enrolled in one of ASDB's 3 regional cooperatives, tuition payments from school districts, and district membership fees.		
Funds Expended	15,428,400	20,092,400
Year-End Fund Balance	13,076,700	13,048,900
Enterprise Fund (SDA4222/A.R.S. § 15-1323)		Non-Appropriated
Source of Revenue: Monies received from fees, rentals, and other charges from the non-school use of facilities.		
Purpose of Fund: To defray the costs of operating those facilities (i.e. auditorium).		
Funds Expended	248,800	194,400
Year-End Fund Balance	377,700	399,200
Federal Grants (SDA2000/A.R.S. § 15-1303)		Federal Funds
Source of Revenue: Federal Grants - Title I aid to schools; vocational rehabilitation; National School Lunch and Breakfast programs; Arizona deaf-blind project; preschool services; and Arizona Early Intervention program.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	5,444,700	4,097,100
Year-End Fund Balance	807,700	1,036,700
Instructional Improvement Fund (SDA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	0	0
Year-End Fund Balance	1,800	1,800
Schools for the Deaf and the Blind Fund (SDA2444/A.R.S. § 15-1304)		Appropriated
Source of Revenue: "Special Education Fund" monies that ASDB receives from the Arizona Department of Education under the formula prescribed in A.R.S. § 15-1204. This formula is based on the number of pupils attending ASDB and the various special education "Group B" funding categories that those pupils qualify for under A.R.S. § 15-943(2b). This fund also receives expendable land endowment earnings pursuant to A.R.S. § 15-1304 and over-age and non-resident tuition income pursuant to A.R.S. § 15-1345.		
Purpose of Fund: To cover the cost of educating students receiving special education services at ASDB.		
Funds Expended	14,545,500	14,878,500
Year-End Fund Balance	3,341,700	2,336,800
State Grants (SDA2011/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: "Direct Services Claiming" (DSC) reimbursements and grants by private corporations and other state agencies.		
Purpose of Fund: To reimburse ASDB for DSC-related expenditures and to accomplish specific projects of interest to the donor and ASDB.		
Funds Expended	300,100	344,300
Year-End Fund Balance	399,100	199,400
Telecommunication Fund for the Deaf (SDA1700/A.R.S. § 36-1947)		Appropriated
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To supplement funding to ASDB's educational and operational costs.		
Funds Expended	0	168,000
Year-End Fund Balance	561,000	393,000

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Trust Fund (SDA3148/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.		
Purpose of Fund: Spent at the discretion of ASDB.		
Funds Expended	140,000	176,700
Year-End Fund Balance	161,500	172,300

Commission for the Deaf and the Hard of Hearing

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	21.0	21.0	21.0
Personal Services	1,459,800	2,310,000	2,310,000
Employee Related Expenditures	534,000	855,000	855,000
Professional and Outside Services	160,100	275,000	275,000
Travel - In State	5,000	8,000	8,000
Travel - Out of State	11,100	12,000	12,000
Other Operating Expenditures	984,500	1,195,800	1,195,800
OPERATING SUBTOTAL	3,154,500	4,655,800	4,655,800
SPECIAL LINE ITEMS			
Aging Individuals Research	21,100	0	0
Support Services for the Deaf-Blind	191,200	192,000	192,000
Website Security Upgrades	0	200,000	0
AGENCY TOTAL	3,366,800	5,047,800	4,847,800 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Telecommunication Fund for the Deaf	3,366,800	5,047,800	4,847,800
SUBTOTAL - Other Appropriated Funds	3,366,800	5,047,800	4,847,800
SUBTOTAL - Appropriated Funds	3,366,800	5,047,800	4,847,800
TOTAL - ALL SOURCES	3,366,800	5,047,800	4,847,800

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 Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$4,655,800 and 21 FTE Positions from the Telecommunication Fund for the Deaf in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Monies in this line item will be used by the Commission to upgrade their website in order to comply with state internet security policies and protocols.

Support Services for the Deaf-Blind

The Baseline includes \$192,000 from the Telecommunication Fund for the Deaf in FY 2026 for the Support Services for the Deaf-Blind line item. This amount is unchanged from FY 2025.

Website Security Upgrades

The Baseline includes no funding in FY 2026 for Website Security Upgrades. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(200,000) from the Telecommunication Fund for the Deaf in FY 2026 to remove one-time website security upgrades.

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. Deaf blindness 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.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Private Grants (DFA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenue received from grants and donations from non-governmental agencies such as foundation and private donors.		
Purpose of Fund: Monies used to pay for conferences, program, or other activities that are sponsored by donor organizations.		
Funds Expended	0	0
Year-End Fund Balance	6,600	6,600
Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)		Appropriated
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To operate the Arizona Relay System; support community outreach and education, purchase; repair, and distribute telecommunication devices for the deaf, hard of hearing, blind, and speech impaired; and operating costs of the commission.		
Funds Expended	3,366,800	5,047,800
Year-End Fund Balance	7,517,400	2,609,600

State Board of Dental Examiners

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	839,200	898,800	898,800
Employee Related Expenditures	339,900	369,000	369,000
Professional and Outside Services	448,400	512,400	512,400
Travel - In State	2,600	3,200	3,200
Travel - Out of State	5,400	5,500	5,500
Other Operating Expenditures	201,900	255,500	255,500
Equipment	44,500	76,100	76,100
OPERATING SUBTOTAL	1,881,900	2,120,500	2,120,500
SPECIAL LINE ITEMS			
Annual Leave Payout	0	9,300 ^{1/}	0
AGENCY TOTAL	1,881,900	2,129,800	2,120,500 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Dental Board Fund	1,881,900	2,129,800	2,120,500
SUBTOTAL - Other Appropriated Funds	1,881,900	2,129,800	2,120,500
SUBTOTAL - Appropriated Funds	1,881,900	2,129,800	2,120,500
TOTAL - ALL SOURCES	1,881,900	2,129,800	2,120,500

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

FOOTNOTES

- ^{1/} The appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (FY 2025 General Appropriations Act footnote)
- ^{2/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,120,500 and 13 FTE Positions from the Dental Board Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Annual Leave Payout

The Baseline includes no funding in FY 2026 for an Annual Leave Payout. Adjustments are as follows:

Remove One-Time Payout

The Baseline includes a decrease of \$(9,300) from the Dental Board Fund in FY 2026 to remove a one-time annual leave payout. The FY 2025 budget included a footnote making these monies non-lapsing.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Dental Board Fund (DXA2020/A.R.S. § 32-1212)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of dentists, denturists, dental hygienists, and dental assistants.		
Purpose of Fund: To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.		
Funds Expended	1,881,900	2,129,800
Year-End Fund Balance	(1,987,100)	(2,140,900)

Arizona Early Childhood Development and Health Board

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	129,730,200	137,871,000	137,871,000
Federal Funds	97,751,300	16,091,200	0
TOTAL - ALL SOURCES	227,481,500	153,962,200	137,871,000

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 2024, ECDHB spent \$65,500,400 million on **Child Care Scholarships**, as displayed in *Table 1*, serving an average of 6,020 children monthly, up from 5,298 in FY 2023. In addition, ECDHB spent \$42,400,000 of one-time federal COVID-19 relief funds for child care scholarships. The federal funding was fully spent as of June 2024.

State-funded child care is provided through 3 agencies: the Department of Economic Security (DES), the Department of Child Safety (DCS), and ECDHB. (For more information, please see the *Child Care Program Summary on the JLBC website.*)

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 97.5 filled FTE Positions from the \$15,185,400 program budget. **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.

Table 1

FY 2024 ECDHB Fund Expenditures by Category ^{1/} (\$ in Millions)

<u>Expenditure Category</u>	<u>Amount</u>	<u>Percent</u>
Child Care Scholarships	\$65.5	30%
Family Support	28.0	13%
Health	12.0	5%
Administration	11.6	5%
Professional Development	4.0	2%
Community Awareness	3.6	2%
Research & Evaluation	3.0	1%
System Coordination	0.2	0%
Federal Funds ^{2/}	91.8	42%
Total	\$219.8^{3/}	100%

^{1/} Does not include federal grant expenditures.

^{2/} Includes \$42.4 million of federal COVID-19 relief funds used for child care scholarships.

^{3/} Total does not sum due to rounding.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)		Non-Appropriated
Source of Revenue: A 4¢ tax per cigarette as well as various increases on other tobacco products.		
Purpose of Fund: To fund the administrative and programmatic costs of the Arizona Early Childhood Development and Health Board. Monies from the fund may supplement, but not supplant, existing early childhood development programs. Up to 10% of the funds each year are deposited into the Administrative Costs Account and at least 90% are deposited into the Program Account for early childhood development programs and grants. The fund was created as a result of a voter initiative (Proposition 203) in the 2006 election.		
Funds Expended	129,730,200	137,871,000
Year-End Fund Balance	268,565,300	235,894,300
Federal Grants (CDA2000/A.R.S. § 8-1182)		Federal Funds
Source of Revenue: Federal Funds.		
Purpose of Fund: To fund early comprehensive childhood systems.		
Funds Expended	97,751,300	16,091,200
Year-End Fund Balance	(11,652,100)	0

Office of Economic Opportunity

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	367,700	342,000	342,000
Employee Related Expenditures	127,700	128,500	128,500
Professional and Outside Services	0	16,700	16,700
Travel - In State	100	600	600
Travel - Out of State	2,800	3,100	3,100
Other Operating Expenditures	5,021,100	14,400	14,400
Equipment	200	1,800	1,800
AGENCY TOTAL	5,519,600	507,100	507,100^{1/}
FUND SOURCES			
General Fund	5,519,600	507,100	507,100
SUBTOTAL - Appropriated Funds	5,519,600	507,100	507,100
Other Non-Appropriated Funds	4,734,200	10,251,400	10,251,400
Federal Funds	6,155,300	7,413,900	7,413,900
TOTAL - ALL SOURCES	16,409,100	18,172,400	18,172,400

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 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/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$507,100 and 5 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Other Issues

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. (Please see the FY 2020 Appropriations Report for more details.)

OEO

OEO is the central state agency for economic, population, and unemployment statistical analysis, serves as the administering agency for the Workforce Arizona Council, and oversees the Workforce Data Task Force.

AFA

AFA houses the functions of the Greater Arizona Development Authority (GADA) and administers the state's Private Activity Bond (PAB) authorization.

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.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Finance Authority Operations Fund (FAA5352/A.R.S. § 41-5352)		Non-Appropriated
Source of Revenue: Legislative appropriations, unrestricted and available monies of WIFA and GADA, proceeds from the bond issuances of AIDA, donations, loans, or gifts to the Authority.		
Purpose of Fund: To fund the operations of AFA. Oversees the state's private activity bond authorization and the operations of WIFA and GADA.		
Funds Expended	242,800	1,500,000
Year-End Fund Balance	3,241,000	2,261,000
Arizona Industrial Development Authority Fund (FAA9973/A.R.S. § 41-5356)		Non-Appropriated
Source of Revenue: Filing and application fees related to the issuance of private activity bonds and investment income.		
Purpose of Fund: To pay for the operations of the Arizona Industrial Development Authority, including the review and approval of certain corporate bond financing projects. Revenues remaining in the fund at the end of the fiscal year are transferred to the Office of Economic Opportunity's Economic Development Fund and the Department of Housing's Housing Trust Fund. This fund is not held in a state account, so its expenditures and fund balances are not displayed.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Economic Development Fund (EOA3777/A.R.S. § 41-5302)		Non-Appropriated
Source of Revenue: Any unencumbered monies retained by the Arizona Finance Authority at the end of the fiscal year that are in excess of the Authority's operating expenses.		
Purpose of Fund: To fund projects as determined by the director of OEO.		
Funds Expended	787,700	6,211,400
Year-End Fund Balance	11,806,600	7,751,500
Federal Grants (EOA2000/A.R.S. § 49-1203)		Federal Funds
Source of Revenue: Federal grants related to water supply management, employment and population statistical analysis, Workforce Innovation and Opportunity Act (WIOA) monies, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	6,155,300	7,413,900
Year-End Fund Balance	971,500	9,143,500
Greater Arizona Development Authority Revolving Fund (FAA2311/A.R.S. § 41-2254)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
Purpose of Fund: To help rural communities meet their infrastructure needs. GADA may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The state funding only serves as collateral for the loans and is not directly loaned out. The fund was capitalized with \$20,000,000 from the General Fund between FY 1998 and FY 2000. Other revenue to the fund may be used for GADA's operating costs, as well as technical and financial assistance to communities. The expenditures displayed below represent administrative costs.		
Funds Expended	84,800	500,000
Year-End Fund Balance	13,610,900	13,410,900
IGA and ISA Fund (EOA2500/A.R.S. § 41-5303)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	75,100	40,000
Year-End Fund Balance	2,259,200	2,289,200

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Microbusiness Loan Fund (EOA2073/Laws 2023, Chapter 136, Section 4)		Non-Appropriated
Source of Revenue: Loan repayments from microbusinesses that have received loans from the fund and General Fund appropriations. Expenditures from this fund are not displayed to avoid double counting General Fund monies. Laws 2024, Chapter 212 repeals this fund on June 30, 2025. Any unencumbered money remaining in the fund will be transferred to the General Fund at that time.		
Purpose of Fund: To establish rules and conditions for distributing grants to community development financial institutions and eligible nonprofits with experience in lending for microbusiness loans.		
Funds Expended	0	0
Year-End Fund Balance	3,095,000	0
Office of Economic Opportunity Operations Fund (EOA9903/A.R.S. § 41-5302)		Non-Appropriated
Source of Revenue: Filing fees paid by security issuers and registration fees paid by security dealers to the Corporation Commission. Prior to the creation of this fund, these monies had been deposited into the Arizona Competes Fund.		
Purpose of Fund: To fund the operational costs of the office.		
Funds Expended	3,543,800	2,000,000
Year-End Fund Balance	2,112,000	2,212,000

Department of Economic Security

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,533.8	4,611.8	4,683.8
Personal Services	174,342,300	161,484,600	171,047,600
Employee Related Expenditures	72,488,200	67,337,500	71,322,600
Professional and Outside Services	61,791,400	50,186,300	53,426,100
Travel - In State	346,000	306,300	327,200
Travel - Out of State	116,400	101,800	101,900
Other Operating Expenditures	53,183,100	50,156,800	42,261,400
Equipment	3,501,100	2,271,100	2,312,200
OPERATING SUBTOTAL	365,768,500	331,844,400	340,799,000 ^{1/2/7/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	10,306,000	12,810,300	12,810,300
Aging and Adult Services			
Adult Services	15,731,900	12,731,900	10,731,900
Area Agencies on Aging Housing Assistance	1,827,300	0	0
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Services	2,522,600	2,522,600	3,522,600
Navajo Nation Women's Services	0	500,000	0
Pascua Yaqui Tribe Social Services Programs	0	1,000,000	0
Coordinated Hunger Services	2,254,600	2,254,600	2,254,600
Produce Incentive Program	804,500	0	0
Globe-Miami Area Food Bank	250,000	0	0
Low-Income Food Services for Tribal Reservations	0	250,000	0
Cochise County Food Distribution	0	1,000,000	0
Pinal County Nutrition, Housing, and Rental Assistance	0	500,000	0
Domestic Violence Prevention	11,867,400	14,004,000	14,004,000
Long-Term Care Ombudsman	1,000,000	1,000,000	1,000,000
Benefits and Medical Eligibility			
TANF Cash Benefits	22,736,400	22,736,400	22,736,400
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Diaper and Incontinence Products Assistance	82,000	0	0
Navajo Nation Youth Programs	0	500,000	0
Child Support Enforcement			
Child Support - Clerk of the Court and Family Law Services	8,539,700	8,539,700	8,539,700
Developmental Disabilities ^{5/6/}			
<i>Federal Match Funding</i>			
DDD Premium Tax Payment	67,178,100	64,871,600	77,751,400
Case Management - Medicaid	109,578,300	142,110,000	142,378,800
Home and Community Based Services - Medicaid	2,331,075,900	2,293,118,300	2,793,727,100
Institutional Services - Medicaid	61,721,200	51,584,800	54,678,000
Physical and Behavioral Health Services - Medicaid	571,345,500	655,475,100	852,328,500
Medicare Clawback Payments	6,055,500	7,132,700	7,940,400
Targeted Case Management - Medicaid	21,757,600	19,487,800	22,621,300
State Match Transfer from AHCCCS	0	1,122,988,600	1,385,157,300
<i>State-Only Funding</i>			
Case Management - State-Only	6,335,600	6,383,200	6,383,200
Cost Effectiveness Study - Client Services	9,530,900	8,420,000	8,420,000
Home and Community Based Services - State-Only	14,089,000	14,089,000	14,089,000
Arizona Early Intervention Program	14,119,000	16,119,000	16,119,000
State-Funded Long Term Care Services	43,534,700	44,389,800	45,231,000

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
Group Home Monitoring Program	1,200,000	1,200,000	0
Graham County Rehabilitation Center	830,000	0	0
DD Job Training and Life Skills Services	0	1,000,000	0
Employment and Rehabilitation Services			
Child Care Subsidy	179,080,200	320,580,200	187,080,200 ^{11/12/}
Independent Living Rehabilitation Services	806,200	1,289,400	1,289,400
JOBS	9,894,700	11,005,600	11,005,600
Rehabilitation Services	6,962,300	7,249,100	7,249,100
Workforce Innovation and Opportunity Act Services	85,537,400	85,824,200	85,824,200 ^{13/}
AGENCY TOTAL	3,992,727,300	5,294,916,600	6,144,076,300 ^{14/-17/}

FUND SOURCES			
General Fund	1,202,667,000	1,344,531,100	1,588,038,000
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	21,331,800	17,678,400	17,678,400 ^{2/}
Domestic Violence Services Fund	1,863,700	4,000,300	4,000,300 ^{3/}
Federal CCDF Block Grant	200,029,200	331,027,900	200,027,900
Federal TANF Block Grant	66,591,300	66,588,900	66,588,900
Long Term Care System Fund (Non-Federal Matched)	33,864,200	34,429,200	34,971,600
Public Assistance Collections Fund	0	441,800	441,800
Special Administration Fund	4,637,900	4,654,600	4,654,600
Spinal and Head Injuries Trust Fund	1,615,500	2,390,200	2,390,200
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	92,644,100	87,116,200	87,116,200 ^{13/}
SUBTOTAL - Other Appropriated Funds	422,577,700	549,327,500	418,869,900
SUBTOTAL - Appropriated Funds	1,625,244,700	1,893,858,600	2,006,907,900
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	59,627,800	44,401,200	44,401,200
Health Care Investment Fund	0	43,247,300	36,148,000
Long Term Care System Fund (Federal Match)	2,307,854,800	3,313,409,500	4,056,619,200
SUBTOTAL - Expenditure Authority Funds	2,367,482,600	3,401,058,000	4,137,168,400
SUBTOTAL - Appropriated/Expenditure Authority Funds	3,992,727,300	5,294,916,600	6,144,076,300
Other Non-Appropriated Funds	320,445,300	327,919,800	348,856,800
Federal Funds	3,138,359,400	3,290,513,600	3,240,791,600
TOTAL - ALL SOURCES	7,451,532,000	8,913,350,000	9,733,724,700

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. Some of these services include: long-term care for individuals with developmental disabilities, support services for older adults, nutrition and cash assistance for families, and unemployment insurance benefits.

FOOTNOTES

- 1/ 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 Appropriations Act footnote)
- 2/ All state shares of retained earnings, fees and federal incentives in excess of \$17,678,400 received by the division of child support enforcement are appropriated for operating expenditures. New FTE positions are 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 Appropriations Act footnote)
- 3/ All domestic violence services fund monies in excess of \$4,000,300 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 \$4,000,300 to the joint legislative budget committee. (General Appropriations Act footnote)

- 4/ On or before December 15, 2025, 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 prevention funding. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriations Act footnote)
- 5/ 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 two percent. 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 Appropriations Act footnote)
- 6/ 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 Appropriations Act footnote)
- 7/ Before transferring any monies in or out of the case management - medicaid and case management - state-only and developmental disabilities administration line items and before transferring any monies in or out of the operating lump sum item related to the developmental disabilities program and its administration, the department shall submit a report for review by the joint legislative budget committee, except that transfers from the state match transfer from AHCCCS line item into those line items do not require a report for review. (General Appropriations Act footnote)
- 8/ On or before September 1, 2026, 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 fiscal year 2025-2026 and the reason for 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, 2026, 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 fiscal year 2025-2026. (General Appropriations Act footnote)
- 9/ The department actually spent \$982,064,500 in FY 2024 in the State Match Transfer from AHCCCS line item, but this spending is not displayed for technical reasons.
- 10/ On or before November 30, 2025, the department of economic security shall submit a report to the joint legislative budget committee regarding expenditures from the cost effectiveness study - client services line item in the previous fiscal year. The report shall include the number of clients and total amounts spent from the line item in each setting type along with expenditures for those clients in other line items. The report shall also include cost effectiveness spending in other line items. (General Appropriations Act footnote)
- 11/ ~~On or before September 15, 2025 and March 15, 2026, DECEMBER 31, 2025, AND JUNE 30, 2026, the department of economic security shall submit a 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 joint legislative budget committee on child care development block grant monies provided from the coronavirus aid, relief, and economic security act, the consolidated appropriations act, 2021 and the American rescue plan act of 2021 (P.L. 117-2)-REGARDING FEDERAL CHILD CARE MONIES. The report must include, at a minimum, the actual expenditures made to date by purpose and, separately, by federal legislation, the number of children served with the monies on average each month, the average child care reimbursement rates for the entire program, including these monies, and the number of child care settings with a quality rating~~ **MODIFIED** On or before September 15, 2025 and March 15, 2026, DECEMBER 31, 2025, AND JUNE 30, 2026, the department of economic security shall submit a 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 joint legislative budget committee on child care development block grant monies provided from the coronavirus aid, relief, and economic security act, the consolidated appropriations act, 2021 and the American rescue plan act of 2021 (P.L. 117-2)-REGARDING FEDERAL CHILD CARE MONIES. The report must include, at a minimum, the actual expenditures made to date by purpose and, separately, by federal legislation, the number of children served with the monies on average each month, the average child care reimbursement rates for the entire program, including these monies, and the number of child care settings with a quality rating ACTUAL REVENUES DELINEATED BY FUND SOURCE, THE ACTUAL YEAR TO DATE EXPENDITURES BY PURPOSE AND FUND SOURCE, AND BEGINNING AND ENDING BALANCES FOR ALL FUND SOURCES FOR THE PRECEDING SIX MONTHS. THE REPORT SHALL ALSO INCLUDE PROJECTED ANNUAL REVENUES, EXPENDITURES, AND BALANCES FOR THE CURRENT AND BUDGET YEARS. (existing General Appropriations Act footnote modified to delete information available in other reports and add information on available balances and revenues)
- 12/ The department of economic security shall forward to the joint legislative budget committee a monthly report listing data on the child care population served. The report must include, at a minimum, in each program the number of unduplicated children enrolled in child care within the department of economic security and the department of child

safety by program and the average amount paid per child plus quality-related spending. (General Appropriations Act footnote)

- 13/ All workforce investment act grant monies that are received by this state in excess of \$87,116,200 are appropriated to the workforce innovation and opportunity act services line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$87,116,200 to the joint legislative budget committee. (General Appropriations Act footnote, as adjusted for statewide allocations)
- 14/ On or after April 1, 2026, the department of economic security may use up to \$25,000,000 from the budget stabilization fund established by section 35-144, Arizona Revised Statutes, 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. This appropriation must be fully reimbursed on or before September 1, 2026 and must be reimbursed in full as part of the closing process for fiscal year 2025-2026. The department shall notify the joint legislative budget committee of the reimbursement on or before September 1, 2026. The appropriation may not be used for additional programmatic expenditures. (General Appropriations Act footnote)
- 15/ The above appropriations are in addition to monies granted to this 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 section 42-5029, Arizona Revised Statutes. (General Appropriations Act footnote)
- 16/ 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 thirtieth 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 Appropriations Act footnote)
- 17/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

The Department of Economic Security's (DES) FY 2026 General Fund spending increases by \$243,506,900 or 18.1% above the FY 2025 appropriation. This amount includes:

- \$262,456,900 for Division of Developmental Disabilities (DDD) formula adjustments.
- \$1,000,000 for homeless youth assistance.
- \$(19,950,000) to remove FY 2025 one-time funding.

Operating Budget

The Baseline includes \$340,799,000 and 2,410.4 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$162,269,900
Child Support Enforcement Administration Fund	14,053,300
Child Support Enforcement Administration Fund (EA)	28,190,200
Federal Temporary Assistance for Needy Families (TANF) Block Grant	21,657,400
Federal Child Care and Development Fund	12,927,200

(CCDF) Block Grant

Long Term Care System Fund (EA)	96,253,300
Public Assistance Collections Fund	339,100
Special Administration Fund	2,217,800
Spinal and Head Injuries Trust Fund	610,000
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	1,280,800

Adjustments are as follows:

DDD Formula Adjustments

The Baseline includes an increase of \$18,454,600 in FY 2026 for standard formula adjustments within the DDD program. This amount consists of:

General Fund	7,522,300
Long Term Care System Fund (EA)	10,932,300

(Please see the Developmental Disabilities section for more information.)

Remove Child Care Operating Shortfall Reallocation

The Baseline includes a decrease of \$(9,500,000) from the Federal CCDF Block Grant in FY 2026 to remove one-time funding for a child care operating shortfall reallocation. Since FY 2017, the department has transferred funds from the Child Care Subsidy line item to the operating budget each year to address a shortfall in funding for the administrative expenses of the child care assistance

program. The one-time increase in FY 2025 was to align the budget's allocation of the Federal CCDF Block Grant with the department's planned expenditures.

Administration

Attorney General Legal Services

The Baseline includes \$12,810,300 and 157.9 FTE Positions in FY 2026 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,265,100
Child Support Enforcement Administration Fund	2,570,800
Child Support Enforcement Administration Fund (EA)	8,725,600
Federal TANF Block Grant	106,400
Federal CCDF Block Grant	20,500
Public Assistance Collections Fund	102,700
Special Administration Fund	5,900
Spinal and Head Injuries Trust Fund	2,100
Workforce Investment Act Grant	11,200

These amounts are unchanged from FY 2025.

Aging and Adult Services

Adult Services

The Baseline includes \$10,731,900 from the General Fund in FY 2026 for Adult Services. Adjustments are as follows:

Remove FY 2025 Area Agencies on Aging Increase

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2026 to remove one-time AAA funding.

This line item provides an array of support services to elderly persons via the Area Agencies on Aging (AAA), as shown in *Table 1*. In addition to appropriated monies in this line item, the department is also allocating an estimated \$51,591,800 in federal grant monies to the AAAs in FY 2025, primarily from federal Older Americans Act and Social Services Block Grant (SSBG) monies for support services, congregate meals, and home-delivered meals. Including federal resources and prior-year carryforward, the department estimates that total allocations to the AAAs will reach \$68,163,400 in FY 2025.

Table 1

<u>Services</u>	<u>FY 2025</u>
Adult Protective Contracted Services	\$ 295,100
Independent Living Services	4,559,400
Older Americans Act State Match	2,601,300
State Ombudsman	814,100
Respite Care	462,000
Direct Care Worker Incentives	2,000,000
FY 2025 One-Time Provider Rate Increase	<u>2,000,000</u>
Total	\$12,731,900

Community and Emergency Services

The Baseline includes \$3,724,000 from the Federal TANF Block Grant in FY 2026 for Community and Emergency Services. This amount is unchanged from FY 2025.

The department distributes the monies in this line item to 12 contracted community action agencies to implement the Short-Term Crisis Services program established by A.R.S. § 46-241.01. The program provides emergency shelter, rent or mortgage assistance, utility assistance, and special needs to maintain or secure employment for individuals experiencing a short-term crisis that will cause homelessness or the interruption of heating or cooling at the individual's residence. Eligibility is limited to individuals with incomes at or below 125% of the Federal Poverty Level (FPL) (150% if a person residing in the household has a disability).

The department also estimates it will allocate an additional \$47,406,600 in federal grants through this line item in FY 2025 for services administered fully or partly by the Community Action Agencies, including the federal Low-Income Home Energy Assistance Program (LIHEAP) and the Community Services Block Grant.

Coordinated Homeless Services

The Baseline includes \$3,522,600 in FY 2026 for Coordinated Homeless Services programs. This amount consists of:

General Fund	1,873,100
Federal TANF Block Grant	1,649,500

Adjustments are as follows:

Homeless Youth General Fund Backfill

The Baseline includes an increase of \$1,000,000 from the General Fund in FY 2026 for a homeless youth assistance General Fund backfill. In FY 2022 and FY 2023, DES distributed one-time Federal Funds to organizations that provide assistance to unaccompanied youth aged 18-24

experiencing homelessness. The 3-year spending plan associated with the enacted FY 2022 budget originally included an increase of \$1,000,000 from the General Fund in FY 2024 to fund the program with state monies instead of Federal Funds. However, due to more federal funds being available than expected, the FY 2024 and FY 2025 budgets each delayed the General Fund increase for 1 year until FY 2026.

This line item funds contracted emergency shelter services, rapid re-housing services, and prevention services for persons experiencing or at risk of experiencing homelessness.

Navajo Nation Women's Services

The Baseline includes no funding from the General Fund in FY 2026 for Navajo Nation Women's Services. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2026 to remove one-time funding for the Navajo Nation for women's shelter and social services.

Pascua Yaqui Tribe Social Services Programs

The Baseline includes no funding from the General Fund in FY 2026 for Pascua Yaqui Tribe Social Services Programs. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove one-time funding for the Pascua Yaqui tribal government for social services programs.

Coordinated Hunger Services

The Baseline includes \$2,254,600 in FY 2026 for Coordinated Hunger Services programs. This amount consists of:

General Fund	1,754,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2025.

State and federal dollars are used to contract with regional food banks for the storage and distribution of commodity foods purchased by the United States Department of Agriculture (USDA) via the Emergency Food Assistance Program (TEFAP) and the Commodity Senior Food Program. Income-eligible recipients receive

food via monthly food packages or congregate meals prepared by food pantries or soup kitchens.

Low-Income Food Services for Tribal Reservations

The Baseline includes no funding from the General Fund in FY 2026 for low-income food services for tribal reservations. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2026 to remove one-time funding for the distribution of food to low-income individuals living on tribal reservations.

Cochise County Food Distribution

The Baseline includes no funding from the General Fund in FY 2026 for Cochise County Food Distribution. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove one-time funding for nonprofit organizations located in Cochise County that provide food distribution services to low-income individuals.

Pinal County Nutrition, Housing, and Rental Assistance

The Baseline includes no funding from the General Fund in FY 2026 for Pinal County nutrition, housing, and rental assistance. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2026 to remove one-time funding a nonprofit organization in Pinal County that provides nutrition, housing, and rental assistance programs.

Domestic Violence Prevention

The Baseline includes \$14,004,000 in FY 2026 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,200
Federal TANF Block Grant	6,620,500
Domestic Violence Services Fund	4,000,300
Special Administration Fund	100,000

These amounts are unchanged from FY 2025.

In FY 2024, this line item, along with non-appropriated funds, served approximately 5,588 adults and children in

emergency shelters, 344 adults and children in transitional housing, and 14,942 victims with mobile and community-based advocacy.

Long-Term Care Ombudsman

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for Long-Term Care Ombudsman services. This amount is unchanged from FY 2025.

A.R.S. § 46-452.02 requires that the Office of the State Long-Term Care Ombudsman visit each long-term care facility at least twice per calendar year to speak with residents of the facility or their representatives, investigate and resolve complaints, refer cases to Adult Protective Services or the appropriate agency, and change complaint communication requirements for DD service providers.

Benefits and Medical Eligibility

TANF Cash Benefits

The Baseline includes \$22,736,400 from the Federal TANF Block Grant in FY 2026 for TANF Cash Benefits. This amount is unchanged from FY 2025.

The budgeted amount would be able to fund an average of 15,750 individuals at \$100 per month. As of November 2024, the program serves 9,635 individuals.

Additionally, 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 budgeted amount would be able to fund an average of 390 Diversion clients at \$817 per month. In November 2024, the TANF Diversion program served 297 clients.

At November 2024 levels, the total cost would be \$14,473,800, or \$(8,262,600) below the budgeted amount.

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 if the following conditions are met:

- The family includes at least 1 adult required to participate in the JOBS program.

- All adults who are required to participate in the JOBS program are in full compliance in the twelfth month of cash assistance and remain in compliance.
- All children required by state law to attend school maintain at least a 90% attendance record.

If any of these conditions are not met, the limit is 12 months.

The Baseline continues a provision requiring DES to drug test TANF recipients if there is a reasonable suspicion that they are using illegal drugs.

(Please see Federal TANF Block Grant in Other Issues for more information on TANF expenditures.)

Tribal Pass-Through Funding

The Baseline includes \$4,680,300 from the General Fund in FY 2026 for Tribal Pass-Through Funding. This amount is unchanged from FY 2025.

Monies in this line item are passed through to Native American tribes operating their own TANF programs.

Navajo Nation Youth Programs

The Baseline includes no funding in FY 2026 for Navajo Nation youth programs. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2026 to remove one-time funding for Navajo Nation youth programs.

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 2025</u>
State Share of Retained Earnings	\$ 3,483,300
Federal Incentive Payments	6,153,600
Fees	2,402,700
Excess Appropriation Authority ^{1/}	5,268,700
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$20,423,900
<u>Uses</u>	
DCSE Administration (DES Operating)	\$13,680,300
Attorney General Legal Services	2,573,700
Clerk of the Court and Family Law Services	1,054,300
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$20,423,900

^{1/} This line is the difference between appropriation authority and expected revenues.

Child Support - Clerk of the Court and Family Law Services

The Baseline includes \$8,539,700 in FY 2026 for County Participation. This amount consists of:

CSEA Fund	1,054,300
CSEA Fund (EA)	7,485,400

These amounts are unchanged from FY 2025.

DES distributes these monies to counties for clerk of the court and family law services that coordinate and mediate between custodial and non-custodial parents.

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 primarily 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 (DDD) but does not appropriate any specific non-appropriated fund.

As of June 2024, the Division of Developmental Disabilities served 56,509 clients, which includes 43,364 clients in the LTC program, 6,918 in Targeted Case Management, and 6,227 clients in the state-only program. The primary disabilities as reported by DES are shown in *Table 3*.

Table 3

Primary Disability of Clients Served ^{1/}

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Autism	20,437	36.2%
Intellectual Disability	15,981	28.3%
At Risk	13,924	24.6%
Cerebral Palsy	3,623	6.4%
Epilepsy	2,143	3.8%
Not Indicated	<u>401</u>	0.7%
Total	56,509	

^{1/} Numbers are based on the department's estimates of primary disabilities of DD clients, proportionally adjusted for the Baseline's overall caseload estimates.

Overall DDD Adjustments

The Baseline includes an increase of \$262,456,900 from the General Fund in FY 2026 for DDD formula changes. These adjustments are based on standard formula assumptions of 6.8% caseload growth in FY 2025, 5.0% caseload growth in FY 2026, and a 3.0% capitation rate increase in FY 2026. Changes are described in further detail below.

FY 2025 Supplemental/Parents as Paid Caregivers

The Baseline includes a supplemental appropriation of \$76,100,000 from the General Fund and \$333,619,000 from Long Term Care System Fund Expenditure Authority in FY 2025 for higher-than-budgeted DDD formula costs in FY 2025.

The projected full-year General Fund cost of the supplemental is \$121,907,700 but has been reduced by \$(45,807,700) to reflect the availability of ARPA funds through March 2025. The \$121,907,700 is based on the following formula adjustments:

- FY 2025 enrollment growth of 6.8%. The enacted budget assumed growth of only 4.5%. The upward revision is based on higher-than-anticipated enrollment growth at the conclusion of FY 2024 and in the first half of FY 2025.
- FY 2025 capitation adjustment of 11.2%. The enacted budget assumed only a 4.0% increase above the original FY 2024 capitation rates.

A significant share of the capitation rate increase appears to be attributable to the Parents as Paid Caregivers (PPCG) program, a pandemic-era initiative to compensate parents of DD members who are age 17 or less for attendant care

and habilitation services they provide to their own children. The program was designed to address the shortage of contracted providers during the pandemic.

The program was initially funded entirely by one-time federal monies for home and community-based services provided by the American Rescue Plan Act (ARPA). These monies are available to the state through March 31, 2025, but would likely be fully expended before that date. Because the Federal Funds will soon expire, AHCCCS/DES applied for a federal waiver to continue PPCG as part of the standard LTC package. As such, the program would begin to operate under the regular federal/state match rate. On February 16, 2024, the federal government approved the request for ongoing operation of the program.

AHCCCS/DES cannot separate out PPCG costs from other spending for habilitation and attendant care. Based on simplifying assumptions developed by the AHCCCS/DES actuaries, the agencies estimate the program may have a cost of approximately \$165,500,000 total funds in FY 2025. The 11.2% DDD capitation rate increase would cover this cost. Given the expiration of one-time ARPA monies noted above, the state is responsible for the match requirement for the program beginning in FY 2025. Based on the \$165,500,000 total funds cost estimate, the state share on an annualized basis would be \$56,800,000.

DES believes that approximately 6,000 of the 23,000 DDD clients under age 18 are currently receiving the PPCG benefit. In combination with AHCCCS' actuarial assumptions, we estimate the per client cost of PPCG is \$27,600 annually. However, payments are first distributed to a contracted vendor who employs or subcontracts with the parent. DES does not know how much of the payments are being retained by the vendor.

The FY 2025 enacted budget requires that capitation rate adjustments be reviewed by the Joint Legislative Budget Committee. At its December 2024 meeting, the Committee gave an unfavorable review of AHCCCS' proposed capitation rate adjustments for FY 2025. However, the FY 2025 rates, including the 11.2% rate increase within DDD, went into effect on October 1, 2024. Given that the proposed rates are currently in place, the Baseline incorporates the 11.2% adjustment.

FY 2025 Ex-Appropriation

The Baseline includes an FY 2025 ex-appropriation of \$(80,000,000) due to revisions to the state's FMAP. In certain circumstances, the federal government can provide one-time upward adjustments in a state's FMAP if the state would otherwise experience a rapid decline in the match rate due to personal income growth. In

December 2024, the federal government determined that Arizona qualified for such one-time adjustments for FY 2024 due to a 3.27% decline in the state's regular match rate between FY 2023 and FY 2024. Arizona's one-time increase is approximately 1.2% for FY 2024 and FY 2025.

This results in the following match rates:

- 66.29% to 67.93% in FFY 2024.
- 64.89% to 65.65% in FFY 2025.

The Baseline assumes this adjustment generates \$(259,000,000) of General Fund savings across the AHCCCS, DES, and DCS budgets. Of this amount, approximately \$(80,000,000) is within the DES budget. The Baseline ex-appropriates this amount in FY 2025.

FY 2026 Base Adjustment

The Baseline includes an increase of \$121,901,700 from the General Fund in FY 2026 for an FY 2026 base adjustment. The base adjustment is primarily associated with the higher-than-budgeted capitation rate increase discussed above. The \$121,901,700 assumes that the one-time federal pandemic relief funding in FY 2025 will no longer be available in FY 2026.

Caseload Growth

The Baseline includes an increase of \$70,718,100 from the General Fund in FY 2026 for DD caseload changes. Compared to June 2024, LTC caseloads are expected to grow by 6.8% to 46,308 members in June 2025 (this amount excludes state-only clients). This estimate is based on caseload growth reported by the department in the first several months of FY 2025, as well as the assumption that growth will continue at a 6.0% annual rate for the remainder of the year.

The Baseline assumes caseload growth will then slow to 5.0% in FY 2026 and in future years. Although year-over-year growth within the LTC program was as high as 6.7% in June 2024, it was below 4.0% as recently as June 2022. As a result, the 5.0% assumption is based on an average of caseload growth throughout FY 2022, FY 2023, and FY 2024. Under these assumptions, the Baseline expects LTC caseloads to reach 48,623 by June 2026.

Table 4 shows the number of clients by placement setting for DDD enrollees in June 2024 and the estimated growth in FY 2025 and FY 2026.

Table 4

DDD June Caseloads and Placement Settings ^{1/}

Placement	FY 24	FY 25 Est	FY 26 Est
Home	37,952	40,528	42,555
Group Home	3,648	3,896	4,090
Developmental Home	1,664	1,777	1,866
Institution	100	107	112
Total	43,364	46,308	48,623

^{1/} Numbers are based on the department's estimates of placement settings, proportionally adjusted for the Baseline's overall caseload estimates.

Capitation Rate Adjustments

The Baseline includes an increase of \$40,797,800 from the General Fund in FY 2026 for a 3.0% capitation rate increase beginning October 1, 2025, as well as to annualize the FY 2025 capitation rate adjustment. The 3.0% growth assumption is based on several factors, including the medical care consumer price index and the growth certain AHCCCS categories experienced in the FY 2025 capitation rate adjustment.

Table 5 shows how the capitation payment is allocated by service category in FY 2025, as well as the Baseline's estimate of the FY 2026 allocation after a 3.0% adjustment.

Table 5

DDD ALTCs Capitation Growth

	FY 2025 Capitation Rate ^{1/}	FY 2026 Capitation Rate Est ^{2/}
Administration ^{3/}	255.8	263.5
Premium Tax	133.2	137.2
Case Management	244.0	251.3
HCBS ^{4/}	4,722.2	4,863.9
Institutional Care ^{5/}	93.7	96.5
Integrated Care ^{6/}	1,212.9	1,249.3
Total	6,661.8	6,861.7

^{1/} Rate effective October 1, 2024.

^{2/} These figures assume 3.0% growth across all service lines.

^{3/} The Administration line is allocated to the overall DES operating budget.

^{4/} HCBS line includes PMPM rates for HCBS and Risk Contingency.

^{5/} Institutional Care rate is net of client's share of cost.

^{6/} Integrated care funding is allocated to the Physical and Behavioral Health Services line item.

FMAP Adjustment

The Baseline includes an increase of \$27,932,800 to the General Fund in FY 2026 associated with adjustments to the state's 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 2026, the blended Medicaid FMAP for Arizona will decrease to 64.48%, down from 65.24% in FY 2025.

Medicare Clawback

The Baseline includes an increase of \$807,700 from the General Fund in FY 2026 for adjustments associated with Medicare Clawback Payments.

Room and Board

The Baseline includes an increase of \$298,800 from the General Fund in FY 2026 for adjustments associated with caseload growth in ALTCs-eligible DD clients receiving residential services with room and board expenses.

Developmental Disabilities – Federal Match Funding

DDD Premium Tax Payment

The Baseline includes \$77,751,400 in FY 2026 for the DDD Premium Tax Payment. This amount consists of:

General Fund	27,619,200
Long Term Care System Fund (EA)	50,132,200

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$12,879,800 in FY 2026 for standard formula adjustments. This amount consists of:

General Fund	5,069,800
Long Term Care System Fund (EA)	7,810,000

Background – DES pays a 2% premium tax to the Department of Insurance and Financial Institutions on capitation payments received from AHCCCS.

Case Management - Medicaid

The Baseline includes \$142,378,800 and 1,217.9 FTE Positions in FY 2026 for Case Management - Medicaid. These amounts consist of:

General Fund	50,576,500
Long Term Care System Fund (EA)	91,802,300

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$268,800 and 65 FTE Positions in FY 2026 for standard formula adjustments.

These amounts consist of:

General Fund	1,191,200
Long Term Care System Fund (EA)	(922,400)

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. Beginning in Contract Year Ending 2024, the ALTCS program requires DES to have at least 1 case manager for every 43 DD clients added since June 2022. For DD clients added between June 2006 and June 2022, the requirement continues to be 1 case manager for every 35 clients. The 65 FTE Position increase in FY 2026 is based on the 1:43 ratio. The Baseline also includes an adjustment to prior year increases that were calculated based on the 1:35 ratio but now retroactively fall under the 1:43 ratio.

Home and Community Based Services - Medicaid

The Baseline includes \$2,793,727,100 and 221.2 FTE Positions in FY 2026 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	985,933,700
Long Term Care System Fund (EA)	1,801,325,300
Health Care Investment Fund	6,468,100

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$500,608,800 in FY 2026 for standard formula adjustments. This amount consists of:

General Fund	197,649,100
Long Term Care System Fund (EA)	305,279,500
Health Care Investment Fund	(2,319,800)

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. This line item also funds staff in state-operated group homes.

Institutional Services - Medicaid

The Baseline includes \$54,678,000 and 383 FTE Positions in FY 2026 for Medicaid Institutional Services. These amounts consist of:

General Fund	19,423,000
Long Term Care System Fund (EA)	35,255,000

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$3,093,200 in FY 2026 for standard formula adjustments. This amount consists of:

General Fund	1,502,200
Long Term Care System Fund (EA)	1,591,000

Background – This line item funds Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF-IIDs) or other nursing facilities, both private and state-operated, including ATP-Coolidge (ATP-C). Including residents of the state-operated group homes (SOGHs), DES reports that ATP-C had an enrollment of 51 in FY 2024, a decrease of (4) from FY 2023.

Physical and Behavioral Health Services - Medicaid

The Baseline includes \$852,328,500 and 77 FTE Positions in FY 2026 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	240,540,500
Long Term Care System Fund (EA)	582,108,100
Health Care Investment Fund	29,679,900

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$105,353,400 in FY 2026 for standard formula adjustments. This amount consists of:

General Fund	47,153,000
Long Term Care System Fund (EA)	62,979,900
Health Care Investment Fund	(4,779,500)

Directed Payments Expenditure Authority

The Baseline includes an increase of \$91,500,000 in FY 2026 from the Long Term Care System Fund (EA) for directed payments expenditure authority.

The department has historically used excess expenditure authority within its budget to fund various directed payments initiatives. These initiatives include: hospital directed payments, the Access to Professional Services Initiative (APSI), the Pediatric Services Initiative (PSI), and the recently created Safety Net Services Initiative (SNSI). *(Please see the Valleywise Directed Payments discussion within the AHCCCS section for additional details on the SNSI program.)* However, the department is now requesting additional expenditure authority to fund these initiatives. The Baseline incorporates these increases.

Background – This line item funds DES' subcontracts with AHCCCS health plans to obtain medical services, Children's Rehabilitative Services, and behavioral health services for DD clients in the ALTCS program.

Medicare Clawback Payments

The Baseline includes \$7,940,400 from the General Fund in FY 2026 for Medicare Clawback Payments. Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$807,700 from the General Fund in FY 2026 for standard 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 Baseline includes \$22,621,300 and 153.6 FTE Positions in FY 2026 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	8,035,600
Long Term Care System Fund (EA)	14,585,700

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$3,133,500 and 7 FTE Positions in FY 2026 for standard formula adjustments. These amounts consist of:

General Fund	1,262,800
Long Term Care System Fund (EA)	1,870,700

Background – The TCM program provides case management services to DDD clients that are financially eligible for AHCCCS acute care services but do not meet the functional disability requirements to qualify for ALTCS. In June 2024, 6,918 clients received TCM services.

State Match Transfer from AHCCCS

The Baseline includes \$1,385,157,300 from the Long Term Care System Fund Expenditure Authority in FY 2026 for a state match transfer from the Arizona Health Care Cost

Containment System (AHCCCS). Adjustments are as follows:

Administrative Pass-Through Adjustment

The Baseline includes an increase of \$262,168,700 from the Long Term Care System Fund Expenditure Authority in FY 2026 for a state match transfer from AHCCCS. The adjustment is to bring the total amount in line with the department's FY 2026 General Fund appropriation for Medicaid line items within DDD and General Fund monies for DDD in the operating budget.

Because DES needs to send its General Fund match to AHCCCS to fund DDD, this expenditure authority is to clarify the department is not spending beyond its budget load when it spends those monies returned from AHCCCS with Federal Funds.

Developmental Disabilities – State-Only Funding

Case Management - State-Only

The Baseline includes \$6,383,200 and 60.8 FTE Positions from the General Fund in FY 2026 for Case Management - State-Only. These amounts are unchanged from FY 2025.

Background – This line item funds case management services to clients in the state-only DD program who meet the functional disability requirements but are not financially eligible for the Targeted Case Management program. In June 2024, 6,227 DDD state-only clients received case management state-only services.

Cost-Effectiveness Study - Client Services

The Baseline includes \$8,420,000 in FY 2026 for Cost-Effectiveness Study (CES) - Client Services. This amount consists of:

General Fund	7,200,000
Special Administration Fund	1,220,000

These amounts are unchanged from FY 2025.

Background – 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. This program funds the cost above this CES rate, thereby allowing clients to remain in a home and community-

based setting. (See the FY 2020 Appropriations Report for more information.)

In FY 2024, an average of 263 individuals per month had costs of care that exceeded CES thresholds. The aggregate amount above the thresholds covered with state-only funds was \$20,826,100, resulting in a \$(12,406,100) shortfall. The department reports that it transferred \$1,110,900 from the Special Administration Fund within the JOBS line item to partially cover the higher-than-budgeted CES costs but that there is \$(11,295,200) of shortfall still outstanding.

Home and Community Based Services - State-Only

The Baseline includes \$14,089,000 from the General Fund in FY 2026 for State-Only Home and Community Based Services. This amount is unchanged from FY 2025.

Background – This line item funds residential programs, day programs, and support services for DD clients that do not financially qualify for ALTCS.

Arizona Early Intervention Program

The Baseline includes \$16,119,000 from the General Fund in FY 2026 for the Arizona Early Intervention Program (AzEIP). This amount is unchanged from FY 2025.

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 \$12,535,400 for AzEIP services in FY 2026. As a result, the total AzEIP funding available is \$28,654,400 in FY 2026.

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.

State-Funded Long Term Care Services

The Baseline includes \$45,231,000 and 2 FTE Positions in FY 2026 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	10,259,400
Long Term Care System Fund	34,971,600

Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$841,200 in FY 2026 for standard caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses. This amount consists of:

General Fund	298,800
Long Term Care System Fund	542,400

Background – This line item primarily funds room and board expenses (e.g., rent and food) for DDD clients in residential settings. Room and board costs for home and community-based settings are ineligible for Federal Funds reimbursement from AHCCCS.

Group Home Monitoring Program

The Baseline includes no funding in FY 2026 for the Group Home Monitoring Program. Adjustments are as follows:

Remove Program Funding

The Baseline includes a decrease of \$(1,200,000) from the General Fund in FY 2026 to remove funding for the Group Home Monitoring Program. The 3-year spending plan associated with FY 2023 enacted budget included \$1,200,000 of one-time funding for the program in FY 2023, FY 2024, and FY 2025. As a result, there is no new FY 2026 appropriation authority. The FY 2025 enacted budget, however, added a footnote that made the FY 2024 and FY 2025 appropriations for the Group Home Monitoring Program non-lapsing through FY 2026.

Background – Laws 2022, Chapter 316 authorizes the pilot program to last for 3 years and be contracted to the entity designated to operate the Protection and Advocacy System for Persons with Developmental Disabilities. The entity will monitor group homes for those with complex needs, determining whether clients' needs from their person-centered service plans are being met, services are reducing negative behaviors, and all physical interventions used by group home staff are appropriate. The entity will also investigate complaints and report on all observations and outcomes each year. The entity will report to the Governor, the President of the Senate, and the Speaker of the House by December 31, 2025, on systemic issues and recommendations.

DD Job Training and Life Skills Services

The Baseline includes no funding in FY 2026 for DD Job Training and Life Skills Services. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove one-time funding for job training and life skills services for developmentally disabled individuals in areas outside Maricopa and Pima counties.

Employment and Rehabilitation Services

Child Care Subsidy

The Baseline includes \$187,080,200 from the Federal CCDF Block Grant in FY 2026 for child care subsidies.

Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of (\$133,500,000) in FY 2026 to remove one-time funding for child care subsidies. This amount consists of:

General Fund	(12,000,000)
Federal CCDF Block Grant	(121,500,000)

The 3-year spending plan associated with the enacted FY 2025 budget designated this funding as one-time.

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. (For more information on state funded child care, please refer to the Child Care Program Summary on the JLBC website.)

Category	FY 24
TANF	505
Low-Income Working	25,435
Transitional Child Care	<u>1,377</u>
Total Served	27,317

Subsidy Rates – As of August 2024, the department has established rates that are at the 75th percentile of the department's 2022 market rate survey for children under age 1, and the 50th percentile of the 2022 market rate survey for ages 1 through 12. We estimate that the average monthly reimbursement per child is \$769 at the current daily rates. Additionally, high quality providers that are rated with a 3-, 4-, or 5-star rating by First Things First's Quality First program are given a 50% increased

rate. Including these quality incentives, the average monthly cost rises to \$1,042 per child.

Caseloads –According to the department, the estimated number of children receiving child care services in June 2024 was 27,317 (see Table 6) excluding ECDHB- and DCS-related child care. A.R.S. § 46-803K stipulates that the department shall establish a waiting list for prospective enrollees if necessary, in order to manage within appropriated resources. Effective August 2024, the department implemented a waiting list for new applicants, excluding children in families on TANF or transitioning from TANF or children in DCS custody.

The Baseline would, as session law, modify the footnote requiring DES to report on child care monies originating from federal emergency pandemic funding to require a biannual report regarding all federal child care monies.

Independent Living Rehabilitation Services

The Baseline includes \$1,289,400 in FY 2026 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 2025.

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.

JOBS

The Baseline includes \$11,005,600 in FY 2026 for JOBS. This amount consists of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2025.

Background – 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.

Rehabilitation Services

The Baseline includes \$7,249,100 in FY 2026 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 2025.

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.

Third-party partnerships with government and non-governmental agencies provide portions of the state match.

Workforce Innovation and Opportunity Act Services

The Baseline includes \$85,824,200 from the Workforce Investment Act Grant in FY 2026 for the Workforce Innovation and Opportunity Act Services line item.

This amount is unchanged from FY 2025.

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.

Other Issues

This section includes information on the following topics:

- FY 2025 Supplemental
- FY 2025 Ex-Appropriation
- Statutory Changes
- Long-Term Budget Impacts
- Auditor General Report
- Unemployment Insurance Benefits Replacement
- Federal TANF Block Grant

FY 2025 Supplemental

The Baseline includes a supplemental appropriation of \$76,100,000 from the General Fund and \$333,619,000 Long Term Care System Fund Expenditure Authority in FY

2025 for higher-than-budgeted DDD formula costs. *(Please see the Developmental Disabilities section for further details.)*

FY 2025 Ex-Appropriation

The Baseline includes an \$(80,000,000) General Fund ex-appropriation in FY 2025 to account for a retroactive adjustment to the state's match rate. *(Please see the Developmental Disabilities section for further details.)*

Statutory Changes

As session law, the Baseline would 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.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, DES' General Fund Developmental Disabilities formula costs are projected to increase by \$131,019,000 in FY 2027 above FY 2026 and \$129,505,600 in FY 2028 above FY 2027.

The FY 2027 estimate is based on:

- 5.0% DDD caseload growth.
- 3.0% DDD capitation growth.
- An estimated 64.11% FMAP.

The FY 2028 estimate is based on:

- 5.0% DDD caseload growth.
- 3.0% DDD capitation growth.
- An estimated 64.03% FMAP.

Federal TANF Block Grant

The Baseline appropriates \$227,665,200 of the state's Federal TANF Block Grant monies in FY 2026. *Table 7* shows expected yearly revenues, expenditures, and fund balances across the 2 agencies that administer TANF funding.

Table 7			
TANF Block Grant Spending			
	FY 2024	FY 2025	FY 2026
	Actual	Estimated	Estimated
Revenues			
Beginning Balance	\$ 19,108,900	\$ 16,111,900	\$ 11,603,100
TANF Base Revenues	<u>224,676,400</u>	<u>223,156,400</u>	<u>223,156,400</u>
Total TANF Available	\$243,785,300	\$239,268,300	\$234,759,500
Expenditures			
Department of Child Safety	\$161,082,200	\$161,076,300	\$161,076,300
Department of Economic Security			
TANF Cash Benefits	\$ 22,736,400	\$ 22,736,400	\$ 22,736,400
All Other TANF Expenditures	<u>43,854,800</u>	<u>43,852,500</u>	<u>43,852,500</u>
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 66,591,200	\$ 66,588,900	\$ 66,588,900
TOTAL - STATEWIDE	\$ 227,673,400	\$ 227,665,200	\$ 227,665,200
Ending Balance	\$ 16,111,900	\$ 11,603,100	\$ 7,094,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)		Expenditure Authority
Source of Revenue: Title IV-D funds received from the U.S. Department of Health and Human Services.		
Purpose of Fund: To fund the statewide Child Support Enforcement program. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	59,627,800	44,401,200
Year-End Fund Balance	4,627,800	2,223,100
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)		Appropriated
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees.		
Purpose of Fund: To fund the statewide Child Support Enforcement program. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	21,331,800	17,678,400
Year-End Fund Balance	1,504,800	722,900
Client Trust Fund (DEA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	0	0
Year-End Fund Balance	4,000	4,000
Coronavirus State and Local Fiscal Recovery Fund (DEA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	52,431,000	62,974,900
Year-End Fund Balance	12,331,800	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Consists of client monies, such as Social Security, earnings, etc.		
Purpose of Fund: If consumers need assistance in handling their funds and no other person is available, the division is appointed to be the representative payee and is authorized to administer the personal funds of these consumers.		
Funds Expended	0	0
Year-End Fund Balance	1,693,200	1,754,700
Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)		Non-Appropriated
Source of Revenue: Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix (ATP-P) and the interest earned in those funds.		
Purpose of Fund: To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
Funds Expended	0	0
Year-End Fund Balance	33,500	34,900
Domestic Violence Services Fund (DEA2160/A.R.S. § 36-3002)		Appropriated
Source of Revenue: A portion of monies (8.87%) from statutory filing and copy fees collected by the Superior Court. Another portion of monies is from a \$50 fee for aggravated harassment, stalking, and other violent family offenses. Monies also come from voluntary contributions using tax returns or federal grants, private grants, or other private gifts or contributions.		
Purpose of Fund: To fund grants to qualified shelters for victims of domestic violence.		
Funds Expended	1,863,700	4,000,300
Year-End Fund Balance	2,922,400	1,722,100
Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest. Monies received for developmental disabilities purposes are maintained in a separate account.		
Funds Expended	0	0
Year-End Fund Balance	66,700	66,700
Economic Security Capital Investment Fund (DEA2093/A.R.S. § 4-116)		Non-Appropriated
Source of Revenue: Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
Purpose of Fund: To be used by the department for buildings, equipment, and other capital investments.		
Funds Expended	0	0
Year-End Fund Balance	179,500	224,900
Employee Recognition Fund (DEA2449/A.R.S. § 38-613)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	0	0
Year-End Fund Balance	2,200	2,200
Family Caregiver Grant Program Fund (DEA2347/A.R.S. § 46-343)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and donations.		
Purpose of Fund: Grants provided to individuals who are caring for and supporting a qualifying family member. This fund was repealed from and after July 1, 2024.		
Funds Expended	54,300	0
Year-End Fund Balance	33,300	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 12% of funds must be used for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. The Department of Child Safety has a separate allocation of CCDF funding.		
Funds Expended	200,029,200	331,027,900
Year-End Fund Balance	108,723,000	10,393,600
Federal Grants (DEA2000/A.R.S. § 41-1954)		Federal Funds
Source of Revenue: Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Supplemental Nutrition Assistance Program (SNAP) administration, the Social Services Block Grant, and DCYF Expenditure Authority.		
Funds Expended	3,085,928,400	3,227,538,700
Year-End Fund Balance	76,634,100	65,105,500
Federal Pandemic Emergency Assistance Fund (DEA2955/A.R.S. § 35-152)		Appropriated
Source of Revenue: Monies received from the federal American Rescue Plan Act of 2021 to states administering a TANF program.		
Purpose of Fund: To be used for administrative costs and non-recurrent short-term benefits.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families.		
Funds Expended	66,591,300	66,588,900
Year-End Fund Balance	16,111,900	11,603,100
Health Care Investment Fund (DEA2588/A.R.S. § 36-2999.73)		Expenditure Authority
Source of Revenue: An assessment on hospital revenues, discharges, or beds days in addition to the Hospital Assessment established by A.R.S. § 36-2901.09, interest earnings, and legislative appropriations.		
Purpose of Fund: To increase the base reimbursement level for hospital services, to increase dental and physician fee schedules, and to cover related administrative expenses incurred by DES.		
Funds Expended	0	43,247,300
Year-End Fund Balance	0	0
IGA and ISA Fund (DEA2500/§ 41-1954)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	56,700	56,700
Long Term Care System Fund (Federal Match) (DEA2224/A.R.S. § 36-2953)		Expenditure Authority
Source of Revenue: Federal Medicaid Authority monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system.		
Funds Expended	2,307,854,800	3,313,409,500
Year-End Fund Balance	244,614,200	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)		Appropriated
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system. These monies are used to offset costs of services provided to Long Term Care clients which are not reimbursed by the federal government, such as room and board.		
Funds Expended	33,864,200	34,429,200
Year-End Fund Balance	0	0
Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.		
Funds Expended	37,000	37,000
Year-End Fund Balance	118,500	126,500
Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)		Appropriated
Source of Revenue: A portion of monies collected in recovery payments from ineligible or overpaid public assistance recipients and reimbursements received from persons legally responsible for support of public assistance recipients. The fund receives 25% of the monies collected. The remaining 75% of revenues are credited to the General Fund.		
Purpose of Fund: To improve public assistance collection activities.		
Funds Expended	0	441,800
Year-End Fund Balance	372,100	(39,200)
Revenue From State or Local Agency Fund (DEA3193/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Dollars received through the collection efforts of the Department's Office of Accounts Receivable and Collections and dollars without sufficient identifying documentation may be temporarily deposited in this fund.		
Purpose of Fund: When the benefiting program is identified, funds are transferred out of the fund into the benefiting program's fund. Funds are utilized by the benefiting DES programs per state and federal requirements.		
Funds Expended	5,038,200	3,288,300
Year-End Fund Balance	1,180,100	1,960,400
Sexual Violence Service Fund (DEA2190/A.R.S. § 36-3102)		Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions.		
Purpose of Fund: Grants provided to service providers for victims of sexual violence.		
Funds Expended	0	0
Year-End Fund Balance	3,827,300	0
Special Administration Fund (DEA2066/A.R.S. § 23-705)		Appropriated
Source of Revenue: Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
Purpose of Fund: To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
Funds Expended	4,637,900	4,654,600
Year-End Fund Balance	2,383,700	2,172,400
Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.		
Funds Expended	93,500	95,500
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)		Appropriated
Source of Revenue: The fund receives 22% of monies deposited in the Medical Services Enhancement Fund (MSEF). MSEF revenues consist of a 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor statute violations, and game and fish violations.		
Purpose of Fund: For 1) prevention and education of spinal and head injuries; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES' costs for administering the provisions.		
Funds Expended	1,615,500	2,390,200
Year-End Fund Balance	0	(970,500)
Statewide Cost Allocation Plan Fund (DEA1030/A.R.S. § 41-1954)		Appropriated
Source of Revenue: Federal reimbursement.		
Purpose of Fund: General operations.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	(1,000,000)
Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701)		Non-Appropriated
Source of Revenue: Employer contributions and interest earnings. The monies are maintained and tracked in 2 separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury, which tracks each state's account separately.		
Purpose of Fund: To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to § 903 of the federal Social Security Act. This fund provides regular unemployment benefits up to 26 weeks. Benefits extended beyond that time are federally funded and included in the Federal Grants fund.		
Funds Expended	315,222,300	324,499,000
Year-End Fund Balance	1,871,119,200	1,974,068,600
Workforce Investment Act Grant (DEA2010/U.S. P.L. 113-128)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
Funds Expended	92,644,100	87,116,200
Year-End Fund Balance	98,050,200	83,793,300

State Board of Education

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	23.0	23.0	23.0
Personal Services	1,461,900	2,001,200	2,001,200
Employee Related Expenditures	572,200	311,200	311,200
Professional and Outside Services	595,200	650,100	650,100
Travel - In State	12,500	35,500	35,500
Travel - Out of State	16,100	25,000	25,000
Other Operating Expenditures	340,800	90,900	90,900
Equipment	18,700	0	0
OPERATING SUBTOTAL	3,017,400	3,113,900	3,113,900
SPECIAL LINE ITEMS			
Arizona Empowerment Scholarship Account Appeals	227,800	228,500	228,500
AGENCY TOTAL	3,245,200	3,342,400	3,342,400 ^{1/}
FUND SOURCES			
General Fund	3,245,200	3,342,400	3,342,400
SUBTOTAL - Appropriated Funds	3,245,200	3,342,400	3,342,400
TOTAL - ALL SOURCES	3,245,200	3,342,400	3,342,400

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 Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$3,113,900 and 21 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

A.R.S. § 15-2403 allows a parent to appeal to the State Board of Education any administrative decision made by ADE. Administrative decisions may include determinations of allowable expenses, removal from the ESA program, and enrollment eligibility.

Arizona Empowerment Scholarship Account Appeals

The Baseline includes \$228,500 and 2 FTE Positions from the General Fund in FY 2026 for Arizona Empowerment Scholarship Account (ESA) Appeals. These amounts are unchanged from FY 2025.

This line item includes funding to provide administrative support for the rulemaking process and the appeals process, as well as Attorney General legal services for the appeals program.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Donations Fund (EBA2025/A.R.S § 15-204)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation		
Funds Expended	0	0
Year-End Fund Balance	600	600

Department of Education

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	232.9	232.9	232.9
Personal Services	6,394,000	7,542,800	7,542,800
Employee Related Expenditures	2,136,200	2,757,400	2,757,400
Professional and Outside Services	10,816,100	1,911,500	1,911,500
Travel - In State	17,600	16,000	16,000
Travel - Out of State	16,300	11,000	11,000
Other Operating Expenditures	4,052,500	3,121,600	3,121,600
Equipment	187,400	2,200	2,200
OPERATING SUBTOTAL	23,620,100	15,362,500	15,362,500 ^{1/2/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	7,184,026,500	7,288,548,000	7,594,705,000 ^{3/-8/}
Onetime Additional Assistance Supplement	0	29,000,000	0
Onetime FRPL Weight Supplement	0	37,000,000	0
Onetime State Aid Supplement	300,000,000	0	0
State Aid Supplement	75,000,000	75,000,000	75,000,000 ^{9/}
Special Education Fund	36,029,200	36,029,200	36,029,200
Other State Aid to Districts	41,800	0	0
Classroom Site Fund	1,010,776,400	1,053,335,300	1,053,335,300 ^{10/}
Instructional Improvement Fund	99,754,800	80,425,700	80,425,700 ^{11/}
Additional State Aid	416,032,000	526,653,100	530,408,900
Non-Formula Programs			
Accountability and Achievement Testing	16,442,200	16,444,800	16,444,800 ^{12/13/14/}
Adult Education	21,769,300	16,903,200	4,903,200
Alternative Teacher Development Program	1,800,000	1,000,000	1,000,000
Arizona English Language Learner Fund	4,960,400	4,960,400	4,960,400
Arizona Holocaust Education Center	0	7,000,000	0
Art Consumables	5,230,300	0	0
Center for High School Success	665,700	1,000,000	0
College Credit by Examination Incentive Program	7,470,700	3,772,100	3,772,100
College Placement Exam Fee Waiver	1,211,900	1,265,800	1,265,800
Computer Science Professional Development Program	1,000,000	1,000,000	1,000,000
CTED Certification Exam Fee Reimbursement	0	1,000,000	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 ^{15/16/17/}
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 ^{18/}
Early Literacy	18,519,800	17,386,200	17,386,200
Education Learning and Accountability System	5,374,900	5,470,200	5,470,200
English Learner Administration	6,597,000	11,608,800	6,608,800 ^{19/}
Feminine Hygiene Products	1,782,500	0	0
Flagstaff Robotics Program	20,000	10,000	10,000
Geographic Literacy	100,000	100,000	100,000 ^{20/}
Gifted Assessments	438,900	850,000	850,000
Gila County Jail Education	9,000	0	0
Jobs for Arizona Graduates	500,000	500,000	500,000 ^{21/}
Juvenile Detention Centers	52,600	0	0
K-12 Mental Health Telehealth Pilot Program	0	2,000,000	0
Live, Remote Instructional Courses	0	100,000	0
Low Income After School Program Grants	0	2,000,000	0
Nonprofit Education Initiatives	100,000	0	0
Nonprofit Low-Income Assistance	500,000	0	0

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
Office of Indian Education	44,100	0	0
Onetime School Meal Grants	0	3,800,000	0
Phoenix Science Education Programs	2,500,000	0	0
Public School Campus Community Gardens	59,200	0	0
Public School Campus Trees	198,800	0	0
School Safety Program	60,402,500	82,010,200	82,010,200 ^{22/23/}
Show Low Robotics Program	0	10,000	10,000
State Block Grant for Vocational Education	11,750,600	11,798,200	11,798,200
Student Level Data Access	359,000	359,000	359,000
Teacher Certification	1,657,200	2,403,600	2,403,600
Teacher Professional Development Pilot	2,999,700	0	0
Tribal College Dual Enrollment Program	178,900	325,000	325,000
Youth Summer Education Program	250,000	0	0
AGENCY TOTAL	9,322,226,000	9,338,431,300	9,549,444,100 ^{24/-27/}

FUND SOURCES

General Fund	7,699,669,300	7,676,669,800	8,173,308,600
<u>Other Appropriated Funds</u>			
Department of Education Empowerment Scholarship Account Fund	359,000	359,000	359,000
Education Sales Tax - Accountability	7,000,000	7,000,000	7,000,000
Permanent State School Fund	342,797,300	357,889,000	72,263,000
Teacher Certification Fund	1,809,800	2,547,000	2,547,000
Tribal College Dual Enrollment Program Fund	178,900	325,000	325,000
SUBTOTAL - Other Appropriated Funds	352,145,000	368,120,000	82,494,000
SUBTOTAL - Appropriated Funds	8,051,814,300	8,044,789,800	8,255,802,600
<u>Expenditure Authority Funds</u>			
Classroom Site Fund	1,010,776,400	1,053,335,300	1,053,335,300
Education Sales Tax - Basic State Aid	150,380,500	150,380,500	150,380,500
Education Sales Tax - Character Education	200,000	200,000	200,000
Education Sales Tax - Failing Schools Tutoring Fund	1,500,000	1,500,000	1,500,000
Education Sales Tax - School Safety	7,800,000	7,800,000	7,800,000
Instructional Improvement Fund	99,754,800	80,425,700	80,425,700
SUBTOTAL - Expenditure Authority Funds	1,270,411,700	1,293,641,500	1,293,641,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	9,322,226,000	9,338,431,300	9,549,444,100
Funds			
Other Non-Appropriated Funds	27,390,300	18,363,400	18,363,400
Federal Funds	2,406,383,300	2,194,690,900	2,194,690,900
TOTAL - ALL SOURCES	11,755,999,600	11,551,485,600	11,762,498,400

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 435 charter schools in their provision of public education from preschool through grade 12.

FOOTNOTES

- 1/ Any monies available to the department of education pursuant to section 42-5029.02, subsection A, paragraph 8, Arizona Revised Statutes, for the failing schools tutoring fund established by section 15-241, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 8, Arizona Revised Statutes. (General Appropriations Act footnote)
- 2/ Any monies available to the department of education pursuant to section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes, for character education matching grants pursuant to section 15-154.01, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes. (General Appropriations Act footnote)
- 3/ Laws 2024, Chapter 209 appropriated \$800,727,700 from the General Fund for the K-12 rollover.

- 4/ The appropriation for basic state aid provides basic state support to school districts for maintenance and operations funding as provided by section 15 973, Arizona Revised Statutes, and includes an estimated \$72,263,000 in expendable income derived from the permanent state school fund and from state trust lands pursuant to section 37-521, subsection B, Arizona Revised Statutes, for fiscal year 2025-2026. (General Appropriations Act footnote)
- 5/ 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 Appropriations Act footnote)
- 6/ Except as required by section 37-521, Arizona Revised Statutes, 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 sections 15-237 and 15-531, Arizona Revised Statutes, 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 Appropriations Act footnote)
- 7/ Any monies available to the department of education pursuant to section 42-5029.02, subsection A, paragraph 5, Arizona Revised Statutes, for the increased cost of basic state aid under section 15-971, Arizona Revised Statutes, due to added school days in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 5, Arizona Revised Statutes. (General Appropriations Act footnote)
- 8/ The legislature intends that the state general fund appropriation to the department of education for basic state aid be increased by \$29,000,000 in fiscal year 2027-2028 to continue the funding allocated in subsection A, paragraph 2 and subsection B, paragraph 2 of this section on an ongoing basis. The legislature intends that the state general fund appropriation to the department of education for basic state aid be increased by \$37,000,000 in fiscal year 2027-2028 to continue the funding allocated in subsection C, paragraph 2 of this section on an ongoing basis. (FY 2023 General Appropriations Act footnote, as modified by FY 2025 General Appropriations Act)
- 9/ **NEW:** The department of education shall allocate the appropriated amount for the state aid supplement 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 section 15-943, paragraph 2, subdivision (A), Arizona Revised Statutes, and increase the budget limits pursuant to section 15-947, Arizona Revised Statutes, accordingly. 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. (General Appropriations Act footnote)
- 10/ Any monies available to the department of education for the classroom site fund pursuant to section 37-521, subsection B, paragraph 4, Arizona Revised Statutes, and section 42-5029.02, subsection A, paragraph 10, Arizona Revised Statutes, in excess of expenditure authority amounts are allocated for the purposes of section 37-521, subsection B, paragraph 4, Arizona Revised Statutes, and section 42 5029.02, subsection A, paragraph 10, Arizona Revised Statutes. (General Appropriations Act footnote)
- 11/ Any monies available to the department of education from the instructional improvement fund established by section 15-979, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 15-979, Arizona Revised Statutes. (General Appropriations Act footnote)
- 12/ 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 Appropriations Act footnote)
- 13/ Any monies available to the department of education for accountability purposes pursuant to section 42-5029.02, subsection A, paragraph 7, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 7, Arizona Revised Statutes. (General Appropriations Act footnote)
- 14/ The department of education may use the appropriated amount for accountability and achievement testing in fiscal year 2025-2026 for costs of the English language proficiency assessments required by section 15-756.05, Arizona Revised Statutes. (General Appropriations Act footnote)
- 15/ Monies appropriated for CTED completion grants are intended to help fund program completion for students who complete at least fifty percent 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 application procedures shall award grant funding only after an eligible student has successfully completed a career technical education district program. (General Appropriations Act footnote)
- 16/ If the appropriated amount for CTED completion grants 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 Appropriations Act footnote)
- 17/ The appropriated amount for CTED completion grants is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)

- 18/ The department of education shall distribute the appropriated amount for CTED soft capital and equipment to career technical education districts with fewer than two thousand 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 Appropriations Act footnote)
- 19/ The department of education shall use the appropriated amount for English learner administration to provide English language acquisition services for the purposes of section 15-756.07, Arizona Revised Statutes, 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 may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of section 15-756.07, Arizona Revised Statutes. Notwithstanding section 41-192, Arizona Revised Statutes, 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 Appropriations Act footnote)
- 20/ The department of education shall use the appropriated amount for geographic literacy to issue a grant to a statewide geographic alliance for strengthening geographic literacy in this state. (General Appropriations Act footnote)
- 21/ The department of education shall use the appropriated amount for jobs for Arizona graduates to issue a grant to a nonprofit organization for a JOBS for Arizona graduates program. (General Appropriations Act footnote)
- 22/ The amount appropriated for the school safety program in fiscal year 2022-2023 pursuant to laws 2022, chapter 313, section 31 included an increase of \$50,000,000 for additional school safety grants. In allocating the \$50,000,000 increase, the department of education shall first distribute monies to schools on the school safety program waiting list to receive grants for the costs of placing school resource officers on school campuses. The awarded grants may not supplant funding provided by local governments for school resource officers. If the total cost of funding grants for school resource officers is less than \$50,000,000, the department may allocate the remaining monies to grants to schools for the costs of placing school counselors and social workers on school campuses pursuant to section 15-154, Arizona Revised Statutes. (General Appropriations Act footnote)
- 23/ Any monies available to the department of education for school safety pursuant to section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes. (General Appropriations Act footnote)
- 24/ After review by the joint legislative budget committee, in fiscal year 2025-2026, the department of education may use a portion of its fiscal year 2025-2026 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 fiscal year 2024-2025. (General Appropriations Act footnote)
- 25/ The department shall provide an updated report on its budget status every three 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 thirty days after the end of the applicable reporting period. (General Appropriations Act footnote)
- 26/ Within fifteen days after each apportionment of state aid that occurs pursuant to section 15-973, subsection B, Arizona Revised Statutes, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data. (General Appropriations Act footnote)
- 27/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

ADE's FY 2026 General Fund spending increases by \$496,638,800, or 6.5%, above the original FY 2025 appropriation. The Baseline includes the following funding changes in FY 2026:

- An increase of \$117,193,900 for a Basic State Aid prior year rebase.
- A decrease of \$(58,340,500) for public school enrollment adjustments.
- An increase of \$129,564,000 for additional Empowerment Scholarship Account (ESA) awards.
- An increase of \$166,693,900 for a 2.0% inflator.
- A decrease of \$(48,954,300) for local property tax growth due to new construction
- An increase of \$285,626,000 to backfill reduced endowment earnings due to a decrease in the distribution rate of 6.9% to 2.5% under Proposition 123. This backfill is in accordance with the 3-year spending plan associated with the enacted FY 2025 budget and does not represent a prediction of

whether or how Proposition 123 will be extended beyond FY 2025.

- Increased Homeowner’s Rebate expenses of \$3,755,800.
- A decrease of \$(98,900,000) to remove funding from FY 2025 designated as one-time.

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$183,935,800 in FY 2027 compared with FY 2026 and increase by \$306,002,300 in FY 2028 above FY 2027. (See *Other Issues for more information.*)

Operating Budget

The Baseline includes \$15,362,500 and 107.9 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	<u>FY 2026</u>
General Fund	\$13,519,100
Teacher Certification Fund	143,400
Education Sales Tax - Failing Schools	
Tutoring Fund	1,500,000
Education Sales Tax - Character Education	200,000

These amounts are unchanged from FY 2025.

Formula Programs

Basic State Aid

The Baseline includes \$7,594,705,000 in FY 2026 for Basic State Aid. This amount consists of:

General Fund	7,372,061,500
Permanent State School Fund	72,263,000
Education Sales Tax - Basic State Aid	150,380,500

Table 1
FY 2026 Basic State Aid Formula Summary (estimated)

<u>Sources</u>	
General Fund	\$7,372,061,500
Permanent State School Fund	72,263,000
Education Sales Tax	150,380,500
Local Property Taxes ^{1/}	<u>2,681,269,400</u>
Total	\$10,275,974,400
<u>Uses</u>	
School District Equalization	7,159,627,000
Charter Equalization	2,108,299,500
Empowerment Scholarships	1,002,152,300
Other Formulas/Miscellaneous	<u>5,895,600</u>
Total	\$10,275,974,400

^{1/} Non-appropriated, so excluded from appropriated totals.

The \$7,594,705,000 total does not include local property taxes that will help fund K-12 formula costs for FY 2026, as they are non-appropriated (see *Table 1*).

Adjustments are as follows:

Prior Year Base Adjustment

The Baseline includes an increase of \$117,193,900 from the General Fund in FY 2026 for a prior year base adjustment (see *Table 2*). The increase includes the following changes:

- \$43,107,900 for higher-than-budgeted expenses for district, charter, and other miscellaneous non-ESA formula expenses. The cost is primarily attributable to increased weighted student count growth in FY 2024 associated with higher-cost pupils.
- \$50,557,700 for higher-than-expected ESA enrollment. The enacted budget assumed the ESA program would have 82,452 enrollees in FY 2025. As of December 1st, ADE reports actual awardees in FY 2025 reached 86,660, or 4,208 above the budget assumption. We assume an additional 2,000 enrollees will join the program by June 2025, which we estimate would result in total FY 2025 year-end enrollment of 88,660 and awards of \$872,588,300.

Table 2
FY 2025 Basic State Aid Formula Base Adjustment (Estimate)

<u>Sources</u>	<u>FY 2025 Enacted</u>	<u>FY 2025 Revised</u>	<u>Change</u>
General Fund	\$6,780,278,500	\$6,897,472,400	\$117,193,900
Permanent State School Fund	357,889,000	357,889,000	0
Education Sales Tax	150,380,500	150,380,500	0
Local Property Taxes	<u>2,652,161,400</u>	<u>2,628,633,100</u>	<u>(23,528,300)</u>
Total	\$9,940,709,400	\$10,034,375,000	\$93,665,600
<u>Uses</u>			
School District Equalization	7,000,238,400	7,086,870,000	86,631,600
Charter Equalization	2,110,088,400	2,069,017,900	(41,070,500)
Empowerment Scholarships	822,030,600	872,588,300	50,557,700
Other Formulas/Miscellaneous	<u>8,352,000</u>	<u>5,898,800</u>	<u>(2,453,200)</u>
Total	\$9,940,709,400	\$10,034,375,000	\$93,665,600

- \$23,528,300 for lower-than-expected local property taxes raised via the Qualifying Tax Rate (QTR) to cover the district share of the formula in FY 2025. The lower QTR revenues result in a dollar-for-dollar increase in the General Fund cost of the Basic State Aid formula.

All 3 of these prior year base adjustments are ongoing. There will also be a one-time adjustment of \$61,000,000 associated with the *Qasimyar v. Maricopa County* property tax litigation.

After including the *Qasimyar* funding and \$(14,003,300) in Homeowner's Rebate savings (see below), ADE would have an estimated General Fund supplemental for Basic State Aid of \$164,190,600 in FY 2025. (See *Other Issues for additional information*).

Public School Enrollment Decline

The Baseline includes a decrease of \$(58,340,500) from the General Fund in FY 2026 for public school enrollment adjustments. The Baseline assumes there would be a public school enrollment decline of (1.2)% in FY 2026 compared with FY 2025, which would result in public school ADM of 1,066,995 in FY 2026, or a decrease of (12,578) in comparison with our revised June 2025 estimates (See *Table 3*). In comparison with the original enacted budget, the decrease for enrollment declines is \$(15,232,600).

Fiscal Year	District	Charter	Public Subtotal	ESA	Grand Total	Change
2019	906,004	201,757	1,107,761	6,450	1,114,211	0.5%
2020	907,121	208,438	1,115,559	7,781	1,123,340	0.8%
2021	857,139	220,678	1,077,817	9,777	1,087,594	(3.2)%
2022	875,517	220,379	1,095,896	12,049	1,107,945	1.9%
2023	873,827	223,660	1,097,487	53,364	1,150,851	3.9%
2024	863,144	222,964	1,086,108	76,427	1,162,535	1.0%
2025 est	855,890	223,683	1,079,573	88,660	1,168,233	0.5%
2026 est	844,280	222,715	1,066,995	97,905	1,164,900	(0.3)%
2027 est	830,946	221,881	1,052,827	105,150	1,157,977	(0.6)%
2028 est	820,948	221,930	1,042,878	112,395	1,155,273	(0.2)%

The (1.2)% public school enrollment decline estimate is based on the following assumptions:

- The Baseline assumes there would be a (0.6)% reduction in base public school enrollment due to demographic trends. The (0.6)% decline is consistent with the Arizona Office of Economic Opportunity medium-series population projections, which assume that Arizona's school-age population (ages 5-17) declines by (0.6)% in calendar year (CY) 2025.
- The Baseline assumes an additional (0.6)% decline would be associated with students shifting their enrollment from public schools to the ESA program.

Through the 1st quarter of FY 2025 ADE estimates that approximately 57% of students who newly enrolled in the Universal ESA program in FY 2025 were enrolled in a public school in the year preceding their switch to the ESA program. We assume the switcher rate for these students would continue to be 57% in FY 2026.

Empowerment Scholarship Account Growth

The Baseline includes an increase of \$129,564,000 from the General Fund in FY 2026 for enrollment growth in the ESA program. As noted above, we estimate that year-end ESA enrollment of 88,660 and \$872,588,300 of awards. The Baseline assumes an additional 9,245 enrollees would join the program for FY 2026. As a result, total ESA enrollment would increase to 97,905 in FY 2026. The Baseline assumes that 97,905 ESA enrollees would be eligible for total awards of \$1,002,152,300 in FY 2026. In comparison to the original FY 2025 budget, the \$1,002,152,300 represents an increase of \$180,121,700. Due to the uncertainty of when the program will reach a more "steady state" of enrollment, all ESA projections remain highly speculative.

Given that ESA enrollment growth would continue to include pupils who were not previously funded in a public school, we anticipate that the combined growth rate in the ESA program and public schools would exceed OEO's estimates of growth in the school-age population. As a result, our total K-12 enrollment change estimate (including both ESAs and public schools) for FY 2026 is a decline of (0.3)%, or 0.3% above OEO's estimate of a (0.6)% decline. Under the Baseline assumptions, total enrollment across ESAs and public schools would reach 1,164,900 in FY 2026 (See *Table 3*).

2.0% Inflation Adjustment

The Baseline includes an increase of \$166,693,900 from the General Fund in FY 2026 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.

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. For calendar year 2024, the current estimated increase in the GDP price deflator is 2.39%. The Baseline therefore includes the minimum required 2.0% adjustment. 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 more information*).

Property Taxes from New Construction

The Baseline includes a decrease of \$(48,954,300) from the General Fund in FY 2026 due to a 2.15% increase in statewide Net Assessed Value (NAV) from new construction. This will increase local property tax revenues from the K-12 "Qualifying Tax Rate" (QTR) by an estimated \$48,954,300 in FY 2026. It also will decrease state costs by \$(48,954,300), since QTR revenues offset state formula costs on a dollar for dollar basis.

Statewide NAV for property already on the tax rolls ("existing property") will increase by an estimated 3.20% in FY 2026, resulting in a net 5.35% NAV increase for new construction and existing property combined for FY 2026. The 3.20% NAV increase for existing property will not affect net QTR collections in FY 2026 because A.R.S. § 41-1276 (the "Truth in Taxation" or "TNT" law) requires the QTR to be adjusted each year to offset NAV changes for existing properties. As a result, the QTR will decrease to \$3.0872 (from \$3.1860 currently) in FY 2026 to offset the estimated 3.20% NAV increase for existing property (see Table 4).

Tax Rate	TNT Tax Rates	
	FY 2025	FY 2026
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.5930	\$1.5436
• Unified districts and elementary districts not located within a high school district	\$3.1860	\$3.0872

Endowment Earnings Distribution Decrease

The Baseline includes an increase of \$285,626,000 from the General Fund and a decrease of \$(285,626,000) from the Permanent State School Fund in FY 2026 for reduced endowment earnings funding for Basic State Aid. These amounts are consistent with the 3-year spending plan associated with the enacted FY 2025 budget, which assumed the General Fund would backfill reduced endowment earnings for Basic State Aid in FY 2026 as a result of a lower distribution rate required under current law by Proposition 123. The backfill was intended to ensure that ADE's General Fund appropriation would be sufficient to cover the cost of Basic State Aid in FY 2026 in the event that no further changes are made to current law. It was not intended to reflect a prediction of the final resolution of whether or how to continue Proposition 123.

Proposition 123 raised the distribution rate from endowment earnings from the previous 2.5% rate in FY 2015 to 6.9%, or an increase of 4.4%, from FY 2016 through FY 2025. The initiative also required any monies from the 4.4% increment to be appropriated for Basic State Aid. The 4.4% increment generates \$285,626,000 for Basic State Aid in FY 2025. (see Table 5).

Table 5
Estimated K-12 Endowment Earnings for Basic State Aid ^{1/}

Source	FY 2025	FY 2026	Change
Original 2.5%	\$72,263,000	\$72,263,000	\$0
Prop 123 4.4%	<u>285,626,000</u>	<u>0</u>	<u>(285,626,000)</u>
Total	\$357,889,000	\$72,263,000	\$(285,626,000)

^{1/} These earnings also fund the Classroom Site Fund (see Table 7).

Beginning in FY 2026, under current law the 6.9% distribution rate would revert to the prior 2.5% rate, resulting in a decrease of \$(285,626,000) for Basic State Aid from the elimination of the 4.4% increment. A.R.S. § 37-521 caps the amount of K-12 endowment earnings from the remaining 2.5% distribution 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. All endowment earnings above \$72,263,000 go to the Classroom Site Fund established by A.R.S. § 15-977. (See Other Issues section on Endowment Earnings and Proposition 123 Background on JLBC website for more information).

Rollover

The Baseline includes no net funding change to continue the ongoing \$800,727,700 rollover amount in FY 2026. The FY 2026 General Appropriations Act would advance appropriate \$800,727,700 from the General Fund in FY 2027 to fund the \$800,727,700 deferred obligation from FY 2026 and would continue to exclude districts with less than 4,000 pupils from the rollover.

Onetime Additional Assistance Supplement

The Baseline includes no funding in FY 2026 for a Onetime Additional Assistance Supplement. Adjustments are as follows:

Remove Onetime Funding

The Baseline includes a decrease of \$(29,000,000) from the General Fund in FY 2026 to remove one-time funding for a onetime supplement to District Additional Assistance (DAA) and Charter Additional Assistance (CAA) as follows:

- \$23,142,000 for a DAA supplement. A General Appropriations Act footnote requires ADE to distribute the monies on a proportional basis based on the DAA funding that each district receives in FY 2025, and authorizes districts to budget the supplement for maintenance and operations or unrestricted capital.
- \$5,858,000 for a CAA supplement. A General Appropriations Act footnote requires ADE to distribute the monies on a proportional basis based on the CAA each charter receives in FY 2025.

A FY 2025 General Appropriations Act footnote stipulates that the Legislature intends to increase General Fund appropriation for Basic State Aid by \$29,000,000 in FY 2028 to make the onetime additional supplements ongoing beginning in that year.

Onetime FRPL Group B Weight Supplement

The Baseline includes no funding in FY 2026 for a Onetime FRPL Weight Supplement. Adjustments are as follows:

Remove Onetime Funding

The Baseline includes a decrease of \$(37,000,000) from the General Fund in FY 2026 to remove onetime funding for a onetime supplement to the Group B weight for children eligible for the federal Free and Reduced-Price Lunch (FRPL) program (primarily includes children in families with incomes that are 185% or less of the Federal Poverty Level). An FY 2025 General Appropriations Act footnote requires that ADE distribute the \$37,000,000 on a pro-rata basis to school districts and charter schools based on FRPL counts and authorizes school districts to budget the monies for maintenance and operations or unrestricted capital. It also stipulates that the Legislature intends to appropriate \$37,000,000 from the General Fund in FY 2028 for an ongoing increase to the FRPL weight that year.

State Aid Supplement

The Baseline includes \$75,000,000 from the General Fund in FY 2026 for State Aid Supplement funding. This amount is unchanged from FY 2025.

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 for State Aid Supplement funding. The monies are distributed to districts and charter schools based on weighted student counts, adjusted for nonresident pupils attending district schools. The State Aid Supplement amounts for FY 2016 through FY 2025 do not appear in the General Appropriations Acts for those years, since they already were advance appropriated by Chapter 1.

Given that the 3-year spending plan associated with the enacted FY 2025 budget labeled the State Aid Supplement as ongoing, the \$75,000,000 appropriation would continue in FY 2026 and would appear in the FY 2026 General Appropriations Act. The Baseline would continue the prior footnote language from Laws 2015, 1st Special Session, Chapter 1 in the FY 2026 GAA concerning the distribution of the appropriation.

The State Aid Supplement, in conjunction with Proposition 123, serves to provide additional funding for school districts and charter schools as part of the state's resolution with plaintiffs in the *Cave Creek Unified School District V. Ducey* litigation (See the FY 2017 Appropriations Report).

Special Education Fund

The Baseline includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2026 for the Special Education Fund Line Item. These amounts are unchanged from FY 2025.

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 the Department of Economic Security (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.

A.R.S. § 15-1184 and A.R.S. § 15-1204 establish funding formulas for vouchered residential special education and vouchered ASDB or other state institutional placements, respectively. Voucher formula costs are primarily driven by the per pupil base level in the Basic State Aid formula.

Classroom Site Fund

The Baseline includes \$1,053,335,300 in FY 2026 from Classroom Site Fund (CSF) expenditure authority for the Classroom Site Fund. This amount is unchanged from FY 2025. The FY 2026 funding level will be calculated by the JLBC Staff on March 30, 2025 pursuant A.R.S. § 15-977G1.

Background – The CSF is established by A.R.S. § 15-977 and provides additional funding to public schools from the education sales tax and K-12 endowment earnings. Schools must spend these monies on class size reduction, teacher compensation including a base pay and performance pay component, assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, or student support services.

Expenditure Authority does not affect the department's access to funding from the education sales tax or land trust endowment earnings, as a General Appropriations Act footnote allows the department to spend whatever funding is available.

Instructional Improvement Fund

The Baseline includes \$80,425,700 from Instructional Improvement Fund Expenditure Authority in FY 2026 for the Instructional Improvement Fund. This amount is unchanged from FY 2025.

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. Up to 50% of the monies in the fund may be expended for teacher compensation increases and class size reduction, while the remaining monies must be allocated to dropout prevention programs and instructional improvement programs, including programs to develop minimum reading skills for students by the end of third grade.

Additional State Aid

The Baseline includes \$530,408,900 from the General Fund in FY 2026 for Additional State Aid, otherwise known as the Homeowners' Rebate program. Adjustments are as follows:

Prior Year Base Adjustment

The Baseline includes a decrease of \$(14,003,300) from the General Fund in FY 2026 to reflect lower-than-budgeted costs for Additional State Aid for FY 2025. The FY 2025 budget assumed that Additional State Aid would cost \$526,653,100 for FY 2025 for the Homeowner's Rebate and 1% Cap combined. Based on ADE payment data through December 2024, the actual combined cost, however, is \$512,649,800. Starting point costs for Additional State Aid for FY 2026 therefore will be \$(14,003,300) less than the FY 2025 appropriation.

Decrease Commercial Assessment Ratio

The Baseline includes an increase of \$4,600,000 from the General Fund in FY 2026 for increased Additional State Aid Costs associated with a decrease in the assessment ratio for commercial property from 16.5% in FY 2025 to 16.0% in FY 2026. This change was previously enacted by section 10 of the FY 2022 Omnibus Tax Bill, which decreases the commercial property assessment ratio by (0.5)% increments each year until it reaches 16.0% for FY 2026. The 3-year spending plan included \$4,600,000 for this change in FY 2026.

Laws 2022, Chapter 171 further reduces the commercial assessment ratio to 15.5% in FY 2027 and 15.0% in FY 2028.

New Homes

The Baseline includes an increase of \$13,159,100 from the General Fund in FY 2026 for increased Additional State Aid costs associated with new home construction. The \$13,159,100 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2026.

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 "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 Arizona Supreme Court ruled in July 2024 that the funding for K-12 desegregation program must be financed with secondary property taxes. The ruling confirmed the constitutionality of a policy enacted pursuant to the FY 2019 Revenue BRB (Laws 2018, Chapter 283) that re-classified desegregation monies as secondary property tax levies, thereby excluding such levies from 1% cap funding calculations under the Additional State Aid program. Given that the Department of Revenue already implemented the requirements of Chapter 283 concerning desegregation monies, the Court ruling does not have a fiscal impact on Additional State Aid costs compared to current practice.

Non-Formula Programs

Accountability and Achievement Testing

The Baseline includes \$16,444,800 and 24.4 FTE Positions in FY 2026 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,444,800
Education Sales Tax - Accountability	7,000,000

These amounts are unchanged from FY 2025.

Background – This line item funds costs of developing, administering and scoring achievement tests adopted and implemented by the State Board of Education pursuant to A.R.S. § 15-741. It includes the following exams in FY 2026:

- Arizona Academic Standards Assessment (AASA), which assesses proficiency in reading, writing and math. Pupils in grades 3 through 8 take an English and language arts and math exam administered annually, while High School pupils instead take the ACT Aspire exam in grade 9 and the ACT in grade 11.
- AzSCI, which assesses proficiency in science in grades 5, 8, and 11. Pupils are not required, however, to meet or exceed the science standards tested by the exam.
- Multi-State Alternative Assessment (MSAA), which assesses proficiency in English and language arts, math, and science for students with cognitive disabilities.

Students who are English Language Learners (ELL) must also take the Arizona English Language Learner Assessment (AZELLA). While AZELLA costs are funded in the English Learner Administration line item, a General Appropriations Act footnote also permits ADE to use monies in the Accountability and Achievement Testing line item for AZELLA expenses.

Adult Education

The Baseline includes \$4,903,200 and 4 FTE Positions from the General Fund in FY 2026 for Adult Education. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(12,000,000) from the General Fund in FY 2026 to remove one-time funding for adult education programs. An FY 2025 General Appropriations Act footnote required ADE to distribute \$4,000,000 for the Continuing High School and Workforce

Training Program, \$4,000,000 for the Community College Adult Education Workforce Development Program, and \$4,000,000 for the Adult Workforce Development Program, for total one-time funding of \$12,000,000. *(Please see the FY 2025 Appropriations Report for additional information on these three programs.)*

Background – The Adult Education program in ADE 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.

Alternative Teacher Development Program

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for an Alternative Teacher Development Program. This amount is unchanged from FY 2025.

Background – 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 have been distributed to the Teach for America program.

Arizona English Language Learner Fund

The Baseline includes \$4,960,400 from the General Fund in FY 2026 for the Arizona English Language Learner Fund. This amount is unchanged from FY 2025.

Background – A.R.S. § 15-756.04 establishes the Arizona English Language Learner Fund for distribution of monies to school districts and charter schools for instruction to English language learners that supplements monies received via the English Language Learner Group B weight. The department distributed \$4,999,200 to public schools from the fund in FY 2024.

Arizona Holocaust Education Center

The Baseline includes no funding in FY 2026 for the Arizona Holocaust Education Center. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(7,000,000) from the General Fund in FY 2026 to remove one-time funding for a distribution to the Arizona Holocaust Education Center. An FY 2025 General Appropriations Act footnote stipulates that the distribution shall be used for the creation and operation of the center as a resource for

fulfilling statutory requirements related to instruction on the Holocaust and other genocides. The Arizona Department of Administration (ADOA) shall allot the appropriation and ADE shall distribute the monies in this line item by August 15, 2024. ADE reports that it signed a contract with a vendor on August 9, 2024 that would require the Arizona Holocaust Education Center to use the monies in this line item to provide access to the Center to public school students free of charge for a period of 10 years.

Center for High School Success

The Baseline includes no funding in FY 2026 for a Center for High School Success. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove one-time funding for a Center for High School Success.

Background – ADE allocates the monies in this line item to a Ninth Grade Success Grant. Grant monies are distributed to districts and charter schools to establish a Ninth Grade Success Team, data systems, instructional supports, transition programs, to assist ninth graders in advancing to tenth grade on time. ADE prioritizes grants to schools with a high school graduation rate that was within the lowest 25% of high schools in Arizona and caps the grant amount per school at \$50,000.

College Credit by Examination Incentive Program

The Baseline includes \$3,772,100 from the General Fund in FY 2026 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2025.

Background – 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 (e.g. Advanced Placement) 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.

For FY 2024, ADE reports that districts and charter schools qualified for \$8,006,900 in program awards. This amount includes \$6,896,700 for awards for 22,989 exams passed in schools with less than 50% FRPL-eligibility (\$300 per

exam) and \$1,110,200 for 2,467 exams passed in schools with 50% or more FRPL-eligibility (\$450 per exam). ADE paid the full statutory award in FY 2024 using monies from the FY 2024 appropriation (\$7,472,100) and unspent balances in the College Credit by Examination Development Fund.

College Placement Exam Fee Waiver

The Baseline includes \$1,265,800 from the General Fund in FY 2026 for a College Placement Exam Fee Waiver. This amount is unchanged from FY 2025.

Background – This line item funds out-of-pocket expenses for college placement exams taken by students who are FRPL-eligible. ADE currently covers \$53 per regular Advanced Placement Exam and \$101 per AP Seminar and AP Research Exam, resulting in a net cost of \$0 for the qualifying student.

Computer Science Professional Development Program

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for a Computer Science Professional Development Program. This amount is unchanged from FY 2025.

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 previously did not provide high school computer science instruction. Grant monies may be used to provide training for prospective computer science teachers. The program also requires the second half 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 Certification Exam Fee Reimbursement

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for CTED Certification Exam Fee Reimbursement. This amount is unchanged from FY 2025.

Background – This line item funds a deposit in the Industry-Recognized Certification and Licensure Reimbursement Fund established by A.R.S. § 15-1265. Monies in the fund are used to eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for FRPL-eligible students. To qualify, eligible students must pass a certificate or license exam related to a career and technical education program and apply to

their CTED to receive reimbursement. If monies in the fund are insufficient to fund all eligible exams, the reimbursement is reduced in proportion to each exam's cost.

CTED Completion Grants

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for CTED Completion Grants. This amount is unchanged from FY 2025.

Background – A footnote in the General Appropriations 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. The department shall award grant funding only after an eligible student has successfully completed a CTED program. 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. Program funding is non-lapsing for 1 year beyond the budget year. The Baseline continues a footnote that makes the program's appropriation non-lapsing through the end of the following fiscal year (FY 2027).

CTED Soft Capital and Equipment

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2025.

Background – The line item provides additional funding to small CTEDs for soft capital and equipment. A footnote in the General Appropriations 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 Baseline continues this footnote for FY 2026.

Early Literacy

The Baseline includes \$17,386,200 and 3 FTE Positions from the General Fund in FY 2026 for Early Literacy. These amounts are unchanged from FY 2025.

Background – This line item funds the following early literacy programming:

- Deposits in the Early Literacy Grant Program Fund (ELGPF) established A.R.S. § 15-249.09. The fund provides grants to schools with at least 90% FRPL-

eligibility on a per pupil basis to improve reading proficiency among K-3 pupils. Eligible expenses include literacy coaches and literacy specialists, reading curricula, kindergarten readiness assessments, summer programs, or tutoring.

- Literacy coaches to assist low-performing schools.
- Dyslexia trainings required by the K-3 Reading Program established by A.R.S. § 15-211.
- Fees associated with the Science of Reading exam for K-5 literacy instructions pursuant to A.R.S. § 15-501.01.

Education Learning and Accountability System

The Baseline includes \$5,470,200 and 24.2 FTE Positions from the General Fund in FY 2026 for the Education Learning and Accountability System (ELAS) line item. These amounts are unchanged from FY 2025.

Background – The monies in this line item are for continued maintenance and operation of ELAS, which ADE uses 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).

English Learner Administration

The Baseline includes \$6,608,800 and 13.5 FTE Positions from the General Fund in FY 2026 for English Learner Administration. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2026 to remove one-time funding for increased costs of ADE's contract for the Arizona English Language Learner Assessment (AZELLA).

Background - 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 (See FY 2011 and FY 2020 Appropriations Reports for history.)

Flagstaff Robotics Program

The Baseline includes \$10,000 from the General Fund in FY 2026 for the Flagstaff Robotics Program. This amount is unchanged from FY 2025.

Background – The 3-year spending plan associated with the enacted FY 2025 budget designated this funding as one-time in both FY 2025 and FY 2026.

Geographic Literacy

The Baseline includes \$100,000 from the General Fund in FY 2026 for Geographic Literacy. This amount is unchanged from FY 2025.

Background – Based upon a footnote, the program funds a statewide geographic alliance for strengthening geographic literacy in this state.

Gifted Assessments

The Baseline includes \$850,000 from the General Fund in FY 2026 for Gifted Assessments. This amount is unchanged from FY 2025.

Background – Monies in this line item are used for a contract between ADE and a vendor to administer a gifted screening assessment that is available to all 2nd graders in Arizona public schools at no charge.

Jobs for Arizona Graduates

The Baseline includes \$500,000 from the General Fund in FY 2026 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2025.

Background – The Baseline continues a footnote stipulating that the department shall use the amount appropriated to the program to issue a grant to a nonprofit organization. The program annually provides Arizona students with college and career readiness services as well as interventions for students at risk of dropping out of high school.

K-12 Mental Health Telehealth Pilot

The Baseline includes no funding in FY 2026 for a K-12 Mental Health Telehealth Pilot. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2026 to remove one-time funding for a K-12 Mental Health Telehealth Pilot. A General Appropriations Act footnote requires that the program serve individuals outside Maricopa and Pima counties.

Live, Remote Instructional Courses

The Baseline includes no funding in FY 2026 for Live, Remote Instructional Courses. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2026 to remove one-time funding for live, remote instructional courses.

Background – The FY 2024 K-12 Education BRB allows a school district or charter to contract with another school district or charter to offer live, remote instruction to its own students in grades 9 through 12. ADE must pay an incentive bonus of \$500 for each student who receives a passing grade in a live, remote instruction course to a school district or charter school that acts as a live, remote instruction service provider. If the total cost of rewards exceeds the appropriation, ADE must reduce all awards proportionally to cover all eligible rewards.

Low-Income After School Program Grants

The Baseline includes no funding in FY 2026 for Low-Income After School Program Grants. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2026 to remove one-time funding for grants for entities that provide after school programs to low-income individuals.

Onetime School Meal Grants

The Baseline includes no funding in FY 2026 for Onetime School Meal Grants. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(3,800,000) from the General Fund in FY 2026 for one-time funding for school meal grants. A General Appropriations Act footnote stipulates that the monies shall be distributed to school districts and charter schools that participate in the National School Lunch Program or School Breakfast Program for grants to reduce or eliminate copayments that would otherwise be charged to children eligible for reduced-price meals. If the appropriation is insufficient to cover all eligible grantees, ADE shall reduce the grants proportionately to cover all eligible grantees.

School Safety Program

The Baseline includes \$82,010,200 and 4 FTE Positions in FY 2026 for the School Safety program. These amounts consist of:

General Fund	74,210,200
Education Sales Tax - School Safety	7,800,000

These amounts are unchanged from FY 2025.

Background – The School Safety Program established in A.R.S. § 15-154 allows schools to apply for grant monies to support the costs of placing school resource officers (SROs), juvenile probation officers (JPOs), school counselors, and school social workers on school campuses.

Funding is allocated by the Department of Education and is subject to review and approval by the State Board of Education pursuant to A.R.S. § 15-154. School district and charter schools receive funding for up to a 3-year period and may annually submit a modified spending plan if they are approved for a grant.

In May 2023, the State Board of Education approved ADE's proposed awards for the School Safety Grant Program for FY 2024 through FY 2026. Those awards include 869 positions, consisting of \$39,299,100 for 303 SROs and JPOs and \$45,223,400 for 566 school counselors and social workers. The department reported that all SRO and JPO applications were funded, while there are a remaining 182 school counselor and social worker positions on the program waiting list. A General Appropriations Act Footnote directs ADE to prioritize grants for schools to hire SROs and JPOs, and allows ADE to use any remaining money from the appropriated amount to fund the costs of placing school counselors and social workers on school campuses.

ADE reports that as of December 2024, the program is funding 303 filled SRO/JPO positions and 526 school counselor/social worker positions. The department also announced in December 2024 that it intends to allocate \$47,900,000 for additional positions using prior year unspent balances for the program, including \$39,400,000 for 198 SRO positions and \$8,500,000 for 66 new school counselor and social worker positions.

Show Low Robotics Program

The Baseline includes \$10,000 from the General Fund in FY 2026 for the Show Low Robotics Program. This amount is unchanged from FY 2025.

Background – The 3-year spending plan associated with the enacted FY 2025 budget designated this funding as one-time in both FY 2025 and FY 2026.

State Block Grant for Vocational Education

The Baseline includes \$11,798,200 and 27 FTE Positions from the General Fund in FY 2026 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2025.

Background – 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 2025, the department will receive an estimated \$34,315,900 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.

Student Level Data Access

The Baseline includes \$359,000 from the Department of Education Empowerment Scholarship Account Fund in FY 2026 for Student Level Data Access. This amount is unchanged from FY 2025.

Background – This line item provides funding for ADE's costs associated with providing student level data access pursuant to A.R.S. § 15-1043, which requires ADE to allow access to student level data for county school superintendents, the State Board of Education, and the State Board of Charter Schools.

Teacher Certification

The Baseline includes \$2,403,600 and 22.9 FTE Positions from the Teacher Certification Fund in FY 2026 for Teacher Certification. These amounts are unchanged from FY 2025.

Background – 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.

Tribal College Dual Enrollment Program

The Baseline includes \$325,000 from the Tribal College Dual Enrollment Program Fund in FY 2026 for the Tribal

College Dual Enrollment Program. This amount is unchanged from FY 2025.

Background – 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 \$325,000, 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.

Other Issues

This section includes information on the following topics:

General Issues

- FY 2025 Supplementals
- Statutory Changes
- Long-Term Budget Impacts

Ballot Proposition

- Endowment Earnings
- Proposition 123
- Aggregate Expenditure Limit
- Education Sales Tax

Basic State Aid

- Basic State Aid Formula Description

Information on these various issues is as follows:

FY 2025 Supplementals

The Baseline includes a supplemental appropriation of \$164,190,600 from the General Fund in FY 2025 for ADE formula programs. This amount consists of:

- An increase of \$61,000,000 for Basic State Aid due to prior year recalculations as a result of court-ordered property tax judgments in the *Qasimyar v. Maricopa County* litigation (*see FY 2025 Appropriations Report for more information.*)

In addition to the *Qasimyar* settlement, there is a net supplemental requirement of \$103,190,600 for formula programs consisting of:

- An increase of \$117,193,900 for a prior year base adjustment to Basic State Aid (*Please see Basic State Aid line item for additional information.*)
- A decrease of \$(14,003,300) due to lower-than-anticipated costs for the Homeowner's Rebate program in FY 2025.

Statutory Changes

The K-12 Budget BRB makes the following statutory changes:

Formula Requirements

- As permanent law, increases 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, update the Qualifying Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2026.

Other

- As session law, continue to notwithstanding A.R.S. 15-241 to allow ADE to expend monies in FY 2025 from the Failing Schools Tutoring Fund for school improvement. Require ADE to report on proposed expenditures from the fund to the Governor, Speaker of the House, President of the Senate, JLBC and OSPB by September 1, 2025.
- As session law, continues 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.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase \$183,935,800 in FY 2027 compared with FY 2026 and increase by \$306,002,300 in FY 2028 above FY 2027. These estimates are based on:

- Public school enrollment declines of (1.3)% in FY 2027 and (0.9)% in FY 2028.
- ESA enrollment growth of 7,245 in each of FY 2027 and FY 2028.
- GDP inflators of 2.2% for FY 2027 and FY 2028. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.1% for FY 2027 and 2.0% for FY 2028.
- An increase of \$4,600,000 each of FY 2027 and FY 2028 for Homeowner's Rebate expenses associated with a reduction in the assessment ratio for commercial property by 0.5% each year pursuant to Laws 2022, Chapter 171.
- A decrease of \$(20,000) in FY 2027 to remove FY 2026 funding designated as one-time.
- An increase of \$66,000,000 in FY 2028 for ongoing increases to the FRPL Group B weight and Additional

Assistance pursuant to Section 4 of the FY 2025 General Appropriations Act.

Endowment Earnings

In FY 2024, endowment earnings from state trust lands funded \$491,602,000 of Basic State Aid 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% (8.0 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 6.9% factor, or an increase of 4.4% required by

Proposition 123. The 4.4% increase exclusively funds Basic State Aid costs. After FY 2025, Proposition 123 reestablishes the 2.5% factor on a permanent basis.

In FY 2025, public schools will receive an estimated \$515,268,500 of expendable land trust monies from the State Land Department and State Treasurer combined. That total includes \$67,355,000 from the Land Department and \$447,913,600 from the State Treasurer. Under the Baseline, we estimate total FY 2026 earnings distributed would decrease to \$240,661,400 as a result of the expiration of the 4.4% factor beginning in FY 2026. (see Table 6).

Table 6
Source of K-12 Endowment Earnings by Fiscal Year
(\$ in Millions)

Source	2024	2025	2026	2027	2028
Land Department	67.4	67.4	67.4	67.4	67.4
Treasurer	424.2	447.9	173.3	185.7	194.8
Total	491.6	515.3	240.7	253.1	262.2

Table 7 shows K-12 endowment earning uses. In FY 2026, the \$240,661,400 of expendable earnings includes \$72,263,000 for Basic State Aid and the remaining \$168,398,400 would be deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4. Under the Baseline, the amount distributed for Basic State Aid is \$72,263,000 in FY 2026 and each year thereafter due to the expiration of the 4.4% factor from Proposition 123. A.R.S. § 37-521 stipulates that the distribution of endowment earnings from the 2.5% distribution to Basic State Aid may not exceed \$72,263,000.

Table 7
Use of K-12 Endowment Earnings by Fiscal Year
(\$ in Millions)

Source	2024	2025	2026	2027	2028
Basic State Aid	342.8	357.9	72.3	72.3	72.3
Classroom Site Fund	148.8	157.4	168.4	180.9	189.9
Total	491.6	515.3	240.7	253.1	262.2

The \$(285,626,000) decrease in endowment earnings distributions to Basic State Aid in FY 2026 would require a corresponding General Fund increase of the same amount under current state statute. Without a statutory change to the Basic State Aid formula, ADE would have no legal authority to reduce Basic State Aid allocations to account for the \$(285,626,000), meaning by default the General Fund would have to backfill the reduced endowment earnings distribution on a dollar-for-dollar basis. The Baseline includes this General Fund backfill to ensure that ADE's General Fund appropriation is sufficient to cover the cost of Basic State Aid in FY 2026 in the event that no further changes are made to current law. This policy is not intended to reflect a prediction of the final resolution of

whether or how to continue Proposition 123. (See *Proposition 123 Background on JLBC Website for more information*).

Proposition 123 Triggers

Economic Downturn

Proposition 123 allows the state to temporarily suspend future inflation increases during periods of economic slowdown if:

- Sales tax revenue and employment both grow more than 1% but less than 2% in the prior calendar year [if only one factor falls into the 1-2% range, there is no suspension].
- It requires this suspension of inflation adjustments if sales tax revenue and employment both grow less than 1%.

The criteria for suspending the inflation rate have not been met since the enactment of Proposition 123.

Lower Trust Fund Balance

The proposition:

- 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 have not been met since the enactment of Proposition 123.

K-12 Percent of Budget

Beginning in FY 2025, the proposition:

- Allows 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 surpasses 49% of the total state General Fund appropriations.
- If K-12 spending surpasses 50%, allows the state to suspend the annual inflation adjustment and reduce K-12 funding for the next fiscal year by twice the current year inflation amount.

The triggers continue to be in effect following the expiration of the 4.4% increase of the land trust endowment distribution. The Baseline K-12 spending level constitutes approximately 48.9% of total state General Fund appropriations in FY 2026, 48.1% in FY 2027, and 48.1% in FY 2028. (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, or charter school funding. A.R.S. § 15-911C2 allows the Legislature to authorize statewide spending above the AEL for that year with a two-thirds majority vote in both the House of Representatives and Senate.

Since FY 2022, the Legislature has authorized the following AEL exceedances:

- For FY 2022, the Department of Education computed in November 2021 that budgeted expenditures for school districts collectively were \$1,154,029,000 above the AEL for FY 2022. Pursuant to House Concurrent Resolution (HCR) 2039 in the 55th Legislature, Second Regular Session, the Legislature authorized district expenditures of \$1,154,029,000 above the AEL for FY 2022.
- For FY 2023, ADE reported that budgeted district expenditures exceed the AEL by \$1,385,809,600. Pursuant to HCR 2001 in the 56th Legislature, First Regular Session, the Legislature authorized district expenditures of \$1,385,809,600 above the AEL for FY 2023.
- For FY 2024, the Legislature pre-emptively authorized districts to exceed the AEL in FY 2024 pursuant to Senate Concurrent Resolution (SCR) 1041 in the 56th Legislature, First Regular Session. ADE subsequently estimated that district budgets would have exceeded the AEL for FY 2024 by \$1,362,757,300 without the override authorized by SCR 1041.
- For FY 2025, the Legislature again pre-emptively authorized districts to exceed the AEL in FY 2025 pursuant to HCR 2065 adopted during the 56th Legislature, Second Regular Session. ADE reported in October 2024 that district budgets would have exceeded the AEL for FY 2025 by \$1,203,661,500 without the override authorized by HCR 2065.

A permanent increase in the AEL would require a voter-approved change to the State Constitution or adoption of a 2/3 resolution by the Legislature revising the inflation measure used to calculate the limit.

Education Sales Tax

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

Table 8

**Education Sales Tax Monies
(FY 2025 Estimate)
(\$ in Millions)**

EDUCATION SALES TAX REVENUES

<u>Recipient</u>	<u>Amount</u>	<u>Comment</u>
Universities	141.4	Receive 12% of monies remaining after Basic State Aid distribution is deducted.
Community Colleges	35.3	Receive 3% of monies after BSA distribution.
Tribal Colleges	1.4	Same formula as for community colleges.
DOR Tax System	0.8	
Income Tax Credit	25.0	For income tax credit authorized by A.R.S. § 43.1072.01.
Subtotal - Non-ADE Programs	\$203.9	
Basic State Aid Distribution	\$64.1	
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	871.5	Receives all monies remaining after other distributions are made.
Subtotal - ADE Programs	\$1,038.4	
Total - Education Sales Tax	\$1,242.3	
CLASSROOM SITE FUND REVENUES (ALL SOURCES)		
Education Sales Tax (from above)	871.5	
Prop 301/CSF - Land Trust	147.4	
Prop 301/CSF - Carry-Forward	89.8	
Total - Classroom Site Fund	\$1,108.8^{1/}	

^{1/} Total estimated disbursements reported for FY 2025 in JLBC's Classroom Site Fund memo from March 2024. Amounts may not add due to rounding.

purchases from 5% to 5.6% through FY 2021 to generate more funding for public education. The Proposition 301 sales tax expired at the end of FY 2021.

Starting in FY 2022, Laws 2018, Chapter 74 replaced the additional 0.6% sales tax through June 30, 2041. Pursuant to the FY 2021 K-12 BRB, the \$64,100,000 of 0.6% sales tax monies previously needed for debt service on School Facilities Board bonds authorized by Proposition 301 were redirected to ADE for the costs of Basic State Aid. All other distributions remain unchanged.

Table 8 shows how education sales tax revenues are earmarked in FY 2025. Laws 2018, Chapter 74 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies remaining after all other distributions are made. Its share equaled \$871,549,800 (70.2%) of the \$1,242,345,900 of estimated collections for FY 2025.

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 \$72,300,000.

Total estimated available revenues to the CSF for FY 2025 are \$1,108,774,000.

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 is then subtracted from its equalization base.

If the district’s combined QTR 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. Charter schools receive all their equalization funding through Basic State Aid, since they do not have authority to generate funding through local property taxes.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Adult Workforce Diploma Program Fund (EDA1125/A.R.S. § 15-217.02)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations, gifts, grants, and other donations.		
<i>Purpose of Fund:</i> To pay approved program providers in the Adult Workforce Diploma Program pursuant to A.R.S. § 15-217.02E. This fund is repealed from and after June 30, 2025. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
American Civics Education Fund (EDA2612/Laws 2018, Chapter 289)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations and other monies transferred into the fund. Laws 2018, Chapter 289 appropriated \$500,000 from the General Fund to this fund for the program in FY 2020.		
<i>Purpose of Fund:</i> To fund the American Civics Education pilot program established by Laws 2018, Chapter 289. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	328,500	300,000
Arizona Agricultural Youth Organization Special Plate Fund (EDA2651/A.R.S. § 15-791)		Non-Appropriated
<i>Source of Revenue:</i> A deposit of \$17 of each \$25 original and annual renewal Arizona agricultural youth organization special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
<i>Purpose of Fund:</i> To issue Arizona agricultural youth organization special plates. ADOT is to annually deposit these monies, excluding administrative fees, into the Arizona Agricultural Youth Organization Special Plate Fund for disbursement by the State Board of Education acting as the State Board for Vocational and Technological Education.		
Funds Expended	162,400	162,400
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Civics Education and Leadership Development Fund (EDA2613/Laws 2023, Chapter 142)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and donations.		
Purpose of Fund: For administering the Arizona Civics and Leadership Development program established in Laws 2023, Chapter 142, Section 12 and for disbursing monies to eligible nonprofit organizations participating in the program. Eligible nonprofit organizations shall use monies in the fund for civics leaders and counselors, wages for program staff, educational materials, food, beverages, clothing and transportation. This fund is repealed from and after June 30, 2025. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona English Language Learner Fund (EDA2535/A.R.S. § 15-756.04)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,144,900	2,141,600
Arizona Industry Credentials Incentive Fund (EDA2685/A.R.S. § 15-249.15)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide incentive awards to school districts, charter schools, and career 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 technical education course or program. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,707,100	0
Arizona Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)		Non-Appropriated
Source of Revenue: The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
Purpose of Fund: To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere.		
Funds Expended	0	0
Year-End Fund Balance	186,400	194,400
Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01)		Non-Appropriated
Source of Revenue: State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617.		
Purpose of Fund: To fund solutions teams assigned to schools pursuant to A.R.S. § 15-241.02.		
Funds Expended	42,700	42,500
Year-End Fund Balance	0	0
Broadband Expansion Fund (EDA2145/A.R.S. § 15-249.07)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide state matching monies for certified broadband connectivity construction projects for qualified applicants. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,638,400	1,912,100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Character Education license plates.		
Purpose of Fund: To fund character education programs in schools. Not more than 10% of monies deposited in the fund annually shall be used for the cost of administering the fund.		
Funds Expended	18,700	19,000
Year-End Fund Balance	0	1,000
Classroom Site Fund (EDA2471/A.R.S. § 15-977)		Expenditure Authority
Source of Revenue: A portion of the Education sales tax pursuant to A.R.S. § 42-5029.02A10 and Permanent State School Fund expendable earnings that exceed the FY 2001 level pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To provide additional funding for class size reduction, teacher compensation (including base pay and performance pay), assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, and student support services.		
Funds Expended	1,010,776,400	1,053,335,300
Year-End Fund Balance	118,052,500	118,052,500
College Credit by Examination Development Fund (EDA2641/A.R.S. § 15-249.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the Arizona Department of Education for the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06, but that are not distributed by the end of the fiscal year in which they are appropriated.		
Purpose of Fund: To help schools with 50%+ eligibility rates for free or reduced-price lunches develop and operate classes that offer qualifying examinations under the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,028,300	0
Community College Adult Education Workforce Development Program Fund (EDA1124/A.R.S. §15-217.03)		Non-Appropriated
Source of Revenue: Legislative appropriations and any other monies.		
Purpose of Fund: To provide up to \$3,000 per full-time equivalent student to each community college district participating in the Community College Adult Education Workforce Development Program. This fund is repealed from and after June 30, 2025. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Computer Science Professional Development Program Fund (EDA2635/A.R.S. § 15-249.12)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and grants, gifts, devises and donations from any public or private source.		
Purpose of Fund: To fund computer science professional development for school districts and charter schools that do not currently provide high school computer science instruction. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	526,000	1,334,100
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Monies transferred from Basic State Aid through FY 2020 pursuant to A.R.S. § 15-2402C. Laws 2020, Chapter 12 eliminated the Basic State Aid transfer to the fund beginning in FY 2021. As a result, the fund has received no new revenues since FY 2020.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. In addition, ADE previously transferred Basic State Aid (BSA) monies to the State Treasurer to fund the Treasurer's ESA administrative costs and students' ESA distributions. Non-appropriated monies in the fund are prior year carry-forward		
Funds Expended	359,000	359,000
Year-End Fund Balance	3,397,300	3,038,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Non-Appropriated
Source of Revenue: Prior year carry-forward from monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	3,397,300	3,038,300
Department of Education Production Revolving Fund (EDA4211/A.R.S. § 15-237)		Non-Appropriated
Source of Revenue: Print shop collections from in-house and interagency publishing.		
Purpose of Fund: To fund agency print shop expenditures.		
Funds Expended	1,100,400	1,106,900
Year-End Fund Balance	637,700	442,700
Dual Enrollment Student Development Fund (EDA2605/Laws 2023, Chapter 142)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide reimbursements to community colleges, universities, or other institutions providing a qualifying dual enrollment course of up to \$50 per credit hour for each student that obtains a passing grade in a dual enrollment course. Total reimbursements may not exceed \$300 per student for grades 9 and 10 and may not exceed \$600 per student for grades 11 and 12. Reimbursements shall be prioritized for providers who serve students eligible for free or reduced-price lunches. This fund is repealed from and after September 14, 2024. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	460,000	460,000
Dual Enrollment Teacher Development Fund (EDA2607/Laws 2023, Chapter 142)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To distribute monies in FY 2024 to provide an incentive bonus up to \$1,000 per teacher who provides instruction in at least one dual enrollment course. If the statewide sum of bonuses exceeds the amount of monies available in the fund, the bonus monies shall be reduced proportionately to cover all eligible bonus awards. This fund is repealed from and after September 14, 2024. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Early Education and Career Exploration Program Fund (EDA2690/Laws 2023, Chapter 142)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: For implementing and administering the Early Education and Career Exploration Program established in Laws 2023, Chapter 142, Section 13. This fund is repealed from and after June 30, 2025. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,069,500	0
Education Commodity Fund (EDA4210/A.R.S. § 15-1152)		Non-Appropriated
Source of Revenue: Fees from school districts participating in the federal Food Commodities Program.		
Purpose of Fund: To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	567,700	600,100
Year-End Fund Balance	832,400	637,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Education Donations Fund (EDA2025/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Grants received by the department from foundations or other private sector donors.		
<i>Purpose of Fund:</i> To help pay for conferences, programs or other activities sponsored by donor organizations.		
Funds Expended	34,200	34,600
Year-End Fund Balance	1,700	2,100
Education Sales Tax - Accountability (EDA1114/A.R.S. § 42-5029.02A7)		Appropriated
<i>Source of Revenue:</i> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A7.		
<i>Purpose of Fund:</i> To fund school accountability. The entire \$7,000,000 typically is appropriated to the Accountability and Achievement Testing line item in the department's budget.		
Funds Expended	7,000,000	7,000,000
Year-End Fund Balance	1,558,800	200
Education Sales Tax - Basic State Aid (EDA1115/A.R.S. 42-5029.02A1 and A.R.S. § 42-5029.02A5)		Expenditure Authority
<i>Source of Revenue:</i> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A1 and A.R.S. § 42-5029.02A5.		
<i>Purpose of Fund:</i> For increased cost of basic state aid due to additional school days and teacher salary increases.		
Funds Expended	150,380,500	150,380,500
Year-End Fund Balance	0	0
Education Sales Tax - Character Education (EDA1117/A.R.S. § 42-5029.02A6 and A.R.S. § 15-154.01)		Expenditure Authority
<i>Source of Revenue:</i> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A6.		
<i>Purpose of Fund:</i> To provide state matching grants to any public school that teaches a character education curriculum pursuant to A.R.S. § 15-719.		
Funds Expended	200,000	200,000
Year-End Fund Balance	245,600	238,100
Education Sales Tax - Failing Schools Tutoring Fund (EDA2470/A.R.S. § 15-241)		Expenditure Authority
<i>Source of Revenue:</i> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A8.		
<i>Purpose of Fund:</i> To fund tutoring for students who attend "failing" schools and to purchase materials designed to help students meet Arizona Academic Standards, pursuant to A.R.S. § 15-241. For FY 2025, Section 21 of Laws 2024, Chapter 218 authorizes ADE to use monies in the fund for professional development and coaching for teachers and principals, to monitor progress on academic outcomes, and outreach efforts for tutoring services.		
Funds Expended	1,500,000	1,500,000
Year-End Fund Balance	5,413,100	5,338,200
Education Sales Tax - School Safety (EDA1116/A.R.S. § 42-5029.02A6 and A.R.S. § 15-154)		Expenditure Authority
<i>Source of Revenue:</i> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A6.		
<i>Purpose of Fund:</i> To provide grants to schools for the costs of placing school resource officers, juvenile probation officers, school counselors, and school social workers on school campuses.		
Funds Expended	7,800,000	7,800,000
Year-End Fund Balance	7,802,400	2,400
Extraordinary Special Education Needs (EDA2483/A.R.S. § 15-774)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations from the state General Fund.		
<i>Purpose of Fund:</i> To provide grants to school districts and charter schools with students receiving special education services that have incurred costs of at least the statewide per pupil funding average multiplied by 3. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	344,500	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Federal Funds (EDA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants.		
Funds Expended	2,405,961,200	2,194,686,800
Year-End Fund Balance	4,207,100	7,770,300
Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Golden Rule license plates.		
Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	236,200	245,000
Year-End Fund Balance	0	0
Governor's Emergency Education Relief Fund (EDA2980/U.S. P.L. 116-136)		Federal Funds
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	422,100	4,100
Year-End Fund Balance	4,100	0
IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)		Non-Appropriated
Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	5,780,600	661,400
Year-End Fund Balance	3,136,700	2,750,800
Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.		
Funds Expended	7,929,800	8,157,300
Year-End Fund Balance	3,654,100	2,946,800
Industry-Recognized Certification and Licensure Reimbursement Fund (EDA2780/A.R.S. § 15-1265)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and other donations.		
Purpose of Fund: To eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for students eligible for Free or Reduced-Price Lunches. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,000,000	500,000
Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)		Expenditure Authority
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 15-979.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	99,754,800	80,425,700
Year-End Fund Balance	37,250,200	37,250,200

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Internal Services Fund (EDA4209/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
Funds Expended	11,517,600	7,334,200
Year-End Fund Balance	2,435,000	911,300
Invest in Postsecondary Success Program Fund (EDA2196/A.R.S. § 15-249.18)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To administer the Invest in Postsecondary Success Program and for distributing monies to a contracted vendor that administers college match savings accounts. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Permanent State School Fund (EDA3138/A.R.S. § 37-521)		Appropriated
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, up to \$72,263,000 of expendable earnings in the fund are available for Basic State Aid. Expendable earnings beyond the \$72,263,000 are automatically deposited into the Classroom Site Fund pursuant to A.R.S. § 37-521B4, except that expendable earnings above \$72,263,000 that are attributable to Proposition 123 are instead used for Basic State Aid.		
In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated into the Classroom Site Fund pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To support common schools.		
Funds Expended	342,797,300	357,889,000
Year-End Fund Balance	7,963,500	7,963,500
Special Education Fund (EDA1009/A.R.S. § 15-1182)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide voucher funding for students attending the ASDB pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	13,262,800	12,958,800
Teacher Certification Fund (EDA2399/A.R.S. § 15-248.02)		Appropriated
Source of Revenue: Fees collected by the Department of Education from teachers and other school personnel who apply for professional certification.		
Purpose of Fund: To provide monies for operation of the department's Teacher Certification program.		
Funds Expended	1,809,800	2,547,000
Year-End Fund Balance	1,956,700	1,109,700
Tribal College Dual Enrollment Program Fund (EDA2595/A.R.S. § 15-244.01)		Appropriated
Source of Revenue: Unclaimed lottery prize monies pursuant to A.R.S. § 5-568, other monies appropriated by the Legislature and gifts, grants, devices and other contributions. Laws 2021, Chapter 404 allows \$325,000 of unclaimed lottery prize monies to be transferred to the fund annually.		
Purpose of Fund: To provide choice and access to higher education for high school students in this state by compensating tribal colleges for tuition and fees that are waived to allow high school students to attend classes at tribal colleges.		
Funds Expended	178,900	325,000
Year-End Fund Balance	1,111,100	1,111,100

Department of Emergency and Military Affairs

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
PROGRAM BUDGET			
Administration	5,135,900	2,461,200	2,461,200
Emergency Management	9,098,900	9,276,400	9,255,500
Military Affairs	10,537,700	6,663,800	6,663,800
AGENCY TOTAL	24,772,500	18,401,400	18,380,500
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	74.6	71.0	72.1 ^{1/}
Personal Services	2,011,400	3,107,800	3,107,800
Employee Related Expenditures	612,100	829,700	829,700
Professional and Outside Services	351,200	67,300	67,300
Travel - In State	177,100	193,300	193,300
Travel - Out of State	9,300	12,000	12,000
Other Operating Expenditures	4,380,100	1,188,000	1,188,000
Equipment	260,900	300	300
OPERATING SUBTOTAL	7,862,100	5,398,400	5,398,400
SPECIAL LINE ITEMS			
Emergency Management Matching Funds	1,519,600	1,544,900	1,544,900
Governor's Emergency Fund	4,000,000	4,000,000	4,000,000 ^{2/}
Hazard Mitigation Assistance	439,200	462,900	0
Hazard Mitigation Revolving Fund Deposit	200,000	200,000	200,000
Nuclear Emergency Management Program	2,079,800	2,176,000	2,320,900
Military Airport Planning	72,000	90,000	90,000 ^{3/}
Border Security Fund Allocations	6,672,200	0	0
Federal Government Matching Repayment	619,100	0	0
National Guard Matching Funds	839,200	3,529,200	3,529,200 ^{4/}
National Guard Tuition Reimbursement	469,300	1,000,000	1,000,000 ^{5/}
AGENCY TOTAL	24,772,500	18,401,400	18,083,400 ^{6/}
FUND SOURCES			
General Fund	16,020,500	16,225,400	15,762,500
<u>Other Appropriated Funds</u>			
Border Security Fund	6,672,200	0	0
Nuclear Emergency Management Fund	2,079,800	2,176,000	2,320,900
SUBTOTAL - Other Appropriated Funds	8,752,000	2,176,000	2,320,900
SUBTOTAL - Appropriated Funds	24,772,500	18,401,400	18,083,400
Other Non-Appropriated Funds	41,132,800	58,180,800	58,180,800
Federal Funds	78,466,000	129,271,100	129,271,100
TOTAL - ALL SOURCES	144,371,300	205,853,300	205,535,300

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 9 FTE OF FTE Positions funded from separate legislation in FY 2026.

^{2/} 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 Appropriations Act.

- 3/ 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 Appropriations Act.
- 4/ The \$3,529,200 national guard matching funds appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all fiscal year 2025-2026 monies remaining unexpended and unencumbered on December 31, 2026 revert to the state general fund. (General Appropriations Act footnote)
- 5/ The appropriated amount for the national guard tuition reimbursement line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until September 30, 2026. (General Appropriations Act footnote)
- 6/ General Appropriations Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

Operating Budget

The Baseline includes \$5,398,400 and 63.1 FTE Positions from the General Fund in FY 2026 for the operating budget. Adjustments are as follows:

FTE Position Increase

The Baseline includes an increase of 3.6 FTE Positions in FY 2026 to correct a clerical error in the FY 2025 General Appropriations Act.

Emergency Services

Emergency Management Matching Funds

The Baseline includes \$1,544,900 from the General Fund in FY 2026 for Emergency Management Matching Funds. This amount is unchanged from FY 2025.

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 FY 2023, DEMA was awarded \$7,316,000 by the federal government.

In FY 2023, the state match for these monies was funded by \$876,800 from the General Fund operating budget appropriation, \$1,642,100 from the Emergency Management Matching Funds line item appropriation, \$742,500 of the Nuclear Emergency Management Fund appropriation, and a \$4,054,600 match from the local government sub-recipients.

Information on the amount DEMA received for this line item, and the associated matching amounts, is not yet available for FY 2024.

Governor's Emergency Fund

The Baseline includes \$4,000,000 from the General Fund in FY 2026 for the Governor's Emergency Fund. This amount is unchanged from FY 2025.

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 Appropriations Act.

Hazard Mitigation Assistance

The Baseline includes no funding and no FTE Positions in FY 2026 for the Hazard Mitigation Assistance line item. Adjustments are as follows:

Remove One-Time Hazard Mitigation Assistance Funding

The Baseline includes a decrease of \$(462,900) and (2) FTE Positions from the General Fund in FY 2026 to eliminate one-time funding for hazard mitigation assistance. The FY 2024 budget's 3-year spending plan included one-time funding of \$462,900 in both FY 2024 and FY 2025.

The line item provided funding for 2 FTE Positions to assist in writing applications for new federal mitigation grants. The new federal grants include the following programs: Building Resilient Infrastructure and Communities (BRIC), Hazard Mitigation Grant Program (HMGP), Legislative Pre-Disaster Mitigation (L-PDM), and Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM Act).

In addition to mitigation activities, the new federal funds may be used to pay for the salary costs of the employees that applied for the federal grants. However, the department anticipates a 2-year delay between the time they apply for the new federal funds and when they receive the new funds. Starting in FY 2026, DEMA

anticipates the added positions will be funded entirely from the newly acquired federal grants.

Hazard Mitigation Revolving Fund Deposit

The Baseline includes \$200,000 from the General Fund in FY 2026 for the Hazard Mitigation Revolving Fund Deposit line item. Adjustments are as follows:

One-Time Hazard Mitigation Revolving Fund Deposit Funding

The Baseline continues \$200,000 from the General Fund in FY 2026 for a deposit into the Hazard Mitigation Revolving Fund. The FY 2025 budget's 3-year spending plan includes one-time funding of \$200,000 through FY 2027. The latest 3-year budget plan assumed this funding would continue through FY 2028.

The line item provides funding for a state match to draw down monies from the Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM Act). Monies from the STORM Act may be used by the state to establish revolving loan funds that provide hazard mitigation funding for local governments to reduce risks from natural disasters and events.

Nuclear Emergency Management Program

The Baseline includes \$2,320,900 and 8 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2026 for the Nuclear Emergency Management Program line item. Adjustments are as follows:

New NEMF Assessment

The Baseline includes an increase of \$144,900 and a decrease of (0.5) FTE Positions from NEMF in FY 2026 for a new NEMF assessment.

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. The Legislature enacts this revised fee level in a bill outside of the budget process.

DEMA has provided recommendations for the FY 2026 and FY 2027 NEMF funding levels. The DEMAs recommendations for FY 2026 and FY 2027 include an increase of \$144,900 in FY 2026 and an increase of \$87,600 in FY 2027 above the FY 2026 level for DEMAs. The DEMAs recommendation also includes 8 FTE Positions, which is (0.5) FTE Positions fewer than the FY 2025 appropriation.

The Baseline increases NEMF funding to the department by \$144,900 in FY 2026 and adjusts the FTE Positions based on the DEMAs recommendations. The final amount, which typically reflects the DEMAs recommendations, will be determined in the 2025 Legislative Session as part of separate legislation. As a result, these monies will not appear in the General Appropriations Act.

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 Baseline includes \$90,000 and 1 FTE Position from the General Fund in FY 2026 for Military Airport Planning. These amounts are unchanged from FY 2025.

A.R.S. § 26-263 annually appropriates \$90,000 and 1 FTE Position to the department and \$85,000 to the Attorney General for administration of the Military Installation Fund. Since these monies are appropriated in statute, they do not appear in the General Appropriations Act.

The Military Installation Fund currently has no ongoing revenue source.

Military Affairs

National Guard Matching Funds

The Baseline includes \$3,529,200 from the General Fund in FY 2026 for the National Guard Matching Funds line item. This amount is unchanged from FY 2025.

The line item provides state funding to DEMAs 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 state matching requirement of between 5.5% and 50%.

The operations and maintenance for these facilities are paid through service contracts. The Baseline continues to make this appropriation exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2026 monies remaining unexpended and unencumbered on December 31, 2026 revert to the state General Fund.

In FY 2023, DEMA received \$53,154,800 in National Guard Military Operations and Maintenance Projects monies. Of this amount, \$2,527,500 required a 50% match, or \$1,263,800; \$3,751,200 required a 25% match, or \$937,800; and \$3,634,300 required a 5.5% match, or \$199,900, for a total required match of \$2,401,400. Information on the amount DEMA received for this line item, and the associated matching amounts, is not yet available for FY 2024.

National Guard Tuition Reimbursement

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for the National Guard Tuition Reimbursement line item. This amount is unchanged from FY 2025.

DEMA estimates that the \$1,000,000 appropriation will provide tuition reimbursement to 369 National Guardsmen. The Baseline exempts monies in this line item from lapsing until September 30, 2026.

Other Issues

Border Security Fund Allocations

Laws 2022, Chapter 321 diverted \$209,205,000 of transaction privilege tax (TPT) revenues in FY 2023 from the General Fund to the Border Security Fund. The FY 2023 General Appropriations Act appropriated the \$209,205,000 to DEMA and allocated the funding for various purposes. Additionally, \$335,000,000 of transaction privilege tax (TPT) revenues was diverted from the General Fund to the Border Security Fund in FY 2023

for the installation of physical barriers and other security technologies at the border.

These allocations have been modified on multiple occasions, but current allocation amounts can be seen in *Table 1*.

Border Security Fund Allocations	
	<u>Current Allocation</u>
<i>Laws 2022, Chapter 313 1/</i>	
Cochise County Jail	\$20,000,000
Local ICE Reimbursement	7,600,000
Antihuman Trafficking Grant Fund	10,000,000
Local Prosecution Costs	24,800,000
Arizona National Guard	20,000,000
Emergency Testing and Care	4,600,000
Asylum Transportation	23,000,000
Deputy Sheriff Compensation	53,405,000
State Guard – Chain of Command	800,000
Emergency Operations Center	2,322,800
Local Border Support	12,232,900
Border Drug Interdiction	15,444,300
Coordinated Response Center	<u>15,000,000</u>
Subtotal	\$209,205,000
<i>Laws 2022, Chapter 334</i>	
Border Fence and Border Security Technologies	\$335,000,000
Total	\$544,205,000

1/ Some allocations have been modified and will not match the allocations seen in Laws 2022, Chapter 313. Please see the Border Security Fund program summary for more information.

DEMA is required to submit a quarterly report, in consultation with the Arizona Department of Homeland Security and DPS, to JLBC on the status of the project allocations and until the monies are fully expended. (Please see the *Border Security Fund program summary on the JLBC website for more information*).

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Anti-Human Trafficking Grant Fund (MAA2606/A.R.S. § 26-106)		Non-Appropriated
Source of Revenue: Legislative appropriations. Laws 2022, Chapter 313 included a one-time deposit of \$10,000,000 from the General Fund. Laws 2023, Chapter 133 deposited an additional \$10,000,000 from the General Fund into a separate Antihuman Trafficking Grant Fund established by Laws 2023, Chapter 137, to be administered by the Department of Homeland Security. The balances shown below reflect the combined balances of both funds.		
Purpose of Fund: To distribute to programs to reduce human trafficking in the state of Arizona.		
Funds Expended	242,400	0
Year-End Fund Balance	17,757,600	15,757,600

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Border Security Fund (MAA2655/A.R.S. § 26-105)		Appropriated
Source of Revenue: Legislative appropriations, gifts, grants and other donations.		
Purpose of Fund: Monies may be used for preventing human trafficking; preventing entry of unlawful individuals and substances into the United States; planning, designing, constructing and maintaining transportation, technology and commercial vehicle inspection infrastructure at the state's international border; clearing indigenous plants; administering and managing construction and maintenance of a physical border fence; awarding grants to counties to provide housing in secure facilities and awarding grants to counties for prosecuting individuals who commit crimes related to unlawful entry of individuals or substances. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	6,672,200	0
Year-End Fund Balance	0	0
Border Security Fund (MAA2655/A.R.S. § 26-105)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants and other donations.		
Purpose of Fund: Monies may be used for preventing human trafficking; preventing entry of unlawful individuals and substances into the United States; planning, designing, constructing and maintaining transportation, technology and commercial vehicle inspection infrastructure at the state's international border; clearing indigenous plants; administering and managing construction and maintenance of a physical border fence; awarding grants to counties to provide housing in secure facilities and awarding grants to counties for prosecuting individuals who commit crimes related to unlawful entry of individuals or substances. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	40,549,300	55,806,700
Year-End Fund Balance	219,798,500	217,992,200
Camp Navajo Fund (MAA2106/A.R.S. § 26-152)		Federal Funds
Source of Revenue: Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.		
Purpose of Fund: To operate and maintain the Camp Navajo National Guard training and storage facility and for the operation and maintenance of National Guard facilities in Arizona.		
Funds Expended	12,858,500	14,513,700
Year-End Fund Balance	6,804,800	7,721,800
Department of Emergency and Military Affairs Opioid Remediation Fund (MAA2573/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies transferred by the Attorney General from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund. Revenue comes from monies deposited in the subaccount pursuant to opioid claims-related litigation or settlements.		
Purpose of Fund: For approved purposes as prescribed in a court order, a settlement agreement or the One Arizona Distribution of Opioid Settlement Funds Agreement that is entered into by this state and other parties to the opioid litigation. The FY 2025 budget included \$3,000,000 for DEMA to reduce drug trafficking activities, with a focus on assisting law enforcement agencies in fentanyl cases. DEMA did not report FY 2025 estimated expenditures from this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Emergency Management Assistance Compact and Arizona Mutual Aid Compact Revolving Fund (MAA2602/A.R.S. § 26-403)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and monies received as reimbursement for costs incurred by this state and its supporting partners while rendering aid as prescribed in A.R.S. § 26-402.		
Purpose of Fund: To pay costs incurred by the state and its supporting partners while assisting other states with emergencies or natural disasters.		
Funds Expended	0	0
Year-End Fund Balance	300,000	300,000

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)		Federal Funds
<i>Source of Revenue:</i> Federal program grants.		
<i>Purpose of Fund:</i> To pay for the federal share of emergency planning, response and management programs.		
Funds Expended	9,211,900	58,923,600
Year-End Fund Balance	1,983,700	36,317,200
Federal Funds - Military (MAA2000 B/A.R.S. § 35-142)		Federal Funds
<i>Source of Revenue:</i> Federal service contracts for security, maintenance and operations of the National Guard.		
<i>Purpose of Fund:</i> To provide the federal share of costs for Army National Guard and Air National Guard positions, capital and operating expenses.		
Funds Expended	54,070,900	53,805,300
Year-End Fund Balance	1,983,700	36,317,200
Hazard Mitigation Revolving Fund (MAA9999/Laws 2023, Chapter 138)		Non-Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature and monies received from the federal government.		
<i>Purpose of Fund:</i> The Fund may be used in Fiscal Years 2024 through 2028 in accordance with the guidelines established pursuant to the Safeguarding Tomorrow Through Ongoing Risk Mitigation Act (P.L. 116-284; 134 Stat. 4869)		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (MAA9000/A.R.S. § 35-142)		Federal Funds
<i>Source of Revenue:</i> Federal FEMA Grants and Non-Appropriated Funds.		
<i>Purpose of Fund:</i> To pay administrative expenditures not directly attributable to any one program, but associated with Federal Grant and Non-Appropriated funds.		
Funds Expended	861,000	1,083,200
Year-End Fund Balance	115,400	0
Interagency Service Agreement Fund (MAA2500/A.R.S. § 35-142)		Federal Funds
<i>Source of Revenue:</i> Funds from federal grants.		
<i>Purpose of Fund:</i> Support of the agency's centralized personnel plan which allocates support staff costs to National Guard grants and the agency's mail distribution program in addition to agreements within and outside the agency.		
Funds Expended	1,463,700	945,300
Year-End Fund Balance	392,600	315,800
Military Installation Fund (MAA1010/A.R.S. § 26-262)		Non-Appropriated
<i>Source of Revenue:</i> The FY 2015 General Appropriation Act provided a one-time deposit of \$2,500,000 into the fund. Currently, the fund's sole revenue source is the collection of interest from the balance in the fund.		
<i>Purpose of Fund:</i> Grants for military installation preservation and enhancement projects as well as costs associated with administering the fund. DEMA must utilize 80% of the monies to acquire private property, real estate, property rights and related infrastructure to preserve, support, or enhance a military installation. Up to 20% of this amount may be awarded to cities, towns, and counties for land acquisition purposes. The remaining 20% is awarded to cities, towns, and counties for military installation preservation and enhancement projects. In addition, \$90,000 is appropriated each Fiscal Year from the General Fund to the department for the costs associated with 1 FTE Position to administer the fund.		
Funds Expended	155,000	1,591,200
Year-End Fund Balance	1,915,500	324,300
Morale, Welfare and Recreational Fund (MAA2124/A.R.S. § 26-153)		Non-Appropriated
<i>Source of Revenue:</i> A portion of National Guard Member Special License Plate fees, funds generated from federally-defined recycling activities, monies from the disposal of unserviceable military property belonging to the state, or other non-state-appropriated monies.		
<i>Purpose of Fund:</i> To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.		
Funds Expended	79,500	360,000
Year-End Fund Balance	365,900	71,900

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
National Guard Cyber Response Revolving Fund (MAA2619/A.R.S. § 26-183)		Non-Appropriated
Source of Revenue: Legislative appropriations and monies received as reimbursement for costs incurred by the state while rendering aid for cyber-attack prevention, response, and support activities for the state and political subdivisions in the state.		
Purpose of Fund: Monies in the fund may be used for costs incurred by the state while assisting agencies and political subdivisions of the state or as directed by the Governor for the cyber support activities.		
Funds Expended	7,300	900
Year-End Fund Balance	270,200	269,300
National Guard Fund (MAA2140/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature and proceeds, deposited into a separate subaccount, from National Guard facilities that are utilized for commercial purposes.		
Purpose of Fund: For general operating expenses of the National Guard and maintenance and capital improvements to any National Guard facility.		
Funds Expended	70,800	400,000
Year-End Fund Balance	336,900	32,900
Nuclear Emergency Management Fund (MAA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
Funds Expended	2,079,800	2,176,000
Year-End Fund Balance	3,126,700	2,818,100
State Armory Property Fund (MAA2146/A.R.S. § 26-231)		Non-Appropriated
Source of Revenue: Sale of surplus armory property.		
Purpose of Fund: For the construction and capital improvement of National Guard armories.		
Funds Expended	28,500	22,000
Year-End Fund Balance	836,200	814,200

Department of Environmental Quality

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	355.7	358.7	358.7
Personal Services	24,172,800	26,880,900	26,197,700
Employee Related Expenditures	8,376,400	9,249,600	9,015,700
Professional and Outside Services	5,568,700	8,656,100	5,945,800
Travel - In State	867,900	946,300	946,300
Travel - Out of State	97,400	151,100	151,100
Other Operating Expenditures	17,641,400	21,518,200	21,295,600
Equipment	379,300	67,700	67,700
OPERATING SUBTOTAL	57,103,900	67,469,900	63,619,900
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	23,540,500	28,894,500	28,894,500
Zero-Emission Heavy-Duty Eight Ton Pilot Program	0	1,000,000	0
WQARF Priority Site Remediation	15,000,000	15,000,000	15,000,000 ^{1/2/}
Safe Drinking Water Program	1,768,000	2,001,600	2,001,600
Direct Potable Reuse of Treated Wastewater Program	1,139,500	0	0
Water Quality Fee Fund Deposit	9,500,000	0	0
PFAS Mitigation	466,100	0	0
AGENCY TOTAL	108,518,000	114,366,000	109,516,000 ^{3/}
FUND SOURCES			
General Fund	26,105,600	16,000,000	15,000,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	5,170,500	9,207,200	6,307,200
Emergency Response Fund	131,300	132,800	132,800
Emissions Inspection Fund	28,246,900	33,012,700	33,012,700
Hazardous Waste Management Fund	1,712,400	1,960,100	1,960,100
Indirect Cost Fund	19,051,600	18,788,100	18,788,100 ^{4/}
Permit Administration Fund	5,194,500	7,333,900	7,333,900 ^{5/}
Recycling Fund	2,518,300	2,484,100	1,534,100
Safe Drinking Water Program Fund	1,768,000	2,001,600	2,001,600
Solid Waste Fee Fund	1,068,600	2,592,700	2,592,700
Water Quality Fee Fund	17,550,300	20,852,800	20,852,800
SUBTOTAL - Other Appropriated Funds	82,412,400	98,366,000	94,516,000
SUBTOTAL - Appropriated Funds	108,518,000	114,366,000	109,516,000
Other Non-Appropriated Funds	65,552,800	72,955,300	72,955,300
Federal Funds	25,629,600	31,619,100	31,619,100
TOTAL - ALL SOURCES	199,700,400	218,940,400	214,090,400

AGENCY DESCRIPTION — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department's Air Quality Division issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors the ambient air, and develops air quality improvement strategies. The Waste Programs Division implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the cleanup (remediation) of hazardous waste sites. The Water Quality Division regulates drinking water and wastewater systems, monitors waters of the state, and provides hydrologic analysis to support hazardous site remediation.

FOOTNOTES

^{1/} A.R.S. § 49-282 as limited by the Environment Budget Reconciliation Bill 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 Appropriations Act, it is shown here as a General Fund expenditure.

- 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 fiscal year 2025-2026 report to the joint legislative budget committee on or before September 1, 2025. 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 fiscal year 2025-2026. In addition, the department and the WQARF advisory board shall prepare and submit to the joint legislative budget committee, on or before October 1, 2025, 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 fiscal year 2024-2025, indicate whether the current stage of remediation is anticipated to be completed in fiscal year 2025-2026, and indicate the anticipated stage of remediation at each listed site at the end of fiscal year 2025-2026, assuming fiscal year 2025-2026 funding levels. The department and the WQARF advisory board may include other relevant information about the listed sites in the table. (General Appropriations Act footnote)
- 3/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 4/ All monies in the department of environmental quality indirect cost fund, including the beginning balance, that are in excess of \$18,788,100 in fiscal year 2025-2026 are appropriated to the department. Before spending indirect cost fund monies in excess of \$18,788,100 in fiscal year 2025-2026, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act footnote)
- 5/ All permit administration fund monies received by the department of environmental quality in excess of \$7,333,900 in fiscal year 2025-2026 are appropriated to the department. Before spending permit administration fund monies in excess of \$7,333,900 in fiscal year 2025-2026, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act footnote)

Operating Budget

The Baseline includes \$63,619,900 and 358.7 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
Air Quality Fund	\$6,307,200
Emergency Response Fund	132,800
Emissions Inspection Fund	4,118,200
Hazardous Waste Management Fund	1,960,100
Indirect Cost Fund	18,788,100
Permit Administration Fund	7,333,900
Recycling Fund	1,534,100
Solid Waste Fee Fund	2,592,700
Water Quality Fee Fund	20,852,800

Adjustments are as follows:

Remove One-Time Voluntary Vehicle Repair Program Support

The Baseline includes a decrease of \$(2,900,000) from the Air Quality Fund in FY 2026 to remove one-time funding for a deposit into the non-appropriated Voluntary Vehicle Repair and Retrofit Program Fund.

Remove One-Time Solid Waste Program Backfill

The Baseline includes a decrease of \$(950,000) from the Recycling Fund in FY 2026 to remove one-time funding to address a funding shortfall in the solid waste program.

Emissions Control Contractor Payment

The Baseline includes \$28,894,500 from the Emissions Inspection Fund in FY 2026 for Emissions Control Contractor Payment. This amount is unchanged from FY 2025.

The Emissions Control Program is operated by a contractor in the Phoenix Metropolitan Area and the Tucson Metropolitan Area with the purpose of identifying polluting motor vehicles. The program is funded through test fees that are charged to motorists. Statute does not specify a fee level.

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 onboard diagnostic 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.

The Baseline would continue an Environment Budget Reconciliation Bill (BRB) provision requiring ADEQ to charge emission inspection fees in FY 2026 for Area A such that total Area A fee collections are reduced by 5% of the

level of FY 2024 Area A fee collections. The FY 2025 Environment BRB required ADEQ to reduce emissions inspection fees for Area A, starting in FY 2025, such that total Area A collections are reduced by 5%. As of this writing, DEQ has not decreased the emissions inspection fees. Area A refers to the Phoenix Metropolitan Area and includes Maricopa County as well as portions of Pinal and Yavapai Counties.

Zero-Emission Heavy-Duty Eight-Ton Pilot Program

The Baseline includes no funding in FY 2026 for a Zero-Emission Heavy-Duty Eight-Ton Pilot Program. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove one-time funding for ADEQ to implement a pilot program to replace diesel heavy duty trucks with zero-emission vehicles.

WQARF Priority Site Remediation

The Baseline includes \$15,000,000 from the General Fund in FY 2026 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount is unchanged from FY 2025.

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 Baseline continues an Environment BRB provision notwithstanding the \$18,000,000 annual funding level for the Water Quality Assurance Revolving Fund (WQARF) and limiting the General Fund transfer to \$15,000,000.

In FY 2024, the WQARF program received \$15,000,000 from the General Fund and \$2,116,600 from fee revenues pursuant to A.R.S. § 49-288 for a total of \$17,116,600.

Background – 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.

Safe Drinking Water Program

The Baseline includes \$2,001,600 from the Safe Drinking Water Program Fund in FY 2026 for the Safe Drinking Water Program. This amount is unchanged from FY 2025.

The Safe Drinking Water Program Fund receives the first \$1,800,000 of Public Water System (PWS) tax revenues.

Direct Potable Reuse of Treated Wastewater Program

The Baseline includes no funding in FY 2026 for the Direct Potable Reuse of Treated Wastewater Program line item. This amount is unchanged from FY 2025.

The Direct Potable Reuse of Treated Wastewater Program received \$1,500,000 from the General Fund in both FY 2023 and FY 2024 for initial support while ADEQ established rules and permit fees. Future program revenue will be deposited into the Water Quality Fee Fund. The FY 2023 Environment Budget Reconciliation Bill (BRB) required this to be done by December 31, 2024. *(Please see the Water Quality Fee Fund section in Other Issues for additional information.)*

Water Quality Fee Fund Deposit

The Baseline includes no funding in FY 2026 for a Water Quality Fee Fund Deposit. This amount is unchanged from FY 2025.

This line item only reflects the transfer of revenue into the WQFF. The actual expenditure of any monies from the WQFF was displayed as part of the ADEQ operating budget.

The FY 2025 budget made a one-time transfer of \$7,200,000 from the Air Quality Fund to the WQFF to address a funding shortfall as ADEQ implements new fees in FY 2025. *(Please see the Water Quality Fee Fund section in Other Issues for additional information.)*

In FY 2023 and FY 2024, we appropriated General Fund monies into the WQFF as part of this line item and then increased the WQFF appropriation authority in the operating budget by a like amount. This approach required 2 separate appropriations. In the FY 2025 budget, this process was simplified by transferring Air Quality Fund monies into the WQFF, which only required a single appropriation out of the WQFF in the operating budget.

PFAS Mitigation

The Baseline includes no funding in FY 2026 for PFAS Mitigation. This amount is unchanged from FY 2025.

The FY 2024 appropriation of \$5,000,000 for PFAS Mitigation is non-lapsing. An FY 2024 budget footnote required ADEQ to submit a report documenting its progress expending monies from the PFAS Mitigation line item to the JLBC by July 31, 2024. ADEQ reported allocating \$2,469,000 for mitigation projects; \$1,131,000 for PFAS sampling to identify and monitor sites; \$1,000,000 for hydrogeologic studies to support rural water providers; and \$400,000 for other expenses, including preparing materials for water professionals about PFAS detection and mitigation and additional sampling of systems with significant PFAS contamination. In FY 2024, the department expended \$454,300 of the appropriation.

PFAS (per- and polyfluoroalkyl substances) are long-lasting synthetic chemicals that are frequently used in industrial and consumer products, including non-stick cookware, certain firefighting foams, and water-resistant apparel. Because they are resistant to environmental breakdown, these chemicals often leak into soil, water, and air. Studies have shown that exposure to PFAs can result in a range of health risks for both humans and wildlife, including but not limited to cancer and reproductive harm.

Other Issues

Statutory Changes

The Baseline would:

- As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Revolving Fund in FY 2026 for department administrative expenses and for sewage remediation.
- As session law, continue notwithstanding the \$18,000,000 annual funding level for the Water Quality Assurance Revolving Fund (WQARF) and limiting the General Fund transfer to \$15,000,000.
- As session law, continue to require the department reduce emission inspection fees in FY 2026 for Area A such that total Area A fee collections are reduced by 5% of the level of FY 2024 Area A fee collections. The FY 2025 Environment BRB required ADEQ to reduce emissions inspection fees for Area A, starting in FY 2025, such that total Area A collections are reduced

by 5%. As of this writing, DEQ has not decreased the emissions inspection fees. Area A refers to the Phoenix Metropolitan Area and includes Maricopa County as well as portions of Pinal and Yavapai Counties.

Water Quality Fee Fund

The Water Quality Fee Fund supports water quality regulatory programs. The operating budget includes \$20,852,800 from the Water Quality Fee Fund in FY 2026.

The FY 2023 budget increased the appropriated amount from the fund in the operating budget from \$10,659,300 to \$17,059,300 in FY 2023, and the FY 2024 budget increased the appropriated amount to \$27,853,200 with a one-time appropriation of \$9,500,000 to the operating budget. For FY 2025, there was a net decrease of \$(6,981,000) to the operating budget based on eliminating the one-time FY 2024 appropriation of \$(9,500,000) and adding back an ongoing increase of \$2,519,000 to the operating budget.

Laws 2022, Chapter 204 amended fee requirements and allowed ADEQ to update fees for this fund. ADEQ revised the fees effective August 4, 2023. FY 2025 revenues will be the first year where the fee schedule is in effect the entire year. This adjusted the department's fees for standard permitting and permit support programs, including aquifer protection permits, reclaimed water permits, drinking water engineering review, the Arizona Pollutant Discharge Elimination System, and the Underground Injection Control permit program. ADEQ is also developing new fees for Direct Potable Reuse of Treated Wastewater Program that will be deposited into the Water Quality Fee Fund. The department expects the rule to be effective in Spring 2025.

Recent budgets have included one-time deposits from the General Fund to the Water Quality Fee Fund and corresponding increases to the amount appropriated in the operating budget from the Water Quality Fee Fund while ADEQ develops and implements new fees: \$6,400,000 in FY 2023 and \$9,500,000 in FY 2024. The FY 2025 budget included a deposit of \$7,200,000 into the Water Quality Fee Fund from the Air Quality Fund. *(Please see the Water Quality Fee Fund Deposit line item for additional information.)*

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Monies received from the \$1.50 fee assessed on motor vehicle registration, as well as gifts, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also, to provide funding annually to the Department of Administration state employee travel reduction program, the Department of Agriculture, and the Department of Transportation. (See individual agencies for further description.)		
Funds Expended	5,170,500	9,207,200
Year-End Fund Balance	14,162,500	4,913,900
Coronavirus State and Local Fiscal Recovery Fund (EVA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	1,217,500	33,800
Year-End Fund Balance	0	0
Emergency Response Fund (EVA3031/A.R.S. § 49-132)		Appropriated
Source of Revenue: The fund receives 10% of the department's Hazardous Waste Management Fund's revenues, hazardous waste fees, fees associated with issuing and modifying permits for hazardous waste treatment, storage, or disposal facilities, and legislative and federal appropriations.		
Purpose of Fund: To develop and administer a hazardous materials emergency management program. The annual funds transferred from the Hazardous Waste Management Fund are used for staffing local emergency planning committees and equipping local emergency management agencies. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	131,300	132,800
Year-End Fund Balance	170,700	205,600
Emissions Inspection Fund (EVA2082/A.R.S. § 49-544)		Appropriated
Source of Revenue: Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
Purpose of Fund: To pay for enforcement of fleet inspections, exemptions, and certificates of waiver programs; to pay Emissions Inspection Program contract and administrative charges, including station auditing, contractor training and certification, and motorist assistance; to pay for the state portion of catalytic converter program costs; and to pay for research studies of the feasibility and effectiveness of new emission control technologies.		
Funds Expended	28,246,900	33,012,700
Year-End Fund Balance	8,465,400	7,152,000
Employee Recognition Fund (EVA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs.		
Funds Expended	900	1,400
Year-End Fund Balance	2,300	2,700
Federal Funds (EVA2000/A.R.S. § 49-104)		Federal Funds
Source of Revenue: Federal grants related to water quality management, Underground Storage Tank enforcement provisions, air pollution control, research projects, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	24,412,100	31,585,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927)		Appropriated
Source of Revenue: Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
Purpose of Fund: To pay educational, permitting, planning, and enforcement costs of the Hazardous Waste Program, and to provide administration and state matching funds for federal source reduction grants. There is an annual statutory transfer of 10% of the revenues to the Emergency Response Fund. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	1,712,400	1,960,100
Year-End Fund Balance	973,900	1,444,700
IGA and ISA Fund (EVA2500/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	8,088,400	8,953,700
Year-End Fund Balance	0	0
Indirect Cost Fund (EVA9000/A.R.S. § 49-115)		Appropriated
Source of Revenue: Monies are generated from assessments to the department's appropriated and non-appropriated funds, including federal grants.		
Purpose of Fund: To pay departmentwide administrative personnel and overhead costs that are not directly allocated to the budget of the contributing programs. A budget footnote requires ADEQ to report the intended use of any monies in excess of the amount appropriated for the year.		
Funds Expended	19,051,600	18,788,100
Year-End Fund Balance	5,179,400	15,398,000
Institutional and Engineering Control Fund (EVA2563/A.R.S. § 49-159)		Non-Appropriated
Source of Revenue: Application fees for department's assessment and verification of restricted, non-residential use of contaminated land, recovered costs for repair of engineering and institutional controls, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
Funds Expended	400	2,200
Year-End Fund Balance	112,900	121,200
Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360)		Non-Appropriated
Source of Revenue: Fees charged to public water systems serving up to 10,000 persons for the Monitoring Assistance program, and federal monies.		
Purpose of Fund: The Monitoring Assistance program collects and analyzes samples from public water systems to ensure they meet federal Safe Drinking Water Act requirements. Monies in this fund are used to pay contractors to conduct the analysis, laboratories for program-related work, and administrative costs. Administrative expenditures are limited annually to the lesser of 15% of deposited funds for the year, or \$184,000. If, after executing the previous year's contract, the fund has a surplus exceeding the average annual operating costs as measured by the three prior fiscal years, funds will be used to reduce the fee charged for the subsequent year. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	648,400	998,000
Year-End Fund Balance	922,500	859,600
Permit Administration Fund (EVA2328/A.R.S. § 49-455)		Appropriated
Source of Revenue: Permit fees collected from the state's air pollution control programs and interest.		
Purpose of Fund: To develop and administer permit programs and to conduct inspections as required by the Clean Air Act. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations		
Funds Expended	5,194,500	7,333,900
Year-End Fund Balance	6,615,200	5,621,700

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Recycling Fund (EVA2289/A.R.S. § 49-837)		Appropriated
Source of Revenue: Landfill disposal (tipping) fees and legislative appropriations.		
Purpose of Fund: For grants to local governments and others developing recycling markets and programs; for public information and assistance on source reduction and recycling; and for revenue collection and fund administration. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	2,518,300	2,484,100
Year-End Fund Balance	3,820,300	4,081,600
Safe Drinking Water Program Fund (EVA4150/A.R.S. § 49-360)		Appropriated
Source of Revenue: The first \$1,800,000 received from Public Water System (PWS) tax revenue.		
Purpose of Fund: To fund programs related to the department's responsibilities for potable water systems and ensuring safe drinking water. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations		
Funds Expended	1,768,000	2,001,600
Year-End Fund Balance	1,159,300	986,300
Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881)		Appropriated
Source of Revenue: Solid waste program fees, landfill and transporter registrations, donations, and legislative appropriations.		
Purpose of Fund: To support education, compliance, and enforcement of rules regarding storage, processing, treatment and disposal of solid waste, including program costs for waste tire removal, the special waste program, coal combustion residuals, used oil handling, and, and lead acid battery recycling.		
Funds Expended	1,068,600	2,592,700
Year-End Fund Balance	930,300	(440,000)
Specific Site Judgment Fund (EVA3006/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
Purpose of Fund: For administration of court settlements, judgments, or consent decrees.		
Funds Expended	0	0
Year-End Fund Balance	513,700	513,700
Underground Storage Tank Revolving Fund (EVA2271/A.R.S. § 49-1015A)		Appropriated
Source of Revenue: A 1¢ per gallon excise tax on gasoline.		
Purpose of Fund: To provide partial coverage for permanent closures, leak prevention, and corrective action costs related to leaking underground storage tanks incurred by the department, owners, operators, or political subdivisions. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	7,257,100	9,282,300
Underground Storage Tank Revolving Fund (EVA2271/A.R.S. § 49-1015A)		Non-Appropriated
Source of Revenue: A 1¢ per gallon excise tax on gasoline.		
Purpose of Fund: To provide partial coverage for permanent closures, leak prevention, and corrective action costs related to leaking underground storage tanks incurred by the department, owners, operators, or political subdivisions. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	40,595,000	36,104,700
Year-End Fund Balance	7,257,100	9,282,300
Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)		Non-Appropriated
Source of Revenue: Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.		
Purpose of Fund: To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.		
Funds Expended	292,800	226,700
Year-End Fund Balance	365,500	455,900

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Voluntary Vehicle Repair and Retrofit Program Fund (EVA2365/A.R.S. § 49-558.02)		Appropriated
Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
Purpose of Fund: To provide monies for programs intended to repair or retrofit vehicles that fail emissions tests. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	280,300	344,600
Voluntary Vehicle Repair and Retrofit Program Fund (EVA2365/A.R.S. § 49-558.02)		Non-Appropriated
Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
Purpose of Fund: To provide monies for programs intended to repair or retrofit vehicles that fail emissions tests. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	1,286,100	1,588,200
Year-End Fund Balance	280,300	344,600
Water Quality Assurance Revolving Fund (EVA2221/A.R.S. § 49-282)		Non-Appropriated
Source of Revenue: Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. As required by A.R.S. § 49-282, \$15,000,000 is to be transferred to the Water Quality Assurance Revolving Fund (WQARF) from the Corporate Income Tax. The \$15,000,000 is adjusted at the close of the fiscal year so that when combined with other revenues, the fund receives \$18,000,000 annually. Based on a series of annual session laws, the adjustment to reach \$18,000,000 is suspended. These amounts are supplemented by approximately \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.		
Purpose of Fund: For the operation of the WQARF Priority Site Remediation Program. Expenditures include administration, legal support, identification of responsible polluters, community involvement, and contract costs for the clean-up of sites for which no responsible party can be found. There is a transfer to the Department of Water Resources for well inspection and data management and a transfer to the Department of Health Services for a risk assessment. These transfers are not counted to avoid double counting.		
Funds Expended	14,640,800	25,080,400
Year-End Fund Balance	11,842,700	3,958,700
Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)		Appropriated
Source of Revenue: Legislative appropriations and fees received from water quality regulatory programs, including fees for technical review of Aquifer Protection Permits (APP), reclaimed water permits and Arizona Discharge Elimination System (AZDPES) permits, engineering reviews of drinking water facilities, wastewater and sewage collection systems, and the review and certification of potable water systems, sewage treatment plants and their operating personnel, and to establish a permit for direct potable reuse of treated wastewater. Revenues also come from annual fees paid by APP and AZDPES permittees.		
Purpose of Fund: To pay the costs of water quality programs. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	17,550,300	20,852,800
Year-End Fund Balance	5,884,000	1,961,800

Governor's Office of Equal Opportunity

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	206,300	202,900	202,900
Employee Related Expenditures	59,400	79,300	79,300
Professional and Outside Services	18,300	1,200	1,200
Other Operating Expenditures	25,400	26,800	26,800
Equipment	1,100	1,500	1,500
AGENCY TOTAL	310,500	311,700	311,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Division Fund	310,500	311,700	311,700
SUBTOTAL - Other Appropriated Funds	310,500	311,700	311,700
SUBTOTAL - Appropriated Funds	310,500	311,700	311,700
TOTAL - ALL SOURCES	310,500	311,700	311,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$311,700 and 5 FTE Positions from the Personnel Division Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Personnel Division Fund (OEO1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.83% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund To fund the administrative expenses of the Office of Equal Opportunity and the state personnel division of the Arizona Department of Administration.		
Funds Expended	310,500	311,700
Year-End Fund Balance	7,200	7,200

State Board of Equalization

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	267,900	301,400	301,400
Employee Related Expenditures	96,800	122,600	122,600
Professional and Outside Services	1,600	35,000	35,000
Travel - In State	10,900	16,000	16,000
Travel - Out of State	300	5,000	5,000
Other Operating Expenditures	231,100	229,400	229,400
Equipment	4,500	15,000	15,000
AGENCY TOTAL	613,100	724,400	724,400 ^{1/}
FUND SOURCES			
General Fund	613,100	724,400	724,400
SUBTOTAL - Appropriated Funds	613,100	724,400	724,400
TOTAL - ALL SOURCES	613,100	724,400	724,400

AGENCY DESCRIPTION — The State Board of Equalization hears property tax appeals for Maricopa and Pima Counties. The board consists of 41 seats, of which 21 are appointed by the Governor and 20 are appointed by the Board of Supervisors of each county. Property tax appeals in other counties continue to be heard by the respective County Boards of Equalization. The board also hears appeals of centrally-valued properties and equalization orders by the Department of Revenue.

FOOTNOTES

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

Operating Budget

The Baseline includes \$724,400 and 7 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Board of Executive Clemency

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.5	14.5	14.5
Personal Services	741,300	764,300	764,300
Employee Related Expenditures	211,500	285,500	285,500
Professional and Outside Services	1,900	51,900	51,900
Travel - In State	400	13,600	13,600
Other Operating Expenditures	342,400	252,300	252,300
Equipment	49,100	10,000	10,000
AGENCY TOTAL	1,346,600	1,377,600	1,377,600 ^{1/2/}
FUND SOURCES			
General Fund	1,346,600	1,377,600	1,377,600
SUBTOTAL - Appropriated Funds	1,346,600	1,377,600	1,377,600
Other Non-Appropriated Funds	21,600	28,000	28,000
TOTAL - ALL SOURCES	1,368,200	1,405,600	1,405,600

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 recissions. The board considers executive clemency actions such as pardons, commutations, and absolute discharges for eligible offenders.

FOOTNOTES

- 1/ On or before November 1, 2025, 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 fiscal year 2024-2025. (General Appropriations Act footnote)
- 2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$1,377,600 and 14.5 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Caseload Data

Pursuant to a footnote in the FY 2024 General Appropriation Act, the board submitted a report on its FY 2024 caseload. The board conducted 3,099 case hearings in FY 2024, as described below:

- Phases 1 and 2 Commutation (210): 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 (14): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (15): 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 (315): 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. Pursuant to A.R.S. § 13-717 and recent court decisions, parole is also available for certain offenders sentenced after 1994.
- Revocation (1,903): These hearings are conducted when an offender has violated the terms of community supervision.

- Probable Cause (631): These hearings can be requested by an inmate prior to revocation proceedings to determine if there is probable cause to believe that the defendant violated the terms of community supervision.
- Other (11): These hearings were not categorized by the board.

Other Issues

Auditor General Report

In September 2024, the Auditor General published a performance audit and sunset review of the Board of Executive Clemency.

The adoption of a structured decision-making process for making parole and renovation decisions was the one recommendation with budget implications. A structured decision model is an evidence-based risk assessment tool that would determine whether an offender is likely to

recidivate. The Auditor General expected that adopting such a model would require additional staff.

The 2014 performance audit included a similar recommendation. In 2018, the board worked with the National Institute of Corrections to assess the board's readiness to adopt a structured decision-making model. The assessment suggested that the board add professional and administrative staff to support the model and undergo training on the evidence-based practices and risk assessment tools used by the Arizona Department of Corrections. Since this assessment, the board has expressed an interest in alternative avenues to improve decision-making and has not asked for additional funding for staff nor undergone training.

In response to the 2024 performance audit, the board's current plan is to seek out training on structured decision-making and focus on identifying more flexible models that do not require additional staffing.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
IGA and ISA Fund (PPA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	21,600	28,000
Year-End Fund Balance	0	0

Arizona Exposition and State Fair Board

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	3,304,300	5,653,500	5,653,500
Employee Related Expenditures	1,019,100	1,576,300	1,576,300
Professional and Outside Services	135,500	3,844,700	3,844,700
Travel - In State	1,158,800	10,700	10,700
Travel - Out of State	20,800	15,000	15,000
Other Operating Expenditures	11,131,500	12,545,500	8,774,100
Equipment	46,600	53,000	53,000
AGENCY TOTAL	16,816,600	23,698,700	19,927,300 ^{1/2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Exposition and State Fair Fund	16,816,600	23,698,700	19,927,300
SUBTOTAL - Other Appropriated Funds	16,816,600	23,698,700	19,927,300
SUBTOTAL - Appropriated Funds	16,816,600	23,698,700	19,927,300
TOTAL - ALL SOURCES	16,816,600	23,698,700	19,927,300

AGENCY DESCRIPTION — The Arizona Exposition and State Fair 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 Appropriations Act funds are appropriated as a Lump Sum by Agency.
- 2/ Of the monies in the Arizona exposition and state fair board operating budget, \$2,000,000 shall be spent for enhanced state fair operations. Before spending monies in the operating budget on capital projects, the board shall submit a report for review by the joint committee on capital review on the scope, purpose and estimated cost of the capital improvements. (General Appropriations Act footnote)

Operating Budget

The Baseline includes \$19,927,300 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2026 for the operating budget. Adjustments are as follows:

Remove One-Time Enhanced State Fair Operations
The Baseline includes a decrease of \$(3,771,400) from the Arizona Exposition and State Fair Fund in FY 2026 for removal of one-time funding for enhanced state fair operations. An FY 2025 budget footnote required the Board to submit a report for review by the Joint Committee on Capital Review if these monies were used for capital projects.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Exposition and State Fair Fund (CLA4001/A.R.S. § 3-1005)		Appropriated
Source of Revenue: Receipts and lease revenues from fairground facilities, most of which are associated with the State Fair.		
Purpose of Fund: For operating costs of the State Fair.		
Funds Expended	16,816,600	23,698,700
Year-End Fund Balance	14,344,700	14,152,900

Arizona Department of Forestry and Fire Management

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.5	235.5	235.5
Personal Services	2,457,000	2,100,000	2,100,000
Employee Related Expenditures	880,800	825,000	825,000
Professional and Outside Services	38,000	75,000	75,000
Travel - In State	3,068,300	300,000	300,000
Travel - Out of State	16,800	50,000	50,000
Other Operating Expenditures	608,700	2,238,500	2,238,500
Equipment	59,800	350,000	350,000
OPERATING SUBTOTAL	7,129,400	5,938,500	5,938,500
SPECIAL LINE ITEMS			
Environmental County Grants	250,000	250,000	250,000
Fire District Grants	4,329,000	0	0
Fire Suppression	3,200,000	8,200,000	3,200,000 ^{1/}
Hazardous Vegetation Removal	3,005,400	3,039,300	3,039,300 ^{2/}
Inmate Firefighting Crews	844,900	876,600	876,600
Post-Release Firefighting Crews	1,093,000	1,292,700	1,292,700
Nonnative Vegetation Species Eradication	1,000,000	1,000,000	1,000,000 ^{3/}
State Fire Marshal	1,773,100	1,805,300	1,805,300
State Fire School	289,000	289,600	289,600
US Forest Service Land Thinning	915,700	1,669,300	1,669,300
Wildfire Mitigation	12,855,400	27,110,300 ^{4/}	27,110,300
AGENCY TOTAL	36,684,900	51,471,600	46,471,600 ^{5/}
FUND SOURCES			
General Fund	36,684,900	51,471,600	46,471,600
SUBTOTAL - Appropriated Funds	36,684,900	51,471,600	46,471,600
Other Non-Appropriated Funds	69,796,300	71,949,900	71,949,900
TOTAL - ALL SOURCES	106,481,200	123,421,500	118,421,500

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 (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.

FOOTNOTES

- ^{1/} 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 Appropriations Act.
- ^{2/} The appropriation for the hazardous vegetation removal line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, through June 30, 2027. (General Appropriations Act footnote)
- ^{3/} 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, FY 2028, 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. (FY 2020 General Appropriations Act footnote)
- ^{4/} The FY 2025 appropriation for the wildfire mitigation line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (FY 2025 General Appropriations Act footnote)
- ^{5/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$5,938,500 and 43 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Environmental County Grants

The Baseline includes \$250,000 from the General Fund in FY 2026 for Environmental County Grants. This amount is unchanged from FY 2025.

Monies in this line item have been used by Greenlee, Graham, Gila, Navajo, Cochise and Apache Counties for environmental projects that impact economic development in those counties. Previously funded projects included forest restoration, endangered species habitat protection, watershed restoration, and natural resource planning. DFFM must approve any project prior to expenditure of the monies.

Fire Suppression

The Baseline includes \$3,200,000 from the General Fund in FY 2026 for Fire Suppression. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2026 for removal of one-time fire suppression funding.

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 Appropriations Act. *(See Wildfire Mitigation line item for additional monies supporting fire suppression in Arizona.)*

Hazardous Vegetation Removal

The Baseline includes \$3,039,300 from the General Fund in FY 2026 for a Hazardous Vegetation Removal program. This amount is unchanged from FY 2025.

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.

Inmate Firefighting Crews

The Baseline includes \$876,600 and 13 FTE Positions from the General Fund in FY 2026 for Inmate Firefighting Crews. These amounts are unchanged from FY 2025.

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.

Post-Release Firefighting Crews

The Baseline includes \$1,292,700 and 20 FTE Positions from the General Fund in FY 2026 for Post-Release Firefighting Crews. These amounts are unchanged from FY 2025.

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.

Nonnative Vegetation Species Eradication

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for the Nonnative Vegetation Species Eradication line item. This amount is unchanged from FY 2025.

The FY 2020 General Appropriations Act appropriated \$1,000,000 from the General Fund to DFFM to deposit in the Nonnative Vegetation Species Eradication Fund in each fiscal year of FY 2021 through FY 2029. Because these monies were advanced appropriated in the FY 2020 General Appropriations Act, these appropriations will not appear in subsequent General Appropriations Acts.

Monies in this line item are 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 wildfires 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.

State Fire Marshal

The Baseline includes \$1,805,300 and 19.5 FTE Positions from the General Fund in FY 2026 for the State Fire Marshal. These amounts are unchanged from FY 2025.

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 Baseline includes \$289,600 and 1 FTE Position from the General Fund in FY 2026 for the State Fire School. These amounts are unchanged from FY 2025.

Monies in this line item primarily subsidize smaller rural volunteer fire departments attending Arizona State Fire School workshops which provide firefighting education. Besides \$200,000 for subsidizing these costs, the remaining \$89,600 and 1 FTE Position is used for liaison work with the Arizona State Fire Training Committee and other firefighter training activities.

US Forest Service Land Thinning

The Baseline includes \$1,669,300 and 17 FTE Positions from the General Fund in FY 2026 for the US Forest Service Land Thinning line item. These amounts are unchanged from FY 2025.

Monies in this line item fund administrative costs for partnerships with the U.S. Forest Service to thin forests on federal land. DFFM anticipates clearing about 4,500 acres with this funding.

Wildfire Mitigation

The Baseline includes \$27,110,300 and 122 FTE Positions from the General Fund in FY 2026 for the Wildfire Mitigation line item. These amounts are unchanged from FY 2025.

Monies in this line item are to be used for personnel, operating costs, equipment, and contracted services to mitigate future fires. In FY 2024, DFFM expended a total of \$12,855,400 from this line item as follows:

- \$5,135,700 for 122 DFFM staff to oversee the work of 10 crews of 72 inmates working to remove hazardous vegetation.
- \$1,304,100 for inmate crews and corrections staff.
- \$3,471,900 for Department of Transportation program costs, general operating costs, and other equipment and maintenance.
- \$1,653,600 for contracted personnel to support wildfire mitigation efforts.
- \$1,290,100 for external project grants.

(See the Wildfire Mitigation section of the DFFM narrative in the FY 2023 Appropriations Report for more information on prior appropriations to this line item.)

Other Issues

Budget Stabilization Fund Use for Processing Wildland Fire Claims

A.R.S. § 35-144 authorizes DFFM to use up to \$20,000,000 in Budget Stabilization Fund (BSF) monies to pay wildland fire suppression claims.

DFFM coordinates the dispatch of local fire districts in response to wildland fires occurring on federal land. Expenditures incurred by local districts are paid for by DFFM using monies from the BSF. DFFM then requests reimbursement from its cooperating federal partners. Federal reimbursements are provided to the State Treasurer to be deposited into the BSF.

As of October 2024, DFFM reports using roughly \$16,600,000 in BSF capacity for claims awaiting federal reimbursement. *(See the Budget Stabilization Fund Use for Processing Wildland Fire Claims section of the DFFM narrative in the FY 2021 Appropriations Report for more information on DFFM's use of the BSF.)*

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arson Detection Reward Fund (FFM2169/A.R.S. § 37-1387)		Non-Appropriated
Source of Revenue: Donations, court-imposed fines, and monies from forfeiture of bail posted for arson convictions.		
Purpose of Fund: To provide rewards for information leading to convictions of arson cases.		
Funds Expended	0	12,000
Year-End Fund Balance	115,300	104,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Cooperative Forestry Fund (FFM2232/A.R.S. § 37-1306)		Non-Appropriated
Source of Revenue: Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
Purpose of Fund: To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.		
Funds Expended	15,392,100	16,320,500
Year-End Fund Balance	4,643,700	4,844,700
Fire Suppression Revolving Fund (FFM2360/A.R.S. § 37-1305)		Non-Appropriated
Source of Revenue: General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wild Land Fire Emergency Council, civil penalties related to the use of fireworks on state lands and other monies. If the unobligated balance of the fund exceeds \$2,000,000 at the end of any calendar year, the excess shall be transferred to the General Fund.		
Purpose of Fund: To cover the costs of fighting fires on public and private lands. General Fund appropriation expenditures are displayed, which may cause double counting of appropriations.		
Funds Expended	51,187,800	53,765,200
Year-End Fund Balance	45,000	287,600
IGA and ISA Fund (FFM2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	2,956,000	1,392,500
Year-End Fund Balance	2,660,200	2,767,700
Indirect Cost Recovery Fund (FFM9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees from the Negotiated Indirect Cost Rate Agreement with the U.S. Forest Service.		
Purpose of Fund: To offset the costs of the department's overhead personnel.		
Funds Expended	260,400	459,700
Year-End Fund Balance	733,300	1,223,600
Nonnative Vegetation Species Eradication Fund (FFM2456/A.R.S. § 37-1309)		Non-Appropriated
Source of Revenue: Legislative appropriations. The FY 2020 General Appropriation Act appropriated \$1,000,000 from the General Fund to the department in each of FY 2020 through FY 2029 to deposit into the Nonnative Vegetation Species Eradication Fund.		
Purpose of 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 fire and flood prevention, conservation of water, replacing nonnative vegetative species with native vegetative species and restoring native habitats. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	1,853,900	1,853,900
Trampoline Court Safety Fund (FFM2578/A.R.S. § 37-1422)		Non-Appropriated
Source of Revenue: Fees charged to owners of trampoline courts.		
Purpose of Fund: To implement and maintain the registry of trampoline courts operating in Arizona.		
Funds Expended	0	0
Year-End Fund Balance	14,000	15,800

Arizona Game and Fish Department

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	17,147,200	19,591,500	19,591,500
Employee Related Expenditures	6,354,800	7,205,800	7,205,800
Professional and Outside Services	1,763,800	1,838,300	1,838,300
Travel - In State	225,000	227,100	227,100
Travel - Out of State	113,900	101,200	101,200
Other Operating Expenditures	10,584,200	9,907,000	9,907,000
Equipment	803,200	623,300	623,300
OPERATING SUBTOTAL	36,992,100	39,494,200	39,494,200
SPECIAL LINE ITEMS			
Pittman-Robertson/Dingell-Johnson Act	3,058,000	3,058,000	3,058,000
AGENCY TOTAL	40,050,100	42,552,200	42,552,200^{1/}

FUND SOURCES			
<u>Other Appropriated Funds</u>			
Capital Improvement Fund	814,200	1,001,200	1,001,200
Game and Fish Fund	34,927,900	36,079,800	36,079,800
Game, Non-Game, Fish and Endangered Species Fund	315,000	391,700	391,700
Watercraft Licensing Fund	3,993,000	5,063,300	5,063,300
Wildlife Endowment Fund	0	16,200	16,200
SUBTOTAL - Other Appropriated Funds	40,050,100	42,552,200	42,552,200
SUBTOTAL - Appropriated Funds	40,050,100	42,552,200	42,552,200
Other Non-Appropriated Funds	40,399,600	48,518,100	48,518,100
Federal Funds	59,006,000	62,508,400	62,508,400
TOTAL - ALL SOURCES	139,455,700	153,578,700	153,578,700

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 Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$39,494,200 and 273.5 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
Capital Improvement Fund	\$1,001,200
Game and Fish Fund	33,021,800
Game, Non-Game, Fish and Endangered Species Fund	391,700
Watercraft Licensing Fund	5,063,300
Wildlife Endowment Fund	16,200

These amounts are unchanged from FY 2025.

Pittman-Robertson/Dingell-Johnson Act

The Baseline includes \$3,058,000 from the Game and Fish Fund in FY 2026 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2025.

This line item funds the state's 25% match for federal aid matching funds for wildlife restoration projects. The department also uses \$2,600,000 in non-appropriated funds to match Pittman-Robertson/Dingell-Johnson Act grants.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Game and Fish Department Fleet Operations Fund (GFA9902/A.R.S. § 17-275)		Non-Appropriated
Source of Revenue: Revenues received from the fees charged to the department for having vehicles in the state motor vehicle fleet.		
Purpose of Fund: To make payments to ADOT to maintain and operate the Game and Fish motor vehicle fleet.		
Funds Expended	2,419,800	2,459,400
Year-End Fund Balance	543,100	300,000
Arizona Game and Fish Department Fleet Vehicle Replacement Fund (GFA9901/A.R.S. § 17-274)		Non-Appropriated
Source of Revenue: Revenues received from the fees charged to the department for having vehicles in the state motor vehicle fleet.		
Purpose of Fund: To make payments to ADOT to acquire and replace Game and Fish vehicles and equipment.		
Funds Expended	3,933,000	2,145,000
Year-End Fund Balance	1,685,400	2,190,700
Capital Improvement Fund (GFA2203/A.R.S. § 17-292)		Appropriated
Source of Revenue: Transfers from the Conservation Development Fund.		
Purpose of Fund: To acquire, construct, improve and renovate department facilities.		
Funds Expended	814,200	1,001,200
Year-End Fund Balance	415,800	415,800
Conservation Development Fund (GFA2062/A.R.S. § 17-282)		Non-Appropriated
Source of Revenue: A surcharge on hunting, fishing and combination licenses, and trout stamp sales.		
Purpose of Fund: To make debt service payments if the department issues bonds for the purpose of constructing, maintaining, and renovating department facilities.		
Funds Expended	1,859,700	1,009,700
Year-End Fund Balance	1,251,900	1,512,000
Federal Funds (GFA2000/A.R.S. § 17-231)		Federal Funds
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To be used as specified by the federal grants. The fund also generates interest owed to the federal government that is paid on a quarterly basis.		
Funds Expended	0	0
Year-End Fund Balance	5,900	5,900
Federal Revolving Fund (GFA2028/A.R.S. § 17-406)		Federal Funds
Source of Revenue: Funds received from the federal government for deposit and appropriated state matching money.		
Purpose of Fund: For projects approved in compliance with the provisions of the restoration acts known as the Pittman-Robertson Act and the Dingell-Johnson/Wallop-Breaux Act and other wildlife projects in which the cost may be partially or wholly reimbursed from Federal Funds.		
Funds Expended	58,834,600	62,302,700
Year-End Fund Balance	1,444,100	1,425,100
Firearms Safety and Ranges Fund (GFA2442/A.R.S. § 17-273)		Non-Appropriated
Source of Revenue: Annual appropriation of \$50,000 from retail sales taxes deposited to the General Fund and transferred to the fund pursuant to A.R.S. § 42-5029D4, revenues derived from the sale or lease of real property owned by the commission, and interest earnings as provided by A.R.S. § 17-273.		
Purpose of Fund: To award grants to assist existing government-owned shooting ranges in adapting to changes in the use of adjacent properties, including noise abatement, safety enhancement, range realignment, acquisition of land for buffer zones, or acquisition of State Trust Lands for locating or relocating government-owned shooting ranges.		
Funds Expended	98,200	103,100
Year-End Fund Balance	218,100	209,400

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Game and Fish Federal Duck Stamps Fund (GFA3711/A.R.S. § 35-131)		Non-Appropriated
Source of Revenue: Sale of federal duck stamps, a required annual purchase for waterfowl hunters.		
Purpose of Fund: To remit proceeds to the federal government on an annual basis.		
Funds Expended	0	0
Year-End Fund Balance	48,400	48,400
Game and Fish Fund (GFA2027/A.R.S. § 17-261)		Appropriated
Source of Revenue: Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.		
Purpose of Fund: To provide funding for general operation of the Game and Fish Department, to administer the Off-Highway Vehicle User Indicia program, and to match federal grants for fish and wildlife restoration.		
Funds Expended	34,927,900	36,079,800
Year-End Fund Balance	33,293,100	38,933,700
Game and Fish In-Lieu Fee Program Restoration Endowment Trust Fund (GFA3167/A.R.S. § 17-265)		Federal Funds
Source of Revenue: Compensatory mitigation credit monies from permittee purchases; monies received from United States Army Corps of Engineers (USACE) for resolutions of a federal enforcement action of unauthorized activities not involving department staff.		
Purpose of Fund: To fulfill department duties as an In-Lieu Fee sponsor pursuant to the federal Clean Water Act. Permittees that cannot avoid environmental impact to wetlands and streams must purchase compensatory mitigation credits, the proceeds of which are used by the Game and Fish Department for environmental restoration projects authorized by the USACE.		
Funds Expended	171,400	205,700
Year-End Fund Balance	5,532,200	5,752,400
Game and Fish Publications Revolving Fund (GFA4007/A.R.S. § 17-269)		Non-Appropriated
Source of Revenue: Sales of agency publications, including Wildlife Views magazine and various field guides.		
Purpose of Fund: To finance the production of agency publications. Amounts in excess of \$80,000 revert to the Game and Fish Fund at fiscal year end. However, in some circumstances, the balance forward may appear to exceed \$80,000 without reversion due to unexpended obligations at fiscal year end that the agency counts against the ending balance.		
Funds Expended	247,800	307,800
Year-End Fund Balance	82,000	61,200
Game and Fish Trust Fund (GFA3111/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Collections from local governments for the Urban Fishing program, transfers from the state Risk Management Fund, proceeds from the charitable auction of bighorn sheep tags, and private donations from private contributors.		
Purpose of Fund: This fund fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.		
Funds Expended	4,336,100	4,860,500
Year-End Fund Balance	18,895,800	19,189,000
Game, Non-Game, Fish and Endangered Species Fund (GFA2127/A.R.S. § 17-268)		Appropriated
Source of Revenue: Contributions from taxpayers who select the "check-off" option for non-game wildlife on their Arizona state income tax forms and interest earned.		
Purpose of Fund: To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department's management plan.		
Funds Expended	315,000	391,700
Year-End Fund Balance	1,174,900	1,193,700

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Heritage Fund - Acquisition Fund (GFA2294/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 60% for the purposes of acquisition, identification, inventory, protection and management of property with sensitive habitat.		
Purpose of Fund: For purposes related to sensitive habitat protection. At least 20% of monies allocated for acquisition, identification, inventory, protection, and management of property with sensitive habitat are spent to acquire property with sensitive habitat used by endangered, threatened and candidate species.		
Funds Expended	737,100	3,846,900
Year-End Fund Balance	12,778,400	11,331,500
Heritage Fund - Administration Fund (GFA2292/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Interest earnings are allocated by the Game and Fish Commission.		
Purpose of Fund: For administrative costs as determined by the Game and Fish Commission allocation of interest earnings.		
Funds Expended	39,200	85,600
Year-End Fund Balance	1,506,700	1,721,100
Heritage Fund - Environmental Education Fund (GFA2290/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 5% for environmental education.		
Purpose of Fund: For purposes related to environmental education.		
Funds Expended	450,900	500,500
Year-End Fund Balance	173,800	173,300
Heritage Fund - Habitat Evaluation or Habitat Protection Fund (GFA2291/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 15% for habitat protection and evaluation.		
Purpose of Fund: For purposes related to habitat protection.		
Funds Expended	1,350,300	2,006,300
Year-End Fund Balance	1,471,600	965,300
Heritage Fund - Identification, Inventory, Protection and Management (GFA2295/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 60% for the purposes of acquisition, identification, inventory, protection and management of property with sensitive habitat.		
Purpose of Fund: For purposes related to sensitive habitat protection. At least 20% of monies allocated for acquisition, identification, inventory, protection and management are spent to acquire property with sensitive habitat. No more than 20% may be used for purposes of operation and maintenance of acquired property.		
Funds Expended	4,054,500	4,047,300
Year-End Fund Balance	2,196,800	1,749,500
Heritage Fund - Public Access Fund (GFA2293/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 5% for public access.		
Purpose of Fund: For purposes related to public access expenses, including maintenance and operations.		
Funds Expended	359,900	497,800
Year-End Fund Balance	442,100	444,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Heritage Fund - Urban Wildlife and Urban Life Habitat Fund (GFA2296/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 15% for urban wildlife.		
Purpose of Fund: For purposes related to urban wildlife and urban wildlife habitat programs.		
Funds Expended	1,373,300	1,977,900
Year-End Fund Balance	1,986,000	1,508,100
IGA and ISA Fund (GFA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	0	0
Year-End Fund Balance	17,300	17,300
Indirect Cost Recovery Fund (GFA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: This fund consists of revenue generated by billing federal aid for indirect costs.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	9,077,800	10,556,900
Year-End Fund Balance	3,758,300	3,360,200
Kaibab Co-op Fund (GFA3714/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Clearing account. In accordance with the Federal Sikes Act, 16 U.S.C. 670 et seq., monies are generated from the sale of a Kaibab habitat management stamp, which is required to take deer on the Kaibab Plateau.		
Purpose of Fund: To provide funding for habitat management.		
Funds Expended	0	0
Year-End Fund Balance	600	600
Land and Water Conservation and Recreation Development Fund (GFA2036/A.R.S. § 17-267)		Appropriated
Source of Revenue: Fishing license fees.		
Purpose of Fund: To pay for recreation benefits in conjunction with fish and wildlife restoration projects; purchase engineering services, land, rights of way, water rights, and construction; and matching funds for Pittman-Robertson and Dingell-Johnson federal aid and other available funds from federal, state, county or municipal sources.		
Funds Expended	0	0
Year-End Fund Balance	36,900	36,900
Off-Highway Vehicle Recreation Fund (GFA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Arizona Game and Fish Department receives 35% of off-highway vehicle user fees and annual collections from the Motor Vehicle Fuel Tax transfer to the State Parks Board, which is equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development and 5% are to be used by the State Land Department for costs associated with off-highway vehicle use for land within its jurisdiction. The remainder is transferred to the Arizona Game and Fish Department for informational and educational programs on off-highway vehicle recreation, law enforcement activities and administration of the Off-Highway Vehicle User Indicia program.		
Funds Expended	2,025,900	2,832,800
Year-End Fund Balance	3,113,100	2,569,600
Watercraft Licensing Fund (GFA2079/A.R.S. § 5-323)		Appropriated
Source of Revenue: Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.		
Purpose of Fund: To administer and enforce registration of watercraft and boating safety laws, and to provide any information and education programs relating to boating and boating safety.		
Funds Expended	3,993,000	5,063,300
Year-End Fund Balance	7,998,300	7,574,400

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Wildlife Conservation Enterprise Fund (GFA2029/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Project grants from state and local governments, private entities and federal entities.		
Purpose of Fund: For wildlife conservation and monitoring projects, primarily related to wildlife crossing and fencing along highway projects.		
Funds Expended	0	0
Year-End Fund Balance	401,900	401,900
Wildlife Conservation Fund (GFA2497/A.R.S. § 17-299)		Non-Appropriated
Source of Revenue: Monies received from tribal gaming in accordance with A.R.S. § 5-601.02.		
Purpose of Fund: To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.		
Funds Expended	7,925,600	11,173,100
Year-End Fund Balance	12,059,200	11,937,700
Wildlife Endowment Fund (GFA2279/A.R.S. § 17-271)		Appropriated
Source of Revenue: Sales of benefactor and lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.		
Purpose of Fund: To provide funding for wildlife conservation and management.		
Funds Expended	0	16,200
Year-End Fund Balance	5,657,800	5,980,500
Wildlife Habitat Restoration and Enhancement Fund (GFA2536/A.R.S. § 17-471)		Appropriated
Source of Revenue: Legislative appropriations. The Legislature provided a non-lapsing, one-time allocation of \$3,500,000 from the General Fund in FY 2007.		
Purpose of Fund: To provide funding for wildlife habitat restoration and improvement projects.		
Funds Expended	0	0
Year-End Fund Balance	500	500
Wildlife Theft Prevention Fund (GFA2080/A.R.S. § 17-315)		Non-Appropriated
Source of Revenue: Fines charged for the unlawful taking, wounding or killing, or unlawful possession of wildlife; and monies received from donations.		
Purpose of Fund: To finance reward payments to persons providing information about illegal wildlife activities; to finance the department's "Operation Game Thief" program; and to promote awareness of the Wildlife Theft Prevention program.		
Funds Expended	110,500	107,500
Year-End Fund Balance	339,100	383,600

Department of Gaming

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	155.8	155.8	155.8
Personal Services	4,781,500	5,483,000	5,483,000
Employee Related Expenditures	1,744,600	2,083,600	2,083,600
Professional and Outside Services	486,200	1,765,100	1,765,100
Travel - In State	222,700	285,300	285,300
Travel - Out of State	61,800	72,100	72,100
Other Operating Expenditures	3,162,500	3,906,000	3,906,000
Equipment	87,100	145,000	145,000
OPERATING SUBTOTAL	10,546,400	13,740,100	13,740,100
SPECIAL LINE ITEMS			
Arizona Breeders' Award	250,000	250,000	250,000
Casino Operations Certification	1,179,500	2,330,300	2,330,300
Contract Veterinarian	67,000	175,000	175,000 ^{1/}
County Fairs Livestock and Agriculture Promotion	6,029,500	6,029,500	6,029,500 ^{2/}
Division of Racing	1,989,500	2,448,500	2,448,500
Event Wagering Application Fee Refund	600,000	0	0
Horseracing Integrity and Safety Act Assessment	355,100	1,355,100	1,355,100 ^{3/}
Problem Gambling	2,718,600	3,320,000	3,320,000
Racetrack Capital Projects and Maintenance and Operation Funding	1,000,000	1,500,000	0
Racing Purse Enhancement	5,000,000	4,000,000	0
AGENCY TOTAL	29,735,600	35,148,500	29,648,500 ^{4/5/}
FUND SOURCES			
General Fund	13,051,600	11,704,500	6,204,500
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	12,814,900	16,610,000	16,610,000
Fantasy Sports Contest Fund	150,100	150,100	150,100
Racing Regulation Fund	2,134,700	3,948,400	3,948,400
Racing Regulation Fund - Unarmed Combat Subaccount	104,800	105,200	105,200
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,179,500	2,330,300	2,330,300
SUBTOTAL - Other Appropriated Funds	16,684,000	23,444,000	23,444,000
SUBTOTAL - Appropriated Funds	29,735,600	35,148,500	29,648,500
Other Non-Appropriated Funds	3,832,800	3,715,000	3,715,000
TOTAL - ALL SOURCES	33,568,400	38,863,500	33,363,500

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts. The agency is also responsible for certifying casino employees and vendors working with casinos. The department also regulates non-tribal gaming activities including the Division of Racing, fantasy sports contests, and event wagering.

FOOTNOTES

^{1/} On or before the final day of each quarter of fiscal year 2025-2026, the department of gaming shall report to the members of the joint legislative budget committee on the number of equine deaths and injuries that occurred as a result of a horse race and the commercial live racing facility where each incident occurred. The report shall include the number of pre-race inspections performed by a veterinarian employed by or contracted with this state. (General Appropriations Act footnote)

- 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 section 5-113, Arizona Revised Statutes, and to be administered by the office of the governor. (General Appropriations Act footnote)
- 3/ The amount appropriated to the horseracing integrity and safety act assessment line item shall be used by the department during fiscal year 2025-2026 to pay the calendar year 2025 assessment levied by the horseracing integrity and safety authority. (General Appropriations Act footnote)
- 4/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 5/ On or before August 1, 2025, the department of gaming shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting on the expected amount and purpose of expenditures from the event wagering fund established by section 5-1318, Arizona Revised Statutes, for fiscal year 2025-2026. The report shall include the projected line item detail and the number of filled full-time equivalent positions. (General Appropriations Act footnote)

Administrative Expenses

The Baseline includes \$13,740,100 in FY 2026 for administrative expenses, which consists of \$13,590,000 from the Arizona Benefits Fund and \$150,100 from the Fantasy Sports Contest Fund. The appropriation from the Arizona Benefits Fund serves as a cap on the level of spending.

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. The department can expend the actual 9% level or the expenditure authority level, whichever is lower.

In FY 2025, Gaming had the authority to spend \$13,740,100 for administrative expenses. This mostly consisted of \$13,590,000 from the FY 2025 Arizona Benefits Fund Operating appropriation in the enacted budget. This amount was selected based on the department's spending patterns and is not derived from the 9% calculation. In addition, Gaming was appropriated \$150,100 from the Fantasy Sports Contest Fund.

In FY 2026, 9% of tribal gaming revenues are forecasted to be \$15,731,800, based on the department's projection of state tribal contribution revenue of \$174,798,200. However, the Baseline continues to appropriate \$13,590,100 from the Arizona Benefits Fund to cover the department's administrative expenses. *(See Other Issues – Tribal Gaming Revenues section for additional details.)*

Since FY 2024, the state has allocated the fixed \$13,590,000 amount from the Arizona Benefits Fund for the department's operating appropriation. This policy is due to the department's calculation process for the distribution of Arizona Benefits Fund monies to statutory beneficiaries. Under statute, after deducting monies spent for department expenses (Operating Budget and Problem Gambling), all remaining monies are distributed to beneficiaries according to a specified formula.

The department's current process is to base those beneficiary calculations on distributing all remaining monies after the appropriated department funding levels, instead of distributing all monies after actual department spending amounts. This distinction has an impact on the beneficiary calculations because the department has typically underspent its appropriation by significant margins.

Therefore recent budgets have maintained the fixed operating allocations in order to better align the department's appropriations with actual spending patterns – as the 9% administrative calculation would generate an even larger operating allocation that is not fully utilized by the department, resulting in additional monies that are both: 1) Not spent by the department for operating costs; and 2) Not distributed to beneficiaries.

In addition, for FY 2026 the Baseline continues to appropriate \$150,100 from the Fantasy Sports Contest Fund. This amount is sufficient for the department to expend all revenues from the 10% administrative set-aside from Fantasy Sports Contest collections, as estimated under the Baseline revenue forecast.

Problem Gambling

The Baseline includes \$3,320,000 in FY 2026 for Problem Gambling, which consists of \$3,020,000 from the Arizona Benefits Fund and \$300,000 from the State Lottery Fund. 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. The department can expend the actual 2% level or the expenditure authority level, whichever is lower.

In FY 2025, Gaming had the authority to spend \$3,020,000, based on the FY 2025 Arizona Benefits Fund Problem Gaming appropriation in the enacted budget. This amount was selected based on the department's spending patterns and is not derived from the 2% calculation.

In FY 2026, 2% of tribal gaming revenues are forecasted to be \$3,496,000, due to a projected increase in tribal contributions. However, the Baseline continues to appropriate \$3,020,000 from the Arizona Benefits Fund to cover the department's problem gambling expenses.

Since FY 2024, the state has allocated the fixed \$3,020,000 amount from the Arizona Benefits Fund for the department's Problem Gambling appropriation. This policy is due to the department's calculation process for the distribution of Arizona Benefits Fund monies to statutory beneficiaries. *(See the Administrative Expenses section above for additional details.)*

Event Wagering Administrative Costs

In addition to the administrative costs listed above that are subject to the legislative appropriation, the department may spend up to 10% of revenue from the non-appropriated Event Wagering Fund on the regulation of event wagering.

Under the Baseline revenue forecast for event wagering collections, Gaming is estimated to have the authority to spend \$4,414,500 in FY 2025 and \$4,745,600 in FY 2026 from the Event Wagering Fund. *(See Other Issues – Event Wagering/Fantasy Sports Forecast section for additional details.)*

The Baseline includes a General Appropriation Act footnote requiring the department to report on administrative spending from the Event Wagering Fund by August 1, 2025.

Operating Budget

The Baseline includes \$13,740,100 and 82.3 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
Arizona Benefits Fund	\$13,590,000
Fantasy Sports Contest Fund	150,100

These amounts are unchanged from FY 2025.

Arizona Breeders' Award

The Baseline includes \$250,000 from the Racing Regulation Fund in FY 2026 for the Arizona Breeders' Award. This amount is unchanged from FY 2025.

This line item funds awards to the breeder of every winning horse foaled in the state. In FY 2026, this line item will fund awards equal to 25% of the purse won by the horse.

Casino Operations Certification

The Baseline includes \$2,330,300 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2026 for Casino Operations Certification. These amounts are unchanged from FY 2025.

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.

Contract Veterinarian

The Baseline includes \$175,000 from the General Fund in FY 2026 for a Contract Veterinarian. This amount is unchanged from FY 2025.

Monies in the line item are to be used to contract a veterinarian and veterinarian's assistant to assist with pre-race inspections of horses in an effort to reduce the number of horse fatalities as a result of racing in the state. A General Appropriations Act footnote requires the department to report on a quarterly basis the number of equine deaths and injuries that occur as a result of a horse race and the commercial live racing facility where each incident occurred. The report must also include the number of pre-race inspections performed by a veterinarian employed by or contracting with the state.

County Fairs Livestock and Agriculture Promotion

The Baseline includes \$6,029,500 from the General Fund in FY 2026 for County Fairs Livestock and Agriculture Promotion. This amount is unchanged from FY 2025.

Monies in this line item are deposited in the County Fairs Livestock and Agriculture Promotion Fund in the Office of the Governor.

Division of Racing

The Baseline includes \$2,448,500 and 40.5 FTE Positions in FY 2026 for operating costs associated with the Division of Racing. These amounts consist of:

Racing Regulation Fund	2,343,300
Racing Regulation Fund - Unarmed Combat Subaccount	105,200

These amounts are unchanged from FY 2025.

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.

The Regulatory Wagering Assessment (RWA) is a regulatory assessment from each commercial racing permittee payable from amounts deducted from pari-mutuel pools by the permittee. The Arizona Administrative Code section R19-2-205B sets the RWA at 0.75% from May 1-Sep 30 and 0.85% from October 1-April 30 each year. However, ongoing session law overrides those rates and sets the RWA at 0.5% for FY 2026. 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 also oversees the Arizona Boxing and Mixed Martial Arts Commission, which is responsible for licensing, investigating, and regulating professional boxing and nontraditional fighting contests within Arizona. The Baseline includes \$105,200 from the Racing Regulation Fund - Unarmed Combat Subaccount in FY 2026 as part of the Division of Racing line item to provide funding for the Division of Boxing and Mixed Martial Arts.

Horseracing Integrity and Safety Act Assessment

The Baseline includes \$1,355,100 from the Racing Regulation Fund in FY 2026 for the Horseracing Integrity and Safety Act (HISA) Assessment line item. This amount is unchanged from FY 2025.

Beginning in 2022, the federal Horseracing Integrity and Safety Authority charges an annual regulatory fee based on the previous year's racing starts and purses. The Baseline includes a General Appropriations Act footnote directs the department to use these monies to directly pay the calendar 2025 assessment levied by the Horseracing Integrity and Safety Authority.

Problem Gambling

The Baseline includes \$3,320,000 and 5 FTE Positions in FY 2026 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	3,020,000
State Lottery Fund	300,000

These amounts are unchanged from FY 2025.

Monies in this line item are for the department to provide problem gambling prevention, treatment, and education programs.

Racetrack Capital Projects and Maintenance and Operation Funding

The Baseline includes no funding in FY 2026 for the Racetrack Purse and Maintenance and Operation Funding line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,500,000) from the General Fund in FY 2026 to remove one-time funding for Racetrack Capital Projects and Maintenance and Operation Funding.

Monies in this line item were distributed to a commercial live racing permittee located in Maricopa County for capital projects and track maintenance and operations, including compliance costs associated with the Horseracing Integrity and Safety Act of 2020, as required by a General Appropriations Act footnote.

Racing Purse Enhancement

The Baseline includes no funding from the General Fund in FY 2026 for the Racing Purse Enhancement line item. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(4,000,000) from the General Fund in FY 2026 to remove one-time funding for racing purse enhancement.

Monies in this line item were used to enhance racing purses and promote the sport for eligible races held in Arizona. A General Appropriations Act footnote directs the monies to be distributed to a nonprofit horsemen's organization that has represented horsemen in racing meetings since 1988.

Other Issues

Statutory Changes

The Baseline would:

- As session law, continue to set the Regulatory Wagering Assessment at 0.5% in FY 2026 only.
- As session law, change the requirement that racehorses need to receive "gate approval" every 30 days to every 60 days in 2026. "Gate approval" means a demonstration to confirm a racehorse has been trained on how to safely enter and exit the starting gate prior to racing at a commercial racetrack.

Existing Tribal Compacts

The Arizona Tribal-State Gaming Compacts regulate tribal gaming activity of Class III (casino style) gaming on tribal lands in Arizona. The Compacts were initially passed in November 2002 as Proposition 202 and were renegotiated in 2021.

As of October 2024, there are 16 tribes operating a total of 25 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.

In 2002, Proposition 202 included provisions authorizing subsequent amendments to the compacts. Under that process, the Tribal-State Gaming Compacts were renegotiated in March 2021, with the required federal compact approval occurring in May 2021.

In addition, Laws 2021, Chapter 234 expanded non-tribal gaming in the state and authorized event wagering, fantasy sports contests, and certain Lottery games. *(Please see the Department of Gaming and Lottery Commission sections of the FY 2022 Appropriations Report for more information).*

Event Wagering/Fantasy Sports Revenue Forecast

The Baseline revenue forecast includes a projection of state General Fund gaming revenues (from both event wagering and fantasy sports) through FY 2028. For both activities, the estimates are based on privilege fees that are assessed on operator "net win". The projections are as follows:

- FY 2024 (actual) – \$36.5 million
- FY 2025 – \$40.7 million
- FY 2026 – \$43.8 million
- FY 2027 – \$58.1 million
- FY 2028 – \$73.8 million

The Baseline forecast assumes that state gaming revenue will increase 11.6% in FY 2025, 7.5% in FY 2026, 32.8% in FY 2027, and 27.0% FY 2028. Event wagering revenue is the primary driver of these collections, making up nearly 98% of the total.

The higher forecasted growth in FY 2025 reflects continued growth in total betting activity, with total wagers expected to increase by 8.0%. However, gaming revenue is expected to increase by 11.6% in FY 2025 due to technical timing issues with the deposit of monies during FY 2024, as a portion of those FY 2024 collections will ultimately be deposited in FY 2025.

For FY 2026, total betting activity is expected to increase by 7.5%, which would also result in 7.5% gaming revenue growth in FY 2026.

The significant forecasted growth in FY 2027 and FY 2028 is due to the elimination of the event wagering "free bets" deduction in January 2027. Under current law, event wagering operators can deduct promotional credits, or "free bets", from their taxable earnings. In FY 2024, operators deducted \$222.2 million from their taxable revenue, and the Baseline forecast assumes this deduction will grow in FY 2025, FY 2026 and partially through FY 2027.

Beginning January 1, 2027, which is halfway through FY 2027, operators will no longer be allowed to deduct "free bets". This will substantially increase the taxable net earnings, to which the event wagering privilege fee will be applied. The Baseline forecast assumes total wagering activity will increase by 5.0% in FY 2027 and FY 2028, but gaming revenue will increase by 32.8% and 27.0%, respectively due to the elimination of the free bet deduction.

Tribal Gaming Revenues

In FY 2024, state tribal gaming revenues were \$158,072,400. The Baseline assumes that state tribal gaming revenues will increase to a level of \$166,526,900 in FY 2025 and \$174,798,200 in FY 2026. These revenue estimates are from the department's FY 2026 budget request. Through the 1st quarter of FY 2025, tribal gaming contributions into the Arizona Benefits Fund were \$43.9 million. *(See Table 1 for more info.)*

Recipient	Proposition 202 Formula	FY 2024 Actuals ^{1/}	FY 2025 Projected ^{1/}	FY 2026 Projected
State Government Distribution	88% of total	\$ 158,072,400	\$166,526,900 ^{2/}	\$174,798,200 ^{2/}
Local Government Distribution ^{3/}	12% of total	<u>21,019,100</u>	<u>22,708,200</u>	<u>23,836,100</u>
Total	100% of total	\$179,091,500	\$189,235,100	\$198,634,300
Allocation of State Government's Share				
Department of Gaming				
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 13,590,000 ^{4/}	\$ 13,590,000 ^{4/}	\$ 13,590,000 ^{4/}
Department of Gaming Problem Gambling	2%	<u>3,020,000 ^{5/}</u>	<u>3,020,000 ^{5/}</u>	<u>3,020,000 ^{5/}</u>
Subtotal-Department of Gaming		\$16,610,000	\$16,610,000	\$16,610,000
Other Distributions				
Instructional Improvement Fund (Department of Education)	56% of remainder	79,561,300	83,953,400	88,585,300
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	39,391,700	41,976,700	44,292,700
Arizona Wildlife Conservation Fund	8% of remainder	11,254,700	11,993,400	12,655,100
Tourism Fund	8% of remainder	<u>11,254,700</u>	<u>11,993,400</u>	<u>12,655,100</u>
Subtotal-Other Distributions		\$141,462,400	\$149,916,900	\$158,188,200
Total		\$158,072,400	\$166,526,900	\$174,798,200
^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts. ^{2/} Based on ADG projections, the Baseline projects a 5.3% increase in FY 2025 and 5.0% in FY 2026 for tribal contributions to the Arizona Benefits Fund. The Baseline forecast reflects the revenue projections included in the ADG budget request. ^{3/} Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years. ^{4/} 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. Given the department's spending patterns, the FY 2024 and FY 2025 appropriations were \$13,590,000 (an amount not calculated based on the 9% limit) and the FY 2026 Baseline continues that amount. The department can only expend at the actual 9% level or the expenditure authority level, whichever is lower. ^{5/} A.R.S. § 5-601.02H3 requires 2% of state gaming revenues to be used for problem gambling prevention. Given the department's spending patterns, the FY 2024 and FY 2025 appropriations were \$3,020,000 (an amount not calculated based on the 2% limit) and the FY 2026 Baseline has continued that amount. The department can only expend at the actual 2% level or the expenditure authority level, whichever is lower.				

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
2021 Compact Trust Fund (GMA2021/A.R.S. § 5-605)		Non-Appropriated
Source of Revenue: Contributions from certain Indian Tribes pursuant to the 2021 Tribal-State compact amendments. The department's FY 2026 budget request did not include revenue data for this fund.		
Purpose of Fund: To mitigate impacts to Indian tribes from gaming authorized by the 2021 Tribal-State compact amendments and provide economic benefits to beneficiary Indian tribes. The department's FY 2026 budget request did not include expenditure data for this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)		Appropriated
Source of Revenue: Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
Purpose of Fund: Provide funding for the regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to the Arizona Department of Education, the Arizona Game and Fish Department, the Office of Tourism, and the Arizona Health Care Cost Containment System. (See individual agency pages for detailed information on each recipient.)		
Funds Expended	12,814,900	16,610,000
Year-End Fund Balance	17,814,400	17,814,400

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Breeders' Award Fund (GMA2206/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Legislative appropriations from the Racing Regulation Fund. Appropriated expenditures are not displayed to avoid double counting. The fund also receives revenue derived from the source market fees paid from advance deposit wagering on horse racing.		
Purpose of Fund: To give awards to the breeder of every winning horse foaled or whelped in this state. Of the amount allocated for purses, 5% is deposited in the fund.		
Funds Expended	1,731,100	1,400,000
Year-End Fund Balance	541,600	541,600
Coronavirus State and Local Fiscal Recovery Fund (GMA2985/U.S. P.L 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	0	0
Year-End Fund Balance	39,600	39,600
Event Wagering Fund (GMA2330/A.R.S. § 5-1318)		Non-Appropriated
Source of Revenue: The fund has 2 primary sources of revenue. The first is license fees collected from operators and various other licensees. The second is the privilege fees applied to adjusted gross event wagering revenues, which is 8% for retail location wagers and 10% for mobile wagers.		
Purpose of Fund: To fund the administrative costs associated with regulating event wagering in the state. By the 25th of each month, the Department of Gaming must transfer 90% of the previous month's revenue to the General Fund. The department may not spend more than 10% of fund revenues on regulatory and enforcement costs.		
Funds Expended	2,074,600	2,290,000
Year-End Fund Balance	4,056,200	6,574,400
Fantasy Sports Contest Fund (GMA2320/A.R.S. § 5-1212)		Appropriated
Source of Revenue: The fund has 2 primary sources of revenue. The first is license fees collected from operators and various other licensees. The second is the 5% privilege fee applied to fantasy sports contest adjusted revenues.		
Purpose of Fund: To fund the administrative costs associated with regulating Fantasy Sports Contests in the state. The Department of Gaming may retain up to 10% of fantasy sports contest revenues for administrative costs after which the remainder is transferred to the General Fund.		
Funds Expended	150,100	150,100
Year-End Fund Balance	1,000	1,000
IGA and ISA Fund (GMA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	0	0
Year-End Fund Balance	200	200
Racing Commission Bond Deposit Fund (GMA3720/A.R.S. § 5-107)		Non-Appropriated
Source of Revenue: There are no revenues in this fund. The fund holds bonds posted by commercial racing permit holders until the permittee withdraws their permit.		
Purpose of Fund: To hold bonds posted by commercial racing permit holders until the permittee withdraws their permit. The Division of Racing requires racing permittees to post a bond with the Division of Racing each year, which is refunded when the permittee withdraws their permit. Forfeited bonds are deposited in the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	55,600	55,600

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Racing Investigation Fund (GMA2369/A.R.S. § 41-705)		Non-Appropriated
Source of Revenue: Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.		
Purpose of Fund: To cover the cost of racing investigations by the Arizona Division of Racing. The fund is administered by the Department of Administration and disbursements are made pursuant to instructions from the Director of the Department of Gaming.		
Funds Expended	0	0
Year-End Fund Balance	41,300	41,300
Racing Regulation Fund (GMA2556/A.R.S. § 5-113.01)		Appropriated
Source of Revenue: License fees and regulatory assessments established by the Arizona Division of Racing and the Boxing Commission, pari-mutuel taxes from wagering at horse racing facilities and donations or grants received by the department.		
Purpose of Fund: To support the mission of the Division of Racing. The fund contains a subaccount that supports the Division of Boxing and Mixed Martial Arts, please see the Racing Regulation Fund - Unarmed Combat Subaccount for additional information.		
Funds Expended	2,134,700	3,948,400
Year-End Fund Balance	2,678,400	1,040,300
Racing Regulation Fund - Unarmed Combat Subaccount (GMA2559/A.R.S. § 5-226)		Appropriated
Source of Revenue: Fees established by the Boxing Commission for unarmed combat events.		
Purpose of Fund: To pay for the administration and regulation of unarmed combat events hosted in Arizona.		
Funds Expended	104,800	105,200
Year-End Fund Balance	46,900	187,600
Retired Racehorse Adoption Fund (GMA2015/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Monies are collected by the horse adoption surcharge that receives 5% of all horse racing related fines.		
Purpose of Fund: To provide funding for grants to non-profit organizations for the promotion and adoption of retired racehorses.		
Funds Expended	27,100	25,000
Year-End Fund Balance	900	1,900
State Lottery Fund (GMA2122/A.R.S. § 5-571)		Appropriated
Source of Revenue: Funds transferred from the State Lottery Fund.		
Purpose of Fund: Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individuals suffering from problem gambling.		
Funds Expended	300,000	300,000
Year-End Fund Balance	400	400
Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)		Appropriated
Source of Revenue: The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
Purpose of Fund: Pay for the actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
Funds Expended	1,179,500	2,330,300
Year-End Fund Balance	1,160,900	567,800

Office of the Governor

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	9,849,400	7,496,800	7,496,800 ^{1/2/}
SPECIAL LINE ITEMS			
Foster Youth Education Success Fund Deposit	1,500,000	1,500,000	1,500,000
Missing and Murdered Indigenous People Task Force	454,600	0	0
AGENCY TOTAL	11,804,000	8,996,800	8,996,800 ^{3/}
FUND SOURCES			
General Fund	11,804,000	8,996,800	8,996,800
SUBTOTAL - Appropriated Funds	11,804,000	8,996,800	8,996,800
Other Non-Appropriated Funds	7,176,300	11,802,100	11,726,300
Federal Funds	509,230,800	904,686,600	589,595,000
TOTAL - ALL SOURCES	528,211,100	925,485,500	610,318,100

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, the Commission of African-American Affairs, as well as others.

FOOTNOTES

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)
- ^{2/} Included in the lump sum appropriation of \$7,496,800 for fiscal year 2025-2026 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriations Act footnote)
- ^{3/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$7,496,800 from the General Fund in FY 2026 for the operating budget. This amount is unchanged from FY 2025.

The Foster Youth Education Success Program was established to improve the educational outcomes of children in Arizona’s foster care system.

Foster Youth Education Success Fund Deposit

The Baseline includes \$1,500,000 from the General Fund in FY 2026 for the Foster Youth Education Success Fund Deposit. This amount is unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Commission of African-American Affairs Fund (AMA2397/A.R.S. § 41-533)		Non-Appropriated
Source of Revenue: Gifts, grants, and fees from the Arizona African-American town hall.		
Purpose of Fund: To pay for the operating costs of the Arizona Commission of African-American Affairs.		
Funds Expended	3,400	0
Year-End Fund Balance	3,500	3,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Coronavirus Relief Fund (GVA2975/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the pandemic public health emergency.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Coronavirus State and Local Fiscal Recovery Fund (DEA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	420,833,000	842,880,800
Year-End Fund Balance	1,370,670,000	527,789,200
County Fairs Livestock and Agriculture Promotion Fund (GVA2037/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations.		
Purpose of Fund: To promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center. The direct expenses, less receipts, of the annual Livestock Fair are paid from this fund. Net expenditures for the Livestock Fair are limited to 30% of all receipts deposited to this fund during the preceding fiscal year. All expenditures from this fund must be recommended by the Livestock and Agricultural Committee and approved by the Governor. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	206,400	110,900
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: Fifty per cent of the monies deposited in the Judiciary Drug Treatment and Education Fund shall be distributed to the Arizona Parents Commission on Drug Education and Prevention established by A.R.S. § 41-1604.17		
Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
Funds Expended	5,425,600	6,366,100
Year-End Fund Balance	698,100	721,500
Federal Grants (GVA2000/A.R.S. § 4-101.01)		Federal Funds
Source of Revenue: Federal grants for various purposes, including services for women, children's services, and the Office for Drug Policy.		
Purpose of Fund: To provide separate accounting for the administration, supervision and distribution of federal grants made to the Office of the Governor, on behalf of the State of Arizona.		
Funds Expended	63,348,100	61,805,800
Year-End Fund Balance	0	0
Foster Youth Education Success Fund (GVA1400/A.R.S. § 41-108)		Non-Appropriated
Source of Revenue: General Fund appropriations. Public or private gifts, grants and donations.		
Purpose of Fund: To improve the educational outcomes of children in Arizona's foster care system. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	361,000	361,000

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Governor's Emergency Education Relief Fund (DTA2980/U.S. P.L. 116-136)		Federal Funds
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	25,049,700	0
Year-End Fund Balance	0	0
Governor's Endowment Partnership Fund (GVA3206/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Public or private gifts, grants and donations. All donations, except those from established non-profit economic development organizations, are limited to \$5,000, per person, each fiscal year.		
Purpose of Fund: This fund was established by Executive Order 92-7, to promote the interests of the state and encourage public service to Arizona by its citizens. Expenditures may include promoting economic development in Arizona, recruiting new industries, appropriate memorabilia or gifts for dignitaries or citizen volunteers, and promoting good working relationships between the various branches of national, state, and local governments.		
Funds Expended	115,800	355,800
Year-End Fund Balance	213,600	149,500
IGA and ISA Fund (GVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	1,513,400	1,824,400
Year-End Fund Balance	1,875,600	1,251,200
Indirect Cost Recovery Fund (GVA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	(40,000)	3,030,800
Year-End Fund Balance	13,813,000	12,983,700
Prevention of Child Abuse Fund (GVA2439/A.R.S. § 41-109)		Non-Appropriated
Source of Revenue: The fund receives \$17 of the annual \$25 fee for original and renewal child abuse prevention special license plates.		
Purpose of Fund: To be allocated by the Director of the Division for Children in the Governor's Office for programs to prevent child abuse in the state of Arizona. Not more than 3% of annual fund revenues shall be used to administer the fund.		
Funds Expended	158,100	225,000
Year-End Fund Balance	125,700	55,700

Governor's Office of Strategic Planning and Budgeting

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	2,266,400	1,747,500	1,747,500
Employee Related Expenditures	725,100	498,500	498,500
Professional and Outside Services	150,800	121,200	121,200
Travel - In State	1,200	800	800
Travel - Out of State	10,600	6,900	6,900
Other Operating Expenditures	202,700	473,400	473,400
Equipment	26,900	4,200	4,200
AGENCY TOTAL	3,383,700	2,852,500	2,852,500 ^{1/2/}
FUND SOURCES			
General Fund	3,383,700	2,852,500	2,852,500
SUBTOTAL - Appropriated Funds	3,383,700	2,852,500	2,852,500
TOTAL - ALL SOURCES	3,383,700	2,852,500	2,852,500

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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)
- 2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$2,852,500 and 22 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Department of Health Services

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,149.0	1,168.0	1,168.0
Personal Services	26,863,300	29,768,300	28,921,500
Employee Related Expenditures	10,173,400	12,109,100	11,753,500
Professional and Outside Services	1,880,000	2,826,100	2,826,100
Travel - In State	490,800	727,900	727,900
Travel - Out of State	109,100	131,800	131,800
Other Operating Expenditures	15,627,900	17,492,600	16,587,200
Equipment	339,400	311,500	311,500
OPERATING SUBTOTAL	55,483,900	63,367,300	61,259,500 ^{1/}
SPECIAL LINE ITEMS			
Arizona State Hospital			
Arizona State Hospital-Operating	78,431,400	78,309,600	78,309,600 ^{2/}
Arizona State Hospital-Restoration to Competency	793,800	900,000	900,000
Arizona State Hospital-Sexually Violent Persons	12,798,700	11,330,900	11,330,900
Public Health			
Adult Cystic Fibrosis Care	105,200	105,200	105,200
AIDS Reporting and Surveillance	893,600	1,000,000	1,000,000
Alzheimer's Disease Research	4,125,000	4,125,000	4,125,000 ^{3/}
Biomedical Research Support	1,500,600	2,000,000	2,000,000 ^{4/}
Breast and Cervical Cancer and Bone Density Screening	820,100	1,369,400	1,369,400
Counseling Services for Parents of Deceased Children	0	500,000	0
County Tuberculosis Provider Care and Control	274,600	590,700	590,700
Dementia Awareness Campaign	243,300	0	0
Dementia Services Program and Alzheimer's Disease State Plan	157,800	0	0
Fentanyl Testing Strips and Mass Spectrometers	203,300	0	0
Funeral Services Regulation	394,600	459,400	459,400
Health Crisis Review Centers and Wraparound Services	5,000,000	0	0
Heat Mitigation in Southern Arizona	0	500,000	0
Nonrenal Disease Management	167,000	198,000	198,000 ^{5/}
Nursing Care Special Projects	44,200	200,000	200,000
Poison Control Centers Funding	485,500	990,000	990,000
Preventative Health Services for Low-Income, Underserved Women	0	500,000	0
Psilocybin Research	212,300	0	0
Renal Dental Care and Nutrition Supplements	150,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Senior Health Promotion in Santa Cruz County	0	1,000,000	0
Southern Arizona Counseling and Community Service Grants	0	1,000,000	0
Trauma Recovery Center Fund Deposit	7,000,000	0	0
Family Health			
Folic Acid Program	258,200	400,000	400,000
High Risk Perinatal Services	2,142,500	2,343,400	2,343,400
Newborn Screening Program	11,407,200	12,419,300	12,419,300
Nurse-Family Partnership Programs	0	0	0
Medical Provider Support			
Accelerated Nursing Programs	0	0	0
Behavioral Health Care Provider Loan Repayment Program	107,800	1,000,000	1,000,000
Collaborative Care Uptake Fund Deposit	1,000,000	0	0
Arizona Nurse Education Investment Pilot Program	15,000,000	0	0

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
Preceptor Grant Program for Graduate Students	118,600	500,000	0
AGENCY TOTAL	199,456,500	185,591,200	179,483,400 ^{§/1}
FUND SOURCES			
General Fund	146,977,000	122,466,300	117,363,900
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	3,039,600	3,395,700	3,395,700
ASH Land Earnings Fund	621,700	650,000	650,000
Child Fatality Review Fund	170,000	196,500	196,500
Disease Control Research Fund	893,600	1,000,000	1,000,000
Emergency Medical Services Operating Fund	3,445,900	4,260,700	4,260,700
Environmental Laboratory Licensure Revolving Fund	823,000	1,008,400	1,008,400
Federal Child Care and Development Fund Block Grant	977,200	1,011,300	1,011,300
Health Services Licensing Fund	15,821,300	17,607,900	17,607,900
Indirect Cost Fund	12,129,600	13,323,700	13,318,300
Newborn Screening Program Fund	11,797,000	12,838,700	12,838,700
Nursing Care Institution Resident Protection Revolving Fund	44,200	238,200	238,200
Tobacco Tax and Health Care Fund - Health Research Account	0	3,000,000	2,000,000
Tobacco Tax and Health Care Fund - Medically Needy Account	408,200	700,000	700,000
Vital Records Electronic Systems Fund	2,308,200	3,893,800	3,893,800
SUBTOTAL - Other Appropriated Funds	52,479,500	63,124,900	62,119,500
SUBTOTAL - Appropriated Funds	199,456,500	185,591,200	179,483,400
Other Non-Appropriated Funds	74,785,900	97,415,300	97,415,300
Federal Funds	504,518,300	480,275,400	480,275,400
TOTAL - ALL SOURCES	778,760,700	763,281,900	757,174,100

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, epidemiological monitoring, and radiation regulation.

FOOTNOTES

- 1/ 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. On or before September 1, 2026, the department of health services, 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 the suicide prevention coordinator's accomplishments in fiscal year 2025-2026. (General Appropriations Act footnote)
- 2/ 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 Appropriations Act footnote)
- 3/ 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 ten 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.
 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 Appropriations Act footnote)

- 4/ 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, 2027. (General Appropriations Act footnote)
- 5/ The department of health services may use up to four percent of the amount appropriated for nonrenal disease management for the administrative costs to implement the program. (General Appropriations Act footnote)
- 6/ 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 thirtieth of the following month. Each 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 Appropriations Act footnote)
- 7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$61,259,500 and 406.4 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$19,964,400
Child Fatality Review Fund	196,500
Emergency Medical Services (EMS) Operating Fund	4,260,700
Environmental Laboratory Licensure Revolving Fund	1,008,400
Federal Child Care and Development Fund (CCDF) Block Grant	1,011,300
Health Services Licensing Fund	17,148,500
DHS Indirect Cost Fund	13,318,300
Newborn Screening Program Fund	419,400
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,893,800

Adjustments are as follows:

Remove One-Time Licensing Database Upgrades

The Baseline includes a decrease of \$(900,000) from the General Fund in FY 2026 to remove one-time funding associated with upgrades to the AZ Care Check portal, a searchable licensing history database.

Remove One-Time Licensing Staff Costs

The Baseline includes a decrease of \$(1,202,400) from the General Fund in FY 2026 to remove one-time funding to hire 15 additional licensing compliance officers. The 3-

year budget plan associated with the FY 2025 budget assumed this item would be funded with other fee revenues after FY 2025.

Remove One-Time Administrative Staff Costs

The Baseline includes a decrease of \$(5,400) from the Indirect Cost Fund in FY 2026 to remove one-time costs associated with hiring additional administrative staff.

Arizona State Hospital

ASH - Operating

The Baseline includes \$78,309,600 and 616.5 FTE Positions in FY 2026 for the ASH operating budget. These amounts consist of:

General Fund	75,413,900
ASH Fund	2,245,700
ASH Land Earnings Fund	650,000

These amounts are unchanged from FY 2025.

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 2024, ASH had an average daily census of 113 patients in its civil commitment unit, 118 patients in its forensic unit, and 95 Sexually Violent Persons (SVPs), for a total of 326 patients.

ASH - Restoration to Competency

The Baseline includes \$900,000 from the ASH Fund in FY 2026 for ASH - Restoration to Competency. This amount is unchanged from FY 2025.

Background – This line item funds direct costs associated with the Restoration to Competency (RTC) program. All other indirect costs are included in the Arizona State Hospital - Operating line item.

ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2024, there was an average daily census of 2 RTC patients treated at ASH. RTC patients are treated in ASH’s forensic unit.

The FY 2026 Baseline continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

ASH - Sexually Violent Persons

The Baseline includes \$11,330,900 and 112.5 FTE Positions from the General Fund in FY 2026 for ASH - Sexually Violent Persons. These amounts consist of:

General Fund	11,080,900
ASH Fund	250,000

These amounts are unchanged from FY 2025.

Background – This line item funds direct costs associated with the SVP program. All other indirect costs are included in the Arizona State Hospital - Operating line item.

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 2024, ASH had an average daily census of 95 SVPs.

Public Health

Adult Cystic Fibrosis Care

The Baseline includes \$105,200 from the General Fund in FY 2026 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2025.

In FY 2024, this line item provided contracted care and treatment services through Phoenix Children’s Hospital for 58 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The Baseline includes \$1,000,000 from the Disease Control Research Fund in FY 2026 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2025.

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 remaining \$875,000 funds medications under the Arizona AIDS Drug Assistance Program (ADAP), which also receives Federal Funds for the medications. The ADAP program served approximately 4,269 clients in FY 2024.

Alzheimer’s Disease Research

The Baseline includes \$4,125,000 from the General Fund in FY 2026 for Alzheimer’s Disease Research. Adjustments are as follows:

Remove One-Time Funding Shift

The Baseline includes an increase of \$1,000,000 from the General Fund and a corresponding decrease of \$(1,000,000) from the Tobacco Tax and Health Care Fund - Health Research Account in FY 2026 to remove a one-time shift in funding.

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.

Biomedical Research Support

The Baseline includes \$2,000,000 from the Tobacco Tax and Health Care Fund - Health Research Account in FY 2026 for Biomedical Research Support. This amount is unchanged from FY 2025.

The FY 2025 budget shifted funding for this line item from the General Fund to the Tobacco Tax and Health Care Fund - Health Research Account on a one-time basis. The 3-year spending plan associated with the enacted FY 2025 budget assumed this shift in both FY 2025 and FY 2026. The FY 2027 Baseline will shift the appropriation back to the General Fund.

Background – This line item funds a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research focusing on the application of 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.

DHS distributes monies in this line item 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.)*

Breast and Cervical Cancer and Bone Density Screening

The Baseline includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2026 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2025.

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.

Counseling Services for Parents of Deceased Children

The Baseline includes no funding in FY 2026 for Counseling Services for Parents of Deceased Children. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2026 to remove one-time funding for DHS to distribute to nonprofit organizations that provide counseling services for parents whose children have died as a result of violence.

County Tuberculosis Provider Care and Control

The Baseline includes \$590,700 from the General Fund in FY 2026 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2025.

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.

Dementia Awareness Campaign

The Baseline includes no funding in FY 2026 for a Dementia Awareness Campaign. This amount is unchanged from FY 2025.

The FY 2024 budget included \$750,000 from the General Fund for this line item. The FY 2024 Health Care BRB instructed DHS to distribute the monies to a nonprofit organization that has expertise in dementia and provides care for individuals affected by Alzheimer's disease and other forms of dementia. The recipient organization must also have experience in marketing and public awareness campaigns and host a toll-free 24-hour hotline to provide dementia support and education. DHS is required to report on the impact of the public education campaign to the Governor, the President of the Senate, and the Speaker of the House of Representatives on or before June 30, 2025.

An FY 2024 General Appropriation Act footnote makes these monies non-lapsing.

Dementia Services Program and Alzheimer's Disease State Plan

The Baseline includes no funding and 2 FTE Positions from the General Fund in FY 2026 for a Dementia Services Program and Alzheimer's Disease State Plan. These amounts are unchanged from FY 2025.

Among other provisions, the dementia services program is required to facilitate coordination of policies and programs related to dementia and Alzheimer's disease within the Legislature and Executive branch. In addition, the dementia services program is responsible for coordinating, publishing, and implementing the Alzheimer's disease state plan, which is required to assess the current and future impact of dementia and Alzheimer's disease in Arizona. The plan must also assess existing capacity and resources to address needs. The plan must be published on DHS's website and include recommendations for increasing access to care and treatment, improving the quality of care for affected persons, ensuring a coordinated statewide response, and advancing early detection and diagnosis. By June 30, 2026, DHS must review and submit an updated Alzheimer's disease state plan to the Governor, the President of the Senate, and the Speaker of the House.

The FY 2024 General Appropriations Act included a footnote making these monies non-lapsing through FY 2026, after which the program's requirements are repealed. The footnote states that these monies are intended to be expended over 3 years. Any monies remaining unspent at the end of FY 2026 will revert to the General Fund.

Funeral Services Regulation

The Baseline includes \$459,400 and 4 FTE Positions from the Health Services Licensing Fund in FY 2026 for Funeral Services Regulation. These amounts are unchanged from FY 2025.

Background – In 2023, the State Board of Funeral Directors and Embalmers was terminated, and its powers and duties were transferred to DHS beginning March 31, 2023. The funding in this line item is used to license, register, and regulate embalmers, prearranged funeral salespersons, crematories, and funeral homes.

Heat Mitigation in Southern Arizona

The Baseline includes no funding in FY 2026 for Heat Mitigation in Southern Arizona. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2026 to remove one-time funding for heat mitigation programs in southern Arizona.

Nonrenal Disease Management

The Baseline includes \$198,000 from the General Fund in FY 2026 for Nonrenal Disease Management. This amount is unchanged from FY 2025.

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 Baseline includes \$200,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2026 for special projects related to long-term care facilities. This amount is unchanged from FY 2025.

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's 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 Baseline includes \$990,000 from the General Fund in FY 2026 for Poison Control Centers. This amount is unchanged from FY 2025.

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 2024. 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 each the University of Arizona (UA) Poison Control Information Center and a poison and drug information center in Maricopa County. However, this amount is not reflected in the table at the beginning of this narrative. The Board of Pharmacy transferred \$500,000 to the UA Poison Control Center in FY 2024.

Preventative Health Services for Low-Income, Underserved Women

The Baseline includes no funding in FY 2026 for Preventative Health Services for Low-Income, Underserved Women. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2026 to remove one-time funding for DHS to distribute to a nonprofit organization that provides preventative health care services to low-income and underserved women and their families.

Renal Dental Care and Nutrition Supplements

The Baseline includes \$300,000 from the TTHCF - Medically Needy Account in FY 2026 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2025.

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 Baseline includes \$183,000 from the General Fund in FY 2026 for Renal Transplant Drugs. This amount is unchanged from FY 2025.

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 2024, 68 people received anti-rejection medication assistance.

Senior Health Promotion in Santa Cruz County

The Baseline includes no funding in FY 2026 for Senior Health Promotion in Santa Cruz County. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove one-time funding for the promotion and coordination of senior health in Santa Cruz County.

Southern Arizona Counseling and Community Service Grants

The Baseline includes no funding in FY 2026 for Southern Arizona Counseling and Community Service Grants. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove one-time funding for DHS to distribute to nonprofit organizations that provide counseling and community services in southern Arizona.

Trauma Recovery Center Fund Deposit

The Baseline includes no funding and 1.5 FTE Positions from the General Fund in FY 2026 for a Trauma Recovery Center Fund Deposit. These amounts are unchanged from FY 2025.

The FY 2024 budget appropriated \$7,000,000 from the General Fund on a one-time basis for deposit into the Trauma Recovery Center Fund. An FY 2024 General Appropriations Act footnote instructed DHS to use the monies to provide a technical assistance grant to help establish a state pilot trauma recovery center, including 3 years of operational costs, and a separate grant to a public research institution to track data and outcomes of the state pilot trauma recovery center. The public research institution is required to produce a report at the conclusion of the pilot.

Family Health

Folic Acid Program

The Baseline includes \$400,000 from the TTHCF - Medically Needy Account in FY 2026 for the Folic Acid Program. This amount is unchanged from FY 2025.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2024, 24,066 women received folic acid education and multivitamins.

High Risk Perinatal Services

The Baseline includes \$2,343,400 from the General Fund in FY 2026 for High Risk Perinatal Services. This amount is unchanged from FY 2025.

This line item provides contracted transport services for high risk perinatal care, hospital services, inpatient physician follow-up services, and community health nurse visits for newborns who spent at least 5 days in a neonatal intensive care unit. The purpose of the visits is to identify developmental issues and provide early intervention services to ensure school readiness by age 5.

Newborn Screening Program

The Baseline includes \$12,419,300 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2026 for the Newborn Screening Program. These amounts are unchanged from FY 2025.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 61 disorders. In FY 2024, the program provided screening for 82,652 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.

Nurse-Family Partnership Programs

The Baseline includes no funding in FY 2026 for Nurse-Family Partnership Programs. This amount is unchanged from FY 2025.

The FY 2024 budget appropriated \$2,500,000 from the General Fund on a one-time basis to fund nurse-family partnership programs.

An FY 2025 General Appropriations Act footnote made the FY 2024 appropriation for this line item non-lapsing through FY 2027.

Nurse-family partnership programs are home visiting programs that pair nurses with low-income, first-time mothers during their pregnancy and the first 2 years of the children's lives. Services typically include care coordination, case management, assessments and screenings, preventive education, referrals to health and human services, and job development resources, among other supports.

Medical Provider Support

Accelerated Nursing Programs

The Baseline includes no funding in FY 2026 for Accelerated Nursing Programs. This amount is unchanged from FY 2025.

The FY 2023 budget appropriated \$50,000,000 one-time to DHS to expand nursing programs. Of this amount, the FY 2023 Health Care BRB required DHS to distribute \$6,000,000 to a private university with a health sciences campus located in Phoenix that offers a 12-month accelerated nursing program. The recipient will use the monies for capital costs associated with adding a new cohort of accelerated nursing students.

DHS will distribute the remaining \$44,000,000 to public and private universities and community colleges located in Arizona for the purpose of expanding program capacity. The department is required to give priority to programs that can be completed within 12 months, but programs up to 18 months in length are also eligible for funding. Each institution receiving monies must use at least 80% of the award to provide scholarships and no more than 20% may be used for administrative expenses, including the cost of hiring faculty and purchasing equipment. The monies may not be used for capital costs.

In January 2023, DHS reported awarding \$43,100,000 of the \$44,000,000 appropriation: \$5.6 million to ASU for 104 scholarships; \$5.9 million to Creighton University for 80 scholarships; \$16.0 million to Grand Canyon University for 300 scholarships; \$6.4 million to NAU for 240 scholarships; and \$9.2 million to UA for 158 scholarships.

The FY 2023 Health Care BRB also stipulated that scholarship recipients agree to practice nursing in Arizona for at least 4 years after graduation from an accelerated nursing program. DHS is required to compile information from each institution and submit an annual report to JLBC

and OSPB on October 1 of each year through 2030. The report will include data on the number of students receiving scholarships, the number of nurses who are currently completing the 4-year service commitment, and the number of students who have reimbursed the institution for not completing the service requirement. By the end of FY 2024, 831 students had received scholarships.

An FY 2025 General Appropriations Act footnote makes these monies non-lapsing through FY 2025. Any unspent monies at the end of FY 2025 will revert to the General Fund.

Behavioral Health Care Provider Loan Repayment Program

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for the Behavioral Health Care Provider Loan Repayment Program. This amount is unchanged from FY 2025.

A.R.S. § 36-2175 established the program to provide loan repayment assistance to providers who agree to serve in behavioral health facilities for at least 2 years, with priority given to applicants who intend to practice in the Arizona State Hospital or a behavioral health residential facility. For the first 2 years of service, the maximum award is \$50,000. For each subsequent year, the maximum award is \$25,000.

An FY 2025 General Appropriations Act footnote made the FY 2023 appropriation for this line item non-lapsing through FY 2025.

Arizona Nurse Education Investment Pilot Program

The Baseline includes no funding in FY 2026 for the Arizona Nurse Education Investment Pilot Program. This amount is unchanged from FY 2025.

The 3-year spending plan associated with the enacted FY 2023 budget included \$15,000,000 from the General Fund for this line item in FY 2023, FY 2024, and FY 2025. The FY 2025 budget eliminated the final year of funding.

A.R.S. § 36-1802 requires these monies to be deposited into the Arizona Nurse Education Investment Pilot Program Fund to increase the capacity of nursing education programs in Arizona. DHS allocates these monies to the Arizona Board of Regents (ABOR) and community college districts based on the number of nursing students graduating in FY 2022, which includes programs for nursing assistants, licensed practical nurses, registered nurses, and advanced practice nurses.

Recipients may use the monies to pay operating costs necessary to increase the number of faculty members teaching in nursing programs and for capital expenses directly related to additional faculty and students.

Of the \$15,000,000 appropriation in FY 2024, the universities received \$5.7 million annually, with \$3.0 million for ASU, \$1.4 million for NAU, and \$1.3 million for UA. The remaining \$9.3 million went to community college programs.

Any monies remaining in the fund at the end of FY 2026 will revert to the General Fund.

Preceptor Grant Program for Graduate Students

The Baseline includes no funding in FY 2026 for a Preceptor Grant Program for Graduate Students.

Adjustments are as follows:

Eliminate Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2026 to remove one-time funding for the Preceptor Grant Program.

A.R.S. § 36-1806 establishes this program to expand the capacity of preceptor training for graduate students pursuing degrees as physicians in allopathic or osteopathic medicine, advanced practice nurses, physician assistants, or dentists. In the nursing profession, preceptors are licensed clinicians who supervise nursing students completing their clinical hours. DHS is required to allocate the monies to the 5 largest statewide nonprofit organization representing these professions in proportion to the number of active licenses within each.

The organizations will distribute monies to physicians, certified nurse midwives, registered nurse anesthetists, clinical nurse specialists, registered nurses, physician assistants, and dentists who serve as volunteer preceptors who provide sufficient evidence of completing a preceptorship with a graduate student. Awards will be distributed on a first-come first-serve basis at a maximum

of \$1,000 per preceptor per calendar year, with priority given to primary care preceptorships in rural areas of the state.

The 3-year spending plan associated with the enacted FY 2023 budget included \$500,000 from the General Fund for this line item in FY 2023, FY 2024, and FY 2025.

The FY 2025 budget included a footnote making these monies non-lapsing through FY 2026. Any monies remaining unspent at the end of FY 2026 will revert to the General Fund.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.

Long-Term Budget Impacts

As part of the FY 2026 Baseline's 3-year spending plan, DHS's General Fund costs are projected to increase by \$2,000,000 in FY 2027 above FY 2026.

The FY 2027 estimate is based on \$2,000,000 to restore funding for biomedical research support.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Alzheimer's Disease Research Fund (HSA2255/A.R.S. § 36-123.02)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Alzheimer's Disease Research Fund.		
Purpose of Fund: To distribute monies to charitable organizations in Arizona that have been operating for at least 10 years and have member institutions working to end Alzheimer's Disease and educate Arizona residents about Alzheimer's Disease.		
Funds Expended	0	34,500
Year-End Fund Balance	41,500	20,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Nurse Education Investment Pilot Program Fund (HSA4200/A.R.S. § 36-1802)		Non-Appropriated
Source of Revenue: Legislative appropriations, private donations, grants and federal monies.		
Purpose of Fund: To increase the capacity of nursing education programs in this state by fostering collaboration among this state's education and health care communities and the state and federal governments. Any monies remaining in the fund on July 1, 2026, will revert to the General Fund. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	10,817,700	5,408,900
Arizona State Hospital Charitable Trust Fund (HSA9985/A.R.S. § 36-218)		Non-Appropriated
Source of Revenue: Monies received from contracts and lease agreements on Arizona State Hospital property.		
Purpose of Fund: To benefit persons with mental illness in this state.		
Funds Expended	93,300	266,000
Year-End Fund Balance	220,000	110,000
Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)		Appropriated
Source of Revenue: State monies and matching federal monies for disproportionate share payments at the Arizona State Hospital, Medicaid reimbursement for services provided at the Arizona State Hospital, county payments, and other monies collected for services to clients at the state hospital.		
Purpose of Fund: To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.		
Funds Expended	3,039,600	3,395,700
Year-End Fund Balance	643,300	295,000
ASH Land Earnings Fund (HSA3128/A.R.S. § 36-211)		Appropriated
Source of Revenue: Monies received from interest on the Arizona State Hospital's Permanent Land Fund, as established through Arizona's Enabling Act, Section 25, and the monies derived from the lease of these lands and miscellaneous revenue.		
Purpose of Fund: For the benefit and support of the Arizona State Hospital.		
Funds Expended	621,700	650,000
Year-End Fund Balance	3,892,400	4,698,600
Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund.		
Purpose of Fund: For breast and cervical cancer screening and diagnostic and outreach services.		
Funds Expended	314,200	550,500
Year-End Fund Balance	924,100	492,800
Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)		Appropriated
Source of Revenue: A \$1 surcharge on fees collected on all certified copies of death certificates, up to \$200,000. Any revenue collected in excess of \$200,000 is transferred from the fund to the Child Abuse Prevention Fund in the Department of Child Safety.		
Purpose of Fund: To organize county child fatality review teams and to study data collected by these teams to determine ways to reduce the state's child mortality rate.		
Funds Expended	170,000	196,500
Year-End Fund Balance	275,500	259,000

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Childhood Cancer and Rare Childhood Disease Research Fund (HSA2560/A.R.S. § 36-121)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited to the Childhood Cancer and Rare Childhood Disease Research Fund.		
Purpose of Fund: To support childhood cancer research.		
Funds Expended	82,800	32,200
Year-End Fund Balance	32,200	24,700
Collaborative Care Uptake Fund (HSA4270/Laws 2023, Chapter 139)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: For grants to primary care physicians to cover the initial costs of implementing behavioral health integration services through a collaborative care model, and for technical assistance grants. Expenditures are not displayed to avoid double counting the General Fund. Laws 2024, Chapter 215 repeals the fund after June 30, 2025. Any remaining monies will be transferred to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	939,900	470,000
Congenital Heart Defect Special Plate Fund (HSA2258/A.R.S. § 36-123.03)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited to the Congenital Heart Defect Special Plate Fund.		
Purpose of Fund: Distribution to a foundation that supports a hospital with a focus on pediatric patient care and has a heart center.		
Funds Expended	32,000	34,300
Year-End Fund Balance	34,300	36,700
Coronavirus State and Local Fiscal Recovery Fund (HSA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	7,271,100	21,121,000
Year-End Fund Balance	498,600	497,600
Department of Health Services Opioid Remediation Fund (HSA9999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies transferred by the Attorney General from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund. Revenue comes from monies deposited in the subaccount pursuant to opioid claims-related litigation or settlements.		
Purpose of Fund: For approved purposes as prescribed in a court order, a settlement agreement or the One Arizona Distribution of Opioid Settlement Funds Agreement that is entered into by this state and other parties to the opioid litigation. The FY 2025 budget included \$1,000,000 for DHS to distribute and equip first responders with overdose reversal medication. DHS did not report FY 2025 estimated expenditures from this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Disease Control Research Fund (HSA2090/A.R.S. § 36-274)		Appropriated
Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
Purpose of Fund: To provide funding for AIDS Reporting and Surveillance. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	893,600	1,000,000
Year-End Fund Balance	4,097,400	3,493,900

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Disease Control Research Fund (HSA2090/A.R.S. § 36-274)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
Purpose of Fund: To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	1,730,800	3,054,700
Year-End Fund Balance	4,097,400	3,493,900
Donations - DHS (HSA3010/2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations for various health related purposes.		
Purpose of Fund: For specific purposes as designated by the donors. Monies donated pursuant to A.R.S. § 36-213 and A.R.S. § 36-204 for the Arizona State Hospital are accounted for separately.		
Funds Expended	9,800	330,800
Year-End Fund Balance	1,596,100	1,265,300
Donations - Statewide (HSA2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations from employee recognition events.		
Purpose of Fund: Employee recognition purposes.		
Funds Expended	6,900	5,400
Year-End Fund Balance	7,700	7,700
Drug Disposal Education and Awareness Fund (HSA2230/A.R.S. § 36-123.01)		Non-Appropriated
Source of Revenue: Donations and contributions from private persons and organizations.		
Purpose of Fund: To pay for the cost of administering an education and awareness program regarding the disposal of prescription drugs, including controlled substances, nonprescription drugs, needles, and sharps.		
Funds Expended	0	0
Year-End Fund Balance	10,000	10,000
Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)		Appropriated
Source of Revenue: The fund receives 48.9% of the Medical Services Enhancement Fund revenues, which are collected from a 13% surcharge on fines charged for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To fund local and state emergency medical services systems.		
Funds Expended	3,445,900	4,260,700
Year-End Fund Balance	1,086,900	285,000
Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)		Appropriated
Source of Revenue: Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
Purpose of Fund: For costs associated with licensing environmental laboratories by the Department of Health Services.		
Funds Expended	823,000	1,008,400
Year-End Fund Balance	711,700	394,300
Federal Child Care and Development Block Grant (HSA2008/U.S. P.L 104-193)		Federal Funds
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide reduced licensing fees for child care centers, via an intergovernmental service agreement with the Department of Economic Security. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	5,055,700	0
Year-End Fund Balance	5,100	5,100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: A portion of the Federal Child Care and Development Block Grant provides the Assurance and Licensure Division with monies for the licensure of child care facilities. Please see the Federal Funds portion of the fund for additional information.		
Funds Expended	977,200	1,011,300
Year-End Fund Balance	5,100	5,100
Federal Funds (HSA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Grants and reimbursements from the federal government.		
Purpose of Fund: To provide health services in accordance with the terms of each specific grant.		
Funds Expended	492,191,500	459,154,400
Year-End Fund Balance	16,518,100	4,563,600
Health Services Licensing Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)		Appropriated
Source of Revenue: Fees for health care institution licensing services, monies from the examination and licensing of hearing and speech professionals, and fees collected for regulation of individuals utilizing radiological materials.		
Purpose of Fund: To fund regulatory actions for health care institutions, hearing and speech professionals, and radiation regulation. A total of 90% of assurance and licensure fees are deposited into this fund with the remaining 10% deposited into the General Fund.		
Funds Expended	15,821,300	17,607,900
Year-End Fund Balance	1,178,100	570,100
Health Services Lottery Monies Fund (HSA4250/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: State Lottery monies.		
Purpose of Fund: To fund teenage pregnancy prevention programs, the Health Start program, and the federal Women, Infants and Children (WIC) food program.		
Funds Expended	6,304,100	9,725,900
Year-End Fund Balance	4,702,700	4,257,400
IGA and ISA Fund (HSA4500/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: Monies from intergovernmental agreements and interagency services agreements between the Department of Health Services and other state and local entities. The fund receives annual revenue from the Department of Economic Security (DES) to provide nutrition education in schools for grades 1-6 using funds from the Supplemental Nutrition Assistance Program (SNAP).		
Purpose of Fund: To fund services which DHS has agreed to perform in IGAs and ISAs with state and local public agencies.		
Funds Expended	13,010,000	8,461,800
Year-End Fund Balance	7,639,200	4,177,400
Indirect Cost Fund (HSA9001/A.R.S. § 36-108)		Appropriated
Source of Revenue: Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
Purpose of Fund: To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
Funds Expended	12,129,600	13,323,700
Year-End Fund Balance	6,036,300	6,029,100
Internal Services Fund (HSA4202/A.R.S. § 36-104)		Non-Appropriated
Source of Revenue: Charges from other DHS funds.		
Purpose of Fund: Revolving Fund used by DHS warehouse for the purchase of goods.		
Funds Expended	(12,600)	0
Year-End Fund Balance	36,200	36,200

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Justice Reinvestment Fund (HSA1121/A.R.S. § 36-2863)		Non-Appropriated
Source of Revenue: The fund receives 10% of revenues from the Smart and Safe Arizona Fund after state agencies pay administrative costs for implementing the provisions of Proposition 207, which legalized the adult use of recreational marijuana.		
Purpose of Fund: To pay administrative costs incurred by the State Treasurer and Arizona Department of Health Services (DHS). After administrative costs are paid, the remaining funds are distributed 35% to county public health departments, 35% to DHS for justice reinvestment program grants, and 30% to DHS for addressing public health issues.		
Funds Expended	5,546,200	15,840,100
Year-End Fund Balance	24,539,200	22,799,100
Laser Safety Fund (HSA2388/A.R.S. § 32-3234)		Non-Appropriated
Source of Revenue: Fees collected from the authorization of certificates to individuals that operate lasers of Intense Pulsed Light (IPL) devices for health and cosmetic related purposes.		
Purpose of Fund: To fund the costs of issuing licenses to individuals that operate lasers or IPL devices for health-related purposes.		
Funds Expended	76,300	30,000
Year-End Fund Balance	98,500	123,400
Medical Marijuana Fund (HSA2544/A.R.S. § 36-2817)		Non-Appropriated
Source of Revenue: The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.		
Purpose of Fund: To enforce provisions of Proposition 203 (Arizona Medical Marijuana Act) enacted in the 2010 General Election. The Arizona Medical Marijuana Act regulates dispensation, prescription, and use of medical marijuana, including an electronic registry of dispensary agents, patients and designated caregivers.		
Funds Expended	16,135,400	14,040,900
Year-End Fund Balance	28,328,800	22,387,900
Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)		Appropriated
Source of Revenue: Fees paid to DHS for newborn screening services.		
Purpose of Fund: To provide monies for the centralized testing of all newborns in the state for a standard set of metabolic and congenital (environmental/inherited) disorders. Every 4 years the department solicits bids for the contracting of these tests. The State Health Lab holds the current contract. In addition, the fund provides monies for follow-up counseling for the parents of affected infants.		
Funds Expended	11,797,000	12,838,700
Year-End Fund Balance	1,034,800	2,584,600
Nursing Care Institution Resident Protection Revolving Fund (HSA2329/A.R.S. § 36-431.02)		Appropriated
Source of Revenue: Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
Purpose of Fund: For the protection of the health and property of residents of nursing care facilities that are found deficient.		
Funds Expended	44,200	238,200
Year-End Fund Balance	2,348,400	2,110,200
Oral Health Fund (HSA3038/A.R.S. § 36-138)		Non-Appropriated
Source of Revenue: Monies received from AHCCCS contracts for dental services.		
Purpose of Fund: To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
Funds Expended	138,200	476,700
Year-End Fund Balance	831,300	580,200

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Public Health Emergencies Fund (HSA2775/A.R.S. § 36-122)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund public health emergency responses in the state following an emergency declaration by the Governor.		
Funds Expended	(7,600)	0
Year-End Fund Balance	966,200	966,200
Smart and Safe Arizona Fund (HSA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General.		
Funds Expended	13,059,400	13,838,900
Year-End Fund Balance	528,700	528,600
Smoke-Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)		Non-Appropriated
Source of Revenue: A 2¢ per pack tax on cigarettes. Any revenues not used by the department to enforce the smoking ban are deposited to the Tobacco Tax Products Fund to be used for education programs to reduce or eliminate tobacco use.		
Purpose of Fund: To enforce the provisions of Proposition 201 (Smoke Free Arizona Act) enacted in the 2006 General Election. The Smoke-Free Arizona Act banned smoking in public places except retail tobacco stores, veteran and fraternal clubs, hotel rooms designated as smoking rooms, and outdoor patios.		
Funds Expended	3,117,000	2,604,800
Year-End Fund Balance	751,200	473,100
Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)		Non-Appropriated
Source of Revenue: The account receives 23¢ of each dollar deposited in the Tobacco Tax and Health Care Fund and 2¢ of each dollar in the Tobacco Products Tax Fund.		
Purpose of Fund: Monies are used for community-based education and evaluation, and other programs to discourage tobacco use among the general public, specifically targeting minors and culturally diverse populations. The monies from the Tobacco Products Tax Fund are used for the prevention and detection of the 4 leading causes of death.		
Funds Expended	11,146,500	18,600,100
Year-End Fund Balance	22,614,500	17,898,600
Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)		Appropriated
Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
Purpose of Fund: For Alzheimer's Disease Research and Biomedical Research Support. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	3,000,000
Year-End Fund Balance	12,847,400	7,260,000
Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)		Non-Appropriated
Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction. Please see the Appropriated version of the fund for additional information.		
Funds Expended	4,003,200	9,487,700
Year-End Fund Balance	12,847,400	7,260,000

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Tobacco Tax and Health Care Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774)		Appropriated
Source of Revenue: The account receives funding from the Medically Needy Account of the Tobacco Tax and Health Care Fund, which is managed by AHCCCS. All monies remaining unexpended at the end of the fiscal year revert to the AHCCCS Medically Needy Account.		
Purpose of Fund: To fund the Folic Acid Program and Renal Dental Care and Nutrition Supplements line items.		
Funds Expended	408,200	700,000
Year-End Fund Balance	645,800	645,800
Trauma Recovery Center Fund (HSA4260/A.R.S. § 36-4102)		Appropriated
Source of Revenue: Legislative appropriations, grants and contributions.		
Purpose of Fund: The department, in consultation with a national alliance that supports trauma recovery centers, establishes priorities for the fund to provide grants to trauma recovery centers. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	6,976,600	3,488,300
Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)		Appropriated
Source of Revenue: Fees collected for searches, copies of records, applications to file delayed records, requests for supplementary birth certificates, following adoption, legitimation, paternity determination, surgical alterations, and chromosomal counts, or amendments to existing records. DHS is authorized by A.R.S. § 36-341 to set vital records fees for individuals and counties that access the vital records electronic system. Total revenues are limited to \$4,530,000. Of the first \$4,000,000, 85% will be deposited into the Vital Records Electronic Systems Fund and 15% will be deposited into the General Fund. For any revenue above \$4,000,000, 40% will be deposited into the Vital Records Electronic Systems Fund and 60% will be deposited into the General Fund.		
Purpose of Fund: To develop and operate a new vital records automated system.		
Funds Expended	2,308,200	3,893,800
Year-End Fund Balance	482,500	(638,400)

Arizona Historical Society

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	50.9	50.9	50.9
Personal Services	1,427,400	1,296,700	1,296,700
Employee Related Expenditures	580,100	605,700	605,700
Professional and Outside Services	1,300	800	800
Travel - In State	9,500	5,300	5,300
Travel - Out of State	1,600	1,800	1,800
Other Operating Expenditures	397,000	434,300	434,300
Equipment	2,700	0	0
OPERATING SUBTOTAL	2,419,600	2,344,600	2,344,600
SPECIAL LINE ITEMS			
Field Services and Grants	65,400	66,200	66,200
Papago Park Museum	559,200	567,900	567,900
AGENCY TOTAL	3,044,200	2,978,700	2,978,700^{1/}
FUND SOURCES			
General Fund	3,044,200	2,978,700	2,978,700
SUBTOTAL - Appropriated Funds	3,044,200	2,978,700	2,978,700
Other Non-Appropriated Funds	732,700	1,527,100	1,527,100
Federal Funds	0	30,000	30,000
TOTAL - ALL SOURCES	3,776,900	4,535,800	4,535,800

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/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,344,600 and 40.4 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Field Services and Grants

The Baseline includes \$66,200 and 0.5 FTE Positions from the General Fund in FY 2026 for Field Services and Grants. These amounts are unchanged from FY 2025.

Papago Park Museum

The Baseline includes \$567,900 and 10 FTE Positions from the General Fund in FY 2026 for the Papago Park Museum. These amounts are unchanged from FY 2025.

This line item funds the operation and maintenance of the Papago Park Museum (Tempe).

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Federal Grants (HIA2000/A.R.S. § 41-821)		Federal Funds
Source of Revenue: Federal grants.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	0	30,000
Year-End Fund Balance	15,500	17,800
Permanent Arizona Historical Society Revolving Fund (HIA2900/A.R.S. § 14-826)		Non-Appropriated
Source of Revenue: Monies from the operation of gift shops, book shops, food service facilities, and charges for the use of or admission into any of the society's facilities.		
Purpose of Fund: For enhancing the programs of the society, or operating or improving its facilities.		
Funds Expended	573,100	1,527,100
Year-End Fund Balance	578,200	(342,600)
Preservation and Restoration Fund (HIA2125/A.R.S. § 41-825)		Non-Appropriated
Source of Revenue: Reproduction charges.		
Purpose of Fund: To preserve and restore historic photographs.		
Funds Expended	22,800	0
Year-End Fund Balance	101,500	129,200
Private Fund (HIA9447/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Revenues are generated through memberships, unrestricted donations, and program revenue. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: For operating expenses.		
Funds Expended	136,800	0
Year-End Fund Balance	4,033,000	4,731,000
Trust Fund (HIA9450/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Monies held in trust for specific purposes. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool. Only interest earnings are expended.		
Purpose of Fund: For operating expenses.		
Funds Expended	0	0
Year-End Fund Balance	161,800	169,800

Prescott Historical Society of Arizona

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	533,600	619,800	619,800
Employee Related Expenditures	199,600	270,800	270,800
Other Operating Expenditures	239,200	104,700	104,700
AGENCY TOTAL	972,400	995,300	995,300 ^{1/}
FUND SOURCES			
General Fund	972,400	995,300	995,300
SUBTOTAL - Appropriated Funds	972,400	995,300	995,300
Other Non-Appropriated Funds	1,017,100	1,317,200	1,317,200
TOTAL - ALL SOURCES	1,989,500	2,312,500	2,312,500

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$995,300 and 13 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Sharlot Hall Historical Society (PHA9505/A.R.S. § 41-831)		Non-Appropriated
Source of Revenue: Monies received from admissions, donations, memberships, interest, gift shop and rent. Funds are outside the control of the State Treasurer and by statute are held in trust for the society's use by the Society Treasurer.		
Purpose of Fund: To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.		
Funds Expended	1,017,100	1,317,200
Year-End Fund Balance	193,400	271,700

Arizona Department of Homeland Security

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	20.0	20.0	20.0
OPERATING SUBTOTAL	0	0	0
SPECIAL LINE ITEMS			
Cybersecurity Programs	0	200,000	0
Arizona State Nonprofit Security Grant Program Fund Deposit	5,000,000	0	0
Statewide Information Security and Privacy Operations and Controls	9,421,100	11,054,700	11,054,700
Antihuman Trafficking Grant Fund Deposit	10,000,000	0	0
Statewide Cybersecurity Grants	9,622,800	10,000,000	10,000,000 ^{1/}
AGENCY TOTAL	34,043,900	21,254,700	21,054,700^{2/}
FUND SOURCES			
General Fund	24,622,800	10,200,000	10,000,000
<u>Other Appropriated Funds</u>			
Information Technology Fund	9,421,100	11,054,700	11,054,700
SUBTOTAL - Other Appropriated Funds	9,421,100	11,054,700	11,054,700
SUBTOTAL - Appropriated Funds	34,043,900	21,254,700	21,054,700
Federal Funds	32,840,500	32,855,600	32,855,600
TOTAL - ALL SOURCES	66,884,400	54,110,300	53,910,300

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. Additionally, the department is responsible for Statewide Information Security and Privacy Operations and Controls.

FOOTNOTES

- 1/ Of the amount appropriated for statewide cybersecurity grants, the Arizona department of homeland security may spend up to \$500,000 for grant administration. (General Appropriations Act footnote)
- 2/ General Appropriations Act funds are appropriated as a Lump Sum with Special Line Items by Agency.

Cybersecurity Programs

The Baseline includes no funding in FY 2026 for cybersecurity programs. Adjustments are as follows:

Remove One-Time Cybersecurity Funding

The Baseline includes a decrease of \$(200,000) from the General Fund in FY 2026 to remove one-time cybersecurity programs funding.

Arizona State Nonprofit Security Grant Program Fund Deposit

The Baseline includes no funding in FY 2026 for an Arizona State Nonprofit Security Grant Program Fund Deposit. This amount is unchanged from FY 2025.

The FY 2024 Criminal Justice BRB established the non-appropriated Nonprofit Security Grant Program Fund to provide safety and security grants for projects at nonprofit organizations that are at a high risk of terrorist attacks or hate crimes. The FY 2025 Criminal Justice BRB limits grant eligibility to those entities that have not received federal funding for the last 3 cycles and establishes a review panel to ensure eligibility.

The line item funds a grant program to provide eligible nonprofits with safety and security grants. The department shall award up to \$1,000,000 in any grant year and a nonprofit may not receive more than \$100,000 in any grant year. Priority shall be given to organizations that are unable to apply for other funding. A budget footnote allows the department to spend up to 5% of the monies deposited in the fund to administer the grant program.

As of June 30, 2024, the department had distributed \$758,600 from this allocation. These monies are exempt from lapsing.

Statewide Information Security and Privacy Operations and Controls

The Baseline includes \$11,054,700 and 20 FTE Positions from the Information Technology (IT) Fund in FY 2026 for Statewide Information Security and Privacy Operations and Controls. These amounts are unchanged from FY 2025.

The Statewide Information Security and Privacy Office (SISPO) in the department performs strategic planning, policy development, risk assessment, facilitation, and coordination to protect the state's information resources. The IT Fund receives revenue from a 0.61% pro-rata charge on agency payroll.

Antihuman Trafficking Grant Fund Deposit

The Baseline includes no funding in FY 2026 for an Antihuman Trafficking Grant Fund Deposit. This amount is unchanged from FY 2025.

The FY 2024 Criminal Justice Budget Reconciliation Bill (BRB) established the non-appropriated Antihuman Trafficking Grant Fund in the department.

Laws 2024, Chapter 209, Section 120 clarifies that monies appropriated to the Antihuman Trafficking Grant Fund in FY 2024 are non-lapsing through FY 2025. The monies were previously only available to spend in FY 2024.

A budget footnote specifies that of the \$10,000,000 deposited in the Antihuman Trafficking Grant Fund, \$2,000,000 shall be distributed to the Department of Public Safety (DPS) Arizona Counter Terrorism Information Center (ACTIC) and \$8,000,000 shall be distributed as grants to local law enforcement agencies, not to exceed \$500,000 per agency. The department did not have adequate FTE positions to manage the grant program, so the monies were ultimately deposited in a comparable fund within the Department of Emergency and Military Affairs (DEMA). DEMA had received a separate deposit of \$10,000,000 in FY 2023 for the same purpose. DEMA is currently working with DPS to administer the grant program.

Monies in the line item provide grants to antihuman trafficking programs that work to reduce human trafficking by providing assistance to law enforcement agencies, providing series to victims, or training law enforcement and prosecutorial agencies.

Statewide Cybersecurity Grants

The Baseline includes \$10,000,000 from the General Fund in FY 2026 for statewide cybersecurity grants. This amount is unchanged from FY 2025.

The line item funds a grant program to provide local political subdivisions with resources for cybersecurity readiness and tools. A budget footnote allows the department to use up to \$500,000 of the appropriation to administer the grant program.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Antihuman Trafficking Grant Fund (HLA9999/Laws 2023, Chapter 137)		Non-Appropriated
Source of Revenue: Monies appropriated by the legislature. The FY 2024 budget included a \$10,000,000 deposit from the General Fund.		
Purpose of Fund: To provide grants to reduce human trafficking in the state. To be eligible for grant monies, an antihuman trafficking program must do either of the following: 1. Work to reduce human trafficking by providing assistance and analytical services to law enforcement agencies. 2. Provide services to victims and training to law enforcement agencies, prosecutorial agencies and the public on preventing and identifying human trafficking. The Department does not report on the expenditures or balance from this fund. Instead, the \$10,000,000 FY 2024 deposit appears in the fund administered by the Department of Emergency and Military Affairs (DEMA). Please see the DEMA section for more information.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona State Nonprofit Security Grant Program Fund (HLA8888/Laws 2023, Chapter 137)		Non-Appropriated
Source of Revenue: Grants, gifts, donations and legislative appropriations.		
Purpose of Fund: To provide funding for safety and security projects to nonprofit organizations that are at high risk of a terrorist attack or at risk of hate crimes or attacks because of the nonprofit's ideology, beliefs or mission for target hardening and other security enhancements and activities. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	4,241,400	4,241,400
Federal Funds (HLA2000/A.R.S. § 41-4254)		Federal Funds
Source of Revenue: Grants received from the U.S. Department of Homeland Security.		
Purpose of Fund: To provide state agencies and local governments with funding to deter and mitigate acts of terrorism. Federal grant guidelines allow up to 5% of the grand total to be used for administrative costs.		
Funds Expended	32,840,500	32,855,600
Year-End Fund Balance	0	0
Information Technology Fund (HLA2152/A.R.S. § 18-401)		Appropriated
Source of Revenue: A pro rata share of 0.61% of total payroll, charged to all budget units subject to oversight of information technology projects by ADOA's Arizona Strategic Enterprise Technology (ASET) Office or by the Information Technology Authorization Committee (ITAC).		
Purpose of Fund: Monies from the Information Technology (IT) Fund support the operation of the Statewide Information Security and Privacy Office (SISPO). Monies also provide personnel funding for statewide IT planning, coordinating, oversight, and consulting at the Arizona Department of Administration.		
Funds Expended	9,421,100	11,054,700
Year-End Fund Balance	0	0

Board of Homeopathic and Integrated Medicine Examiners

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	22,000	22,000	22,000
Employee Related Expenditures	11,900	11,900	11,900
Professional and Outside Services	0	2,500	2,500
Other Operating Expenditures	25,100	25,100	25,100
AGENCY TOTAL	59,000	61,500	61,500 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	59,000	61,500	61,500
SUBTOTAL - Other Appropriated Funds	59,000	61,500	61,500
SUBTOTAL - Appropriated Funds	59,000	61,500	61,500
TOTAL - ALL SOURCES	59,000	61,500	61,500

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$61,500 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Board of Homeopathic and Integrated Medicine Examiners' Fund (HEA2041/A.R.S. § 32-2906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of homeopaths.		
Purpose of Fund: To examine, license, investigate, and regulate homeopaths, and for board administration.		
Funds Expended	59,000	61,500
Year-End Fund Balance	27,800	27,000

Arizona Department of Housing

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	234,100	309,300	309,300
Employee Related Expenditures	88,800	69,100	69,100
Professional and Outside Services	6,300	0	0
Travel - In State	5,300	0	0
Other Operating Expenditures	32,700	10,400	10,400
Equipment	3,900	0	0
OPERATING SUBTOTAL	371,100	388,800	388,800
SPECIAL LINE ITEMS			
Homeless Shelter and Services Fund Deposit	40,000,000	0	0
Housing Trust Fund Deposit	150,000,000	15,000,000	0
Military Transitional Housing Fund Deposit	1,900,000	0	0
Mobile Home Relocation Fund Deposit	5,000,000	0	0
AGENCY TOTAL	197,271,100	15,388,800	388,800^{1/}
FUND SOURCES			
General Fund	196,900,000	15,000,000	0
<u>Other Appropriated Funds</u>			
Housing Trust Fund	371,100	388,800	388,800
SUBTOTAL - Other Appropriated Funds	371,100	388,800	388,800
SUBTOTAL - Appropriated Funds	197,271,100	15,388,800	388,800
Other Non-Appropriated Funds	13,244,000	18,720,400	18,720,400
Federal Funds	205,215,900	166,315,500	166,315,500
TOTAL - ALL SOURCES	415,731,000	200,424,700	185,424,700

AGENCY DESCRIPTION — The department administers state and federal affordable housing programs, including the state and federal low-income housing tax credits, the Housing Trust Fund, and a portion of Arizona's federal Section 8 Housing Voucher program. It also administers the Office of Manufactured Housing, which regulates the production, installation and sale of manufactured homes, factory-built buildings, mobile homes, and accessory structures

FOOTNOTES

^{1/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$388,800 and 3 FTE Positions from the Housing Trust Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Homeless Shelter and Services Fund Deposit

The Baseline includes no funding in FY 2026 for a Homeless Shelter and Services Fund deposit. These amounts are unchanged from FY 2025.

Background - The FY 2024 Human Services Budget Reconciliation Bill (BRB) established the Homeless Shelter

and Services Fund. Monies from the fund shall be used to award grants to counties, cities, towns, Indian tribes and nonprofit organizations for programs that provide shelter and services to unsheltered persons who are experiencing homelessness.

The FY 2024 General Appropriations Act included an FY 2023 supplemental appropriation of \$20,000,000 for Homeless Shelter and Services. That amount was not deposited in the Homeless Shelter and Services Fund, as it did not yet exist.

Laws 2024, Chapter 209, Section 120 clarifies that monies appropriated to the Homeless Shelter and Services Fund

in FY 2024 are non-lapsing through FY 2025. The monies were previously available to spend through FY 2027.

The fund had an FY 2024 ending balance of \$34,947,700 and a projected FY 2025 balance of the same amount.

Housing Trust Fund Deposit

The Baseline includes no funding from the General Fund in FY 2026 for a Housing Trust Fund deposit. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(15,000,000) from the General Fund in FY 2026 for the elimination of a one-time deposit into the Housing Trust Fund.

Background - The Housing Trust Fund develops projects and programs providing housing opportunities for low- and moderate-income households and housing affordability programs.

The fund had an FY 2024 ending balance of \$195,964,200 and a projected FY 2025 balance of \$170,499,800.

Other Issues

Auditor General Report

In October 2024, the Auditor General published an audit on oversight of selected housing programs and a sunset review of DOH.

Oversight of Selected Housing Programs

The report found that the Department did not provide adequate oversight of affordable housing projects, including not conducting required monitoring reviews, site inspections, and risk assessments. Additionally, the Department approved and paid grantee requests without verifying that expenses were for allowable purposes. The report recommended that DOH should implement a written plan for providing program oversight and recover monies paid to grantees for unallowable expenses. The Department agreed with the audit recommendations.

Sunset Review

The report found that the Department lacked a comprehensive process to track and evaluate program performance, failed to develop wire transfer policies to prevent fraud, lacked processes for identifying regulatory activity costs, and did not assign responsibility to manufactured home licensees to repair home defects within 120 days. The Auditor General made the following key recommendations:

- Develop and implement policies to measure program performance, establishing specific goals to assess and report on program outcomes.
- Develop and implement procedures that require use of a secure method to verify wire transfers.
- Identify costs of manufactured housing and building regulatory activities to align fees with these costs.
- Assign responsibility to resolve consumer-manufactured home complaints within 120 days.

DOH did not agree to 4 of the 12 recommendations related to reporting outcomes to the Legislature, complaint handling, and manufactured housing and building fee setting.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
CDBG-CV CARES Act Fund (HDA2976/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the Federal COVID-19 response legislation for the Community Development Block Grant program.		
Purpose of Fund: To provide housing, permanent jobs, public services, or new or improved infrastructure to prevent, prepare for and respond to the COVID-19 pandemic.		
Funds Expended	3,299,900	1,963,200
Year-End Fund Balance	2,800	2,900
Consumer Recovery Fund (HDA3090/A.R.S. § 41-4041)		Non-Appropriated
Source of Revenue: Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.		
Purpose of Fund: To provide consumer and license education in connection with the manufactured housing and factory-built building industry and to make payments on damage claims filed by consumers of these types of residential buildings.		
Funds Expended	47,500	49,900
Year-End Fund Balance	697,000	692,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Coronavirus State and Local Fiscal Recovery Fund (HDA2985/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the Federal COVID-19 response legislation for the State and Local Fiscal Recovery program.		
Purpose of Fund: Provides funding to respond to the pandemic and its negative economic impacts, provide premium pay to workers performing essential work, restore cuts in public services caused by pandemic-induced revenue losses and avoid additional cuts, and invest in water, sewer, or broadband infrastructure.		
Funds Expended	16,392,700	37,906,300
Year-End Fund Balance	9,877,800	10,664,000
DPS-FBI Fingerprint Fund (HDA2159/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Revenues include fees collected from fingerprint clearance cards.		
Purpose of Fund: Revenues are transferred to the Department of Public Safety (DPS) to process fingerprint clearance cards.		
Funds Expended	6,500	6,800
Year-End Fund Balance	5,600	7,800
Federal Funds (HDA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal Funds for affordable housing programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	105,061,600	105,495,900
Year-End Fund Balance	6,987,600	10,597,100
Federal Grant - American Recovery and Reinvestment Act (ARRA) (HDA2999/A.R.S. § 35-142)		Federal Funds
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	0	0
Year-End Fund Balance	518,500	673,700
HOME ARPA Fund (HDA8610/A.R.S. § 41-3955)		Federal Funds
Source of Revenue: Monies received by the state from the Federal HOME-American Recover Plan Act (HOME-ARP).		
Purpose of Fund: To assist in providing supportive services, non-congregate shelter, rental housing, nonprofit operating an capacity building assistance, and planning and administration.		
Funds Expended	5,260,900	5,262,100
Year-End Fund Balance	1,100	100
Home Investment Partnership Act Fund (HDA1410/A.R.S § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the U.S. Department of Housing and Urban Development (HUD).		
Purpose of Fund: Provide decent affordable housing to lower income households, expand the capacity of nonprofit housing providers, strengthen the ability of state and local governments to provide housing, leverage private sector participation.		
Funds Expended	14,640,600	14,839,400
Year-End Fund Balance	9,677,400	7,666,800
Homeless Shelter and Services Fund (HDA3888/Laws 2023, Ch. 141)		Non-Appropriated
Source of Revenue: Legislative appropriation		
Purpose of Fund: To award grants to counties, cities, towns, Indian tribes, and nonprofit organizations for programs that provide shelter and services to unsheltered persons who are experiencing homelessness. This fund is repealed from and after June 30, 2025. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	34,947,700	34,947,700

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Homeowner's Assistance Fund (HDA2986/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal Funds appropriated in the American Rescue Plan Act		
Purpose of Fund: To assist homeowners experiencing financial hardship due to the Coronavirus. Funds may be used for assisted payments for mortgages, utilities, insurance and other specified purposes.		
Funds Expended	59,937,800	530,100
Year-End Fund Balance	413,200	(116,900)
Housing Choice Voucher Emergency Housing Fund (HDA3202/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal Funds for housing assistance		
Purpose of Fund: To provide rental assistance to individuals and families who are experiencing homelessness or are at risk of experiencing homelessness.		
Funds Expended	300,100	304,900
Year-End Fund Balance	45,500	110,600
Housing Program Fund (HDA2200/A.R.S. § 41-3957)		Non-Appropriated
Source of Revenue: Fees received from the following programs: private activity bond (underwriting and hearings), low-income tax credit (application, monitoring and reservation fees), gifts, grants, matching monies, direct payments, fees, or cost reimbursements from public or private entities in connection with housing programs, including loan repayments.		
Purpose of Fund: To pay the costs of administering the programs from which the deposits are received and for other department programs.		
Funds Expended	7,166,900	12,640,600
Year-End Fund Balance	49,801,700	57,728,500
Housing Stability Counseling Fund (HDA9919/A.R.S § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the Federal American Rescue Plan.		
Purpose of Fund: To support housing counseling for households facing housing instability.		
Funds Expended	322,300	13,600
Year-End Fund Balance	56,100	209,600
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Appropriated
Source of Revenue: The Housing Trust Fund receives its \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund. The fund also receives monies from loan repayments and interest from the State Treasurer. A.R.S. § 35-751 redirects fees from the Arizona Industrial Development Authority's single-family mortgage program from the department's ISA and IGA Fund to the Housing Trust Fund. Laws 2023, Chapter 133 included a one-time, non-lapsing deposit of \$150,000,000.		
Purpose of Fund: The appropriated portion pays for administration expenses and may not exceed 10% of the Housing Trust monies. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	371,100	388,800
Year-End Fund Balance	195,964,200	170,499,800
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Non-Appropriated
Source of Revenue: The Housing Trust Fund receives its \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund. The fund also receives monies from loan repayments and interest from the State Treasurer. A.R.S. § 35-751 redirects fees from the Arizona Industrial Development Authority's single-family mortgage program from the department's ISA and IGA Fund to the Housing Trust Fund. Laws 2023, Chapter 133 included a one-time, non-lapsing deposit of \$150,000,000.		
Purpose of Fund: The non-appropriated portion of the fund is used for developing projects and programs to provide housing opportunities for low and moderate income households and for housing affordability programs, including the operation, construction, or renovation of housing and shelter facilities. A portion of the monies shall be allocated exclusively to housing programs in rural areas, and the department may also allocate monies in the fund to construction or renovation of facilities and housing assistance, including support services, for individuals determined to be seriously mentally ill and chronically resistant to treatment. Expenditures are not displayed to avoid double-counting of the General Fund. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	195,964,200	170,499,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
IGA and ISA Fund (HDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Reimbursements to the department from the Arizona Department of Economic Security for the administration of the Federal Low-Income Housing Energy Assistance Program (LIHEAP).		
Purpose of Fund: To enable the department to administer a portion of the LIHEAP which provides direct weatherization and energy improvements to homes owned by low-income homeowners.		
Funds Expended	6,023,100	6,023,100
Year-End Fund Balance	0	1,900
Manufactured Housing Cash Bond Fund (HDA3722/A.R.S. § 41-4029)		Non-Appropriated
Source of Revenue: Cash deposits made by housing manufacturers and installers prior to the granting of an original license. Applicants must make a cash deposit for each branch location of their operation.		
Purpose of Fund: To compensate consumers in cases where a licensee fails to perform sales or installation agreements or repairs under warranty; and to make payment to the department if the licensee fails to pay any fees or costs owed.		
Funds Expended	0	0
Year-End Fund Balance	704,000	720,300
Military Transitional Housing Fund (HDA3808/A.R.S. § 41-3955.02)		Non-Appropriated
Source of Revenue: Federal monies.		
Purpose of Fund: To provide transitional housing opportunities for military members separating from the military in newly constructed housing facilities. The department may not use more than 10% of fund monies to administer the fund. General Fund expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	1,900,000	1,900,000
Mobile Home Relocation Fund (HDA2237/A.R.S. § 33-1476.02)		Non-Appropriated
Source of Revenue: Assessments collected from mobile home owners who do not own the land upon which the mobile home is located and interest earnings. Once the fund balance reaches \$8,000,000, assessments will no longer be collected and the only revenue will be from interest. Assessment would resume when the fund balance at the end of a fiscal year is less than \$6,000,000. Also receives monies from a 10% surcharge from any civil monetary penalties levied on mobile home park managers. The fund received a \$5,000,000 appropriation in FY 2024. General Fund expenditures are not displayed to avoid double counting.		
Purpose of Fund: To pay for relocations due to rental increases and to pay premiums and other costs of purchasing insurance coverage for tenant relocation costs due to a change in property use pursuant to A.R.S. § 33-1476.01. If such insurance is not available, or if the insurance costs exceed the amount available from the fund, the fund is used to make direct payments for tenant relocation costs.		
Funds Expended	0	0
Year-End Fund Balance	12,564,200	17,385,800

Independent Redistricting Commission

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
Personal Services	234,000	0	0
Employee Related Expenditures	66,000	0	0
Professional and Outside Services	134,900	0	0
Travel - In State	(1,600)	0	0
Other Operating Expenditures	285,800	0	0
AGENCY TOTAL	719,100 ^{1/2/}	0	0
FUND SOURCES			
General Fund	719,100	0	0
SUBTOTAL - Appropriated Funds	719,100	0	0
TOTAL - ALL SOURCES	719,100	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.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (FY 2022 General Appropriations Act footnote)
- 2/ All monies remaining unexpended and unencumbered on June 30, 2024 from the appropriation made by Laws 2021, chapter 408, section 48 revert to the state general fund. (FY 2025 General Appropriations Act footnote)

Operating Budget

The Baseline includes no funding in FY 2026 for the operating budget. This amount is unchanged from FY 2025.

The Baseline includes no new funding for the Independent Redistricting Commission (IRC) in FY 2026 and subsequent years given that the Commission has completed its constitutional duties for the 10-year redistricting cycle that began in CY 2020 and has no outstanding litigation. The Commission approved the current redistricting maps in December 2021.

For the CY 2020 redistricting cycle, the IRC received a total of \$8,400,000 in appropriations from the General Fund as shown in *Table 1*. (See the *FY 2023 Appropriations Report for background on the CY 2010 redistricting cycle funding*.)

These monies pay for the operational costs of the IRC as well as funding the staff, legal counsel, and vendors that provide technical and administrative support for the Commission's redistricting duties. The agency does not

Table 1

CY 2020 Redistricting Cycle Appropriations

<u>Fiscal Year</u>	<u>Appropriation</u>
FY 2021 (Laws 2020, Ch. 58)	\$ 500,000
FY 2022 (Laws 2021, Ch. 408)	<u>7,900,000</u>
Subtotal	\$8,400,000

maintain a permanent staff. New commissioners will begin the next redistricting process in CY 2030.

A FY 2025 General Appropriations Act footnote required monies remaining in the appropriation made in Laws 2021, Chapter 408 as of June 30, 2024 revert to the General Fund. Through fall 2024, the Commission has expended \$8,385,700 of the \$8,400,000 in funding for the CY 2020 redistricting cycle.

Industrial Commission of Arizona

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	236.6	236.6	236.6
Personal Services	10,031,400	10,315,100	10,315,100
Employee Related Expenditures	3,661,000	3,862,900	3,862,900
Professional and Outside Services	1,269,100	1,367,400	1,367,400
Travel - In State	214,000	197,000	197,000
Travel - Out of State	35,900	42,200	42,200
Other Operating Expenditures	4,937,100	6,134,800	6,134,800
Equipment	349,600	218,600	218,600
OPERATING SUBTOTAL	20,498,100	22,138,000	22,138,000
SPECIAL LINE ITEMS			
Municipal Firefighter Reimbursement Administration	75,100	84,700	84,700 ^{1/}
AGENCY TOTAL	20,573,200	22,222,700	22,222,700 ^{2/}
FUND SOURCES			
General Fund	75,100	84,700	84,700
<u>Other Appropriated Funds</u>			
Administrative Fund	20,498,100	22,138,000	22,138,000
SUBTOTAL - Other Appropriated Funds	20,498,100	22,138,000	22,138,000
SUBTOTAL - Appropriated Funds	20,573,200	22,222,700	22,222,700
Other Non-Appropriated Funds	21,867,400	24,146,000	24,146,000
Federal Funds	20,897,400	6,442,300	6,442,300
TOTAL - ALL SOURCES	63,338,000	52,811,000	52,811,000

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, and providing workers' compensation coverage for claimants of uninsured and self-insured employers.

FOOTNOTES

- 1/ The legislature intends that the state general fund appropriation be used only for administrative costs of title 23, chapter 11, Arizona Revised Statutes, and that this appropriation does not convey any responsibility for firefighter cancer compensation and benefits claims on to this state. (General Appropriations Act footnote)
- 2/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$22,138,000 and 235.6 FTE Positions from the Administrative Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

A.R.S. § 23-1702 and § 23-1703 require the Industrial Commission to assess an annual fee on cities and towns and to proportionally distribute the revenue based on the actual amount paid by municipalities for the cost of cancer-related treatments for firefighters and fire investigators.

Municipal Firefighter Reimbursement Administration

The Baseline includes \$84,700 and 1 FTE Position from the General Fund in FY 2026 for the Municipal Firefighter Reimbursement Administration line item. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Administrative Fund (ICA2177/A.R.S. § 23-1081)		Appropriated
Source of Revenue: Annual tax on workers' compensation premiums that cannot exceed 3%.		
Purpose of Fund: For all expenses of the Industrial Commission in carrying out its powers and duties.		
Funds Expended	20,498,100	22,138,000
Year-End Fund Balance	4,893,100	7,573,100
Coronavirus State and Local Fiscal Recovery Fund (ICA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	17,232,500	2,767,500
Year-End Fund Balance	0	0
Federal Grants (ICA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants.		
Purpose of Fund: To enforce occupational safety and health standards in all industries in Arizona except businesses relating to mining and smelting, businesses located on Indian reservations and federal agencies.		
Funds Expended	3,664,900	3,674,800
Year-End Fund Balance	262,100	262,100
Municipal Firefighters Cancer Reimbursement Fund (ICA2182/A.R.S. § 23-1702)		Non-Appropriated
Source of Revenue: Fees collected from cities and towns that receive state shared revenues. Total fees collected may not exceed \$15,000,000		
Purpose of Fund: To reimburse municipal payors for the compensation and benefits paid to firefighters and fire investigators for partial disability, lost earning capacity, total disability, medical fees, and death benefits.		
Funds Expended	5,459,000	7,500,000
Year-End Fund Balance	39,518,900	48,768,900
Proposition 206 Fair Wages and Healthy Families Fund (ICA2185/A.R.S. § 23-364)		Non-Appropriated
Source of Revenue: Fees levied against violators of minimum wage and paid sick leave.		
Purpose of Fund: To enforce minimum wage and paid sick leave requirements.		
Funds Expended	20,000	48,500
Year-End Fund Balance	67,000	67,000
Revolving Fund (ICA2002/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
Purpose of Fund: To fund an annual seminar on workers' compensation for insurance carriers and self-insured employers; to print a medical fee schedule for workers' compensation; and to provide a holding account for money owed to employees by their employers for back wages.		
Funds Expended	218,800	190,200
Year-End Fund Balance	133,500	136,700
Special Fund (ICA2180/A.R.S. § 23-1065)		Non-Appropriated
Source of Revenue: Assessments on workers' compensation premiums, earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
Purpose of Fund: To provide medical benefits in excess of original policy limits on claims occurring prior to a 1973 law change requiring unlimited statutory medical benefits; to provide compensation benefits resulting from second injuries; to provide vocational rehabilitation benefits; and to provide benefits on claims against uninsured employers and insolvent insurance carriers.		
Funds Expended	16,169,600	16,407,300
Year-End Fund Balance	1,603,600	1,256,700

Department of Insurance and Financial Institutions

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	155.4	156.4	147.4
Personal Services	7,382,100	7,629,200	7,629,200
Employee Related Expenditures	2,708,000	3,033,000	3,033,000
Professional and Outside Services	198,100	323,800	323,800
Travel - In State	112,000	125,100	125,100
Travel - Out of State	71,800	41,000	41,000
Other Operating Expenditures	1,107,900	1,316,400	1,316,400
Equipment	103,400	0	0
OPERATING SUBTOTAL	11,683,300	12,468,500	12,468,500
SPECIAL LINE ITEMS			
Insurance Fraud Unit	1,772,500	1,878,100	0 ^{1/}
Reimbursable Programs	0	50,000	50,000 ^{2/}
Local Grants	1,388,600	1,388,900	1,388,900 ^{3/}
Arizona Vehicle Theft Task Force	4,521,200	4,452,600	4,452,600 ^{4/}
ATA Operating Budget	496,400	709,100	709,100
AGENCY TOTAL	19,862,000	20,947,200	19,069,100 ^{5/5/}
FUND SOURCES			
General Fund	8,131,600	8,090,100	6,212,000
<u>Other Appropriated Funds</u>			
Automobile Theft Authority Fund	6,501,200	6,749,300	6,749,300
Financial Services Fund	5,178,900	6,057,500	6,057,500
Revolving Fund	50,300	50,300	50,300
SUBTOTAL - Other Appropriated Funds	11,730,400	12,857,100	12,857,100
SUBTOTAL - Appropriated Funds	19,862,000	20,947,200	19,069,100
Other Non-Appropriated Funds	15,525,500	16,098,700	17,976,800
Federal Funds	29,300	0	0
TOTAL - ALL SOURCES	35,416,800	37,045,900	37,045,900

AGENCY DESCRIPTION — The Department of Insurance and Financial Institutions (DIFI) licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department also 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, banks, and real estate appraisal entities. The department also 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.

FOOTNOTES

- 1/ The department levies an assessment on all licensed insurers to operate the Insurance Fraud Unit. In previous years, this assessment was deposited into the General Fund prior to being appropriated to the Fraud Unit. Beginning in FY 2026, revenues from this assessment will instead be deposited into the non-appropriated Fraud Unit Assessment Fund and the Fraud Unit will no longer receive appropriations from the General Fund.
- 2/ The department of insurance and financial institutions shall submit a report to the joint legislative budget committee before spending any monies for the reimbursable programs line item. The department shall show sufficient monies collected to cover the expenses indicated in the report. (General Appropriations Act footnote)
- 3/ 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 Appropriations Act footnote)

- 4/ Monies in the Arizona vehicle theft task force line item shall be used by the department of insurance and financial institutions to pay seventy-five percent 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 Appropriations Act footnote)
- 5/ Of the department fees required to be deposited in the state general fund by statute, the legislature intends that the department of insurance and financial institutions shall assess and set the fees at a level to ensure that the monies deposited in the state general fund will equal or exceed the department's expenditure from the state general fund. (General Appropriations Act footnote)
- 6/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$12,468,500 and 141.4 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$6,212,000
Financial Services Fund	6,057,500
Automobile Theft Authority (ATA) Fund	148,700
Department Revolving Fund	50,300

These amounts are unchanged from FY 2025.

Insurance Fraud Unit

The Baseline includes no funding in FY 2026 for the Insurance Fraud Unit. Adjustments are as follows:

Insurance Fraud Unit Budget Shift

The Baseline includes a decrease of \$(1,878,100) and (9) FTE Positions from the General Fund in FY 2026 as an insurance fraud unit budget shift. The FY 2025 budget established a new Fraud Unit Assessment Fund which will fund the insurance fraud unit beginning in FY 2026.

The department levies a \$1,050 assessment on all licensed insurers to prosecute insurance fraud in the state. A.R.S. § 20-466(J) requires that this assessment be deposited into the General Fund to be appropriated exclusively for the DIFI Fraud Unit in a separate line item. Beginning in FY 2026, A.R.S. § 20-466(J) is amended to require that this assessment be deposited into the newly established Fraud Unit Assessment Fund.

All monies appropriated to the fraud unit shall be used exclusively for insurance fraud prevention.

Reimbursable Programs

The Baseline includes \$50,000 from the ATA Fund in FY 2026 for Reimbursable Programs. This amount is unchanged from FY 2025.

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.

Local Grants

The Baseline includes \$1,388,900 from the ATA Fund in FY 2026 for Local Grants. This amount is unchanged from FY 2025.

This line item provides funding for the 4 categories of local grants that the department administers: 1) Vertical Prosecution; 2) Law Enforcement; 3) Professional Training; and 4) Public Awareness grants. DIFI 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.

Arizona Vehicle Theft Task Force

The Baseline includes \$4,452,600 from the ATA Fund in FY 2026 for the Arizona Vehicle Theft Task Force. This amount is unchanged from FY 2025.

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.

ATA Operating Budget

The Baseline includes \$709,100 and 6 FTE Positions from the ATA Fund in FY 2026 for the Automobile Theft Authority Operating Budget. These amounts are unchanged from FY 2025.

Monies in this line item cover the operating expenditures of the Automobile Theft Authority, which works to combat auto theft-related crime.

- The department should work with the Legislature to enact statutory changes to increase the Insurance Fraud Unit assessment fee.

Other Issues

Auditor General Report

In September 2024, the Auditor General published a Performance Audit and Sunset Review covering DIFI's disciplinary actions against licensees, management of ATA grants, and compliance with conflict-of-interest and other statutory requirements. The Auditor General made the following recommendations:

- The department should work with the Legislature to enact statutory changes to allow excess monies in the Fraud Unit Assessment Fund to be placed in a non-lapsing fund rather than reverting to the State's General Fund.

With regard to the first recommendation, statute had previously required that the department deposit all revenues from the Fraud Unit Assessment into the General Fund for appropriation to the Fraud Unit. However, Laws 2024, Chapter 212 amended statute such that, beginning in FY 2026, all revenues from the Fraud Unit Assessment will be deposited in a new Fraud Unit Assessment Fund. This fund is non-lapsing and monies do not revert to the General Fund. The new fund structure should sufficiently address the Auditor General's concerns.

The second recommendation has not been addressed, and statute continues to limit Fraud Unit assessment fee collections to \$1,050 per insurer.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Property and Casualty Insurance Guaranty Fund (IDA2114/A.R.S. § 20-662)		Non-Appropriated
Source of Revenue: Assessments on property and casualty insurance, reimbursements from the sale of insolvent companies' assets by the department's Receivership Division, and investment income on the fund balance.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for property and casualty insurance policies. The fund also pays the administrative costs of the 11-member Property and Casualty Insurance Guaranty Fund Board authorized by A.R.S. § 20-663. Monies are held in a depository designated by the Director of the Department of Insurance and Financial Institutions. Within the fund there are 3 separate accounts: automobile insurance account, workers' compensation insurance account and another account, which includes all other types of property and casualty insurance other than automobile and workers' compensation.		
Funds Expended	5,132,200	5,132,200
Year-End Fund Balance	212,475,800	212,475,800
Assessment Fund for Voluntary Plans Fund (IDA2316/A.R.S. § 20-2201)		Non-Appropriated
Source of Revenue: Assessments paid by insurance companies or reinsuring carriers authorized to sell liability insurance.		
Purpose of Fund: To provide for the administrative costs associated with finding liability insurance for classes of risk that are unable to obtain liability coverage. Monies are also used to administer the Small Employers Reinsurance Plan Board. The board ensures the accessibility of small group health insurance by requiring a reinsurance program to spread the risk of insuring small groups.		
Funds Expended	0	0
Year-End Fund Balance	94,200	94,200
Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)		Appropriated
Source of Revenue: A semi-annual fee of \$0.50 per vehicle insured under a motor vehicle liability insurance policy for vehicles with a gross weight under 26,000 pounds. In addition, 50% of civil penalties assessed against a scrap metal dealer who does not submit vehicle title information to the ADOT records system within 48 hours after the completion of a transaction.		
Purpose of Fund: To allocate monies to public agencies for the purpose of establishing, maintaining and supporting programs that are designed to prevent motor vehicle theft, and to cover the costs of administration not to exceed 10% of the fund.		
Funds Expended	6,501,200	6,749,300
Year-End Fund Balance	2,984,300	4,185,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Captive Insurance Regulatory and Supervision Fund (IDA2377/A.R.S. § 20-1098.18)		Non-Appropriated
Source of Revenue: License and renewal fees collected from individual captive insurers and corporations applying to do business as a captive insurer. A captive insurer is an enterprise with the authority to function as an independent insurance company, but is organized by a parent company with the express intent to provide the parent company's insurance.		
Purpose of Fund: To provide funding for the promotion of the state's captive insurance industry and related administrative costs. Up to \$100,000 may be used annually to cover the department's administrative costs.		
Funds Expended	840,900	1,009,800
Year-End Fund Balance	668,800	646,600
Federal Funds (IDA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies from federal grants.		
Purpose of Fund: To provide State Appraiser Regulatory Agencies with funds to advance the appraiser regulatory field, including, but not limited to, developing and attending trainings, improving appraiser credentialing and investigation and complaint processes, and expanding credentialing opportunities in under-served markets and other activities.		
Funds Expended	29,300	0
Year-End Fund Balance	0	0
Financial Services Fund (BDA1998/A.R.S. § 6-991.21)		Appropriated
Source of Revenue: Loan originator licensing and renewal fees. Similar fees are also deposited in the Mortgage Recovery Fund.		
Purpose of Fund: To supervise and regulate loan originators and to be used for the general operating expenses of the department.		
Funds Expended	5,189,000	6,057,500
Year-End Fund Balance	4,589,000	4,350,600
Financial Surveillance Fund (IDA2473/A.R.S. § 20-156)		Non-Appropriated
Source of Revenue: Assessments paid by domestic insurers, other than life and disability re-insurers, service companies, and mechanical reimbursement re-insurers.		
Purpose of Fund: To provide funds for the costs of financial analysts who conduct financial surveillance of domestic insurers in order to identify possible risks to financial stability.		
Funds Expended	608,900	708,900
Year-End Fund Balance	463,700	281,100
Fraud Unit Assessment Fund (IDA9999/A.R.S. § 20-466.05)		Non-Appropriated
Source of Revenue: Annual assessments paid by all insurers authorized to transact business in the state of Arizona. This fund is established from and after June 30, 2025.		
Purpose of Fund: To support the administration and operation of the Insurance Fraud Unit established per A.R.S. § 20-466.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Health Care Appeals Fund (IDA2467/A.R.S. § 20-2540)		Non-Appropriated
Source of Revenue: One-time fee of \$200 and an annual fee of up to \$200 per health care insurance company.		
Purpose of Fund: To pay for start-up and ongoing costs related to selecting an independent review organization. The selected organization will conduct external independent reviews that involve issues of medical necessity.		
Funds Expended	262,900	249,000
Year-End Fund Balance	257,600	318,200
IGA and ISA Fund (IDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To pay for promotional materials in collaboration with the Department of Public Safety Arizona Vehicle Theft Task Force relating to vehicle theft prevention.		
Funds Expended	0	0
Year-End Fund Balance	700,000	700,000

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Insurance Department Fingerprinting Fund (IDA2163/A.R.S. § 35-148)		Non-Appropriated
Source of Revenue: Fees charged for fingerprint collection and identification processes.		
Purpose of Fund: To pay for fingerprint identification services and database management.		
Funds Expended	0	0
Year-End Fund Balance	104,600	107,600
Insurance Examiners' Revolving Fund (IDA2034/A.R.S. § 20-159)		Non-Appropriated
Source of Revenue: Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.		
Purpose of Fund: To provide funds for contract examiners' per diem compensation and funds to reimburse contract examiners for travel and living expenses, as approved by the Director of the Department of Insurance and Financial Institutions. Monies are also used to cover the department's related administrative costs.		
Funds Expended	2,704,000	2,970,900
Year-End Fund Balance	931,400	803,700
Insurance Premium Tax Clearing Fund (IDA3727/A.R.S. § 20-224)		Non-Appropriated
Source of Revenue: Insurance Premium Tax revenue collected from insurance companies, AHCCCS contractors, surplus lines brokers and industrial insured.		
Purpose of Fund: Used as a repository for insurance premium tax revenues that become ultimately transferred to the Department of Public Safety Personnel Retirement System per A.R.S. § 20-224.01 and to a municipality or fire district per A.R.S. §§ 20-224(B)(J) and 9-951.		
Funds Expended	0	0
Year-End Fund Balance	6,937,900	2,296,900
Life and Disability Insurance Guaranty Fund (IDA2154/A.R.S. § 20-683)		Non-Appropriated
Source of Revenue: Assessments on life and disability insurance companies and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for life and disability insurance policies and annuity contracts. The fund also pays the administrative costs of the 9-member Life and Disability Insurance Guaranty Fund Board authorized by A.R.S. § 20-684. Monies are held in a depository designated by the Director of the Department of Insurance and Financial Institutions.		
Funds Expended	5,566,900	5,566,900
Year-End Fund Balance	26,826,500	26,826,500
Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)		Non-Appropriated
Source of Revenue: Licensing and renewal fees paid by licensed loan originators. Similar fees also are deposited in the Financial Services Fund.		
Purpose of Fund: To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
Funds Expended	9,100	12,600
Year-End Fund Balance	3,975,900	4,306,000
Receivership Liquidation Fund (IDA3104/A.R.S. § 20-648)		Non-Appropriated
Source of Revenue: Consists of 10% of an insolvent insurer's statutory deposit with the State Treasurer authorized by A.R.S. § 20-213. Upon termination of a receivership, the court may award proceeds to the fund, up to the amount of the department's administrative costs.		
Purpose of Fund: To support the department's Receivership Division, which administers the liquidation of insurance companies to ensure maximum recovery of assets. The balance forward represents cash on hand. It does not include the state's unfunded liability for deposits being held as assurance against future insolvencies.		
Funds Expended	129,900	128,200
Year-End Fund Balance	65,000	68,000

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)		Non-Appropriated
Source of Revenue: Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
Purpose of Fund: Provide funding for the administration of receiverships.		
Funds Expended	7,000	0
Year-End Fund Balance	142,700	142,700
Revolving Fund (BDA2126/A.R.S. § 6-135)		Appropriated
Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$700,000 are transferred to the department's Receivership Revolving Fund. Any excess balances are transferred at the beginning of the next fiscal year. The Appropriated portion of the fund is used for an interagency service agreement with the Attorney General's office to help oversee real estate appraisers. (Please see the Non-Appropriated portion of the fund for additional information.)		
Funds Expended	50,300	50,300
Year-End Fund Balance	413,400	453,400
Revolving Fund (BDA2126/A.R.S. § 6-135)		Non-Appropriated
Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$700,000 are transferred to the department's Receivership Revolving Fund. Any excess balances are transferred at the beginning of the next fiscal year. (Please see the Appropriated portion of the fund for additional information.)		
Funds Expended	263,700	320,200
Year-End Fund Balance	413,400	453,400
Settlement Fund (ATA1991/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenues from settlements issued by the courts.		
Purpose of Fund: To provide grants to law enforcement agencies for metal management training.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Judiciary - Supreme Court

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	203.0	205.0	205.0
Personal Services	8,838,300	8,610,300	8,686,000
Employee Related Expenditures	3,882,800	4,072,500	4,122,900
Professional and Outside Services	120,200	671,800	671,800
Travel - In State	228,500	204,200	204,200
Travel - Out of State	53,500	38,600	38,600
Other Operating Expenditures	4,261,000	4,546,500	4,546,500
Equipment	9,300	0	0
OPERATING SUBTOTAL	17,393,600	18,143,900	18,270,000 ^{1/}
SPECIAL LINE ITEMS			
State Aid	4,330,000	5,955,500	5,955,500
County Reimbursements	187,900	187,900	187,900 ^{2/}
Automation	17,637,900	24,927,800	24,927,800 ^{3/A/}
Arizona Trial and Digital Evidence Fund Deposit	1,620,000	1,620,000	1,620,000
Digital Evidence Software	280,000	280,000	0
State Foster Care Review Board	3,419,200	3,570,200	3,570,200
Court Appointed Special Advocate and Vulnerable Persons	5,030,800	6,594,400	6,423,300
Model Court	658,800	660,800	660,800
Domestic Relations	685,900	701,000	701,000
Judicial Nominations and Performance Review	590,500	620,600	620,600
Commission on Judicial Conduct	602,100	620,800	620,800
Juvenile Monetary Sanctions Funding Backfill	250,000	250,000	250,000
Courthouse Security	686,900	751,700	751,700
AGENCY TOTAL	53,373,600	64,884,600	64,559,600
FUND SOURCES			
General Fund	28,795,000	29,864,200	29,710,300
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	479,200	690,600	690,600
Court Appointed Special Advocate and Vulnerable Persons Fund	5,208,400	6,793,700	6,622,600
Criminal Justice Enhancement Fund	3,999,500	4,765,200	4,765,200
Defensive Driving School Fund	2,575,400	4,521,000	4,521,000
Judicial Collection Enhancement Fund	10,621,300	15,303,000	15,303,000
State Aid to the Courts Fund	1,694,800	2,946,900	2,946,900
SUBTOTAL - Other Appropriated Funds	24,578,600	35,020,200	34,849,100
SUBTOTAL - Appropriated Funds	53,373,600	64,884,600	64,559,600
Other Non-Appropriated Funds	26,217,100	31,811,800	31,811,800
TOTAL - ALL SOURCES	79,590,700	96,696,400	96,371,400

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/} 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 Appropriations Act footnote)

- 2/ 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 Appropriations Act footnote)
- 3/ On or before September 1, 2025, 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 two 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 Appropriations Act footnote)
- 4/ 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 Appropriations Act footnote)
- 5/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$18,270,000 and 109.7 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$13,979,600
Confidential Intermediary and Fiduciary Fund	690,600
Criminal Justice Enhancement Fund (CJEF)	7,300
Defensive Driving School Fund	909,800
Judicial Collection Enhancement Fund (JCEF)	2,682,700

Adjustments are as follows:

Judicial Salary Increase

The Baseline includes an increase of \$126,100 from the General Fund in FY 2026 for the second year of a 2-year phase-in of a pay increase for Supreme Court justices. The FY 2025 General Appropriations Act increased the Supreme Court Chief Justice salary from \$212,000 to \$222,000 on January 1, 2025 and to \$232,000 on January 1, 2026. Additionally, the FY 2025 General Appropriation Act increased the Supreme Court Associate Justice salary from \$205,000 to \$215,000 on January 1, 2025 and to \$225,000 on January 1, 2026.

The FY 2025 budget's 3-year spending plan includes an additional \$63,000 in FY 2027 for full implementation.

State Aid

The Baseline includes \$5,955,500 and 3.3 FTE Positions in FY 2026 for State Aid. These amounts consist of:

CJEF	3,008,600
State Aid to the Courts Fund	2,946,900

These amounts are unchanged from FY 2025.

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.

County Reimbursements

The Baseline includes \$187,900 from the General Fund in FY 2026 for County Reimbursements. This amount is unchanged from FY 2025.

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.

A General Appropriations Act footnote limits the appropriation for the State Grand Jury to \$97,900 and for Capital Postconviction Relief to \$90,000.

Automation

The Baseline includes \$24,927,800 and 15 FTE Positions in FY 2026 for Automation. These amounts consist of:

General Fund	7,499,400
Court Appointed Special Advocate and Vulnerable Persons Fund (CASAVP)	199,300
CJEF	1,749,300
Defensive Driving School Fund	3,611,200
JCEF	11,868,600

These amounts are unchanged from FY 2025.

The Automation line item provides funding for court automation projects throughout the state. Automation costs are to be solely funded from the Automation line item. As required by a General Appropriations 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.

Arizona Trial and Digital Evidence Fund Deposit

The Baseline includes \$1,620,000 from the General Fund in FY 2026 for the Arizona Trial and Digital Evidence Fund Deposit line item. This amount is unchanged from FY 2025.

Monies in this line item are used for replacement and supplemental earnings for petit jurors in the Superior Court eligible after 1 day of jury service.

Digital Evidence Software

The Baseline includes no funding in FY 2026 for the Digital Evidence Software line item. Adjustments are as follows:

Remove One-Time Digital Evidence Software Funding

The Baseline includes a decrease of \$(280,000) from the General Fund in FY 2026 to eliminate one-time funding for digital evidence software. The FY 2024 budget's 3-year spending plan originally included one-time funding for this project in FY 2024 and FY 2025.

Monies in this line item fund digital evidence software portal costs for all case types.

State Foster Care Review Board

The Baseline includes \$3,570,200 and 40 FTE Positions from the General Fund in FY 2026 for the State Foster Care Review Board. These amounts are unchanged from FY 2025.

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 and Vulnerable Persons

The Baseline includes \$6,423,300 and 22.5 FTE Positions from the CASAVP Fund in FY 2026 for Court Appointed Special Advocate (CASA) and Vulnerable Persons. Adjustments are as follows:

Remove One-time Vulnerable Persons Program Funding

The Baseline includes a decrease of \$(171,100) from the CASAVP Fund in FY 2026 to remove one-time funding associated with the Vulnerable Persons Program.

The FY 2025 General Appropriations Act changed the line item name to Court Appointed Special Advocate and Vulnerable Persons to reflect the expanded purpose of the appropriation.

This line item administers and monitors a community-based volunteer advocacy program for abused and neglected children in the Juvenile Court System and to review conservatorship filings for vulnerable persons.

Model Court

The Baseline includes \$660,800 and 1 FTE Position from the General Fund in FY 2026 for Model Court. These amounts are unchanged from FY 2025.

Monies in this line item fund a Dependency Alternative Program (DAP) coordinator in the AOC and the remaining monies are passed through to counties to improve processing of dependency cases. DAP is a voluntary program for eligible families that provides access to legal and child welfare services to quickly determine the best option for a child's custody and prevent a dependency case.

Domestic Relations

The Baseline includes \$701,000 and 4.9 FTE Positions from the General Fund in FY 2026 for Domestic Relations. These amounts are unchanged from FY 2025.

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 Baseline includes \$620,600 and 4.6 FTE Positions from the General Fund in FY 2026 for Judicial Nominations and Performance Review. These amounts are unchanged from FY 2025.

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 Baseline includes \$620,800 and 4 FTE Positions from the General Fund in FY 2026 for the Commission on Judicial Conduct. These amounts are unchanged from FY 2025.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Juvenile Monetary Sanctions Funding Backfill

The Baseline includes \$250,000 from the General Fund in FY 2026 for the Juvenile Monetary Sanctions Funding Backfill line item. Adjustments are as follows:

Continued Backfill Funding

The Baseline continues a one-time increase of \$250,000 from the General Fund in FY 2026 for juvenile monetary sanctions backfill funding. The FY 2024 3-year spending plan originally included one-time funding for this project in FY 2024 and continues this one-time appropriation in FY 2025 and FY 2026.

A General Appropriations Act footnote specified that the Supreme Court may only spend monies from this line item if the legislation eliminating certain court fees for juvenile is signed into law. Laws 2023, Chapter 162 was signed into law in May 2023.

Monies in this line item provide backfill funding to replenish revenues lost from the repeal of juvenile monetary sanctions. Laws 2023, Chapter 162 repeals certain court-ordered fees for juveniles, exempts juveniles from court surcharges and assessments, and prohibits courts from charging a juvenile or the juvenile's parent or guardian for the costs of court-ordered treatment, counseling, and other services.

Courthouse Security

The Baseline includes \$751,700 from JCEF in FY 2026 for Courthouse Security. This amount is unchanged from FY 2025.

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.

Other Issues

Court Surcharges and Assessments

A.R.S. § 41-1273 requires the JLBC Staff to submit a report to the Committee on or before December 1, 2019 and once every 7 years thereafter detailing all statutory surcharges and assessments imposed on criminal and civil fines, penalties, forfeitures, traffic violations and local ordinances. Statute requires that the report include the current amount of each surcharge and assessment authorized by statute, the amounts collected, and the purposes for which these monies were used.

According to the most recent JLBC Staff report published in August 2019, statute imposed surcharges totaling 78.0% and assessments totaling \$44.00 per fine. Additional specific statutory surcharges and assessments are not included in the report, for example, statute imposes a \$250 assessment on DUI charges.

The August 2019 report included FY 2018 collection data from the courts totaling \$75.8 million. The largest surcharge collected the Criminal Justice Enhancement Fund (CJEF) Surcharge which accounted for \$33.7 million in FY 2018, making up 44.4% of the total. CJEF collections fund a variety of programs in state and local law enforcement. The largest assessment imposed by the courts is the Probation Assessment. The Probation Assessment is \$20 on each fine or penalty and accounted for \$9.7 million in collections in FY 2018, or 12.8% of total collections. Revenue from the Probation Assessment is deposited into the Judicial Collections Enhancement Fund (JECF) to support county probation departments.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Alternative Dispute Resolution Fund (SPA3245/A.R.S. § 12-135)		Non-Appropriated
Source of Revenue: The fund consists of 0.32% of notary bond fees, 0.35% of fee collections on civil filings in the Superior Court, and 1.69% of civil filings in Justice of the Peace Courts in counties with populations greater than 500,000 people and 1.89% of civil filings in Justice of the Peace Courts in counties with populations less than 500,000 people.		
Purpose of Fund: To supplement local courts' funding for alternative dispute resolution programs.		
Funds Expended	276,500	739,000
Year-End Fund Balance	970,900	645,100
Arizona Trial and Digital Evidence Fund (SPA2382/A.R.S. § 21-222)		Non-Appropriated
Source of Revenue: The fund consists of fees established by the Supreme Court on court filings paid to the clerk of the Superior Court.		
Purpose of Fund: To pay juror replacement and supplemental earnings after 1 day of service. Monies in the fund are used to reimburse counties for these juror costs. Statute specifies that not more than 3% of the fund is to be used on administration of the fund.		
Funds Expended	987,500	2,170,300
Year-End Fund Balance	4,319,800	4,792,800
Certified Reporters Fund (SPA2440/A.R.S. § 32-4007)		Non-Appropriated
Source of Revenue: Fees, costs and penalties relating to reporter certification.		
Purpose of Fund: For reporter certification.		
Funds Expended	74,800	122,500
Year-End Fund Balance	49,600	25,500
Confidential Intermediary and Fiduciary Fund (SPA2276/A.R.S. § 8-135)		Appropriated
Source of Revenue: A portion of Superior Court fees; fees received by state and local registrars for certified copies of birth certificates; and fees collected through fiduciary registration with the Supreme Court.		
Purpose of Fund: To train and certify confidential intermediaries, who facilitate contact between adoptees/adoptive parents and birth parents while protecting court and agency records. Monies are also used to train and certify private fiduciaries, who serve as court appointed guardians or representatives, and to establish the Sibling Information Exchange Program, which facilitates contact between a former dependent child of biological parents, adoptive parents, guardians, and the child's sibling or siblings.		
Funds Expended	479,200	690,600
Year-End Fund Balance	835,600	487,900
Court Appointed Special Advocate and Vulnerable Persons Fund (SPA2275/A.R.S. § 8-524)		Appropriated
Source of Revenue: Revenues consist of 30% of the state lottery unclaimed prize monies.		
Purpose of Fund: For operating the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.		
Funds Expended	5,208,400	6,793,700
Year-End Fund Balance	17,790,900	19,944,600
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 12.38% of CJEF monies allocated to the courts are used to reduce juvenile crime, 8.59% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 4.16% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	3,999,500	4,765,200
Year-End Fund Balance	2,220,100	791,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Defensive Driving School Fund (SPA2247/A.R.S. § 28-3398)		Appropriated
Source of Revenue: A fee, not to exceed \$15, imposed on each person who attends a defensive driving school, and \$500 initial certification and \$50-\$250 recertification fees paid by defensive driving schools. The fees are set by the Supreme Court.		
Purpose of Fund: To monitor defensive driving schools for compliance with claims and court policy, to supervise their use by the courts in Arizona, and to expedite the processing of highway traffic offenses. The Administrative Office of the Courts (AOC) has also used these monies to fund court automation projects throughout the state.		
Funds Expended	2,575,400	4,521,000
Year-End Fund Balance	1,645,900	198,200
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: Fifty per cent of the monies deposited in the Judiciary Drug Treatment and Education Fund shall be distributed to the Arizona Parents Commission on Drug Education and Prevention established by A.R.S. § 41-1604.17		
Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
Funds Expended	1,060,600	1,026,500
Year-End Fund Balance	0	0
General Adjudication Personnel and Support Fund (SPA1098/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature.		
Purpose of Fund: For the Supreme Court to provide additional personnel for general adjudication, case management, and other support equipment and the Department of Water Resources for additional personnel, equipment, and services related to general adjudication. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	23,468,900	27,394,200
Year-End Fund Balance	24,328,100	16,774,000
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 18.74% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 15.74% to 17.27% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. Maricopa County retains any probation surcharge imposed in its county.		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services.		
Funds Expended	10,621,300	15,303,000
Year-End Fund Balance	7,282,300	3,021,000
Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)		Non-Appropriated
Source of Revenue: Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Public Defender Training Fund (SPA3013/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Two dollars of the \$20 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.		
Purpose of Fund: For training of public defenders. Allocation of monies is made to each county Public Defender Office in proportion to the number of felony cases assigned to that office in the last fiscal year.		
Funds Expended	348,800	359,300
Year-End Fund Balance	3,100	3,100
Smart and Safe Arizona Fund (SPA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Aid to the Courts Fund (SPA2446/A.R.S. § 12-102.02)		Appropriated
Source of Revenue: Legislative appropriations, a portion of court filing fees, and a portion of fees, fines, penalties and forfeitures collected on criminal offenses and civil motor vehicle violations.		
Purpose of Fund: To provide state aid to the Superior Court, including the clerk of the Superior Court, and Justice Courts for the processing of criminal cases. Monies are distributed to each county based on a formula using Superior Court felony filings and county population.		
Funds Expended	1,694,800	2,946,900
Year-End Fund Balance	461,100	(799,600)
State Court Fleet Operations and Replacement Fund (SPA3800/A.R.S. § 12-102.04)		Non-Appropriated
Source of Revenue: Proceeds from sales of the Supreme Court's surplus motor vehicles, legislative appropriations, and revenues received from fees.		
Purpose of Fund: To make payments to ADOT to acquire vehicles and maintain the state court motor vehicle fleet.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Judiciary - Court of Appeals

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
PROGRAM BUDGET			
Division I	16,209,600	16,018,300	16,361,200
Division II	8,498,200	8,389,100	8,550,500
AGENCY TOTAL	24,707,800	24,407,400	24,911,700
OPERATING BUDGET			
Full Time Equivalent Positions	162.8	162.8	162.8 ^{1/}
Personal Services	14,785,700	15,297,800	15,596,900
Employee Related Expenditures	7,255,600	7,425,300	7,630,500
Professional and Outside Services	197,000	101,800	101,800
Travel - In State	222,400	228,600	228,600
Travel - Out of State	18,800	6,800	6,800
Other Operating Expenditures	2,228,300	1,344,100	1,344,100
Equipment	0	3,000	3,000
AGENCY TOTAL	24,707,800	24,407,400	24,911,700 ^{2/}
FUND SOURCES			
General Fund	24,707,800	24,407,400	24,911,700
SUBTOTAL - Appropriated Funds	24,707,800	24,407,400	24,911,700
TOTAL - ALL SOURCES	24,707,800	24,407,400	24,911,700

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 162.8 FTE positions for fiscal year 2025-2026, 111.3 FTE positions are for division one and 51.5 FTE positions are for division two. (General Appropriations Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

Operating Budget

The Baseline includes \$24,911,700 and 162.8 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts include \$16,361,200 and 111.3 FTE Positions for Division I and \$8,550,500 and 51.5 FTE Positions for Division II. Adjustments are as follows:

Judicial Salary Increase

The Baseline includes an increase of \$504,300 from the General Fund in FY 2026 for the second year of a 2-year phase-in of a pay increase for Court of Appeals judges. The FY 2025 General Appropriations Act increases the Superior Court judge's salary from \$190,000 to \$200,000 on January 1, 2025 and to \$210,000 on January 1, 2026.

The FY 2025 budget's 3-year spending plan includes an additional \$252,200 in FY 2027 for full implementation.

Judiciary - Superior Court

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	240.5	240.5	240.5 ^{1/}
Personal Services	2,830,600	2,757,300	2,757,300
Employee Related Expenditures	897,700	960,600	960,600
Professional and Outside Services	66,700	0	0
Travel - In State	24,300	16,400	16,400
Travel - Out of State	16,700	0	0
Other Operating Expenditures	1,617,300	1,640,900	1,640,900
OPERATING SUBTOTAL	5,453,300	5,375,200	5,375,200 ^{2/}
SPECIAL LINE ITEMS			
Judges Compensation			
Judges Compensation	29,591,600	30,399,800	32,039,000 ^{3/}
Administrative Costs			
Centralized Service Payments	4,302,800	4,667,000	4,667,000 ^{4/}
Probation Programs			
Adult Standard Probation	21,086,800	22,297,500	22,297,500 ^{5/}
Adult Intensive Probation	11,868,600	13,150,200	13,150,200 ^{5/}
Community Punishment	1,462,400	2,310,300	2,310,300 ^{5/}
Interstate Compact	466,800	513,700	513,700 ^{5/}
Drug Court	1,096,400	1,096,400	1,096,400
Juvenile Standard Probation	3,631,800	3,781,800	3,781,800 ^{5/}
Juvenile Intensive Probation	6,087,200	6,087,200	6,087,200 ^{5/}
Juvenile Treatment Services	20,803,000	20,803,000	20,803,000 ^{5/6/}
Juvenile Family Counseling	500,000	500,000	500,000
Juvenile Diversion Consequences	9,088,500	9,088,500	9,088,500 ^{5/6/}
Juvenile Crime Reduction	1,332,900	3,313,700	3,313,700 ^{5/}
Probation Incentive Payments	1,000,000	1,000,000	1,000,000 ^{5/}
Probation Salary Increase Backfill	6,749,200	0	0
Other Programs			
Special Water Master	511,100	511,100	511,100
General Adjudication Personnel and Support Fund Deposit	2,000,000	2,000,000	2,000,000
Court-Ordered Removals	315,000	315,000	315,000
AGENCY TOTAL	127,347,400	127,210,400	128,849,600 ^{7/-10/}
FUND SOURCES			
General Fund	120,578,200	115,194,800	116,834,000
Other Appropriated Funds			
Criminal Justice Enhancement Fund	3,345,200	5,496,000	5,496,000
Drug Treatment and Education Fund	500,200	504,200	504,200
Judicial Collection Enhancement Fund	2,923,800	6,015,400	6,015,400
SUBTOTAL - Other Appropriated Funds	6,769,200	12,015,600	12,015,600
SUBTOTAL - Appropriated Funds	127,347,400	127,210,400	128,849,600
Other Non-Appropriated Funds	6,830,700	6,817,200	6,817,200
Federal Funds	1,922,100	2,044,600	2,044,600
TOTAL - ALL SOURCES	136,100,200	136,072,200	137,711,400

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 240.5 FTE positions, 182 FTE positions represent superior court judges. This FTE position clarification does not limit the counties' ability to add judges pursuant to section 12-121, Arizona Revised Statutes. (General Appropriations Act footnote)
- 2/ All expenditures made by the administrative office of the courts to administer 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 Appropriations Act footnote)
- 3/ All monies in the judges' compensation line item shall be used to pay for fifty percent of superior court judges' salaries, elected officials' retirement plan costs and related state benefit costs for judges pursuant to section 12-128, Arizona Revised Statutes. 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 Appropriations Act footnote)
- 4/ 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 Appropriations 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, juvenile crime reduction and probation incentive payments 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 Appropriations Act footnote)
- 6/ Monies appropriated to juvenile treatment services and juvenile diversion consequences shall be deposited in the juvenile probation services fund established by section 8-322, Arizona Revised Statutes. (General Appropriations Act footnote)
- 7/ Receipt of state probation monies by the counties is contingent on the county maintenance of fiscal year 2019-2020 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs. (General Appropriations Act footnote)
- 8/ On or before November 1, 2025, 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 fiscal year 2024-2025 actual, fiscal year 2025-2026 estimated and fiscal year 2026-2027 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 Appropriations Act footnote)
- 9/ On or before November 1, 2025, the administrative office of the courts shall submit a report to the joint legislative budget committee on the county-approved salary adjustments provided to probation officers since the last report on November 1, 2024. The administrative office shall also submit a copy of the report to the governor's office of strategic planning and budgeting. 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 Appropriations Act footnote)
- 10/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$5,375,200 and 55.5 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$4,985,600
Criminal Justice Enhancement Fund (CJEF)	372,200
Drug Treatment and Education Fund	4,000
Judicial Collection Enhancement Fund (JCEF)	13,400

These amounts are unchanged from FY 2025.

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.

Judges Compensation

Judges Compensation

The Baseline includes \$32,039,000 and 182 FTE Positions from the General Fund in FY 2026 for Judges Compensation. Adjustments are as follows:

Judicial Salary Increase

The Baseline includes an increase of \$1,639,200 from the General Fund in FY 2026 for the second year of a 2-year phase-in of a pay increase for Superior Court judges. The FY 2025 General Appropriations Act increases the Superior Court judge salary from \$180,000 to \$190,000 on January 1, 2025 and to \$200,000 on January 1, 2026.

The FY 2025 budget's 3-year spending plan includes an additional \$819,600 in FY 2027 for full implementation.

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.

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.

Administrative Costs

Centralized Service Payments

The Baseline includes \$4,667,000 in FY 2026 for Centralized Service Payments. This amount consists of:

General Fund	4,217,100
JCEF	449,900

These amounts are unchanged from FY 2025.

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.

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.

As required by a General Appropriations Act footnote, the monies in the Probation, Drug Court, Juvenile Treatment Services, Juvenile Diversion Consequences, and Juvenile Crime Reduction line items shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

(Please see the Other Issues section for more information on probation funding.)

Adult Standard Probation

The Baseline includes \$22,297,500 in FY 2026 for Adult Standard Probation. This amount consists of:

General Fund	18,523,400
JCEF	3,774,100

These amounts are unchanged from FY 2025.

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. (Please see Table 2)

Adult Intensive Probation

The Baseline includes \$13,150,200 in FY 2026 for Adult Intensive Probation. This amount consists of:

General Fund	11,615,000
JCEF	1,535,200

These amounts are unchanged from FY 2025.

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. (Please see Table 2.)

Community Punishment

The Baseline includes \$2,310,300 in FY 2026 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund	500,200

These amounts are unchanged from FY 2025.

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.

Interstate Compact

The Baseline includes \$513,700 in FY 2026 for Interstate Compact. This amount consists of:

General Fund	420,900
JCEF	92,800

These amounts are unchanged from FY 2025.

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 of August 2024, AOC reported 184 active probationers under supervision under the Interstate Compact line item.

Drug Court

The Baseline includes \$1,096,400 from the General Fund in FY 2026 for Drug Court programs. This amount is unchanged from FY 2025.

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. These programs utilize drug education, intensive therapy, parent support, case management, socialization alternatives, aftercare and compliance monitoring for drug abstinence.

Juvenile Standard Probation

The Baseline includes \$3,781,800 in FY 2026 for Juvenile Standard Probation. This amount consists of:

General Fund	3,631,800
JCEF	150,000

These amounts are unchanged from FY 2025.

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. (Please see Table 2).

Juvenile Intensive Probation

The Baseline includes \$6,087,200 from the General Fund in FY 2026 for Juvenile Intensive Probation. This amount is unchanged from FY 2025.

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. (Please see Table 2)

Juvenile Treatment Services

The Baseline includes \$20,803,000 from the General Fund in FY 2026 for Juvenile Treatment Services. This amount is unchanged from FY 2025.

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.

Juvenile Family Counseling

The Baseline includes \$500,000 from the General Fund in FY 2026 for Juvenile Family Counseling. This amount is unchanged from FY 2025.

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 Baseline includes \$9,088,500 from the General Fund in FY 2026 for Juvenile Diversion Consequences. This amount is unchanged from FY 2025.

Background – This program diverts youth from formal court proceedings 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 most recent Juvenile Court Annual Report, there were approximately 6,580 juveniles diverted from formal court proceedings in FY 2023. Monies in this line item are distributed to all counties.

Juvenile Crime Reduction

The Baseline includes \$3,313,700 from CJEF in FY 2026 for Juvenile Crime Reduction. This amount is unchanged from FY 2025.

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.

Probation Incentive Payments

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for probation incentive payments. This amount is unchanged from FY 2025.

The monies in this line item pay for 2 funding programs to reward counties for reducing the number of probationers that are returned to state prison:

- Probation success incentive payments: Payments are distributed to counties if they return fewer probationers to prison in a fiscal year compared to a baseline (the average number returned in FY 2008, FY 2015 and FY 2019). Incentive payments are equal to 50% of the marginal incarceration cost in the Arizona Department of Corrections.
- Probation success incentive grants: The total grant funding is calculated in the same way as the incentive payments, but is equal to 25% of the marginal incarceration cost. Distribution of the grant funding amongst counties is determined by a board consisting of the chief probation officers of each county.

The amount distributed to each county from these programs is subject to available funding.

Other Programs

Special Water Master

The Baseline includes \$511,100 and 3 FTE Positions from the General Fund in FY 2026 for the Special Water Master line item. These amounts are unchanged from FY 2025.

Background – This line item provides funding for the Special Water Master assigned by the court to the Little Colorado River and Gila River water rights adjudications. In FY 2024, 881 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 2024 <u>Actual</u>	FY 2025 <u>Estimated^{1/}</u>	FY 2026 <u>Estimated^{1/}</u>
Gila River			
Beginning Balance	\$236,200	\$318,800	\$378,800
Revenues ^{2/}	453,700	460,000	460,000
Expenditures	<u>371,100</u>	<u>400,000</u>	<u>400,000</u>
Ending Balance	\$318,800	\$378,800	\$438,800
Little Colorado River			
Beginning Balance	\$191,200	\$205,600	\$217,300
Revenues ^{2/}	79,900	81,700	81,700
Expenditures	<u>65,500</u>	<u>70,000</u>	<u>70,000</u>
Ending Balance	\$205,600	\$217,300	\$229,000

^{1/} As reported by the Administrative Office of the Courts and adjusted by the JLBC.
^{2/} Includes annual General Fund appropriation plus filing fees and interest.

General Adjudication Personnel and Support Fund Deposit

The Baseline includes \$2,000,000 from the General Fund in FY 2026 for a General Adjudication Personnel and Support Fund Deposit. This amount is unchanged from FY 2025.

The courts and the Department of Water Resources may use the General Adjudication Personnel and Support Fund for water adjudication staff, equipment, and services.

Court-Ordered Removals

The Baseline includes \$315,000 from the General Fund in FY 2026 for Court-Ordered Removals. This amount is unchanged from FY 2025.

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

Probation Caseloads

AOC counts certain probationers as more than 1 case. For example, adult probationers charged with crimes against children are counted as 3 cases. As a result, reported probation counts do not represent actual headcounts. The Courts' caseload estimate also includes the pre-release population who are inmates that will be released directly into probation supervision within 90 days. This time is commonly known as a "probation tail."

Non-Maricopa County weighted probation caseloads from all categories increased by 5.7% from June 2023 to June 2024. The JLBC Staff estimates total FY 2025 and 2026 caseloads of 20,480 and 21,075 from all categories, respectively. This would represent an increase of 2.8% in FY 2025 and 2.9% in FY 2026 (Please see Table 2).

Table 2

End of Year Non-Maricopa Probation Caseloads ^{1/}

Probation Category	FY 2022 <u>Actual</u>	FY 2023 <u>Actual</u>	FY 2024 <u>Actual</u>	FY 2025 <u>Estimate</u>	FY 2026 <u>Estimate</u>
Adult Standard ^{2/}	16,607	16,474	17,671	18,200	18,800
Adult Intensive	1,181	1,260	1,174	1,215	1,225
Juvenile Standard	821	945	913	900	890
Juvenile Intensive	<u>186</u>	<u>169</u>	<u>168</u>	<u>165</u>	<u>160</u>
Total Caseload	18,795	18,848	19,926	20,480	21,075

^{1/} Numbers represent June probation caseloads. FY 2025 and FY 2026 represent JLBC Staff estimates.
^{2/} Does not include Interstate Compact participants.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Community Punishment Program Fines Fund (SPA2119/A.R.S. § 13-821)		Non-Appropriated
Source of Revenue: Discretionary fines imposed by the courts on drug offenders.		
Purpose of Fund: To provide drug treatment services to adult probationers through the Community Punishment Program.		
Funds Expended	0	52,000
Year-End Fund Balance	340,300	0
Coronavirus State and Local Fiscal Recovery Fund (SPA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	965,800	1,039,000
Year-End Fund Balance	2,282,700	1,243,700
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 12.38% of CJEF monies allocated to the courts are used to reduce juvenile crime, 8.59% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 4.16% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	3,345,200	5,496,000
Year-End Fund Balance	4,694,100	1,562,000
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 12.38% of CJEF monies allocated to the courts are used to reduce juvenile crime, 8.59% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 4.16% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	4,694,100	1,562,000
Drug and Gang Enforcement Fund (SPA2074/A.R.S. § 41-2402)		Federal Funds
Source of Revenue: Federal grant monies passed through the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.		
Purpose of Fund: To fund programs that enhance the ability of the courts to process drug offenses and related cases.		
Funds Expended	956,300	1,005,600
Year-End Fund Balance	281,300	283,200
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Appropriated
Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.		
Purpose of Fund: The Community Punishment Program receives an annual appropriation from the fund. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	500,200	504,200
Year-End Fund Balance	4,993,800	4,611,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: Fifty per cent of the monies deposited in the Judiciary Drug Treatment and Education Fund shall be distributed to the Arizona Parents Commission on Drug Education and Prevention established by A.R.S. § 41-1604.17		
Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
Funds Expended	3,798,000	3,976,600
Year-End Fund Balance	4,993,800	4,611,800
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	3,032,700	2,788,600
Year-End Fund Balance	(179,700)	734,000
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 18.74% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 15.74% to 17.27% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. Maricopa County retains any probation surcharge imposed in its county.		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services.		
Funds Expended	2,923,800	6,015,400
Year-End Fund Balance	2,196,200	565,200
Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)		Non-Appropriated
Source of Revenue: Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	23,017,700	24,110,300

Department of Juvenile Corrections

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	24,263,900	27,732,000	27,732,000
Employee Related Expenditures	8,191,300	9,456,600	9,456,600
Professional and Outside Services	1,008,400	1,246,300	1,246,300
Travel - In State	687,400	644,200	644,200
Travel - Out of State	72,200	14,800	14,800
Other Operating Expenditures	7,425,200	4,461,400	4,461,400
Equipment	675,900	21,300	21,300
AGENCY TOTAL	42,324,300	43,576,600	43,576,600 ^{1/2/}
FUND SOURCES			
General Fund	29,998,500	29,978,900	29,978,900
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	523,200	528,900	528,900
Department of Juvenile Corrections Local Cost Sharing Fund	6,724,000	6,724,000	6,724,000
State Charitable, Penal and Reformatory Institutions Land Fund	3,700,000	4,881,100	4,881,100
State Education Fund for Committed Youth	1,378,600	1,463,700	1,463,700
SUBTOTAL - Other Appropriated Funds	12,325,800	13,597,700	13,597,700
SUBTOTAL - Appropriated Funds	42,324,300	43,576,600	43,576,600
Other Non-Appropriated Funds	135,100	271,100	271,100
Federal Funds	756,300	1,623,500	698,700
TOTAL - ALL SOURCES	43,215,700	45,471,200	44,546,400

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 state juvenile institutions and reformatories. (General Appropriations Act footnote)
- 2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$43,576,600 and 738.5 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$29,978,900
Criminal Justice Enhancement Fund (CJEF)	528,900
Department of Juvenile Corrections Local Cost Sharing Fund	6,724,000

State Charitable, Penal and Reformatory Institutions Land Fund	4,881,100
State Education Fund for Committed Youth	1,463,700

These amounts are unchanged from FY 2025.

The FY 2025 and FY 2026 budgets include a decrease of \$(900,000) from the General Fund and a corresponding increase of \$800,000 from the Land Trust Fund and \$100,000 from the CJEF for a temporary shift in operating costs. The FY 2026 Baseline's 3-year plan restores the General Fund appropriation in FY 2027.

Other Issues

This section includes information on the following topics:

- Local Cost Sharing
- Population Counts
- Long-Term Budget Impacts

decreased from 182 to 163, or (10.43)% while the parole population has decreased from 130 to 115, or (11.5)%.

Through October 2024, the housed population in DJC has increased from an average population of 141 in FY 2024 to 163, or 15.6%. The parole population has increased from an average population of 102 in FY 2024 to 115 in October, or 12.7%.

Local Cost Sharing

Under permanent law, Maricopa County is required to pay \$6,724,000 into the DJC Local Cost Sharing Fund to defray a portion of the department's operating expenses. *(Please see the FY 2023 Appropriations Report for the history of this fund.)*

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, the department's General Fund costs would increase by \$900,000 in FY 2027 over FY 2026. This estimate is based on the FY 2025 and FY 2026 budgets decreasing the department's operating appropriation from the General Fund by \$(900,000) and a corresponding increase of \$900,000 from the department's appropriated funds. *(Please see the operating budget for further details.)*

Population Counts

Table 1 lists the DJC population by category since FY 2021. From FY 2021 to FY 2024, the housed population

Table 1					
	DJC Census				Population as of October 31, 2024
	FY 2021 Average Population	FY 2022 Average Population	FY 2023 Average Population	FY 2024 Average Population	
Housed Population					
Adobe Mountain	182	144	133	141	163
Parole Population					
Parole	62	45	31	25	29
Interstate Compact (Inside Arizona) ^{1/}	68	70	84	76	86
Parole Population	130	115	114	102	115
Total DJC Population	312	259	247	243	278

^{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 were no reported Arizona parolees outside of Arizona in FY 2024 or FY 2025. As of Oct. 2024, DJC reports 1 Outside Arizona probation case.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Coronavirus Relief Fund (DJA2975/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	7,800	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Coronavirus State and Local Fiscal Recovery Fund (DJA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	23,200	924,800
Year-End Fund Balance	924,800	0
Criminal Justice Enhancement Fund (DJA2281/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Receives 3.57% of state Criminal Justice Enhancement Fund (CJEF) revenues. CJEF consists of a 42% assessment added on to every fine, penalty and forfeiture collected by the courts for criminal offenses, and civil penalties imposed for traffic violations and motor vehicle violations.		
Purpose of Fund: For treatment and rehabilitation of youth who have committed drug-related offenses.		
Funds Expended	523,200	528,900
Year-End Fund Balance	763,100	1,188,300
Department of Juvenile Corrections Local Cost Sharing Fund (DJA3007/A.R.S. § 41-2833)		Appropriated
Source of Revenue: Maricopa and Pima Counties are required to pay a proportional share of \$8,450,900 based on their share of the state population according to the 2010 decennial census.		
Purpose of Fund: To fund the operational costs of DJC.		
Funds Expended	6,724,000	6,724,000
Year-End Fund Balance	118,700	118,700
DJC Career and Technical Education Fund (DJA2326/A.R.S. § 41-2828)		Non-Appropriated
Source of Revenue: Proceeds generated by any department educational, vocational, treatment, training, or work program, including the sale of unneeded equipment or supplies.		
Purpose of Fund: To pay expenses that are required for any educational, vocational, treatment, training or work program established by the department.		
Funds Expended	0	0
Year-End Fund Balance	0	0
DJC Restitution Fund (DJA2476/A.R.S. § 41-2826)		Non-Appropriated
Source of Revenue: Federal, state, and local appropriations distributed by the director from the DJC Career Technical Education Fund, in addition to grants, gifts, and other donations from any public or private source.		
Purpose of Fund: For the payment of restitution and monetary assessments by youths who are ordered to make such payments but who are financially unable to pay. In a committed youth work program or a community work program, youth participate and receive payment through the Restitution Fund, a portion of which is distributed in the form of restitution payments to victims or the court.		
Funds Expended	5,400	8,100
Year-End Fund Balance	101,100	96,200
Employee Recognition Fund (DJA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	11,400	10,000
Year-End Fund Balance	5,000	5,100
Federal Funds (DJA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal Grants.		
Purpose of Fund: For the National School Breakfast and Lunch Program, Special Education, Career Technology Education, substance abuse, and other federal programs.		
Funds Expended	725,300	698,700
Year-End Fund Balance	37,600	88,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
IGA and ISA Fund (DJA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To provide training to DJC staff in behavioral therapy, motivational interviewing, and child and family teams, and some supplemental funding for attainment of juvenile treatment goals.		
Funds Expended	(32,100)	0
Year-End Fund Balance	57,400	82,700
Indirect Cost Recovery Fund (DJA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	0	0
Year-End Fund Balance	600	600
Juvenile Corrections Fund (DJA3024/A.R.S. § 41-2810)		Non-Appropriated
Source of Revenue: Donations by individuals and businesses, proceeds from vending machines, and fund-raising efforts.		
Purpose of Fund: For additional supplies and department conferences, for purposes agreed upon by donors and the agency Director, or for special student activities.		
Funds Expended	7,400	12,600
Year-End Fund Balance	27,700	20,300
State Charitable, Penal and Reformatory Institutions Land Fund (DJA3029/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings on state lands and interest on the investment of the Permanent Land Fund. As approved by voters in May 2016, Proposition 123 increased the Treasurer's annual distribution rate from the Permanent Land Fund from 2.5% to 6.9% from FY 2016 to FY 2026.		
Purpose of Fund: To help defray costs of operating juvenile correctional facilities.		
Funds Expended	3,700,000	4,881,100
Year-End Fund Balance	2,517,300	1,252,300
State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)		Appropriated
Source of Revenue: The state's statutory K-12 Basic State Aid formula provides funding based on the DJC population.		
Purpose of Fund: To help provide for the education of committed youth.		
Funds Expended	1,378,600	1,463,700
Year-End Fund Balance	439,100	(18,600)
State Education System for Committed Youth Classroom Site Fund (DJA2487/A.R.S. § 15-1373)		Non-Appropriated
Source of Revenue: Classroom Site Fund monies received from the ADE, pursuant to A.R.S. § 15-977. The Classroom Site Fund receives monies from a 0.6% sales tax.		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases and employment related expenses (20%); and class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	142,700	240,100
Year-End Fund Balance	512,300	429,900
Statewide Donations Fund (DJA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	300	300
Year-End Fund Balance	100	100

State Land Department

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	131.7	136.7	136.7
Personal Services	7,560,300	7,969,400	7,969,400
Employee Related Expenditures	2,800,200	3,130,200	3,130,200
Professional and Outside Services	2,995,200	3,300,000	3,300,000
Travel - In State	218,900	20,000	20,000
Travel - Out of State	18,400	10,500	10,500
Other Operating Expenditures	2,516,400	3,305,900	3,305,900
Equipment	128,300	0	0
OPERATING SUBTOTAL	16,237,700	17,736,000	17,736,000
SPECIAL LINE ITEMS			
CAP User Fees	1,493,300	1,521,500	1,577,900 ^{1/}
Due Diligence Program	626,200	5,000,000	5,000,000
Natural Resource Conservation Districts	569,400	650,000	0
AGENCY TOTAL	18,926,600	24,907,500	24,313,900 ^{2/}
FUND SOURCES			
General Fund	12,372,200	12,411,300	12,078,300
<u>Other Appropriated Funds</u>			
Due Diligence Fund	626,200	5,000,000	5,000,000
Environmental Special Plate Fund	180,000	260,600	0
Off-Highway Vehicle Recreation Fund	0	177,600	177,600
Trust Land Management Fund	5,748,200	7,058,000	7,058,000
SUBTOTAL - Other Appropriated Funds	6,554,400	12,496,200	12,235,600
SUBTOTAL - Appropriated Funds	18,926,600	24,907,500	24,313,900
Other Non-Appropriated Funds	713,600	558,500	558,500
TOTAL - ALL SOURCES	19,640,200	25,466,000	24,872,400

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 \$1,577,900 for CAP user fees in fiscal year 2025-2026. For fiscal year 2025-2026, from municipalities that assume their allocation of central Arizona project water for every dollar received as reimbursement to this state for past central Arizona water conservation district payments, \$1 reverts to the state general fund in the year that the reimbursement is collected. (General Appropriations Act footnote)
- ^{2/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$17,736,000 and 136.7 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$10,500,400
Off-Highway Vehicle Recreation Fund	177,600

Trust Land Management Fund 7,058,000

These amounts are unchanged from FY 2025.

CAP User Fees

The Baseline includes \$1,577,900 from the General Fund in FY 2026 for Central Arizona Project (CAP) User Fees. Adjustments are as follows:

CAP Rate Adjustment

The Baseline includes an increase of \$56,400 from the General Fund in FY 2026 for revised CAP water allocations. This assumes that the department will be billed for "capital charges" of \$56 per acre foot on 28,176 acre feet of water in FY 2026 for a total charge of \$1,577,900 in FY 2026.

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 CAP water annually for municipal and industrial uses on state trust lands. Since 1997, the department has made a number of reductions to the contracted allocation of CAP water held for state trust lands as the lands are sold. Since FY 2024, the department's total allocation has been 28,176 acre-feet.

On June 6, 2024, the CAP Board set the provisional rate for FY 2026 at \$56. The FY 2025 budget funded this line item at \$1,521,500, based on 28,176 acre feet and the CAP Board's final FY 2025 rate of \$54.

Background - 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 Appropriations Act footnote.)*

Due Diligence Program

The Baseline includes \$5,000,000 from the Due Diligence Fund in FY 2026 for the Due Diligence Program. This amount is unchanged from FY 2025.

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.

Natural Resource Conservation Districts

The Baseline includes no funding in FY 2026 for Natural Resource Conservation Districts (NRCs).

Adjustments are as follows:

Shift NRC Funding to NRC Board

The Baseline includes a decrease of \$(650,000) in FY 2026 to shift all funding from the Natural Resource Conservation Districts line item to the new Natural Resource Conservation (NRC) Board, established by Laws 2024, Chapter 258.

This amount consists of:

General Fund	(389,400)
Environmental Special Plate Fund	(260,600)

Laws 2024, Chapter 258 establishes a new state agency, the NRC Board, and transfers the authority over the NRCs, including grants to the districts and the administration of the Environmental Special Plate Fund, from the State Land Department to the NRC Board as of January 1, 2025. *(Please see the Natural Resource Conservation Board section for more information.)*

Other Issues

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 \$270,534,400 in incremental land trust funds to K-12 schools in FY 2024 and will provide \$285,626,000 in incremental funds in FY 2025. The 4.4% incremental increase expires at the end of FY 2025, so under current law no incremental funds will be distributed in FY 2026. *(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 *See Table 1.*

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 2025 Ending Balance</u>	<u>FY 2025 Total Revenue</u> ^{2/}	<u>FY 2026 Baseline</u>
Universities ^{3/}				
Military Institute	\$ 83,800		\$ 118,200	
Normal Schools ASU/NAU	296,600		1,134,800	
A & M Colleges	445,100		2,261,600	
School of Mines	499,800		1,377,900	
University Fund	2,175,400		5,705,700	
U of A Land - 1881	<u>1,659,400</u>		<u>8,937,900</u>	
Subtotal	\$ 5,160,100		\$19,536,100	
Schools for the Deaf and the Blind ^{4/}	\$ 424,400		\$ 804,100	
Dept. of Health Services – State Hospital	\$ 701,000	\$ 4,698,600	\$ 1,224,400	\$ 650,000
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 386,300	\$ 6,563,600	\$ 939,600	\$ 0
Dept. of Corrections				
Penitentiaries	\$ 1,382,600	\$ 1,511,200	\$ 3,629,400	\$ 3,466,000
State Charitable (25%)	<u>1,452,500</u>	<u>1,037,700</u>	<u>3,743,700</u>	<u>3,733,100</u>
Subtotal	\$ 2,835,100	\$ 2,548,900	\$ 7,373,100	\$ 7,199,100
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 20,141,300	\$ 4,809,100	\$ 2,363,700
State Charitable (50%)	<u>2,905,000</u>	<u>\$ 19,961,800</u>	<u>7,487,300</u>	<u>6,128,400</u>
Subtotal	\$ 4,886,400	\$ 40,103,100	\$ 12,296,400	\$ 8,492,100
Dept. of Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 1,252,300	\$ 3,743,700	\$ 4,881,100
Non-K-12 Beneficiaries Total	\$15,845,800		\$45,917,400	

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 2025 lease revenues reflect actual FY 2024 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.) An FY 2025 budget footnote allocates 100% of the Universities School of Mines Land Fund revenue to the University of Arizona School of Mining and Mineral Resources.

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 2025 General Appropriations 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 Appropriations 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.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)		Non-Appropriated
Source of Revenue: Reimbursements to the state for water payments when cities assume their allocation of Central Arizona Project (CAP) water, legislative appropriations.		
Purpose of Fund: To make CAP water fee payments for urban state trust land. Monies remaining in the fund revert to the General Fund after the CAP subcontract obligations are met.		
Funds Expended	0	0
Year-End Fund Balance	9,900	9,900
Due Diligence Fund (LDA2526/A.R.S. § 37-110)		Appropriated
Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies. In addition, the FY 2022 budget allocated one-time deposits of \$1,500,000 from the General Fund to the Due Diligence Fund in FY 2022 and FY 2023.		
Purpose of Fund: To prepare land for sales, leases, rights-of-ways, or other use-permits. Any fund balance in excess of \$5,000,000 at any time during the fiscal year reverts to the General Fund. The FY 2022 Environment Budget Reconciliation Bill permanently increased this fund balance limit from \$500,000 to \$5,000,000.		
Funds Expended	626,200	5,000,000
Year-End Fund Balance	1,377,200	(2,572,800)
Environmental Special Plate Fund (LDA2274/A.R.S. § 41-6013)		Appropriated
Source of Revenue: \$17 of the \$25 fee for environmental license plates.		
Purpose of Fund: To provide grants for environmental education projects. Funds Natural Resource Conservation Districts (NRCs) and the education centers they sponsor. An amount of \$5,000 is distributed to each NRC that sponsors an education center. Additionally, funds are distributed to NRCs and education centers based on appropriation. Laws 2024, Chapter 258 transferred administration of the fund to the newly created State Natural Resource Conservation Board.		
Funds Expended	180,000	260,600
Year-End Fund Balance	180,600	140,000
Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)		Non-Appropriated
Source of Revenue: Reimbursements from lessees and interest.		
Purpose of Fund: To make payments for federal reclamation project assessments when state land lessees are delinquent.		
Funds Expended	0	0
Year-End Fund Balance	48,400	48,900
IGA and ISA Fund (LDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	0	0
Year-End Fund Balance	0	0
Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)		Non-Appropriated
Source of Revenue: Revenue comes from other agencies that use State Land Department services or products and is used for services or products provided by other agencies.		
Purpose of Fund: To pay for joint projects based upon interagency agreements with other state agencies.		
Funds Expended	0	0
Year-End Fund Balance	136,200	136,200

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)		Appropriated
Source of Revenue: The State Land Department receives 5% of the total Off-Highway Vehicle Fund revenue, which consists of fees for off-highway vehicle decals issued by the Department of Transportation and 0.55% of the motor fuel tax revenue.		
Purpose of Fund: To fund department operating expenses. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	177,600
Year-End Fund Balance	1,004,100	1,045,600
Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The State Land Department receives 5% of the total Off-Highway Vehicle Fund revenue, which consists of fees for off-highway vehicle decals issued by the Department of Transportation and 0.55% of the motor fuel tax revenue.		
Purpose of Fund: To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	127,300	105,000
Year-End Fund Balance	1,004,100	1,045,600
Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)		Non-Appropriated
Source of Revenue: Receipts from the provision of Geographic Information Systems (GIS) products and services.		
Purpose of Fund: To offset the costs of GIS supplies and support.		
Funds Expended	99,900	98,500
Year-End Fund Balance	138,800	121,100
Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)		Non-Appropriated
Source of Revenue: Receipts from the sale or use of state streambed lands and resources, damages collected due to a federal violation of public trust by the conveyance of state streambeds, and designated donations.		
Purpose of Fund: To fund the acquisition of wetland areas in the state.		
Funds Expended	0	0
Year-End Fund Balance	6,600	6,600
State Land Department Fund (LDA2451/A.R.S. § 37-107)		Non-Appropriated
Source of Revenue: Reimbursements from successful bidders on state trust lands for expenses incurred to advertise land sales and for zoning application fees.		
Purpose of Fund: To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
Funds Expended	486,400	355,000
Year-End Fund Balance	2,678,200	2,861,200
Trust Land Management Fund (LDA3146/A.R.S. § 37-527)		Appropriated
Source of Revenue: Fees charged by the department. The total balance of the fund is capped at 2 times the trust land management budget for the following fiscal year.		
Purpose of Fund: To fund the management of the approximately 9 million acres of State Trust land throughout the state.		
Funds Expended	5,748,200	7,058,000
Year-End Fund Balance	13,477,500	12,624,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Universities Timber Land Account Fund (LDA3134/A.R.S. § 37-482)		Non-Appropriated
Source of Revenue: Proceeds from sales of timber or timber products on state trust land where the University Land Fund is the beneficiary.		
Purpose of Fund: To fund expenses incurred by the State Land Department for the conservation, sale, and administration of timber and timber products located on state trust land where the University Land Fund is the beneficiary. Following a 2013 Arizona Supreme Court decision, no additional monies have been deposited into this fund, and the Department may no longer spend monies from this fund on Department operations.		
Funds Expended	0	0
Year-End Fund Balance	98,700	98,700

Legislature - Auditor General

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	224.8	224.8	224.8
Personal Services	13,764,000	17,314,000	17,314,000
Employee Related Expenditures	4,388,300	6,679,800	6,679,800
Professional and Outside Services	1,894,100	1,381,500	1,381,500
Travel - In State	85,200	112,800	112,800
Travel - Out of State	9,500	5,500	5,500
Other Operating Expenditures	1,531,100	1,194,100	1,194,100
Equipment	298,800	35,000	35,000
AGENCY TOTAL	21,971,000	26,722,700	26,722,700 ^{1/2/3/}
FUND SOURCES			
General Fund	21,971,000	26,722,700	26,722,700
SUBTOTAL - Appropriated Funds	21,971,000	26,722,700	26,722,700
Other Non-Appropriated Funds	1,784,900	1,289,200	1,289,200
TOTAL - ALL SOURCES	23,755,900	28,011,900	28,011,900

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/ Of the amount appropriated for the lump sum appropriation, the auditor general shall use \$3,300,000 for additional agency performance audits and school district audits. (General Appropriations Act footnote)
- 2/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Acts footnote)
- 3/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$26,722,700 and 224.8 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Audit Services Revolving Fund (AUA2242/A.R.S. § 41-1279.06)		Non-Appropriated
Source of Revenue: Charges to state budget units, counties, community college districts or school districts for audits or accounting services performed by, or under the supervision of, the Auditor General. A majority of the amounts collected are for federal compliance audits required by the Single Audit Act, as such audited entities are reimbursed by the federal government.		
Purpose of Fund: To conduct audits required under federal law, special audits, or provide accounting services requested by state budget units, counties, community college districts or school districts. Monies in this fund may also be used to pay certified public accountants to conduct audits or provide accounting services.		
Funds Expended	1,784,900	1,289,200
Year-End Fund Balance	2,321,500	2,321,500

Legislature - House of Representatives

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	24,900,700	21,565,600	21,565,600
AGENCY TOTAL	24,900,700	21,565,600	21,565,600 ^{1/2/3/}
FUND SOURCES			
General Fund	24,900,700	21,565,600	21,565,600
SUBTOTAL - Appropriated Funds	24,900,700	21,565,600	21,565,600
TOTAL - ALL SOURCES	24,900,700	21,565,600	21,565,600

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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)
- 2/ Included in the lump sum appropriation of \$21,565,600 for fiscal year 2025-2026 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriations Act footnote)
- 3/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$21,565,600 from the General Fund in FY 2026 for the operating budget. This amount is unchanged from FY 2025.

Legislature - Joint Legislative Budget Committee

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	2,093,600	2,088,400	2,088,400
Employee Related Expenditures	642,300	824,900	824,900
Professional and Outside Services	91,200	90,000	90,000
Travel - In State	200	500	500
Travel - Out of State	1,300	0	0
Other Operating Expenditures	136,100	50,000	50,000
Equipment	0	2,000	2,000
AGENCY TOTAL	2,964,700	3,055,800	3,055,800 ^{1/2/}
FUND SOURCES			
General Fund	2,964,700	3,055,800	3,055,800
SUBTOTAL - Appropriated Funds	2,964,700	3,055,800	3,055,800
TOTAL - ALL SOURCES	2,964,700	3,055,800	3,055,800

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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)
- 2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$3,055,800 and 29 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Legislature - Legislative Council

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	56.0	56.0	56.0
Personal Services	5,122,100	5,500,100	5,500,100
Employee Related Expenditures	1,726,200	1,860,100	1,860,100
Professional and Outside Services	11,200	350,100	350,100
Travel - In State	400	3,000	3,000
Travel - Out of State	100	1,700	1,700
Other Operating Expenditures	2,988,100	1,560,700	1,560,700
AGENCY TOTAL	9,848,100	9,275,700	9,275,700 ^{1/2/}
FUND SOURCES			
General Fund	9,848,100	9,275,700	9,275,700
SUBTOTAL - Appropriated Funds	9,848,100	9,275,700	9,275,700
Other Non-Appropriated Funds	42,800	57,800	57,800
TOTAL - ALL SOURCES	9,890,900	9,333,500	9,333,500

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/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)
- 2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$9,275,700 and 56 FTE Positions from the General Fund in FY 2026 for the operating budget. This amount is unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Museum Gift Shop Revolving Fund (LCA4008/A.R.S. § 41-1307)		Non-Appropriated
Source of Revenue: Proceeds from the sale of merchandise at the Capitol Museum Gift Shop.		
Purpose of Fund: To provide for state-related inventory to be sold at the Capitol Museum Gift Shop. Laws 2022, Chapter 211 transferred the administration of this fund to Legislative Council.		
Funds Expended	42,800	42,800
Year-End Fund Balance	84,100	84,100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
State Monument and Memorial Repair Fund (LCA2338/A.R.S. § 41-1365)		Non-Appropriated
Source of Revenue: Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
Purpose of Fund: For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the Governmental Mall. Laws 2022, Chapter 357 transferred the fund to Legislative Council.		
Funds Expended	0	15,000
Year-End Fund Balance	238,700	223,700

Legislature - Ombudsman-Citizens Aide Office

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	895,400	972,000	972,000
Employee Related Expenditures	325,900	354,000	354,000
Professional and Outside Services	34,500	69,000	69,000
Travel - In State	100	300	300
Travel - Out of State	3,600	5,500	5,500
Other Operating Expenditures	158,100	163,000	163,000
Equipment	8,400	14,600	14,600
AGENCY TOTAL	1,426,000	1,578,400	1,578,400 ^{1/2/3/4/}
FUND SOURCES			
General Fund	1,426,000	1,578,400	1,578,400
SUBTOTAL - Appropriated Funds	1,426,000	1,578,400	1,578,400
TOTAL - ALL SOURCES	1,426,000	1,578,400	1,578,400

AGENCY DESCRIPTION — The Ombudsman-Citizens Aide Office assists persons with a complaint about the actions of a state administrator, agency, department, board or commission. The office investigates, seeks resolution between the parties, and reports to the legislature about such complaints. The office also has special charges to investigate Department of Child Safety actions as well as complaints about Empowerment Scholarship Accounts or the violation of public access laws.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)
- 2/ The legislature intends that the ombudsman-citizens aide prioritize investigating and processing complaints relating to the department of child safety. (General Appropriations Act footnote)
- 3/ The operating budget includes \$137,500 and 1 FTE position to address complaints relating to the administration of the Arizona empowerment scholarship account program established by section 15-2402, Arizona Revised Statutes. (General Appropriations Act footnote)
- 4/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$1,578,400 and 12 FTE Positions from the General Fund in FY 2026. These amounts are unchanged from 2025.

Legislature - Senate

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	16,173,300	18,000,200	18,000,200
AGENCY TOTAL	16,173,300	18,000,200	18,000,200 ^{1/2/3/}
FUND SOURCES			
General Fund	16,173,300	18,000,200	18,000,200
SUBTOTAL - Appropriated Funds	16,173,300	18,000,200	18,000,200
TOTAL - ALL SOURCES	16,173,300	18,000,200	18,000,200

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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)
- 2/ Included in the lump sum appropriation of \$18,000,200 for fiscal year 2025-2026 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriations Act footnote)
- 3/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$18,000,200 from the General Fund in FY 2026 for the operating budget. This amount is unchanged from FY 2025.

Department of Liquor Licenses and Control

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	58.2	58.2	58.2
Personal Services	2,798,800	2,913,800	2,913,800
Employee Related Expenditures	1,033,300	1,603,500	1,603,500
Professional and Outside Services	184,400	187,500	187,500
Travel - In State	265,700	317,500	317,500
Travel - Out of State	16,200	55,000	55,000
Other Operating Expenditures	1,041,600	1,007,900	1,007,900
Equipment	212,100	41,600	41,600
AGENCY TOTAL	5,552,100	6,126,800	6,126,800^M

FUND SOURCES

Other Appropriated Funds

Liquor Licenses Fund	5,552,100	6,126,800	6,126,800
SUBTOTAL - Other Appropriated Funds	5,552,100	6,126,800	6,126,800
SUBTOTAL - Appropriated Funds	5,552,100	6,126,800	6,126,800
Other Non-Appropriated Funds	1,117,300	1,817,400	1,817,400
Federal Funds	739,200	888,000	888,000
TOTAL - ALL SOURCES	7,408,600	8,832,200	8,832,200

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

FOOTNOTES

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

Operating Budget

The Baseline includes \$6,126,800 and 58.2 FTE Positions from the Liquor Licenses Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$30 surcharge on liquor licenses for bars, retail stores, and restaurants.		
Purpose of Fund: To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
Funds Expended	226,600	272,300
Year-End Fund Balance	399,400	335,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Direct Shipment License Issuance Fund (LLA3017/A.R.S. § 4-203.04B)		Non-Appropriated
<i>Source of Revenue:</i> Fees charged by the director for the issuance of a direct shipment license.		
<i>Purpose of Fund:</i> Administrative costs associated with the direct shipment license.		
Funds Expended	19,300	103,500
Year-End Fund Balance	236,300	163,900
Direct Shipment License Renewal Fund (LLA3018/A.R.S. § 4-203.04D)		Non-Appropriated
<i>Source of Revenue:</i> Fees charged by the director for the renewal of a direct shipment license.		
<i>Purpose of Fund:</i> Administrative costs associated with the direct shipment licensing, auditing, and enforcement.		
Funds Expended	281,300	289,100
Year-End Fund Balance	787,400	697,800
DPS-FBI Fingerprint Fund (LLA2159/A.R.S. § 4-112)		Non-Appropriated
<i>Source of Revenue:</i> Fingerprint fees collected as part of the application process.		
<i>Purpose of Fund:</i> Fingerprint fees are transferred to the Department of Public Safety.		
Funds Expended	0	2,300
Year-End Fund Balance	4,700	2,400
Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209)		Non-Appropriated
<i>Source of Revenue:</i> A \$20 surcharge on hotel and restaurant liquor licenses and \$35 on all other licenses.		
<i>Purpose of Fund:</i> For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.		
Funds Expended	105,600	543,300
Year-End Fund Balance	564,200	446,600
Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209)		Non-Appropriated
<i>Source of Revenue:</i> A \$35 surcharge on liquor license renewals.		
<i>Purpose of Fund:</i> To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.		
Funds Expended	413,800	536,200
Year-End Fund Balance	706,600	665,800
Federal Grants (LLA2000/A.R.S. § 35-142)		Federal Funds
<i>Source of Revenue:</i> Federal revenues received through the Governor's Office of Highway Safety.		
<i>Purpose of Fund:</i> To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles.		
Funds Expended	739,200	888,000
Year-End Fund Balance	2,400	2,400
Growlers Fund (LLA1997/A.R.S. § 4-116.01)		Non-Appropriated
<i>Source of Revenue:</i> Fees received from growler permit applications.		
<i>Purpose of Fund:</i> To pay operating expenses for the Department of Liquor Licenses and Control.		
Funds Expended	45,000	45,100
Year-End Fund Balance	141,800	132,300
IGA and ISA Fund (LLA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Monies received through intergovernmental and interagency agreements.		
<i>Purpose of Fund:</i> To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	0	0
Year-End Fund Balance	49,800	49,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Liquor License and Special Collections Fund (LLA3008/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: This fund is a non-appropriated fund used for collecting fees from license renewals and new licenses.		
Purpose of Fund: This fund collects funds that are transferred to other state agencies and to the Arizona counties that receive one third of the renewal fees for their county. Maricopa and Pima counties receive \$3,000 for each license that is issued in an unincorporated area. Funds are distributed into the surcharge funds. The remaining funds are transferred into the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	763,100	763,100
Liquor Licenses Fund (LLA1996/A.R.S. § 4-120)		Appropriated
Source of Revenue: A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature.		
Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control. Any balance over \$700,000 shall revert to the General Fund at the end of each year.		
Funds Expended	5,552,100	6,126,800
Year-End Fund Balance	674,300	678,900
Sampling Privileges Fund (LLA1998/A.R.S. § 4-116.01)		Non-Appropriated
Source of Revenue: Fees received from sampling privilege permit applications.		
Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control.		
Funds Expended	25,700	25,600
Year-End Fund Balance	170,100	181,700

Arizona State Lottery Commission

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	98.8	98.8	98.8
Personal Services	4,708,600	5,218,300	5,218,300
Employee Related Expenditures	1,743,700	2,368,700	2,368,700
Professional and Outside Services	538,300	386,800	386,800
Travel - In State	(91,200)	271,600	271,600
Travel - Out of State	45,900	16,800	16,800
Other Operating Expenditures	2,177,000	1,933,700	1,933,700
Equipment	57,300	0	0
OPERATING SUBTOTAL	9,179,600	10,195,900	10,195,900
SPECIAL LINE ITEMS			
Advertising	13,841,100	15,500,000	15,500,000
Charitable Commissions ^{1/}	1,687,100	1,729,200	1,815,700 ^{2/}
Instant Tickets ^{3/}	27,345,600	38,708,200	40,643,600 ^{3/}
On-Line Vendor Fees ^{4/}	20,105,900	16,902,000	17,747,100 ^{4/}
Retailer Commissions ^{5/}	100,684,200	104,372,700	109,591,300 ^{5/}
AGENCY TOTAL	172,843,500	187,408,000	195,493,600 ^{6/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
State Lottery Fund	172,843,500	187,408,000	195,493,600
SUBTOTAL - Other Appropriated Funds	172,843,500	187,408,000	195,493,600
SUBTOTAL - Appropriated Funds	172,843,500	187,408,000	195,493,600
Other Non-Appropriated Funds	1,013,051,800	1,228,350,300	1,228,350,300
TOTAL - ALL SOURCES	1,185,895,300	1,415,758,300	1,423,843,900

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 twenty percent of tab ticket sales is appropriated to pay sales commissions to charitable organizations. This amount is currently estimated to be \$1,815,700 in fiscal year 2025-2026. (General Appropriations Act footnote)
- 3/ An amount equal to 3.6 percent 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 \$40,643,600 in fiscal year 2025-2026. (General Appropriations Act footnote)
- 4/ An amount equal to a percentage of ~~actual online game~~ TOTAL TICKET sales as determined by contract is appropriated to pay online vendor fees. This amount is currently estimated to be \$17,747,100, or ~~4.256~~ 1.079 percent of ~~actual online ticket~~ TOTAL TICKET SALES, in fiscal year 2025-2026. (General Appropriations Act footnote)
- 5/ An amount equal to 6.5 percent 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 percent of gross lottery game sales is appropriated to pay sales commissions to ticket retailers. The combined amount is currently estimated to be 6.7 percent of total ticket sales, or \$109,591,300, in fiscal year 2025-2026. (General Appropriations Act footnote)
- 6/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$10,195,900 and 98.8 FTE Positions from the State Lottery Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Advertising

The Baseline includes \$15,500,000 from the State Lottery Fund in FY 2026 for Advertising. This amount is unchanged from FY 2025.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The Baseline includes \$1,815,700 from the State Lottery Fund in FY 2026 for Charitable Commissions. Adjustments are as follows:

Tab Ticket Increase

The Baseline includes an increase of \$86,500 from the State Lottery Fund in FY 2026 to realign spending with projected revenues.

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 Baseline includes \$40,643,600 from the State Lottery Fund in FY 2026 for Instant Tickets. Adjustments are as follows:

Instant Ticket Sales Increase

The Baseline includes an increase of \$1,935,400 from the State Lottery Fund in FY 2026 for Instant Tickets due to higher projected sales.

Monies in this line item are used to pay for instant ticket printing and distribution costs. The amount displayed is derived by applying the approved spending percentage of 3.6% to the forecasted sales total.

On-Line Vendor Fees

The Baseline includes \$17,747,100 from the State Lottery Fund in FY 2026 for On-Line Vendor Fees. Adjustments are as follows:

One-Line Sales Increase

The Baseline includes an increase of \$845,100 from the State Lottery Fund in FY 2026 to realign spending with projected revenues.

Monies in this line item are used to pay the vendor that operates the on-line game computer system. Prior to FY 2025, Lottery's contract with on-line vendors stipulated that vendors receive 4.256% of on-line ticket sales. Beginning in FY 2025, a renegotiated contract grants on-line vendors 1.079% of total lottery sales each fiscal year. The Baseline reflects the percentage agreed to in the new contracts.

Retailer Commissions

The Baseline includes \$109,591,300 from the State Lottery Fund in FY 2026 for Retailer Commissions. Adjustments are as follows:

Retailer Commissions Increase

The Baseline includes an increase of \$5,218,600 from the State Lottery Fund in FY 2026 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. Based on a General Appropriations Act footnote, 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 Baseline assumes a 2.5% increase in overall Lottery ticket sales in FY 2025, followed by a 5.0% increase in FY 2026. For FY 2025 and FY 2026, the Baseline assumes Lottery ticket sales of \$1,566,447,000 and \$1,644,769,400, respectively.

The FY 2025 forecasted sales and Special Line Items expenditures are revised from the amounts included as part of the *FY 2025 Appropriations Report* due to an updated FY 2025 sales forecast. These revised amounts are estimates based on the current sales forecast and the line-item percentages included in the FY 2025 General Appropriations Act footnotes, with the exception of the newly contracted percentage for on-line vendors. The final FY 2025 expenditures will be determined by the actual Lottery ticket sales during FY 2025.

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 2024 and the JLBC Staff projected distributions for FY 2025 and FY 2026. 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.

Maricopa County Mass Transit

The projected annual distribution of Powerball proceeds to the Maricopa Public Transportation Fund is \$11,368,800 in both FY 2025 and FY 2026.

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 regional public transportation agency.

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 2025 and FY 2026 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2.

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 2025 and FY 2026, 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 \$26,049,200 in FY 2025 and \$26,707,400 in FY 2026. 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 2025 and FY 2026.

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 2025 and FY 2026.

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 2025 and FY 2026, the General Fund is estimated to receive its entire allocation of \$15,490,000.

Arizona Competes Fund

Statute capped annual distributions to the Arizona Competes Fund at \$3,500,000 through FY 2024. Laws 2024, Chapter 210 decreases this amount to \$1,750,000 for FY 2025-FY 2027. In FY 2028, the Arizona Competes Fund distribution becomes \$3,500,000 again. 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 2025 and FY 2026.

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 \$36,739,500 in FY 2024. Based on ABOR data which includes current and planned SPEED bond issuances, the UCI Fund is expected to require \$42,911,300 in FY 2025 and \$42,902,600 in FY 2026 to make the expected 80% level of debt service payments. *(For additional information on SPEED Bonds for universities, please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Deferred General Fund - Part 3

The General Fund receives all remaining revenues after all statutory funding obligations have been met. Due to the timing of Lottery profit transfers and the current level of ticket sales, the Lottery Commission's recent practice is to defer the entire Part 3 distribution to the following fiscal year.

The Baseline forecast assumes that for each forecast year's ticket sales (FY 2025 and FY 2026), the Lottery Commission will transfer 100% of the Part 3 profits in a deferred transfer during the next fiscal year.

Total Distributions to the General Fund

Total FY 2025 distributions to the General Fund consist of the FY 2025 General Fund Part 1 and Part 2 plus the delayed prior year Part 3 profit transfer from FY 2024. With a FY 2025 Part 1 transfer of \$84,150,000, a Part 2 FY 2025 transfer of \$15,490,000, and a FY 2024 Part 3 delayed transfer of \$117,654,100, total FY 2025 distributions to the General Fund are forecast to be \$217,294,100.

Total FY 2026 distributions to the General Fund are forecast to be \$223,203,100, which includes: a FY 2026 Part 1 transfer of \$84,150,000, a Part 2 FY 2026 transfer of \$15,490,000, and a FY 2025 Part 3 delayed transfer of \$123,563,100. *(See Table 1 for more information).*

Table 1

Forecast of Lottery Revenue Distribution
(\$ in Millions) ^{1/}

Sales	FY 2024	FY 2025	FY 2026
Instant Sales	\$1,049.0	\$1,075.2	\$1,129.0
On-Line Sales	<u>479.2</u>	<u>491.2</u>	<u>515.8</u>
Total Sales	\$1,528.2	\$1,566.4	\$1,644.8
<i>Less:</i>			
Operating Budget	\$ 172.8	\$ 187.4	\$ 195.5
Gaming Distribution	0.3	0.3	0.3
ICACEF/VREF Sales Transfer ^{2/}	0.9	0.8	0.9
Prizes ^{3/}	<u>1,048.9</u>	<u>1,061.6</u>	<u>1,116.0</u>
Net Profit ^{4/ 5/}	\$305.3	\$316.3	\$332.1
Profit Transfers ^{6/}			
Maricopa County Mass Transit	11.4	11.4	11.4
General Fund - Part 1	84.2	84.2	84.2
Heritage	10.0	10.0	10.0
Health and Welfare Programs	25.4	26.0	26.7
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2	15.5	15.5	15.5
Arizona Commerce Authority	3.5	1.8 ^{7/}	1.8
University Capital	36.7	42.9	42.9
Deferred General Fund - Part 3	<u>117.7</u>	<u>123.5</u>	<u>138.6</u>
Total Transfers	\$305.3	\$316.3	\$332.1
General Fund			
Delayed Prior Year Transfer ^{6/}	122.6	117.7	123.5
General Fund - Part 1	84.2	84.2	84.2
General Fund - Part 2	<u>15.5</u>	<u>15.5</u>	<u>15.5</u>
Total General Fund ^{8/}	\$222.2	\$217.3	\$223.2

^{1/} Totals may not sum due to rounding.

^{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 (ICACEF) and the Victims' Rights Enforcement Fund (VREF), respectively. The ICACEF 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 ICACEF and VREF from unclaimed prize monies in the State Lottery Fund. We estimate \$831,300 will be distributed in FY 2025 and \$872,800 in FY 2026, respectively. (See Footnote 4.)

^{3/} Prizes are estimated by subtracting net profit, operating budget expenditures, the Department of Gaming transfer, and the ICACEF/VREF sales transfer from total Lottery sales.

^{4/} To derive the profit transfer amounts, the historical rate of return for each game was applied to the current Baseline forecast. The estimated total profit margin is 20.26% in both FY 2025 and FY 2026.

^{5/} 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 \$325,000 to the Tribal College Dual Enrollment Program Fund

^{6/} Due to the timing of Lottery profit transfers, the General Fund - Part 3 transfer actually occurs in the succeeding fiscal year. As such, the General Fund total reflects deposits that actually occur within the fiscal year, whereas the Net Profit and Total Transfers lines reflect figures reported by the Lottery that are derived from ticket sales that occur during the fiscal year.

^{7/} Laws 2024, Chapter 210 decreased the Arizona Competes Fund distribution to \$1,750,000 for FY 2025-FY 2027. In FY 2028, the distribution will become \$3,500,000 again.

^{8/} Under the forecast, total General Fund revenue in FY 2027 would be \$238.3 million. This amount includes \$138.6 million from the General Fund - Part 3 transfer deferred from FY 2026, \$84.2 million for the FY 2027 General Fund - Part 1 and \$15.5 million for the FY 2027 General Fund - Part 2. Total General Fund revenue in FY 2028 would be \$256.2 million. This amount includes \$156.6 million from the General Fund- Part 3 transfer deferred from FY 2027, \$84.2 million for the FY 2028 General Fund- Part 1 and \$15.5 million from the General Fund- Part 2.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
State Lottery Fund (LOA2122/A.R.S. § 5-571)		Appropriated
Source of Revenue: Sales of lottery tickets, retailer license fees, and interest earnings.		
Purpose of Fund: To pay for all costs of the Arizona State Lottery Commission. After all Lottery Commission expenses are paid, including the prize monies displayed in the Non-Appropriated funds expended, Lottery profits are distributed to a number of different functions. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	172,843,500	201,696,500
Year-End Fund Balance	150,960,200	73,389,900
State Lottery Fund (LOA2122/A.R.S. § 5-571)		Non-Appropriated
Source of Revenue: Sales of lottery tickets, retailer license fees, and interest earnings.		
Purpose of Fund: For payment of prizes to the holders of winning tickets from games administered by the Arizona State Lottery commission. After all Lottery Commission expenses are paid, including prize monies, Lottery profits are distributed to a number of different functions. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	1,013,051,800	1,228,350,300
Year-End Fund Balance	0	0

Board of Massage Therapy

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	272,700	258,000	258,000
Employee Related Expenditures	100,400	145,400	145,400
Professional and Outside Services	17,200	111,000	111,000
Travel - In State	0	1,500	1,500
Travel - Out of State	1,300	0	0
Other Operating Expenditures	105,700	91,800	91,800
Equipment	14,000	0	0
AGENCY TOTAL	511,300	607,700	607,700^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Massage Therapy Fund	511,300	607,700	607,700
SUBTOTAL - Other Appropriated Funds	511,300	607,700	607,700
SUBTOTAL - Appropriated Funds	511,300	607,700	607,700
TOTAL - ALL SOURCES	511,300	607,700	607,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$607,700 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Board of Massage Therapy Fund (BMT2553/A.R.S. § 32-4205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of massage therapists.		
Purpose of Fund: To examine, license, investigate, and regulate massage therapists, and for board administration.		
Funds Expended	511,300	607,700
Year-End Fund Balance	704,300	640,800

Arizona Medical Board

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	61.5	63.5	63.5
Personal Services	3,471,300	3,794,800	3,794,800
Employee Related Expenditures	1,235,600	1,533,400	1,533,400
Professional and Outside Services	1,714,100	1,305,000	1,305,000
Travel - In State	18,100	13,000	13,000
Travel - Out of State	11,900	13,000	13,000
Other Operating Expenditures	1,327,500	1,544,700	1,544,700
Equipment	190,000	55,400	55,400
OPERATING SUBTOTAL	7,968,500	8,259,300	8,259,300 ^{1/}
SPECIAL LINE ITEMS			
Employee Performance Incentive Program	150,200	165,600	165,600
AGENCY TOTAL	8,118,700	8,424,900	8,424,900
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	8,118,700	8,424,900	8,424,900
SUBTOTAL - Other Appropriated Funds	8,118,700	8,424,900	8,424,900
SUBTOTAL - Appropriated Funds	8,118,700	8,424,900	8,424,900
TOTAL - ALL SOURCES	8,118,700	8,424,900	8,424,900

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician assistants.

FOOTNOTES

^{1/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$8,259,300 and 63.5 FTE Positions from the Arizona Medical Board Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

The program was previously funded by a footnote allowing the Arizona Medical Board to use up to 7% of the prior year balance from the Arizona Medical Board Fund. The FY 2019 General Appropriations Act removed that footnote and instead added a line item for the incentive program.

Employee Performance Incentive Program

The Baseline includes \$165,600 from the Arizona Medical Board Fund in FY 2026 for the Employee Performance Incentive Program. This amount is unchanged from FY 2025.

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.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Medical Board Fund (MEA2038/A.R.S. § 32-1406)		Appropriated
Source of Revenue: Monies collected by the Arizona Medical Board from the examination and licensing of physicians.		
Purpose of Fund: To examine, license, investigate and regulate physicians, and for board administration costs.		
Funds Expended	8,118,700	8,424,900
Year-End Fund Balance	3,440,100	4,632,000

State Mine Inspector

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	595,200	802,700	802,700
Employee Related Expenditures	272,200	300,000	300,000
Professional and Outside Services	33,200	12,000	12,000
Travel - In State	126,200	121,200	121,200
Travel - Out of State	0	8,700	8,700
Other Operating Expenditures	181,400	209,000	209,000
Equipment	35,900	15,000	15,000
OPERATING SUBTOTAL	1,244,100	1,468,600	1,468,600
SPECIAL LINE ITEMS			
Abandoned Mines	685,800	830,700	830,700
Aggregate Mining Land Reclamation	62,500	112,900	112,900 ^{1/}
AGENCY TOTAL	1,992,400	2,412,200	2,412,200 ^{2/}
FUND SOURCES			
General Fund	1,929,900	2,299,300	2,299,300
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	62,500	112,900	112,900
SUBTOTAL - Other Appropriated Funds	62,500	112,900	112,900
SUBTOTAL - Appropriated Funds	1,992,400	2,412,200	2,412,200
Federal Funds	511,800	554,600	554,600
TOTAL - ALL SOURCES	2,504,200	2,966,800	2,966,800

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 fiscal year 2025-2026 are appropriated to the aggregate mining land reclamation line item. Before spending any aggregate mining reclamation fund monies in excess of \$112,900 in fiscal year 2025-2026, 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 Appropriations Act footnote)
- ^{2/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$1,468,600 and 16 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

The FY 2024 operating budget included a one-time, non-lapsing \$300,000 appropriation from the General Fund for additional operating expenses. As of June 30, 2024, there are no expenditures reported from this appropriation.

Abandoned Mines

The Baseline includes \$830,700 and 6 FTE Positions from the General Fund in FY 2026 for the Abandoned Mines line item. These amounts are unchanged from FY 2025.

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 Baseline includes \$112,900 from the Aggregate Mining Reclamation Fund in FY 2026 for the Aggregate Mining Land Reclamation line item. This amount is unchanged from FY 2025.

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.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)		Non-Appropriated
Source of Revenue: Gifts, grants and contributions. The Legislature may appropriate matching monies.		
Purpose of Fund: To locate, inventory, classify and eliminate public safety hazards at abandoned mines.		
Funds Expended	0	0
Year-End Fund Balance	134,800	134,800
Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)		Appropriated
Source of Revenue: Fees collected from exploration and aggregate mining operations.		
Purpose of Fund: To review aggregate mining land reclamation plans and to enforce compliance with the plans.		
Funds Expended	62,500	112,900
Year-End Fund Balance	28,400	(57,900)
Federal Education and Training Fund (MIA2400/A.R.S. § 27-123)		Federal Funds
Source of Revenue: Fees for education and training of mine employees required under federal regulation.		
Purpose of Fund: To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training.		
Funds Expended	84,700	103,700
Year-End Fund Balance	312,000	304,900
Federal Grants (MIA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants from the U.S. Department of Labor, Mine Safety and Health Administration and the Department of Interior, Bureau of Land Management (BLM).		
Purpose of Fund: To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training. The state provides a 20% in-kind match. The BLM grant is for an inventory of abandoned mines on BLM lands.		
Funds Expended	427,100	450,900
Year-End Fund Balance	(200)	(200)

State Natural Resource Conservation Board

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
SPECIAL LINE ITEMS			
Natural Resource Conservation District Fund Deposit	0	0	650,000 ^{1/}
AGENCY TOTAL	0	0	650,000
FUND SOURCES			
General Fund	0	0	389,400
<u>Other Appropriated Funds</u>			
Environmental Special Plate Fund	0	0	260,600
SUBTOTAL - Other Appropriated Funds	0	0	260,600
SUBTOTAL - Appropriated Funds	0	0	650,000
TOTAL - ALL SOURCES	0	0	650,000

AGENCY DESCRIPTION — The Board coordinates the state’s 32 Natural Resource Conservation Districts (NRCs) and 26 NRC Education Centers by facilitating information sharing between district supervisors, providing consultation services, and requiring each district to file annual audits. The Board also coordinates federal assistance for the districts and is required to provide grants to NRCs and Tribal Soil and Water Conservation Districts.

FOOTNOTES

^{1/} Of the amount appropriated for deposit in the natural resource conservation district fund in fiscal year 2025-2026, \$30,000 shall be used to provide grants to natural resource conservation districts environmental education centers. (General Appropriations Act footnote)

Natural Resource Conservation District Fund Deposit

The Baseline includes \$650,000 in FY 2026 for a deposit in the Natural Resource Conservation District (NRC) Fund. This amount consists of:

General Fund	389,400
Environmental Special Plate Fund	260,600

Adjustments are as follows:

Transfer NRC Grant Funding

The Baseline includes an increase of \$650,000 in FY 2026 to transfer funding for NRC Grants from the State Land Department to the Natural Resource Conservation (NRC) Board for a deposit in the NRC Fund. This amount consists of:

General Fund	389,400
Environmental Special Plate Fund	260,600

Background – The NRC Board was established by Laws 2024, Chapter 258. Chapter 258 transfers the authority over the NRCs, including grants to the districts and the administration of the Environmental Special Plate Fund, from the State Land Department to the NRC Board as of January 1, 2025. Chapter 258 also establishes the NRC

Fund, from which the NRC Board must distribute grants to the NRCs and Tribal Soil and Water Conservation Districts (TSWCDs). These grants fund natural resource research, activities, and staff at the state’s 32 NRCs and 10 TSWCDs. The NRC Board may also use up to 10% of the monies in the fund for administrative expenses.

NRCs and TSWCDs are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A.R.S. § 41-6012 requires the board to include in its budget request up to \$40,000 for each NRC and each Tribal Soil and Water Conservation District (TSWCD), and \$60,000 for each NRC education center for a 2-year period.

The Land Department intends to distribute its full FY 2025 appropriation of \$650,000 for grants to the 32 NRCs prior to January 1, 2025. As a result, the Baseline assumes the NRC Board receives no funding in FY 2025. (Please see the State Land Department section for more information.)

The Baseline continues a prior Land Department General Appropriations Act footnote that requires \$30,000 of the total appropriation for NRCs to be used to provide grants to NRC environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by the 32 NRCs. Districts that

sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 41-6013.

After the foregoing amounts related to education centers are distributed, the remainder of the appropriation is distributed as grants to the 32 NRCDs and 10 TSWCDs. When this program was previously administered by the Land Department, the department was not required to distribute grants to the 10 TSWCDs.

The NRC Board would have discretion to use this annual funding for administrative expenses (up to 10% limit), as grants to NRCDs (including education centers), and as grants to TSWCDs. To the extent that either administrative expenses or grants to TSWCDs would decrease the available monies from the annual funding, some NRCDs may receive less grant money from the NRC Board in FY 2026 than they did from the State Land Department in FY 2025 under the state's prior policy.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Environmental Special Plate Fund (NRB2274/A.R.S. § 41-6013)		Appropriated
Source of Revenue: \$17 of the \$25 fee for environmental license plates.		
Purpose of Fund: To provide grants for environmental education projects. Funds Natural Resource Conservation Districts (NRCDs) and the education centers they sponsor. An amount of \$5,000 is distributed to each NRCD that sponsors an education center. Additionally, funds are distributed to NRCDs and education centers based on appropriation.		
Funds Expended	0	0
Year-End Fund Balance	180,600	140,000
Natural Resource Conservation District Fund (NRB9999/A.R.S. § 41-6014)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants, and federal monies.		
Purpose of Fund: To award grants to Natural Resource Conservation Districts and Tribal Soil and Water Conservation Districts. The Board may use up to 10% of monies for the administrative costs of the fund. Monies in the fund may not be used for acquiring property.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Naturopathic Physicians Medical Board

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	89,200	89,200	89,200
Employee Related Expenditures	35,900	48,200	48,200
Professional and Outside Services	6,800	12,000	12,000
Other Operating Expenditures	53,100	69,900	69,900
Equipment	400	700	700
AGENCY TOTAL	185,400	220,000	220,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	185,400	220,000	220,000
SUBTOTAL - Other Appropriated Funds	185,400	220,000	220,000
SUBTOTAL - Appropriated Funds	185,400	220,000	220,000
TOTAL - ALL SOURCES	185,400	220,000	220,000

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$220,000 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Naturopathic Physicians Medical Board Fund (NBA2042/A.R.S. § 32-1505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of naturopathic physicians.		
Purpose of Fund: To examine, license, investigate, and regulate naturopathic physicians and naturopathic medical assistants, and for board administration.		
Funds Expended	185,400	220,000
Year-End Fund Balance	584,000	766,300

Arizona Navigable Stream Adjudication Commission

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	81,500	80,900	80,900
Employee Related Expenditures	37,900	42,200	42,200
Professional and Outside Services	0	200,000	200,000
Other Operating Expenditures	37,700	17,400	17,400
AGENCY TOTAL	157,100	340,500	340,500 ^{1/}
FUND SOURCES			
General Fund	137,100	140,500	140,500
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	20,000	200,000	200,000
SUBTOTAL - Other Appropriated Funds	20,000	200,000	200,000
SUBTOTAL - Appropriated Funds	157,100	340,500	340,500
TOTAL - ALL SOURCES	157,100	340,500	340,500

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 Appropriations Act funds are appropriated as an Operating Lump Sum by Agency.

Operating Budget

The Baseline includes \$340,500 and 2 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$140,500
Arizona Water Banking Fund	200,000

These amounts are unchanged from FY 2025.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allow use of the Arizona Water Banking Fund for the commission's legal obligations.

Background

The commission is responsible for determining the navigability of state watercourses at the time of statehood. As of October 2024, cases regarding the navigability of the Gila, Salt, and Verde Rivers have been decided in favor of the commission's findings of non-navigability, but they have all been appealed to the Arizona Court of Appeals. If they are ruled to have been navigable at the time of statehood, 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.

Pursuant to A.R.S. § 37-1121, the agency is scheduled to sunset at the end of FY 2028.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Water Banking Fund (NSA2110/A.R.S. § 45-2425)		Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users.		
Purpose of Fund: To fund outside legal counsel and court reporters for court hearings.		
Funds Expended	20,000	200,000
Year-End Fund Balance	176,300	176,300

State Board of Nursing

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.0	63.0	63.0
Personal Services	3,589,000	4,354,700	4,354,700
Employee Related Expenditures	1,269,700	1,392,100	1,392,100
Professional and Outside Services	170,800	204,200	204,200
Travel - In State	5,300	6,400	6,400
Travel - Out of State	2,200	4,600	4,600
Other Operating Expenditures	556,300	503,400	469,600
Equipment	2,000	3,200	3,200
OPERATING SUBTOTAL	5,595,300	6,468,600	6,434,800
SPECIAL LINE ITEMS			
Certified Nursing Assistant Credentialing Program	534,800	548,000	548,000
Student Registered Nurse Anesthetist Clinical Rotation Program	0 ^{1/}	0	0
AGENCY TOTAL	6,130,100	7,016,600	6,982,800 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	6,130,100	7,016,600	6,982,800
SUBTOTAL - Other Appropriated Funds	6,130,100	7,016,600	6,982,800
SUBTOTAL - Appropriated Funds	6,130,100	7,016,600	6,982,800
Other Non-Appropriated Funds	4,685,400	24,028,700	24,028,700
Federal Funds	414,700	414,700	414,700
TOTAL - ALL SOURCES	11,230,200	31,460,000	31,426,200

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

FOOTNOTES

- ^{1/} The amount appropriated for the student registered nurse anesthetist clinical rotation line item in fiscal year 2023-2024 pursuant to Laws 2023, chapter 133, section 63 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (FY 2025 General Appropriations Act footnote)
- ^{2/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$6,434,800 and 63 FTE Positions from the Board of Nursing Fund in FY 2026 for the operating budget. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(33,800) from the Board of Nursing Fund in FY 2026 to remove one-time funding for staff onboarding expenses.

Certified Nursing Assistant Credentialing Program

The Baseline includes \$548,000 from the Board of Nursing Fund in FY 2026 for the Certified Nursing Assistant (CNA) Credentialing Program line item. This amount is unchanged from FY 2025.

The board registers 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.

Student Registered Nurse Anesthetist Clinical Rotation Program

The Baseline includes no funding in FY 2026 for the Student Registered Nurse Anesthetist Clinical Rotation Program line item. These amounts are unchanged from FY 2025.

The FY 2024 budget included a one-time increase of \$450,000 from the General Fund for a grant program to expand or develop clinical training placements for nurse anesthetist students. The initial grant application deadline was December 15th, 2023, and the Board announced a list of 7 grant recipients in February 2024. The Board had not disbursed any monies from this line item as of June 30, 2024.

An FY 2025 General Appropriations Act footnote made this funding non-lapsing until June 30, 2025, to allow for the complete disbursement of all remaining grant monies.

Other Issues

Healthcare Workforce Development Funding

The 3-year spending plan associated with the enacted FY 2023 budget assumed the Executive would spend \$27,000,000 in each of FY 2023, FY 2024, and FY 2025

from federal American Rescue Plan Act (ARPA) State and Local Fiscal Recovery monies for the Student Nurse Clinical Rotation and Licensed or Certified Nurse Training Program established by Laws 2022, Chapter 330. The program provides grants to hospitals, nursing facilities, and assisted living facilities to expand or create clinical training placements for undergraduate nursing students and licensed or certified nurses. As of September 30, 2024, the Board had spent \$7.6 million of the \$81.0 million allocated between FY 2023 and FY 2025.

AHCCCS designated the Arizona State Board of Nursing as the administrator of the program in December 2022 and transferred the ARPA monies to the Nursing Board. The Nursing Board has awarded the second round of grants and is collecting data to evaluate the program's success. At the time of this writing, the Nursing Board has approved 33 projects across 18 health care systems.

These monies do not appear in the General Appropriations Act because they are non-appropriated Federal Funds.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Board of Nursing Fund (BNA2044/A.R.S. § 32-1611)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nurses.		
Purpose of Fund: To examine, license, investigate, and regulate nurses, and for board administration. Monies from the fund are also used to pay for the administrative and testing costs of the Nursing Aide Registration program. The program is mandated by the federal government and is funded through the Nursing Aide Training and Registration Fund, a non-appropriated subaccount of the Board of Nursing Fund.		
Funds Expended	6,130,100	7,016,600
Year-End Fund Balance	4,833,900	4,422,300
Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.		
Purpose of Fund: To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.		
Funds Expended	414,700	414,700
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Statewide Donations Fund (BNA2025/A.R.S. § 32-1606A11)		Non-Appropriated
<p>Source of Revenue: Donations, gifts and private grants. The Board also has deposited their federal State and Local Fiscal Recovery Fund monies for the Student Nurse Clinical Rotation and Licensed or Certified Nurse Training Program into this fund. Monies do not revert to the General Fund at the end of the fiscal year.</p> <p>Purpose of Fund: To assist in carrying out the purposes of the agency.</p>		
Funds Expended	4,685,400	24,028,700
Year-End Fund Balance	15,700	0

Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	360,000	328,200	328,200
Employee Related Expenditures	117,000	176,900	176,900
Professional and Outside Services	10,600	15,100	15,100
Travel - In State	5,100	5,000	5,000
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	83,000	72,400	72,400
Equipment	10,600	13,500	13,500
AGENCY TOTAL	586,300	613,100	613,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	586,300	613,100	613,100
SUBTOTAL - Other Appropriated Funds	586,300	613,100	613,100
SUBTOTAL - Appropriated Funds	586,300	613,100	613,100
TOTAL - ALL SOURCES	586,300	613,100	613,100

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$613,100 and 7 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund (NCA2043/A.R.S. § 36-446.08)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nursing home administrators and assisted living facility managers.		
Purpose of Fund: To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.		
Funds Expended	586,300	613,100
Year-End Fund Balance	113,000	(89,500)

Board of Occupational Therapy Examiners

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	2.0	2.0
Personal Services	124,200	153,000	153,000
Employee Related Expenditures	39,600	81,400	81,400
Professional and Outside Services	3,600	0	0
Travel - In State	0	1,300	1,300
Travel - Out of State	1,300	0	0
Other Operating Expenditures	56,400	65,000	65,000
Equipment	600	6,000	2,000
AGENCY TOTAL	225,700	306,700	302,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	225,700	306,700	302,700
SUBTOTAL - Other Appropriated Funds	225,700	306,700	302,700
SUBTOTAL - Appropriated Funds	225,700	306,700	302,700
TOTAL - ALL SOURCES	225,700	306,700	302,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$302,700 and 2 FTE Positions from the Occupational Therapy Fund in FY 2026 for the operating budget. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(4,000) from the Occupational Therapy Fund in FY 2026 to remove funding for one-time equipment purchases.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Occupational Therapy Fund (OTA2263/A.R.S. § 32-3405)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of occupational therapists and occupational therapy assistants.		
Purpose of Fund: To examine, license, investigate, and regulate occupational therapists and occupational therapy assistants, and for board administration.		
Funds Expended	225,700	306,700
Year-End Fund Balance	263,300	240,300

State Board of Dispensing Opticians

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	96,500	102,000	102,000
Employee Related Expenditures	29,800	32,000	32,000
Travel - In State	1,500	8,500	8,500
Other Operating Expenditures	40,200	56,000	56,000
Equipment	3,200	0	0
AGENCY TOTAL	171,200	198,500	198,500^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Dispensing Opticians Fund	171,200	198,500	198,500
SUBTOTAL - Other Appropriated Funds	171,200	198,500	198,500
SUBTOTAL - Appropriated Funds	171,200	198,500	198,500
TOTAL - ALL SOURCES	171,200	198,500	198,500

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$198,500 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Board of Dispensing Opticians Fund (DOA2046/A.R.S. § 32-1686)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of opticians and optical establishments.		
Purpose of Fund: To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.		
Funds Expended	171,200	198,500
Year-End Fund Balance	364,200	319,600

State Board of Optometry

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	168,000	170,000	170,000
Employee Related Expenditures	58,100	59,600	59,600
Professional and Outside Services	11,300	14,000	14,000
Other Operating Expenditures	50,200	52,000	52,000
Equipment	1,600	0	0
AGENCY TOTAL	289,200	295,600	295,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Optometry Fund	289,200	295,600	295,600
SUBTOTAL - Other Appropriated Funds	289,200	295,600	295,600
SUBTOTAL - Appropriated Funds	289,200	295,600	295,600
TOTAL - ALL SOURCES	289,200	295,600	295,600

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$295,600 and 2 FTE Positions from the Board of Optometry Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Board of Optometry Fund (OBA2023/A.R.S. § 32-1705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of optometrists.		
Purpose of Fund: To examine, license, investigate, and regulate optometrists, and for board administration.		
Funds Expended	289,200	295,600
Year-End Fund Balance	608,700	630,300

Arizona Board of Osteopathic Examiners in Medicine and Surgery

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10.0	10.0	10.0
Personal Services	617,800	622,200	622,200
Employee Related Expenditures	210,800	296,300	296,300
Professional and Outside Services	121,000	171,900	171,900
Travel - In State	8,800	2,500	2,500
Travel - Out of State	11,600	5,500	5,500
Other Operating Expenditures	144,800	304,700	304,700
Equipment	17,000	0	0
AGENCY TOTAL	1,131,800	1,403,100	1,403,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund	1,131,800	1,403,100	1,403,100
SUBTOTAL - Other Appropriated Funds	1,131,800	1,403,100	1,403,100
SUBTOTAL - Appropriated Funds	1,131,800	1,403,100	1,403,100
TOTAL - ALL SOURCES	1,131,800	1,403,100	1,403,100

AGENCY DESCRIPTION — The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the interrelationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemical-based treatment.

FOOTNOTES

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

Operating Budget

The Baseline includes \$1,403,100 and 10 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Other Issues

Auditor General Report

In September 2024, the Auditor General published a sunset review of the Board of Osteopathic Examiners in Medicine and Surgery. The report stated that the board did not resolve complaints in a timely manner and made suggestions for procedures the board could adopt to improve the time to resolution. Of the complaints resolved in FY 2023, 60% of complaints were resolved in over 180 days. The report's findings also indicated that the board did not consistently suspend licenses when necessary or verify applicants met all initial license requirements. In addition to recommendations for

improvements to the complaint and licensing processes, the Auditor General indicated that the board should determine with legal counsel if they have the statutory authority to conduct continuing education audits and develop a plan to restore audits to ensure that licensees have met continuing education requirements.

The Auditor General made the following key recommendations with budget implications:

- Investigate and resolve complaints within 180 days which may require hiring new licensing and investigative staff.
- Ensure that the Board's database can produce complaint status reports, potentially requiring a third-party vendor to complete updates.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund (OSA2048/A.R.S. § 32-1805)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of osteopathic physicians.		
Purpose of Fund: To examine, license, investigate, and regulate osteopathic physicians, and for board administration.		
Funds Expended	1,131,800	1,403,100
Year-End Fund Balance	1,323,200	1,768,600

Arizona State Parks Board

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	167.0	167.0	167.0
Personal Services	7,221,400	7,239,600	7,239,600
Employee Related Expenditures	2,997,100	3,038,900	3,038,900
Professional and Outside Services	74,100	28,300	28,300
Travel - In State	12,700	14,500	14,500
Travel - Out of State	300	0	0
Other Operating Expenditures	7,730,700	6,169,000	6,169,000
Equipment	298,900	35,000	35,000
OPERATING SUBTOTAL	18,335,200	16,525,300	16,525,300 ^{1/}
SPECIAL LINE ITEMS			
Arizona State Parks Heritage Fund Deposit	6,000,000	0	0
Arizona Trail Fund Deposit	500,000	100,000	0
Kartchner Caverns State Park	2,442,200	2,509,900	2,509,900
State Lake Improvement Fund Deposit	5,200,000	0	0
State Parks Store	1,008,200	1,513,100	1,513,100
Veterans Memorial Park Feasibility Study	0	500,000	0
AGENCY TOTAL	33,485,600	21,148,300	20,548,300 ^{2/}
FUND SOURCES			
General Fund	11,700,000	100,000	0
<u>Other Appropriated Funds</u>			
Off-Highway Vehicle Recreation Fund	16,700	16,700	16,700
State Park Store Fund	1,008,200	1,513,100	1,513,100
State Parks Revenue Fund	20,760,700	19,518,500	19,018,500
SUBTOTAL - Other Appropriated Funds	21,785,600	21,048,300	20,548,300
SUBTOTAL - Appropriated Funds	33,485,600	21,148,300	20,548,300
Other Non-Appropriated Funds	8,766,300	14,787,800	14,787,800
Federal Funds	974,200	8,823,600	8,823,600
TOTAL - ALL SOURCES	43,226,100	44,759,700	44,159,700

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/} In addition to the operating lump sum appropriation, an amount equal to the revenue share agreement with the United States forest service for Fool Hollow Lake recreation area and Catalina state park is appropriated to the Arizona state parks board from the state parks revenue fund established by section 41-511.21, Arizona Revised Statutes. (General Appropriations Act footnote)

^{2/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$16,525,300 and 131.2 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
State Parks Revenue Fund	\$16,508,600
Off-Highway Vehicle Recreation Fund	16,700

These amounts are unchanged from FY 2025.

Arizona Trail Fund Deposit

The Baseline includes no funding in FY 2026 for the Arizona Trail Fund Deposit line item. Adjustments are as follows:

Remove One-Time FY 2025 Deposit

The Baseline includes a one-time decrease of \$(100,000) from the General Fund in FY 2026 for removal of one-time funding for maintenance of the Arizona Trail.

Monies in the Arizona Trail Fund are for the sole purpose of maintaining and preserving the Arizona trail. The Arizona Trail is an 800 mile-long, non-motorized trail beginning at the U.S.-Mexican border and running north-south through the state into Utah.

This project was funded on a one-time basis in FY 2022 through FY 2025 at varying levels.

Kartchner Caverns State Park

The Baseline includes \$2,509,900 and 35.8 FTE Positions from SPRF in FY 2026 for Kartchner Caverns State Park. These amounts are unchanged from FY 2025.

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.

State Parks Store

The Baseline includes \$1,513,100 from the State Park Store Fund in FY 2026 for the State Parks Store line item. This amount is unchanged from FY 2025.

Monies in the State Parks Store line item are used to operate and maintain state-owned giftshops.

Veterans Memorial Park Feasibility Study

The Baseline includes no funding in FY 2026 for a Veterans Memorial Park Feasibility Study. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from SPRF in FY 2026 to remove funding for a feasibility study on establishing a Veterans Memorial Park.

Laws 2023, Chapter 199 appropriated \$10,000,000 from SPRF in FY 2024 to establish a new state park near the Arizona Veterans National Cemetery in Cave Creek. Chapter 199 also allows the board to enter into an Intergovernmental Agreement with Maricopa County for the maintenance and preservation of the Arizona Veterans Memorial Park. The bill also requires ASPB to receive approval from the JCCR on the design of the memorial.

Other Issues

State Parks Operations

As of November 2024, 30 state parks and natural areas are open to the public. Twenty-six parks are funded and operated by the state with existing state funds. Four open parks are operated through agreements between the State Parks Board and local governments. *(Please see the State Parks Visitation and Revenue Program Summary available on the JLBC website for additional information on the parks, visitation, and operations.)*

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona State Parks' Heritage Fund (PRA3126/A.R.S. § 41-502)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants and donations.		
Purpose of Fund: Monies in the Heritage Fund are to be used as follows: 50% on parks for outdoor recreation and open space development, restoration or renovation; 30% on historic preservation, administered through the State Historic Preservation Officer; 10% on nonmotorized trails; and 10% on outdoor and environmental education. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	238,600	0
Year-End Fund Balance	10,498,900	1,036,000

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Trail Fund (PRA2525/A.R.S. § 41-511.15)		Non-Appropriated
Source of Revenue: Legislative appropriations and donations.		
Purpose of Fund: To maintain and preserve the Arizona trail. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	268,000	100,000
Federal Funds (PRA2000/A.R.S. § 41-511.04)		Federal Funds
Source of Revenue: Federal grants from the Department of the Interior, National Park Service, and other federal entities.		
Purpose of Fund: To expand and maintain the National Register of Historic Places, and to identify, evaluate and protect other historic properties. Also, to implement the State Comprehensive Outdoor Recreation Plan.		
Funds Expended	974,200	8,823,600
Year-End Fund Balance	869,000	869,000
Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)		Appropriated
Source of Revenue: Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: Appropriated monies are used to fund the Great Western Trail line item. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	16,700	16,700
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development; the remainder is transferred to the Arizona Game and Fish Department for enforcement. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	957,700	4,745,900
Year-End Fund Balance	17,605,100	17,467,800
Partnership Fund (PRA2448/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Revenues received from federal, state, and local government agencies through intergovernmental agreements; reimbursements from local and county recipients of federal Land and Water Conservation grants.		
Purpose of Fund: To provide trails stewardship with funds received from the USDA Forest Service and the Bureau of Land Management; to operate the multi-use water safety center at Lake Havasu State Park with funds received from the U.S. Coast Guard, Lake Havasu City, Mohave County, and the Arizona Game and Fish Department; and to administer federal Land and Water Conservation grants. Grant recipients must provide 10% of the grant amount to the Parks Board for administration.		
Funds Expended	151,700	2,518,000
Year-End Fund Balance	1,202,500	1,202,500
State Lake Improvement Fund (PRA2106/A.R.S. § 5-382)		Non-Appropriated
Source of Revenue: Primarily a transfer from the Highway User Revenue Fund, based on a formula that estimates state gasoline taxes paid for boating purposes. Also included is a portion of the watercraft license tax collected by the Arizona Game and Fish Department.		
Purpose of Fund: To fund projects at boating sites, including launching ramps, parking areas, lake improvement and construction, campgrounds, drones designed to clean waterways, and acquisition of property to provide access to boating sites. Project grant requests are reviewed by the Arizona Outdoor Recreation Coordinating Commission and approved by the Arizona State Parks Board. Approved projects must be reviewed by the Joint Committee on Capital Review (JCCR). Funds Expended totals exclude capital spending.		
Funds Expended	7,418,300	7,423,900
Year-End Fund Balance	22,322,500	13,707,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
State Park Store Fund (PRA4401/A.R.S. § 41-511.24)		Appropriated
Source of Revenue: Monies deposited pursuant to the fee schedule set by the agency to charge customers for gift shop items. Any balances above \$1,750,000 at the end of each fiscal year will be transferred to the State Parks Revenue Fund.		
Purpose of Fund: To operate and maintain state-owned gift shops.		
Funds Expended	1,008,200	1,513,100
Year-End Fund Balance	1,250,000	1,750,000
State Parks Fund (PRA3117/A.R.S. § 41-511.11)		Non-Appropriated
Source of Revenue: Private gifts, grants, and donations.		
Purpose of Fund: To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state's natural features.		
Funds Expended	0	50,000
Year-End Fund Balance	721,000	824,100
State Parks Revenue Fund (PRA2202/A.R.S. § 41-511.21)		Appropriated
Source of Revenue: State parks user fees and concession sales; sales of park posters, postcards, books and souvenirs; donations and legislative appropriations.		
Purpose of Fund: To fund parks operations, acquisition and development. Capital projects that are funded using these monies are subject to JCCR review. Funds Expended totals exclude capital spending.		
Funds Expended	20,760,700	19,518,500
Year-End Fund Balance	36,148,200	(1,498,000)
Sustainable State Parks and Roads Fund (PRA3125/A.R.S. § 41-511.17 and A.R.S. § 43-622)		Non-Appropriated
Source of Revenue: Voluntary contributions from individual income taxpayers via a donation on the individual income tax return form.		
Purpose of Fund: To operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.		
Funds Expended	0	50,000
Year-End Fund Balance	792,600	822,600

State Personnel Board

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	119,800	137,500	137,500
Employee Related Expenditures	47,600	53,200	53,200
Professional and Outside Services	71,100	100,000	100,000
Travel - In State	1,100	1,000	1,000
Other Operating Expenditures	59,300	70,000	70,000
Equipment	33,400	2,000	2,000
AGENCY TOTAL	332,300	363,700	363,700^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Board Subaccount of the Personnel Division Fund	332,300	363,700	363,700
SUBTOTAL - Other Appropriated Funds	332,300	363,700	363,700
SUBTOTAL - Appropriated Funds	332,300	363,700	363,700
TOTAL - ALL SOURCES	332,300	363,700	363,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$363,700 and 2 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Personnel Board Subaccount of the Personnel Division Fund (PBA1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.03% charge on the total payroll of each agency within the Arizona Department of Administration Personnel System. Only Personnel Division Fund monies in excess of \$500,000 revert to the State General Fund at the end of each fiscal year. The state comptroller pays any monies owed to the federal government from the Personnel Division Fund before calculating the reversion. Monies contributed by the Arizona State Retirement System and by the Public Safety Personnel Retirement System are separately accounted for, do not revert to the state General Fund, and are reverted to the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Elected Officials Retirement Plan or the Corrections Officer Retirement Plan, as applicable.		
Purpose of Fund: To fund Personnel Board operations.		
Funds Expended	332,300	363,700
Year-End Fund Balance	369,200	685,500

Arizona State Board of Pharmacy

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.4	25.4	25.4
Personal Services	1,915,400	1,936,900	1,936,900
Employee Related Expenditures	665,600	788,400	788,400
Professional and Outside Services	169,300	157,000	157,000
Travel - In State	145,500	65,200	65,200
Travel - Out of State	9,500	4,200	4,200
Other Operating Expenditures	301,700	469,000	469,000
Equipment	94,900	33,300	33,300
OPERATING SUBTOTAL	3,301,900	3,454,000	3,454,000
SPECIAL LINE ITEMS			
Annual Leave Payout	0	64,600	0
Prescriber Report Card	50,000	50,000	50,000
AGENCY TOTAL	3,351,900	3,568,600	3,504,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona State Board of Pharmacy Fund	3,351,900	3,568,600	3,504,000
SUBTOTAL - Other Appropriated Funds	3,351,900	3,568,600	3,504,000
SUBTOTAL - Appropriated Funds	3,351,900	3,568,600	3,504,000
Other Non-Appropriated Funds	2,114,700	2,100,000	2,100,000
TOTAL - ALL SOURCES	5,466,600	5,668,600	5,604,000

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 Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$3,454,000 and 25.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

A FY 2025 budget footnote specifies that of the board's FY 2023 appropriation from the Arizona State Board of Pharmacy Fund that \$190,500 is exempt from lapsing until June 30, 2025, for the purpose of e-licensing system upgrades.

Prescriber Report Card

The Baseline includes \$50,000 from the Arizona State Board of Pharmacy Fund in FY 2026 for the Prescriber

Report Card program. This amount is unchanged from FY 2025.

This line item funds the development of opioid prescriber report cards as part of the Controlled Substances Prescription Monitoring Program (CSPMP). The prescriber report cards include detailed information comparing a practitioner's history of prescribing controlled substances with peers in a similar practice.

Annual Leave Payout

The Baseline includes no funding from the Arizona State Board of Pharmacy Fund in FY 2026 for an Annual Leave Payout. Adjustments are as follows:

Remove One-Time Leave Payout

The Baseline includes a decrease of \$(64,600) from the Arizona State Board of Pharmacy Fund in FY 2026 for the elimination of a one-time annual leave payout.

The FY 2025 appropriation of \$64,600 for the annual leave payout is non-lapsing.

Other Issues

Law 2024, Ch. 232

Law 2024, Chapter 232 allows the Executive Director to transfer from the Arizona State Board of Pharmacy Fund up to \$1,000,000 to each of the Arizona Poison and Drug Information Center at the University of Arizona and a poison drug information center serving Maricopa County.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of pharmacies and pharmacists.		
Purpose of Fund: To examine, license, investigate, and regulate pharmacies and pharmacists, and for board administration. Pursuant to A.R.S. § 32-1907 the Arizona Poison and Drug Information Center and a poison and drug information center servicing Maricopa County may each receive up to \$1,000,000 as a transfer from the fund. Additionally, \$500,000 may be transferred to the Controlled Substance Prescription Monitoring Program Fund. These transfers are a "transfer out" and are not displayed in expenditures to avoid double counting.		
Funds Expended	3,351,900	3,568,600
Year-End Fund Balance	1,516,900	1,638,300
Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605)		Non-Appropriated
Source of Revenue: Legislative appropriations, transfers from the Arizona State Board of Pharmacy Fund, and any grants, gifts, or donations. Includes a distribution of CDC grant monies received through the Arizona Department of Health Services. Up to \$500,000 can be transferred from the Arizona State Board of Pharmacy Fund each year, according to A.R.S. § 32-1907. The transfer is not displayed in the Arizona State Board of Pharmacy Fund expenditures to avoid double counting.		
Purpose of Fund: For program expenses, which include automated tracking of controlled substances, assisting law enforcement in identifying illegal use of controlled substances, and providing information to patients, medical practitioners, and pharmacists.		
Funds Expended	2,114,700	2,100,000
Year-End Fund Balance	1,872,900	1,942,900
Federal Grants (PMA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Direct federal reimbursements and grants.		
Purpose of Fund: Reimbursements for services provided to the federal government.		
Funds Expended	0	0
Year-End Fund Balance	4,800	4,800

Board of Physical Therapy

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	240,700	220,800	220,800
Employee Related Expenditures	88,500	124,500	124,500
Professional and Outside Services	63,300	68,600	68,600
Travel - Out of State	0	2,100	2,100
Other Operating Expenditures	77,500	175,000	175,000
Equipment	2,400	5,000	5,000
AGENCY TOTAL	472,400	596,000	596,000^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Physical Therapy Fund	472,400	596,000	596,000
SUBTOTAL - Other Appropriated Funds	472,400	596,000	596,000
SUBTOTAL - Appropriated Funds	472,400	596,000	596,000
TOTAL - ALL SOURCES	472,400	596,000	596,000

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$596,000 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Board of Physical Therapy Fund (PTA2053/A.R.S. § 32-2004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of physical therapists, and physical therapy assistants.		
Purpose of Fund: To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.		
Funds Expended	472,400	596,000
Year-End Fund Balance	1,036,100	1,563,400

Arizona Pioneers' Home

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	107.3	107.3	107.3
Personal Services	4,660,200	4,660,200	4,660,200
Employee Related Expenditures	1,766,800	1,797,100	1,797,100
Professional and Outside Services	36,800	60,000	60,000
Travel - In State	62,200	40,000	40,000
Other Operating Expenditures	1,385,100	1,889,200	1,889,200
Equipment	45,600	45,600	45,600
AGENCY TOTAL	7,956,700	8,492,100	8,492,100 ^{1/2/}

FUND SOURCES

Other Appropriated Funds

Miners' Hospital for Miners with Disabilities Land Fund	1,884,600	2,363,700	2,363,700
State Charitable Fund	6,072,100	6,128,400	6,128,400
SUBTOTAL - Other Appropriated Funds	7,956,700	8,492,100	8,492,100
SUBTOTAL - Appropriated Funds	7,956,700	8,492,100	8,492,100
Other Non-Appropriated Funds	20,700	10,700	10,700
TOTAL - ALL SOURCES	7,977,400	8,502,800	8,502,800

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 Appropriations Act footnote)
- 2/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$8,492,100 and 107.3 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
Miners' Hospital for Miners with Disabilities Land Fund	\$2,363,700
State Charitable Fund	6,128,400

These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Miners' Hospital for Miners with Disabilities Land Fund (PIA3130/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Miners' Hospital Fund as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of funds to benefit the Arizona Pioneers' Home.		
Funds Expended	1,884,600	2,363,700
Year-End Fund Balance	17,580,800	20,141,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Pioneers' Home Fund (Cemetery Proceeds) (PIA3144/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Cemetery proceeds from the sale of interment rights or the lease of cemetery land.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home and the Arizona Pioneers' Home Cemetery.		
Funds Expended	14,300	4,300
Year-End Fund Balance	412,400	448,100
Pioneers' Home Fund (Donations) (PIA3143/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Donations or contributions from private sources.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.		
Funds Expended	6,400	6,400
Year-End Fund Balance	73,900	71,100
State Charitable Fund (PIA3129/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings from the Pioneers' Home's share of the State Charitable, Penal and Reformatory Grant lands.		
Purpose of Fund: For the operation of the Pioneers' Home.		
Funds Expended	6,072,100	6,128,400
Year-End Fund Balance	18,359,500	19,961,800

State Board of Podiatry Examiners

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	109,700	95,400	95,400
Employee Related Expenditures	32,700	37,300	37,300
Professional and Outside Services	5,000	5,500	5,500
Travel - In State	900	2,200	2,200
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	21,300	60,800	60,800
Equipment	100	0	0
AGENCY TOTAL	169,700	202,700	202,700^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Podiatry Fund	169,700	202,700	202,700
SUBTOTAL - Other Appropriated Funds	169,700	202,700	202,700
SUBTOTAL - Appropriated Funds	169,700	202,700	202,700
TOTAL - ALL SOURCES	169,700	202,700	202,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$202,700 and 1 FTE Position from the Podiatry Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Podiatry Fund (POA2055/A.R.S. § 32-806)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of podiatrists.		
Purpose of Fund: To examine, license, investigate, and regulate podiatrists, and for board administration.		
Funds Expended	169,700	202,700
Year-End Fund Balance	264,400	255,700

Arizona Power Authority

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
SPECIAL LINE ITEMS			
Resource Planning and Needs Assessment	1,000,000	0	0
FUND SOURCES			
General Fund	1,000,000	0	0
SUBTOTAL - Appropriated Funds	1,000,000	0	0
Other Non-Appropriated Funds	19,276,700	20,927,700	20,927,700
TOTAL - ALL SOURCES	20,276,700	20,927,700	20,927,700

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.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Power Authority Fund (PAA1114/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: The sale of supplemental energy to APA customers.		
Purpose of Fund: To purchase supplemental energy on the open market (usually from Salt River Project) for APA customers and to fund special APA projects.		
Funds Expended	307,500	368,800
Year-End Fund Balance	0	0
Hoover Upgrading Fund (PAA1113/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: The sale of hydro-electricity from Hoover Dam to APA customers.		
Purpose of Fund: To pay for the operating expenses of the Power Authority and purchase hydro-electricity from Hoover Dam for APA customers.		
Funds Expended	18,663,900	20,210,900
Year-End Fund Balance	0	0
Interest Income Fund (PAA1112/A.R.S. § 30-203)		Non-Appropriated
Source of Revenue: Interest income from investments with the Arizona State Treasurer.		
Purpose of Fund: To pay for the operating expenses of the Power Authority.		
Funds Expended	305,300	348,000
Year-End Fund Balance	0	0

State Board for Private Postsecondary Education

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	267,200	248,000	248,000
Employee Related Expenditures	109,500	82,000	82,000
Professional and Outside Services	20,600	28,000	28,000
Travel - In State	0	1,000	1,000
Travel - Out of State	6,000	6,000	6,000
Other Operating Expenditures	35,100	48,000	48,000
Equipment	1,700	40,000	40,000
AGENCY TOTAL	440,100	453,000	453,000^{1/}

FUND SOURCES

Other Appropriated Funds

Board for Private Postsecondary Education Fund	440,100	453,000	453,000
SUBTOTAL - Other Appropriated Funds	440,100	453,000	453,000
SUBTOTAL - Appropriated Funds	440,100	453,000	453,000
Other Non-Appropriated Funds	263,100	262,000	262,000
TOTAL - ALL SOURCES	703,200	715,000	715,000

AGENCY DESCRIPTION — The board licenses and regulates private postsecondary institutions throughout the state. 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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$453,000 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Board for Private Postsecondary Education Fund (PVA2056/A.R.S. § 32-3004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of private postsecondary institutions.		
Purpose of Fund: To examine, license, investigate, and regulate private postsecondary institutions. Monies are also used for board administration costs.		
Funds Expended	440,100	453,000
Year-End Fund Balance	443,400	497,400

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Student Tuition Recovery Fund (PVA3027/A.R.S. § 32-3072)		Non-Appropriated
<p>Source of Revenue: Assessments on prepaid tuition paid by newly enrolled students at private postsecondary institutions. Pursuant to A.R.S. § 32-3072, if the fiscal year-end fund balance exceeds \$500,000, only newly or provisionally licensed institutions pay the assessment.</p> <p>Purpose of Fund: To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.</p>		
Funds Expended	263,100	262,000
Year-End Fund Balance	506,100	604,100

State Board of Psychologist Examiners

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.5	4.5	4.5
Personal Services	335,500	323,800	323,800
Employee Related Expenditures	150,000	150,100	150,100
Professional and Outside Services	58,600	66,500	66,500
Travel - In State	100	500	500
Travel - Out of State	12,200	7,200	7,200
Other Operating Expenditures	73,000	77,500	77,500
Equipment	0	19,200	19,200
AGENCY TOTAL	629,400	644,800	644,800 ^{1/}

FUND SOURCES

Other Appropriated Funds

Behavior Analyst Licensing & Regulation Account	106,900	216,100	216,100
Board of Psychologist Examiners Fund	522,500	428,700	428,700
SUBTOTAL - Other Appropriated Funds	629,400	644,800	644,800
SUBTOTAL - Appropriated Funds	629,400	644,800	644,800
TOTAL - ALL SOURCES	629,400	644,800	644,800

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 Appropriations Act funds are appropriated as a Lump Sum by Agency

Operating Budget

The Baseline includes \$644,800 and 4.5 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
Behavior Analyst Licensing & Regulation Account	\$216,100
Board of Psychologist Examiners Fund	428,700

The operating budget amount and FTE are unchanged from FY 2025.

The Baseline includes the Board of Psychologist Examiners Fund and the Behavior Analyst Licensing and Regulation Account, as 2 separate funds. In prior years, the monies in this sub-account were included within and appropriated from the Board of Psychologist Examiners Fund. The total operating amount is unchanged from FY 2025. The FY 2026 budget will appropriate the operating budget from the 2 separate fund sources.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Behavior Analyst Licensing & Regulation Account (SYA2059/A.R.S. § 32-2065)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of behavioral analysts.		
Purpose of Fund: To examine, license, investigate, and regulate behavior analysts, and for board administration. This is an account of the Board of Psychologist Examiners Fund.		
Funds Expended	106,900	216,100
Year-End Fund Balance	264,300	361,200

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Board of Psychologist Examiners Fund (SYA2058/A.R.S. § 32-2065)		Appropriated
<p>Source of Revenue: Monies collected by the board from the examination and licensing of psychologists. Monies collected for the examination and licensing of behavior analysts are deposited and shown in a separate fund, the Behavior Licensing and Regulation Account.</p> <p>Purpose of Fund: To examine, license, investigate, and regulate psychologists, and for board administration.</p>		
Funds Expended	522,500	428,700
Year-End Fund Balance	551,100	614,800

Department of Public Safety

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,105.7	2,167.7	2,167.7
Personal Services	139,696,400	149,895,200	149,895,200
Employee Related Expenditures	55,298,200	59,044,400	59,044,400
Professional and Outside Services	4,694,200	4,875,900	4,875,900
Travel - In State	473,900	492,600	492,600
Travel - Out of State	531,000	554,200	554,200
Other Operating Expenditures	57,599,700	49,954,000	49,954,000
Equipment	12,006,200	11,896,400	11,896,400
OPERATING SUBTOTAL	270,299,600	276,712,700	276,712,700
SPECIAL LINE ITEMS			
ACTIC	1,444,400	2,132,700	2,132,700
AZPOST	6,081,900	6,100,000	6,100,000
Border Drug Interdiction	14,971,700	1,970,500 ^{1/}	17,414,800
Civil Air Patrol Infrastructure	4,938,900	0	0
Civil Air Patrol Maintenance and Operations	150,000	144,000	144,000
DPS Crime Lab Assistance	400,000	200,000	200,000
Fentanyl Prosecution, Diversion and Testing Fund Deposit	3,000,000 ^{2/}	0	0
GIITEM	22,089,000	24,749,000	24,749,000 ^{3/4/}
GIITEM Subaccount	1,726,700	2,396,400	2,396,400
Land Mobile Radio Expansion and Upgrades	9,926,800	0	0
Law Enforcement Retention Initiatives	0	0	0
Local Border Support	10,425,200	5,000,000 ^{5/}	13,232,900 ^{6/7/}
Major Incident Division	7,600,500	15,500,000	15,500,000
Motor Vehicle Fuel	6,098,000	5,454,600	5,454,600
One-Time Vehicle Replacement	3,489,700	0	0
Pharmaceutical Diversion and Drug Theft Task Force	668,400	704,200	704,200
Public Safety Equipment	1,695,300	3,660,000	2,890,000
Real-Time Crime Centers	4,100,000	0	0
AGENCY TOTAL	369,106,100	344,724,100	367,631,300 ^{8/9/10/}
FUND SOURCES			
General Fund	300,712,800	264,461,100	288,138,300
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	27,071,900	27,028,500	27,028,500
Concealed Weapons Permit Fund	2,955,100	3,388,400	3,388,400
Criminal Justice Enhancement Fund	2,941,900	3,049,900	3,049,900
DPS Forensics Fund	19,276,200	23,198,800	23,198,800
Fingerprint Clearance Card Fund	1,376,900	2,036,100	2,036,100
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	1,726,700	2,396,400	2,396,400
Motor Vehicle Liability Insurance Enforcement Fund	729,400	1,003,300	1,003,300
Motorcycle Safety Fund	124,000	198,900	198,900
Parity Compensation Fund	3,022,200	3,156,800	3,156,800
Public Safety Equipment Fund	1,699,300	3,664,000	2,894,000
Risk Management Revolving Fund	1,102,500	1,141,900	1,141,900
State Highway Fund	6,367,200	10,000,000	10,000,000
SUBTOTAL - Other Appropriated Funds	68,393,300	80,263,000	79,493,000
SUBTOTAL - Appropriated Funds	369,106,100	344,724,100	367,631,300

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
Other Non-Appropriated Funds	50,914,100	82,099,200	79,762,400
Federal Funds	51,419,800	70,432,700	62,191,800
TOTAL - ALL SOURCES	471,440,000	497,256,000	509,585,500

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/ In addition to the \$1,970,500, Laws 2024, Chapter 209, Section 3 amends the FY 2023 General Appropriation Act to allocate \$15,444,300 from the Border Security Fund to DPS in FY 2025 for Border Drug Interdiction.
- 2/ Laws 2024, Chapter 209, Section 120 clarifies that monies appropriated to the Fentanyl Prosecution, Diversion and Testing Fund in FY 2024 are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations through FY 2025. (FY 2025 General Appropriations Act footnote)
- 3/ Of the \$24,749,000 appropriated to the GIITEM line item, only \$1,203,400 is deposited in the GIITEM fund established by section 41-1724, Arizona Revised Statutes, and is appropriated for the purposes of that section. The \$1,203,400 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. This state recognizes that states have inherent authority to arrest a person for any immigration violation. (General Appropriations Act footnote)
- 4/ Of the \$24,749,000 appropriated to the GIITEM line item, \$12,895,100 shall be used for one hundred department of public safety GIITEM personnel. The additional staff shall include at least fifty sworn department of public safety positions to be used for immigration enforcement and border security and fifty department of public safety positions to assist GIITEM in various efforts, including:
 1. Strictly enforcing 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 Arizona's SB 1070, Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act" and 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 Appropriations Act footnote)
- 5/ In addition to the \$5,000,000, Laws 2024, Chapter 209, Section 3 amends the FY 2023 General Appropriations Act to allocate \$12,232,900 from the Border Security Fund to DPS in FY 2025 for Local Border Support.
- 6/ The \$13,232,900 appropriated for the local border support line item shall be used to fund local law enforcement officer positions for border drug interdiction to deter and apprehend any individuals who are charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes. The monies shall also be used for grants to cities, towns and counties for costs associated with prosecuting and detaining individuals who are charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes. The department may fund all capital-related equipment. (General Appropriations Act footnote)
- 7/ On or before September 1, 2025, the department of public safety shall submit an expenditure plan for the local border support line item to the joint legislative budget committee and the governor's office of strategic planning and budgeting. (General Appropriations Act footnote)
- 8/ General Appropriations 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, 2026 revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. (General Appropriations Act footnote)
- 10/ Of the amount appropriated in the total appropriation for the department of public safety, \$178,897,700 is designated for personal services and \$72,291,400 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 for other than personal services or employee-related expenditures. (General Appropriations Act footnote)

Operating Budget

The Baseline includes \$276,712,700 and 1,878.4 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$204,677,400
Arizona Highway Patrol Fund	24,991,500
Concealed Weapons Permit Fund	3,388,400
Criminal Justice Enhancement Fund (CJEF)	2,915,600
DPS Forensics Fund	23,198,800
Fingerprint Clearance Card Fund	2,036,100
Motor Vehicle Liability Insurance Enforcement Fund	1,003,300
Motorcycle Safety Fund	198,900
Parity Compensation Fund	3,156,800
Public Safety Equipment Fund	4,000
Risk Management Revolving Fund	1,141,900
State Highway Fund	10,000,000

These amounts are unchanged from FY 2025.

ACTIC

The Baseline includes \$2,132,700 from the General Fund in FY 2026 for the operation of the Arizona Counter Terrorism Information Center (ACTIC). This amount is unchanged from FY 2025.

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.

AZPOST

The Baseline includes \$6,100,000 and 31 FTE Positions from the General Fund in FY 2026 for the Arizona Peace Officer Standards and Training Board (AZPOST). These amounts are unchanged from FY 2025.

Created in 1968, AZPOST consists of 13 members appointed by the Governor. The board was established to address the need for peace officer recruitment, selection, retention and training standards. AZPOST provides the curriculum and standards for all certified law enforcement training facilities. AZPOST services approximately 163 law enforcement agencies encompassing over 14,500 sworn peace officers and 14 police training academies throughout the state.

Border Drug Interdiction

The Baseline includes \$17,414,800 and 58.5 FTE Positions from the General Fund in FY 2026 for Border Drug Interdiction. Adjustments are as follows:

Restore General Fund for Border Drug Interdiction

The Baseline includes an increase of \$15,444,300 from the General Fund in FY 2026 to restore DPS' direct appropriation. The FY 2025 budget reduced the General Fund appropriation and replaced those monies with a one-time allocation from the Border Security Fund. The FY 2025 budget's 3-year spending plan restores this General Fund amount in FY 2026.

The Border Drug Interdiction program 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 Maintenance and Operations

The Baseline includes \$144,000 from the General Fund in FY 2026 for funding of the Civil Air Patrol (CAP) Maintenance and Operations. This amount is unchanged from FY 2025.

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 historical funding information.)*

DPS Crime Lab Assistance

The Baseline includes \$200,000 from the General Fund in FY 2026 for DPS Crime Lab Assistance. This amount is unchanged from FY 2025.

This line item provides additional funding for the department's crime lab. The accredited crime lab provides forensic analysis of crimes occurring within the department's jurisdiction and on behalf of local governments. DPS has 4 crime labs located in the following cities: Phoenix, Flagstaff, Tucson, and Lake Havasu City.

Fentanyl Prosecution, Diversion and Testing Fund Deposit

The Baseline includes no funding in FY 2026 for the Fentanyl Prosecution, Diversion and Testing Fund Deposit. This amount is unchanged from FY 2025.

Created by the FY 2024 Criminal Justice Budget Reconciliation Bill (BRB), the new fund will be used by the department to allocate to local jurisdictions on a first-come, first-serve basis to assist with costs related to fentanyl prosecution and testing. DPS may use up to \$50,000 from the fund for administrative costs. The FY 2025 Criminal Justice BRB permits the fund to be used beyond FY 2024 and exempts monies in the fund from lapsing until the fund is repealed on June 30, 2025. The FY 2024 budget deposited \$3,000,000 into the fund from the General Fund. The department reports expenditures of \$592,600 from the new fund in FY 2024.

GIITEM

The Baseline includes \$24,749,000 and 136.8 FTE Positions in FY 2026 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts consist of:

General Fund	24,352,300
Arizona Highway Patrol Fund	396,700

These amounts are unchanged from FY 2025.

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) \$12,895,100 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) \$1,203,400 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 remaining \$703,400 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.

Prior to distribution every year, DPS must submit an expenditure plan to JLBC for review regarding any monies not identified in the previous expenditure plans. *(For more information, please see the State Immigration*

Enforcement Assistance to Local Governments program summary on the JLBC website.)

GIITEM Subaccount

The Baseline includes \$2,396,400 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2026 for the GIITEM Subaccount, to be used for equipment and supplies for border security. This amount is unchanged from FY 2025.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$1,797,500 in FY 2026. 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 JLBC has given a favorable review of an FY 2025 GIITEM Subaccount expenditure plan. The plan includes \$420,000 for detention liaison officers, \$576,400 for county sheriff deputies and municipal police department officers to augment the GIITEM Task Force's border district unit, \$350,000 for the Pima County Border Crimes Unit and \$1,050,000 for grants to county sheriffs for border security.

Law Enforcement Retention Initiatives

The Baseline includes no funding in FY 2026 for Law Enforcement Retention Initiatives. This amount is unchanged from FY 2025.

This line item provides funding for state and local law enforcement professionals to procure online coaching services to improve recruitment and retention. The FY 2025 General Appropriations Act modifies a footnote from the FY 2024 General Appropriations Act to change how the monies from this line item are to be allocated. The monies are to be allocated to the following agencies for online coaching services to improve recruitment and retention:

- 1) \$500,000 to DPS,
- 2) \$150,000 to Buckeye Police Department,
- 3) \$150,000 to Flagstaff Police Department,
- 4) \$125,000 to Oro Valley Police Department,
- 5) \$225,000 to Peoria Police Department,
- 6) \$175,000 to Queen Creek Police Department,
- 7) \$125,000 to Surprise Police Department,
- 8) \$350,000 to Tempe Police Department, and
- 9) \$200,000 to Yavapai County Sheriff's Office.

The footnote further makes the monies in the line item non-lapsing.

Local Border Support

The Baseline includes \$13,232,900 from the General Fund in FY 2026 for the costs of Local Border Support. Adjustments are as follows:

Restore General Fund for Local Border Support

The Baseline includes an increase of \$12,232,900 from the General Fund in FY 2026 to restore DPS' direct appropriation. The FY 2025 budget reduced the General Fund appropriation and replaced those monies with a one-time allocation from the Border Security Fund in FY 2025. The FY 2025 budget's 3-year spending plan restores this General Fund amount in FY 2026.

Remove One-Time Local Border Support Funding

The Baseline includes a decrease of \$(4,000,000) from the General Fund in FY 2026 to remove one-time additional Local Border Support funding.

The Local Border Support program is a multi-agency task force established to target drug and human trafficking organizations and activities along the Arizona-Mexico border. Monies in the line item may be used to fund local law enforcement officer positions for border drug interdiction to deter and apprehend any individuals who are charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes. The monies may also be used for grants to cities, towns and counties for costs associated with prosecuting and detaining individuals who are charged with drug trafficking, human smuggling, illegal immigration, and other border-related crimes.

Major Incident Division

The Baseline includes \$15,500,000 and 60 FTE Positions from the General Fund in FY 2026 for the Major Incident Division (MID). These amounts are unchanged from FY 2025.

MID is charged with conducting independent investigations of critical force incidents. Investigators from the MID, along with the regional law enforcement task force, will investigate these incidents. Critical force incidents are defined as any time a peace officer discharges a firearm as a use of force encounter, any use of deadly force, or any use of force that results in death or serious bodily injury of an individual. Monies from this line item are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. The FY 2025 Criminal Justice BRB shifts the MID effective date from FY

2026 to FY 2028. The department has already hired positions for the new division and the delayed effective date will allow the department to train the personnel in preparation for the department's newly assigned duties.

Motor Vehicle Fuel

The Baseline includes \$5,454,600 in FY 2026 for Motor Vehicle Fuel. This amount consists of:

General Fund	4,384,200
Arizona Highway Patrol Fund	936,100
CJEF	134,300

This amount is unchanged from FY 2025.

The Motor Vehicle Fuel line item centralizes monies appropriated to DPS for motor vehicle fuel.

Pharmaceutical Diversion and Drug Theft Task Force

The Baseline includes \$704,200 and 3 FTE Positions from the Arizona Highway Patrol Fund in FY 2026 for the Pharmaceutical Diversion and Drug Theft Task Force. These amounts are unchanged from FY 2025.

This line item funds a task force to combat the abuse and trafficking of prescription drugs and inappropriate prescriber behavior.

Public Safety Equipment

The Baseline includes \$2,890,000 from the Public Safety Equipment Fund in FY 2026 for sworn officers. Adjustments are as follows:

Remove One-Time Rifle Replacement Phase 1

The Baseline includes a decrease of \$(770,000) from the Public Safety Equipment Fund in FY 2026 to remove one-time funding to replace rifles for DPS Troopers.

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.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Anti-Racketeering Revolving Fund (PSA3123/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Any monies obtained as a result of a Department of Public Safety (DPS) seizure and forfeiture by the Attorney General are deposited into this fund. The forfeitures are made under the Racketeering Influenced and Corrupt Organization (RICO) laws.		
Purpose of Fund: For the investigation and prosecution of any offense relating to racketeering. These funds may also be used for gang prevention programs, substance abuse prevention programs and substance abuse education programs.		
Funds Expended	3,020,400	2,158,500
Year-End Fund Balance	3,902,200	3,993,700
Arizona Highway Patrol Fund (PSA2032/A.R.S. § 41-1752)		Appropriated
Source of Revenue: A 0.43% premium tax paid by vehicle insurers, miscellaneous service fees, rewards, awards, insurance recoveries, and receipts from the sale or disposal of property held by the Highway Patrol. This fund also includes deposits of fees collected from towing impound hearings. In addition, the fund includes fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: To administer the provisions of law relating to the Highway Patrol and Highway Patrol Reserve and for the costs associated with impounding vehicles. Also, to fund commercial vehicle enforcement officers along the border, particularly in Yuma, Douglas and Nogales. In the past, the fund has been used for IT projects.		
Funds Expended	27,071,900	27,028,500
Year-End Fund Balance	63,339,000	36,192,600
Board of Fingerprinting Fund (PSA2435/A.R.S. § 41-619.56)		Non-Appropriated
Source of Revenue: Fees paid by fingerprint clearance card applicants.		
Purpose of Fund: To fund the Board of Fingerprinting, which conducts good cause exception hearings for personnel who require a fingerprint clearance card.		
Funds Expended	757,100	829,700
Year-End Fund Balance	391,500	361,800
Capitol Police Administrative Towing Fund (PSA1999/A.R.S. § 41-1725)		Non-Appropriated
Source of Revenue: Penalties and fees collected for parking violations on state property.		
Purpose of Fund: For Capitol Police Department law enforcement purposes.		
Funds Expended	600	600
Year-End Fund Balance	13,500	12,900
Concealed Weapons Permit Fund (PSA2518/A.R.S. § 41-1722)		Appropriated
Source of Revenue: Fees for the application, renewal, and replacement of concealed weapons permits. These fees range from \$10 for a replacement permit to \$60 for a new permit.		
Purpose of Fund: Funds the costs associated with administering the concealed weapons permit process. In the past, the fund has been used for IT projects and DPS operating expenses.		
Funds Expended	2,955,100	3,388,400
Year-End Fund Balance	5,342,700	5,460,900
Coronavirus State and Local Fiscal Recovery Fund (PSA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	10,347,900	16,356,700
Year-End Fund Balance	77,100	4,600

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)		Appropriated
Source of Revenue: An 85% allocation of an 10.01% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For operational expenses of the Criminal Justice Information System and the Arizona Automated Fingerprint Identification System. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	2,941,900	3,049,900
Year-End Fund Balance	280,400	(370,300)
Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: An 85% allocation of an 10.01% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For grants to local law enforcement agencies to help prevent residential and commercial burglaries, control street crime and street gangs, and locate missing children. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	280,400	(370,300)
DPS Administration Fund (PSA2322/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: State and local grants and donations.		
Purpose of Fund: For administering state and local grants such as Emergency Medical Services Communications, Arizona Criminal Justice Commission, Forensics, Fines Management and the DPS Criminal Justice Enhancement Fund project, as well as for operational costs of the Criminal Justice Information System. The FY 2025 expenditures include a one-time allocation of \$27.7 million from DEMA's Border Security Fund for Border Drug Interdiction and Local Border Support.		
Funds Expended	12,070,500	37,450,000
Year-End Fund Balance	5,586,900	5,318,500
DPS Forensics Fund (PSA9990/A.R.S. § 41-1730)		Appropriated
Source of Revenue: A 20.81% allocation of the Criminal Justice Enhancement Fund, a 6% court surcharge for criminal offenses and civil traffic violations of motor vehicle statutes, and the first \$10.4 million of revenue generated from the defensive driving school fee.		
Purpose of Fund: Monies may be used by DPS to purchase and install fingerprint identification equipment; operate, maintain and administer the Arizona Automated Fingerprint Identification System; crime laboratory operations and enhanced services; educating and training forensic scientists; purchasing and maintaining scientific equipment for crime lab use; and implementing, operating and maintaining Arizona DNA Identification System. The department shall allocate monies in the fund to each full-service crime lab based on the proportion of crimes reported to DPS from their respective jurisdictions relative to the total number of crimes in the state. From FY 2024 through FY 2026, DPS shall calculate the number of crimes reported in accordance with the Federal Bureau of Investigation's (FBI) uniform crime reporting program summary reporting system classification criteria. In FY 2027 and thereafter, DPS shall calculate the number of crimes reported in accordance with the FBI's uniform crime reporting program national incident-based reporting system classification criteria.		
Funds Expended	19,276,200	23,198,800
Year-End Fund Balance	1,660,200	(2,705,000)
DPS Licensing Fund (PSA2490/A.R.S. § 32-2408)		Non-Appropriated
Source of Revenue: Fees collected from Private Investigator and Security Guard license applicants.		
Purpose of Fund: For the operational and equipment costs of regulating the private investigator and security guard industry.		
Funds Expended	1,553,600	1,823,700
Year-End Fund Balance	320,900	56,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Driving Under the Influence Abatement Fund (PSA2422/A.R.S. § 28-1304)		Non-Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of either an extreme or aggravated driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater, while an aggravated DUI violation is defined as a DUI violation which occurs while an individual under the age of 15 is in the vehicle, while an individual's driver license is suspended or revoked, or a subsequent DUI violation that occurs within 7 years of the initial DUI violation.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments that apply for monies for enforcement and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. The Arizona Department of Transportation and DPS receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes of the Oversight Council on Driving or Operating Under the Influence Abatement or payment of the costs of notification.		
Funds Expended	388,800	1,425,000
Year-End Fund Balance	2,132,200	1,872,200
Families of Fallen Police Officers Special Plate Fund (PSA2386/A.R.S. § 41-1721)		Non-Appropriated
Source of Revenue: Receives \$17 of the \$25 fee paid for an original or renewal of a Family of Fallen Police Officer Special License Plate.		
Purpose of Fund: For a nonprofit corporation in the state that demonstrates a commitment to helping in the healing of family survivors of police officers who died in the line of duty in this state, to provide survivor victimization training to law enforcement personnel, and to educate the public on the need to support law enforcement personnel and the families of fallen officers.		
Funds Expended	219,000	275,000
Year-End Fund Balance	28,900	26,200
Federal Grants (PSA2000/A.R.S. § 41-1713)		Federal Funds
Source of Revenue: Federal grants.		
Purpose of Fund: To administer various federal awards including Federal Highway Administration grants, Homeland Security grants, the High Intensity Drug Trafficking Area program, the Motor Carrier Safety Assistance program, crime lab grants, and Department of Justice Victims of Crime Act monies.		
Funds Expended	41,071,900	54,076,000
Year-End Fund Balance	719,400	53,400
Fentanyl Prosecution, Diversion and Testing Fund (PSA2524/Laws 2023, Chapter 137)		Non-Appropriated
Source of Revenue: Legislative appropriations (FY 2024 General Fund deposit of \$3,000,000).		
Purpose of Fund: To reimburse county attorneys, county sheriffs, and courts for costs related to fentanyl prosecution on a first come, first serve basis. To reimburse law enforcement agencies for costs related to fentanyl testing and fentanyl diversion activities on a first come, first serve basis. Of the \$3,000,000 appropriation, DPS may use up to \$50,000 and 0.5 FTE Positions for costs associated with administering the fund. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. Laws 2024, Chapter 213 repeals the fund at the end of FY 2025.		
Funds Expended	592,600	0
Year-End Fund Balance	2,407,400	0
Fingerprint Clearance Card Fund (PSA2433/A.R.S § 41-1758.06)		Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: Appropriated revenues may be used for DPS crime lab expenses. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	1,376,900	2,036,100
Year-End Fund Balance	2,347,600	1,864,100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Fingerprint Clearance Card Fund (PSA2433/A.R.S. § 41-1758.06)		Non-Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: To centralize fingerprinting services for state agencies. Non-Appropriated revenues pay for the processing and issuance of fingerprint clearance cards. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	8,874,000	9,751,300
Year-End Fund Balance	2,347,600	1,864,100
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount (PSA2396/A.R.S. § 41-1724)		Appropriated
Source of Revenue: A \$4 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To provide funding to county sheriffs and municipal police departments for law enforcement purposes relating to border security including border personnel. The fund is also used to cover costs related to increases in the employer contribution rate for the Public Safety Personnel Retirement System.		
Funds Expended	1,726,700	2,396,400
Year-End Fund Balance	1,582,700	983,800
IGA and ISA Fund (PSA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	11,855,600	15,837,600
Year-End Fund Balance	12,803,900	9,693,500
Indirect Cost Recovery Fund (PSA9000/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	2,594,000	3,078,200
Year-End Fund Balance	1,655,500	1,324,700
Motor Carrier Safety Revolving Fund (PSA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28; and monies received from private grants or donations.		
Purpose of Fund: DPS conducts motor carrier safety investigations, the Motor Vehicle Division of ADOT administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	34,400	34,400
Motor Vehicle Liability Insurance Enforcement Fund (PSA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the Arizona Department of Transportation (ADOT) pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: For ADOT to enforce mandatory motor vehicle liability insurance laws. The fund is also used for DPS operating expenses.		
Funds Expended	729,400	1,003,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Motorcycle Safety Fund (PSA2479/A.R.S. § 28-2010)		Appropriated
Source of Revenue: Receives \$1 of each motorcycle registration fee.		
Purpose of Fund: To implement and support voluntary motorcycle safety, education and awareness programs.		
Funds Expended	124,000	198,900
Year-End Fund Balance	0	0
Parity Compensation Fund (PSA2510/A.R.S. § 41-1720)		Appropriated
Source of Revenue: Receives 1.51% of the portion of vehicle license tax revenues that otherwise would be deposited in the State Highway Fund.		
Purpose of Fund: To fund salary and benefit adjustments for law enforcement personnel.		
Funds Expended	3,022,200	3,156,800
Year-End Fund Balance	5,447,600	6,890,800
Peace Officers' Training Fund (PSA2049/A.R.S. § 41-1825)		Non-Appropriated
Source of Revenue: Previously received a 16.64% distribution of CJEF. CJEF is composed of a 47% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations.		
Purpose of Fund: For training costs, including the operation of the Arizona Law Enforcement Officers' Academy, grants to state agencies, cities and towns, and counties for training law enforcement officers and the operation of the Peace Officer Standards and Training Board.		
Funds Expended	1,249,400	1,159,500
Year-End Fund Balance	2,556,400	1,396,900
Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)		Appropriated
Source of Revenue: Revenues from a \$4 criminal fee on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations per A.R.S. § 12-116.04 as well as an additional \$4 per citation issued by DPS.		
Purpose of Fund: To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	1,699,300	3,664,000
Year-End Fund Balance	2,370,500	1,053,000
Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)		Non-Appropriated
Source of Revenue: The first \$1,200,000 generated by additional assessments of up to \$1,500 to be paid by every offender convicted of driving or operating under the influence (DUI or OUI) offenses, except for boating-related offenses. The Treasurer is required to deposit any revenues in excess of \$1,200,000 directly into the General Fund.		
Purpose of Fund: To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	1,108,600	1,200,000
Year-End Fund Balance	2,370,500	1,053,000
Records Processing Fund (PSA2278/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Fees charged to other agencies and local political subdivisions for costs of processing department reports and photographs of traffic accident scenes and processing criminal and non-criminal justice fingerprint cards through the federal government.		
Purpose of Fund: For fingerprint processing and department administrative costs.		
Funds Expended	5,628,800	5,973,200
Year-End Fund Balance	590,200	396,400

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Risk Management Revolving Fund (PSA4216/A.R.S. § 41-1713)		Appropriated
Source of Revenue: Transfer from the Arizona Department of Administration Risk Management Fund.		
Purpose of Fund: For the costs of a disaster recovery program for the DPS mainframe data center and the operational costs of the Capitol Police.		
Funds Expended	1,102,500	1,141,900
Year-End Fund Balance	19,000	19,000
Smart and Safe Arizona Fund (PSA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. The department is authorized to use the fund for administrative costs associated with expungement of marijuana offense records requests.		
Funds Expended	0	22,000
Year-End Fund Balance	0	0
State Highway Fund (PSA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation.		
Purpose of Fund: To fund a portion of Highway Patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.		
Funds Expended	6,367,200	10,000,000
Year-End Fund Balance	0	0
State Highway Work Zone Safety Fund (PSA2480/A.R.S. § 28-710)		Non-Appropriated
Source of Revenue: A 50% allocation of the additional assessment levied for civil traffic violations committed in a highway work zone.		
Purpose of Fund: To establish and maintain a public education campaign for highway work zone safety.		
Funds Expended	2,100	4,000
Year-End Fund Balance	8,000	7,500
Victims' Rights Enforcement Fund (PSA2519/A.R.S. § 41-1727)		Non-Appropriated
Source of Revenue: A \$2 surcharge on criminal offenses and civil traffic violations and up to \$100,000 annually from the revenues of lottery games that are sold from vending machines.		
Purpose of Fund: To provide grants to non-profit entities that can demonstrate a 5-year history of providing legal representation and social services to crime victims. Up to 5% of the revenues into the fund can be used for administrative costs of the fund.		
Funds Expended	999,000	1,110,900
Year-End Fund Balance	1,435,600	1,294,000

Public Safety Personnel Retirement System

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
SPECIAL LINE ITEMS			
EORP Fund Deposit (Statutory Appropriation)	5,000,000	5,000,000	5,000,000 ^{1/}
Prescott Fire Employer Group Deposit	1,000,000	1,000,000	1,000,000 ^{2/}
AGENCY TOTAL	6,000,000	6,000,000	6,000,000
FUND SOURCES			
General Fund	6,000,000	6,000,000	6,000,000
SUBTOTAL - Appropriated Funds	6,000,000	6,000,000	6,000,000
Other Non-Appropriated Funds	49,555,300	52,971,200	52,971,200
TOTAL - ALL SOURCES	55,555,300	58,971,200	58,971,200

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/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- ^{2/} The FY 2020 General Appropriation Act appropriated \$1,000,000 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.

EORP Fund Deposit (Statutory Appropriation)

The Baseline includes \$5,000,000 from the General Fund in FY 2026 as part of the closure of the Elected Officials' Retirement Plan (EORP). This amount is unchanged from FY 2025. *(Please see the FY 2017 Appropriations Report and the Consolidated Retirement Report section in the FY 2020 Appropriations Report for more information.)*

The annual \$5,000,000 General Fund appropriation is authorized in permanent law through FY 2043 (A.R.S § 38-810). As a result, monies in the line item are not included in the General Appropriations Act.

Prescott Fire Employer Group Deposit

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for deposit into the employer account of the Prescott Fire Department group. This amount is unchanged from FY 2025.

The FY 2020 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 to offset increased pension liabilities associated with the Yarnell Hill Fire. Because these funds were already appropriated in the FY 2020 budget, monies in the line item are not included in the General Appropriations Act.

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.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, PSPRS's General Fund costs would decrease by \$(1,000,000) in FY 2027 below FY 2026 following the end of the multi-year appropriation for the Prescott Fire Employer Group Deposit.

See the Consolidated Retirement Report section for more information on PSPRS membership and actuarial data.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Disability Program Trust Fund (No Fund Number/A.R.S. § 38-870.02)		Non-Appropriated
<i>Source of Revenue:</i> Employee and employer contributions for certain Tier 3 PSPRS and CORP members, abandoned Disability Program monies, and interest earnings.		
<i>Purpose of Fund:</i> Paying benefits and administration costs for the Defined Contribution Retirement Plan Disability Program established under Tier 3 of PSPRS and CORP. Expenditures for this fund are not displayed as PSPRS does not separately report administrative expenses allocated to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program (PSP0000/A.R.S. § 38-643)		Non-Appropriated
<i>Source of Revenue:</i> Consists of employer contributions of \$50 per active employee participating in the Public Safety Personnel Retirement System (PSPRS) as of June 30 of each year. Statute authorizes PSPRS to charge an employer premium of up to \$180 per active employee. Statute also authorizes Correctional Officers Retirement Plan (CORP) employer groups to opt-in to the plan.		
<i>Purpose of Fund:</i> The account allows the Fund Manager to obtain a group cancer insurance policy to provide coverage to fire fighters, peace officers, and correction officers for expenses incurred in the treatment of cancer that was first diagnosed after membership in PSPRS (or CORP). The plan benefits include an upfront cash payment upon diagnosis, along with coverage for various out-of-pocket medical expenses (after any primary insurance), with an overall maximum lifetime benefit limit of \$100,000. Insurance policy payouts are made from a separate fund. The plan is not a Worker's Compensation plan and does not satisfy any requirement for coverage by Worker's Compensation insurance. The displayed expenditures for this fund reflect PSPRS administrative expenses allocated to this fund. The Fund Manager may use up to 10% of the monies deposited in the account for administrative expenses. The PSPRS estimates include management fees applied to investments, which vary according to annual investment portfolio performance.		
Funds Expended	274,300	302,100
Year-End Fund Balance	0	0
Investment and Administrative Expenses (PSP0001/A.R.S. § 38-846; 38-802; 38-882; 38-840.02)		Non-Appropriated
<i>Source of Revenue:</i> Public Safety Personnel Retirement System Fund; Elected Officials Retirement Fund; Correctional Officer Retirement Fund; Elected Officials Defined Contribution Disability Program Trust Fund.		
<i>Purpose of Fund:</i> A 9-member governing board administers PSPRS, the Elected Officials Retirement Plan (EORP), the Elected Officials Defined Contribution Retirement System (EODC System), and the Correctional Officer Retirement Plan (CORP). Authority is granted in statute to spend monies from each fund to pay for necessary administration and investment expenses. The PSPRS estimates include management fees applied to investments, which vary according to annual investment portfolio performance.		
Funds Expended	49,281,000	52,669,100
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Retiree Pool Account (PSP0002/A.R.S. § 38-846.05)		Non-Appropriated
<p>Source of Revenue: PSPRS employee and employer contributions for members that were hired on or after July 1, 2017 if the employer has 250 or less active members. The account shall remain 100% funded. In any fiscal year that the account is not 100% funded as of June 30, the amount necessary to adjust the account up or down to 100% funded shall be transferred from or to the investment earnings of the fund before those earnings are distributed to each employer's account.</p> <p>Purpose of Fund: To share the actuarial liability costs for the employers of Tier 3 members (those hired on or after July 1, 2017) and are eligible for a normal retirement pension, a disability pension, or for survivors of Tier 3 members eligible for a death benefit pension. Expenditures for this fund are not displayed as PSPRS does not separately report administrative expenses allocated to this fund.</p>		
Funds Expended	0	0
Year-End Fund Balance	0	0

State Real Estate Department

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	37.0	37.0	37.0
Personal Services	1,709,900	1,782,200	1,782,200
Employee Related Expenditures	574,700	763,000	763,000
Professional and Outside Services	181,500	210,000	210,000
Travel - In State	1,400	10,000	10,000
Travel - Out of State	12,200	30,000	30,000
Other Operating Expenditures	383,400	241,600	241,600
Equipment	45,900	75,000	75,000
AGENCY TOTAL	2,909,000	3,111,800	3,111,800^{1/}
FUND SOURCES			
General Fund	2,909,000	3,111,800	3,111,800
SUBTOTAL - Appropriated Funds	2,909,000	3,111,800	3,111,800
Other Non-Appropriated Funds	21,900	0	0
TOTAL - ALL SOURCES	2,930,900	3,111,800	3,111,800

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.

FOOTNOTES

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

Operating Budget

The Baseline includes \$3,111,800 and 37 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Condominium and Planned Community Hearing Office Fund (REA2537/A.R.S. § 32-2199.05)		Non-Appropriated
Source of Revenue: Filing fees (\$500 per complaint) and civil penalties arising from disputes between owners and condominium or planned community associations over violations of condominium or planned community documents or violations of regulatory statutes		
Purpose of Fund: To reimburse the costs of HOA Dispute Process hearings administered by the Office of Administrative Hearings in conducting hearings concerning disputes between owners and condominium or planned community associations. Remaining monies in the fund may be used by the department to offset the costs of administering cases between owners and condominium or planned community associations.		
Funds Expended	0	0
Year-End Fund Balance	17,100	22,100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Education Revolving Fund (REA4011/A.R.S. § 32-2107)		Non-Appropriated
Source of Revenue: Sale of the department's educational publications, primarily the Real Estate Lawbook.		
Purpose of Fund: To cover the department's costs of printing real estate regulation books and other public information publications, and to cover the department's costs for other educational efforts, including sponsoring and holding the educational seminars or workshops for educators and other licensees. All monies in excess of \$25,000 at the end of the fiscal year shall revert to the General Fund.		
Funds Expended	15,700	0
Year-End Fund Balance	16,500	25,000
Recovery Fund (REA3119/A.R.S. § 32-2186)		Non-Appropriated
Source of Revenue: A fee of \$20 for brokers and \$10 for salespersons, paid upon application for an original real estate or cemetery license. A surcharge on license renewals is assessed if the fund balance on June 30 of any year falls below \$600,000. The fund also consists of restitution paid by persons convicted of real estate fraud and ordered to repay a judgment awarded out of the Recovery Fund.		
Purpose of Fund: To compensate persons who have been defrauded in a real estate transaction and subsequently suffered monetary losses. Those persons may seek a court order for an award from the Recovery Fund if the person who committed the fraud has no assets. Monies also provide for the department's cost of administering the fund.		
Funds Expended	6,200	0
Year-End Fund Balance	1,201,400	1,263,300

Residential Utility Consumer Office

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	0	926,300	926,300
Employee Related Expenditures	283,100	335,600	335,600
Travel - In State	1,100	8,600	8,600
Travel - Out of State	13,600	7,000	7,000
Other Operating Expenditures	622,800	184,000	184,000
Equipment	5,800	0	0
OPERATING SUBTOTAL	926,400	1,461,500	1,461,500
SPECIAL LINE ITEMS			
Professional Witnesses	11,400	145,000	145,000 ^{1/}
AGENCY TOTAL	937,800	1,606,500	1,606,500 ^{2/}

FUND SOURCES

Other Appropriated Funds

Residential Utility Consumer Office Revolving Fund	937,800	1,606,500	1,606,500
SUBTOTAL - Other Appropriated Funds	937,800	1,606,500	1,606,500
SUBTOTAL - Appropriated Funds	937,800	1,606,500	1,606,500
TOTAL - ALL SOURCES	937,800	1,606,500	1,606,500

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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)
- 2/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$1,461,500 and 12 FTE Positions from the RUCO Revolving Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Professional Witnesses

The Baseline includes \$145,000 from the RUCO Revolving Fund in FY 2026 for Professional Witnesses. This amount is unchanged from FY 2025.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Residential Utility Consumer Office Revolving Fund (UOA2175/A.R.S. § 40-409)		Appropriated
Source of Revenue: An assessment levied on public service corporations with annual residential revenues in excess of \$500,000, as defined by A.R.S. § 40-401.01.		
Purpose of Fund: To operate the Residential Utility Consumer Office.		
Funds Expended	937,800	1,606,500
Year-End Fund Balance	1,290,200	1,143,700

Board of Respiratory Care Examiners

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	172,700	197,400	197,400
Employee Related Expenditures	70,600	87,500	87,500
Professional and Outside Services	2,000	6,500	6,500
Travel - In State	400	1,500	1,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	87,800	131,800	131,800
Equipment	6,700	0	0
AGENCY TOTAL	340,200	426,700	426,700^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Respiratory Care Examiners Fund	340,200	426,700	426,700
SUBTOTAL - Other Appropriated Funds	340,200	426,700	426,700
SUBTOTAL - Appropriated Funds	340,200	426,700	426,700
TOTAL - ALL SOURCES	340,200	426,700	426,700

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$426,700 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Other Issues

Auditor General Report

In September 2024, the Auditor General published a sunset review of the Arizona Board of Respiratory Care Examiners. The report found that the board did not issue licenses within the established 105-day time frame or resolve complaints within 180 days. The report's 32 recommendations covered numerous areas.

The report made the following recommendations with potential budget implications:

- Comply with A.R.S. § 41-1077 which requires the Board to take 2 actions if applications are not

processed within 105 days. The Board must pay a 2.5% penalty of the total application fee to the General Fund and refund any applicable fees to successful applicants. The Auditor General recommends that the Board review whether any Calendar 2022-2024 applications exceeded the 105-day limit.

- Complete implementation of its new database with the capability to generate management reports for monitoring licensing timeliness and complaint resolution. The board may require additional support from a third-party vendor to complete the updates.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Board of Respiratory Care Examiners Fund (RBA2269/A.R.S. § 32-3505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of respiratory care practitioners.		
Purpose of Fund: To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.		
Funds Expended	340,200	426,700
Year-End Fund Balance	357,400	207,800

Arizona State Retirement System

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	240.9	240.9	240.9
Personal Services	13,601,400	14,379,700	14,379,700
Employee Related Expenditures	5,174,600	5,968,200	5,968,200
Professional and Outside Services	4,150,800	4,169,300	4,169,300
Travel - In State	2,900	30,000	30,000
Travel - Out of State	18,300	49,000	49,000
Other Operating Expenditures	3,713,500	3,877,700	3,877,700
Equipment	210,700	389,500	389,500
AGENCY TOTAL	26,872,200	28,863,400	28,863,400 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona State Retirement System Administration Account	25,542,200	27,063,400	27,063,400
Long-Term Disability Trust Fund Administration Account	1,330,000	1,800,000	1,800,000
SUBTOTAL - Other Appropriated Funds	26,872,200	28,863,400	28,863,400
SUBTOTAL - Appropriated Funds	26,872,200	28,863,400	28,863,400
Other Non-Appropriated Funds	515,568,900	297,141,500	297,141,500
TOTAL - ALL SOURCES	542,441,100	326,004,900	326,004,900

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$28,863,400 and 240.9 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
Arizona State Retirement System Administration Account	\$27,063,400
Long-Term Disability (LTD) Trust Fund Administration Account	1,800,000

These amounts are unchanged from FY 2025.

See the Consolidated Retirement Report section for more information on ASRS membership and actuarial data.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Administrative Account - Investment Expenses (RSA1407/A.R.S. § 38-721)		Non-Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: Investment management fees and related consulting fees, actuarial consulting fees, rent, and retiree payroll. Funding is subject to Retirement Board approval. The ASRS estimates include management fees applied to investments, which vary according to annual investment portfolio performance.		
Funds Expended	513,060,800	294,335,300
Year-End Fund Balance	0	0
Arizona State Retirement System Administration Account (RSA1401/A.R.S. § 38-721)		Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: To pay the Arizona State Retirement System's administrative expenses.		
Funds Expended	25,542,200	27,063,400
Year-End Fund Balance	0	0
ASRS Self-Insurance Administration Fund (RSA1409/A.R.S. § 38-782)		Non-Appropriated
Source of Revenue: Funds from the ASRS Self Insurance Program.		
Purpose of Fund: To pay administrative and actuarial costs of the program.		
Funds Expended	2,508,100	2,806,200
Year-End Fund Balance	0	0
Long-Term Disability Trust Fund Administration Account (RSA1408/A.R.S. § 38-797.02)		Appropriated
Source of Revenue: Long-Term Disability (LTD) Trust Fund.		
Purpose of Fund: To pay for the cost of administering the LTD program.		
Funds Expended	1,330,000	1,800,000
Year-End Fund Balance	0	0

Department of Revenue

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	892.8	892.8	892.8
Personal Services	31,095,400	31,750,000	31,750,000
Employee Related Expenditures	12,260,600	13,337,800	13,337,800
Professional and Outside Services	8,468,300	12,427,400	12,427,400
Travel - In State	143,600	171,200	171,200
Travel - Out of State	34,300	62,400	62,400
Other Operating Expenditures	17,147,400	17,150,400	15,950,400
Equipment	844,700	83,000	83,000
OPERATING SUBTOTAL	69,994,300	74,982,200	73,782,200 ^{1/}
SPECIAL LINE ITEMS			
BRITS Operational Support	7,331,400	7,959,800	7,959,800
E-Commerce Compliance and Outreach	831,600	961,900	961,900
Tax Fraud Prevention	3,099,400	3,163,800	3,163,800 ^{2/3/}
TPT Simplification	917,800	1,063,100	1,063,100
Unclaimed Property Administration and Audit	1,835,000	1,473,900	1,473,900 ^{4/}
AGENCY TOTAL	84,009,500	89,604,700	88,404,700 ^{5/5/}
FUND SOURCES			
General Fund	59,358,100	59,677,700	59,677,700
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	23,256,000	27,101,900	27,101,900
Liability Setoff Program Revolving Fund	746,400	2,094,800	894,800
Tobacco Tax and Health Care Fund	649,000	730,300	730,300
SUBTOTAL - Other Appropriated Funds	24,651,400	29,927,000	28,727,000
SUBTOTAL - Appropriated Funds	84,009,500	89,604,700	88,404,700
Other Non-Appropriated Funds	1,876,400	1,681,300	1,681,300
TOTAL - ALL SOURCES	85,885,900	91,286,000	90,086,000

AGENCY DESCRIPTION — The Department of Revenue (DOR) administers and enforces the collection of individual and corporate income, sales, withholding, luxury, recreational marijuana and estate taxes. The department administers state property tax laws through the 15 county assessors.

FOOTNOTES

- ^{1/} The operating lump sum appropriation includes \$2,000,000 and 25 FTE positions for additional audit and collections staff. (General Appropriations Act footnote)
- ^{2/} 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 Appropriations Act footnote)
- ^{3/} On or before November 1, 2025, the department shall report the results of private fraud prevention investigation services during fiscal year 2024-2025 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 fiscal year 2024-2025. (General Appropriations Act footnote)
- ^{4/} If the total value of properties retained by unclaimed property contract auditors exceeds \$1,473,900, the excess amount is transferred from the state general fund to the department of revenue administrative fund established by section 42-1116.01, Arizona Revised Statutes, and is appropriated to the department for contract auditor fees. (General Appropriations Act footnote)
- ^{5/} The department shall report the department's general fund revenue enforcement goals for fiscal year 2025-2026 to the joint legislative budget committee on or before September 30, 2025. On or before September 30, 2026, 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 fiscal year 2025-2026. The reports shall compare projected and actual state general fund, total state tax, total county tax and total municipal tax revenue enforcement collections for fiscal year 2024-2025 and fiscal year 2025-2026, 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 fiscal year 2024-2025. (General Appropriations Act footnote)

6/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$73,782,200 and 820.8 FTE Positions In FY 2026 for the operating budget. This amount consists of:

	FY 2026
General Fund	\$49,620,400
DOR Administrative Fund	22,536,700
Liability Setoff Program Revolving Fund	894,800
Tobacco Tax and Health Care Fund	730,300

Adjustments are as follows:

Remove One-Time Spending for IT Infrastructure

The Baseline includes a decrease of \$(1,200,000) from the Liability Setoff Program Revolving Fund in FY 2026 for the elimination of one-time funding for IT infrastructure to address federal taxation and security standards.

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The Baseline includes \$7,959,800 and 51 FTE Positions in FY 2026 for operational support of BRITS. These amounts consist of:

General Fund	4,868,500
DOR Administrative Fund	3,091,300

These amounts are unchanged from FY 2025.

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 current computer system for collecting and processing tax data. The FY 2023, FY 2024 and FY 2025 budgets included monies for the development of a new integrated tax system, and the Baseline's 3-year spending plan assumes additional funding through FY 2028. *(For additional information, please see the Integrated Tax System Other Issues section and the Arizona Department of Administration – Automation Projects Fund narrative.)*

E-Commerce Compliance and Outreach

The Baseline includes \$961,900 from the General Fund in FY 2026 for E-Commerce Compliance and Outreach (ECCO) administrative costs. This amount is unchanged from FY 2025.

This line item funds the costs of assisting out-of-state remote sellers and marketplace facilitators with paying transaction privilege tax (TPT) in Arizona. Since October 2019, out-of-state businesses that do not have a physical presence in the state are required to collect and remit TPT if they meet certain economic nexus requirements and thresholds outlined in state law.

Tax Fraud Prevention

The Baseline includes \$3,163,800 from the General Fund in FY 2026 for Tax Fraud Prevention. This amount is unchanged from FY 2025.

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 \$101,061,574 million being paid to filers of fraudulent returns in Individual Income Tax returns in FY 2024.

TPT Simplification

The Baseline includes \$1,063,100 and 19 FTE Positions from the General Fund in FY 2026 for TPT Simplification responsibilities. These amounts are unchanged from FY 2025.

DOR is responsible for the audit and collection of TPT taxes for all municipalities. These monies allow DOR to fund the staffing associated with these TPT oversight responsibilities.

Unclaimed Property Administration and Audit

The Baseline includes \$1,473,900 and 2 FTE Positions from the DOR Administrative Fund in FY 2026 for Unclaimed Property Administration and Audit. These amounts are unchanged from FY 2025.

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 \$1,473,900.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Long-Term Budget Impacts
- Integrated Tax System

Statutory Changes

The Baseline would:

- As session law, continue to stipulate legislative intent regarding the amount to be charged to all counties, cities, towns, Council of Governments and regional transportation authorities with a population greater than 800,000 for the Integrated Tax System project. This amount shall not exceed \$6,558,800 for FY 2026. Each local government type (for example all counties share of the \$6,558,800) is based on that government type's proportionate share of certain state and locally-collected revenues received by those local entities 2 fiscal years prior to the current fiscal year. (See Table 2 in the Integrated Tax System section for a list of the tax categories used to calculate the assessments.) Once each government type's share of the local assessment has been calculated, population is the basis for determining the apportioning of fees among counties as well as among cities and towns.
- As session law, continue to stipulate legislative intent that the amounts charged to the 16% recreational marijuana excise tax and the 0.6% education sales tax for the Integrated Tax System Project shall not exceed \$177,200 and \$795,300, respectively, in FY 2026.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, the Department of Revenue is allocated funding from the General Fund in FY 2027 and FY 2028 for the development costs of a new integrated tax system. (See the Integrated Tax System section below for more information.)

Integrated Tax System

The FY 2023 budget assumed 6 years of funding for a \$104,827,600 new income tax modernization system. Of this total amount, \$40,997,900 is assessed to certain state government funds, local governments, and other taxing authorities to recover a portion of costs for the system. The long-term spending plan for the tax system assumed the costs would be allocated as follows: 1) 60.89% from the General Fund; 2) 34.06% from Local Governments; 3) 4.13% from the 0.6% Education Sales Tax; and 4) 0.92% from the 16% recreational marijuana excise tax. The non-General Fund sources (which total 39.11% of the project budget) are deposited into the Integrated Tax System Project Fund. (Please see Table 1 below).

For FY 2026, the Baseline includes a transfer of \$11,725,500 from the General Fund and a transfer of \$7,531,300 from the Integrated Tax System Project Fund to the Automation Projects Fund (APF) for the development of a new integrated tax system for the Department of Revenue. The sum of \$19,256,800 is then appropriated from the Automation Projects Fund for the fourth year of funding.

Table 1

	Integrated Tax System Annual Funding		
	General Fund	Integrated Tax System Project Fund	Total
FY 2023	\$9,632,700	\$6,187,100	\$15,819,800
FY 2024 ^{1/}	10,494,100	7,575,300	18,069,400
FY 2025	11,847,300	7,609,500	19,456,800
FY 2026	11,725,500	7,531,300	19,256,800
FY 2027	12,538,400	7,218,400	19,756,800
FY 2028	<u>7,591,700</u>	<u>4,876,300</u>	<u>12,468,000</u>
Total	\$63,829,700	\$40,997,900	\$104,827,600

^{1/} The FY 2024 budget transferred \$11,794,100 from the General Fund to the DOR APF Subaccount for this project. The FY 2025 budget transferred \$1,300,000 back to the General Fund and increased the FY 2027 General Fund allocation by \$1,300,000.

Table 2

State and Locally-Collected Tax Categories Used for Allocation of DOR Tax System Charges	
Tax Category/Distribution	ARS Statutory Reference
State TPT Revenue Sharing	42-5029
Municipal TPT	42-6001
County Excise Tax	42-6103
Maricopa County Road Tax	42-6105 (Thru 12/31/25)
Maricopa County Road Tax	42-6105.01 (Eff. 1/1/26)
Pima County Road Tax	42-6106
County Road Tax	42-6107
County Hotel Tax	42-6108/41-6108.01
County Jail Excise Tax	42-6109/42-6109.01
County – Electricity Use Tax	42-6110
County Capital Projects Tax	42-6111
County Judgment Bonds Tax	42-6112
Urban Revenue Sharing	43-206

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Department of Revenue Administrative Fund (RVA2463/A.R.S. § 42-1116.01)		Appropriated
Source of Revenue: The sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Each year, \$24,500,000 in unclaimed property proceeds are deposited into this fund.		
Purpose of Fund: To cover DOR's operating costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property.		
Funds Expended	23,256,000	27,101,900
Year-End Fund Balance	5,790,700	3,188,800
Department of Revenue Integrated Tax System Project Fund (RVA2610/A.R.S. § 42-5041)		Appropriated
Source of Revenue: Monies deposited into the fund from fees charged to local governments (including councils of governments and regional transportation authorities with a population of more than 800,000) and revenues transferred from the 0.6% education sales tax and the 16% recreational marijuana excise tax. Statute requires DOR to charge the fee to local governments and implement the tax revenue transfers from FY 2023 to FY 2028 to recover a portion of the administrative, development and other operating costs of a new integrated tax system.		
Purpose of Fund: To contribute to DOR's administrative, development and other operating costs incurred in implementing the new integrated tax system at the department. Each year, all monies in the fund are transferred to the Department of Revenue Automation Projects Fund Subaccount within the Arizona Department of Administration.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Escheated Estates Fund (RVA3745/A.R.S. § 12-885)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of escheated estates. Property escheats, or reverts to the state, after 5 years when there is no will to transmit the property and there are no legal heirs to inherit it.		
Purpose of Fund: To deposit proceeds from the sale of escheated property and hold them in the fund for 12 months, from which payment of claims may be made, before being transferred to the Permanent State School Fund.		
Funds Expended	0	0
Year-End Fund Balance	191,200	191,200
Estate and Unclaimed Property Fund (RVA1520/A.R.S. § 44-301)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of abandoned property (known as unclaimed property). Unclaimed property includes intangible personal property such as bank and savings accounts, safe deposit boxes and contents, traveler's checks, money orders, stocks or other equity interest, principal on debt, demand or savings deposits, customer credits, insurance settlements, property received or held by a court, wages, retirement accounts, and other miscellaneous types of property that are presumed abandoned according to the schedule set out in statute. Property is typically considered "abandoned" after 3 years. As outlined in A.R.S. § 44-313 and other statutes, certain types of unclaimed property are deposited into other funds.		
Purpose of Fund: To pay allowed claims and make any required statutory distributions. DOR retains at least \$100,000 of the fund prior to year-end transfers while the state attempts to pay out claims. Once monies are determined to be "unreturnable" they are disbursed as follows: A.R.S. § 44-313 requires that the first \$2,000,000 in unclaimed property proceeds be deposited into the Seriously Mentally Ill Housing Trust Fund, the next \$2,500,000 into the Housing Trust Fund, the next \$24,500,000 into the DOR Administrative Fund and all remaining monies be deposited in the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,115,300	2,115,300
I Didn't Pay Enough Fund (RVA1031/A.R.S. § 43-211)		Non-Appropriated
Source of Revenue: Voluntary contributions from taxpayers.		
Purpose of Fund: Up to 10% of annual deposits may be used by DOR to administer the fund. Any unexpended monies revert to the General Fund at the close of the fiscal year.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
IGA and ISA Fund (RVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Transfer of funds from Arizona Early Childhood Development and Health Board.		
Purpose of Fund: To assist the Tobacco Revenue unit in enforcement compliance.		
Funds Expended	1,360,400	1,125,200
Year-End Fund Balance	637,000	527,800
Liability Setoff Program Revolving Fund (RVA2179/A.R.S. § 42-1122)		Appropriated
Source of Revenue: Fees collected from agencies, political subdivisions or taxpayers utilizing the setoff procedure. DOR withholds taxpayer refunds to satisfy debts owed by the taxpayers to certain state and local agencies, such as delinquent child support payments owed to the Department of Economic Security.		
Purpose of Fund: To cover DOR's costs of administering the Liability Setoff program and for general operating expenditures.		
Funds Expended	746,400	2,094,800
Year-End Fund Balance	1,819,000	739,400
Revenue Publications Revolving Fund (RVA2166/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: Receipts from the sale of department tax-related publications.		
Purpose of Fund: To offset costs of publishing and distributing tax-related publications.		
Funds Expended	33,300	33,300
Year-End Fund Balance	17,700	17,700
Smart and Safe Arizona Fund (RVA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay administrative costs incurred by DOR to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. The funds expended line represents DOR's costs to administer and collect the 16.0% marijuana excise tax.		
Funds Expended	481,600	522,800
Year-End Fund Balance	700	700
Special Collections Fund (RVA2168/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: This fund consists of all monies received pursuant to contingent fee contracts to collect delinquent state taxes, penalties and interest due under A.R.S. Title 43 (taxation of income) and Title 42, Chapter 5, Article 1 (transaction privilege taxes).		
Purpose of Fund: To pay all fees and court costs provided for in contingent fee collection contracts authorized by A.R.S. § 42-1004 (B)(3). The remainder of the collected amounts is distributed to the state or political subdivisions according to the distribution proportions for the tax collected. Contingency fees paid to collectors are subtracted from gross collections and are not recorded as expenditures within the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Statewide Employee Recognition Gifts/Donations Fund (RVA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	1,100	0
Year-End Fund Balance	100	100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Tax Fraud Interdiction Fund (RVA3050/A.R.S. § 42-1116.02)		Appropriated
Source of Revenue: Fines up to \$100,000 for individuals and \$500,000 for corporations for the sale, use, purchase, development, possession, or licensing of any automated sales suppression device/service, zapper, or phantom-ware used to evade tax administration.		
Purpose of Fund: Of the monies in the fund, 50% are to be used by DOR to detect tax fraud caused by automated sales suppression software/service, zappers or phantom-ware. The other 50% are transferred to the Attorney General's office for prosecution of the same tax fraud and other tax fraud violations.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Tobacco Tax and Health Care Fund (RVA1309/A.R.S. § 36-771)		Appropriated
Source of Revenue: The fund consists of tobacco taxes retained by DOR to administer the Tobacco Tax program.		
Purpose of Fund: To monitor and enforce tobacco tax laws.		
Funds Expended	649,000	730,300
Year-End Fund Balance	3,400	3,400
Waste Tire Fund (RVA2356/A.R.S. § 44-1305)		Non-Appropriated
Source of Revenue: Collections from a fee on new tire purchases and penalties for violations.		
Purpose of Fund: Up to 3.5% of the monies in the fund are transferred quarterly to the Department of Environmental Quality (DEQ) to monitor and enforce the requirements of A.R.S. Title 44, Chapter 9, Article 8, Waste Tire Disposal. The remainder is distributed quarterly to counties to establish and implement waste tire programs. Monies in the fund are exempt from lapsing under A.R.S. § 35-190.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Department of State - Secretary of State

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	144.1	146.1	144.1
Personal Services	7,133,600	6,877,100	6,877,100
Employee Related Expenditures	2,546,500	2,838,800	2,838,800
Professional and Outside Services	2,242,300	1,422,600	1,422,600
Travel - In State	190,800	5,500	5,500
Travel - Out of State	55,300	36,000	36,000
Other Operating Expenditures	4,002,500	4,233,900	3,233,900
Equipment	282,200	133,300	133,300
OPERATING SUBTOTAL	16,453,200	15,547,200	14,547,200 ^{1/5/}
SPECIAL LINE ITEMS			
Access Voter Information Database	483,500	483,500	483,500 ^{6/}
Election Services	100,000	7,900,000	0
Electronic Records Repository	70,000	520,000	70,000
Help America Vote Act Projects	503,400	0	0
Library Grants-in-Aid	530,000	651,400	651,400 ^{7/}
Presidential Preference Election	5,298,800	0	0
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
Uniform State Laws Commission	81,100	99,000	99,000
AGENCY TOTAL	23,617,000	25,298,100	15,948,100 ^{8/}
FUND SOURCES			
General Fund	21,232,500	22,993,900	14,093,900
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	986,900	483,500	483,500
Records Services Fund	1,397,600	1,820,700	1,370,700
SUBTOTAL - Other Appropriated Funds	2,384,500	2,304,200	1,854,200
SUBTOTAL - Appropriated Funds	23,617,000	25,298,100	15,948,100
Other Non-Appropriated Funds	2,165,400	1,516,400	1,516,400
Federal Funds	5,542,600	5,448,500	5,448,500
TOTAL - ALL SOURCES	31,325,000	32,263,000	22,913,000

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 \$14,547,200 for fiscal year 2025-2026 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriations Act footnote)
- 2/ The operating lump sum appropriation includes \$100,000 for additional support for the talking book library. (General Appropriations Act footnote)
- 3/ The operating lump sum appropriation includes \$250,000 for additional support for the address confidentiality program. (General Appropriations Act footnote)
- 4/ The operating lump sum appropriation includes \$100,000 for additional support for secretary of state legal expenses. The secretary of state may spend these monies for legal services from the attorney general, to hire one FTE position to serve as legal advisor to the secretary of state or for legal expenses for conflict counsel. The secretary of state may make expenditures or incur indebtedness to employ outside or private attorneys if all of the following are true:

1. The secretary of state is named as a defendant.
 2. The secretary of state believes a conflict exists that prevents the attorney general from representing the secretary of state.
 3. The secretary of state either remains a nominal party or is defending the constitutionality of a law or referendum enacted by the legislature. (General Appropriations Act footnote.)
- 5/ Included in the operating lump sum appropriation of \$14,547,200 for fiscal year 2025-2026 is \$1,370,700 from the records services fund. This appropriation may be used for the payment of obligations incurred in fiscal year 2024-2025. (General Appropriations Act footnote)
 - 6/ Monies in the access voter information database line item may be used only for the exclusive purpose of developing and administering the statewide database of voter registration information required by section 16-168, Arizona Revised Statutes. The secretary of state may not transfer any monies in or out of the access voter information database line item. (General Appropriations Act footnote)
 - 7/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriations Act footnote)
 - 8/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$14,547,200 and 143.1 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	<u>FY 2026</u>
General Fund	\$13,176,500
Record Services Fund	1,370,700

Adjustments are as follows:

Remove One-Time Operating Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove funding for one-time operating expenses.

The Baseline continues FY 2025 budget footnotes specifying that the Secretary of State allocate the following amounts from the operating lump sum in FY 2026 for the following items:

- \$100,000 for the operations of the Arizona Talking Book Library.
- \$250,000 of additional support for the Address Confidentiality Program (ACP). ACP provides a substitute address and confidential mail forwarding services to victims of domestic violence, sexual offenses, and stalking. This funding was added in FY 2024 to address decreased federal funding.
- \$100,000 for legal services funding specifying that the SOS may spend these monies for legal services from the Attorney General, to hire one FTE position to serve as legal advisor to the SOS or for legal expenses for conflict counsel. The SOS may make expenditures or incur indebtedness to employ outside or private attorneys if all the following occur: 1) SOS is named as a defendant, 2) SOS believes a conflict prevents the Attorney General from representing the SOS; and

3) SOS is either a nominal party or defending the constitutionality of a law or referendum enacted by the legislature.

The FY 2024 operating budget included \$2,330,000 for one-time administrative funding. This appropriation is exempt from lapsing. Of the \$2,330,000 million, \$330,000 was allocated for the SOS Business Services division.

Access Voter Information Database

The Baseline includes \$483,500 from the Election Systems Improvement Fund in FY 2026 for the Access Voter Information Database line item. This amount is unchanged from FY 2025.

These monies pay for the state's share of costs for the state's voter registration system, which is named the Access Voter Information Database (AVID). The state and the counties share operation and maintenance costs.

Election Services

The Baseline includes no funding in FY 2026 for the Election Services line item.

Adjustments are as follows:

Remove 2024 Primary/General Election Funding

The Baseline includes a decrease of \$(7,900,000) from the General Fund in FY 2026 to remove funding for the Primary Election on July 30, 2024 and the General Election on November 5, 2024. A FY 2025 budget footnote required SOS to report on the expenditures from the Election Services line item by January 31, 2025 and to delineate by type of expense.

There are no state primary or general elections scheduled between July 2025 and June 2026, which results in the Baseline including no funding for the Election Services line item in FY 2026.

The FY 2025 budget's total funding for the 2024 Primary Election and 2024 General Election was \$8,000,000. This amount is comprised of the \$7,900,000 in FY 2025 for the traditional state primary and general election costs and a FY 2024 supplemental for \$100,000 from the General Fund for logic and accuracy testing in June for the primary election in July. This supplemental is displayed in the FY 2024 column for the Election Services line item.

At its December 18, 2024 meeting, the Joint Legislative Budget Committee gave a favorable review of a transfer of \$338,100 from the Election Services line item to the agency's operating budget for security costs.

The 2024 Presidential Preference Election was funded in a separate line item in the FY 2024 budget.

Background – This line item is intended only to cover variable traditional state primary and general election costs in an election year. In years with state election costs, a standard budget footnote specifies that before transferring monies in or out of the Election Services line item, the SOS must submit a report for review by the JLBC. Ongoing annual elections services costs are funded out of the agency's operating budget.

For traditional state elections (excluding the PPE or special 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 for state offices; 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.

Electronic Records Repository

The Baseline includes \$70,000 and 1 FTE Positions from the General Fund in FY 2026 for the Electronic Record Repository line item.

Adjustments are as follows:

Remove One-Time Electronic Records Funding

The Baseline includes a decrease of \$(450,000) and (2) FTE Positions from the Record Services Fund in FY 2026 to remove one-time start-up costs of the Electronic Records Repository Program. This funding will pay for the initial costs of a digital preservation software service for the repository and for program staff costs.

The FY 2025 one-time appropriation of \$450,000 from the Record Services Fund supports the initial costs of the program. When fully operational, SOS plans to charge agencies to cover SOS operating costs and for the cost of digital storage. The Electronic Records Repository Fund is intended to be the recipient of fees and to be used for operating expenses of the program. At this time, the SOS is developing the program and no charges have been established.

Library Grants-in-Aid

The Baseline includes \$651,400 from the General Fund in FY 2026 for Library Grants-in-Aid. This amount is unchanged from FY 2025.

This line item funds a portion of the state maintenance of effort (MOE) 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 an MOE requirement, which is tied to the state contribution made in each of the 3 prior years. The appropriation is non-lapsing.

Statewide Radio Reading Service for the Blind

The Baseline includes \$97,000 from the General Fund in FY 2026 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2025.

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. Additional funds for staffing the program are included within the agency operating budget.

Uniform State Laws Commission

The Baseline includes \$99,000 from the General Fund in FY 2026 for costs associated with the state's participation in the Uniform State Laws Commission. This amount is unchanged from FY 2025.

The Uniform State Laws 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.

Other Issues

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, SOS's General Fund costs are projected to increase by \$4,000,000 in FY 2027 above FY 2026 and remain unchanged in FY 2028. In FY 2027, funding for the Election Services line item would be restored to a base of \$4,000,000 for the 2026 Primary and General elections.

For FY 2028, while the state's Election Services funding amount would be zero (due to there being no scheduled Primary or General elections), the \$4,000,000 amount would instead be used to fund the 2028 Presidential Preference Election line item, for that election held in spring 2028.

Help America Vote Act Funding

The Help America Vote Act (HAVA) of 2002 is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections including election security. Federal HAVA monies are deposited in the Election Systems Improvement Fund and require legislative appropriation.

HAVA Projects Appropriation

The FY 2024 budget included a non-lapsing appropriation that provides authority for the spending of \$5,000,000 for HAVA projects subject to JLBC review. The \$5,000,000

appropriation authority was intended to include all current unencumbered HAVA monies and a portion of any future federal HAVA grants.

A FY 2024 budget footnote stipulated that for the FY 2024 appropriation of \$5,000,000 that: 1) 75% of the monies be distributed to counties for election systems improvements; 2) Before spending monies in this line item, the SOS shall submit for JLBC review an expenditure plan that includes, at a minimum, planned expenditures and timeline for the expenditures by year; and 3) SOS is required to report to JLBC and OSPB semiannually until all monies from line item have been expended. The Joint Legislative Budget Committee gave a favorable review at the October 10, 2023 meeting to an expenditure plan totaling \$3,664,300. As of June 30, 2024, \$503,400 has been spent on the approved projects.

HAVA County Allocation Appropriation

The FY 2025 budget also extended the availability of a FY 2021 appropriation of \$5,352,200 of HAVA funding until the end of FY 2025. These monies were to be distributed to counties for election systems improvements. The legislature previously extended the availability of these monies in FY 2023 and FY 2024. As of June 30, 2024, an estimated \$281,000 remains available from the original county appropriation.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169)		Non-Appropriated
Source of Revenue: An assessment of \$50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.		
Purpose of Fund: To administer the Address Confidentiality Program. This program allows the Secretary of State to establish an alternate public address to protect victims of domestic violence, stalking, and sexual offenses.		
Funds Expended	453,600	0
Year-End Fund Balance	73,900	524,800
Coronavirus State and Local Fiscal Recovery Fund (ST2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	479,200	639,800
Year-End Fund Balance	(479,200)	(1,119,000)

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
County Contributions to the Voter Registration System Fund (STA2367/A.R.S. § 16-168.01)		Non-Appropriated
Source of Revenue: Receives monies transferred from counties to the Secretary of State.		
Purpose of Fund: To develop and administer the statewide database of voter registration information.		
Funds Expended	185,100	0
Year-End Fund Balance	169,100	490,600
Data Processing Acquisition Fund (STA2265/A.R.S. § 18-441)		Non-Appropriated
Source of Revenue: A special recording fee on Uniform Commercial Code and other filings.		
Purpose of Fund: To defray the cost of improving data processing within the Office of the Secretary of State.		
Funds Expended	268,500	200,000
Year-End Fund Balance	74,700	2,800
Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)		Appropriated
Source of Revenue: Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations.		
Purpose of Fund: To implement the provisions of the Help America Vote Act (HAVA) (P.L. 107-252). HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections, implementation of a statewide voter registration database, and implementation of a voting system that meets federal standards.		
Funds Expended	986,900	483,500
Year-End Fund Balance	5,354,800	4,871,300
Election Training Fund (STA2521/A.R.S. § 16-407)		Non-Appropriated
Source of Revenue: Receives money from cities and towns whose employees take election training courses.		
Purpose of Fund: To provide election training to officials from cities and towns.		
Funds Expended	12,900	0
Year-End Fund Balance	4,200	10,200
Electronic Records Repository Fund (STA9999/A.R.S. § 41-151.26)		Appropriated
Source of Revenue: Monies received from legislative appropriations, gifts, nonfederal grants, fees, and donations.		
Purpose of Fund: To fund operating expenses for the state library's electronic records repository.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants (STA2000/A.R.S. § 41-151.06)		Federal Funds
Source of Revenue: Federal grants awarded to the state for library purposes.		
Purpose of Fund: Prescribed by the federal grantor for statewide library purposes.		
Funds Expended	5,063,400	4,808,700
Year-End Fund Balance	130,800	(291,800)
IGA and ISA Fund (STA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Intergovernmental Agreements and Internal Service Agreements with other state agencies.		
Purpose of Fund: To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	864,600	600,000
Year-End Fund Balance	340,500	836,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Notary Bond Fund (STA2387/A.R.S. § 41-314)		Non-Appropriated
Source of Revenue: The fund receives a portion of the fee collected from the processing of notary bonds.		
Purpose of Fund: To defray the cost associated with the processing and administration of notary bonds.		
Funds Expended	198,000	65,000
Year-End Fund Balance	80,100	205,400
Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)		Appropriated
Source of Revenue: Professional Employer Organization (PEO) registration and renewal fees.		
Purpose of Fund: To pay the costs of administering PEO registration and investigating any allegations of malfeasance. Budget legislation in FY 2014 and FY 2024 delayed the implementation until FY 2025. Laws 2024, Chapter 67 eliminated the fund and associated statutes.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Records Services Fund (STA2431/A.R.S. § 41-151.12)		Appropriated
Source of Revenue: Fees collected from state agencies, political subdivisions, and other governmental units for records storage services.		
Purpose of Fund: To help defray costs of preserving and managing the state of Arizona's public records.		
Funds Expended	1,397,600	1,820,700
Year-End Fund Balance	455,700	(297,600)
Standing Political Committee Administrative Fund (STA2426/A.R.S. § 41-128)		Non-Appropriated
Source of Revenue: Filing fees paid by standing political committees.		
Purpose of Fund: To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
Funds Expended	74,700	0
Year-End Fund Balance	7,400	10,200
State Library Fund (STA2115/A.R.S. § 41-151.06)		Non-Appropriated
Source of Revenue: Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
Purpose of Fund: To improve statewide library service.		
Funds Expended	108,000	651,400
Year-End Fund Balance	293,000	(341,600)

State Board of Tax Appeals

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	173,800	186,600	186,600
Employee Related Expenditures	64,000	72,900	72,900
Travel - In State	0	400	400
Other Operating Expenditures	49,000	58,600	58,600
Equipment	0	100	100
AGENCY TOTAL	286,800	318,600	318,600^{1/}
FUND SOURCES			
General Fund	286,800	318,600	318,600
SUBTOTAL - Appropriated Funds	286,800	318,600	318,600
TOTAL - ALL SOURCES	286,800	318,600	318,600

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$318,600 and 4 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

State Board of Technical Registration

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	1,316,600	1,227,200	1,227,200
Employee Related Expenditures	485,100	621,800	621,800
Professional and Outside Services	175,500	191,600	191,600
Travel - In State	3,300	5,000	5,000
Travel - Out of State	25,600	17,200	17,200
Other Operating Expenditures	426,800	415,500	415,500
Equipment	22,200	167,700	167,700
AGENCY TOTAL	2,455,100	2,646,000	2,646,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Technical Registration Fund	2,455,100	2,646,000	2,646,000
SUBTOTAL - Other Appropriated Funds	2,455,100	2,646,000	2,646,000
SUBTOTAL - Appropriated Funds	2,455,100	2,646,000	2,646,000
Other Non-Appropriated Funds	11,300	0	0
TOTAL - ALL SOURCES	2,466,400	2,646,000	2,646,000

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, engineers, geologists, home inspectors, land surveyors, and landscape architects.

FOOTNOTES

1/ General Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$2,646,000 and 25 FTE Positions from the Technical Registration Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

A FY 2025 budget footnote specifies that \$167,700 from the board's FY 2023 appropriation is exempt from lapsing until June 30, 2025, for the purpose of licensing system upgrades.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Technical Registration Board of Investigations Fund (TEA2072/A.R.S. § 32-128)		Non-Appropriated
Source of Revenue: Court assessments, fines, forfeitures and other penalties.		
Purpose of Fund: To fund the cost of disciplinary investigations relating to fraudulent or misrepresented certifications, gross negligence or other similar misconduct.		
Funds Expended	11,300	0
Year-End Fund Balance	86,600	116,600
Technical Registration Fund (TEA2070/A.R.S. § 32-109)		Appropriated
Source of Revenue: Monies collected by the board from examinations and licensing of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, landscape architects, and home inspectors.		
Purpose of Fund: To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.		
Funds Expended	2,455,100	2,646,000
Year-End Fund Balance	1,647,800	2,074,100

Office of Tourism

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	31.0	31.0	31.0
Personal Services	2,093,900	2,093,900	2,093,900
Employee Related Expenditures	668,400	724,000	724,000
Professional and Outside Services	2,249,100	2,249,100	2,249,100
Travel - In State	20,000	20,000	20,000
Travel - Out of State	114,700	114,700	114,700
Other Operating Expenditures	2,599,600	2,173,800	2,173,800
Equipment	30,500	30,500	30,500
OPERATING SUBTOTAL	7,776,200	7,406,000	7,406,000
SPECIAL LINE ITEMS			
Arizona Promotion	1,000,000	819,000	819,000
Wine Promotion	100,000	100,000	100,000
AGENCY TOTAL	8,876,200	8,325,000	8,325,000^{1/}
FUND SOURCES			
General Fund	8,876,200	8,325,000	8,325,000
SUBTOTAL - Appropriated Funds	8,876,200	8,325,000	8,325,000
Other Non-Appropriated Funds	30,198,300	41,766,800	41,766,800
Federal Funds	7,296,200	8,634,500	8,634,500
TOTAL - ALL SOURCES	46,370,700	58,726,300	58,726,300

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 Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$7,406,000 and 31 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Arizona Promotion

The Baseline includes \$819,000 from the General Fund in FY 2026 for Arizona Promotion. This amount is unchanged from FY 2025.

Monies in this line item are used to fund the marketing, advertisement, and promotion of the tourism industry and tourism efforts in the state.

Wine Promotion

The Baseline includes \$100,000 from the General Fund in FY 2026 for Wine Promotion. This amount is unchanged from FY 2025.

Monies in this line item fund the marketing and promotion of the Arizona wine industry.

Other Issues

Funding Sources

The Office of Tourism (AOT) receives funding from 3 primary sources: 1) a General Fund appropriation; 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). General Fund appropriations and tribal gaming contributions are used for statewide tourism promotion. Through the Proposition 302 Maricopa County program, the agency annually distributes 90% of the AZSTA transfer to destination marketing organizations (DMOs), not-for-profit organizations, and government organizations engaged in year-round marketing and tourism promotion.

In FY 2023, AOT's overall funding totaled \$33,034,100. In FY 2024, AOT's funding level increased by 10.5% to \$36,513,400, and the agency projects overall FY 2025 funding to be \$32,149,500, representing a (12.0)% year-over-year decrease. AOT projects overall funding to reach \$33,067,200 in FY 2026, a 2.9% increase over projected FY 2025 funding. (See Table 1 below for additional details on agency revenue.)

Office of Tourism Revenues ^{1/}				
<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used to administer the Office of Tourism and promote tourism	General Fund	\$8,876,200	\$8,325,000	\$8,325,000
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	11,749,800	12,337,300 ^{2/}	12,954,100 ^{2/}
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>15,887,400</u>	<u>11,487,200</u> ^{2/}	<u>11,788,100</u> ^{2/}
Total		\$36,513,400	\$32,149,500	\$33,067,200

^{1/} The numbers displayed represent revenues to the agency and may not correspond directly to the agencies' actual expenditure or appropriation amounts.

^{2/} The Sports and Tourism Authority amounts and the Tribal Gaming amounts for FY 2025 and FY 2026 are estimates provided by the Office of Tourism in September 2024.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
CARES Act Recovery and Assistance Fund (TOA2977/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Revenue from federal CARES Act grants.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	136,900	1,182,700
Year-End Fund Balance	0	0
Coronavirus State and Local Fiscal Recovery Fund (TOA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	6,860,600	4,951,800
Year-End Fund Balance	0	0
Federal Grants Fund (TOA2000/A. R. S. § 35-142)		Federal Funds
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To be used as specified by the federal grants.		
Funds Expended	298,700	2,500,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Tourism Development Fund (TOA9999/A.R.S. § 41-2307)		Non-Appropriated
Source of Revenue: Monies received from producing, owning, selling or licensing services related to marketing and branding related promotional materials or items, copyrightable publications, artwork, trademarks or other intellectual property.		
Purpose of Fund: To support tourism marketing and branding in Arizona.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Tourism Fund (TOA2236/A.R.S. § 41-2306)		Non-Appropriated
Source of Revenue: The Tourism Fund receives a transfer from the Arizona Sports and Tourism Authority (AZSTA) to be used for tourism promotion in Maricopa County. This transfer is based on a partial allocation of a 1% increase in the bed tax and a 3.25% increase in the car rental tax. This transfer increases each year by 5%. The fund also receives a portion of tribal gaming contributions, pursuant to Proposition 202 from 2002. Finally, A.R.S. § 41-2306 allows the Tourism Fund to receive General Fund appropriations. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. A.R.S. § 41-2308 provides for an annual General Fund appropriation of \$1,500,000 to the State Treasurer to deposit into the Tourism Fund beginning in FY 2022 through FY 2051. The funding will be used to promote auto racing sporting events in Arizona.		
Purpose of Fund: To pay for all costs associated with Office of Tourism activities.		
Funds Expended	30,198,300	41,766,800
Year-End Fund Balance	12,328,800	3,108,200

Department of Transportation

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	4,554.0	4,571.0	4,571.0
Personal Services	133,998,500	140,000,300	140,000,300
Employee Related Expenditures	56,393,600	66,774,200	66,774,200
Professional and Outside Services	10,128,200	10,649,500	10,419,400
Travel - In State	785,800	764,200	764,200
Travel - Out of State	239,500	228,900	228,900
Other Operating Expenditures	34,195,300	34,714,600	34,125,600
Equipment	4,289,600	2,827,500	2,491,600
OPERATING SUBTOTAL	240,030,500	255,959,200	254,804,200
SPECIAL LINE ITEMS			
ADOT Fleet Vehicles and Heavy Equipment Maintenance	22,687,000	26,522,700	26,522,700
ADOT Fleet Vehicles and Heavy Equipment Maintenance Contingency	0	1,000,000	1,000,000
ADOT Fleet Vehicle and Heavy Equipment Replacement	19,854,800	22,400,000	22,400,000 ^{1/}
Attorney General Legal Services	3,940,400	3,623,700	3,940,400 ^{2/}
Authorized Third Parties	2,002,900	2,264,400	2,262,600
Construction Management System Replacement	0	1,885,000	0
Driver Safety and Livestock Control	799,600	800,000	800,000
Highway Damage Recovery Account	6,423,900	7,999,300	7,999,300
Highway Maintenance	143,304,200	165,300,900	164,189,300 ^{3/4/}
One-Time Fleet Fuel Inflation Funding	2,337,900	3,297,900	0
Preventive Surface Treatments	21,589,400	36,142,000	36,142,000 ^{5/}
Radio Lifecycle Replacement	1,207,200	1,656,100	1,656,100
Spaying and Neutering of Animals Fund Deposit	550,000	0	0
State Fleet Operations	23,090,700	29,146,900	22,867,800
State Fleet Vehicle Replacement	13,967,100	11,370,000	7,250,000
Statewide Litter Removal	2,842,600	3,106,800	3,106,800
AGENCY TOTAL	504,628,200	572,474,900	554,941,200 ^{6/-9/D/}
FUND SOURCES			
General Fund	550,000	0	0
<u>Other Appropriated Funds</u>			
Air Quality Fund	706,800	1,078,300	878,300
Department Fleet Operations Fund	22,687,000	27,522,700	27,522,700
Highway Damage Recovery Account	6,423,900	7,999,300	7,999,300
Highway User Revenue Fund	779,600	951,500	951,500
Ignition Interlock Device Fund	324,400	365,600	365,600
Motor Vehicle Liability Insurance Enforcement Fund	1,539,100	1,615,600	1,615,600
State Aviation Fund	2,153,900	2,289,300	2,289,300
State Fleet Operations Fund	23,090,700	29,146,900	22,867,800
State Highway Fund	430,778,500	488,489,300	481,554,700
State Vehicle Replacement Fund	13,967,100	11,370,000	7,250,000
Vehicle Inspection and Certificate of Title Enforcement Fund	1,627,200	1,646,400	1,646,400
SUBTOTAL - Other Appropriated Funds	504,078,200	572,474,900	554,941,200
SUBTOTAL - Appropriated Funds	504,628,200	572,474,900	554,941,200
Other Non-Appropriated Funds	29,068,400	23,421,900	23,421,900
Federal Funds	25,349,600	0	0
TOTAL - ALL SOURCES	559,046,200	595,896,800	578,363,100

AGENCY DESCRIPTION - The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

FOOTNOTES

- 1/ Expenditures made by the department of transportation for ADOT fleet vehicle and heavy equipment replacement shall be funded only from the ADOT fleet vehicle and heavy equipment replacement line item. Monies in the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the ADOT fleet vehicle and heavy equipment replacement line item before expenditure. (General Appropriations Act footnote)
- 2/ 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 Appropriations Act footnote)
- 3/ Of the total amount appropriated, \$164,189,300 in fiscal year 2025-2026 for highway maintenance is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to the state highway fund established by section 28-6991, Arizona Revised Statutes, on August 31, 2026. (General Appropriations Act footnote)
- 4/ In accordance with section 35-142.01, Arizona Revised Statutes, 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 section 28-6994, Arizona Revised Statutes. (General Appropriations Act footnote)
- 5/ The amount appropriated to the preventive surface treatments line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to the state highway fund established by section 28-6991, Arizona Revised Statutes, on August 31, 2026. (General Appropriations Act footnote)
- 6/ Of the total amount appropriated, the department of transportation shall pay \$15,981,300 in fiscal year 2025-2026 from all funds to the department of administration for its risk management payment. (General Appropriations Act footnote)
- ~~D/ The department of transportation 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, 2026 for fiscal year 2025-2026. (General Appropriations Act footnote)~~
- 7/ On or before February 1, 2026, the Arizona strategic enterprise technology office shall submit, on behalf of the department of transportation, an annual progress report to the joint legislative budget committee staff. The annual report shall provide updated plans for spending the department-dedicated portion of the authorized third-party electronic service partner's fee retention on the motor vehicle modernization project in fiscal year 2025-2026, 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 Appropriations Act footnote)
- 8/ On or before August 1, 2025, the department of transportation shall report to the director of the joint legislative budget committee the state's share of fees retained by the service Arizona vendor in the prior fiscal year. The report shall include the amount spent by the service Arizona vendor on behalf of this state in the prior fiscal year and a list of the projects funded with those monies. (General Appropriations Act footnote)
- 9/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$254,804,200 and 3,417 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
Air Quality Fund	\$878,300
Highway User Revenue Fund	686,200
Ignition Interlock Device Fund	365,600
Motor Vehicle Liability Insurance Enforcement Fund	1,510,900
State Aviation Fund	2,289,300

State Highway Fund	247,520,700
Vehicle Inspection and Certificate of Title Enforcement Fund	1,553,200

Adjustments are as follows:

Remove One-Time MVD Security System

The Baseline includes a decrease of \$(724,900) from the State Highway Fund in FY 2026 to remove one-time funding to replace the security systems at 9 MVD offices throughout the state. The funding covers the third phase of a 5-phase project intended to replace the security systems at all 42 offices.

Remove One-Time Passenger Rail Service Operating Funding

The Baseline includes a decrease of \$(200,000) from the Air Quality Fund in FY 2026 to remove one-time funding for operating costs associated with a study for a passenger rail service from Phoenix to Tucson.

Technical Budget Shift

The Baseline includes a decrease of \$(230,100) from the State Highway Fund in FY 2026 as a technical budget shift. The FY 2024 budget included salary adjustments for approximately 978 positions within the department. The department requested that the monies allocated between the operating budget, Attorney General Legal Services line item, Authorized Third Parties line item, and Highway Maintenance line items be shifted to better reflect where the positions are funded.

The Baseline also includes a corresponding increase of \$316,700 in the Attorney General Legal Services line item, a decrease of \$(1,800) in the Authorized Third Parties line item, and a decrease of \$(84,800) in the Highway Maintenance line item.

ADOT Fleet Vehicles and Heavy Equipment Maintenance

The Baseline includes \$26,522,700 and 200 FTE Positions from the Department Fleet Operations Fund in FY 2026 for Vehicles and Heavy Equipment Maintenance. These amounts are unchanged from FY 2025.

This line item funds the maintenance and repair of the department's vehicle and equipment fleet.

ADOT Fleet Vehicles and Heavy Equipment Maintenance Contingency

The Baseline includes \$1,000,000 from the Department Fleet Operations Fund in FY 2026 for Vehicles and Heavy Equipment Maintenance Contingency. This amount is unchanged from FY 2025.

This line item funds the contingency related costs of maintaining the department's vehicle and equipment fleet.

ADOT Fleet Vehicle and Heavy Equipment Replacement

The Baseline includes \$22,400,000 from the State Highway Fund in FY 2026 for Vehicle and Heavy Equipment Replacement. This amount is unchanged from FY 2025.

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

Appropriations Act footnote requires vehicle and heavy equipment replacement to be funded only from this line item.

Attorney General Legal Services

The Baseline includes \$3,940,400 from the State Highway Fund in FY 2026 for Attorney General Legal Services. Adjustments are as follows:

Technical Budget Shift

The Baseline includes an increase of \$316,700 from the State Highway Fund in FY 2026 as a technical budget shift. The FY 2024 budget included salary adjustments for approximately 978 positions within the department. The department requested that the monies allocated between the operating budget, Attorney General Legal Services line item, Authorized Third Parties line item, and Highway Maintenance line items be shifted to better reflect where the positions are funded.

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 Baseline includes \$2,262,600 and 20 FTE Positions in FY 2026 for Authorized Third Parties. These amounts consist of:

Highway User Revenue Fund	265,300
Motor Vehicle Liability Insurance Enforcement Fund	104,700
State Highway Fund	1,799,400
Vehicle Inspection and Certificate of Title Enforcement Fund	93,200

Adjustments are as follows:

Technical Budget Shift

The Baseline includes a decrease of \$(1,800) from the State Highway Fund in FY 2026 as a technical budget shift. The FY 2024 budget included salary adjustments for approximately 978 positions within the department. The department requested that the monies allocated between the operating budget, Attorney General Legal Services line item, Authorized Third Parties line item, and Highway Maintenance line items be shifted to better reflect where the positions are funded.

This line item funds the oversight of authorized third-parties (ATPs). The oversight includes 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 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. In FY 2024, ATPs retained \$28,673,000 in fees that otherwise would have been deposited to the Highway User Revenue Fund (HURF) and \$41,343,000 in fees that otherwise would have been deposited to the State Highway Fund (SHF). (Please see Table 6 in the ADOT Capital Outlay section for more detail.)

Construction Management System Replacement

The Baseline includes no funding in FY 2026 for Construction Management System Replacement. Adjustments are as follows:

Remove One-Time Construction Management System Replacement Funding

The Baseline includes a decrease of \$(1,885,000) from the State Highway Fund in FY 2026 to remove one-time funding for construction management system replacement. The funding covered the first phase of a 4-phase project intended to replace the department's construction management IT system.

The IT system is utilized by ADOT for managing the contract process and tracking the delivery of construction projects.

Driver Safety and Livestock Control

The Baseline includes \$800,000 from the State Highway Fund in FY 2026 for Driver Safety and Livestock Control. This amount is unchanged from FY 2025.

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 cattle guard grills across the state. The grills are designed to discourage livestock passage while not impeding road users.

Highway Damage Recovery Account

The Baseline includes \$7,999,300 from the Highway Damage Recovery Account in FY 2026 for the Highway Damage Recovery Account. This amount is unchanged from FY 2025.

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 Baseline includes \$164,189,300 and 932 FTE Positions from the State Highway Fund in FY 2026 for Highway Maintenance. Adjustments are as follows:

Remove One-Time I-17 Flex Lane Maintenance Costs

The Baseline includes a decrease of \$(517,500) from the State Highway Fund in FY 2026 to remove one-time funding for maintenance of new flex lane miles along Interstate 17 from Anthem to Sunset Point.

Remove One-Time South Mountain Loop 202 Maintenance Costs

The Baseline includes a decrease of \$(509,300) from the State Highway Fund in FY 2026 to remove a one-time performance bond payment for maintenance of new lane miles for the South Mountain Loop 202 freeway that was opened in December 2019.

Technical Budget Shift

The Baseline includes a decrease of \$(84,800) from the State Highway Fund in FY 2026 as a technical budget shift. The FY 2024 budget included salary adjustments for approximately 978 positions within the department. The department requested that the monies allocated between the operating budget, Attorney General Legal Services line item, Authorized Third Parties line item, and Highway Maintenance line items be shifted to better reflect where the positions are funded.

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.

Proposition 479 passed in the November 2024 election, which continues the Maricopa County half-cent sales tax for additional landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund. These monies will be in addition to the \$164,274,100 appropriated for Highway Maintenance. The department will update their programmed maintenance funding to reflect Proposition 479 monies in the 2026-2030 5-Year Construction

Program. As of this writing, the plan has not yet been updated.

One-Time Fleet Fuel Inflation Funding

The Baseline includes no funding in FY 2026 for One-Time Fleet Fuel Inflation Funding. Adjustments are as follows:

Remove One-Time FY 2024 Inflation Funding

The Baseline includes a decrease of \$(3,297,900) from the State Highway Fund in FY 2026 to remove one-time funding for inflationary cost increases in fuel.

Preventive Surface Treatments

The Baseline includes \$36,142,000 from the State Highway Fund in FY 2026 for Preventive Surface Treatments. This amount is unchanged from FY 2025.

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 \$15,088,000 in Federal Funds available for treatments.

Radio Lifecycle Replacement

The Baseline includes \$1,656,100 from the State Highway Fund in FY 2026 for Radio Lifecycle Replacement. This amount is unchanged from FY 2025.

The line item provides funding to replace and upgrade the department's radios with tri-band radios capable of communication across both analog and digital systems. The funding will replace about 150 radios of the approximately 2,500 total radios annually.

State Fleet Operations

The Baseline includes \$22,867,800 and 2 FTE Positions from the State Fleet Operations Fund in FY 2026 for State Fleet Operations. Adjustments are as follows:

Remove One-Time FY 2025 State Fleet Maintenance Adjustment

The Baseline includes a decrease of \$(6,273,900) from the State Fleet Operations Fund in FY 2026 to remove one-time funding for state fleet maintenance costs. The department received increased appropriation authority to expend the increased maintenance charges to agencies

within the state fleet. The department performs regular operational and maintenance functions on all vehicles in the state fleet such as repairs, insurance costs, GPS costs, and fuel services.

Remove One-Time State Fleet Maintenance Personnel Costs

The Baseline includes a decrease of \$(5,200) from the State Fleet Operations Fund in FY 2026 to remove one-time costs associated with new positions to assist with the maintenance of the state fleet.

The line item funds the provision and oversight of daily and long-term vehicle rentals to state agencies that do not operate their own vehicle fleets. *(For more detail on state fleet operations please see State Motor Vehicle Fleet Transfer in the Other Issues section of the FY 2022 Appropriations Report.)*

State Fleet Vehicle Replacement

The Baseline includes \$7,250,000 from the State Vehicle Replacement Fund in FY 2026 for State Fleet Vehicle Replacement. Adjustments are as follows:

Remove One-Time State Fleet Vehicle Replacement Adjustment

The Baseline includes a decrease of \$(4,120,000) from the State Vehicle Replacement Fund in FY 2026 to remove one-time funding for state fleet vehicle replacement costs. This amount reflects what the department received in FY 2024 to replace 206 vehicles within the state fleet. Although ADOT had already received the funding from agencies for these new vehicle purchases and deposited those monies into the State Vehicle Replacement Fund, ADOT had yet to purchase all the new vehicles due to supply chain issues. The department needed an increase in appropriation authority to purchase new vehicle additions funded from the prior year budget.

The line item funds the replacement of daily and long-term vehicle rentals to state agencies that do not operate their own vehicle fleets along with the purchase of newly-authorized vehicles.

Statewide Litter Removal

The Baseline includes \$3,106,800 from the State Highway Fund in FY 2026 for Statewide Litter Removal. This amount is unchanged from FY 2025.

The line item funds a monthly litter removal service on select interstate highways and routes outside of Maricopa County that currently do not receive regular litter removal services. Maricopa County currently has a dedicated

funding stream of revenue from the half-cent sales tax for litter removal services.

Other Issues

Statutory Changes

The Baseline would, as permanent law, require the department to submit an annual report on or before July 31 of each year to the Joint Legislative Budget Committee on the progress in improving Motor Vehicle Division wait times and vehicle registration renewal by mail turnaround times for the prior fiscal year in a format similar to prior years. This language replaces an ongoing annual footnote.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Abandoned Vehicle Administration Fund (DTA2150/A.R.S. § 28-4804)		Non-Appropriated
Source of Revenue: Abandoned vehicle fees, of which the amounts are determined by the ADOT Director. Currently, for vehicles on private or local land, the owner pays a fee of \$500 and for vehicles abandoned on state or federal land, the owner pays a fee of \$600.		
Purpose of Fund: The fund partially reimburses towing companies for abandoned vehicle removal. Chapter 249 modified the reimbursement to the towing company from a flat \$100 for fees from vehicles abandoned on state or federal land to a 20% reimbursement regardless of location. After that disbursement, to statutorily distribute remaining fee revenues to the State Highway Fund and General Fund, with a 90/10 split, respectively, for fees from vehicles abandoned on private or local land and a 60/40 split for fees from vehicles abandoned on state or federal land.		
Funds Expended	1,005,000	1,000,000
Year-End Fund Balance	271,300	382,700
Air Quality Fund (DTA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: An annual \$1.50 air quality fee collected for each vehicle at the time of registration.		
Purpose of Fund: Implementation of programs that reduce emissions and improve air quality.		
Funds Expended	706,800	1,078,300
Year-End Fund Balance	528,200	527,600
Arizona Highways Magazine Fund (DTA2031/A.R.S. § 28-7315)		Non-Appropriated
Source of Revenue: Sales of subscriptions, maps, pamphlets, and other materials, Arizona Highways special plate donations, and interest earnings. The fund can also consist of monies appropriated by the Legislature from the State Highway Fund, not to exceed \$500,000 annually. There are no current appropriations.		
Purpose of Fund: For production and sales of subscriptions, maps, pamphlets, etc. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General Fund or State Highway Fund and expenditures are exempt from statutory allotment provisions.		
Funds Expended	5,456,900	6,230,300
Year-End Fund Balance	3,347,500	2,261,200
Cash Deposits Fund (DTA2266/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Deposits from individuals either bidding at auction on department property or renting department property.		
Purpose of Fund: To hold deposits from individuals bidding on excess land and property for sale at auction, which are either applied against their purchase price or are returned to the individual if their bid is unsuccessful. Also, to hold deposits from individuals who rent department property. Their money is either refunded at the end of their tenancy or is used to offset repairs, if needed.		
Funds Expended	0	0
Year-End Fund Balance	2,006,300	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Commercial Vehicle Fleet License Plate Fund (DTA9999/A.R.S. § 28-2209)		Non-Appropriated
Source of Revenue: Fees paid by commercial fleets who apply for the commercial vehicle fleet license plate.		
Purpose of Fund: To implement the commercial vehicle fleet license plate program. Implementation costs include design and issuance of customized commercial vehicle license plates.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Coronavirus State and Local Fiscal Recovery Fund (DTA2985/U.S. P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	4,400,300	0
Year-End Fund Balance	7,856,900	0
Department Fleet Operations Fund (DTA2071/A.R.S. § 28-7006)		Appropriated
Source of Revenue: Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance).		
Purpose of Fund: For maintenance, service or repair of equipment and consumable material including administrative expenses.		
Funds Expended	22,687,000	27,522,700
Year-End Fund Balance	6,712,300	6,200,800
Economic Strength Project Fund (DTA2244/A.R.S. § 28-7282)		Non-Appropriated
Source of Revenue: The fund receives \$1,000,000 each June 15 from the Highway User Revenue Fund and interest from investment of inactive balances.		
Purpose of Fund: For "economic strength" highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board. These are projects that will retain or increase a significant number of jobs, lead to significant capital investment, or make a significant contribution to the economy of this state or within a local authority. Monies remaining in the Economic Strength Project Fund at the end of a fiscal year do not revert to the General Fund. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	0	0
Year-End Fund Balance	2,769,400	2,894,400
Federal Grants (DTA2097/A.R.S. § 28-363)		Federal Funds
Source of Revenue: Federal grants not part of the federal highway aid program.		
Purpose of Fund: For federal programs not part of the federal aid highway program including assistance to elderly and handicapped; rural public transit; technical studies; rail planning and rehabilitation; other planning; highway statistical reporting; fatal accident reporting; safety; commercial driver's license; library updates; and fuel tax evasion. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	20,949,300	0
Year-End Fund Balance	4,698,000	4,698,000
Highway Damage Recovery Account (DTA2044/A.R.S. § 28-6994)		Appropriated
Source of Revenue: Reimbursements for highway damage repair expenses paid by liable third parties.		
Purpose of Fund: For maintenance of state highways.		
Funds Expended	6,423,900	7,999,300
Year-End Fund Balance	367,800	(1,500)

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Highway Expansion and Extension Loan Program Fund (DTA2417/A.R.S. § 28-7674)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; monies received from the federal government, state agencies, political subdivisions and Indian tribes; interest; and public or private gifts, grants or donations.		
Purpose of Fund: To create a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects. The fund makes loans to ADOT, cities, and other entities to accelerate highway construction projects. The loans are repaid from future programmed funds for those projects. The fund may be used to pay costs to administer the fund and shall pay costs of an annual financial audit of the fund. In the past, the fund has been used for local highway construction.		
Funds Expended	0	0
Year-End Fund Balance	100	100
Highway User Revenue Fund (DTA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, interest earnings, and others.		
Purpose of Fund: For various highway related purposes in the state, including distributions to the State Highway Fund which is the primary source for the department's operating budget and to political subdivisions for highway purposes. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	779,600	951,500
Year-End Fund Balance	132,768,600	133,983,300
IGA and ISA Fund (DTA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements. Primarily for ISA with DEQ for administration of Underground Storage Tank funds but also for its equipment services interagency agreements.		
Funds Expended	3,157,000	333,200
Year-End Fund Balance	4,283,300	4,283,300
Ignition Interlock Device Fund (DTA2208/A.R.S. § 28-1469)		Appropriated
Source of Revenue: An ignition interlock installation fee charged by service providers and then remitted to ADOT.		
Purpose of Fund: To administer ADOT's Ignition Interlock Device program, including establishing compliance measures, audits and investigating complaints related to devices and providers.		
Funds Expended	324,400	365,600
Year-End Fund Balance	113,700	95,300
Local Agency Deposits Fund (DTA3701/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Monies received from local jurisdictions.		
Purpose of Fund: To pay for locally sponsored secondary road construction projects. Any money left after the project is closed out is returned to the local entity. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	0	0
Year-End Fund Balance	26,688,500	24,377,600
Maricopa Regional Area Road Fund (DTA2029/A.R.S. § 28-6302)		Non-Appropriated
Source of Revenue: The fund consists of all transportation excise taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 that are designated for deposit in the Regional Area Road Fund in Maricopa County, plus proceeds from the sale of bonds, rents, and interest earnings.		
Purpose of Fund: For bond related expenses and for the design, purchase of right-of-way or construction of controlled access highways which are included in the county's regional transportation plan and accepted into the state highway system. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	12,996,400	15,845,400
Year-End Fund Balance	930,616,800	769,184,900

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Motor Carrier Safety Revolving Fund (DTA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material; and monies received from private grants or donations.		
Purpose of Fund: To carry out the provisions of A.R.S. Title 28, Chapter 14 (motor carrier safety). DPS conducts investigations, the Motor Vehicle Division administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Motor Vehicle Dealer Enforcement Fund (DTA2609/A.R.S. § 28-4504)		Appropriated
Source of Revenue: Civil penalties between \$1,000 and \$3,000 for licensed and unlicensed motor vehicle dealer violations. Any unexpended and unencumbered monies in the fund over \$250,000 are deposited to the State Highway Fund.		
Purpose of Fund: Established by Laws 2018, Chapter 308, the fund is used to enforce the provisions of A.R.S. Title 28, Chapter 10 (vehicle dealers, automotive recyclers and transporters).		
Funds Expended	0	0
Year-End Fund Balance	0	82,000
Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: To enforce mandatory motor vehicle liability insurance laws.		
Funds Expended	1,539,100	1,615,600
Year-End Fund Balance	8,111,200	12,257,600
Rental Tax and Bond Deposit Fund (DTA3737/A.R.S. § 28-371)		Non-Appropriated
Source of Revenue: Cash deposits from motor carrier and use fuel taxpayers, and portions of rent that the department collects.		
Purpose of Fund: To hold cash deposits from motor carrier and use fuel taxpayers who choose to make cash deposits instead of providing surety bonds to guarantee their fee payments. Any money remaining in a taxpayer's account would be returned to the taxpayer. To hold the county property tax portion of rent on department properties, which is forwarded to the appropriate county tax office. Also, to hold the privilege tax portion of rent on the department's commercial properties, which is forwarded to the Department of Revenue.		
Funds Expended	(200)	0
Year-End Fund Balance	617,400	0
Shared Location and Advertising Agreements Expense Fund (DTA2414/A.R.S. § 28-409)		Non-Appropriated
Source of Revenue: The fund consists of monies received from agreements with public and private entities for services located in department offices or to advertise those entities' goods and services.		
Purpose of Fund: To partially offset the department's cost of providing a location or advertising. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Aviation Fund (DTA2005/A.R.S. § 28-8202)		Appropriated
Source of Revenue: Flight property tax, aircraft registration fees, license taxes, fuel taxes, the sale of abandoned aircraft, receipts from airports operated by the department, and interest earnings.		
Purpose of Fund: For the administration of aviation laws, the operation and maintenance of state-owned airports, and capital projects at publicly-owned and operated airports of political subdivisions, which includes Indian reservations. Figures exclude expenditures for capital aviation construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	2,153,900	2,289,300
Year-End Fund Balance	74,671,000	29,872,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
State Fleet Operations Fund (DTA9998/A.R.S § 28-475)		Appropriated
Source of Revenue: Fees received from agencies within the ADOT state fleet and from legislative appropriations.		
Purpose of Fund: To operate the ADOT state fleet.		
Funds Expended	23,090,700	29,146,900
Year-End Fund Balance	4,417,300	(417,200)
State Highway Fund (DTA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies distributed from the Highway User Revenue Fund, certain vehicle fees which are deposited directly to the State Highway Fund, interest earnings, appropriations by the Legislature, donations, fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: For the department's operating budget, the acquisition of right-of-way, construction and maintenance of state highways and roads, and other highway related projects. Also, to enforce vehicle safety requirements by DPS and ADOT. The expended funds only reflect operating expenses. (Please see the Highway User Revenue Fund Distribution chart in the ADOT Capital section for non-operating expenditures.)		
Funds Expended	430,778,500	488,489,300
Year-End Fund Balance	1,750,738,200	1,600,617,300
State Match Advantage for Rural Transportation Fund (DTA9901/A.R.S. § 28-339)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and donations.		
Purpose of Fund: To reimburse up to 50% of local government costs associated with developing and submitting an application for a federal grant, as a match for a federal grant, and to reimburse design and other engineering services that meet federal standards for projects eligible for a federal grant. Monies from the fund shall be allocated for specific projects. ADOT may use up to 5% of monies in the fund for administrative costs. Expenditures from the fund deposits are not included to avoid double counting General Fund expenditures.		
Funds Expended	71,900	0
Year-End Fund Balance	66,453,700	58,210,800
State Vehicle Replacement Fund (DTA9997/A.R.S. § 28-476)		Appropriated
Source of Revenue: Fees received from agencies within the ADOT state fleet, proceeds from the sale of surplus motor vehicles, and from legislative appropriations.		
Purpose of Fund: To replace vehicles within the ADOT state fleet.		
Funds Expended	13,967,100	11,370,000
Year-End Fund Balance	12,637,800	7,591,300
Statewide Employee Recognition Gifts/Donations Fund (DTA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	1,200	13,000
Year-End Fund Balance	23,500	15,500
Statewide Special Plates Fund (DTA2650/A.R.S. § 35-131)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the special plate fees, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue special plates. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a statutorily designated entity.		
Funds Expended	6,380,200	0
Year-End Fund Balance	3,025,700	3,521,400

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Vehicle Inspection and Certificate of Title Enforcement Fund (DTA2272/A.R.S. § 28-2012)		Appropriated
Source of Revenue: Fees of \$20 and \$50 for performing more detailed level 2 and level 3 inspections of vehicle identification numbers, before issuing restored salvage titles on repaired salvage and similar vehicles.		
Purpose of Fund: To defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement and other enforcement related issues. A portion of the revenues are transferred to DPS for investigations concerning automobile theft.		
Funds Expended	1,627,200	1,646,400
Year-End Fund Balance	2,413,500	3,051,900

State Treasurer

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	38.4	38.4	38.4
Personal Services	2,895,300	2,941,000	2,941,000
Employee Related Expenditures	986,300	1,088,200	1,088,200
Professional and Outside Services	147,800	174,000	174,000
Travel - In State	5,700	6,200	6,200
Travel - Out of State	10,100	10,600	10,600
Other Operating Expenditures	386,600	406,600	406,600
Equipment	48,100	50,500	50,500
OPERATING SUBTOTAL	4,479,900	4,677,100	4,677,100
SPECIAL LINE ITEMS			
County Recorder Voter Registration Accuracy Review	3,000,000	0	0
Secure Ballot Paper	0	6,000,000	0
Justice of the Peace Salaries	2,455,500	2,318,200	2,589,600
Law Enforcement/Boating Safety Fund Grants	0 ^{1/}	2,183,800	2,183,800
Special Sporting Event	1,500,000	1,500,000	1,500,000 ^{2/}
Section 116 Local Distributions ^{3/}			
Chandler Police Department Support	2,000,000	0	0
City Police Department Pepper Ball Pilot Program	750,000	0	0
Copper Canyon Fire and Medical District	750,000	0	0
County Property Owner Notification Systems	63,100	0	0
County Sheriffs Search and Rescue Equipment	2,437,500	0	0
Flagstaff Post-Fire Mitigation	8,987,000	0	0
Glassford Dells Regional Park Development	3,500,000	0	0
Glendale Veterans Community Project	3,214,500 ^{4/}	0	0
Hayden and Wickenburg Police Departments	3,000,000	0	0
Kearny Public Building Remediation	500,000	0	0
La Paz County Public Safety	860,000	0	0
Mohave County Sheriff Substations	9,000,000	0	0
Mohave County Sheriff Vehicles	500,000	0	0
Peoria Police Department Helicopter	3,500,000	0	0
Peoria Police Department Mobile Command Center	1,500,000	0	0
Snowflake Sewer Lift Station	750,000	0	0
State Route 30 Utility Relocation	10,050,000	0	0
Vernon Fire District	1,000,000	0	0
Wickenburg Fire Station	1,400,000	0	0
Section 117 Firearm Training Simulators ^{3/}			
Firearm Training Simulators	1,368,000	0	0
Section 118 Nonprofit Organization Distributions ^{3/}			
International Dark Sky Discovery Center	10,000,000	0	0
Nonprofit Volunteer Rodeo Organization	0 ^{5/}	0	0
Northern Arizona Observatory	5,600,000	0	0
Section 127 Peace Officer Training Equipment Fund Distributions ^{6/}			
Pinal County Record Management System	0	600,000	0
Pepperball and Pepperball Weapons	0	1,441,200	0
Maricopa County Attorney Office Simulator	0	312,000	0
Yavapai County Sheriff Office Simulations	0	600,000	0
AGENCY TOTAL	82,165,500	19,632,300	10,950,500 ^{7/8/}

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
FUND SOURCES			
General Fund	76,660,200	10,160,700	4,432,100
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	0	2,183,800	2,183,800
Peace Officer Training Equipment Fund	1,368,000	2,953,200	0
State Treasurer's Operating Fund	4,137,300	4,334,600	4,334,600
SUBTOTAL - Other Appropriated Funds	5,505,300	9,471,600	6,518,400
SUBTOTAL - Appropriated Funds	82,165,500	19,632,300	10,950,500
Other Non-Appropriated Funds	19,832,900	19,136,500	19,136,500
TOTAL - ALL SOURCES	101,998,100	38,768,800	30,087,000

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/ The Treasurer reported no expenditures from this line item in FY 2024, which is consistent with the Annual Financial Report published by the Arizona Department of Administration. However, separate reports from the Treasurer's office indicate that \$1,723,500 was disbursed from this line item in FY 2024.
- 2/ A.R.S. § 41-2308 annually appropriates \$1,500,000 from the General Fund for Special Sporting Event Promotion. Because this appropriation is in permanent statute, it is not included in the General Appropriations Act.
- 3/ This section number is from the FY 2024 General Appropriations Act.
- 4/ The FY 2024 budget appropriated \$3,214,500 for this line item. The FY 2025 budget subsequently ex-appropriated \$800,000 as a reduction to the original FY 2024 appropriation, but this reduction was not reflected in final FY 2024 expenditures.
- 5/ The FY 2024 budget appropriated \$15,300,000 for this purpose. There is pending litigation of the validity of this appropriation. An FY 2025 General Appropriations Act footnote made this appropriation non-lapsing. This footnote also states that if the court rules that the monies may not be distributed, and that judgement becomes final, the monies shall revert to the General Fund within 60 days.
- 6/ This section number is from the FY 2025 General Appropriations Act.
- 7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ On or before June 30, 2026, 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 sections 35-315 and 35-318, Arizona Revised Statutes, for the state treasurer's banking service contract, external investment management agreement, administrative and information technology costs and any other costs. (General Appropriations Act footnote).

Operating Budget

The Baseline includes \$4,677,100 and 38.4 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$342,500
State Treasurer's Operating Fund	4,334,600

These amounts are unchanged from FY 2025.

Secure Ballot Paper

The Baseline includes no funding in FY 2026 for Secure Ballot Paper. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(6,000,000) from the General Fund in FY 2026 to remove one-time funding for a distribution to county recorders for the purchase of secure ballot paper.

Laws 2022, Chapter 313, Section 130 appropriated \$5,000,000 from the General Fund in FY 2024 and \$6,000,000 from the General Fund in FY 2025 to the Treasurer to distribute these monies on a proportional basis to county recorders that purchase ballot paper that uses specific security features, including watermarks or unique ballot identifiers, or both. As of June 30, 2024, none of the \$5,000,000 FY 2024 allocation had been spent. Monies in this line item are exempt from lapsing.

Since this funding was appropriated in the FY 2023 General Appropriations Act, it does not appear in the FY 2024 General Appropriations Act.

Justice of the Peace Salaries

The Baseline includes \$2,589,600 from the General Fund in FY 2026 for Justice of the Peace (JP) salaries. Adjustments are as follows:

Statutory Funding Requirement

The Baseline includes an increase of \$271,400 from the General Fund in FY 2026 to align the appropriation to the anticipated funding need.

A.R.S. § 22-117 requires the state to pay 40% 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 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.

The FY 2025 General Appropriations Act increased Superior Court judge's salaries from \$180,000 to \$190,000 on January 1, 2025 and to \$200,000 on January 1, 2026. The budget, however, did not adjust the appropriation for Justice of the Peace salaries proportionally, resulting in a projected FY 2025 shortfall. The Baseline includes a supplemental appropriation of \$138,600 to address this shortfall in FY 2025. As noted above, the Baseline also includes an increase of \$271,400 in FY 2026 to annualize that amount and account for the January 1, 2026 increase.

Law Enforcement/Boating Safety Fund Grants

The Baseline includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2026 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2025.

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 2024 and year-to-date FY 2025 allocations are included in *Table 1*.

Table 1

Allocation of LEBSF Grants

County	FY 2024	FY 2025 Thru Sep 30 th
Apache	\$ 23,600	\$ 10,000
Coconino	244,900	103,600
Gila	171,500	72,500
La Paz	281,100	118,900
Maricopa	225,600	95,400
Mohave	551,000	233,000
Navajo	11,400	4,800
Yuma	214,400	90,700
Total ^{1/}	\$1,723,500	\$728,900

^{1/} Amounts may not add to total due to rounding

Special Sporting Event

The Baseline includes \$1,500,000 from the General Fund in FY 2026 for Special Sporting Event funding. This amount is unchanged from FY 2025.

Monies in this line item are used to promote an auto racing sporting event. The Office of Tourism is required 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. Because this authorization is in permanent statute, the appropriation amount is not included in the General Appropriations Act.

A.R.S. § 41-2308 requires the Treasurer to send \$125,000 each month (for an annual total of \$1,500,000) to the Office of Tourism through FY 2051 for special sporting event promotions. *(For more background, see the FY 2023 Appropriations Report.)*

Section 127 Peace Officer Training Equipment Fund Distributions

Section 127 of the FY 2025 General Appropriations Act includes the following distributions by the Treasurer:

Pinal County Record Management System

The Baseline includes no funding in FY 2026 for the Pinal County Record Management System. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(600,000) from the Peace Officer Training Equipment Fund in FY 2026 to remove funding for a one-time distribution to the Pinal County Sheriffs' Office for a pilot program to connect the records management systems and computer aided dispatch system. *(Item 1 of Section 127)*

Pepperball and Pepperball Weapons

The Baseline includes no funding in FY 2026 for pepperball and pepperball weapons. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(1,441,200) from the Peace Officer Training Equipment Fund in FY 2026 to remove funding for a one-time distribution to 15 public safety organizations for pepperball and pepperball weapons.

The FY 2025 budget distributed the \$1,441,200 appropriation as follows *(Item 2 of Section 127)*:

Cochise County Sheriff's Office	\$ 56,600
Santa Cruz County Sheriff's Office	83,900
Pinal County Sheriff's Office	191,500
Scottsdale Police Department	122,200
Downtown District	
Nogales Police Department	122,800
Peoria Police Department	51,000
Tempe Police Department	225,000
Payson Police Department	37,800
San Luis Police Department	38,600
Navajo County Sheriff's Office	59,000
Phoenix Office of Police Chief	213,900
Apache Junction Police Department	64,200
Tombstone Marshall's Office	33,500
Goodyear Police Department	74,900
Queen Creek Police Department	<u>76,300</u>
Total	\$1,441,200

Maricopa County Attorney Office Training Simulator

The Baseline includes no funding in FY 2026 for the Maricopa County Attorney's Office Training Simulator. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(312,000) from the Peace Officer Training Equipment Fund in FY 2026 to remove funding for a one-time distribution to the Maricopa County Attorney's Office for a 180-degree simulator for training de-escalation and crime re-creation *(Item 3 of Section 127)*.

Yavapai County Sheriff Office Simulations

The Baseline includes no funding in FY 2026 for the Yavapai County Sheriff Office Simulations. Adjustments are as follows:

Remove One-Time Distribution

The Baseline includes a decrease of \$(600,000) from the Peace Officer Training Equipment Fund in FY 2026 to remove funding for a one-time distribution to the Yavapai County Sheriff's Office to create simulations for law enforcement.

The Sheriff's Office is to make the simulations available free of charge to other law enforcement agencies that have received law enforcement training simulators from the state *(Item 4 of Section 127)*.

Other Issues

FY 2025 Supplemental

The Baseline includes an FY 2025 supplemental appropriation of \$138,600 from the General Fund to address a shortfall in the Justice of the Peace Salaries line item appropriation. *(Please see the Justice of the Peace Salaries line item for more information)*.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Health Innovation Trust Fund (TRA3324/A.R.S. § 41-177)		Non-Appropriated
Source of Revenue: Monies appropriated by the legislature, earnings from the fund and gifts or grants donated or given to the fund.		
Purpose of Fund: To invest and divest, as provided by A.R.S. § 35-313 and 35-314.03, any trust fund monies deposited in the State Treasury. The State Treasurer shall annually allocate 4% of the monies in the trust fund to an entity that satisfies statutory requirements. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
AZ529, Arizona's Education Savings Plan Trust Fund (TRA3122/A.R.S. § 15-1873B)		Non-Appropriated
Source of Revenue: Fees paid by financial institutions which are contracted to serve as program managers of assets.		
Purpose of Fund: For operating expenses and administrative costs of the Arizona Family College Savings Program. This program enables parents to save for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). Laws 2021, Chapter 188 changed this fund's name from Family College Savings Program Trust Fund to AZ529, Arizona's Education Savings Plan.		
Funds Expended	986,500	1,101,500
Year-End Fund Balance	1,227,700	1,076,200
Criminal Justice Enhancement Fund (TRA3702/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: The fund receives 15.06% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For distribution to counties for the training of detention officers and county jail operational enhancement.		
Funds Expended	3,543,000	3,543,000
Year-End Fund Balance	0	0
Justice Reinvestment Fund (TRA1121/A.R.S. § 36-2863)		Non-Appropriated
Source of Revenue: The fund receives 10% of revenues from the Smart and Safe Arizona Fund (see below) after state agencies pay administrative costs for implementing the provisions of Proposition 207, which legalized the adult use of recreational marijuana.		
Purpose of Fund: To pay administrative costs incurred by the State Treasurer and Arizona Department of Health Services (DHS). After administrative costs are paid, the remaining funds are distributed 35% to county public health departments, 35% to DHS for justice reinvestment program grants, and 30% to DHS for addressing public health issues. These distributions are not included in the expenditures displayed below.		
Funds Expended	1,094,900	1,200,000
Year-End Fund Balance	0	0
Law Enforcement and Boating Safety Fund (TRA2111/A.R.S. § 5-383)		Appropriated
Source of Revenue: A portion of watercraft licensing taxes and fines for operating motorized watercraft while under the influence.		
Purpose of Fund: To provide grants to county law enforcement agencies for water and boating safety programs. The Treasurer distributes grants based on a formula determined by the Arizona Game and Fish Commission.		
Funds Expended	0	2,183,800
Year-End Fund Balance	0	0
Peace Officer Training Equipment Fund (TRA8888/A.R.S. § 41-1731)		Appropriated
Source of Revenue: The fund consists of a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.		
Purpose of Fund: The fund distributes monies to the Department of Public Safety and the Supreme Court. The State Treasurer administers the fund. (Please see the Department of Public Safety and Judiciary - Supreme Court Summary of Funds sections for more information.)		
Funds Expended	1,368,000	2,953,200
Year-End Fund Balance	1,280,200	1,028,100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Public Deposit Administration Fund (TRA2574/A.R.S. § 35-1212)		Non-Appropriated
Source of Revenue: Pro Rata fees assessed to participants in the Statewide Collateral Pool and interest.		
Purpose of Fund: Funds the administration of the Statewide Collateral Pool. The Statewide Collateral Pool serves as a centralized fund for collateral that banks hold against public deposits in the event of a default.		
Funds Expended	40,700	43,000
Year-End Fund Balance	764,700	936,700
Smart and Safe Arizona Fund (TRA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General. These distributions are not included in the expenditures displayed below.		
Funds Expended	14,167,700	13,248,000
Year-End Fund Balance	15,997,700	1,408,900
State Treasurer Empowerment Scholarship Account Fund (TRA2571/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Pursuant to Laws 2020, Chapter 12, the fund's revenues consist of legislative appropriations. Prior to Chapter 12, monies were transferred from Basic State Aid.		
Purpose of Fund: Monies in the fund are used by the State Treasurer for the agency's costs of administering the Empowerment Scholarship Accounts program authorized by A.R.S. § 15-2402. However, with the enactment of Chapter 12, the Treasurer's Empowerment Scholarship Account administration costs are currently funded through a direct General Fund appropriation. The Arizona Department of Education (ADE) also transfers monies to the State Treasurer each quarter for funding Empowerment Scholarship Accounts for individual students. Those ADE monies are not displayed to avoid double counting of the General Fund (also see "Department of Education Empowerment Scholarship Account Fund" in the Summary of Funds for ADE).		
Funds Expended	0	0
Year-End Fund Balance	327,800	327,800
State Treasurer's Financial Literacy Fund (TRA2725/A.R.S. § 41-175)		Non-Appropriated
Source of Revenue: Legislative appropriations and contributions from any public or private source.		
Purpose of Fund: To be used by the State Treasurer to promote financial literacy in this state.		
Funds Expended	100	1,000
Year-End Fund Balance	5,100	9,100
State Treasurer's Operating Fund (TRA3795/A.R.S. § 35-316)		Appropriated
Source of Revenue: A portion of management fee collections not to exceed 0.06% from the earnings on investment pools other than permanent endowment funds. In addition, the fund receives a portion of management fees paid by the General Fund, state agencies, cities, towns, tribal governments, counties and political subdivisions of the state (which used to be deposited into the Treasurer's Management Fund).		
Purpose of Fund: To provide funding for the operating expenses of the agency.		
Funds Expended	4,137,300	4,334,600
Year-End Fund Balance	750,600	750,600

Governor's Office on Tribal Relations

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	39,900	35,000	35,000
Employee Related Expenditures	14,100	15,800	15,800
Professional and Outside Services	700	0	0
Travel - In State	2,700	500	500
Other Operating Expenditures	11,400	13,800	13,800
Equipment	0	2,000	2,000
AGENCY TOTAL	68,800	67,100	67,100^{1/}
FUND SOURCES			
General Fund	68,800	67,100	67,100
SUBTOTAL - Appropriated Funds	68,800	67,100	67,100
TOTAL - ALL SOURCES	68,800	67,100	67,100

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$67,100 and 3 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Indian Town Hall Fund (IAA4014/A.R.S. § 41-545)		Non-Appropriated
Source of Revenue: Monies collected or received at Indian town halls as fees for administration.		
Purpose of Fund: To defray administrative costs related to Indian town halls.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Statewide Donations Fund (IAA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from booth space at Indian Nations and Tribes Legislative Day. Additional funds are obtained from outside sources such as the 22 tribes and nations of Arizona, as well as private corporations.		
Purpose of Fund: To pay for expenses incurred for Indian Nations and Tribes Legislative Day. The Governor's Office of Tribal Relations is required by statute to facilitate this day on the first Wednesday of each regular legislative session.		
Funds Expended	0	0
Year-End Fund Balance	13,000	4,500

Arizona Board of Regents

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	30.9	30.9	30.9
Personal Services	1,308,200	1,456,700	1,456,700
Employee Related Expenditures	326,900	489,500	489,500
Professional and Outside Services	258,800	0	0
Other Operating Expenditures	1,269,800	1,138,300	1,138,300
Equipment	1,900	0	0
OPERATING SUBTOTAL	3,165,600	3,084,500	3,084,500
SPECIAL LINE ITEMS			
Adaptive Athletics	160,000	160,000	160,000 ^{1/}
Leveraging Education Assistance Partnership Program	1,220,800	1,220,800	1,220,800 ^{2/}
Museum of Democracy Presidential Project	2,000,000	0	0
Primary Care Residency Programs	5,000,000	0	0
Arizona Promise Program	40,000,000	20,000,000	20,000,000 ^{3/}
Spouses and Dependents of Law Enforcement Officers	2,000,000	0	0
Tuition Scholarship Fund Deposit			
Spouses of Military Veterans Tuition Scholarships	10,000,000	10,000,000	10,000,000 ^{4/}
Arizona Teachers Academy	30,000,000	16,000,000	15,000,000
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Teacher Student Loan Program	426,000	426,000	426,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Washington D.C. Internships	300,000	300,000	300,000 ^{5/}
Western Interstate Commission Office	153,000	153,000	153,000
WICHE Student Subsidies	4,078,000	4,078,000	4,078,000
AGENCY TOTAL	98,807,100	55,726,000	54,726,000 ^{6/7/}
FUND SOURCES			
General Fund	98,807,100	55,726,000	54,726,000
SUBTOTAL - Appropriated Funds	98,807,100	55,726,000	54,726,000
Other Non-Appropriated Funds	32,335,700	35,244,100	35,244,100
Federal Funds	2,957,200	275,000	275,000
TOTAL - ALL SOURCES	134,100,000	91,245,100	90,245,100

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 the 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 Appropriations Act footnote)
- ^{2/} In order to be eligible to receive state matching monies under the leveraging educational assistance partnership program 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 this state to the institution for the leveraging educational

assistance partnership program. Administrative expenses incurred by the Arizona board of regents shall be paid from institutional matching monies and may not exceed twelve percent of the monies appropriated in fiscal year 2025-2026. (General Appropriations Act footnote)

- 3/ On or before October 1, 2026, the Arizona board of regents shall submit a report to the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting on the Arizona promise program that includes all of the following for fiscal year 2025-2026:
 1. The total number of students receiving promise scholarships by each eligible postsecondary institution.
 2. The total number of students enrolled at each eligible postsecondary institution that are eligible to receive federal pell grants.
 3. A list of the programs of study in which promise scholarship recipients are enrolled, including the number of recipients enrolled in each program.
 4. The average promise scholarship award amount for each eligible postsecondary institution.
 5. A geographic representation of promise scholarship recipients based on the high school attended.
 6. The average grade point average of promise scholarships recipients by each eligible postsecondary institution.(General Appropriations Act footnote)
- 4/ On or before October 1, 2026, the Arizona board of regents shall submit a report to the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting on spouses of military veterans tuition scholarships that includes all of the following for fiscal year 2025-2026:
 1. The amount distributed to each eligible postsecondary institution.
 2. The total number of award recipients by each eligible postsecondary institution.
 3. The average award amount for each eligible postsecondary institution. (General Appropriations Act footnote)
- 5/ The Arizona board of regents shall distribute monies appropriated for Washington, D.C. internships for program fees and housing costs in equal amounts to each of the three universities under the jurisdiction of the board for the purpose of providing student internships and short-term programs in Washington, D.C. in partnership with a third-party organization. Short-term programs include one-week seminars and learning opportunities shorter than one academic semester. The third-party organization must meet the following requirements:
 1. Have partnerships with Washington, D.C.-based organizations to provide full-time, semester-long student internships and short-term programs.
 2. Have the ability to place as many students in internships and short-term programs as needed by the universities.
 3. Have experience placing students in internships for at least ten consecutive years.
 4. Have dedicated staff to ensure that student interns have access to internships in their areas of interest. (General Appropriations Act footnote)
- 6/ Within ten 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 Appropriations Act footnote)
- 7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$3,084,500 and 30.9 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Adaptive Athletics

The Baseline includes \$160,000 from the General Fund in FY 2026 for Adaptive Athletics. This amount is unchanged from FY 2025.

ABOR is required to distribute monies in this line item to the 3 state universities for intercollegiate adaptive athletics programs for students with physical challenges. These programs 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. ABOR distributes monies in this line item to the University of Arizona.

Leveraging Education Assistance Partnership Program

The Baseline includes \$1,220,800 from the General Fund in FY 2026 for the Leveraging Education Assistance Partnership (LEAP) Program. This amount is unchanged from FY 2025.

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).

Arizona Promise Program

The Baseline includes \$20,000,000 from the General Fund in FY 2026 for the Arizona Promise Program. These amounts are unchanged from FY 2025.

The Arizona Promise Program provides financial assistance to full-time university students who qualify for in-state tuition, graduated from an Arizona high school with a minimum 2.5 cumulative grade point average, and meet the eligibility requirements for federal Pell Grants. Pell awards are determined based on the expected family contribution and the cost of attendance. The maximum Pell award for the 2024-2025 academic year is \$7,395.

Monies for the program are deposited to the Arizona Promise Program Fund and up to 3% of the monies can be used to pay for marketing and administration expenses. If the appropriation is insufficient to cover the costs of students who qualify for Promise scholarships, the universities are required to guarantee the award.

In FY 2024, this program served 9,200 students, and the average award amount was \$4,096.

The FY 2025 Higher Education BRB established an Arizona Community Colleges Promise Program Fund, administered by the Arizona Board of Regents. No monies were appropriated to the fund in FY 2025.

Spouses of Military Veterans Tuition Scholarships

The Baseline includes \$10,000,000 from the General Fund in FY 2026 for Spouses of Military Veterans Tuition Scholarships. This amount is unchanged from FY 2025.

ABOR deposits monies in this item to the Spouses of Military Veterans Tuition Scholarship Fund and distributes awards to university and community college resident

students who are spouses of an honorably discharged veteran and qualify for in-state tuition. The scholarships are provided as last dollar aid on a first-come, first-served basis for up to 4 years.

In FY 2024, this program served 184 students, and the average award amount was \$3,408.

Arizona Teachers Academy

The Baseline includes \$15,000,000 from the General Fund in FY 2026 for the Arizona Teachers Academy. Adjustments are as follows:

Remove FY 2025 One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2026 for the elimination of one-time Arizona Teachers Academy scholarship funding.

The Arizona Teachers Academy provides tuition and fee awards to university students enrolled in education and non-education majors, community college students enrolled in post-baccalaureate teacher certification programs, and teachers seeking national board certification. For every year of receipt, students agree to teach 1 year in an Arizona public school.

Monies for the academy are deposited to the Arizona Teachers Academy Fund and up to 3% of the monies may be used for marketing and administration expenses. ABOR provides centralized administrative processes for the academy, including distributing appropriated monies to eligible postsecondary institutions.

In FY 2024, 3,497 students were enrolled in the academy, of which 1,132 attended ASU, 1,234 attended NAU, 406 attend UA, 494 were community college postbaccalaureate students, and 231 were teachers seeking a national board certification (*Please see the Arizona Teachers Academy program summary on the JLBC website for additional information.*)

Arizona Teachers Incentive Program

The Baseline includes \$90,000 from the General Fund in FY 2026 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2025.

Laws 1990, Chapter 340 mandates 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.

Arizona Teacher Student Loan Program

The Baseline includes \$426,000 from the General Fund in FY 2026 for the Arizona Teacher Student Loan Program (ATSLP). This amount is unchanged from FY 2025.

ATSLP offers forgivable loans to resident students pursuing a teaching degree at a private postsecondary institution and who agree to teach math, science, or special education at an Arizona public school upon graduation. Students in the program are required to teach for 1 year for each year that they receive the loan, plus 1 additional year. Teachers must practice in rural, low-income, or tribal schools.

Arizona Transfer Articulation Support System

The Baseline includes \$213,700 from the General Fund in FY 2026 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2025.

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. The tribal colleges and community college districts overall contribute \$277,200 to the system each year. The 3 state universities also contribute a combined \$277,200 to the system each year.

Washington, D.C. Internships

The Baseline includes \$300,000 from the General Fund in FY 2026 for Washington, D.C. internships and short-term programs. This amount is unchanged from FY 2025.

ABOR distributes monies in this line item in equal amounts to each of the 3 state universities to provide internships in partnership with a third-party organization. These monies fund approximately 40 student internships each year. The monies are appropriated as non-lapsing.

Western Interstate Commission Office

The Baseline includes \$153,000 from the General Fund in FY 2026 for the Western Interstate Commission Office. This amount is unchanged from FY 2025.

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 Baseline includes \$4,078,000 from the General Fund in FY 2026 for WICHE student subsidies. This amount is unchanged from FY 2025.

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, or podiatry, PSEP allows interested students to enroll in these programs at private in-state institutions or other public western universities.

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
- Arizona Financial Aid Trust
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- Tuition Distribution
- University System Summary Tables

Statutory Changes

The Higher Education BRB makes the following changes:

- As session law, continues 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).

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, university wide General Fund costs are projected to increase by \$613,000 in FY 2027 above FY 2026 and increase by

\$625,100 in FY 2028 above FY 2027. These estimates are based on:

- Decreases of \$(1,100) and \$(1,400) in FY 2027 and FY 2028, respectively, to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$614,100 and \$626,500 in FY 2027 and FY 2028, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation. *(Please see the 2017 University Infrastructure Funding narrative for more information.)*

Please see the individual university campus sections for additional information.

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 \$115-\$122 in FY 2025 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 2026 Baseline continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2026. The Baseline also maintains each university's FY 2026 allocation of General Fund AFAT appropriations at their FY 2025 level, which appears in the individual university budgets.

Based on student fees contributed to AFAT in FY 2023 (the most recent year of data available), the state's match would have been \$49,257,200, or an increase of \$39,216,000 over the \$10,041,200 appropriation in FY 2025.

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 addition to student fee revenue, pursuant to A.R.S. § 15-1670, universities deposit 20% of cumulative net income from the sale or transfer of intellectual property exceeding \$1,000,000 to AFAT.

In FY 2023, AFAT disbursed \$30,641,600. This is the most recent year of data available. *(Please see Table 3 for additional information on financial aid.)*

2003 Research Infrastructure Refinancing

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. In total, the universities issued \$482,500,000 in COPs for research infrastructure projects. There will be no further issuances for this program.

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. The appropriations are displayed in each individual university section. *(Please see Table 1 for more information.)*

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 appropriations are displayed in each individual university section.

The allocation of the original FY 2019 \$27,000,000 statutory amount was based on each university's share of the systemwide transaction privilege tax (TPT) collections in FY 2016.

Tuition Distribution

A.R.S. § 15-1626 allows the universities to retain a portion of tuition collections for expenditures, as approved by ABOR. These "locally" retained tuition monies are considered non-appropriated and are deposited into accounts labeled as "Designated" funds. Any remaining tuition revenues are deposited to university "Collections" funds as part of the appropriated budget. While Financial Aid and Debt Service are primarily non-appropriated, general operating expenses are paid from both appropriated and non-appropriated tuition accounts. ABOR's June 2024 tuition revenue report projected FY 2025 gross tuition and fees to be \$4.5 billion systemwide.

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. In June 2024, the universities projected \$1.2 billion in tuition waivers and awards in FY 2025, for a total net tuition of \$3.2 billion. Please see the September 26, 2024 Joint Legislative Budget Committee meeting agenda for additional information on university tuition revenue projections.

University System Summary Tables

The University Summary Tables address the following:

- Total Spending Authority
- Financial Aid
- Enrollment

Total Spending Authority

In total, the universities' total projected spending authority in FY 2026 is \$10.0 billion, including \$934 million from the General Fund and \$3.2 billion of net tuition/fee collections. *Table 2* summarizes the FY 2026 expenditure authority amounts for the Arizona University System.

Financial Aid

The Arizona University System distributed \$3.59 billion in financial aid in FY 2023 (the most recent year of data available). Of the total financial aid distributions, the federal government financed \$1.22 billion, and university institutional sources provided \$1.53 billion. *(Please see Table 3 for details.)*

Enrollment

Between fall 2023 and fall 2024, university enrollment increased from 211,096 FTE to 221,564, or 5.0%, as displayed in *Table 4*. ASU enrollment increased by 5.1%, NAU enrollment increased by 3.4% and UA increased by 5.4%.

Table 1

University Research Infrastructure Appropriations ^{1/}

<u>Fiscal Year</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
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	13,428,800	4,889,300	14,255,800	32,573,900

^{1/} Research infrastructure General Fund appropriations as specified in A.R.S. § 15-1670, as amended by the FY 2017 Higher Education BRB.

Table 2

FY 2026 Summary of Spending Authority

	<u>Appropriated Funds</u>		<u>Non-Appropriated Funds</u>		<u>Total ^{2/}</u>
	<u>General Fund</u>	<u>Collections Fund ^{1/}</u>	<u>Federal Funds</u>	<u>Other Funds ^{1/}</u>	
ABOR	\$ 54,726,000	\$ 0	\$ 275,300	\$ 35,244,100	\$ 90,245,400
ASU	387,698,800	856,998,800	616,080,100	3,118,019,300	4,978,797,000
NAU	134,294,400	131,836,800	160,182,000	436,776,900	863,090,100
UA-Main	281,450,100	368,549,100	319,599,500	2,184,085,100	3,153,683,800
UA-Health Sciences	<u>75,428,400</u>	<u>61,522,800</u>	<u>383,982,400</u>	<u>417,731,100</u>	<u>938,664,700</u>
Total	\$933,597,700	\$1,418,907,500	\$1,480,119,300	\$6,191,856,500	\$10,024,481,000

^{1/} 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 \$3,033,612,000 based on FY 2025 amounts. This amount excludes FY 2026 enrollment growth and tuition rate changes.

^{2/} Total university wide funding includes gross tuition revenues.

Table 3

**FY 2023 Financial Aid Distribution by Source
(\$ in Thousands)**

	<u>Federal</u>	<u>State</u> ^{1/}	<u>Institutional</u>	<u>Private/Other</u>	<u>Total</u>
Grants	\$381,089.0	\$81,715.5	\$1,151,130.4	\$343,095.8	\$1,957,030.7
Loans	831,453.8	0.0	0.0	414,637.2	1,246,091.0
Employment	<u>9,335.8</u>	<u>0.0</u>	<u>379,933.3</u>	<u>0.0</u>	<u>389,269.1</u>
Total	\$1,221,878.6	\$81,715.5	\$1,531,063.7	\$757,733.0	\$3,592,390.8

^{1/} State sources of aid include Arizona Financial Aid Trust, Arizona Teachers Academy and Arizona Promise Program awards.

Table 4

Arizona University System 45th Day Enrollment^{1/}

	<u>Fall 2023</u>	<u>Fall 2024</u>	<u>Fall 2023 to Fall 2024</u>
ASU-Tempe	60,549	61,088	0.9%
ASU-DPC	11,701	11,483	(1.9)%
ASU-East	5,972	6,175	3.4%
ASU-West	5,246	5,764	9.9%
ASU-Online ^{2/}	46,577	51,763	11.1%
ASU-Other	<u>923</u>	<u>1,374</u>	<u>48.9%</u>
<i>Subtotal</i>	<i>130,968</i>	<i>137,647</i>	<i>5.1%</i>
NAU-Flagstaff	21,573	21,658	0.4%
NAU-Online ^{2/}	2,492	2,564	2.9%
NAU-Other	<u>3,269</u>	<u>4,031</u>	<u>23.3%</u>
<i>Subtotal</i>	<i>27,334</i>	<i>28,253</i>	<i>3.4%</i>
UA-Tucson	42,811	44,782	4.6%
UA-PHX Biomedical	1,608	1,669	3.8%
UA-Online ^{2/}	6,010	6,535	8.7%
UA-Other	<u>2,365</u>	<u>2,678</u>	<u>13.2%</u>
<i>Subtotal</i>	<i>52,794</i>	<i>55,664</i>	<i>5.4%</i>
Total	211,096	221,564	5.0%

^{1/} FTE counts as reported by ABOR and the universities include both graduate and undergraduate students.

^{2/} Online enrollment represents students enrolled in online-only programs.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Community Colleges Promise Program Fund (BRA9999/A.R.S. § 15-1705)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To provide financial aid awards to community college students who meet certain eligibility criteria. ABOR is required to distribute 20% of monies in the fund equally between community college districts and 80% of monies in the fund proportionally based on district enrollment. Each district may use up to 10% of total distributions for administrative expenses and student support services.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-572)		Non-Appropriated
<i>Source of Revenue:</i> Lottery proceeds.		
<i>Purpose of Fund:</i> To provide funding for the 5 Arizona Area Health Education Centers, which work to improve healthcare access for rural and underserved communities. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Promise Program Fund (BRA4501/A.R.S. § 15-1701)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To reimburse postsecondary institutions for Arizona Promise Program awards, pay the costs of administering the program, and for marketing and promotion expenses (which are capped at 3% of monies in the fund each fiscal year). Expenditures are not displayed to avoid double counting with the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,172,500	2,172,600
Arizona Teacher Student Loan Fund (BRA2358/A.R.S. § 15-1657)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations and repayments of principal and interest of issued loans.		
<i>Purpose of Fund:</i> To provide forgivable loans to students enrolled in a private postsecondary institution who are pursuing a teaching degree or certificate who agree to a service commitment. Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
Funds Expended	0	0
Year-End Fund Balance	1,200,500	1,200,500
Arizona Teachers Academy Fund (BRA4300/A.R.S. § 15-1655)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To reimburse postsecondary institutions for Arizona Teachers Academy scholarships, induction services for academy graduates, and marketing and promotion costs of the academy (which are capped at 3% of monies in the fund each fiscal year). Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
Funds Expended	0	0
Year-End Fund Balance	32,651,400	12,110,300
Arizona Veterinary Loan Assistance Fund (BRA5000/A.R.S. § 1650.06)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To provide loan repayment assistance to veterinarians who complete a service requirement. Up to 3% of monies in the fund may be used for program administration costs. Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
Funds Expended	0	0
Year-End Fund Balance	6,154,900	6,309,800
Federal Funds (BRA2000/A.R.S. § 15-1666)		Federal Funds
<i>Source of Revenue:</i> Grants from the United States Department of Education.		
<i>Purpose of Fund:</i> To support services in accordance with the terms of each specific grant.		
Funds Expended	2,957,200	275,000
Year-End Fund Balance	268,100	268,100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Postsecondary Educational Fund (BRA2405/A.R.S. § 15-1704)		Non-Appropriated
Source of Revenue: Legislative appropriations, monies received from state agencies, political subdivisions, the federal government, and postsecondary institutions, and private gifts, grants, and donations.		
Purpose of Fund: To provide matching monies for the Leveraging Educational Assistance Program (LEAP) and for administrative expenses.		
Funds Expended	1,078,500	1,168,300
Year-End Fund Balance	943,200	1,152,700
Regents Local Fund (BRA8900/A.R.S. § 15-1626)		Non-Appropriated
Source of Revenue: Contributions of retained monies from the 3 universities.		
Purpose of Fund: To supplement the ABOR operating budget.		
Funds Expended	8,857,200	11,675,800
Year-End Fund Balance	5,033,700	7,399,500
Spouses and Dependents of Law Enforcement Officers Tuition Scholarship Fund (BRA2500/Laws 2023, Chapter 140)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To distribute scholarships to spouses and dependents of law enforcement officers who meet certain requirements in FY 2024-2027. Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures. This fund will be repealed on and after June 30, 2025.		
Funds Expended	0	0
Year-End Fund Balance	2,000,000	0
Spouses of Military Veterans Tuition Scholarship Fund (BRA5100/A.R.S. § 15-1809)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To distribute scholarships to spouses of military veterans who meet certain requirements. Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
Funds Expended	0	0
Year-End Fund Balance	19,648,100	20,106,800
Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)		Non-Appropriated
Source of Revenue: A portion of the 0.6% education sales tax allocated pursuant to A.R.S. § 42-5029 and § 42-5029.02. The education sales tax established by Laws 2018, Chapter 74 replaced the Proposition 301 sales tax beginning in FY 2022.		
Purpose of Fund: To provide grants for university technology and research initiatives, with preference given to federal or private partnerships, as well as to programs for non-traditional students; also, for up to 20% of fund monies, to support capital projects, including debt service, relating to technology and research. The displayed expenditures represent only that portion of tax receipts utilized by ABOR. The board transfers all other receipts to university Restricted Funds, which reflect those monies.		
Funds Expended	22,400,000	22,400,000
Year-End Fund Balance	0	0
Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)		Non-Appropriated
Source of Revenue: Monies derived from the lease, sale, or other disposition of lands granted to the state by the United States for the use and benefit of the universities. Land funds are allocated for Agricultural and Mechanical Colleges, Military Institutes, Universities, and Normal Schools, respectively.		
Purpose of Fund: To operate agricultural and mechanical colleges, to support university Reserve Officers' Training Corps programs, to match private funds attracting distinguished faculty, and to operate teacher training programs, respectively. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona State University

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	8,362.5	8,357.4	8,357.4
Personal Services	656,546,600	649,845,200	649,845,200
Employee Related Expenditures	189,307,200	205,971,400	205,971,400
Professional and Outside Services	96,746,900	57,232,600	57,232,600
Travel - In State	120,800	115,600	115,600
Travel - Out of State	1,971,100	653,900	653,900
Other Operating Expenditures	102,077,600	176,080,000	154,880,000
Equipment	27,786,000	4,885,900	4,885,900
OPERATING SUBTOTAL	1,074,556,200	1,094,784,600	1,073,584,600 ^{1/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	13,468,200	13,459,300	13,453,900 ^{2/}
2017 Capital Infrastructure Funding	13,039,900	13,300,700	13,566,700 ^{3/}
Arizona Financial Aid Trust	5,985,800	5,985,800	5,985,800
Biomedical Informatics	3,378,500	3,758,100	3,758,100
Collegiate Women's Wrestling Program	500,000	0	0
Downtown Phoenix Campus	126,738,700	134,098,500	134,098,500
Eastern Europe Cultural Collaborative	250,000	250,000	250,000 ^{4/}
AGENCY TOTAL	1,237,917,300	1,265,637,000	1,244,697,600 ^{5/6/7/}
FUND SOURCES			
General Fund	411,201,900	408,638,200	387,698,800 ^{8/9/10/}
<u>Other Appropriated Funds</u>			
University Collections Fund	826,715,400	856,998,800	856,998,800 ^{11/}
SUBTOTAL - Other Appropriated Funds	826,715,400	856,998,800	856,998,800
SUBTOTAL - Appropriated Funds	1,237,917,300	1,265,637,000	1,244,697,600
Other Non-Appropriated Funds	2,822,995,500	3,018,364,400	3,118,019,300
Federal Funds	626,978,200	616,080,100	616,080,100
TOTAL - ALL SOURCES	4,687,891,000	4,900,081,500	4,978,797,000

AGENCY DESCRIPTION — Established in 1885, Arizona State University (ASU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR).

FOOTNOTES

^{1/} Any appropriated monies allocated by the university for the school of civic and economic thought and leadership shall be used to operate a single stand-alone academic entity within Arizona state university. The appropriated monies 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 for 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, 2025, 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.

The legislature intends that appropriated monies allocated by the university for the school of civic and economic thought and leadership in fiscal year 2025-2026 be consistent with the amount appropriated in fiscal year 2022-2023, except that the university may allocate to the school the lump sum reduction of not more than 3.45 percent prescribed by Laws 2024, Chapter 209, Section 129. (General Appropriations Act footnote)

- 2/ A.R.S. § 15-1670 appropriates \$13,453,900 to ASU from the General Fund in FY 2026 to finance lease-purchase payments for research infrastructure projects.
- 3/ A.R.S. § 15-1671 appropriates \$13,566,700 to ASU from the General Fund in FY 2026 for capital infrastructure projects.
- 4/ Arizona state university shall use monies appropriated for the eastern Europe cultural collaborative to facilitate cultural and academic exchanges between university faculty and students and academic institutions in eastern Europe. (General Appropriations 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 Appropriations 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 Appropriations Act footnote)
- 7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriations Act footnote)
- 9/ The state general fund appropriation may not be used for alumni association funding. (General Appropriations Act footnote)
- 10/ The FY 2026 General Fund Baseline is \$387,698,800. This amount includes \$360,678,200 in ASU's individual section of the FY 2026 General Appropriations Act, \$13,453,900 in A.R.S. § 15-1670 lease-purchase appropriations, and \$13,566,700 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 11/ Any unencumbered balances remaining in the university collections fund on June 30, 2025 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 spent for supplemental life insurance or supplemental retirement. (General Appropriations Act footnote)

Operating Budget

The Baseline includes \$1,073,584,600 and 7,206.8 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$301,216,900
University Collections Fund	772,367,700

Adjustments are as follows:

Remove One-Time Operating Funding

The Baseline includes a decrease of \$(21,200,000) from the General Fund in FY 2026 for the elimination of one-time operating funding.

The FY 2023 budget's 3-year plan included \$21,200,000 from the General Fund for one-time operating funding in FY 2023, FY 2024, and FY 2025. The enacted FY 2024 budget's 3-year budget plan increased one-time funding in FY 2024 by \$2,400,000, for a total of \$23,600,000. The FY 2025 amount remained at \$21,200,000 with no funding in FY 2026 and beyond. The FY 2025 budget's 3-year plan did not change these budget assumptions.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the ASU Other Issues Section and ABOR for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The Baseline includes \$13,453,900 from the General Fund in FY 2026 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

Refinance Adjustment

The Baseline includes a decrease of \$(5,400) from the General Fund in FY 2026 to adjust the Certificates of Participation (COPs) payment.

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 2026 General Appropriations 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 ABOR section for more information.)*

2017 Capital Infrastructure Funding

The Baseline includes \$13,566,700 from the General Fund in FY 2026 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$266,000 from the General Fund in FY 2026 for a 2.0% increase in capital infrastructure funding.

A.R.S. § 15-1671 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 2026 General Appropriations Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year (in the example of FY 2026, from the second quarter of CY 2023 to the second quarter of CY 2024). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Arizona Financial Aid Trust

The Baseline includes \$5,985,800 from the General Fund in FY 2026 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2025. *(Please see the ABOR section for more information.)*

Biomedical Informatics

The Baseline includes \$3,758,100 and 24.3 FTE Positions in FY 2026 for the Biomedical Informatics line item. These amounts consist of:

General Fund	1,912,100
University Collections Fund	1,846,000

These amounts are unchanged from FY 2025.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data.

Downtown Phoenix Campus

The Baseline includes \$134,098,500 and 1,126.3 FTE Positions in FY 2026 for programs headquartered at the Downtown Phoenix Campus. These amounts consist of:

General Fund	51,313,400
University Collections Fund	82,785,100

These amounts are unchanged from FY 2025.

The Downtown Phoenix Campus offers undergraduate and graduate programs in disciplines including health, nursing, journalism, mass communication, teaching and public programs. The campus opened in 2006.

Eastern Europe Cultural Collaborative

The Baseline includes \$250,000 from the General Fund in FY 2026 for the Eastern Europe Cultural Collaborative. This amount is unchanged from FY 2025.

These monies are used to facilitate cultural and academic exchanges between university faculty and students and academic institutions in eastern Europe.

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 2026 General Fund Baseline is \$387,698,800. Of this amount:

- \$360,678,200 is included in ASU's individual section of the FY 2026 General Appropriations Act.
- \$13,453,900 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$13,566,700 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ASU's General Fund costs are projected to increase by \$267,500 in FY 2027 above FY 2026 and increase by \$262,900 in FY 2028 above FY 2027. These estimates are based on:

- Decreases of \$(3,800) in FY 2027 and \$(13,900) in FY 2028 to adjust for university debt service costs.
- Increases of \$271,300 in FY 2027 and \$276,800 in FY 2028 to increase the university's annual Capital Infrastructure Funding appropriation.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2025 General Appropriations Act appropriated \$854,407,100 from the University Collections Fund to ASU. 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 Appropriations 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 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 2025 to the Joint Legislative Budget Committee in June 2024, and ASU incorporated the adjusted FY 2025 amounts as part of their FY 2026 budget submission. Accordingly, the estimated FY 2025 amount has been adjusted by \$2,591,700 to \$856,998,800.

The FY 2025 FTE Position count has also been adjusted. The FY 2025 General Appropriations Act originally appropriated 8,285.7 FTE Positions in FY 2025 for ASU. The General Fund accounted for 2,567.7 FTE Positions and the University Collections Fund accounted for the remaining 5,718 FTE Positions. The estimated number of FY 2025 FTE Positions has been adjusted by 71.7 to 8,357.4. The General Fund accounts for 2,565.8 FTE Positions and the University Collections Fund accounts for the remaining 5,791.6 FTE Positions.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	316,778,600	306,864,900
Year-End Fund Balance	(11,676,400)	13,251,300
Capital Infrastructure Fund - ASU (UNI3001/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. ASU received a General Fund appropriation of \$11,927,400 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are repaid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principle. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	9,269,000	9,402,000
Year-End Fund Balance	0	0
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	333,307,800	352,274,200
Year-End Fund Balance	311,363,700	231,507,700
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	1,596,338,700	1,785,153,500
Year-End Fund Balance	656,727,900	563,585,600

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	3,266,300	0
Year-End Fund Balance	174,639,600	174,639,600
Federal Grants (UNI8903/A.R.S. § 15-1666)		Federal Funds
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	547,325,100	542,225,400
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Federal Funds
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	79,653,100	73,854,700
Year-End Fund Balance	53,879,800	58,735,600
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	31,897,200	29,575,600
Year-End Fund Balance	21,576,300	23,520,800
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federal student loan program awards and interest collected on outstanding federal student loans.		
Purpose of Fund: To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	1,021,400	0
Year-End Fund Balance	12,777,800	12,777,800
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	519,952,900	517,437,900
Year-End Fund Balance	91,252,800	57,424,800
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (Please see the Capital Outlay ABOR Building System narrative for more information).		
Funds Expended	11,163,600	17,656,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	826,715,400	856,998,800
Year-End Fund Balance	0	0

Northern Arizona University

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	2,456.1	2,399.0	2,399.0
Personal Services	169,601,600	164,668,200	164,668,200
Employee Related Expenditures	51,642,200	49,010,500	49,010,500
Professional and Outside Services	13,996,400	13,307,700	13,307,700
Travel - In State	231,500	381,400	381,400
Travel - Out of State	331,000	10,400	10,400
Other Operating Expenditures	16,452,600	18,219,600	8,119,600
Equipment	2,041,100	899,400	899,400
OPERATING SUBTOTAL	254,296,400	246,497,200	236,397,200 ^{1/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	5,302,900	4,885,500	4,884,500 ^{2/}
2017 Capital Infrastructure Funding	4,942,500	5,041,400	5,142,200 ^{3/}
Arizona Financial Aid Trust	1,326,000	1,326,000	1,326,000
Biomedical Research Funding	3,000,000	3,000,000	3,000,000 ^{4/}
NAU - Yuma	3,084,600	3,088,400	3,088,400
Teacher Training	2,292,700	2,292,700	2,292,700 ^{5/}
AGENCY TOTAL	274,245,100	266,131,200	256,131,000 ^{6/ 7/}
FUND SOURCES			
General Fund	138,925,500	134,294,400	124,294,200 ^{8/ 9/ 10/}
<u>Other Appropriated Funds</u>			
University Collections Fund	135,319,600	131,836,800	131,836,800 ^{11/}
SUBTOTAL - Other Appropriated Funds	135,319,600	131,836,800	131,836,800
SUBTOTAL - Appropriated Funds	274,245,100	266,131,200	256,131,000
Other Non-Appropriated Funds	441,643,400	436,776,900	446,306,400
Federal Funds	158,595,700	160,181,700	161,603,900
TOTAL - ALL SOURCES	874,484,200	863,089,800	864,041,300

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.

FOOTNOTES

^{1/} Any appropriated monies allocated by the university for the economic policy institute 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, 2025, the institute shall submit 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. The legislature intends that appropriated monies allocated by the university for the economic policy institute in fiscal year 2025-2026 be consistent with the amount appropriated in fiscal year 2022-2023, except that the university may

allocate to the institute the lump sum reduction of not more than 3.45 percent prescribed by Laws 2024, Chapter 209, Section 129. (General Appropriations Act footnote)

- 2/ A.R.S. § 15-1670 appropriates \$4,884,500 to NAU from the General Fund in FY 2026 to finance lease-purchase payments for research infrastructure projects.
- 3/ A.R.S. § 15-1671 appropriates \$5,142,200 to NAU from the General Fund in FY 2026 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 and 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 and the director of the governor's office of strategic planning and budgeting on or before February 1, 2026. 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 this state. (General Appropriations Act footnote)
- 5/ 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 Appropriations 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 Appropriations 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 Appropriations Act footnote)
- 9/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriations Act footnote)
- 10/ The FY 2026 General Fund Baseline is \$124,294,200. This amount includes \$114,267,500 in NAU's individual section of the FY 2026 General Appropriations Act, \$4,884,500 in A.R.S. § 15-1670 lease-purchase appropriations, and \$5,142,200 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 11/ Any unencumbered balances remaining in the university collections fund on June 30, 2025 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 spent for supplemental life insurance or supplemental retirement. (General Appropriations Act footnote)

Operating Budget

The Baseline includes \$236,397,200 and 2,367.8 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	<u>FY 2026</u>
General Fund	\$104,560,400
University Collections Fund	131,836,800

Adjustments are as follows:

Remove One-Time Operating Funding

The Baseline includes a decrease of \$(10,100,000) from the General Fund in FY 2026 for the elimination of one-time operating funding.

The FY 2023 budget's 3-year plan included \$10,100,000 from the General Fund for one-time operating funding in FY 2023, FY 2024, and FY 2025. The enacted FY 2024 budget's 3-year budget plan increased one-time funding in FY 2024 by \$1,000,000 for a total of \$11,100,000. The FY 2025 amount remained at \$10,100,000 with no funding in FY 2026 and beyond. The FY 2025 budget's 3-year plan did not change these budget assumptions.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the NAU Other Issues Section and ABOR for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The Baseline includes \$4,884,500 from the General Fund in FY 2026 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

Refinance Adjustment

The Baseline includes a decrease of \$(1,000) from the General Fund in FY 2026 to adjust the Certificates of Participation (COPs) payment.

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 2025 General Appropriations 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 ABOR section for more information.)*

2017 Capital Infrastructure Funding

The Baseline includes \$5,142,200 from the General Fund in FY 2026 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$100,800 from the General Fund in FY 2026 for a 2.0% increase in capital infrastructure funding.

A.R.S. § 15-1671 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 2026 General Appropriations Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year (in the example of FY 2026, from the second quarter of CY

2023 to the second quarter of CY 2024). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Arizona Financial Aid Trust

The Baseline includes \$1,326,000 from the General Fund in FY 2026 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2025. *(Please see the ABOR section for more information.)*

Biomedical Research Funding

The Baseline includes \$3,000,000 from the General Fund in FY 2026 for the Biomedical Research Funding line item. This amount is unchanged from FY 2025.

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).*

NAU - Yuma

The Baseline includes \$3,088,400 and 31.2 FTE Positions from the General Fund in FY 2026 for NAU-Yuma. These amounts are unchanged from FY 2025.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

Teacher Training

The Baseline includes \$2,292,700 from the General Fund in FY 2026 for Teacher Training. This amount is unchanged from FY 2025.

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 2026 General Fund budget is \$124,294,200. Of this amount:

- \$114,267,500 is included in NAU's individual section of the FY 2026 General Appropriations Act.
- \$4,884,500 is appropriated in A.,R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$5,142,200 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, NAU's General Fund costs are projected to increase by \$102,600 in FY 2027 above FY 2026 and increase by \$114,600 in FY 2028 above FY 2027.

These estimates are based on:

- A decrease of \$(200) in FY 2027 and an increase of \$9,700 in FY 2028 to adjust for university debt service costs.
- Increases of \$102,800 in FY 2027 and \$104,900 in FY 2028 to increase the university's annual Capital Infrastructure Funding appropriation.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2025 General Appropriations Act appropriated \$135,319,600 from the University Collections Fund to NAU. 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 Appropriations 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 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 2025 to the Joint Legislative Budget Committee in June 2024, and NAU incorporated the adjusted FY 2025 amounts as part of their FY 2026 budget submission. Accordingly, the estimated FY 2025 amount has been adjusted downward by \$(3,482,800) to \$131,836,800.

The FY 2025 FTE Position count has also been adjusted. The FY 2025 General Appropriations Act originally appropriated 2,480.4 FTE Positions in FY 2025 for NAU. The General Fund accounted for 1,175.8 FTE Positions and the University Collections Fund accounted for the remaining 1,304.6 Positions. The estimated number of FY 2025 FTE Positions has been adjusted downward by (81.4) to 2,399. The General Fund accounts for 1,132.6 FTE Positions and the University Collections Fund accounts for the remaining 1,266.4 FTE Positions.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	121,945,700	127,054,700
Year-End Fund Balance	54,974,400	53,714,600

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Capital Infrastructure Fund - NAU (UNI3002/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. NAU received a General Fund appropriation of \$4,520,900 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are paid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	118,443,900	98,233,500
Year-End Fund Balance	18,296,400	14,305,000
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	120,669,400	124,488,400
Year-End Fund Balance	26,012,600	21,265,100
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	45,284,100	45,384,100
Federal Grants (UNI8903/A.R.S. § 15-1666)		Federal Funds
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	140,809,800	142,217,900
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Federal Funds
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	17,785,900	17,963,800
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	20,345,900	25,207,000
Year-End Fund Balance	19,671,200	13,704,000

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federal student loan program awards and interest collected on outstanding federal student loans.		
Purpose of Fund: To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	23,600	100,000
Year-End Fund Balance	631,000	581,000
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as Identified by the private or non-federal donating entities.		
Funds Expended	50,194,500	51,705,600
Year-End Fund Balance	55,751,500	49,360,100
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (Please see the Capital Outlay ABOR Building System narrative for more information).		
Funds Expended	10,020,400	9,987,700
Year-End Fund Balance	0	0
University Collections Fund (NAA1421/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	135,319,600	131,836,800
Year-End Fund Balance	0	0

University of Arizona - Main Campus

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6,076.7	6,162.8	6,162.8
Personal Services	385,935,700	334,716,900	334,716,900
Employee Related Expenditures	128,883,500	107,770,100	107,770,100
Professional and Outside Services	24,746,700	24,725,300	24,725,300
Travel - In State	274,200	263,800	263,800
Travel - Out of State	1,167,700	643,000	643,000
Other Operating Expenditures	52,058,400	67,904,900	53,204,900
Equipment	3,773,900	1,022,100	1,022,100
OPERATING SUBTOTAL	596,840,100	537,046,100	522,346,100 ^{1/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	14,255,300	14,247,300	14,248,400 ^{2/}
2017 Capital Infrastructure Funding	11,535,900	11,766,600	12,001,900 ^{3/}
Agriculture	57,200,500	44,176,800	44,176,800
Arizona Cooperative Extension	15,890,900	15,287,100	15,287,100
Arizona Financial Aid Trust	2,729,400	2,729,400	2,729,400
Arizona Geological Survey	1,148,500	1,208,200	1,208,200 ^{4/}
College of Veterinary Medicine	23,530,000	23,936,300	23,936,300 ^{5/}
Kazakhstan Studies Program	250,000	250,000	250,000 ^{6/}
Mining, Mineral and Natural Resources Educational Museum	430,300	432,100	432,100
Natural Resource Users Law and Policy Center	1,522,400	1,571,800	1,571,800 ^{7/}
On-Farm Irrigation Efficiency Fund Deposit	15,200,000	0	0
School of Mining	4,084,000	4,170,200	4,170,200 ^{8/}
Sierra Vista Campus	4,760,200	5,056,700	5,056,700
Space Analog for the Moon and Mars	1,500,000	0	0
Veterinary Diagnostic Laboratory	2,500,000	2,584,200	2,584,200
AGENCY TOTAL	753,377,500	664,462,800	649,999,200 ^{9/10/}
FUND SOURCES			
General Fund	302,897,200	295,913,700	281,450,100 ^{11/12/13/}
<u>Other Appropriated Funds</u>			
University Collections Fund	450,480,300	368,549,100	368,549,100 ^{14/}
SUBTOTAL - Other Appropriated Funds	450,480,300	368,549,100	368,549,100
SUBTOTAL - Appropriated Funds	753,377,500	664,462,800	649,999,200
Other Non-Appropriated Funds	2,156,245,600	2,140,371,700	2,184,085,100
Federal Funds	320,914,500	313,332,800	319,599,500
TOTAL - ALL SOURCES	3,230,537,600	3,118,167,300	3,153,683,800

AGENCY DESCRIPTION — Established in 1885, The University of Arizona (UA) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). Upon its establishment, UA received the federal land grant for Arizona, allowing the creation of agricultural and mining programs that continue today.

FOOTNOTES

1/ Any appropriated monies allocated by the university for the center for the philosophy of freedom 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 for 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, 2025, 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.

The legislature intends that appropriated monies allocated by the university for the center for the philosophy of freedom in fiscal year 2025-2026 be consistent with the amount appropriated in fiscal year 2022-2023, except that the university may allocate to the center the lump sum reduction of not more than 3.45 percent prescribed by Laws 2024, Chapter 209, Section 129. (General Appropriations Act footnote)

- 2/ A.R.S. § 15-1670 appropriates \$14,248,400 to UA-Main from the General Fund in FY 2026 to finance lease-purchase payments for research infrastructure projects.
- 3/ A.R.S. § 15-1671 appropriates \$12,001,900 to UA-Main from the General Fund in FY 2026 for capital infrastructure projects.
- 4/ The university of Arizona may not use monies appropriated for the Arizona geological survey line item for any other purpose and may not transfer the monies appropriated for the Arizona geological survey to the operating budget or any other line item. (General Appropriations Act footnote)
- 5/ The amount appropriated to the college of veterinary medicine line item shall be distributed to the college of veterinary medicine to increase the number of students that are residents of this state. Before spending these monies, the university of Arizona shall report to the joint legislative budget committee all of the following information for the college of veterinary medicine:
 1. The current number of students who are residents of this state.
 2. The current number of students who are not residents of this state. (General Appropriations Act footnote)
- 6/ The university of Arizona shall use monies appropriated for the Kazakhstan studies program to facilitate academic exchanges between university students and academic institutions in Kazakhstan. (General Appropriations Act footnote)
- 7/ The amount appropriated for the natural resource users law and policy center line item shall be used by the natural resource users law and policy center within the Arizona cooperative extension. Of the amount appropriated, at least \$500,000 shall be used to assist claimants in the general stream adjudication of water rights pursuant to section 15-1647, Arizona Revised Statutes. (General Appropriations Act footnote)
- 8/ One hundred percent of the land earnings and interest from the school of mines land fund shall be distributed to the university of Arizona school of mining and mineral resources in compliance with the enabling act and the Constitution of Arizona. (General Appropriations Act footnote)
- 9/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriations Act footnote)
- 10/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 11/ The state general fund appropriation may not be used for alumni association funding. (General Appropriations Act footnote)
- 12/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriations Act footnote)
- 13/ The FY 2026 General Fund Baseline is \$281,450,100. This amount includes \$255,199,800 in UA - Main's individual section of the FY 2026 General Appropriations Act, \$14,248,400 in A.R.S. § 15-1670 lease-purchase appropriations, and \$12,001,900 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 14/ Any unencumbered balances remaining in the university collections fund on June 30, 2025 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 spent for supplemental life insurance or supplemental retirement. (General Appropriations Act footnote)

Operating Budget

The Baseline includes \$522,346,100 and 4,705.3 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$185,759,800
University Collections Fund	336,586,300

Adjustments are as follows:

Remove One-Time Operating Funding

The Baseline includes a decrease of \$(14,700,000) from the General Fund in FY 2026 for the elimination of one-time operating funding.

The FY 2023 budget's 3-year plan included \$14,700,000 from the General Fund for one-time operating funding in FY 2023, FY 2024, and FY 2025. The enacted FY 2024 budget's 3-year budget plan increased one-time funding in FY 2024 by \$1,600,000 for a total of \$16,300,000. The FY 2025 amount remained at \$14,700,000 with no funding in FY 2026 and beyond. The FY 2025 budget's 3-year plan did not change these budget assumptions.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the UA-Main Other Issues Section and ABOR for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The Baseline includes \$14,248,400 from the General Fund in FY 2026 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

Refinance Adjustment

The Baseline includes an increase of \$1,100 from the General Fund in FY 2026 to adjust the Certificates of Participation (COPs) payment.

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 2026 General Appropriations 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 ABOR section for more information.)

2017 Capital Infrastructure Funding

The Baseline includes \$12,001,900 from the General Fund in FY 2026 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$235,300 from the General Fund in FY 2026 for a 2.0% increase in Capital Infrastructure Funding.

A R S § 15-1671 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 2026 General Appropriations Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year (in the example of FY 2026, from the second quarter of CY 2023 to the second quarter of CY 2024). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Agriculture

The Baseline includes \$44,176,800 and 767.9 FTE Positions in FY 2026 for the Agriculture Programs. These amounts consist of:

General Fund	\$29,992,900
University Collections Fund	14,183,900

These amounts are unchanged from FY 2025.

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 Baseline includes \$15,287,100 and 249.9 FTE Positions from the General Fund in FY 2026 for the Arizona Cooperative Extension. This amount is unchanged from FY 2025.

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 Baseline includes \$2,729,400 from the General Fund in FY 2026 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2025. *(Please see the ABOR section for more information).*

Arizona Geological Survey

The Baseline includes \$1,208,200 and 20.9 FTE Positions from the General Fund in FY 2026 for the Arizona Geological Survey. This amount is unchanged from FY 2025.

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.

College of Veterinary Medicine

The Baseline includes \$23,936,300 and 269.7 FTE Positions in FY 2026 for the College of Veterinary Medicine. These amounts consist of:

General Fund	\$8,334,000
University Collections Fund	15,602,300

These amounts are unchanged from FY 2025.

Kazakhstan Studies Program

The Baseline includes \$250,000 and 2.8 FTE Positions from the General Fund in FY 2026 for the Kazakhstan Studies Program. These amounts are unchanged from FY 2025.

The monies in this line item are used to facilitate academic exchanges between university students and academic institutions in Kazakhstan.

Mining, Mineral and Natural Resources Educational Museum

The Baseline includes \$432,100 and 3 FTE Positions from the General Fund in FY 2026 for the Mining, Mineral, and Natural Resources Educational Museum. This amount is unchanged from FY 2025.

This line item funds a curator and monies that will be used by the University to pay for repairs to the building.

The museum is not yet open. Please see the *FY 2024 Appropriations Report* for additional background.

Natural Resource Users Law and Policy Center

The Baseline includes \$1,571,800 and 23.6 FTE Positions from the General Fund in FY 2026 for the Natural Resource Users Law and Policy Center. This amount is unchanged from FY 2025.

This line item funds pro bono assistance to claimants who are small landowners in the general stream adjudication of water rights. The university is required to submit a report on assistance activities to the Governor, Speaker of the House of Representatives, and Senate President on November 15 of each year.

School of Mining

The Baseline includes \$4,170,200 and 57.2 FTE Positions from the General Fund in FY 2026 for the School of Mining. This amount is unchanged from FY 2025.

This line item provides operating funding for the UA School of Mining.

A General Appropriations Act footnote requires 100% of the land earnings and interest from the School of Mines land fund to be distributed to the University of Arizona School of Mining and Mineral Resources.

Sierra Vista Campus

The Baseline includes \$5,056,700 and 47.1 FTE Positions in FY 2026 for the Sierra Vista Campus. These amounts consist of:

General Fund	\$2,880,100
University Collections Fund	2,176,600

These amounts are unchanged from FY 2025.

UA - Sierra Vista offers upper-division undergraduate programs 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.

Veterinary Diagnostic Laboratory

The Baseline includes \$2,584,200 and 15.4 FTE Positions from the General Fund in FY 2026 for the Veterinary Diagnostic Laboratory. This amount is unchanged from FY 2025.

The Veterinary Diagnostic Laboratory provides diagnostic service in animal health to veterinarians, animal owners, university researchers, and state and federal agencies.

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 2026 General Fund Baseline is \$281,450,100. Of this amount:

- \$255,199,800 is included in UA - Main's individual section of the FY 2026 General Appropriations Act.
- \$14,248,400 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$12,001,900 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, UA - Main's General Fund costs are projected to increase by \$242,900 in FY 2027 above FY 2026 and increase by \$247,600 in FY 2028 above FY 2027.

These estimates are based on:

- Increases of \$2,900 in FY 2027 and \$2,800 in FY 2028 to adjust for university debt service costs.
- Increases of \$240,000 in FY 2027 and \$244,800 in FY 2028 to increase the university's annual Capital Infrastructure Funding.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2025 General Appropriations Act appropriated \$347,232,700 from the University Collections Fund to UA - Main. 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 Appropriations 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 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 2025 to the Joint Legislative Budget Committee in June 2024, and UA incorporated the adjusted FY 2025 amounts as part of their FY 2026 budget submission. Accordingly, the estimated FY 2025 amount has been adjusted upward by \$21,316,400 to \$368,549,100.

The FY 2025 FTE Position count has also been adjusted. The FY 2025 General Appropriations Act originally appropriated 6,089 FTE Positions in FY 2025 for UA - Main. The General Fund accounted for 2,839.6 FTE Positions and the University Collections Fund accounted for the remaining 3,249.4 FTE Positions. The estimated number of FY 2025 FTE Positions has been adjusted by 73.8 to 6,162.8. The General Fund accounts for 2,771.1 FTE Positions and the University Collections Fund accounts for the remaining 3,391.7 FTE Positions.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	395,314,400	365,040,800
Year-End Fund Balance	4,819,500	4,840,600

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Capital Infrastructure Fund - UA (UNI3003/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. UA received a General Fund appropriation of \$10,551,700 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are repaid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	367,047,000	370,429,100
Year-End Fund Balance	252,271,600	253,551,300
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	992,706,900	1,007,850,800
Year-End Fund Balance	106,133,000	74,402,200
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	385,700	401,100
Year-End Fund Balance	180,639,900	187,464,400
Federal Grants (UNI8903/A.R.S. § 15-1666)		Federal Funds
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	251,061,400	242,171,000
Year-End Fund Balance	(21,365,500)	(21,279,100)
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Federal Funds
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	68,193,400	69,557,300
Year-End Fund Balance	0	0
Geological Survey Fund (UNI3030/A.R.S. § 27-107)		Non-Appropriated
Source of Revenue: Indirect cost recovery funds, and other state and local grants, fees, contracts, agreements, MOUs and other university funds.		
Purpose of Fund: To investigate and describe Arizona's geologic setting and to finance map publication and production expenses.		
Funds Expended	248,400	248,600
Year-End Fund Balance	398,800	398,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Geological Survey Fund - Federal Grants (UNI3031/A.R.S. § 27-107)		Federal Funds
<i>Source of Revenue:</i> Federal grants and contracts.		
<i>Purpose of Fund:</i> To carry out federal grants and contracts awarded to the Arizona Geological Survey.		
Funds Expended	1,659,700	1,604,500
Year-End Fund Balance	0	0
Geological Survey Fund - Mining, Mineral and Natural Resources Educational Museum Account (UNI9999/A.R.S. § 27-107)		Non-Appropriated
<i>Source of Revenue:</i> Ongoing revenues from the Arizona Centennial Special Fund established by A.R.S. § 28-2448 are deposited in this account of the Geological Survey Fund. Donations or other financial contributions can be deposited into this account.		
<i>Purpose of Fund:</i> Monies in this account are to be used exclusively for the restoration, maintenance, and operations of the Mining, Mineral, and Natural Resources Educational Museum.		
Funds Expended	17,000	51,400
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Non-federally-sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote non-federally-sponsored research.		
Funds Expended	7,611,100	7,763,500
Year-End Fund Balance	0	0
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Federal student loan program awards and interest collected on outstanding federal student loans.		
<i>Purpose of Fund:</i> To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	1,111,800	1,041,500
Year-End Fund Balance	25,412,000	24,370,500
On-Farm Irrigation Efficiency Fund (UNI8888/Laws 2022, Chapter 332)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations, federal grants, and other grants, gifts, and contributions.		
<i>Purpose of Fund:</i> To administer the On-Farm Irrigation Efficiency Pilot Program, which provides grants for on-farm irrigation efficiency systems. Up to 10% of monies in the fund may be used for administrative costs and up to \$1,000,000 may be used for irrigation efficiency demonstration, research, and education. The fund is repealed from and after December 31, 2026. Expenditures are not displayed to avoid double counting of General Fund appropriations and federal funds.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
<i>Purpose of Fund:</i> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	365,787,100	361,549,800
Year-End Fund Balance	98,325,500	86,427,100
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
<i>Source of Revenue:</i> University system revenues.		
<i>Purpose of Fund:</i> To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (Please see the Capital Outlay ABOR Building System narrative for more information).		
Funds Expended	26,016,200	25,995,100
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
University Collections Fund (UAA1402/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	450,480,300	368,549,100
Year-End Fund Balance	0	0

University of Arizona - Health Sciences Center

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,149.6	1,044.0	1,044.0
Personal Services	53,579,500	53,598,800	53,598,800
Employee Related Expenditures	17,349,800	17,056,100	17,056,100
Professional and Outside Services	4,724,500	9,296,100	9,296,100
Travel - In State	56,400	31,200	31,200
Travel - Out of State	162,500	120,100	120,100
Other Operating Expenditures	5,558,300	7,253,800	7,253,800
Equipment	351,600	0	0
OPERATING SUBTOTAL	81,782,600	87,356,100	87,356,100 ^{1/}
SPECIAL LINE ITEMS			
AZ Reach	500,000	0	0
Board of Medical Student Loans	2,000,000	0	0
Clinical Rural Rotation	353,600	353,600	353,600
Clinical Teaching Support	8,587,000	8,587,000	8,587,000
Fall Prevention Studies	1,000,000	0	0
Liver Research Institute	440,400	440,400	440,400
Phoenix Medical Campus	33,631,000	38,544,100	38,544,100
Telemedicine Network	1,670,000	1,670,000	1,670,000
AGENCY TOTAL	129,964,600	136,951,200	136,951,200 ^{2/3/}
FUND SOURCES			
General Fund	80,397,700	75,428,400	75,428,400 ^{4/5/}
<u>Other Appropriated Funds</u>			
University Collections Fund	49,566,900	61,522,800	61,522,800 ^{6/}
SUBTOTAL - Other Appropriated Funds	49,566,900	61,522,800	61,522,800
SUBTOTAL - Appropriated Funds	129,964,600	136,951,200	136,951,200
Other Non-Appropriated Funds	374,864,000	409,550,400	417,731,100
Federal Funds	226,899,000	284,089,800	383,982,400
TOTAL - ALL SOURCES	731,727,600	830,591,400	938,664,700

AGENCY DESCRIPTION — The University of Arizona’s Health Sciences Center (UA-HSC) includes its Colleges of Medicine Tucson and Phoenix, Nursing, Pharmacy, and Public Health. UA-HSC also currently operates a medical campus in Phoenix that opened in FY 2006.

FOOTNOTES

- 1/ The legislature intends that \$8,000,000 of the amount appropriated to the health sciences center operating lump sum appropriation line item be used to expand the college of medicine Phoenix campus and to develop and administer a primary care physician scholarship program at the college of medicine Phoenix campus and the college of medicine Tucson campus. The legislature intends that the \$8,000,000 not be annualized in future years. (General Appropriations Act footnote)
- 2/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriations Act footnote)
- 3/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 4/ The state general fund appropriation may not be used for alumni association funding. (General Appropriations Act footnote)
- 5/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriations Act footnote)
- 6/ Any unencumbered balances remaining in the university collections fund on June 30, 2025 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 spent for supplemental life insurance or supplemental retirement. (General Appropriations Act footnote)

Operating Budget

The Baseline includes \$87,356,100 and 730.4 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$41,107,600
University Collections Fund	46,248,500

These amounts are unchanged from FY 2025.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the UA-HSC Other Issues Section and ABOR for more information.)*

Clinical Rural Rotation

The Baseline includes \$353,600 and 4.2 FTE Positions from the General Fund in FY 2026 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2025.

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 Baseline includes \$8,587,000 from the General Fund in FY 2026 for Clinical Teaching Support. This amount is unchanged from FY 2025.

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 Baseline includes \$440,400 and 6.2 FTE Positions from the General Fund in FY 2026 for the Liver Research Institute. These amounts are unchanged from FY 2025.

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 Baseline includes \$38,544,100 and 291.7 FTE Positions in FY 2026 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	\$23,269,800
University Collections Fund	15,274,300

These amounts are unchanged from FY 2025.

In addition to the monies appropriated in this line item, a General Appropriations Act footnote states legislative intent that \$8,000,000 from the UA Health Sciences Center operating budget appropriation be used to expand the College of Medicine Phoenix Campus and to develop and administer a primary care physician scholarship program at both the Phoenix and Tucson Campuses.

Telemedicine Network

The Baseline includes \$1,670,000 and 11.5 FTE Positions from the General Fund in FY 2026 for the Telemedicine Network. These amounts are unchanged from FY 2025.

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 and FTE Positions Adjustments

Including statewide adjustments, the FY 2025 General Appropriations Act appropriated \$69,546,500 from the University Collections Fund to UA - HSC. 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 Appropriations 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 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 2025 to the Joint Legislative Budget Committee in June 2024, and UA incorporated the adjusted FY 2025 amounts as part of their FY 2026 budget submission. Accordingly,

the estimated FY 2025 amount has been adjusted by \$(8,023,700) to \$61,522,800.

The FY 2025 FTE Position count has also been adjusted. The FY 2025 General Appropriations Act originally appropriated 1,154.9 FTE Positions in FY 2025 for the UA - HSC. The General Fund accounted for 570.5 FTE Positions and the University Collections Fund accounted for the remaining 584.4 FTE Positions. The estimated number of FY 2025 FTE Positions has been adjusted by (110.9) to 1,044. The General Fund accounts for 541.7 FTE Positions and the University Collections Fund accounts for the remaining 502.3 FTE Positions.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Sales revenues of substantially self-supporting university services.		
<i>Purpose of Fund:</i> To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	296,200	17,200
Year-End Fund Balance	49,100	31,900
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<i>Purpose of Fund:</i> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	254,934,500	278,119,000
Year-End Fund Balance	158,656,100	161,563,700
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Retained tuition and fees.		
<i>Purpose of Fund:</i> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	20,645,500	20,638,700
Year-End Fund Balance	18,250,000	16,710,600
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
<i>Purpose of Fund:</i> To support endowment operations and compensate designated beneficiaries.		
Funds Expended	20,078,500	20,881,600
Year-End Fund Balance	173,248,100	179,296,400
Federal Grants (UNI8903/A.R.S. § 15-1666)		Federal Funds
<i>Source of Revenue:</i> Federal grants and contracts.		
<i>Purpose of Fund:</i> To support specific operating and research purposes as identified by the federal government.		
Funds Expended	169,900,800	225,951,600
Year-End Fund Balance	(28,803,200)	(29,048,100)

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Federal Funds
<i>Source of Revenue:</i> Federally-sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote federally-sponsored research.		
Funds Expended	56,998,200	58,138,200
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Non-federally-sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote non-federally-sponsored research.		
Funds Expended	7,722,900	7,877,300
Year-End Fund Balance	0	0
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Federal student loan program awards and interest collected on outstanding federal student loans.		
<i>Purpose of Fund:</i> To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	(9,222,900)	0
Year-End Fund Balance	18,604,300	18,620,800
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
<i>Purpose of Fund:</i> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	80,409,300	82,016,600
Year-End Fund Balance	47,513,400	41,715,200
University Collections Fund (UAA1403/A.R.S. § 15-1626)		Appropriated
<i>Source of Revenue:</i> Tuition and registration fees.		
<i>Purpose of Fund:</i> To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	49,566,900	61,522,800
Year-End Fund Balance	0	0

Department of Veterans' Services

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	792.3	792.3	792.3
Personal Services	1,641,000	1,600,000	1,600,000
Employee Related Expenditures	576,000	600,000	600,000
Professional and Outside Services	(30,000)	60,000	60,000
Travel - In State	195,000	100,000	100,000
Travel - Out of State	8,000	0	0
Other Operating Expenditures	643,000	541,700	541,700
Equipment	30,000	20,000	20,000
OPERATING SUBTOTAL	3,063,000	2,921,700	2,921,700
SPECIAL LINE ITEMS			
Arizona State Veterans' Cemeteries	967,000	970,300	970,300
Arizona State Veterans' Homes	44,194,000	60,994,800	60,994,800
Gila County Veterans Retreat	3,000,000	0	0
Homeless Veterans' Reintegration Program	1,175,000	0	0
Tribal Connectivity Project	122,000	0	0
Veterans' Benefit Counseling	3,332,000	3,713,100	3,713,100
Rural Tribal Nations Veteran Benefit Counseling	1,429,000	2,217,900	2,217,900 ^{1/}
Veterans Center Funding	0	500,000	0
Veterans' Support Services	725,000	1,226,100	1,226,100 ^{2/}
Veterans' Trauma Treatment Services	0	450,000	450,000 ^{3/}
Veteran Suicide Prevention Training Pilot Program	0	0	0
AGENCY TOTAL	58,007,000	72,993,900	72,493,900 ^{4/}
FUND SOURCES			
General Fund	13,813,000	11,999,100	11,499,100
<u>Other Appropriated Funds</u>			
State Homes for Veterans Trust Fund	44,194,000	60,994,800	60,994,800
SUBTOTAL - Other Appropriated Funds	44,194,000	60,994,800	60,994,800
SUBTOTAL - Appropriated Funds	58,007,000	72,993,900	72,493,900
Other Non-Appropriated Funds	4,195,500	2,790,100	2,790,100
Federal Funds	5,700,000	200,900	200,900
TOTAL - ALL SOURCES	67,902,500	75,984,900	75,484,900

AGENCY DESCRIPTION — The agency supervises and operates skilled nursing homes for Arizona veterans, assists veterans in developing and filing claims for federal entitlements, and operates several veterans' memorial cemeteries across the state.

FOOTNOTES

- 1/ Monies appropriated for the rural tribal nations veteran benefit counseling line item shall be used for veterans' services officers to provide services in rural tribal nations in this state that have communities that are located one hundred miles or more from the nearest United States department of veterans' affairs service center. (General Appropriations Act footnote)
- 2/ The amount appropriated for veterans' support services line item shall be distributed to a nonprofit veterans' services organization that provides support services among this state's military and veteran population. The department may spend up to \$76,500 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 to the joint legislative budget committee that includes the status of non-state matching grant monies. (General Appropriations Act footnote)

- 3/ Monies appropriated for the veterans' trauma treatment services line item shall be used to provide grants to contractors as defined in section 36-2901, Arizona Revised Statutes, 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 Appropriations Act footnote)
- 4/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,921,700 and 46.8 FTE Positions from the General Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Arizona State Veterans' Cemeteries

The Baseline includes \$970,300 and 12.5 FTE Positions from the General Fund in FY 2026 for the Arizona State Veterans' Cemeteries. These amounts are unchanged from FY 2025.

Monies in this line item are used to partially offset the operating and maintenance costs for the 3 veteran cemeteries in Sierra Vista, Marana, and Camp Navajo. The department also receives interment fees from the federal government, which are deposited into the non-appropriated Arizona State Veterans' Cemetery Trust Fund.

Additionally, the U.S. Department of Veterans Affairs (VA) awarded Arizona Department of Veterans' Services (ADVS) \$1,910,200 in FY 2024 to expand the Camp Navajo cemetery. The department used these monies to build infrastructure for additional placements, among other improvements. The Marana cemetery also received a similar award of \$3,366,300 in FY 2023.

Arizona State Veterans' Homes

The Baseline includes \$60,994,800 and 644 FTE Positions from the State Homes for Veterans Trust Fund in FY 2026 for the Arizona State Veterans' Homes. These amounts are unchanged from FY 2025.

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes. Monies in this line item are from fees and reimbursements received from residents, the VA, Medicaid, Medicare, and private insurance carriers.

ADVS operates the Phoenix Veterans' Home, a 104-bed facility serving an average of 79 individuals between July and September 2024. The Tucson Veterans' Home has a 120-bed capacity serving an average of 113 individuals between July and September 2024.

A third home in Yuma opened in October 2022 and currently serves 43 individuals. After experiencing several delays, a fourth home in Flagstaff opened in November 2024. The FY 2023 budget increased the department's appropriation authority to annualize the operating costs of both the Yuma and Flagstaff homes. Each of these homes has an 80-bed capacity.

Additionally, the department plans to build a fifth home in Northwestern Arizona. *(Please see the Other Issues section for further details on the Northwestern Arizona home.)*

Veterans' Benefit Counseling

The Baseline includes \$3,713,100 and 69 FTE Positions from the General Fund in FY 2026 for Veterans' Benefit Counseling. These amounts are unchanged from FY 2025.

The monies in this line item are used to assist Arizona veterans with questions about benefit eligibility, completion and filing of VA claims, and in obtaining earned benefits. *(For more information on benefit counseling within ADVS, please see Rural Tribal Nations Veteran Benefit Counseling.)*

Rural Tribal Nations Veteran Benefit Counseling

The Baseline includes \$2,217,900 and 20 FTE Positions from the General Fund in FY 2026 for Rural Tribal Nations Veteran Benefit Counseling. These amounts are unchanged from FY 2025.

The monies in this line item fund Veteran Service Officers who provide benefit counseling for tribal nation

communities located 100 miles or more from the nearest U.S. Department of Veterans Affairs service center. (For more information on benefit counseling within ADVS, please see *Veterans' Benefit Counseling*.)

Veterans Center Funding

The Baseline includes no funding in FY 2026 for Veterans Center Funding. Adjustments are as follows:

Remove One-Time Veterans Center Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2026 to remove one-time veterans center funding. The FY 2025 budget required the department to distribute the funds to a veterans center that provides referral services for employment and job training, housing, and utility assistance.

Veterans' Support Services

The Baseline includes \$1,226,100 from the General Fund in FY 2026 for Veterans' Support Services. This amount is unchanged from FY 2025.

Funding for this line item shall be distributed to a nonprofit veterans' services organization that provides support services, including suicide prevention, to Arizona's military and veteran population. The department may spend up to \$76,500 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization. The program currently includes a 24/7 hotline, career navigation services, and resource mapping. Prior to spending the appropriation, the department is required to submit an expenditure report to JLBC that includes the status of non-state matching grant monies.

Veterans' Trauma Treatment Services

The Baseline includes \$450,000 from the General Fund in FY 2026 for Veterans' Trauma Treatment Services. This amount is unchanged from FY 2025.

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.

Veteran Suicide Prevention Training Pilot Program

The Baseline includes no funding in FY 2026 for the Veteran Suicide Prevention Training Pilot Program. This amount is unchanged from FY 2025.

The FY 2024 budget included \$600,000 from the General Fund for the pilot program. The budget included a footnote specifying that the pilot program will provide training and certification to veterans-facing staff throughout the state on identifying indicators of elevated suicide risk in veterans and providing emergency crisis referrals. The budget also required the department to submit a report by July 30, 2024, to the Senate President and the Speaker of the House of Representatives that includes recommendations for improving the program.

After passage of the FY 2024 budget, Laws 2023, Chapter 199 established the pilot program as permanent law and additionally requires the department, in its final report, to recommend whether the program should be continued. The monies were appropriated as non-lapsing. In its FY 2026 budget submittal, the department reported it has not yet spent the FY 2024 appropriation.

Other Issues

Northwestern Veterans' Home

The FY 2022 budget originally included \$25,000,000 from the General Fund for the construction and establishment of a veterans' home facility in Northwestern Arizona. The state funding represents 35% of the cost of the facility while federal matching funds would pay for the remainder. To be eligible for federal funds, the state would need to finalize its site selection. The monies were appropriated as non-lapsing.

However, the department did not select a site or begin construction of the home. As a result, the FY 2025 budget delayed the northwestern home funding until FY 2028. Laws 2024, Chapter 211, Section 6 did this by ex-appropriating \$(25,000,000) from the General Fund in FY 2022 and advance appropriating \$25,000,000 from the General Fund in FY 2028. The Baseline's 3-year spending plan incorporates this increase.

The FY 2025 budget continues to require ADVS to submit the proposed site location to the Arizona Veterans' Service Advisory Commission for approval. The monies are appropriated as non-lapsing.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona State Veterans' Cemetery Trust Fund (VSA2499/A.R.S. § 41-608.03)		Non-Appropriated
Source of Revenue: Monies, grants, gifts, and contributions from any public or private source.		
Purpose of Fund: To manage and maintain 3 Arizona veterans' cemeteries located in Sierra Vista, Marana, and Camp Navajo.		
Funds Expended	1,043,000	310,600
Year-End Fund Balance	2,038,800	3,728,200
Federal Funds (VSA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: U.S. Department of Veterans Affairs and Department of Defense Grants.		
Purpose of Fund: To supervise and qualify educational and training programs which receive Federal Government Issued (GI) Bill monies, provide assistance for military personnel transitioning to a career as a public school teacher, and to construct veterans' homes facilities in Flagstaff and Northwestern Arizona.		
Funds Expended	5,700,000	200,900
Year-End Fund Balance	1,875,600	13,474,700
Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04)		Non-Appropriated
Source of Revenue: Donations (typically via tax credits), bequests, or other contributions from public or private sources. This fund is established through December 31, 2026; any funds remaining unencumbered as of that date are transferred to the Veterans' Donation Fund.		
Purpose of Fund: To provide financial assistance to family members of veterans who became deceased, wounded or injured, or became seriously ill and been deployed from an Arizona military base, claimed this state as the service member's home of record, or were a member of the Arizona National Guard at the time of deployment. Laws 2018, Chapter 258 established the Pre-9/11 and Post-9/11 subaccounts of the fund to provide assistance based on member's service dates.		
Funds Expended	1,265,500	79,500
Year-End Fund Balance	24,700	245,200
State Homes for Veterans Trust Fund (VSA2355/A.R.S. § 41-608.01)		Appropriated
Source of Revenue: Charges for services, fees and reimbursements received from residents, the Department of Veterans Affairs, Medicaid, Medicare, and private insurance carriers.		
Purpose of Fund: To operate and maintain state-operated nursing homes for Arizona veterans.		
Funds Expended	44,194,000	60,994,800
Year-End Fund Balance	1,286,400	(14,608,400)
Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	0	0
Year-End Fund Balance	800	800
Veterans' Donations Fund (VSA2441/A.R.S. § 41-608)		Non-Appropriated
Source of Revenue: Donations from private individuals, corporations and organizations. Donations are made by designating a portion of one's tax refund, purchasing a license plate, or other means. Sales from the Veterans, Freedom, Gold Star, Flying Cross, Women Veteran, and Military Scholarship license plates go into this fund. Of the \$25 license plate fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Veterans' Donation Fund.		
Purpose of Fund: To benefit veterans within the state of Arizona. Separate subaccounts of this fund are used for 1) the construction and maintenance of the Enduring Freedom Memorial, 2) grants to benefit women veterans in Arizona including providing shelter to homeless women veterans and 3) higher education scholarships for veterans and their dependents.		
Funds Expended	1,887,000	2,400,000
Year-End Fund Balance	4,526,200	5,476,200

Arizona State Veterinary Medical Examining Board

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	395,500	456,500	456,500
Employee Related Expenditures	152,800	155,000	155,000
Professional and Outside Services	31,600	33,000	33,000
Travel - In State	16,400	17,000	17,000
Other Operating Expenditures	118,300	125,200	125,200
Equipment	17,100	1,200	1,200
AGENCY TOTAL	731,700	787,900	787,900 ^{1/}

FUND SOURCES

Other Appropriated Funds

Veterinary Medical Examining Board Fund	731,700	787,900	787,900
SUBTOTAL - Other Appropriated Funds	731,700	787,900	787,900
SUBTOTAL - Appropriated Funds	731,700	787,900	787,900
TOTAL - ALL SOURCES	731,700	787,900	787,900

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 Appropriations Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$787,900 and 7 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Veterinary Medical Examining Board Fund (VTA2078/A.R.S. § 32-2205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of veterinarians, veterinary technicians, and veterinary premises.		
Purpose of Fund: To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.		
Funds Expended	731,700	787,900
Year-End Fund Balance	506,000	1,562,700

Water Infrastructure Finance Authority

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
SPECIAL LINE ITEMS			
Long-Term Water Augmentation Fund Deposit ^{1/2/}	189,200,000	0	0
Water Projects Assistance Grants	3,000,000	0	0
Gilbert Wells Project	27,800,000	0	0
Glendale Irrigation and Xeriscaping	810,000	0	0
Little Colorado River Levee	20,000,000	0	0
Mohave Wash Recharge Basin	3,400,000	0	0
Peoria Wells Project	10,000,000	0	0
AGENCY TOTAL	254,210,000	0	0
FUND SOURCES			
General Fund	254,210,000	0	0
SUBTOTAL - Appropriated Funds	254,210,000	0	0
Other Non-Appropriated Funds	70,723,900	196,027,700	196,027,700
Federal Funds	52,699,200	81,303,000	81,303,000
TOTAL - ALL SOURCES	377,633,100	277,330,700	277,330,700

AGENCY DESCRIPTION — The Water Infrastructure Finance Authority (WIFA) finances the construction, rehabilitation, and/or improvement of drinking water, waste water, reclamation, and other water quality facilities/projects from federal funds. The WIFA board also authorizes grants and issues bonds to support water supply development, conservation, and long-term water augmentation projects with state funds. WIFA staff support the statutory Federal Water Programs Committee, Water Supply Development Committee and the Long-Term Water Augmentation Committee.

Other Issues

This section includes information on the following topics:

- Long-Term Water Augmentation Fund
- Water Conservation Grant Fund
- Water Supply Development Revolving Fund
- FY 2024 Water Projects Funding

Long-Term Water Augmentation Fund

Laws 2022, Chapter 366 established the Long-Term Water Augmentation Fund. The monies in this fund are to be used for funding water supply development projects that import water from outside of Arizona, purchasing imported water or rights to imported water, acquiring or constructing facilities to convey and deliver imported water, financial assistance to eligible entities to finance or refinance water supply development projects within Arizona and other expenses related to these endeavors including water studies, assessments, and environmental reviews. An eligible entity is a water provider or any city, town, county, district, commission, authority or other public entities for this fund as defined in A.R.S. § 49-1301.

The fund may be used for administrative costs, but expenditures are limited to funding no more than 10 FTE Positions at WIFA.

Laws 2022, Chapter 366 made a total 3-year commitment of \$1,000,000,000 to the fund as follows: a transfer of \$334,000,000 in FY 2023 from a diversion of the state's Transaction Privilege Tax and appropriations of \$333,000,000 from the General Fund in FY 2024 and FY 2025. The \$1,000,000,000 commitment excluded any interest earnings on the fund. Laws 2022, Chapter 366 requires that 75% of the monies from the 3-year funding allocation are reserved for 1 or more projects that import water from outside of Arizona.

With subsequent legislation amending Laws 2022, Chapter 366, the state's deposits to the LTWAF totaled \$445,200,000. These changes are as follows:

- The FY 2024 budget reduced the FY 2024 appropriation to \$189,200,000.
- The FY 2025 budget transferred \$78,000,000 in FY 2024 from previously deposited LTWAF amounts.
- The FY 2025 budget repealed an advance appropriation of \$333,000,000 from the General Fund in FY 2025 for the third year of funding to the LTWAF.

In addition to these changes, the FY 2025 budget transferred \$19,300,000 from earned interest to the General Fund. *(For additional background, please see the WIFA narrative in the FY 2023, FY 2024, and FY 2025 Appropriations Reports)*

The WIFA Board will approve assistance from this fund and will receive recommendations from a Long-Term Water Augmentation subcommittee comprised of board members. Awards of more than \$50,000,000 from the fund are required to be reviewed by the 9-member Joint Legislative Water Committee established by A.R.S. § 49-1215. WIFA is currently preparing a request for proposals to solicit projects for funding.

Water Conservation Grant Fund

Laws 2022, Chapter 366 established the Water Conservation Grant Fund to provide grants for water conservation. Eligible entities (cities/counties, public water systems, tribal communities, and other entities specified in statute) may apply to receive funds for voluntary water conservation programs such as: education, rainwater harvesting, drought-resistant landscaping/turf removal, groundwater storage and recovery and watershed protection and other initiatives specified in statute.

Chapter 366 did not make a deposit into this fund. The fund has been allocated \$200,000,000 of Federal Funds for this purpose. As of June 2024, WIFA has awarded all these funds.

Water Supply Development Revolving Fund

The Water Supply Development Revolving Fund as amended by Laws 2022, Chapter 366 provides monies for low-cost financing, grants, and technical assistance to water providers and political subdivisions for water supply development projects outside of Arizona's major centers.

The fund has received monies from legislative appropriations including \$40,000,000 from the General Fund from an FY 2021 supplemental and \$151,500,000 transferred to the fund from the former Drought Mitigation Revolving Fund (DMRF) by Laws 2022, Chapter 366. These monies were from a previous legislative appropriation to the DMRF from the General Fund.

After accounting for the FY 2025 budget's transfer of \$59,700,000 from the fund in FY 2024, the fund had an FY 2024 year-end balance of \$152,241,700. WIFA is currently soliciting funding applications for this fund.

FY 2024 Water Projects Funding

The FY 2024 budget included one-time funding from the General Fund for the following water projects:

- \$3,000,000 for water projects assistance grants allocated as follows: 1) \$1,000,000 to cities and towns that provide water in Navajo and Apache Counties; 2) \$1,000,000 to irrigation districts in Graham County and 3) \$1,000,000 to irrigation districts in Cochise County along the San Pedro River.
- \$27,800,000 allocated to the Town of Gilbert to support the rehabilitation and drilling of new water wells to access previously conserved groundwater.
- \$810,000 to the City of Glendale for xeriscaping and irrigation system improvements.
- \$20,000,000 to Navajo County to support the reconstruction of the Little Colorado River levee. Navajo County along with the Army Corp of Engineers will reconstruct a levee to protect the City of Winslow and Interstate 40, along with nearby railroad lines and other infrastructure.
- \$3,400,000 to Mohave County for the Mohave Wash recharge basin to capture stormwater at the confluence of the Mohave Wash and Rattlesnake Wash.
- \$10,000,000 to the City of Peoria to support the construction of 5 new water wells and water infrastructure projects.

(Please see the FY 2024 and FY 2025 Appropriations Reports for additional information.)

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Clean Water Annual Debt Service Interest Fund (FAA4313/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Interest from issued loans.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	827,400	1,028,800
Year-End Fund Balance	25,511,300	27,689,500
Clean Water Annual Debt Service Principal Fund (FAA4312/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Repayment on the principal of issued loans.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	0	25,233,000
Year-End Fund Balance	95,572,800	95,361,000
Clean Water Debt Service Reserve - Clean Water Fund (FAA4315/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Upfront payment from loan recipients with lower credit ratings.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	4,062,200	4,236,300
Clean Water Federal Loan Fund (FAA4310/A.R.S. § 49-1221)		Federal Funds
Source of Revenue: Federal monies.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	23,492,100	20,874,000
Year-End Fund Balance	0	0
Clean Water Fee Program Income Fund (FAA4309/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Administrative fee from the issuance of a loan.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	2,560,500	55,000
Year-End Fund Balance	109,200	59,200
Clean Water Fees Non Program Income Fund (FAA4317/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Administrative fees from Qualified Not Pledged (QNP) and Not Qualified (NQ) loans.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	11,598,500	5,609,400
Year-End Fund Balance	1,714,300	1,318,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Clean Water Financial Assistance Fund (FAA4319/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Principal and interest from Qualified Not Pledged (QNP) and Not Qualified (NQ) loan payments.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	16,152,300	16,636,800
Year-End Fund Balance	4,772,600	2,944,000
Clean Water State Loan Fund (FAA4311/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Revenue generated from bond sales.		
Purpose of Fund: To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Drinking Water Annual Debt Service Interest Fund (FAA4333/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Interest from issued loans.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	1,635,800	5,296,700
Year-End Fund Balance	4,631,100	1,570,400
Drinking Water Annual Debt Service Principal Fund (FAA4332/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Repayment on the principal of issued loans.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	9,571,600	7,484,700
Year-End Fund Balance	87,101,100	102,838,800
Drinking Water Debt Service Reserve Fund (FAA4320/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Upfront payment from loan recipients with lower credit ratings.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	2,375,100	2,885,400
Drinking Water Federal Loan Fund (FAA4335/A.R.S. § 49-1261)		Federal Funds
Source of Revenue: Federal monies.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	29,028,500	60,119,000
Year-End Fund Balance	15,500	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Drinking Water Fees Non Program Fund (FAA4322/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Administrative fees from Qualified Not Pledged (QNP) and Not Qualified (NQ) loans.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	6,667,500	6,929,100
Year-End Fund Balance	752,500	1,391,300
Drinking Water Fees Program Income Fund (FAA4336/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Administrative fee from the issuance of a loan.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	602,500	712,400
Year-End Fund Balance	1,911,500	3,781,400
Drinking Water Financial Assistance Fund (FAA4324/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Principal and interest from Qualified Not Pledged (QNP) and Not Qualified (NQ) loan payments.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	16,884,500	0
Year-End Fund Balance	970,500	18,851,400
Drinking Water State Loan Fund (FAA4331/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Revenue generated from bond sales.		
Purpose of Fund: To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Long-Term Water Augmentation Fund (WFA9999/A.R.S. § 49-1302)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, interest, gifts, grants, donations, and any other monies received for the purpose of the fund. The fund may also receive revenues from the sale of long-term water augmentation bonds and from public-private partnership agreements.		
Purpose of Fund: To fund water supply development projects, including those that import water from outside of Arizona and other related expenses such as water studies, assessments, and environmental reviews. Eligible entities include water providers and cities, counties or another public entity/district/commission. The fund may be used for administrative costs, not to exceed 10 FTE Positions. Awards of more than \$50,000,000 from the fund are required to be reviewed by the Joint Legislative Water Committee. For any monies deposited in FY 2023, FY 2024, and FY 2025 by Laws 2022, Chapter 366 (as amended by subsequent reductions), 75% is reserved for 1 or more projects that import water from outside of Arizona.		
Funds Expended	2,270,400	2,645,200
Year-End Fund Balance	447,566,500	453,421,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Small and Disadvantaged Communities Drinking Water Assistance Fund (FAA2230/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal monies.		
Purpose of Fund: To assist small and disadvantaged communities to comply with the Safe Drinking Water Act (SDWA).		
Funds Expended	178,600	310,000
Year-End Fund Balance	0	0
Small Drinking Water Systems Fund (FAA2225/A.R.S. § 49-355)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies and interest. The FY 2020 budget included a one-time deposit of \$500,000 from the General Fund. The FY 2022 budget included a one-time deposit of \$1,000,000 from the General Fund.		
Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency grants to small water systems for infrastructure repair. These expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	435,500	309,600
Water Conservation Grant Fund (WFA9998/A.R.S. § 49-1332)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, interest, gifts, grants, donations, and any other monies received for the purpose of the fund.		
Purpose of Fund: Monies are to facilitate voluntary water conservation programs or projects by eligible entities that result in long-term reductions in water use and/or improvements in water use efficiency or water reliability. Eligible entities include public and private water providers, tribal entities, and cities, counties or another public entity/district/commission. Projects and eligible programs range include education, research and other programs for water conservation and efficiency activities, including but not limited to: rainwater harvesting, drought-resistant landscaping/turf removal, groundwater storage and recovery and watershed protection. Funds can be used for program implementation and the administrative costs for eligible programs. Monies may be used for an eligible entity to distribute rebates for the installation of gray water systems.		
Funds Expended	1,736,600	99,131,700
Year-End Fund Balance	0	0
Water Supply Development Revolving Fund (WFA2336/A.R.S. § 49-1271)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
Purpose of Fund: To be used for loans to construct water supply projects in Arizona by eligible entities, to provide technical assistance or grants to eligible entities. An eligible entity includes a water provider that distributes or sells water outside of the boundaries of an initial active management area in which part of the Central Arizona Project (CAP) aqueduct is located, or any city, county or public entity/district/commission located outside of the boundaries of an initial active management area in which part of the CAP aqueduct is located. A single loan may not exceed \$3,000,000, and a single grant shall not exceed \$2,000,000. The fund may also be used for debt refinancing, bond insurance for projects related to water supply development purposes, and water supply studies.		
Funds Expended	216,300	25,264,900
Year-End Fund Balance	152,241,700	132,226,800

Department of Water Resources

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	179.0	204.0	204.0
Personal Services	8,505,500	8,833,400	8,833,400
Employee Related Expenditures	2,957,700	3,419,900	3,419,900
Professional and Outside Services	412,100	202,200	202,200
Travel - In State	94,200	87,500	87,500
Travel - Out of State	95,400	52,900	52,900
Other Operating Expenditures	3,237,600	2,551,100	2,551,100
Equipment	111,900	101,800	101,800
OPERATING SUBTOTAL	15,414,400	15,248,800	15,248,800
SPECIAL LINE ITEMS			
Adjudication Support	1,889,400	1,914,400	1,914,400 ^{1/}
Assured and Adequate Water Supply Administration	2,361,300	2,531,200	2,531,200 ^{2/}
Automated Groundwater Monitoring	404,100	421,100	421,100
Arizona Water Protection Fund Deposit	1,250,000	750,000	750,000
Brackish Groundwater Study	90,400	0	0
Colorado River Legal Expenses	394,700	500,000	500,000 ^{3/4/}
Conservation and Drought Program	427,700	433,500	433,500
Rural Water Studies	1,271,800	1,296,000	1,296,000 ^{5/}
Santa Rosa Canal Groundwater Delivery	2,995,100	0	0
Statewide Water Resources Planning	205,000	0	0
Water Supply and Demand Assessment	3,248,900	3,541,500	3,541,500
AGENCY TOTAL	29,952,800	26,636,500	26,636,500 ^{6/}
FUND SOURCES			
General Fund	28,106,500	24,618,200	24,618,200
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	231,600	291,800	291,800
Water Resources Fund	1,614,700	1,726,500	1,726,500
SUBTOTAL - Other Appropriated Funds	1,846,300	2,018,300	2,018,300
SUBTOTAL - Appropriated Funds	29,952,800	26,636,500	26,636,500
Other Non-Appropriated Funds	7,225,400	13,185,500	11,810,500
Federal Funds	14,669,800	12,505,900	12,505,900
TOTAL - ALL SOURCES	51,848,000	52,327,900	50,952,900

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/ Monies in the adjudication support line item may be used only for the exclusive purposes prescribed in section 45-256, Arizona Revised Statutes, and section 45-257, subsection B, paragraph 4, Arizona Revised Statutes. The department of water resources may not transfer any monies into or out of the adjudication support line item. (General Appropriations Act footnote)
- 2/ Monies in the assured and adequate water supply administration line item may be used only for the exclusive purposes prescribed in sections 45-108, 45-576, 45-577, 45-578 and 45-579, Arizona Revised Statutes. The department of water resources may not transfer any monies into or out of the assured and adequate water supply administration line item. (General Appropriations Act footnote)

- 3/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations 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 Appropriations Act footnote)
- 5/ 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 this state's active management areas and not be made available for other department operating expenditures. (General Appropriations Act footnote)
- 6/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$15,248,800 and 105 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$14,022,300
Water Resources Fund	1,226,500

These amounts are unchanged from FY 2025.

Adjudication Support

The Baseline includes \$1,914,400 and 21 FTE Positions from the General Fund in FY 2026 for Adjudication Support. These amounts are unchanged since FY 2025.

A.R.S. § 45-256 requires the Department of Water Resources (DWR) 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 Baseline includes \$2,531,200 and 25 FTE Positions in FY 2026 for Assured and Adequate Water Supply (AAWS) Administration. These amounts consist of:

General Fund	2,239,400
AAWS Administration Fund	291,800

These amounts are unchanged since FY 2025.

Within the state's 6 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.

The state has 6 existing AMAs, which cover the following general regions: Douglas, Prescott, Phoenix, Pinal, Tucson and Santa Cruz.

New developers outside the 6 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 Baseline includes \$421,100 and 3 FTE Positions from the General Fund in FY 2026 for Automated Groundwater Monitoring. These amounts are unchanged since FY 2025.

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 department's water management programs.

Arizona Water Protection Fund Deposit

The Baseline includes \$750,000 from the General Fund in FY 2026 for the Arizona Water Protection Fund Deposit line item. This amount is unchanged from FY 2025.

This line item funds an annual deposit to the Arizona Water Protection Fund. The 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 grants and determines annual recipients. The FY 2025 budget reduced the annual deposit from the General Fund to the Arizona Water Protection Fund from \$1,250,000 to \$750,000.

Brackish Groundwater Study

The Baseline includes no funding in FY 2026 for a Brackish Groundwater Study. This amount is unchanged from FY 2025.

The FY 2024 budget allocated \$100,000 from the General Fund and directed DWR to review and update the information in studies on the availability of brackish groundwater in this state. The monies in this line item are non-lapsing.

Colorado River Legal Expenses

The Baseline includes \$500,000 from the Water Resources Fund in FY 2026 for Colorado River Legal Expenses. This amount is unchanged from FY 2025.

This line item is for the Department of Water Resources to use for legal expenses related to the Colorado River. The monies in this line item are non-lapsing. *(See the FY 2022 Appropriations Report for more historical information.)*

Conservation and Drought Program

The Baseline includes \$433,500 and 5 FTE Positions from the General Fund in FY 2026 for the Conservation and Drought Program. These amounts are unchanged from FY 2025.

This line item funds assistance to local communities to assess conservation needs and assists rural communities in the development of conservation programs. This also includes 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.

Rural Water Studies

The Baseline includes \$1,296,000 and 11 FTE Positions from the General Fund in FY 2026 for Rural Water Studies. These amounts are unchanged from FY 2025.

This line item funds the department's administration, data collection, and evaluation of rural water studies. Local communities use these funds to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs. The studies are primarily conducted and administered by local and federal partners, with the department providing technical support as needed or financial assistance.

Santa Rosa Canal Groundwater Delivery

The Baseline includes no funding in FY 2026 for the Santa Rosa Canal Groundwater Delivery line item. This amount is unchanged from FY 2025.

The FY 2024 budget allocated \$25,000,000 from the General Fund to distribute monies for the construction of alternative infrastructure to deliver groundwater to the Ak-Chin Indian Community by means other than the Santa Rosa Canal.

An alternative delivery method is needed due to a settlement between the Maricopa-Stanfield Irrigation and Drainage District (MSIDD), the Central Arizona Irrigation and Drainage District (CAIDD) and the Ak-Chin Indian community related to water quality and water salinity issues. Pursuant to a FY 2024 budget footnote, the monies are to be distributed equally between the MSIDD and the CAIDD. The monies in this line item are non-lapsing.

Statewide Water Resources Planning

The Baseline includes no funding in FY 2026 for statewide water resources planning. This amount is unchanged from FY 2025.

The FY 2024 budget included \$5,000,000 from the General Fund for additional support for statewide water resources planning. The monies in this line item are non-lapsing.

Water Supply and Demand Assessment

The Baseline includes \$3,541,500 and 34 FTE Positions from the General Fund in FY 2026 for the Water Supply and Demand Assessment line item. These amounts are unchanged from FY 2025.

The monies in this line item provide funding for the Department of Water Resources to meet the statutory requirement to prepare, issue and submit water supply and demand assessments for at least 6 of the 51 groundwater basins and initial AMAs established in statute no later than December 1, 2023 and on or before of December 1 of each following year. An assessment is to be completed for all of the groundwater basins at least once every 5 years. The Department of Water Resources may contract with outside entities to perform some or all of the assessments.

DWR completed studies in 2023 for the following groundwater basins: Douglas AMA, Willcox, San Bernardino Valley, Butler Valley, McMullen Valley, Harquahala INA, and Tiger Wash. For 2024, DWR conducted studies for the following basins: Agua Fria, Big Sandy, Cienega Creek, Donnelly Wash, Gila Bend, Lower

San Pedro, Prescott AMA, Ranegras Plain, Santa Cruz AMA, San Rafael, Tonto Creek, Upper Hassayampa, Upper San Pedro, and Verde River.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- DWR It Modernization Project
- Colorado River Usage Reductions

Statutory Changes

The Baseline would, 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 2026.

DWR IT Modernization Project

The FY 2025 budget included an FY 2024 transfer of \$2,500,000 from the Water Resources Fund to the Automation Projects Fund for a cost overrun for the information technology modernization project. Given a prior transfer of \$1.7 million from the Water Resources Fund in FY 2023, the Automations Project Fund received a total \$4,200,000 for the project.

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

Colorado River Usage Reductions

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. Subsequently, the Drought Contingency Plan (DCP) signed in May 2019 by all the relevant states and federal government institutes more immediate reductions at amounts higher than the 2007 agreement to preserve water in Lake Mead.

Due to current declines, the federal government deemed additional usage reductions would be necessary through the end of 2026. After negotiations, Arizona, California, and Nevada agreed to reduce their combined water use by 3,000,000 acre-feet through the end of 2026. This agreement has been submitted and recognized as the preferred approach by the federal Bureau of Reclamation.

These agreements expire in 2026. Before the end of 2026, the US Department of Interior will develop new guidelines in consultation with the states and water users. Consultation and negotiations are currently occurring.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona System Conservation Fund (WCA9900/A.R.S. § 45-118)		Non-Appropriated
Source of Revenue: Legislative appropriations and grants and contributions from private and public entities.		
Purpose of Fund: Reduce Colorado River water use by funding conservation measures, water diversions, and forgoing water deliveries.		
Funds Expended	0	0
Year-End Fund Balance	9,414,300	9,723,900
Arizona Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Non-Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. Revenue also comes from a portion of the 4% property tax collected by CAWCD to pay for water storage. By law, each AMA has its own subaccount within the fund. This fund operates on the calendar year. Because fees and taxes are collected at the end of the fiscal year, the Year-End Fund Balances are not reflective of the calendar year-end balances.		
Purpose of Fund: To purchase and store the unused portion of Arizona's Colorado River water allotment. The department provides administrative support for this fund, but control of expenditures is vested with AWBA.		
Funds Expended	1,620,700	2,552,300
Year-End Fund Balance	2,700,500	2,531,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Water Protection Fund (WCA1302/A.R.S. § 45-2111)		Non-Appropriated
Source of Revenue: From purchases or leases of CAP water and legislative appropriations.		
Purpose of Fund: To provide 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 determines annual recipients. The department provides administrative support for this fund, but control of expenditures is vested with the commission.		
Funds Expended	1,351,000	2,591,300
Year-End Fund Balance	3,163,400	1,718,900
Arizona Water Quality Fund (WCA2304/A.R.S. § 45-618)		Non-Appropriated
Source of Revenue: From annual Water Quality Assurance Revolving Fund (WQARF) transfers negotiated with the Arizona Department of Environmental Quality (ADEQ), as well as from legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To inspect wells for groundwater contamination and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with the ADEQ WQARF program.		
Funds Expended	211,200	243,300
Year-End Fund Balance	143,300	43,500
Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)		Appropriated
Source of Revenue: Fees for applications relating to adequate and assured water supply regulations for newly-created subdivisions.		
Purpose of Fund: To support the costs and expenses incurred when determining and declaring compliance with assured and adequate water supply regulations.		
Funds Expended	231,600	291,800
Year-End Fund Balance	126,900	20,100
Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
Purpose of Fund: Generally, to support water supply augmentation projects, such as groundwater recharge, as well as AMA conservation programs. By law, each AMA has its own subaccount within the fund.		
Funds Expended	1,875,500	925,000
Year-End Fund Balance	1,785,000	1,606,300
Colorado River Water Use Fee Clearing Account (WCA2538/A.R.S. § 45-333)		Non-Appropriated
Source of Revenue: Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
Purpose of Fund: Monies are transferred to the Lower River Multispecies Conservation Program.		
Funds Expended	37,300	37,000
Year-End Fund Balance	0	0
Coronavirus State and Local Fiscal Recovery Fund (WCA2985/P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	14,305,600	11,856,800
Year-End Fund Balance	4,646,200	4,646,200
Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)		Non-Appropriated
Source of Revenue: Legislative appropriations, dam safety inspection fees, and filing fees.		
Purpose of Fund: Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
Funds Expended	11,200	800,000
Year-End Fund Balance	8,089,100	7,821,100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Employee Recognition Fund (WCA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from a public entity, a private entity, or any person.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	3,800	2,100
Year-End Fund Balance	2,500	2,400
Federal Grants (WCA2000/A.R.S. § 45-105)		Federal Funds
Source of Revenue: Grants from the federal government.		
Purpose of Fund: To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
Funds Expended	364,200	649,100
Year-End Fund Balance	578,000	603,100
Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation, and maintenance of flood warning systems.		
Funds Expended	20,600	132,100
Year-End Fund Balance	365,200	248,100
General Adjudication Personnel and Support Fund (SPA1098/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature.		
Purpose of Fund: For the Supreme Court to provide additional personnel for general adjudication, case management, and other support equipment and the Department of Water Resources for additional personnel, equipment, and services related to general adjudication. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	695,100	142,800
General Adjudications Fund (WCA2191/A.R.S. § 45-260)		Non-Appropriated
Source of Revenue: Court fees paid by water claimants and from legislative appropriations.		
Purpose of Fund: To cover postage and other costs of serving legal notices to water rights claimants and of publicizing court proceedings. Also to remit filing fees to the courts.		
Funds Expended	15,900	16,000
Year-End Fund Balance	37,400	37,400
Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)		Non-Appropriated
Source of Revenue: Cost allocation transfers of federal and other non-appropriated funds.		
Purpose of Fund: To provide various indirect administrative services.		
Funds Expended	(185,900)	1,788,300
Year-End Fund Balance	1,945,500	521,200
Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collections from other state and local agencies.		
Purpose of Fund: To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	348,400	320,600
Year-End Fund Balance	201,800	181,200

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Production and Copying Fund (WCA2411/A.R.S. § 45-115)		Non-Appropriated
Source of Revenue: From monies received for department publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To produce and distribute department publications, as well as to copy department records.		
Funds Expended	0	1,000
Year-End Fund Balance	4,900	4,000
Publication and Mailing Fund (WCA2410/A.R.S. § 45-116)		Non-Appropriated
Source of Revenue: From monies received for the publication and mailing of legal notices as required by law. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To publish and mail legal notices.		
Funds Expended	0	3,000
Year-End Fund Balance	8,600	5,600
Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in AMAs.		
Purpose of Fund: To purchase and retire grandfathered groundwater rights, those entitlements legally owned or used before the creation of an AMA in a given area. By law, each AMA has its own subaccount within the fund.		
Funds Expended	0	0
Year-End Fund Balance	167,300	172,300
Statewide Donations Fund (WCA2025/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants, gifts or donations of money or other property from any source.		
Purpose of Fund: Funds may be used for any purpose consistent with the duties and powers of the Director of the Department of Water Resources as described in statute.		
Funds Expended	0	0
Year-End Fund Balance	177,500	177,500
Temporary Groundwater and Irrigation Efficiency Projects Fund (WCA9901/A.R.S. § 45-615.01)		Non-Appropriated
Source of Revenue: General Fund monies, groundwater withdrawal fees collected in the Pinal active management area, grants from federal agencies, and monies deposited in the fund by qualified irrigation districts in the Phoenix active management area, the Pinal active management area and the Harquahala irrigation non-expansion area.		
Purpose of Fund: Funding projects for the construction and rehabilitation of wells and related infrastructure for the withdrawal and efficient delivery of groundwater by qualified irrigation districts in the Phoenix active management area, the Pinal active management area, and the Harquahala irrigation non-expansion area.		
Funds Expended	1,324,500	2,500,000
Year-End Fund Balance	4,560,900	3,365,900
Water Resources Fund (WCA2398/A.R.S. § 45-117)		Appropriated
Source of Revenue: Consists of monies from legislative appropriations, donations, and fees collected by the Department of Water Resources to carry out its statutory functions, as well as existing fees that had been deposited into the General Fund.		
Purpose of Fund: Fees deposited in the Water Resources Fund are to be held in trust and only used to carry out its statutory responsibilities including management of the state's water supplies, enforcing groundwater laws, and representing the state's water rights.		
Funds Expended	1,614,700	1,726,500
Year-End Fund Balance	2,676,400	2,161,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)		Non-Appropriated
Source of Revenue: Well-drilling filing and permit fees.		
Purpose of Fund: To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
Funds Expended	591,200	1,273,500
Year-End Fund Balance	937,600	213,600

CAPITAL OUTLAY ESTIMATES

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Capital Outlay - Arizona Department of Administration

	FY 2026 BASELINE
SPECIAL LINE ITEMS	
Building Renewal	19,000,000 ^{1/2/}
AGENCY TOTAL	19,000,000

FUND SOURCES

Other Appropriated Funds

Capital Outlay Stabilization Fund	19,000,000
SUBTOTAL - Other Appropriated Funds	19,000,000
SUBTOTAL - Appropriated Funds	19,000,000
TOTAL - ALL SOURCES	19,000,000 ^{3/4/D/}

AGENCY 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 (ADOT). 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. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2025-2026 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 (Capital Outlay Appropriations Act footnote)
- 2/ 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 section 41-792.01, Arizona Revised Statutes, 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 of administration may use monies appropriated for building renewal in fiscal year 2025-2026 for building projects related to retrofitting facilities for space consolidation initiatives. (Capital Outlay Appropriations Act footnote)
- 3/ 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 Appropriations Act footnote)
- 4/ Capital Outlay Appropriations Act funds are appropriated as a Lump Sum by Project by Agency.
- D/ ~~The department of administration may spend up to five percent of the amounts appropriated to the department in this act, excluding amounts to be distributed to non-state agencies, for expenditures for project management of building renewal and capital projects. All other monies appropriated to the department in this act 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 Appropriations Act footnote)~~

The following amounts are one-time appropriations:

Building Renewal

The Baseline includes \$19,000,000 from the Capital Outlay Stabilization Fund (COSF) in FY 2026 for building renewal. These monies are to be used for major repair and maintenance of ADOA-owned buildings. This amount funds 32.4% of the ADOA building renewal formula. In FY

2026, 100% of the formula would be \$58,666,600. This formula value has been adjusted to exclude building renewal funding for the Arizona State Parks Board and Arizona Pioneers' Home, as these agencies may receive direct building renewal appropriations (capital improvements) in the FY 2026 Capital Outlay Bill.

The FY 2025 budget appropriated \$19,000,000 from COSF to ADOA for building renewal. The FY 2025 funding level

represented 32.4% of the ADOA formula. The FY 2025 budget also included a separate appropriation of \$1,916,500 to shift the cost of capital-related staff from the Capital Outlay Bill to the General Appropriations Act. As a result, the Baseline deletes a footnote allowing the department to use up to 5.0% of its capital appropriation for project management expenses.

Other Issues

Rent Adjustments

In FY 2025, state building rent payments total \$31,667,900 which is estimated to be paid from the following fund sources: \$18,593,600 from the General Fund, \$9,489,500 from Other Appropriated Funds, and \$3,584,800 from Non-Appropriated Funds.

The FY 2026 Baseline does not adjust agency budgets for any changes in space or rental charges. The current rental charges are as follows: Office - \$17.87 per sq. ft./Storage - \$6.43 per sq. ft. *(Please see the Summary of Rent Charges in the FY 2025 Appropriations Report for agency rent charges as of July 1, 2024).*

Capital Outlay - Arizona Department of Corrections

	FY 2026 BASELINE
SPECIAL LINE ITEMS	
Building Renewal	5,864,300 ^{1/2/}
AGENCY TOTAL	5,864,300
FUND SOURCES	
<u>Other Appropriated Funds</u>	
Department of Corrections Building Renewal Fund	5,864,300
SUBTOTAL - Other Appropriated Funds	5,864,300
SUBTOTAL - Appropriated Funds	5,864,300
TOTAL - ALL SOURCES	5,864,300 ^{3/4/}

AGENCY DESCRIPTION — The Arizona Department of Corrections (ADC) is included in the Arizona Department of Administration (ADOA) Building System. Since FY 2012, ADC has received a dedicated building renewal appropriation via its own building renewal fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2025-2026 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. (Capital Outlay Appropriations Act footnote)
- 2/ The state department of corrections may not spend any of this appropriation on personal services or overhead expenses related to managing the funded projects. (Capital Outlay Appropriations Act footnote)
- 3/ 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 Appropriations Act footnote)
- 4/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

Building Renewal

The Baseline includes \$5,864,300 in FY 2026 from the Department of Corrections Building Renewal Fund for major repair and maintenance of ADC-owned buildings.

The ADOA building renewal formula amount for ADC in FY 2026 is \$40,851,800. The Baseline funding represents 14.4% of the formula amount.

Capital Outlay - Arizona Game and Fish Department

	FY 2026 BASELINE
SPECIAL LINE ITEMS	
Building Renewal	1,815,700 ^{1/}
AGENCY TOTAL	1,815,700
FUND SOURCES	
<u>Other Appropriated Funds</u>	
Game and Fish Fund	1,815,700
SUBTOTAL - Other Appropriated Funds	1,815,700
SUBTOTAL - Appropriated Funds	1,815,700
TOTAL - ALL SOURCES	1,815,700 ^{2/3/}

AGENCY DESCRIPTION — The Arizona Game and Fish Department is included in the Arizona Department of Administration (ADOA) Building System. The department has a dedicated building renewal appropriation via its own building renewal fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2025-2026 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. (Capital Outlay Appropriations Act footnote)
- 2/ 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 Appropriations Act footnote)
- 3/ Capital Outlay Appropriations Act funds are appropriated as a Lump Sum by Project by Agency.

Building Renewal

The Baseline includes \$1,815,700 from the Game and Fish Fund in FY 2026 for building renewal. This amount funds 100% of the building renewal formula for major repair and maintenance of AGFD-owned buildings.

The FY 2025 appropriation of \$1,795,000 from the Game and Fish Fund also represented 100% of the agency's building renewal formula.

Capital Outlay - Arizona State Lottery Commission

	FY 2026 BASELINE
SPECIAL LINE ITEMS	
Building Renewal	218,200
AGENCY TOTAL	218,200 ^{1/2/}
FUND SOURCES	
<u>Other Appropriated Funds</u>	
State Lottery Fund	218,200
SUBTOTAL - Other Appropriated Funds	218,200
SUBTOTAL - Appropriated Funds	218,200
TOTAL - ALL SOURCES	218,200 ^{3/}

AGENCY DESCRIPTION — The Arizona Lottery is included in the Arizona Department of Administration (ADOA) Building System. The department has a dedicated building renewal appropriation via its own building renewal fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2025-2026 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 (Capital Outlay Appropriations Act footnote)
- 2/ 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 Appropriations Act footnote)
- 3/ Capital Outlay Appropriations Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

Building Renewal

The Baseline includes \$218,200 in FY 2026 from the State Lottery Fund for major repair and maintenance of Lottery owned buildings. This amount funds 100% of the Lottery building renewal formula.

The FY 2025 appropriation of \$218,200 from the State Lottery Fund also represented 100% of the Lottery building renewal formula.

Capital Outlay - Arizona State Parks Board

	FY 2026 BASELINE
SPECIAL LINE ITEMS	
Capital Improvements	0
AGENCY TOTAL	0 ^{1/2/}
FUND SOURCES	
<u>Other Appropriated Funds</u>	
State Parks Revenue Fund	0
SUBTOTAL - Other Appropriated Funds	0
SUBTOTAL - Appropriated Funds	0
TOTAL - ALL SOURCES	0

AGENCY DESCRIPTION — The Arizona State Parks Board (ASPB) is included in the Arizona Department of Administration (ADOA) Building System. The department has a dedicated building renewal appropriation via its own building renewal fund source. In addition, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

- 1/ On or before September 1, 2025, the Arizona state parks board shall submit a report to the joint committee on capital review listing which projects approved by the committee in July 2022 the board plans to prioritize in fiscal year 2025-2026 and the proposed fiscal year 2025-2026 funding level for each of the funded projects. (Capital Outlay Appropriations Act footnote)
- 2/ Capital Outlay Appropriations Act funds are appropriated as a Lump Sum by Project by Agency.

Prior Year Adjustments

The Baseline includes an ex-appropriation of \$(22,666,333) from the State Parks Revenue Fund (SPRF), including \$(3,549,000) for projects appropriated in FY 2023 and \$(19,117,333) for projects appropriated in FY 2025. This reflects the cancellation of 9 projects from the Board's FY 2023-FY 2025 capital projects spending plan.

The FY 2023 Capital Outlay Bill appropriated \$20,517,600 from SPRF to ASPB in FY 2023, \$19,143,800 in FY 2024, and \$19,117,333 in FY 2025 for capital projects. Of the total \$58,778,733 in total project costs, \$38,237,100 was funded by General Fund monies diverted from Transaction Privilege Tax (TPT) revenues deposited to SPRF and \$20,541,633 was funded by pre-existing SPRF monies. In July 2022, Joint Committee on Capital Review (JCCR) favorably reviewed all projects listed in *Table 1*.

The FY 2025 Capital Outlay Bill subsequently transferred \$(38,237,100) from SPRF to the General Fund, which represents the amount of TPT revenues diverted to SPRF in the FY 2023 budget. A footnote required ASPB to submit a report to JCCR detailing their reallocation plan for the projects listed in *Table 1* after transferring the \$(38,237,100) from TPT revenues back to the General Fund.

ASPB reported that they plan to cancel FY 2023 and FY 2025 projects totaling \$22,666,333 and fund the remaining projects over a longer time span as SPRF monies become available. Please reference *Table 1* for a list of cancelled and continued projects.

The Baseline ex-appropriation reflects the cancellation of projects as reported by ASPB. Laws 2024, Chapter 211, Section 14 stipulates that the remaining \$36,112,400 in appropriation authority can only be used for projects which were favorably reviewed by JCCR as of the 2024 General Effective Date, limiting ASPB to funding projects the Committee approved in July 2022. Any new capital projects funded by SPRF monies would require Legislative approval.

The Baseline also includes a footnote requiring ASPB to report to JCCR on or before September 1, 2025 detailing its funding priorities for FY 2026, including which capital projects reviewed by JCCR in July 2022 will be prioritized in FY 2026 and how much the Board plans to spend in FY 2026 for each.

Table 1

FY 2023 – FY 2025 Parks Capital Projects ^{1/}

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Dead Horse Amphitheater – Cost Increase	\$ 210,000	\$0	\$0
Rockin' River State Park – Cost Increase	336,800	0	0
Jerome State Park Fire Suppression System	1,540,000	0	0
Southern Construction Services Relocation	2,000,000	0	0
Tonto Bridge State Park Historic Building	3,500,000	0	0
Tombstone State Park Main House Renovation	2,008,500	0	0
Rockin' River State Park Main House Renovation	1,750,000	0	0
Catalina State Park Main Entrance Bridge	1,500,000	5,813,000	0
Statewide Campground Improvements	4,100,000	4,100,000	4,100,000
Statewide Sunshade Structures	2,233,300	2,233,300	2,233,333
Statewide Water Conservation	1,339,000	1,339,000	1,339,000
Yuma Territorial Prison Park Historic Building	0	750,000	5,945,000
Riordan Mansion Park Historic Building	0	2,900,000	0
Oracle State Park Historic Building	0	2,008,500	0
Red Rock State Park Historic Building	0	0	4,000,000
San Rafael State Park Historic Building	0	0	1,500,000
Total ^{2/}	\$16,968,600	\$19,143,800	\$0

^{1/} Strikethrough represents projects cancelled by ASPB in their August 28, 2024 submission to JCCR and ex-appropriated in the Baseline. For multiple-year projects, only the cancelled funding years are struck through.

^{2/} Totals reflect the amount of funding retained in each fiscal year after subtracting funding for ASPB-cancelled projects.

Capital Outlay - Arizona Department of Transportation

	FY 2026 BASELINE
SPECIAL LINE ITEMS	
Building Renewal	22,540,100 ^{1/}
Airport Planning and Development	44,340,700 ^{2/3/5/}
Controlled Access Highways	141,314,000 ^{4/-8/}
Debt Service	118,773,000 ^{4/-8/}
Statewide Highway Construction	198,683,000 ^{4/-8/}
AGENCY TOTAL	525,650,800 ^{9/10/}
FUND SOURCES	
<u>Other Appropriated Funds</u>	
State Aviation Fund	44,735,500
State Highway Fund	480,915,300
SUBTOTAL - Other Appropriated Funds	525,650,800
SUBTOTAL - Appropriated Funds	525,650,800
<u>Other Non-Appropriated Funds</u>	
Federal Funds	1,097,420,000
TOTAL - ALL SOURCES	2,382,417,800

AGENCY 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 section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2025-2026 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. (Capital Outlay Appropriations Act footnote)
- 2/ The sum of \$44,340,700 is appropriated from the state aviation fund established by section 28-8202, Arizona Revised Statutes, in fiscal year 2025-2026 to the department of transportation 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 appropriations act and in this act are appropriated to the department of transportation in fiscal year 2025-2026 for the purposes provided in this subsection. (Capital Outlay Appropriations Act footnote)
- 3/ On or before December 31, 2025, 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. The report shall delineate projects by individual airport and fiscal year, including any future year commitments. (Capital Outlay Appropriations Act footnote)
- 4/ The sum of \$458,770,000 is appropriated from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2025-2026 to the department of transportation 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 subsection. (Capital Outlay Appropriations Act footnote)
- 5/ Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriations are not subject to review by the joint committee on capital review. (Capital Outlay Appropriations Act footnote)
- 6/ On or before November 1, 2025, 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 the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting have approved modifications to the format. (Capital Outlay Appropriations Act footnote)

- 7/ On or before November 1, 2025, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2026-2027 and the estimated debt service payment amount for each of fiscal years 2026-2027, 2027-2028, 2028-2029 and 2029-2030 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 fiscal year 2024-2025 appropriations report. (Capital Outlay Appropriations Act footnote)
- 8/ On or before November 1, 2025, the department of transportation shall report capital outlay information for fiscal years 2024-2025, 2025-2026 and 2026-2027 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 three, four and seven, as found in the fiscal year 2024-2025 appropriations report. (Capital Outlay Appropriations Act footnote)
- 9/ 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 Appropriations Act footnote)
- 10/ Capital Outlay Appropriations Act funds are appropriated as a Lump Sum by Project by Fund.

The following reflects one-time appropriations:

Building Renewal

Building Renewal

The Baseline includes \$22,540,100 in FY 2026 for Building Renewal within ADOT's Building System. This amount consists of \$22,145,300 from the State Highway Fund (SHF) and \$394,800 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 96% funding of the FY 2026 highway building renewal formula and 100% funding of the FY 2026 aviation building renewal formula. The FY 2025 budget appropriated \$22,082,800 from the SHF and \$457,300 from the SAF, which represented 100% funding of the FY 2025 highway building renewal formula and 100% funding of the FY 2025 aviation building renewal formula. The FY 2026 Baseline maintains the same overall dollar level as in FY 2025, but shifts funding out of the Aviation Fund to the State Highway Fund to lower the Aviation Fund building renewal percentage to 100%.

Airport Planning and Development

Airport Planning and Development

The Baseline includes \$44,340,700 from the State Aviation Fund (SAF) in FY 2026 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 2025-2029 Airport Capital Improvement Program (ACIP). 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. In comparison, the FY 2025 budget included \$25,550,000 for this purpose.

Interstate and State Highway Road Projects

Controlled Access Highways

The Baseline includes an estimated urban freeway controlled access funding level of \$141,314,000 from SHF in FY 2026. 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.

Debt Service

The Baseline includes \$118,773,000 from SHF in FY 2026 for the appropriated portion of the debt service on bonds. ADOT has approximately \$903,150,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2026 debt service payments. (Please see Table 5 for more information on debt service.)

Statewide Highway Construction

The Baseline includes \$198,683,000 from SHF in FY 2026 for new highway construction. Only a small portion of the state's total \$2,125,900,000 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 2026 Baseline appropriates any additional monies in SHF above the appropriation to ADOT 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. (Please see the Summary of Highway Construction section and Table 6 for more information.)

Table 1 shows the allocation of the highway construction budget prior to any ADOT operating and capital issues and statewide adjustments made during the budget process, which would reduce the level of available highway construction funding.

As noted in the HURF distribution table (please see Table 6), an additional amount of \$695,207,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2026.

State Highway Fund FY 2026 Highway Construction & Debt Service	
	<u>Capital Outlay Bill</u>
Controlled Access	\$141,314,000
Debt Service	118,773,000
Highway Construction	<u>198,683,000</u>
Total	\$458,770,000

Other Issues

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 \$1,546,185,000 in FY 2024 to \$1,900,620,000 in FY 2025 and \$1,856,767,000 in FY 2026.

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT

operating section of the FY 2026 Baseline Book. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 2.

Non-Appropriated Capital Fund Expenditures (\$ in Thousands)			
	FY 2024 <u>Actual</u>	FY 2025 <u>Estimate</u>	FY 2026 <u>Estimate</u>
Aviation Federal Funds	\$2,386	\$9,963	\$20,017
Highway Federal Grants	<u>1,092,516</u>	<u>1,075,485</u>	<u>1,077,403</u>
Subtotal - Federal Funds	\$1,094,902	\$1,085,448	\$1,097,420
Bond Proceeds	\$59,976	\$3,032	\$11,915
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	13,170	8,739	8,508
Maricopa Regional Area Road Fund	377,137	802,401	737,924
Subtotal - Other Non- Appropriated Funds	\$451,283	\$815,172	\$759,347
Total	\$1,546,185	\$1,900,620	\$1,856,767

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 21, 2024 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 \$1,802,758,000 for FY 2026. (Please see Table 3 for additional details.)

State Highway Fund Highway Construction Projects Beginning in FY 2026 (\$ in Thousands)	
	FY 2026 ^{1/}
Construction	\$162,094
Urban Controlled Access ^{2/}	747,345
Pavement Preservation Maintenance	666,363
Other ^{3/}	<u>226,956</u>
Total	\$1,802,758

^{1/} Data from ADOT's 2025-2029 5-Year Transportation Facilities Construction Program, representing the total cost of multi-year projects beginning in FY 2026.

^{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 2026 Baseline includes \$458,770,000 for highway construction, including \$198,683,000 of net SHF monies for statewide highway construction.

Table 5 summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2024 through FY 2026 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 2026 by category of construction. Table 5 also includes monies from the Local Agency Deposits Fund, while Table 3 does not.

For FY 2024, Table 5 shows that total cash highway construction expenditures were \$1,216,600,000 while \$604,400,000 was spent on debt service. In FY 2025, total estimated cash highway construction expenditures are \$1,835,300,000 with total debt service of \$294,700,000. In FY 2026, total estimated cash highway construction expenditures are \$1,977,100,000 with total debt service of \$148,800,000.

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 \$143,304,200 in FY 2024, \$165,300,900 in FY 2025, and \$164,274,100 in FY 2026. Of the \$148,800,000 total FY 2026 debt service amount in Table 6, only \$118,773,000 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 2024 through FY 2026. The line in Table 6 showing net SHF Available for Statewide Highway Construction, which totals \$198,683,000 for FY 2026, 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 2024 HURF collections of \$1,801,131,000 were 3.0% above FY 2023 collections. As of December 2024, FY 2025 HURF year-to-date collections were 2.8% higher than the prior year collections.

VLT is the largest source of HURF collections, accounting for 32.7% of HURF revenue in FY 2024, a percentage which has been increasing in recent years. From FY 2020 to FY 2024, the gas tax share of total collections has decreased by (4.5)% while VLT’s share has increased by 0.7%.

The gas tax comprises the second largest source of HURF collections at 30.3%.

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 breaks down the distribution of HURF monies between cities, counties, controlled access, and the SHF.

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	42.8%
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 2024</u> <u>Actual</u>	<u>FY 2025</u> <u>Estimate</u>	<u>FY 2026</u> <u>Estimate</u>
State Highway Fund (SHF)			
HURF - Statewide Debt Service	\$ 410.1	\$ 102.6	\$ 106.9
HURF - MAG Debt Service	23.7	21.9	11.8
MAG/PAG 15.2% Controlled Access - Construction	4.4	18.3	28.2
Net SHF Funds Available for Statewide Highway	(92.6)	177.9	198.7
Total State Highway Fund	\$ 345.6	\$ 320.7	\$ 345.6
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 1,092.5	\$ 1,075.5	\$ 1,077.4
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 169.2	\$ 581.9	\$ 682.5
MRARF Debt Service	140.5	140.2	0
Total Maricopa Regional Area Road Fund Highway	\$ 309.7	\$ 722.1	\$ 682.5
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 60.0	\$ 3.0	\$ 11.9
MRARF - Highway Construction Expenditures	0	0	0
GAN - Highway Construction Expenditures	0	0	0
Total Bond Proceeds Highway Construction Expenditures	\$ 60.0	\$ 3.0	\$ 11.9
Local Agency Deposits Fund			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	13.2	8.7	8.5
Total Local Agency Deposits Fund Highway Construction	\$ 13.2	\$ 8.7	\$ 8.5
Total Highway Construction Expenditures	\$ 1,821.0	\$ 2,130.0	\$ 2,125.9
Total Debt Service			
SHF	\$ 433.8	\$ 124.5	\$ 118.8
Federal Aid	30.0	30.0	30.0
MRARF	140.6	140.2	0 ^{1/}
Total Debt Service	\$ 604.4	\$ 294.7	\$ 148.8 ^{2/}
Total Cash Highway Construction Expenditures			
SHF	\$ (88.3)	\$ 196.2	\$ 226.9
Federal Aid	1,062.6	1,045.5	1,047.3
MRARF	169.1	581.9	682.5
Bond Proceeds	60.0	3.0	11.9
Local Agency Deposits Fund	13.2	8.7	8.5
Total Cash Highway Construction Expenditures	\$ 1,216.6	\$ 1,835.3	\$ 1,977.1
Total Highway Construction Expenditures	\$ 1,821.0	\$ 2,130.0	\$ 2,125.9

^{1/} MRARF debt service assumes all debt incurred as a result of Prop 400 collections will be paid off by FY 2026. MAG's current Transportation Improvement Plan (TIP) does not include Prop 479 figures (half-cent sales tax extension) passed by Arizona voters in November 2024. As of this writing, ADOT is awaiting a new TIP in order to estimate MRARF debt service in FY 2026 and beyond.

^{2/} Information provided by the department. Includes \$118,772,579 for HURF bonds (\$106,943,470 for statewide program and \$11,829,108 MAG program); \$29,970,500 for Grant Anticipation Notes; and \$0 for MRARF bonds.

Table 6

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2024 <u>Actual</u>	FY 2025 <u>Estimate</u>	FY 2026 <u>Estimate</u>
Total HURF Collections Before Authorized Third-Party (ATP) Expenses	\$1,829,804	\$1,881,859	\$1,912,140
Less: ServiceArizona ATP Fee Retention	6,667	6,857	6,967
Brick and Mortar ATP Fee Retention	7,381	7,591	7,714
ServiceArizona ATP Credit Card Fee Reimbursements	12,372	12,724	12,929
Brick and Mortar ATP Credit Card Fee Reimbursements	1,985	2,041	2,074
ServiceArizona ATP Check Reimbursement	268	275	280
Total HURF Collections	\$1,801,131	\$1,852,371	\$1,882,176
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	781	952	952
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	11,725	11,941	12,105
Net HURF Collections	\$1,787,625	\$1,838,478	\$1,868,119
Less: Cities ^{2/}	545,226	560,736	569,777
Counties ^{2/}	339,649	349,311	354,943
VLT Transfer to Parity Compensation Fund ^{3/}	4,393	4,633	4,806
VLT Transfer to General Fund (5-Year VLT) ^{4/}	3,599	3,700	3,800
VLT Transfer to General Fund (Abandoned Vehicle) ^{5/}	4,947	5,000	5,100
VLT Transfer to General Fund (ADOT Operating Budget) ^{6/}	0	2,000	2,000
Controlled Access ^{7/}	135,251	138,791	141,314
Net SHF (Discretionary)	\$ 754,560	\$ 774,307	\$ 786,379
Plus: Other Income ^{8/}	110,429	116,387	104,925
Less: Operating Budget	430,779	488,489	481,555
Dept of Public Safety Transfer from Highway Fund	6,273	10,000	10,000
Capital Outlay	20,100	9,088	0
Building Renewal	21,978	22,083	22,083
ServiceArizona ATP VLT Retention ^{9/}	23,739	24,811	25,739
Brick and Mortar ATP VLT Retention ^{9/}	17,604	18,399	19,087
HURF Exchange Program ^{10/}	3,309	15,384	15,384
Debt Service ^{11/}	433,772	124,543	118,773
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{12/13/}	\$ (92,565)	\$ 177,897	\$ 198,683
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	517,685	644,367	695,207
STAN Account Beginning Balance	0	0	0
Total SHF Available for Statewide Highway Construction	\$ 425,120	\$ 822,264	\$ 893,890

^{1/} Provides monies for economic strength highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board.

^{2/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

^{3/} A.R.S § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

^{4/} 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.

^{5/} 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.

^{6/} This VLT transfer to the state General Fund reflects savings generated from the department's operating budget as a result of an ongoing decrease in the Enforcement and Compliance Division (ECD). The FY 2025 budget reduced ADOT's ECD budget by \$2,000,000, beginning in FY 2025.

^{7/} 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.

^{8/} 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, and abandoned vehicle fees.

^{9/} Statutory payments to third parties from VLT collected by third parties. Non-VLT fees to ATPs are listed at the top of the chart.

^{10/} Local entities can exchange federal aid monies for State Highway Fund monies.

^{11/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

^{12/} Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

^{13/} The amounts displayed in the Net SHF Available for Statewide Highway Construction do not match the amounts contained in the respective Capital Outlay Bill for each fiscal year due to spending changes in ADOT's operating budget, DPS's operating budget, building renewal, and capital outlay projects.

Capital Outlay

Arizona Board of Regents Building Systems

	FY 2026 Baseline
BUILDING RENEWAL	
Arizona Board of Regents	0
TOTAL - ALL PROJECTS	<u>0^{1/2/}</u>
FUND SOURCES	
General Fund	0
SUBTOTAL - Appropriated Funds	<u>0</u>
TOTAL - ALL SOURCES	<u>0</u>

AGENCY 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 \$32,586,800 to the universities from the General Fund in FY 2026 to finance lease-purchase payments for research infrastructure projects.
- 2/ A.R.S. § 15-1671 appropriates \$30,710,800 to the universities from the General Fund in FY 2026 for capital infrastructure projects.

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 accounts for the replacement value, age, and life cycle of a building. In FY 2026, ABOR reports funding 100% of the building renewal formula would be \$257,646,000. The Baseline includes no funding for Building Renewal in the ABOR Building System.

ASU (all campuses)	\$235,885,000
NAU	42,125,400
UA (all campuses)	<u>131,224,700</u>
Total	\$409,235,100

In addition to university system revenues being allocated for FY 2026 debt service payments, \$42,778,300 would be paid by Lottery monies, \$32,586,800 would be paid by the General Fund for 2003 research infrastructure projects, and \$19,465,100 would be paid by the General Fund for 2017 Capital Infrastructure Funding projects.

Summary of University Debt

ABOR estimates that as of the end of FY 2026, the universities' outstanding principal balances for bonds and lease-purchase agreements will total \$4,214,896,800 of which \$4,030,024,000 is for outstanding bonds and \$184,872,800 is for lease-purchase projects. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$2,695,651,000
NAU	345,085,000
UA (all campuses)	<u>1,174,160,800</u>
Total	\$4,214,896,800

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2026 will be \$409,019,000. The debt service payments made by each of the universities would be as follows:

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.)*

State Bonding Programs

University Lottery Bonds

One component of the \$4,030,024,000 bond balance is university lottery revenue (Stimulus Plan for Economic and Educational Development (SPEED)) bonds. Pursuant to A.R.S. § 5-522 and § 15-1682.03, ABOR is authorized to enter into bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities. Debt service payments for SPEED bonds will total \$53,472,900 in FY 2026, of which 80% will be paid by Lottery monies and 20% with university system revenues.

2017 Capital Infrastructure Appropriations

Another component of the \$4,030,024,000 bond balance is 2017 Capital Infrastructure funding. Pursuant to A.R.S. § 15-1671, universities receive annual General Fund appropriations from FY 2019 to FY 2043 for new university research facilities, building renewal, or other capital construction projects. The universities may use this funding to pay cash for projects or for debt service. In the latter case, the General Fund may only pay for 50% of debt service (with the remainder financed through other university system revenues).

The original legislation appropriated \$27,000,000 from the General Fund 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 2026 budget assumes a 2.0% increase from FY 2025, resulting in an FY 2026 General Fund appropriation of \$30,710,800. If the universities utilized the full appropriation for debt service, this amount would support \$61,421,600 in debt service payments.

Since FY 2019, however, the universities have not fully used their debt service capacity and have used a portion of their appropriation to fund projects with cash. As a result, the appropriation does not equate to the annual debt service payments. Debt service payments are projected to total \$38,930,200 in FY 2026, of which 50% will effectively be supported by the General Fund.

For additional information on state bonding programs for universities, please see the *Lottery Bonds and Capital Infrastructure Funding Program Summary* on the JLBC website.

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. University SPEED bonds are exempt from the debt ratio calculations. The universities' Capital Improvement Plans project expected debt ratios through FY 2029. 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: 5.0% (5.4% with SPEED) in FY 2026
- NAU: 4.4% (5.8% with SPEED) in FY 2026
- UA: 4.3% (5.1% with SPEED) in FY 2026

These ratios incorporate the debt service impact of planned construction projects. The universities estimate that they have the capacity to issue \$4,100,700,000 in additional debt beyond the planned projects based on these debt service ratios.

Capital Outlay - Department of Veterans' Services

FY 2026
BASELINE

SPECIAL LINE ITEMS

Northwestern Arizona Veterans' Home

0

AGENCY TOTAL

0^{1/}

FUND SOURCES

General Fund

0

TOTAL - ALL SOURCES

0

AGENCY DESCRIPTION — The Department of Veterans' Services is included in the Arizona Department of Administration (ADOA) Building System. In addition to any funding from ADOA, the department may also receive direct capital appropriations from the General Fund and Other Appropriated Funds.

FOOTNOTES

^{1/} Laws 2024, Chapter 211 appropriated \$25,000,000 from the General Fund in FY 2028 for the Northwestern Arizona Veterans' Home.

Northwestern Veterans' Home

The FY 2022 budget originally included \$25,000,000 from the General Fund for the construction and establishment of a veterans' home facility in Northwestern Arizona. The state funding represents 35% of the cost of the facility while federal matching funds would pay for the remainder. To be eligible for federal funds, the state would need to finalize its site selection. The monies were appropriated as non-lapsing.

However, the department did not select a site or begin construction of the home. As a result, the FY 2025 budget delayed the northwestern home funding until FY 2028. Laws 2024, Chapter 211, Section 6 did this by ex-appropriating \$(25,000,000) from the General Fund in FY 2022 and advance appropriating \$25,000,000 from the General Fund in FY 2028. The Baseline's 3-year spending plan incorporates this increase.

The FY 2025 budget continues to require ADVS to submit the proposed site location to the Arizona Veterans' Service Advisory Commission for approval. The monies are appropriated as non-lapsing.

Capital Outlay

Debt and Lease-Purchase Financing

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 ADOA School Facilities Division (SFD) also entered into lease-purchase agreements for the construction of new schools prior to FY 2012.

At the end of FY 2026, the outstanding balance of lease-purchase agreements is expected to be \$534.9 million.

Table 1 provides information related to current state lease-purchase agreements.

Bonding Summary

The Arizona Board of Regents, on behalf of the Universities and the Arizona Department of Transportation have issued bonds to renovate, acquire, and construct facilities, as well as to purchase equipment.

At the end of FY 2026, the outstanding balance of bond financing is expected to be \$4.93 billion.

Table 1 provides information related to current outstanding state bond financing.

January 31 JLBC Debt Report

A.R.S. § 41-1277 requires the JLBC Staff to present to the House and Senate Appropriations Committees a report on state debt and obligations. Due by January 31 of each year, the report includes the following information from the prior fiscal year:

- The statewide aggregate level of outstanding principal, by type of debt or obligation;
- The principal and interest payments on each of the state's long-term obligations;
- A description of the state's payment deferrals ("rollovers") by agency, including: the date the payment was originally scheduled to be made,

interest paid to date on the deferral, and interest paid in the prior and current fiscal years; and

- Historical information on the state's overall debt balance and per capita debt obligations, based on available data.

To the extent possible, A.R.S. § 41-1277 requires data contained in the report to be based on the Department of Administration's (ADOA) Report of Bonded Indebtedness, which is published annually along with an online searchable database.

This report provides a current and historical summary of the state's outstanding financing obligations. In addition, it includes specific details on each of the individual financing issuances and the state's payment deferrals.

The January 31, 2025 debt report would typically provide debt information on the prior fiscal year (FY 2024). To provide a more updated display of the state's current outstanding debt, the January 31, 2025 report will include information from *Table 1*, which shows debt payments and year-end balances for the upcoming fiscal year (FY 2026).

Table 1

Lease-Purchase and Bonding Summary

Lease-Purchase Summary	Overall Balance	1/	GF Balance	1/	Overall FY 26 Payment	2/	FY 26 GF Payment	2/	Retirement FY
ADDA Building System									
2013 A Issuance									
PLTO Refinance - DHS Building	\$	6,170,000	\$	3,702,000	\$	4,362,000	\$	2,617,200	FY 29
2015 A Issuance									
PLTO Refinance - Capitol Mall	\$	8,590,000	\$	3,716,000	\$	10,559,600	\$	4,568,000	FY 28
Subtotal - ADDA	\$	14,760,000	\$	7,418,000	\$	14,921,600	\$	7,185,200	
ADDA - School Facilities Division									
Federal Bonds	\$	10,057,800	\$	10,057,800	\$	9,938,100 3/	\$	9,938,100 3/	FY 28
ABOR Building System									
Arizona State University	\$	91,942,000	\$	62,055,000	\$	20,323,000	\$	13,453,900	FY 39
Northern Arizona University	\$	20,695,000	\$	20,695,000	\$	4,668,400	\$	4,884,500	FY 31
University of Arizona	\$	72,235,800	\$	60,350,000	\$	21,158,300	\$	14,248,400	FY 72
Subtotal - ABOR	\$	184,872,800	\$	143,100,000	\$	46,149,700	\$	32,586,800	
Phoenix Convention Center 4/	\$	325,220,000	\$	325,220,000	\$	26,497,400	\$	26,497,400	FY 44
TOTAL - Lease-Purchase	\$	534,910,600	\$	485,795,800	\$	97,506,800	\$	76,207,500	
Bonding Summary									
Department of Transportation 5/	\$	903,150,000	\$	-	\$	148,743,079	\$	-	FY 14 - 38
ABOR Building System									
Arizona State University	\$	2,052,049,000	\$	-	\$	174,613,300	\$	-	FY 55
Northern Arizona University	\$	243,685,000	\$	-	\$	27,407,600	\$	-	FY 44
University of Arizona	\$	668,180,000	\$	-	\$	68,445,200	\$	-	FY 48
University Lottery Bond (SPEED)	\$	510,330,000 6/	\$	-	\$	53,472,900	\$	-	FY 48
University Infrastructure (2017) 7/	\$	555,780,000	\$	277,890,000	\$	38,930,200	\$	19,465,100	FY 44
Subtotal - ABOR	\$	4,030,024,000	\$	277,890,000	\$	362,869,200	\$	19,465,100	
TOTAL - Bonding	\$	4,933,174,000	\$	277,890,000	\$	511,612,279	\$	19,465,100	
TOTAL - Lease-Purchase & Bonding	\$	5,468,084,600	\$	763,685,800	\$	609,119,079	\$	95,672,600	

1/ Represents principal balances as of June 30, 2026. 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 26 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 2026 this subsidy is expected to be \$3,729,900 of the \$9,938,100 payment.

4/ The Convention Center debt service will eventually increase over a number of years to a maximum of \$30.0 million. 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 \$833,360,000 for Highway User Revenue Fund bonds and \$69,790,000 for Grant Anticipation Notes.

6/ Represents outstanding balance as of the end of FY 2026 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/ The universities will receive \$30,710,800 from the General Fund in FY 2026 for the 2017 Capital Infrastructure Funding program. The General Fund is expected to pay \$19,465,100 in FY 2026 for debt service.

LEASE-PURCHASE APPROPRIATIONS ^{1/} Department of Administration Building System

BUDGET UNITS	Fiscal Year 2025 - Appropriations Report				Fiscal Year 2026 - Baseline				Difference FY 2026 - FY 2025			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Arizona Department of Administration Buildings												
Accountancy, State Board of		\$125,700		\$125,700		\$127,100		\$127,100		1,400		1,400
Administration, Arizona Department of	\$247,100	636,700	\$66,500	950,300	\$249,900	644,000	\$67,300	961,200	2,800	7,300	800	10,900
Deaf and the Hard of Hearing, Commission for the		241,300		241,300		244,100		244,100		2,800		2,800
Education, Department of	406,100	112,800	609,200	1,128,100	410,800	114,100	616,200	1,141,100	4,700	1,300	7,000	13,000
Equalization, State Board of	98,400			98,400	99,500			99,500	1,100			1,100
Gaming, Department of		419,800		419,800		424,700		424,700		4,900		4,900
Insurance & Financial Institutions, Department of	359,900	68,500		428,400	364,000	69,300		433,300	4,100	800		4,900
Juvenile Corrections, Department of	297,400			297,400	300,800			300,800	3,400			3,400
Real Estate Department, State	195,300			195,300	197,500			197,500	2,200			2,200
Tax Appeals, State Board of	37,800			37,800	38,300			38,300	500			500
Subtotal - ADOA Building	\$1,642,000	\$1,604,800	\$675,700	\$3,922,500	\$1,660,800	\$1,623,300	\$683,500	\$3,967,600	\$18,800	\$18,500	\$7,800	\$45,100
Department of Environmental Quality Building												
Agriculture, Department of	\$402,300		\$356,800	\$759,100	\$406,900		\$360,900	\$767,800	4,600		4,100	8,700
Citizens Clean Elections Commission			74,400	74,400			75,200	75,200			800	800
Criminal Justice Commission, Arizona		\$13,000	204,300	217,300		\$13,200	206,600	219,800		200	2,300	2,500
Environmental Quality, Department of		1,989,400		1,989,400		2,012,200		2,012,200		22,800		22,800
Forestry and Fire Management, AZ Department of	236,200		35,300	271,500	238,900		35,700	274,600	2,700		400	3,100
Housing, AZ Department of	34,700	11,500	184,900	231,100	35,100	11,600	187,000	233,800	400	100	2,100	2,700
Independent Redistricting Commission	40,100			40,100	40,600			40,600	500			500
State Land Department	882,000			882,000	892,100			892,100	10,100			10,100
Arizona State Parks Board			321,800	321,800			325,500	325,500			3,700	3,700
Pharmacy, Arizona State Board of		135,400		135,400		136,900		136,900		1,500		1,500
Residential Utility Consumer Office		116,300		116,300		117,600		117,600		1,300		1,300
Technical Registration, State Board of		200,000		200,000		202,300		202,300		2,300		2,300
Tourism, Office of	196,200			196,200	198,500			198,500	2,300			2,300
Water Resources, Department of	1,082,600			1,082,600	1,095,100			1,095,100	12,500			12,500
Subtotal - ADEQ Building	\$2,874,100	\$2,465,600	\$1,177,500	\$6,517,200	\$2,907,200	\$2,493,800	\$1,190,900	\$6,592,000	\$33,100	\$28,200	\$13,400	\$74,800
Health Services, Department of												
Health Services Building - Refinance	\$2,529,400	\$1,686,200		\$4,215,600	\$2,617,200	\$1,744,800		\$4,362,000	87,800	58,600		146,400
Health Lab - Refinance									\$0	\$0	\$0	\$0
Subtotal - Department of Health Services	\$2,529,400	\$1,686,200	\$0	\$4,215,600	\$2,617,200	\$1,744,800	\$0	\$4,362,000	\$87,800	\$58,600	\$0	\$146,400
GRAND TOTAL	\$7,045,500	\$5,756,600	\$1,853,200	\$14,655,300	\$7,185,200	\$5,861,900	\$1,874,400	\$14,921,600	\$139,700	\$105,300	\$21,200	\$266,300

^{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.

Capital Outlay - Local Assistance

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
SPECIAL LINE ITEMS			
Phoenix Convention Center	25,498,600	25,998,700	26,497,400 ^{1/}
Rio Nuevo District	18,767,800	19,000,000	19,000,000 ^{2/}
AGENCY TOTAL	44,266,400	44,998,700	45,497,400 ^{3/}
FUND SOURCES			
General Fund	44,266,400	44,998,700	45,497,400
SUBTOTAL - Appropriated Funds	44,266,400	44,998,700	45,497,400
TOTAL - ALL SOURCES	44,266,400	44,998,700	45,497,400

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 section 9-602, Arizona Revised Statutes, \$26,497,400 of state general fund revenue is allocated in fiscal year 2025-2026 to the Arizona convention center development fund established by section 9-601, Arizona Revised Statutes. (General Appropriations Act footnote)
- 2/ Pursuant to section 42-5031, Arizona Revised Statutes, 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 \$19,000,000 in fiscal year 2025-2026. The actual amount of the distribution will be made pursuant to section 42-5031, Arizona Revised Statutes. (General Appropriations Act footnote)
- 3/ General Appropriations Act funds are appropriated as a Lump Sum by Project by Fund.

Phoenix Convention Center

The Baseline includes \$26,497,400 from the General Fund in FY 2026 for state participation in repayment of \$300,000,000 of debt financing for the expansion of the Phoenix Convention Center. Adjustments are as follows:

Distribution Increase

The Baseline includes an increase of \$498,700 from the General Fund in FY 2026 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 to \$29,998,925 by FY 2044.

Table 1

Phoenix Convention Center Debt Service

Fiscal Year	Debt Service	Fiscal Year	Debt Service
FY 2025	25,998,700	FY 2035	29,995,775
FY 2026	26,497,375	FY 2036	29,999,975
FY 2027	26,997,100	FY 2037	29,995,825
FY 2028	27,495,125	FY 2038	29,995,850
FY 2029	27,998,700	FY 2039	29,996,750
FY 2030	28,499,525	FY 2040	29,995,225
FY 2031	28,999,575	FY 2041	29,997,975
FY 2032	29,495,550	FY 2042	29,996,150
FY 2033	29,999,150	FY 2043	29,996,175
FY 2034	29,996,250	FY 2044	29,998,925

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 \$6,989,100 through CY 2022 (see Table 2). As a result, the state has not reduced payments to the City of Phoenix during this time. Given that an updated version of this study has not yet been published for CY 2023, the Baseline fully funds the statutory debt service amount and does not make any adjustment for the cumulative net revenue analysis.

Table 2
Project Revenue and Debt Service Payments
(\$ in Millions)

Calendar Year ^{1/}	Project Revenue	Debt Service	Annual Net Revenues ^{2/}	Cumulative Net Revenues
2023 ^{3/}	N/A	N/A	N/A	N/A
2022	\$19.2	\$25.0	\$(5.8)	\$7.0
2021	6.6	24.5	(17.9)	12.8
2020	7.2	24.0	(16.8)	30.7
2019	23.6	23.5	0.1	47.5
2018	23.5	23.0	0.5	47.4
2017	19.0	22.5	(3.5)	46.9
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.
3/ The Auditor General has not yet published its report outlining project revenues, debt service, and cumulative net revenues for CY 2023.
Source: Auditor General report, *An Economic and Fiscal Impact Analysis Update, Phoenix Convention Center (October 2023)*

The study compares current convention center revenues to a "base scenario" (had the facility not been upgraded) in order to determine the project's net revenues. This scenario assumes the facility would become functionally obsolete and generate minimal revenues by 2021.

Rio Nuevo District

The Baseline includes \$19,000,000 from the General Fund in FY 2026 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 2025.

The FY 2025 General Appropriations Act displayed the projected Rio Nuevo distribution as \$17,000,000 in FY 2025. This amount was a continuation of the assumed Rio Nuevo distribution of \$17,000,000 in FY 2024, which was based on the actual distribution of \$17,113,500 in FY 2023.

Subsequent to the passage of the FY 2025 budget, actual FY 2024 information became available, and the FY 2024 actual distribution was \$18,767,800.

Given that FY 2024 actual data, the FY 2026 Baseline revises both the FY 2025 and FY 2026 Rio Nuevo distribution estimates to \$19,000,000.

While the General Appropriations Act each year displays a projected amount for information purposes, 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. 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 Boulevard. (See Table 3 for the history of Rio Nuevo TPT payments).

Table 3
State TPT Payments to the Rio Nuevo District

Fiscal Year	Distributions
FY 2024	\$18,767,800
FY 2023	17,113,500
FY 2022	16,516,600
FY 2021	9,525,700
FY 2020	14,478,800
FY 2019	15,958,900
FY 2018	13,562,700
FY 2017	13,988,500
FY 2016	13,088,800
FY 2015	6,958,000
FY 2014	9,486,100
FY 2013	9,755,800
FY 2012	11,957,900
FY 2011	14,099,900
FY 2010	8,727,300
FY 2009	10,399,300
FY 2008	15,456,200
FY 2007	14,974,900
FY 2006	10,968,200
FY 2005	7,469,600
FY 2004	5,081,200
Total	\$258,335,700

A.R.S. § 48-4203 requires that any construction project (or other improvement to real property) controlled by the District with a cost of more than \$500,000 be presented to the Joint Committee on Capital Review (JCCR).

The Rio Nuevo Board of Directors submitted information to JCCR in September 2024 regarding 4 projects that have been approved by the District. The board agreed to spend a total of \$6.5 million on these projects. At its November 2024 meeting, the Committee gave a favorable review of this report.

REVENUE FORECAST

GENERAL FUND REVENUE

FY 2025

FY 2025 Baseline General Fund revenues are projected to be \$16.99 billion. As shown in *Table 1* below, this is an increase of \$715.2 million compared to the original revenue estimate included in the FY 2025 budget adopted in June 2024.

Table 1	
FY 2025 Revenue Forecast	
(\$ in Millions)	
Adopted FY 2025 Revenue Estimate	\$16,279.1
Revision to Revenue Forecast	\$715.2
Revised FY 2025 Revenue Estimate	\$16,994.3

The higher FY 2025 revenue level under the January Baseline is the result of:

- An increase of \$389.5 million in ongoing revenues due to higher levels of collections than originally projected.
- An increase of \$323.9 million in the carry-forward balance from FY 2024. The original budget assumed an ending balance of \$638.9 million for FY 2024 while the actual balance carried forward was \$962.8 million.
- An increase of \$1.8 million in budgeted one-time fund transfers. Under the June 2024 adopted budget, this amount was expected to be transferred to the General Fund at the end of FY 2024 but ended up being delayed to FY 2025.

Current year ongoing net revenue estimates are based on the 4-sector consensus forecasting process (*see FY 2026 and Beyond section below*). Net revenue includes the impact of previously enacted legislation but excludes Urban Revenue Sharing and one-time revenue adjustments, such as budgeted fund transfers and the carry-forward balance.

Table 2 shows the projected net revenue growth rates in FY 2025 through FY 2028 for the “Big 3” General Fund revenue sources of sales, individual income and corporate income taxes that were provided by each of the components comprising the 4-sector consensus forecast.

Based on the weighted average of the components of the 4-sector consensus forecast, “Big 3” General Fund revenue is projected to grow by 5.0% in FY 2025. After incorporating the smaller revenue categories, including the insurance premium tax, which were estimated by the

JLBC Staff, the net revenue growth rate is 2.7%. After including Urban Revenue Sharing, fund transfers and the carry-forward balance, overall revenues are projected to decline by (7.3)%, to a total of \$16.99 billion in FY 2025.

FY 2026 and Beyond

The FY 2026 Baseline projects total net revenue of \$17.58 billion, which is 3.5%, or \$588.2 million, above the amount in FY 2025. Net revenue, which excludes Urban Revenue Sharing, fund transfers and the beginning balance, is projected to grow by 3.4% in FY 2026.

The FY 2026 Baseline also incorporates revenue planning estimates for FY 2027 and FY 2028, which are shown in *Table 5*. Under the January Baseline, net revenue would increase by 4.4% in FY 2027 and 4.7% in FY 2028.

The Baseline estimated growth rates for the “Big 3” revenue categories of sales, individual income, and corporate income taxes are initially developed and revised using a 4-sector averaging process. This process is based on averaging the results of the following 4 forecasts:

- Finance Advisory Committee panel forecast of January 2025. Consisting of 11 public and private sector economists, this independent panel usually 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 more cautious forecast model, and
- JLBC Staff projections.

The growth rates from each sector of the forecast for FY 2025 through FY 2028 are displayed in *Table 2*.

Risks to the Revenue Forecast

While most economists believe that the US economy is still on course for a “soft landing,” there are certain factors that continue to pose risks to the outlook particularly with respect to the current conflicts in the Middle East and in Ukraine. If these conflicts were to escalate, American households and businesses would likely face higher energy prices, weaker equity values and tighter financial conditions, which would have a dampening effect on consumer spending and business investments.

Table 2

**4-Sector Estimates
Forecast Percentages (FY 2025 - FY 2028)
Net Revenue ^{1/}**

	FY 2025					FY 2026				
	<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>
Sales Tax	3.5%	2.2%	3.4%	3.4%	3.1%	4.1%	2.9%	4.1%	3.7%	3.7%
Individual Income Tax	9.7%	5.6%	7.4%	6.6%	7.3%	5.0%	5.9%	6.3%	4.5%	5.4%
Corporate Income Tax	6.5%	6.3%	7.3%	7.4%	6.9%	3.1%	2.5%	3.4%	5.8%	3.7%
Overall ^{2/}	3.5%	1.7%	2.9%	2.7%	2.7%	3.4%	3.0%	3.8%	3.3%	3.4%
	FY 2027					FY 2028				
	<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>
Sales Tax	4.2%	3.9%	4.2%	4.4%	4.2%	4.4%	4.0%	4.4%	4.1%	4.2%
Individual Income Tax	4.9%	6.2%	6.5%	5.3%	5.7%	5.0%	6.2%	6.5%	4.9%	5.6%
Corporate Income Tax	3.2%	2.5%	3.3%	7.7%	4.2%	2.9%	2.9%	3.7%	5.8%	3.9%
Overall ^{2/}	4.1%	4.3%	4.6%	4.8%	4.4%	4.5%	4.7%	5.0%	4.6%	4.7%

^{1/} Includes impact of previously enacted tax legislation.

^{2/} The growth rates for each sector represent the weighted average of Big-3 revenue estimates plus JLBC Staff estimates of other revenue.

Revenue Adjustments

Table 3 provides an overview of ongoing net revenue and total revenue growth for FY 2025 and FY 2026. As noted earlier, ongoing net General Fund revenue includes the impact of previously enacted tax legislation but excludes Urban Revenue Sharing, and one-time financing sources. As shown in Table 3, under the January Baseline, ongoing net revenue is projected to grow by 2.7% in FY 2025 and 3.4% in FY 2026. Total revenue, which represents all net General Fund revenue, including Urban Revenue Sharing and one-time financing sources, is estimated to decrease by (7.3)% in FY 2025, followed by an increase of 3.5% in FY 2026.

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, state conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

As noted earlier, the Baseline revenue forecast was prepared on a net revenue basis, which means that the projected revenue levels already reflect the impact of prior tax law changes, such as the reduction of the corporate low-income STO credit cap provided by Laws 2024, Chapter 221. For more details on previously enacted tax legislation, see page 436 in the FY 2025 Appropriations Report.

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 distributed to cities and towns is 18% of net individual and corporate income tax collections from 2 years prior.

	<u>FY 2025</u>	<u>%</u>	<u>FY 2026</u>	<u>%</u>
Net Revenue ^{1/}	\$17,265.7	2.7%	\$17,848.1	3.4%
Urban Revenue Sharing	(1,268.2)		(1,186.3)	
One-Time Financing Sources:				
Balance Forward	962.8		903.7	
Fund Transfers	<u>34.0</u>		<u>17.0</u>	
Subtotal	996.8		920.7	
Total Revenue	<u>\$16,994.3</u>	(7.3)%	<u>\$17,582.5</u>	3.5%

^{1/} Net revenue represents ongoing General Fund revenue after the impact of previously enacted tax legislation.

As shown in *Table 4*, total URS distributions will decrease from \$1.27 billion in FY 2025 to \$1.19 billion in FY 2026. This URS reduction results in a net General Fund revenue gain of \$82 million in FY 2026 relative to FY 2025. As displayed in *Table 5*, URS distributions are projected to increase to \$1.27 billion in FY 2027 and \$1.33 billion in FY 2028, which will result in a net General Fund loss of \$(85) million and \$(63) million in FY 2027 and FY 2028, respectively.

One-Time Financing

As shown in *Table 4*, the FY 2025 budget adopted in June 2024 includes the following one-time financing sources:

FY 2025

Fund Transfers

The enacted FY 2025 budget provided for a total of \$32.2 million in one-time transfers from various state funds to the General Fund in FY 2025. However, due to the delay of a fund transfer in the amount of \$1.8 million that was originally scheduled to occur at the end of FY 2024, but ended up being transferred in FY 2025, the total fund transfer will now be \$34.0 million.

Balance Forward

The FY 2024 General Fund ending balance carried into FY 2025 was \$962.8 million.

FY 2026

Fund Transfers

The June 2024 adopted budget includes fund transfers to the General Fund of \$17.0 million in FY 2026.

Balance Forward

The FY 2025 General Fund ending balance carried into FY 2026 is projected to be \$903.7 million.

FY 2027

Fund Transfers

The June 2024 adopted budget includes fund transfers to the General Fund of \$12.0 million in FY 2027. The Baseline assumes no other one-time revenue sources in FY 2027.

FY 2028

The Baseline assumes no one-time revenue sources in FY 2028.

Table 4

GENERAL FUND REVENUE - FY 2024 - FY 2026

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2024	% CHANGE PRIOR YR	FORECAST FY 2025	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2026	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	7,933,914.2	3.3%	8,181,849.0	3.1%	247,934.8	8,484,425.1	3.7%	302,576.1
Income - Individual	4,845,765.9	-7.5%	5,200,233.7	7.3%	354,467.8	5,481,787.7	5.4%	281,554.0
- Corporate	1,744,821.7	-3.4%	1,864,690.9	6.9%	119,869.2	1,933,857.0	3.7%	69,166.0
Property	25,995.0	17.1%	38,287.0	47.3%	12,292.0	37,721.3	-1.5%	(565.7)
Luxury - Tobacco	19,541.4	2.5%	18,128.5	-7.2%	(1,413.0)	17,947.2	-1.0%	(181.3)
- Liquor	44,919.1	-3.6%	46,333.2	3.1%	1,414.0	48,974.2	5.7%	2,641.0
Insurance Premium	820,435.1	7.8%	881,967.7	7.5%	61,532.6	923,420.2	4.7%	41,452.5
Other Taxes	17,196.5	-6.3%	19,721.0	14.7%	2,524.5	20,746.5	5.2%	1,025.5
Subtotal - Taxes	15,452,588.9	-0.9%	16,251,211.0	5.2%	798,622.1	16,948,879.0	4.3%	697,668.1
Other Non-Tax Revenues:								
Lottery	222,285.2	26.4%	217,294.1	-2.2%	(4,991.1)	223,203.1	2.7%	5,909.1
Gaming Revenue	36,477.3	-26.1%	40,711.5	11.6%	4,234.2	43,764.8	7.5%	3,053.4
Licenses, Fees and Permits	52,664.5	24.9%	52,240.2	-0.8%	(424.3)	54,800.0	4.9%	2,559.8
Interest	371,165.8	1.2%	250,000.0	-32.6%	(121,165.8)	135,000.0	-46.0%	(115,000.0)
Sales and Services	30,757.0	-7.2%	29,361.8	-4.5%	(1,395.2)	30,712.5	4.6%	1,350.6
Other Miscellaneous	226,979.6	27.1%	231,554.1	2.0%	4,574.4	239,890.0	3.6%	8,335.9
Transfers and Reimbursements	328,017.4	18.7%	103,389.8	-68.5%	(224,627.5)	82,294.5	-20.4%	(21,095.3)
Medicaid Hospital Revenue	90,125.0	-8.2%	89,942.8	-0.2%	(182.2)	89,569.8	-0.4%	(373.0)
Subtotal - Other Non-Tax	1,358,471.8	11.3%	1,014,494.3	-25.3%	(343,977.5)	899,234.7	-11.4%	(115,259.5)
Net Ongoing Revenue	16,811,060.7	0.0%	17,265,705.2	2.7%	454,644.5	17,848,113.8	3.4%	582,408.5
Urban Revenue Sharing (URS)	(1,564,819.8)	N/A	(1,268,255.6)	N/A	296,564.2	(1,186,305.8)	N/A	81,949.8
Net Ongoing Revenue w/ URS	15,246,240.9	-2.9%	15,997,449.6	4.9%	751,208.7	16,661,808.0	4.2%	664,358.3
One-Time Financing Sources:								
Fund Transfers	841,564.7	N/A	33,991.8	-96.0%	(807,572.9)	17,000.0	-50.0%	(16,991.8)
One-Time Income Tax Rebate	(273,550.1)	N/A	0.0	N/A	273,550.1	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	568,014.6	N/A	33,991.8	-94.0%	(534,022.8)	17,000.0	-50.0%	(16,991.8)
Subtotal - Revenues	15,814,255.5	17.2%	16,031,441.4	1.4%	217,185.9	16,678,808.0	4.0%	647,366.5
Balance Forward	2,527,233.0	-46.3%	962,823.0	-61.9%	(1,564,410.0)	903,661.3	-6.1%	(59,161.7)
Total - Resources	18,341,488.5	0.8%	16,994,264.4	-7.3%	(1,347,224.1)	17,582,469.3	3.5%	588,204.8

Table 5

GENERAL FUND REVENUE - FY 2027 - FY 2028

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2027	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2028	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	8,839,567.6	4.2%	355,142.5	9,213,338.4	4.2%	373,770.8
Income - Individual	5,796,177.8	5.7%	314,390.2	6,123,606.2	5.6%	327,428.3
- Corporate	2,015,070.6	4.2%	81,213.6	2,092,896.0	3.9%	77,825.4
Property	37,250.0	-1.2%	(471.3)	37,713.3	1.2%	463.3
Luxury - Tobacco	17,767.7	-1.0%	(179.5)	17,590.0	-1.0%	(177.7)
- Liquor	51,765.7	5.7%	2,791.5	54,354.0	5.0%	2,588.3
Insurance Premium	967,744.4	4.8%	44,324.2	1,015,163.8	4.9%	47,419.5
Other Taxes	21,866.8	5.4%	1,120.3	22,741.4	4.0%	874.7
Subtotal - Taxes	17,747,210.7	4.7%	798,331.6	18,577,403.1	4.7%	830,192.5
Other Non-Tax Revenues:						
Lottery	238,382.7	6.8%	15,179.6	256,214.1	7.5%	17,831.4
Gaming Revenue	58,106.2	32.8%	14,341.4	73,772.4	27.0%	15,666.1
Licenses, Fees and Permits	57,266.0	4.5%	2,466.0	59,556.6	4.0%	2,290.6
Interest	87,000.0	-35.6%	(48,000.0)	87,000.0	0.0%	0.0
Sales and Services	32,094.5	4.5%	1,382.1	33,378.3	4.0%	1,283.8
Other Miscellaneous	249,725.5	4.1%	9,835.5	259,714.5	4.0%	9,989.0
Transfers and Reimbursements	82,853.0	0.7%	558.5	83,431.1	0.7%	578.1
Medicaid Hospital Revenue	89,481.5	-0.1%	(88.3)	89,481.5	0.0%	0.0
Subtotal - Other Non-Tax	894,909.4	-0.5%	(4,325.3)	942,548.4	5.3%	47,639.0
Net Ongoing Revenue	18,642,120.1	4.4%	794,006.3	19,519,951.6	4.7%	877,831.5
Urban Revenue Sharing (URS)	(1,271,686.4)	N/A	(85,380.7)	(1,334,816.0)	N/A	(63,129.6)
Net Ongoing Revenue w/ URS	17,370,433.7	4.3%	708,625.6	18,185,135.6	4.7%	814,701.9
One-Time Financing Sources:						
Fund Transfers	12,000.0	-29.4%	(5,000.0)	0.0	-100.0%	(12,000.0)
One-Time Income Tax Rebate	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	12,000.0	-29.4%	(5,000.0)	0.0	-100.0%	(12,000.0)
Subtotal - Revenues	17,382,433.7	4.2%	703,625.6	18,185,135.6	4.6%	802,701.9
Balance Forward		-100.0%	(903,661.3)		N/A	0.0
Total - Resources	17,382,433.7	-1.1%	(200,035.7)	18,185,135.6	4.6%	802,701.9

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.
- A.R.S. § 37-1305(E)(4) and A.R.S. § 35-144 allows the BSF to be used for the advance payment of wildfire suppression claims. Upon reimbursement of those claims by other entities, those monies are to be deposited into the BSF.
- Beginning in FY 2020, the BSF's total balance cannot be larger than 10% of the current year's General Fund revenues, excluding the beginning balance. Prior to Laws 2019, Chapter 54, the percentage was set at 7%.
- Laws 2024, Chapter 22, the Budget Implementation Budget Reconciliation Bill (BRB), continues to notwithstanding the requirements for any deposit to or withdrawals from the BSF through FY 2027. Chapter 223 also notwithstanding the 10% BSF cap for FY 2025.
- 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 2024

Based on the EEC estimate of May 30, 2024, Arizona real adjusted personal income increased by 3.23% in CY 2023, with a trend growth rate of 3.89%. Since the annual growth rate of 3.23% was (0.66)% below the trend growth rate but above the 2.0% floor, the formula recommended no BSF deposit or withdrawal in FY 2024. (*For more details, see Table 1.*)

In FY 2024, the State Forester withdrew \$(15.0) million from the BSF for the advance payment of wildfire

suppression claims and repaid \$10.1 million to the BSF for outstanding claims.

Laws 2023, Chapter 133 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 2024. Chapter 133 required the BSF to be fully reimbursed by September 1, 2024. A total of \$(25.0) million was withdrawn from the BSF at the end of FY 2024, and this amount was reimbursed to the BSF in the early part of FY 2025.

FY 2025

The University of Arizona's Economic and Business Research Center (EBR) currently projects that Arizona real adjusted personal income will increase by 3.82% in CY 2024. Since the estimated annual growth rate is (0.01)% below the trend growth rate of 3.83% but above the 2.0% floor, the BSF formula is projected to recommend no BSF deposit or withdrawal in FY 2025. *(For more details, see Table 1.)*

Through the first 5 months of FY 2025, the State Forester withdrew \$(13.7) million from the BSF for the advance payment of wildfire suppression claims and repaid \$1.0 million to the BSF for outstanding claims.

Laws 2024, Chapter 209 authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2025. Chapter 209 requires the BSF to be fully reimbursed by September 1, 2025.

FY 2026

EBR currently projects that Arizona real adjusted personal income will increase by 4.17% in CY 2025. Since this is 0.32% above the estimated trend growth rate of 3.85%, the BSF formula is projected to recommend a deposit of \$51.2 million in FY 2026. *(For more details, see Table 1.)*

Statutory Changes

The Baseline would, as session law, continue to notwithstanding the requirements for 1) any deposit to or withdrawals from the Budget Stabilization Fund through FY 2028 and 2) a 10% BSF cap for FY 2026.

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

	Actual FY 2024	Estimate FY 2025	Estimate FY 2026
General Fund Revenues			
Adjusted Revenues	\$15,246,240.9	\$15,997,449.6	\$16,661,808.0
Statutory Limit of Revenues	10.0%	10.0%	10.0%
Maximum Balance ^{2/}	1,524,624.1	1,599,745.0	1,666,180.8
Arizona Personal Income in Prior CY			
Real Adjusted Annual Income Growth	3.23%	3.82%	4.17%
7-Year Average Income Growth	<u>3.89%</u>	<u>3.83%</u>	<u>3.85%</u>
Annual Difference	(0.66)%	(0.01)%	0.32%
BSF Transactions			
Beginning BSF Balance	1,424,381.2	1,485,992.1	1,558,270.1
BSF Formula Recommendation	0.0	0.0	51,191.8
Actual Transfer In			
State Forester Claims ^{3/}	10,116.6	1,018.2	0.0
DES Reimbursement Grants ^{4/5/6/}	<u>25,000.0</u>	<u>25,000.0</u>	<u>0.0</u>
SUBTOTAL	35,116.6	26,018.2	0.0
Actual Transfer Out			
State Forester Claims ^{3/}	(15,012.6)	(13,740.2)	0.0
DES Reimbursement Grants ^{4/5/6/}	<u>(25,000.0)</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	(40,012.6)	(13,740.2)	0.0
Balance	1,419,485.2	1,498,270.1	1,558,270.1
Interest Earnings & Equity Gains/Losses ^{7/}	66,506.9	60,000.0	48,000.0
Ending BSF Balance	\$1,485,992.1	\$1,558,270.1	\$1,606,270.1
Percent of Revenues ^{2/}	9.75%	9.74%	9.64%

^{1/} BSF history prior to FY 2024 can be found on the JLBC website.

^{2/} Laws 2024, Chapter 223 is notwithstanding the 10% BSF cap for FY 2025. The notwithstanding of the 10% BSF cap for FY 2024 was authorized by Laws 2023, Chapter 145.

^{3/} Laws 2019, Chapter 269 authorizes BSF monies to be used by the State Forester to pay certain wildland fire suppression claims, not to exceed \$20 million at any time. The monies must be reimbursed to the State Treasurer within 45 days of a federal agency's payment on the claim. Positive amounts represent reimbursement to the BSF by the State Forester and negative amounts represent withdrawals from the BSF by the State Forester.

^{4/} Laws 2022, Chapter 313 authorized DES to use up to \$25 million from the BSF to provide funding for reimbursement grants in FY 2023. Chapter 313 required the BSF to be fully reimbursed by September 1, 2023. A total of \$(25) million was withdrawn from the BSF in FY 2023 and this amount was reimbursed to the BSF in the early part of FY 2024.

^{5/} Laws 2023, Chapter 133 authorized DES to use up to \$25 million from the BSF to provide funding for reimbursement grants in FY 2024. Chapter 133 required the BSF to be fully reimbursed by September 1, 2024. A total of \$(25) million was withdrawn from the BSF in FY 2024 and this amount was reimbursed to the BSF in the early part of FY 2025.

^{6/} Laws 2024, Chapter 209 authorizes DES to use up to \$25 million from the BSF to provide funding for reimbursement grants in FY 2025. Chapter 209 requires the BSF to be fully reimbursed by September 1, 2025.

^{7/} Net earnings for FY 2025 and FY 2026 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 Officers Retirement Plan (CORP), which provides similar benefits to correctional officers at state-run facilities, detention officers at county jails, and certain public safety dispatchers.
- 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 are enrolled in the Elected Officials' Defined Contribution Retirement System (EODCRS), which provides a defined contribution retirement plan.

- 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 2025 Impacts and 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 state retirement systems in FY 2026 is \$192.9 million and the Total State Funds cost is \$660.8 million. *(Please see Table 1 for the total costs.)*

Employer contribution rates 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.

ASRS

The General Fund cost associated with ASRS in FY 2026 is estimated to be \$111.7 million and the Total State Funds cost is \$499.1 million.

At its November 2024 meeting, the ASRS Board of Trustees decreased the pension contribution rate to 11.86% of Personal Services in FY 2026. The FY 2025 rate was 12.12%. The Board decreased the employer contribution rate for disability insurance from 0.15% to 0.14%, for a total overall employer contribution rate of 12.00% (compared to 12.27% last year) *(Please see Table 2 for historical ASRS contribution rates.)*

Table 1			
Arizona Public Retirement FY 2026 System Employer Cost			
	<u>FY 2026 Total Cost 1/</u>		
	<u>General Fund</u>	<u>All Other Funds 2/</u>	<u>Total</u>
Arizona State Retirement System	\$ 111,708,200	\$ 387,439,900	\$ 499,148,100
Public Safety Personnel Retirement System	16,286,900	9,209,100	25,496,000
Corrections Officer Retirement Plan	30,220,600	654,400	30,875,000
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	19,081,800	330,500	19,412,300
University Optional Retirement Plan	15,583,800	70,245,300	85,829,100
Grand Total	\$ 192,881,300	\$ 467,879,200	\$ 660,760,500

1/ Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2026 change in Personal Services costs. In instances where salary data is limited, the PSPRS/CORP estimates are based on the Tier 1 and Tier 2 employer contribution rates as applied to the entire PSPRS/CORP salary base.

2/ Includes both Other Appropriated Funds and Non-Appropriated Funds (including Federal Funds).

Table 2

**Historical ASRS Contribution Rates
(Includes Long-Term Disability)**

<u>Fiscal Year</u>	<u>Rate</u>	<u>Fiscal Year</u>	<u>Rate</u>
FY 1989	5.09	FY 2008	9.60
FY 1990	2.00	FY 2009	9.45
FY 1991	3.82	FY 2010	9.40
FY 1992	3.60	FY 2011	9.85
FY 1993	3.59	FY 2012	10.74
FY 1994	3.14	FY 2013	11.14
FY 1995	3.75	FY 2014	11.54
FY 1996	3.85	FY 2015	11.60
FY 1997	3.69	FY 2016	11.47
FY 1998	3.54	FY 2017	11.48
FY 1999	3.34	FY 2018	11.50
FY 2000	2.66	FY 2019	11.80
FY 2001	2.66	FY 2020	12.11
FY 2002	2.49	FY 2021	12.22
FY 2003	2.49	FY 2022	12.41
FY 2004	5.70	FY 2023	12.17
FY 2005	5.70	FY 2024	12.29
FY 2006	7.40	FY 2025	12.27
FY 2007	9.10	FY 2026	12.00

PSPRS

PSPRS 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 2026 is estimated to be \$16.3 million and the Total State Funds cost is \$25.5 million.

In aggregate, the FY 2026 Tier 1 and Tier 2 PSPRS employer contribution rate is 45.79%, or (0.46)% lower than in FY 2025 (see Table 3).

CORP

CORP consists of numerous state and local subgroups, each with its own contribution rate (see Table 4). The General Fund cost associated with CORP is \$30.2 million in FY 2026 and the Total State Funds cost is \$30.9 million.

In aggregate, the FY 2026 Tier 1 and Tier 2 CORP employer contribution rate is 14.38%, or (2.06)% lower than in FY 2025 (see Table 3).

EORP and EODCRS

The General Fund cost associated with EORP and the EODCRS in FY 2026 is estimated to be \$19.1 million and the Total State Funds cost is \$19.4 million. These amounts exclude court fees used to offset the cost of the system, as those fees are deposited directly into the EORP Fund.

The FY 2026 EORP employer contribution rate is 70.70%, or 0.26% higher than in FY 2025 (see Table 3).

Table 3

**Reasons for Change in the Employer Contribution Rate ^{1/}
(Consolidated Valuation)**

	<u>PSPRS</u>	<u>CORP</u>	<u>EORP</u>
FY 2025 Contribution Rate	46.25%	16.44%	70.44%
Asset (Gain)/Loss	0.04%	(0.04%)	(0.04%)
Payroll	(2.15%)	(0.51%)	(8.73%)
Liability Experience	1.60%	0.27%	0.85%
Additional Contribution	(1.39%)	(1.49%)	-
Assumption Changes	0.76%	0.13%	12.05%
Other	<u>0.68%</u>	<u>(0.42%)</u>	<u>(3.87%)</u>
FY 2026 Contribution Rate	45.79%	14.38%	70.70%
Net Change	(0.46%)	(2.06%)	0.26%

^{1/} Represents aggregate information for PSPRS and CORP Tiers 1 and 2. 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.

The EORP employer contribution rate of 70.70% consists of 17.09% for the normal cost of the member accruing additional service and 53.61% to amortize the unfunded EORP liability. For EODCRS members, the total employer contribution rate is 59.75%, which consists of a 6.0% contribution rate deposited into the individual employees' retirement investment account, 0.14% for disability coverage and the same 53.61% contribution rate allocated to amortize the unfunded EORP liability.

UORP

The General Fund cost associated with UORP in FY 2026 is estimated to be \$15.6 million and the Total State Funds cost is \$85.8 million.

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 7.0% 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 2026.

Funded Status

As of June 30, 2024, there were 727,733 active, inactive, retired, and DROP members enrolled in ASRS, PSPRS, CORP, and EORP. (See Table 5 for more information.)

The funded status, or the market value of plan assets relative to the amount of liabilities, of each plan is:

- 76.6% for ASRS (excluding the disability program);
- 70.2% for PSPRS;
- 89.4% for CORP; and
- 44.4% for EORP

Table 4

PSPRS/CORP State Employer Group Retirement Rates

Retirement System	Employer				Employee	
	FY 2025		FY 2026		FY 2026	
	Tier 1 and 2	Tier 3 ^{1/}	Tier 1 and 2	Tier 3 ^{1/}	Tiers 1 and 2	Tier 3 ^{1/}
<u>Public Safety Personnel Ret. System</u>						
Liquor License Investigators	10.63%	10.30%	9.22%	9.48%	7.65%	8.89%
Department of Public Safety ^{2/}	20.51%	15.90%	21.20%	16.03%	2.65%	3.91%
Northern Arizona University Police	10.75%	9.68%	10.33%	8.69%	7.65%	8.69%
University of Arizona Police	15.51%	12.58%	19.01%	15.84%	7.65%	8.69%
Arizona State University Police	14.33%	9.21%	16.75%	11.90%	7.65%	8.69%
Game and Fish Department	9.88%	8.89%	9.98%	8.69%	7.65%	8.69%
Attorney General Investigators	7.56%	8.89%	7.52%	8.69%	7.65%	8.69%
DEMA Firefighters	12.19%	9.34%	13.02%	9.65%	7.65%	8.69%
Parks Police	2.84%	8.89%	2.91%	9.11%	7.65%	8.69%
<u>Corrections Officer Ret. Plan</u>						
Corrections Officer - ADC	6.94%	8.37%	6.66%	7.98%	7.65%	7.63%
Corrections Officer - DJC	6.00%	6.23%	6.00%	6.34%	7.65%	7.63%
DPS Dispatchers ^{3/}	8.23%	N/A	8.42%	N/A	7.65%	N/A
DPS Detention	10.84%	10.42%	6.00%	6.00%	7.65%	7.63%
Probation Officers	39.39%	42.39%	37.71%	40.90%	8.41%	7.63%

^{1/} FY 2025 and 2026 rates for Tier 3 for PSPRS are based on Defined Benefit Plan and for CORP are based on Defined Contribution Plan.

^{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

Arizona Public Retirement System Valuation Data as of June 30, 2024

Membership	ASRS		PSPRS		CORP		EORP	
	FY 2025	FY 2026	FY 2025	FY 2026	FY 2025	FY 2026	FY 2025	FY 2026
Active (working and contributing)	219,830	224,989	18,425	18,748	7,974	7,312	296	285
State Active Members	N/A	N/A	1,304	1,266	4,456	3,942	N/A	N/A
Other Active Members	N/A	N/A	17,121	17,482	3,518	3,370	N/A	N/A
Inactive	256,590	259,127	3,081	3,289	3,781	3,858	176	167
Retired Members, Disabled and Survivor Beneficiaries	176,444	182,520	15,963	16,533	7,030	7,321	1,321	1,315
Deferred Retirement Option Plan	N/A	N/A	2,227	2,269	N/A	N/A	N/A	N/A
Total	652,864	666,636	39,696	40,839	18,785	18,491	1,793	1,767
Funding Status (dollar values in millions) ^{1/}								
	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>
Market Value of Assets	\$49,779	\$53,360	\$14,965	\$16,755	\$4,235	\$4,674	\$421	\$465
Total Actuarial Liability	\$65,961	\$69,631	\$22,527	\$23,868	\$5,034	\$5,226	\$1,035	\$1,047
Unfunded Actuarial Liability ^{2/}	\$16,181	\$16,272	\$7,562	\$7,113	\$799	\$553	\$614	\$582
Funded Status ^{2/}	75.5%	76.6%	66.4%	70.2%	84.1%	89.4%	40.7%	44.4%

N/A = Not Available

^{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 funded status may vary for each employer group.

^{2/} Calculated on market, not actuarial, value of assets. ASRS funded status data excludes long-term disability program.

Table 6										
State Retirement Plan Summary										
	PSPRS			CORP			EORP			ASRS
	Tier 1	Tier 2	Tier 3/DC	Tier 1	Tier 2	Tier 3/DC 1/	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		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	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%	Not Applicable	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	Not Applicable	PBI if fund exceeds growth estimate for 10 years, only for members hired before 9/13/13.
Benefit Calculation Limit	Adjusted by IRS	Adjusted by IRS	\$140,952	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)		50/50
Assumed Rate of Return	7.20%	7.20%	7.00%	7.20%	7.20%		7.20%	7.20%		7.00%
Employee Rate	7.65%	7.65%	8.72% DC: 10.74%	7.98%	7.98%	7.63%	7.00%	7.00%	8.14%	12.00%
Aggregate Employer Rate	45.79%	45.79%	DB 40.26% (Normal+Legacy Costs) DC:10.74%+Legacy Costs	14.38%	14.38%	5.63% + Legacy Cost	70.70%	70.70%	59.75% (6.00% to employer account)	12.00%
1/ CORP includes a Tier 3 Defined Benefit plan, however essentially all state workers in CORP would only be eligible for the Defined Contribution Plan.										

TECHNICAL BUDGET ASSUMPTIONS

TECHNICAL BUDGET ASSUMPTIONS

Baseline

This book reflects General Fund baseline revenue and spending estimates. The revenue projections are based on a consensus economic forecast while the spending estimates represent currently-funded formula requirements and other obligations. The Baseline does not represent a budget proposal. By providing an estimate of available resources after statutory requirements, however, the Baseline will help members of the Legislature evaluate the availability of resources for these discretionary adjustments. As such, the Baseline is only a starting point for discussion on the FY 2026 budget.

The Baseline also includes FY 2025 supplementals and ex-appropriations for selected budget units. All FY 2025 changes are referenced to the original FY 2025 appropriated amount.

In addition, A.R.S. § 35-125 requires the annual General Appropriations Act to include a 3-year revenue and expenditure projection. To assist in this effort, the JLBC Staff has developed General Fund Baseline estimates through FY 2028.

Changes from Prior Year

The Baseline includes adjustments for one-time appropriations, annualization of any items funded for a partial year, and funding formula requirements. The one-time adjustments are in accordance with the FY 2025 budget's 3-year spending plan.

The individual agency descriptions in this volume provide further narrative detail on these changes. In addition, the book provides the line item detail for individual agency budgets. The major technical issues pertaining to each of these line items are described below.

The individual agency descriptions also include the following years of budget data:

- *FY 2024 Actual* - This dollar amount represents the FY 2024 expenditures as reported by the agency. Pursuant to the Executive's budget instructions, the amount is to exclude administrative adjustments, or payments for obligations incurred in FY 2023 but for which the state was not billed until FY 2024.
- *FY 2025 Estimate* - This dollar amount represents the FY 2025 appropriations as of the end of the 56th Legislature, 2nd Regular Session. It does *not* include any supplemental FY 2025 funding in the Baseline.

- *FY 2026 Baseline* - This dollar amount represents the FY 2026 Baseline spending estimate.

Each budget summary includes the level of non-appropriated and Federal Funds available to the agency. The detail for these funds can be found in the "Summary of Funds" section at the end of each individual agency's narrative pages.

Statewide and Standard Changes

Personal Services - This category includes salaries paid to state employees.

ERE Rates - This category typically represents changes in the state's cost of employee benefits. The rates have been held constant from FY 2025 to FY 2026 in the Baseline.

Medical and Dental Insurance - The Baseline includes a decrease of \$(140.0) million from the General Fund and \$(230.9) million total funds to remove one-time funding for a deposit into the Health Insurance Trust Fund (HITF). Although these monies were allocated to individual budgets in FY 2025, this decrease is reflected as a statewide adjustment in the Baseline for FY 2026. The Baseline includes no further changes to agency budgets for medical and dental insurance costs. (*Please see the HITF discussions in the Arizona Department of Administration (ADOA) narrative for further details on HITF balances.*)

Life Insurance - \$7.28 per employee per year, unchanged from the FY 2025 rate set by ADOA.

Unemployment Insurance (UI) - 0.10% of Personal Services for each agency, unchanged from the FY 2025 rate assumed in the FY 2025 budget.

Personnel Division Pro Rata - 0.86% of Personal Services for each agency in the State Personnel System, unchanged from the FY 2025 rate established in statute. 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)

Information Technology Planning - 0.61% of Personal Services for each agency, unchanged from the FY 2025 rate established in statute. Statewide Cybersecurity controls in the Department of Homeland Security budget and the government information technology review function in the ADOA budget are funded from an assessment on the payroll of all state agencies except the Universities.

Retiree Accumulated Sick Leave - 0.40% of Personal Services for each agency, unchanged from the FY 2025 rate established in statute. 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.

Attorney General Legal Services - \$1,798,500 in charges to selected state agencies for Attorney General services, unchanged from the FY 2025 amount set in the FY 2025 budget. (Please see the Attorney General narrative for details.)

Workers' Compensation - The rates calculated by ADOA vary by individual agency and are unchanged from the FY 2025 workers' compensation rates. ADOA estimates the average statewide rate is 0.86%.

Federal Insurance Contributions Act (FICA) - Effective January 1, 2025, Social Security employer taxes are paid at a rate of 6.20% up to \$176,100 an increase from the previous maximum of \$168,600. The rate is unchanged. The Baseline does not adjust agency budgets for this change.

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 2025. An additional 0.9% is withheld 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.

Retirement - Most FY 2026 rates as determined by the state's retirement systems have changed from the FY 2025 rates. The total contribution from ASRS employees and employers combined will be 24.0%, a decrease from the FY 2025 rate of 24.54%; both employers and employees will see their rates decrease in FY 2026 to 12.0% from 12.27% in FY 2025. These rates include 0.14% for both employers and employees to pay for disability insurance, a decrease from 0.15% in FY 2025.

Employer contribution rates for the Public Safety Personnel Retirement Plan, the Corrections Officers Retirement Plan, and the Elected Officials' Retirement Plan are discussed in the *Consolidated Retirement Report* section of this book. These 3 systems build the disability rate into the main rate.

The Baseline does not adjust agency budgets for any changes in retirement rates.

Risk Management - Individual agency budgets' Other Operating Expenditures include funding for Risk Management charges determined and billed by ADOA. The billings vary by individual agency. The Baseline does not adjust agency budgets for changes in these rates.

Rent - Individual agency budgets' Other Operating Expenditures include monies to pay rent for state-owned or lease-purchase space, as well as privately-owned space.

As required by statute, ADOA charges \$17.87 per square foot for all state agencies occupying state-owned space and \$6.43 per square foot for state-owned storage space in FY 2024. These rates are based upon usable square feet. The Baseline assumes no changes to these rates for FY 2025. (Please see the *Capital Outlay - ADOA Building System* narrative for more details.)

The Baseline does not address increases in rent for privately-owned space.

Format

Each agency section in this book includes the proposed agency budget format. Any changes from the prior year format are noted. The format governs how an agency's appropriation will appear in the General Appropriation Act. The most common budget formats are as follows:

- *Lump Sum by Agency*
- *Lump Sum by Program*
- *Modified Lump Sum by Agency*
- *Detailed Line Item by Agency*

A less detailed format will provide an agency with more discretion in implementing the budget at the expense of legislative oversight for that agency. Conversely, a more

detailed format may require an agency to use formal processes for redirecting appropriated funds to a purpose different from that originally intended by the Legislature.

Details on each of these common formats are below:
Lump Sum by Agency - The appropriation consists of a single dollar amount, thereby allowing the agency to shift funds among line items and programs without further legislative review. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Lump sum appropriation	\$100,000

Within this format, the Legislature will need to determine whether Special Line Items (funds generally granted to entities or individuals outside of state government, or which merit special attention) will be included in the Lump Sum or listed separately. If Special Line Items are listed separately, transfers to or from those lines must receive prior ADOA and Governor's Office of Strategic Planning and Budgeting (OSPB) approval.

Lump Sum by Program - The appropriation consists of a single dollar amount for each agency program. Agencies must receive ADOA and OSPB approval prior to shifting monies from one program to another. Any Special Line Items would be listed under the program with which they are associated. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Program A	\$30,000
Program B	30,000
Program C	<u>40,000</u>
Total Appropriations - Agency X	\$100,000

Modified Lump Sum - The appropriation consists of at least 3 lines: Personal Services, Employee Related Expenditures, and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, an agency must seek the recommendation of the Joint Legislative Budget Committee and approval by ADOA and OSPB before moving any funds into or out of the Personal Services or ERE line items (A.R.S. § 35-173E). In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
All Other Operating Expenditures	<u>25,000</u>
Total Appropriations - Agency X	\$100,000

Detailed Line Item - The appropriation consists of each line item listed in this book, including Personal Services, Employee Related Expenditures, Professional and Outside Services, Travel, Other Operating Expenditures, and Equipment. Any Special Line Items would be listed separately. While the same rules govern Personal Services/ERE transfers as noted in the Modified Lump Sum description, the detailed line item appropriation requires the agency to seek ADOA and OSPB approval before transferring monies between any other line items.

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
Professional & Outside Services	3,000
Travel - In State	7,500
Travel - Out of State	2,500
Other Operating Expenditures	5,000
Equipment	2,000
Local Grants	<u>5,000</u>
Total Appropriations - Agency X	\$100,000

Footnotes

The individual agency sections of this book include proposed footnotes, which are narrative statements in the General Appropriation Act that establish conditions for expenditures, reporting requirements, and legislative intent. A footnote, however, cannot be used to modify an existing program's authorizing law.

Agency footnotes are shown after the number table at the start of an agency's narrative. Most footnotes are unchanged from FY 2025 or updated for technical reasons (e.g., fiscal year references). One-time FY 2025 footnotes do not reappear in the FY 2026 Baseline. Non-technical changes are indicated with strike-through font for deletions and all-capital text for new language. Proposed new footnotes will include the word "NEW" at the start of the footnote. Footnotes proposed for deletion will be footnoted with a "D/" and the entire text struck-through. (Please see the Major Footnote Changes section for a listing of major footnote changes from FY 2025.)

Statewide Footnotes

In addition to individual agency footnotes, the Baseline would include several footnotes applying to statewide issues to the General Appropriation Act. All the following footnotes are unchanged from FY 2025 unless noted.

Quarterly Agency Spending and Encumbrance Reporting – In FY 2026, ADOA is required to submit a quarterly report to the JLBC Director and OSPB Director with the year-to-date expenditures and encumbrances for operating and

capital spending from the General Fund and other agency funds.

Federal Funds Reporting – In FY 2026, the Governor's Office, Superintendent of Public Instruction, and Arizona Board of Regents are required to report to the Legislature on all total planned allocations and actual expenditures for monies from the American Rescue Plan Act. Each entity is required to report quarterly.

Expenditure Reporting - 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.

Full Year FTE Position Utilization Report - The FTE Positions in the General Appropriation Act are subject to appropriation. The ADOA Director shall compile an FTE Position utilization report for FY 2026 for submission to the JLBC Director by October 1, 2026. This report shall include both appropriated and non-appropriated positions. The Universities are exempt from the ADOA report but are to report in a comparable manner.

Number of Filled Positions Report - Each agency shall submit a report to the JLBC Director by October 1, 2025 on the number of filled, appropriated and non-appropriated FTE Positions by fund source as of September 1, 2025.

Private FTE report – Section 151 of the FY 2025 General Appropriations Act requires each budget unit to submit a report to JLBC Staff and OSPB on the title, duties and salary compensation of any privately-funded FTE Positions. Section 151 required the report on FY 2024 to be submitted by October 31, 2024. The legislation further required an FY 2025 report by October 31, 2025.

Transfer Authority - ADOA shall provide a monthly report to JLBC Staff on agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements - ADOA shall provide to the JLBC a preliminary estimate of the FY 2025 General Fund ending balance by September 15, 2025. The JLBC Staff shall report to JLBC by October 15, 2025 as to whether FY 2026's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections.

Long-Term Budget Estimates - 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 to be

based on existing statutory funding requirements. A.R.S. § 35-125 requires the Legislature to discuss the estimates in a public hearing before the adoption of the General Appropriation Act. *(Please see the FY 2026 Baseline Summary section for details on the FY 2026 - FY 2028 revenue and expenditure estimates.)*

Non-Lapsing Appropriations - The General Appropriation Act will designate certain appropriations with “*,” meaning that the appropriation is exempt from lapsing.

Expenditure Authority - For the 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 - For the 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.

Statutory Changes

The individual agency sections of this book include proposed statutory changes related to the budget. These changes will be introduced in Budget Reconciliation Bills (BRBs). *(Please see the FY 2026 Budget Reconciliation Bill Provisions section for a complete listing of proposed statutory changes.)*

In addition to agency-specific statutory changes, the Baseline would, as session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.

Other Issues

This section may also include other information of general interest, including FY 2025 supplementals and ex-appropriations and Auditor General reports.

Statewide Expenditure Adjustments

In addition to changes in individual agency budgets, the Baseline includes 2 “balance sheet” expenditure items not discussed elsewhere: Administrative Adjustments, Revertments, and Statutory Revertments.

Administrative Adjustments - The Baseline assumes that state agencies will have expenditures totaling \$130,000,000 in FY 2025 for FY 2024 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2024, but for which the state was unbilled until FY 2025. An agency's

administrative adjustments cannot exceed its prior year reversion, or unused appropriation authority. The \$130,000,000 is unchanged from the originally-budgeted FY 2025 total.

In addition to the FY 2025 figure, the Baseline assumes a FY 2026 administrative adjustment total of \$140,000,000, an increase of \$10,000,000 from the FY 2025 total.

Reversions - The Baseline assumes that state agencies will revert \$(170,000,000) of FY 2025 appropriations back to the General Fund because agencies will not spend their entire appropriation. Agencies will be permitted to make administrative adjustments totaling no more than this amount in FY 2026. This amount is unchanged from the originally-budgeted FY 2025 total.

In addition to the FY 2026 estimate, the Baseline also assumes a FY 2026 reversion total of \$(190,000,000), an increase of \$(20,000,000) from the revised FY 2025 total.

DIRECTORY OF:

- ***APPROPRIATIONS COMMITTEE MEMBERS***
- ***JLBC AND JCCR MEMBERS***
- ***JLBC STAFF***

DIRECTORY OF JLBC ANALYSTS
During the 2025 Regular Session

Accountancy, Arizona State Board of.....	James Martinez-Burney	Judiciary	James Martinez-Burney
Acupuncture Board of Examiners	Grace Timpany	Juvenile Corrections, Department of	James Martinez-Burney
Administration, Arizona Department of.....	Ethan Scheider	Land Department, State	Gordon Robertson
ADOA - Automation Projects Fund.....	Destin Moss	Legislative Council.....	Morgan Dorcheus
ADOA - School Facilities Division.....	Gordon Robertson	Liquor Licenses & Control, Department of	Nate Belcher
Administrative Hearings, Office of	Destin Moss	Lottery Commission, Arizona State	Ben Newcomb
Agriculture, Arizona Department of.....	Nate Belcher	Massage Therapy, Board of.....	Destin Moss
AHCCCS	Maggie Rocker/ Chandler Coiner	Medical Board, Arizona	Ethan Scheider
Arts, Arizona Commission on the.....	Ethan Scheider	Mine Inspector, State.....	Nate Belcher
Athletic Training, Board of	Destin Moss	Natural Resource Conservation Board, State	Chandler Coiner
Attorney General - Department of Law	Gordon Robertson	Naturopathic Physicians Medical Board.....	Destin Moss
Auditor General	Micaela Larkin Andrews	Navigable Stream Adjudication Commission, AZ.....	Nate Belcher
Barbering and Cosmetology Board	James Martinez-Burney	Nursing, State Board of	Destin Moss
Behavioral Health Examiners, Board of.....	Grace Timpany	Nursing Care Institution Administrators and Assisted Living Facility Managers, Board of Examiners of	Grace Timpany
Charter Schools, State Board for.....	Ethan Scheider	Occupational Therapy Examiners, Board of	Destin Moss
Child Safety, Department of	Maggie Rocker	Ombudsman-Citizens Aide Office.....	Micaela Larkin Andrews
Chiropractic Examiners, State Board of	James Martinez-Burney	Opticians, State Board of Dispensing	Ethan Scheider
Citizens Clean Elections Commission	Micaela Larkin Andrews	Optometry, State Board of.....	Ethan Scheider
Commerce Authority, Arizona	Nate Belcher	Osteopathic Examiners in Medicine and Surgery AZ Bd of.....	Grace Timpany
Community Colleges, Arizona	Ethan Scheider	Parks Board, Arizona State	Nate Belcher
Constable Ethics Standards and Training Board.....	James Martinez-Burney	Personnel Board, State.....	Ethan Scheider
Contractors, Registrar of.....	Ethan Scheider	Pharmacy, AZ State Board of.....	James Martinez-Burney
Corporation Commission	Nate Belcher	Physical Therapy, Board of.....	Destin Moss
Corrections, State Department of.....	Geoff Paulsen	Pioneers' Home, Arizona.....	Destin Moss
County Funding.....	Destin Moss	Podiatry Examiners, State Board of.....	James Martinez-Burney
Criminal Justice Commission, AZ.....	James Martinez-Burney	Power Authority, Arizona.....	Destin Moss
Deaf and the Blind, AZ State Schools for the	Ethan Scheider	Private Postsecondary Education, State Bd. For	Destin Moss
Deaf and the Hard of Hearing, Commission for the	James Martinez-Burney	Psychologist Examiners, State Board of	Grace Timpany
Dental Examiners, State Board of	James Martinez-Burney	Public Safety, Department of	Jordan Johnston
Early Childhood Development & Health Board, AZ.....	Grace Timpany	Public Safety Personnel Retirement System	Gordon Robertson
Economic Opportunity, Office of	Ben Newcomb	Real Estate Department, State	Destin Moss
Economic Security, Department of	Chandler Coiner/ Grace Timpany	Residential Utility Consumer Office	Nate Belcher
Education, State Board of	Gordon Robertson	Respiratory Care Examiners, Board of.....	Grace Timpany
Education, Department of	Patrick Moran/ Gordon Robertson	Retirement System, Arizona State	Gordon Robertson
Emergency and Military Affairs, Department of	Destin Moss	Revenue, Department of.....	Micaela Larkin Andrews
Environmental Quality, Department of.....	Maggie Rocker	Secretary of State, Department of State	Micaela Larkin Andrews
Equal Opportunity, Governor's Office of.....	Ethan Scheider	Senate	Morgan Dorcheus
Equalization, State Board of.....	Ethan Scheider	Tax Appeals, State Board of	Nate Belcher
Executive Clemency, Board of.....	James Martinez-Burney	Technical Registration, State Board of	James Martinez-Burney
Exposition & State Fair Board, AZ	Nate Belcher	Tourism, Office of.....	Nate Belcher
Forestry and Fire Management, AZ Department of	Nate Belcher	Transportation, Department of.....	Jordan Johnston
Game and Fish Department, Arizona	Nate Belcher	Treasurer, State	Destin Moss
Gaming, Department of.....	Ben Newcomb	Tribal Relations, Governor's Office on	Ethan Scheider
Governor, Office of the.....	Morgan Dorcheus	Universities Regents, Arizona Board of	Grace Timpany
Governor's Office of Strategic Planning. & Budgeting.....	Morgan Dorcheus	Arizona State University	Grace Timpany
Health Services, Department of.....	Maggie Rocker	Northern Arizona University	Ethan Scheider
Historical Society, Arizona	Micaela Larkin Andrews	University of Arizona - Main Campus	Grace Timpany
Historical Society of AZ, Prescott	Micaela Larkin Andrews	University of Arizona - Health Sciences Center	Grace Timpany
Homeland Security, AZ Department of	Destin Moss	Veterans' Services, Department of.....	Chandler Coiner
Homeopathic and Integrated Medicine Exmrs. Bd. of	Destin Moss	Veterinary Medical Examining Board, AZ. State.....	Grace Timpany
House of Representatives	Morgan Dorcheus	Water Infrastructure Finance Authority.....	Micaela Larkin Andrews
Housing, AZ Department of	Grace Timpany	Water Resources, Department of	Micaela Larkin Andrews
Independent Redistricting Commission	Micaela Larkin Andrews		
Industrial Commission of Arizona	Ethan Scheider	<u>Other Assignments</u>	
Insurance and Financial Institutions, Department of	Destin Moss	Economic and Revenue Forecast	Hans Olofsson
Joint Legislative Budget Committee.....	Morgan Dorcheus	Fiscal Note Manager	Morgan Dorcheus

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 serve on the Committee during the 57th Legislature, 1st Regular Session:

Senator John Kavanagh Vice-Chairman	Representative David Livingston Chairman
Senator Lela Alston	Representative Lorena Austin
Senator David C. Farnsworth	Representative Seth Blattman
Senator Brian Fernandez	Representative Michael Carbone
Senator Mark Finchem	Representative Matt Gress
Senator Lauren Kuby	Representative Justin Olson
Senator J.D. Mesnard	Representative Stephanie Stahl Hamilton
Senator Janae Shamp	Representative Michael Way

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: <https://www.azjlbc.gov>

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 serve on the Committee during the 57th Legislature, 1st Regular Session:

Senator John Kavanagh Chairman	Representative David Livingston Vice-Chairman
Senator Lela Alston	Representative Michael Carbone
Senator David C. Farnsworth	Representative Oscar De Los Santos
Senator Mark Finchem	Representative Matt Gress
Senator Lauren Kuby	Representative Stephanie Stahl-Hamilton
Senator Janae Shamp	Representative Stacey Travers
Senator Priya Sundareshan	Representative Michael Way

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 Division assumptions for new school construction.
- Review School Facilities Division lease-to-own agreements.

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Fifty-seventh Legislature
First Regular Session

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