

STATE OF ARIZONA

FY 2023

Appropriations Report

August 2022

JLBC

FY 2023 APPROPRIATIONS REPORT

This annual *Appropriations Report* provides detailed information on FY 2023 appropriations, as provided in the General Appropriation Act (Laws 2022, Chapter 313) and other legislative acts. The *Report* also includes the economic and state revenue forecast upon which the budget was based. This *Report* provides information relative to the legislative intent of appropriations.

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BUDGET HIGHLIGHTS

FY 2023 STATE GENERAL FUND BUDGET SUMMARY

The FY 2023 budget is based primarily upon the actions of the 55th Legislature's 2nd Regular Session. On June 28, 2022, the Governor signed into law the FY 2023 General Appropriation Act for the year beginning July 1, 2022.

FY 2023 Baseline

The FY 2023 January JLBC Baseline projected an available ongoing balance of \$1 billion and a one-time balance of \$2.1 billion. This was based on uncertainty in the outcome of pending referendum, litigation and federal policy decisions, which could impact the level of available resources. As a result, the Baseline made these projections under a "maximum commitment scenario" in an effort to not overstate how much would be available in the FY 2023 budget process. This scenario made several assumptions which were resolved during the session:

- Proposition 208 would be upheld in litigation. Result: The courts subsequently ruled that the measure was unconstitutional for causing the K-12 Aggregate Expenditure Limit to be exceeded.
- \$939 million would be put in reserve pending the outcome of the Proposition 208 litigation for the purpose of issuing refunds for income tax payments already collected. Result: Based on updated information, a reserve was not needed.
- The enacted Individual Income Tax reductions, including the triggers, would go into effect. These tax reductions were referred to the 2022 general election ballot as Proposition 307. The Supreme Court has since ruled that the measure cannot be placed on the ballot. Result: The enacted FY 2023 budget still assumes that the triggers go into effect.
- The federal government would not extend the enhanced Medicaid match rate past March 2022. Result: The federal government has since extended the rate to at least December 2022.

These changes resulted in additional resources available in the FY 2023 budget process.

Revised FY 2022 General Fund Budget

At the time of publication of the *FY 2022 Appropriations Report* in August 2021, the FY 2022 budget was anticipated to have a \$202 million ending balance. By June 2022, the ending balance was adjusted upward to \$4.5 billion based on year-to-date revenue gains, Proposition 208 being invalidated, and other changes. *(Please see the FY 2022 General Fund Adjustments section for additional information.)*

Due to the large available balance, the budget included \$1.3 billion for several major one-time FY 2022 supplementals:

- \$1.1 billion to pay down pension debt for state Public Safety Personnel Retirement System (PSPRS) and Correctional Officer Retirement Plan (CORP) groups,
- \$93.5 million to pay off state debt for the Arizona State Hospital Forensic Unit and Arizona Department of Corrections (ADC) prison beds and water supply projects, and
- \$93.1 million to fund building renewal grants for school facilities.

FY 2023 General Fund Revenues

The enacted budget assumes General Fund revenues of \$16.8 billion, or a (2.8)% decrease compared to FY 2022. This is based on:

- A projected (0.6)% decrease in base revenues after adjusting for urban revenue sharing, the beginning balance, tax law changes and other one-time revenues.
- \$2.3 billion in one-time diversions from the state share of transaction privilege tax (TPT) revenues to agency funds, including:
 - ⇒ \$946.1 million to the State Highway Fund and Aviation Fund for transportation and road projects.
 - ⇒ \$544.2 million to the Border Security Fund.
 - ⇒ \$425.0 million to the Budget Stabilization Fund.
 - ⇒ \$334.0 million to the Long-Term Water Augmentation Fund.
 - ⇒ \$38.2 million to the State Parks Revenue Fund for capital projects.
- \$(1.3) billion in tax reductions as a result of Laws 2021, Chapter 412 reducing the individual income tax rates to 2.55% and 2.98% starting in TY 2022/FY 2023.

FY 2023 General Fund Spending

FY 2023 General Fund spending is projected to be \$15.8 billion. This spending level reflects an increase of \$2.95 billion, or 23.0%, above FY 2022. Major funding changes include:

- \$1.01 billion for the Arizona Department of Education (ADE).

- \$217.6 million for the Universities.
- \$405.4 million for AHCCCS.
- \$229.0 million for the Department of Economic Security (DES).
- \$91.4 million for the Department of Health Services (DHS).
- \$153.7 million for the Arizona Department of Corrections (ADC).
- \$112.7 million for the Department of Forestry and Fire Management (DFFM).
- \$72.5 million for the Department of Public Safety (DPS).
- \$67.1 million for the Department of Child Safety (DCS).
- \$189.0 million for other agencies' operating budget increases.
- \$240.6 million for one-time capital and transportation projects.
- \$1.36 billion backfill for one-time FY 2022 reverts due to lower ADE enrollment, federal Medicaid match rate savings, federal American Rescue Plan Act funding offsets and general net reverts.
- \$(1.08) billion of savings from the elimination of a one-time FY 2022 buydown of state employee pension debt and
- \$(93.5) million of savings from the elimination of a one-time FY 2022 early payoff of state building debt.

These operating budget adjustments reflects increases for state employee salaries, which are described in *the State Employees* section below. As noted in the earlier *General Fund Revenues* section, the budget also includes \$2.3 billion of initiatives funded from TPT diversions rather than expenditures.

The entire FY 2023 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$63.2 billion. The main drivers of FY 2023 budget spending are delineated below by function of government.

General Fund and Budget Stabilization Fund Balances

Based on \$16.8 billion in revenue and \$15.8 billion in spending, the FY 2023 cash balance is projected to be \$1.1 billion. This does not reflect monies available in the Budget Stabilization Fund, which has an estimated ending balance of \$1.4 billion in FY 2023.

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 as well as eliminating any initiatives labeled as one time in the FY 2023 budget:

- FY 2024 revenues are projected to be \$15.9 billion compared to FY 2024 spending of \$15.2 billion with an ending cash balance of \$678.8 million.
- FY 2025 revenues are projected to be \$16.0 billion compared to FY 2025 spending of \$15.8 billion with an ending cash balance of \$218.2 million.

Education

Department of Education

- ADE General Fund spending increases by \$1.013 billion, or 17.1%, including:
 - ⇒ \$(244.6) million for a base adjustment in FY 2022 for lower-than-budgeted enrollment.
 - ⇒ \$141.2 million for FY 2023 K-12 enrollment growth of 11,777, or 1.1%. This amount does not include adjustments for potential growth in the ESA program associated with HB 2853 (Laws 2022, Chapter 388), which expands ESA eligibility to all Arizona children eligible to attend a public school.
 - ⇒ \$137.7 million for a 2.0% inflation adjustment of funding levels for the per pupil base level, transportation and charter additional assistance.
 - ⇒ \$(57.6) million for growth in property taxes from new construction.
 - ⇒ \$49.4 million for growth in Homeowner's Rebate Expenses. This amount includes \$30.0 million for an increase in the Homeowner's Rebate percentage from 47.19% to 50.0% in FY 2023 and \$4.4 million for a 0.5% decrease in the assessment ratio for commercial property pursuant to Laws 2021, Chapter 412.
 - ⇒ \$(19.1) million for an increase in land trust endowment earnings, which offset General Fund costs.
 - ⇒ \$(81.2) million to eliminate funding from the FY 2022 budget labeled as one-time.
 - ⇒ \$389.3 million for an additional 6.76% increase to the Base Level, resulting in a total Base Level increase of 8.76% for FY 2023. This amount includes a reduction of \$(70.0) million to eliminate the 1.25% increase to the Base Level for Additional Teacher Compensation monies pursuant to A.R.S. § 15-952.
 - ⇒ \$330.5 million to eliminate the State Equalization Tax Rate (SETR).

- ⇒ \$100.0 million to increase Basic State Aid formula funding for special education.
- ⇒ \$65.0 million to eliminate the K-12 rollover for districts with more than 2,000 but less than 4,000 pupils. The remaining ongoing rollover is \$800.7 million.
- ⇒ \$60.0 million to increase the per pupil amounts of the District Additional Assistance (DAA) and Charter Additional Assistance formulas. Sections 127 and 128 of the General Appropriation Act advance-appropriate monies to increase the DAA/CAA adjustment to \$89.0 million in FY 2024 and \$118.0 million in FY 2025.
- ⇒ \$50.0 million to establish a Group B formula weight for pupils eligible for the federal Free and Reduced-Price Lunch (FRPL) program. Sections 127 and 128 of the General Appropriation Act advance-appropriate monies to increase the FRPL weight funding to \$63.0 million in FY 2024 and \$100.0 million in FY 2025.
- ⇒ \$50.0 million for additional School Resource Officers (SROs). If funding is still available after funding all SRO grant applications, remaining monies may be allocated to school counselors and social workers on school campuses.
- ⇒ \$16.6 million for adult education programs.
- ⇒ \$10.0 million for foster youth transitional housing at the East Valley Institute of Technology (EVIT) campus.
- ⇒ \$16.1 million for all other miscellaneous adjustments.
- The budget assumes ADE will revert \$(389.1) million in FY 2022 for Basic State Aid savings associated with lower-than-budgeted enrollment and district transportation route miles.

Arizona Department of Administration/School Facilities Division (SFD)

- SFD General Fund spending decreases by \$(59.2) million, or (15.4)%, including:
 - ⇒ \$(58.5) million for a decrease in new school construction costs. The budget funds a total of \$113.1 million for new construction, including the completion of 5 FY 2022 schools, the initial funding for 3 FY 2023 schools in the Marana, Nadaburg and Pima School Districts, and site conditions for Kirkland.
 - ⇒ \$(649,100) for a decrease in one-time building renewal grant monies.

Universities

- University General Fund spending increases by \$217.5 million, or 24.8%, including:
 - ⇒ \$80 million for one-time operating and capital funding for ASU and NAU.
 - ⇒ \$46.0 million for one-time operating funding for all 3 universities.
 - ⇒ \$12.5 million for the Arizona Promise Program.
 - ⇒ \$10.0 million to fund tuition scholarships for spouses of military veterans.
 - ⇒ \$10.9 million for the UA Food Product and Safety Lab.
 - ⇒ \$9.7 million for a meat processing facility and truck handling facilities in Camp Verde.
 - ⇒ \$9.5 million for a UA Enclosed Feeding Facility.
 - ⇒ \$8.0 million for the UA College of Veterinary Medicine.
 - ⇒ \$6.0 million for the Arizona Veterinary Loan Assistance Program.
 - ⇒ \$5.0 million for the UA Veterinary Diagnostic Lab.
 - ⇒ \$5.0 million for ongoing "freedom school" funding.
 - ⇒ \$3.0 million for UA wind tunnel upgrades.
 - ⇒ \$1.5 million for the UA Natural Resources Users Law and Policy Center.
 - ⇒ \$1.7 million to transfer the Commission for Postsecondary Education to the Arizona Board of Regents.
 - ⇒ \$250,000 for the ASU Eastern Europe Cultural Collaborative.
 - ⇒ \$250,000 for the UA Kazakhstan Studies Program.
 - ⇒ \$(46.0) million to remove one-time funding from the FY 2022 budget.
 - ⇒ \$843,000 for adjustments to capital appropriations.
 - ⇒ \$53.4 million for statewide adjustments.
- Fall 2021 enrollment increased by 5,041 full-time equivalent students, or 2.6% above Fall 2020, for total enrollment of 197,120.

Community Colleges

- Community College General Fund spending decreases by \$(6.1) million, or (5.6)%, including:
 - ⇒ \$(689,400) for formula and other technical adjustments.
 - ⇒ \$(2.0) million to remove one-time STEM and Workforce Program funding to Maricopa and Pima.
 - ⇒ \$(14.0) million to remove one-time rural aid.
 - ⇒ \$(13.0) million to remove one-time urban aid.
 - ⇒ \$(500,000) to remove a one-time increase in the out- of-county reimbursement subsidy.

- ⇒ \$10.8 million to restore Maricopa, Pima, and Pinal STEM and Workforce Program funding.
- ⇒ \$7.0 million for one-time rural aid.
- ⇒ \$6.3 million for a Southern Arizona First Responder Academy.
- The Community College funding formula is based on student counts from 2 years prior. FY 2021 rural district enrollment decreased by (3,996) full-time equivalent students, or (14.9)%, for a total rural enrollment of 22,830. Including the Maricopa and Pima districts, total enrollment decreased by (17,437), or (16.1)%, for total enrollment of 90,735.

Health and Welfare

AHCCCS

- AHCCCS General Fund spending increases by \$405.4 million, or 21.1%, including:
 - ⇒ \$319.2 million for caseload growth, a capitation rate increase and a backfill for the expiration of the enhanced federal match rate.
 - ⇒ \$25.0 million one-time for construction of secure behavioral health residential facilities.
 - ⇒ \$24.2 million for Elderly and Physically Disabled home and community based provider rate increases.
 - ⇒ \$10.0 million for pregnancy care provider rate increases.
 - ⇒ \$7.5 million for behavioral health provider rate increases.
 - ⇒ \$2.7 million for an expansion of postpartum care.
 - ⇒ \$2.6 million for an expansion of chiropractic care.
 - ⇒ \$2.4 million for staff salary adjustments.
 - ⇒ \$1.6 million for statewide adjustments.
 - ⇒ \$10.2 million for all other adjustments.
- AHCCCS enrollment was 2.35 million recipients in June 2022, an 8.0% increase above the prior year.
- The enacted budget assumed the end of the enhanced match in December 2021. Since the federal government extended the higher rate for all of FY 2022, the state will generate an additional \$(286) million in FY 2022 General Fund savings across all 3 Medicaid agencies (AHCCCS, DES and DCS). The FY 2023 budget assumes no enhanced federal match rate for the 3 agencies. The federal government, however, has extended the enhanced match rate until at least December 2022.

Department of Child Safety (DCS)

- DCS General Fund spending increases by \$67.1 million, or 16.5%, including:
 - ⇒ \$19.8 million to increase the monthly kinship stipend from \$75 to \$300.
 - ⇒ \$10.0 million for Healthy Families expansion.
 - ⇒ \$10.0 million for expiration of the enhanced federal match rate.
 - ⇒ \$7.0 million for a qualified residential treatment program rate increase.
 - ⇒ \$4.8 million to increase the foster child daily stipend from \$1.41 to \$2.82.
 - ⇒ \$2.6 million to increase the independent living stipend.
 - ⇒ \$12.2 million for staff salary adjustments.
 - ⇒ \$781,300 for statewide adjustments.

Department of Economic Security (DES)

- DES General Fund spending increases by \$229.0 million, or 26.9%, including:
 - ⇒ \$130.2 million for Developmental Disabilities (DD) formula adjustments, including enrollment growth and a capitation rate increase and expiration of the enhanced federal match rate.
 - ⇒ \$64.8 million for ongoing DD provider rate increases.
 - ⇒ \$3.0 million for a Cost Effectiveness Study base adjustment.
 - ⇒ \$3.0 million for Area Agencies on Aging provider rate increases, of which \$2.0 million is one-time.
 - ⇒ \$11.2 million for 95 additional Adult Protective Services investigative staff.
 - ⇒ \$3.9 million for IT security upgrades, of which \$1.4 million is one-time.
 - ⇒ \$1.4 million for recidivism and reentry services staffing and prisoner workforce development.
 - ⇒ \$1.2 million for a DD group home monitoring pilot program.
 - ⇒ \$500,000 for a one-time increase to support regional foodbanks that purchase from local farmers and growers.
 - ⇒ \$419,800 for a building system management upgrade, of which \$272,800 is one-time.
 - ⇒ \$(9.5) million to remove one-time funding from the FY 2022 budget.
 - ⇒ \$15.7 million for staff salary adjustments.

- ⇒ \$3.2 million for statewide adjustments.
- Medicaid Developmental Disability caseloads are 38,042 in June 2022.

Department of Health Services (DHS)

- DHS General Fund spending increases by \$91.4 million, or 88.4%, including:
 - ⇒ \$50.0 million in one-time funding for accelerated nursing programs.
 - ⇒ \$15.0 million for the Nurse Education Investment Pilot Program.
 - ⇒ \$7.1 million for one-time replacement of the Arizona State Hospital surveillance system.
 - ⇒ \$7.0 million for increased operating costs at the Arizona State Hospital.
 - ⇒ \$2.5 million for Alzheimer's Disease Research.
 - ⇒ \$2.0 million for the Behavioral Health Care Provider Loan Repayment Program, of which \$1.0 million is one-time.
 - ⇒ \$1.5 million for one-time Family Health Pilot Program funding.
 - ⇒ \$705,000 for Arizona State Hospital hiring bonuses.
 - ⇒ \$627,000 to increase funding for issuing Certificates of Necessity for ambulance services.
 - ⇒ \$500,000 for the Preceptor Grant Program for Graduate Students.
 - ⇒ \$300,000 for one-time homeless pregnant women services funding.
 - ⇒ \$100,000 to shift the state suicide prevention coordinator from AHCCCS to DHS.
 - ⇒ \$(3.0) million for debt service savings.
 - ⇒ \$(3.7) million to remove one-time funding.
 - ⇒ \$7.8 million for staff salary adjustments.
 - ⇒ \$3.0 million for statewide adjustments.

Criminal Justice/Public Safety

Department of Corrections (ADC)

- ADC General Fund spending increases by \$153.7 million, or 12.0%, including:
 - ⇒ \$70.0 million for inmate health care.
 - ⇒ \$17.5 million for private prison contract increases.
 - ⇒ \$7.5 million for vehicle purchases.
 - ⇒ \$5.4 million for substance abuse treatment.
 - ⇒ \$2.4 million for net increased costs associated with year 2 of the phased closure of the Florence prison.
 - ⇒ \$2.0 million for community treatment program for imprisoned women.
 - ⇒ \$(607,100) for other adjustments.
 - ⇒ \$(16.0) million for debt service savings.
 - ⇒ \$(41.2) million for the elimination of one-time funding.
 - ⇒ \$(52.0) million to lower retirement costs associated with the FY 2022 budget's partial payoff of unfunded pension liabilities. (*See Pension Payoff below.*)
 - ⇒ \$116.7 million for a 20% increase in staff salary adjustments.
 - ⇒ \$41.9 million for statewide adjustments.
- The systemwide prison population at the end of FY 2022 was 33,371, a decrease of (2,622) or (7.3)% below the population at the end of FY 2021.

Department of Emergency and Military Affairs (DEMA)

- DEMA General Fund spending increases by \$16.2 million, or 121.5%, including:
 - ⇒ \$15.0 million for National Guard readiness center maintenance funding.
 - ⇒ \$1.2 million for other adjustments.
- The budget also includes \$544.2 million for border security initiatives. Of that amount:
 - ⇒ \$209.2 million is diverted from the state share of TPT General Fund revenues to the Border Security Fund for the following:
 - \$20.0 million for a new Cochise County jail.
 - \$15.0 million to reimburse local agencies for participating in a program with the U.S. Immigration and Customs Enforcement (ICE).
 - \$10.0 million for deposit into the Antihuman Trafficking Grant Fund.
 - \$30.0 million for distribution to local governments for prosecution and jail costs of border-related crimes.
 - \$10.0 million for costs incurred by the Arizona National Guard in the southern border region.

- \$10.0 million for emergency health care and testing for immigrants along the southern border.
 - \$15.0 million for transporting individuals seeking asylum in the U.S.
 - \$53.4 million for deputy county sheriff compensation.
 - \$800,000 for the chain of command in the Arizona State Guard.
 - \$30.0 million for construction of a state emergency operations center.
 - \$15.0 million for construction of a DPS southern border coordinated response center.
- ⇒ \$335.0 million is diverted from the state share of TPT General Fund revenues to the Border Security Fund to construct and maintain a physical border fence and to install border security technologies. (Laws 2022, Chapter 334)

Judiciary

- Judiciary General Fund spending increases by \$16.2 million, or 11.2%, including:
 - ⇒ \$3.1 million to expand the Court of Appeals with 6 additional judges and staff.
 - ⇒ \$2.0 million for partial-year implementation of a salary increase for judges.
 - ⇒ \$1.6 million for wage compensation for petit jurors in the Superior Court eligible after 1 day of jury service.
 - ⇒ \$1.2 million for county probation officer salary increases.
 - ⇒ \$1.0 million for the Supreme Court's Automation line to address a revenue shortfall.
 - ⇒ \$460,600 for other adjustments.
 - ⇒ \$4.2 million for staff salary adjustments.
 - ⇒ \$2.6 million for statewide adjustments.

Department of Juvenile Corrections (DJC)

- DJC General Fund spending increases by \$7.9 million, or 28.8%, including:
 - ⇒ \$5.2 million for a 20% increase in staff salary adjustments.
 - ⇒ \$2.8 million for statewide adjustments.

Department of Public Safety (DPS)

- DPS General Fund spending increases by \$72.5 million, or 24.9%, including:
 - ⇒ \$(46.1) million to lower retirement costs associated with the FY 2022 budget's partial payoff of unfunded pension liabilities. (*See Pension issues below.*)
 - ⇒ \$13.5 million for one-time helicopter replacement.
 - ⇒ \$11.7 million for one-time vehicle replacement.
 - ⇒ \$11.0 million for additional Border Strike Task Force Local Support funding.
 - ⇒ \$10.1 million to fill 69 vacant FTE Positions.
 - ⇒ \$10.0 million for a new Major Incident Division to conduct independent investigations of critical force incidents.
 - ⇒ \$9.0 million for 21.5 new FTE Positions in the DPS Border Strike Task Force.
 - ⇒ \$6.1 million for AZPOST operating funding.
 - ⇒ \$5.0 million for new Civil Air Patrol infrastructure.
 - ⇒ \$(4.4) million to remove one-time funding.
 - ⇒ \$3.0 million for a Phase 2 upgrade of the DPS Public Services Portal and the FBI's RAP Back program.
 - ⇒ \$1.9 million for one-time K-9 support initiatives.
 - ⇒ \$1.8 million for one-time vehicle bumper tethers.
 - ⇒ \$3.0 million for other adjustments.
 - ⇒ \$24.5 million for a 15% increase in staff salary adjustments.
 - ⇒ \$12.7 million for statewide adjustments.

Natural Resources

Department of Forestry and Fire Management (DFFM)

- Forestry General Fund spending increases by \$112.7 million, including:
 - ⇒ \$65.0 million for wildfire emergency response.
 - ⇒ \$38.8 million for continuation of the 3-year funding plan for wildfire mitigation.
 - ⇒ \$5.0 million for Gila River salt-cedar eradication.
 - ⇒ \$2.2 million for renovating the Mount Lemmon Fire District headquarters.
 - ⇒ \$2.2 million for administering US Forest Service land thinning projects.
 - ⇒ \$2.1 million for other adjustments.
 - ⇒ \$(2.6) million to remove one-time funding.

Arizona State Parks Board

- Parks General Fund spending decreases by \$(2.5) million, or (27.8)%, to remove a one-time deposit to the Arizona State Parks Heritage Fund.
- The budget also transfers \$38.2 million from the state share of TPT General Fund revenues to the State Parks Revenue Fund for capital projects.

Department of Water Resources (DWR)

- DWR General Fund spending increases by \$6.9 million, or 37.7%, including:
 - ⇒ \$3.5 million for annual water supply and demand assessment.
 - ⇒ \$1.3 million for statewide employee salary increase.
 - ⇒ \$1.2 million transfer for a shift to GF from the Water Banking Fund for department operating costs.
 - ⇒ \$1.0 million for an ongoing deposit to the Arizona Water Protection Fund.
 - ⇒ \$1.3 million for other adjustments.
 - ⇒ \$(1.4) million to remove one-time funding from the FY 2022 budget.

Water Infrastructure Finance Authority (WIFA)

- WIFA spending decreases by \$(2.0) million, or (16.7)%, including:
 - ⇒ \$10.0 million for one-time water assistance grants, including \$6.0 million for cities and towns in Navajo and Apache Counties and \$4.0 million for irrigation districts in Cochise and Graham Counties.
 - ⇒ \$(12.0) million to remove one-time funding.
- The budget also transfers \$334.0 million from the state share of TPT General Fund revenues for the Long-Term Water Augmentation Fund. This is the first year of 3 years of funding totaling \$1.0 billion.

General Government

Arizona Commerce Authority (ACA)

- ACA spending decreases by \$(37.9) million, or (48.0)%, including:
 - ⇒ \$(50.0) million for removal of one-time appropriations.
 - ⇒ \$(5.0) million for removal of one-time blockchain and wearables funding.
 - ⇒ \$15.0 million in one-time funding for Pinal Country water infrastructure grants.
 - ⇒ \$1.1 million for increased trade office funding.
 - ⇒ \$1.0 million for economic development marketing and attraction.

State Employees

- The budget increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 377.7 FTE Positions in FY 2023. These adjustments would bring the total FTE Position ceiling to 54,831 in FY 2023.
- The budget includes \$210.3 million from the General Fund for state employee salary increases. Of this amount, \$121.8 million is for a 20% salary increase for ADC and Department of Juvenile Corrections (DJC) staff, \$24.5 million is for a 15% salary increase for DPS staff, \$49.1 million is for a minimum 10% salary increase for state employees, and \$14.9 million is for market adjustments for selected agency positions. These adjustments exclude the Universities.

Capital

- The budget includes \$110.4 million for building renewal at ADOA, ADC, Game and Fish, Lottery, and ADOT. Of this amount, \$68.2 million is financed from the General Fund and \$42.2 million is financed from Other Funds
- The budget includes \$235.8 million for capital projects. Of this amount, \$182.3 million is financed from the General Fund and \$53.5 million is financed from Other Funds. These amounts include the following:
 - ⇒ \$174.8 million including \$140.7 million from the General Fund and \$34.1 million from Other Appropriated Funds for new projects for the ADOA, ADC, ASDB, DEMA, Game and Fish, DHS, State Fair, Judiciary, DJC, Legislative Council, Liquor, Parks, Pioneers Home, and DPS.
 - ⇒ \$29.6 million from the General Fund for ADOA to distribute for local and tribal capital projects.
 - ⇒ \$12.0 million from the General Fund to ABOR to renovate the University of Arizona Mining, Minerals and Natural Resources Educational Museum.
 - ⇒ \$19.4 million from Other Appropriated Funds for new ADOT non-highway capital projects.
- The budget includes \$1.0 billion in FY 2023 for transportation initiatives, including \$83.0 million from the General Fund, \$925.4 million as a TPT diversion to the State Highway Fund and \$20.6 million as a TPT diversion to the State Aviation Fund for specific road projects and local aviation improvements.

Debt

- The budget includes a one-time \$93.5 million FY 2022 General Fund supplemental for full debt payoff of the Series 2015/2017 financing agreements for the Arizona State Hospital Forensic Unit and ADC prison bed and water supply projects, which eliminates \$18.9 million in annual debt service payments beginning in FY 2023.
- At the end of FY 2023, the state's projected level of lease-purchase and bonding capital obligations will be \$5.5 billion. The associated annual debt service payment is \$568 million.
- Of the \$5.5 billion in total lease-purchase and bonding obligations, the General Fund share is \$612 million. The General Fund annual debt service is projected to be \$85.4 million in FY 2023.
- Of the \$612 million, \$350 million is related to the state's share of Phoenix Convention Center costs and \$220 million is for University capital projects.

Pension Payoff

- The budget includes a one-time \$1.1 billion FY 2022 General Fund supplemental appropriation to eliminate the unfunded actuarial liability of the state PSPRS and CORP systems. This reduction will reduce annual employer pension payments by \$99.9 million beginning in FY 2024.
- The budget includes \$60.0 million one-time from the General Fund in FY 2023 to reduce the unfunded actuarial liability of the EORP system.
- The budget includes \$(98.1) million of ADC and DPS General Fund savings in FY 2023 for lower employer retirement costs due to additional pension contributions made in the FY 2022 enacted budget. The FY 2022 budget included a total of \$1 billion to reduce unfunded pension liabilities, with \$500 million allocated to the ADC CORP system and \$500 million allocated to the DPS PSPRS system.

Local Issues

- The budget appropriates \$7.0 million for counties to establish a coordinated reentry planning services program. This amount includes a decrease of \$(3.0) million from FY 2022. The FY 2022 3-year budget plan included \$10.0 million in FY 2022 and \$7.0 million in both FY 2023 and FY 2024 for this purpose.
- The budget continues to include \$7.7 million to be allocated equally among counties with a population of less than 900,000 according to the 2020 Decennial Census. With one exception, each county receives \$550,050. Graham County receives \$1.05 million.
- The budget continues to include \$3.0 million for distribution to counties to offset increased Elected Officials Retirement Plan (EORP) liabilities.
- Beginning in FY 2024, cities will receive 18% of income tax collections rather than 15% under the urban revenue sharing program.

Statewide Adjustments

- The budget includes an increase of \$103.2 million from the General Fund and \$172.8 million in Total Funds for a one-time FY 2023 employer health insurance adjustment. This amount includes \$40.0 million from the General Fund to backfill University Tuition employer contributions.
- The budget increases state agency budgets by \$27.7 million from the General Fund the following statewide adjustments:
 - ⇒ Arizona Financial Information System Fees.
 - ⇒ Human Resource Information System Replacement Fees.
 - ⇒ Information Technology Pro Rata Charges.
 - ⇒ Revised rent payments.
 - ⇒ Employer retirement contributions.
 - ⇒ State Fleet Rate Adjustments.

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

	FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
REVENUES				
Ongoing Revenues	\$17,206,649,700	\$17,096,561,900	\$17,921,802,300	\$18,756,548,800
Previously Enacted Tax Reductions	(51,020,000)	(1,316,346,000)	(1,692,252,900)	(2,136,165,000)
Newly Enacted Tax Reductions		(8,885,300)	(8,935,300)	(10,935,300)
Urban Revenue Sharing	(756,388,300)	(1,106,958,600)	(1,429,609,100)	(1,258,493,500)
Net Ongoing Revenues	\$16,399,241,400	\$14,664,372,000	\$14,791,005,000	\$15,350,955,000
One-Time Revenues				
Balance Forward	894,636,000	4,508,935,400	1,077,036,700	678,790,300
Water Infrastructure Repayment	20,000,000			
TPT Diversions		(2,287,489,600)		
Newly Enacted Tax Reductions		(50,000,000)		
Other One-Time Revenue Changes		(3,500,000)		
Subtotal One-Time Revenues	\$914,636,000	\$2,167,945,800	\$1,077,036,700	\$678,790,300
Total Revenues	\$17,313,877,400	\$16,832,317,800	\$15,868,041,700	\$16,029,745,300
EXPENDITURES				
Ongoing Operating Appropriations	\$12,053,812,800	\$14,203,683,200	\$14,722,518,200	\$15,336,437,000
Administrative Adjustments	160,000,000	170,000,000	170,000,000	178,500,000
Revertments	(257,000,000)	(215,000,000)	(215,000,000)	(223,500,000)
Subtotal Ongoing Expenditures	\$11,956,812,800	\$14,158,683,200	\$14,677,518,200	\$15,291,437,000
One-Time Expenditures				
Capital Outlay	92,632,900	250,257,400	31,422,000	29,832,100
Transportation Funding		83,000,000	10,000,000	
Reduce K-12 Rollover	65,000,000	65,000,000		
FY 2022 Supplementals	93,566,300			
Debt Payoff	93,500,000			
Pension Payoff	1,139,086,400	60,000,000		
Operating One-Time Spending	654,235,900	1,138,340,500	137,311,200	157,274,200
Water Supply Funding		TPT Diversion	333,000,000	333,000,000
New Medicaid Federal Match Reversion ^{1/}	(285,844,400)			
New ADE Formula Funding Reversion ^{1/}	(389,100,000)			
Federal Funds Offset ^{2/}	(635,000,000)			
University 27th Pay Period	20,052,100			
Subtotal One-Time Expenditures	\$848,129,200	\$1,596,597,900	\$511,733,200	\$520,106,300
Total Expenditures	\$12,804,942,000	\$15,755,281,100	\$15,189,251,400	\$15,811,543,300
Ending Balance ^{3/}	\$4,508,935,400	\$1,077,036,700	\$678,790,300	\$218,202,000
Ongoing Balance ^{4/}	\$4,442,428,600	\$505,688,800	\$113,486,800	\$59,518,000

^{1/} Reflects revertments of savings for a higher federal Medicaid match rate and lower K-12 formula costs.

^{2/} Reflects higher revertments associated with American Rescue Plan Act funding offsets.

^{3/} Reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

^{4/} Reflects the difference between ongoing revenues and ongoing expenditures. The 3-year spending plan makes the ongoing/one-time classifications.

GENERAL FUND SPENDING BY BUDGET UNITS 1/

ONGOING FUNDING

	FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
EXPENDITURES				
Operating Budget				
-- Department of Administration	\$8,155,000	\$9,022,800	\$9,022,800	\$9,022,800
-- ADOA - School Facilities Division	28,323,400	28,211,600	28,211,600	28,211,600
-- Office of Administrative Hearings	891,800	966,800	966,800	966,800
-- African-American Affairs Commission	128,800	141,500	141,500	141,500
-- Arizona Department of Agriculture	12,415,700	14,577,700	14,577,700	14,577,700
-- AHCCCS	1,915,630,200	2,294,168,500	2,513,823,800	2,700,658,900
-- Attorney General	24,739,800	26,816,300	26,816,300	26,816,300
-- State Board for Charter Schools	2,103,000	3,292,600	2,897,700	2,897,700
-- Department of Child Safety	380,590,600	447,055,700	457,055,700	462,055,700
-- Commerce Authority	16,175,000	18,550,000	18,550,000	18,550,000
-- Community Colleges	79,404,700	89,531,400	90,426,600	91,370,300
-- Corporation Commission	623,100	771,600	771,600	771,600
-- Department of Corrections	1,243,120,300	1,398,205,100	1,405,431,900	1,405,431,900
-- 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
-- Schools for the Deaf and the Blind	23,255,700	24,678,400	24,678,400	24,678,400
-- Office of Economic Opportunity	470,300	512,800	512,800	512,800
-- Department of Economic Security	840,578,500	1,071,653,800	1,188,747,100	1,291,523,000
-- State Board of Education	2,340,000	3,392,800	3,361,900	3,361,900
-- Department of Education	5,761,522,700	6,837,309,700	7,092,667,000	7,402,238,900
-- Dept. of Emergency & Military Affairs	12,846,600	16,181,400	16,181,400	16,181,400
-- Department of Environmental Quality	15,000,000	15,000,000	15,000,000	15,000,000
-- State Board of Equalization	663,900	778,300	728,300	728,300
-- Board of Executive Clemency	1,153,300	1,314,800	1,314,800	1,314,800
-- Dept. of Forestry and Fire Management	14,227,600	53,068,000	50,076,600	50,076,600
-- Department of Gaming	13,029,500	16,956,500	16,956,500	16,956,500
-- Office of the Governor	8,813,600	9,160,300	9,160,300	9,160,300
-- Gov's Ofc of Strategic Planning and Budgeting	2,688,700	2,900,100	2,900,100	2,900,100
-- Department of Health Services	98,259,200	116,429,700	115,429,700	115,429,700
-- Arizona Historical Society	2,906,000	3,123,200	3,123,200	3,123,200
-- Prescott Historical Society	900,600	978,900	978,900	978,900
-- Arizona Dept. of Homeland Security		10,000,000	10,000,000	10,000,000
-- Industrial Commission	95,000	84,600	84,600	84,600
-- Dept. of Insurance and Financial Institutions	7,663,400	8,024,500	8,024,500	8,024,500
-- Judiciary	145,093,000	157,683,100	163,093,900	164,229,900
-- Department of Juvenile Corrections	30,696,600	37,437,300	37,437,300	37,437,300
-- State Land Department	11,815,100	12,799,700	12,799,700	12,799,700
-- Legislature				
Auditor General	20,308,500	25,854,500	25,854,500	25,854,500
House of Representatives	16,429,300	21,448,600	21,448,600	21,448,600
Joint Legislative Budget Committee	2,841,900	3,079,600	3,079,600	3,079,600
Legislative Council	9,090,400	9,395,800	9,395,800	9,395,800
Ombudsman		1,489,800	1,489,800	1,489,800
Senate	12,969,100	17,983,000	17,983,000	17,983,000
SUBTOTAL - Legislature	\$61,639,200	\$79,251,300	\$79,251,300	\$79,251,300

GENERAL FUND SPENDING BY BUDGET UNITS 1/
ONGOING FUNDING

	FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
-- State Mine Inspector	1,558,200	2,261,400	2,261,400	2,261,400
-- Navigable Stream Adjudication Commission	129,300	139,100	139,100	139,100
-- Commission for Postsecondary Education	1,680,900			
-- Department of Public Safety	287,300,400	325,854,600	332,200,000	339,200,000
-- Public Safety Personnel Retirement System	6,000,000	6,000,000	6,000,000	6,000,000
-- State Real Estate Department	2,922,100	3,142,500	3,142,500	3,142,500
-- Department of Revenue	53,076,100	59,293,900	59,293,900	59,293,900
-- Secretary of State	12,907,700	17,665,900	17,735,900	17,735,900
-- Tax Appeals, State Board of	283,300	308,100	308,100	308,100
-- Office of Tourism	8,231,500	8,465,600	8,465,600	8,465,600
-- State Treasurer	3,010,200	4,660,800	4,660,800	4,660,800
-- Governor's Office on Tribal Relations	63,500	68,100	68,100	68,100
-- Universities	831,829,500	873,522,900	874,112,000	874,268,100
-- Department of Veterans' Services	8,625,500	11,295,700	11,295,700	11,295,700
-- Department of Water Resources	17,074,400	24,569,300	24,569,300	24,569,300
-- Phoenix Convention Center Payment	24,498,500	24,999,400	25,498,600	25,998,700
-- Rio Nuevo District	16,000,000	16,000,000	16,000,000	16,000,000
-- New Pension Payoff FY 24 Savings			(99,840,200)	(99,840,200)
-- Unallocated FY 23 Rent Adjustments		(1,200)	(1,200)	(1,200)
-- Unallocated FY 23 HRIS Fee Adjustments		2,100	2,100	2,100
-- Unallocated FY 23 Salary Adjustments		153,500	153,500	153,500
-- Unallocated FY 22 Risk Management Adjustments	6,400			
-- Unallocated FY 22 AFIS Transaction Fee Adjustments	4,700			
Total - Operating Budget	\$12,053,812,800	\$14,203,683,200	\$14,722,518,200	\$15,336,437,000
-- Water Supply Funding			333,000,000	333,000,000
-- New Medicaid Federal Match Reversion	(285,844,400)			
-- New ADE Formula Funding Reversion	(389,100,000)			
-- Federal Funds Offset	(635,000,000)			
-- Capital Outlay	92,632,900	250,257,400	31,422,000	29,832,100
-- Reduce K-12 Rollover	65,000,000	65,000,000		
-- FY 22 Supplementals	93,566,300			
-- Debt Payoff	93,500,000			
-- Pension Payoff	1,139,086,400	60,000,000		
-- Transportation Funding		83,000,000	10,000,000	
-- Operating One-Time Spending	654,235,900	1,138,340,500	137,311,200	157,274,200
-- Additional (27th) University Pay Period	20,052,100			
-- Administrative Adjustments	160,000,000	170,000,000	170,000,000	178,500,000
-- Revertments	(257,000,000)	(215,000,000)	(215,000,000)	(223,500,000)
Total Spending	\$12,804,942,000	\$15,755,281,100	\$15,189,251,400	\$15,811,543,300

1/ Individual agency spending amounts listed above exclude "Operating One-Time Spending" amounts. These amounts are accounted for in the "Operating One-Time Spending" line and are summarized on the "Summary Of One-Time General Fund Adjustments" table (see page BH-13).

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
Operating				
ADOA - Permitting Dashboard	\$ 100,000			
ADOA - K-12 Transportation Grants	10,000,000	20,000,000		
ADOA - Healthcare Interoperability Grants		12,000,000		
ADOA - Ballot Paper Testing		1,000,000		
ADOA - Secure Ballot Boxes		500,000		
ADOA - Fire Incident Management System Grants		6,100,000		
ADOA - County Sheriff Interoperability		20,000,000		
ADOA/Automation Projects Fund - K-12 Financial Transparency	614,100			
ADOA/Automation Projects Fund - Charter Board Upgrade	3,000,000	1,500,000	1,500,000	
ADOA/Automation Projects Fund - Business One-Stop Phase 2		15,614,300		
ADOA/Automation Projects Fund - Agriculture IT Projects/Cloud Migration		2,000,000		
ADOA/Automation Projects Fund - DOR Tax System		9,632,700	11,794,100	11,847,300
ADOA/SFD - Building Renewal Grants	90,832,100	183,300,000		
ADOA/SFD - New School Construction (FY 21 Authorization)	11,730,900			
ADOA/SFD - New School Construction (FY 22 Authorization)	76,881,700	47,950,000		
ADOA/SFD - New School Construction (FY 22 Budget - Retroactive Increase)	63,526,200			
ADOA/SFD - New School Construction (FY 22 Budget - Yuma HS Project)	16,515,200	16,515,200		
ADOA/SFD - New School Construction (FY 22 Budget - Kirkland Elementary)	3,000,000			
ADOA/SFD - New School Construction (FY 23 Budget - Kirkland Site Conditions)		400,000		
ADOA/SFD - New School Construction (FY 23 Authorization)		48,253,900	31,753,900	
ADOA/SFD - New School Construction (FY 24 Authorization)			363,200	
ADOA/SFD - New School Construction (FY 25 Authorization)				69,226,900
Agriculture - Cloud Migration	2,000,000			
Agriculture - State Agriculture Lab Equipment	2,500,000			
Agriculture - Livestock Operator Grants		10,000,000		
AHCCCS - Management Information System Replacement		500,000	700,000	
AHCCCS - Secure Behavioral Health Residential Facilities		25,000,000		
Arts Commission - Arts Trust Fund Deposit		5,000,000		
Attorney General - Missing and Murdered Indigenous Persons Investigations		2,000,000		
DCS - Higher Congregate Care Provider Rates	19,238,200	19,238,200		
DCS - Backfill Potential Loss of Federal Funds	5,900,000	5,900,000		
Commerce - Blockchain/Wearables (\$2.5 M Each)	5,000,000			
Commerce - Major Events Fund Deposit (4-Year Pilot Thru FY 25)	7,500,000	7,500,000	7,500,000	7,500,000
Commerce - Competes Fund Deposit	50,000,000			
Commerce - Frankfurt Germany Trade Office	250,000			
Commerce - Business Water Infrastructure		15,000,000		
Community Colleges - Rural Funding	14,000,000	7,000,000		
Community Colleges - Maricopa/Pima Funding	13,000,000			
Community Colleges - Maricopa/Pima STEM Funding	2,000,000			
Community Colleges - Out-of-County Reimbursement Aid	500,000			
Community Colleges - Southern Arizona First Responder Academy		6,250,000		
Corrections - Radio Replacement	17,329,500			
Corrections - Ballistic and Stab Vest Replacement	3,851,900			
Corrections - Substance Abuse Treatment Expansion	5,000,600			
Corrections - Medical Staff Augmentation Funding	15,000,000			
Corrections - Vehicle Purchases		7,488,400		
Corrections - Community Treatment For Imprisoned Women And Their Children		2,000,000		
Counties/ADOA - Re-Entry Planning Services	10,000,000	7,000,000	7,000,000	
ACJC - Re-Entry Planning Services	1,000,000			
ACJC - Rural County Attorney Diversion Program Grants		10,000,000		
ASDB - Increase Bus Transportation Capacity		1,106,200		
DES - Return to Work Grants	7,500,000			
DES - Adult and Aging Services Funding	1,474,000			
DES - After School/Summer Youth Program	500,000			
DES - IT Infrastructure/Security - Development Costs		1,400,500		
DES - DD Group Home Monitoring Pilot		1,200,000	1,200,000	1,200,000
DES - Area Agencies on Aging Provider Rate Increases		2,000,000		
ADE - High Quality Teacher Scholarships	400,000			
ADE - CTED Incentive Program	5,000,000			
ADE - Fully Restore Additional Assistance Funding	67,774,600			
ADE - Extraordinary Special Needs Fund Deposit	5,000,000			
ADE - Statewide Assessment Funding	5,000,000			
ADE - Procure Statewide Gifted Assessment	850,000			
ADE - Childhood Trauma Awareness/Prevention Grants		100,000		

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
ADE - Office of Indian Education		5,000,000		
ADE - Code Writers Initiative Program		1,000,000		
ADE - Foster Youth Transitional Housing		10,000,000		
ADE - Electronic Incident Prevention Program		150,000		
ADE - Postsecondary Success Program		1,000,000		
ADE - Assessment Funding		4,000,000		
DEMA - Aircraft Communication Equipment	220,500			
DEMA - National Guard Cyber Response Funding	300,000			
DEMA - Readiness Center Maintenance Backlog		13,300,000		
DEQ - Water Quality Fee Fund Deposit		6,400,000		
DEQ - Direct Potable Reuse of Treated Wastewater		1,500,000	1,500,000	
Forestry - Rural Fire District Reimbursement	2,500,000			
Forestry - One-Time Vehicle Purchases		3,190,000		
Forestry - Wildfire Expenses		65,000,000		
Forestry - Mount Lemmon Fire District Renovations		2,230,900		
Forestry - Gila River Nonnative Species Eradication		5,000,000		
Forestry - Good Neighbor/Fire Marshal Vehicle Purchases		730,000		
Gaming - County Fair Funding (FY 2020 Budget)	730,000			
Gaming - County Fair Funding (FY 2022 Budget)	2,000,000			
Governor - Arizona Civics Corp	1,000,000			
DHS - Rural Hospital Prenatal Equipment	500,000			
DHS - Board of Medical Student Loans	2,000,000			
DHS - Cognitive Decline/Caregiver Modules	160,000			
DHS - Adoption/Birth Certificate Records Release	1,000,000			
DHS - Family Health Pilot Program	1,500,000	3,000,000		
DHS - Accelerated Nursing		50,000,000		
DHS - ASH Surveillance System Upgrade		7,100,000		
DHS - Homeless Pregnant Women Services		300,000		
DHS - Arizona Nurse Education Investment Pilot Program		15,000,000	15,000,000	15,000,000
DHS - Preceptor Grant Program for Graduate Students		500,000	500,000	500,000
AZ Dept. of Homeland Security - State Cybersecurity Controls		2,000,000		
Housing - Housing Trust Fund Deposit		60,000,000		
Housing - Homeless Services Grant Pilot		10,000,000		
IRC - Commission Funding	7,900,000		1,500,000	
Judiciary - Supreme Court - Digital Evidence Storage	400,000	490,000		
Judiciary - Supreme Court - Automation Revenue Shortfall		1,000,000		
Judiciary - Supreme Court - Records Sealing		500,000		
Judiciary - Court of Appeals - Additional 6 Judges - Capital Costs		900,000		
Judiciary - Superior Court - One-Time Vehicle Purchase	187,500			
Land - Appraisal Development	1,500,000	1,500,000		
Legislature - Auditor General - K-12 Federal Funds Oversight	250,000	200,000		
Legislature - Auditor General - Audit Non Gov't Election Funding	165,000			
Legislature - Auditor General - Adult Protective Services Audit		300,000		
Legislature - Legislative Council - IT Improvements	1,000,000			
Legislature - House of Representatives	5,000,000	5,000,000		
Legislature - Senate	5,000,000	5,000,000		
Mine Inspector - Abandoned Mines Program Equipment/Vehicle Costs		522,000		
Parks - Heritage Fund Deposit	5,000,000	2,500,000		
Parks - State Lake Improvement Fund Deposit	4,000,000	4,000,000		
DPS - Training of K-9 Dogs	250,000			
DPS - Civil Asset Forfeiture Offset	3,500,000			
DPS - Rapid DNA Testing Equipment	600,000			
DPS - 400 Patrol Vehicle Bumper Tethers		1,800,000		
DPS - Expand Public Services Portal		2,631,500		
DPS - Upgrade Recently Purchase Helicopter		2,559,600		
DPS - Purchase 1 Helicopter		10,900,000		
DPS - Replace 276 Vehicles		11,709,300		
DPS - Civil Air Patrol		5,000,000		
DPS - K-9 Facility Improvements and Vehicles		1,900,000		
DOR - Pass Through Business Tax Change IT Upgrade	466,300			
SOS - Early Ballot Tracking System		250,000		
SOS - Election Funding		4,000,000		
Tourism - Southern Arizona Study Committee	250,000			
Tourism - Southern Arizona Sports, Tourism and Film Authority		750,000		
Tourism - Wine Promotion		1,000,000		

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
Transportation - Rental Vehicle Surcharge/VLT Hold Harmless	3,300,000			
Treasurer - Crime Victim Public Safety Notifications		3,800,000		
Treasurer - Arizona Health Innovation Trust Fund Deposit		100,000		
Treasurer - Election Security Funding			5,000,000	6,000,000
Treasurer - County Election Funding			6,000,000	
Universities - ABOR - Arizona Veterinary Loan Assistance Program		6,000,000		
Universities - ABOR - Food Product and Safety Lab		10,900,000		
Universities - ABOR - Enclosed Feeding Facility		9,500,000		
Universities - ABOR - Camp Verde Meat Processing Facility		9,700,000		
Universities - ASU - Operating Funding	18,831,300	21,200,000	21,200,000	21,200,000
Universities - ASU - Operating/Capital Funding		54,000,000		
Universities - NAU - Operating Funding	9,006,300	10,100,000	10,100,000	10,100,000
Universities - NAU - Operating/Capital Funding		26,000,000		
Universities - UA - Operating Funding	9,600,000	14,700,000	14,700,000	14,700,000
Universities - ASU - Eastern Europe Cultural Collaborative	250,000			
Universities - ASU - School of Civic and Economic Thought and Leadership	2,750,000			
Universities - ASU - Political History and Leadership School	250,000			
Universities - NAU - Economic Policy Institute	250,000			
Universities - UA - Center for the Philosophy of Freedom	1,250,000			
Universities - UA - Wind Tunnel	3,500,000			
Universities - UA - Wind Tunnel Upgrades		3,000,000		
Universities - UA - Agriculture Workforce Program	500,000	500,000		
Universities - UA - Kazakhstan Exchange Program	250,000			
Universities - UA - Veterinary Diagnostic Lab		2,500,000		
Universities - UA - Natural Resource Policy Center Endangered Species Study		450,000		
Veterans' Services - Tribal Ceremonies for Members Discharged From Military		1,000,000		
DWR - Water Protection Fund Deposit	1,000,000			
DWR - Agua Fria Flood Insurance Study	350,000			
DWR - New River Flood Insurance Study		350,000		
WIFA - Water Supply Development Revolving Fund Deposit	6,000,000			
WIFA - Water Project Assistance Grants	5,000,000	10,000,000		
WIFA - Small Water Systems Fund Deposit	1,000,000			
Other - HITF Employer Premium Increase		103,277,800		
Subtotal - Operating Funding	\$ 654,235,900	\$ 1,138,340,500	\$ 137,311,200	\$ 157,274,200
University 27th Pay Period	\$ 20,052,100			
Debt Payoff	\$ 93,500,000			
Pension Payoff	\$ 1,139,086,400	\$ 60,000,000		
New Medicaid Federal Match Reversion	\$ (285,844,400)			
New ADE Formula Funding Reversion	\$ (389,100,000)			
Federal Funds Offset	\$ (635,000,000)			
Reduce K-12 Rollover	\$ 65,000,000	\$ 65,000,000		
Water Supply Funding			\$ 333,000,000	\$ 333,000,000
Capital Outlay				
<u>FY 2022 Projects</u>				
Capital - ADOA - ADC Building Demolition	2,800,000			
Capital - ADOA - Air Handler Replacement - Phase 2	3,500,000			
Capital - ADOA - Building Renewal Funding	6,200,000			
Capital - ADOA - Taylor Rodeo Arena	1,000,000			
Capital - ADOA - Fountain Hills Discovery Center/Observatory	2,500,000			
Capital - ADC - Eyman Fire/Life Safety Projects (Plus \$15.6 M OF)	10,000,000			
Capital - ADC - Building Renewal Funding	22,205,800			
Capital - DEMA - Fire Suppression System Upgrades	927,100			
Capital - State Fair - Building Renewal	1,000,000			
Capital - State Fair - Coliseum Fire Alarm Replacement	1,000,000			
Capital - Leg Council - Historic State Capitol Renovation	11,500,000			
Capital - Veterans - Northwest Veterans Home	25,000,000			

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
Capital - Yuma Fairgrounds Relocation	5,000,000			
FY 2023 Projects				
Capital - ADOA - Building Renewal Funding		37,594,200		
Capital - ADOA - 1616 and 1688 W. Adams Renovation (Demolish 1624 W. Adams)		47,274,000		
Capital - ADOA - Demolition (1818 W. Adams/1850 W. Jackson/1720 W. Madison)		1,568,000		
Capital - ADOA - Homeless Veterans Housing (Fort Whipple)		2,386,600		
Capital - ADOA - Astronomy Centers		7,500,000		
Capital - ADOA - Navajo Nation Lukachukai Veterans Multipurpose Complex		500,000		
Capital - ADOA - Kayenta Judicial Complex		2,000,000		
Capital - ADOA - Little Colorado River Visitor Center (Navajo County)		1,000,000		
Capital - ADOA - Navajo Technical University Environmental Testing Lab		4,000,000		
Capital - ADOA - Dine College Student Center Construction		8,000,000		
Capital - ADOA - Navajo Nation Teesto Multipurpose Community Center Site		1,000,000		
Capital - ADOA - Navajo Nation Dilkon Center Improvements		3,000,000		
Capital - ADC - Building Renewal Funding		30,551,100		
Capital - ADC - Replace Evaporative Cooling with AC Systemwide		47,600,000	31,422,000	29,832,100
Capital - ADC - Doors/Locks/Fire Systems		20,400,000		
Capital - ASDB - Food Service Equipment		350,000		
Capital - ASDB - Security Upgrades (Electronic Locks)		420,000		
Capital - ASDB - Classroom Notification Replacement		96,000		
Capital - DEMA - Fire Suppression		1,151,100		
Capital - DEMA - Tucson Readiness Center Construction Cost Increase		1,800,000		
Capital - Judiciary - Air Handler and Sewer Replacement		3,200,000		
Capital - DJC - Replumbing		400,000		
Capital - Leg Council - Capitol Renovations		5,700,000		
Capital - DPS - Purchase Building and Property and Evidence Vehicle Storage		1,016,400		
Capital - DPS - Replace 25 Remote Officer Housing Units and Adds 5 Units		9,750,000		
Capital - ABOR - Mining, Mineral and Natural Resources Museum		12,000,000		
Subtotal - Capital Outlay	\$ 92,632,900	\$ 250,257,400	\$ 31,422,000	\$ 29,832,100
FY 2022 Supplementals				
ADOA - Named Claimants	37,500			
Corrections - Named Claimants	7,100			
DEMA - Named Claimants	700			
Board of Equalization - Named Claimants	6,800			
Executive Clemency - Named Claimants	300			
Gaming/Racing - Adjust Racetrack Maintenance and Operations Funding	396,900			
SFB - Building Renewal Grants	93,117,000			
Subtotal - FY 2022 Supplementals	\$ 93,566,300	\$ -	\$ -	\$ -
Transportation Funding				
Loop 101 Slip Ramp		25,000,000		
Ruby Road Bridge Improvements		3,000,000		
Cesar Chavez Blvd Widening/Improvements		33,000,000		
US-89 & N. Lake Powell Blvd Traffic Circle/Control Device		5,000,000		
Ganado School Loop Road (County Road 420)		1,000,000		
N-9402 Improvements		10,000,000		
N-35 Improvements		6,000,000		
SR 97 Improvements			10,000,000	
Subtotal - Transportation Funding	\$ -	\$ 83,000,000	\$ 10,000,000	\$ -
Total - One-time Spending	\$ 848,129,200	\$ 1,596,597,900	\$ 511,733,200	\$ 520,106,300

1/ The displayed amounts reflect one-time General Fund adjustments included in the FY 2023 enacted budget's multi-year spending plan. The Legislature makes the one-time classification as part of its 3-year spending plan. These items are not included in the ongoing agency spending amounts listed on pages BH-11 and BH-12.

General Fund Budget 4-Year Analysis (\$ in Millions)

	A	B	C	D
	FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
1 Beginning Balance	\$ 894.6	\$ 4,508.9	\$ 1,077.0	\$ 678.8
2 Ongoing Revenues				
3 Ongoing Revenues - January Baseline	14,650.5	13,794.4	14,078.6	14,648.3
4 Base Revenue Adjustment	1,043.7	435.7	441.4	462.0
5 Base Revenue Adjustment - Prop 208 Invalidated	705.0	443.2	279.9	251.6
6 Liquor Dept. Operating Increase - GF Revenue Impact		(2.4)	(2.4)	(2.4)
7 Real Estate - Eliminate Lower End of Real Estate Fee Ranges (Enacted)		(0.7)	(0.7)	(0.7)
8 Expand Vets Property Tax Exemption to all Disability Levels (Savings in '24) (Separate Bill)		Yes - see ADE	Yes - see ADE	Yes - see ADE
9 Eliminate State Equalization Tax Rate		see ADE	see ADE	see ADE
10 Annually Adjust QCO and QFCO Contribution Cap for Inflation (Separate Bill)		(1.0)	(2.0)	(4.0)
11 Expand TPT Exemption for Used Agricultural Machinery (Updated BRB Language)		(0.6)	(0.6)	(0.6)
12 Limit Aircraft License Tax Assessment to CPI/Use Fair Market Value		(1.9)	(0.9)	(0.9)
13 Comm Colleges - Reduce Apache/Greenlee Out-of-County GF Reimbursements (Revenue Loss)		(2.1)	(2.1)	(2.1)
14 Subtotal - Ongoing Revenues	\$ 16,399.2	\$ 14,664.6	\$ 14,791.2	\$ 15,351.2
15 One-Time Revenues/Transfers				
16 Water Infrastructure Repayment - Transfer to General Fund	20.0			
17 ARPA Transfer to Offset TY 20 Conformity Costs (See Footnote Below)	Now In Spending			
18 TPT Transfer for Transportation Projects (Highway Fund + \$20.6 M Aviation Fund)		(946.1)		
19 TPT Transfer to Border Security Fund		(209.2)		
20 TPT Transfer to Border Security Fund (Border Fence Funding) - Separate Bill		(335.0)		
21 TPT Transfer for FY 23 Water Initiative Funding - Separate Bill		(334.0)		
22 Manufacturing TPT Distribution for Public Infrastructure (Total Cap From \$50 M to \$100 M)		(50.0)		
23 TPT Transfer to State Parks Revenue Fund (Parks Capital Projects)		(38.2)		
24 TPT Transfer to Budget Stabilization Fund (Rainy Day Fund)		(425.0)		
25 Liquor Space Reconfiguration - GF Impact		(3.5)		
26 Subtotal - One-Time Revenues (Including Beginning Balance)	\$ 914.6	\$ 2,167.9	\$ 1,077.0	\$ 678.8
27 Total Revenues	\$ 17,313.8	\$ 16,832.5	\$ 15,868.2	\$ 16,030.0
28 JLBC Baseline - Ongoing Spending	\$ 12,128.8	\$ 12,539.4	\$ 13,043.4	\$ 13,519.2
29 Ongoing Changes to JLBC Baseline				
30 ADOA - Credit Lending Report		0.2	0.2	0.2

General Fund Budget 4-Year Analysis (\$ in Millions)

		A	B	C	D
		FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
31	ADOA - Licensing Waiver Reimbursement		Bill - Report/No \$		
32	Agriculture - Selected Salary Increases Above 10%		1.2	1.2	1.2
33	AHCCCS - Formula/Federal Match Change		65.3	69.8	94.7
34	AHCCCS - Increased Eligibility Determination Costs (DES Integrated System)		4.5	4.5	4.5
35	AHCCCS - Eligibility Determinations for Older Foster Care Youth (18 to 26 Years Old)		0.2	0.2	0.2
36	AHCCCS - Transfer Suicide Prevention Coordinator to DHS		(0.1)	(0.1)	(0.1)
37	AHCCCS - Federal IT Regulation Compliance (\$75k Ongoing/\$195k One-Time)		0.3	0.1	0.1
38	AHCCCS - American Indian Health Program SMI Integration		0.2	0.2	0.2
39	AHCCCS - Selected Salary Increases Above 10%		0.3	0.3	0.3
40	AHCCCS - Chiropractic Care (\$3.4 M in FY 24/25)		2.6	3.4	3.4
41	AHCCCS - Postpartum Care		2.7	2.7	2.7
42	AHCCCS - EPD Provider Rate Increases (11%) (also see DES)		24.2	24.2	24.2
43	AHCCCS - Allow CHIP Members to Remain Eligible for 12 Months (\$630K)		0.6	0.6	0.6
44	AHCCCS - Secure Behavioral Health Facility Provider Rate Increase (Start in '24)		\$10 M in FY 24	10.0	10.0
45	AHCCCS - Pregnancy Care Provider Rate Increase		10.0	10.0	10.0
46	AHCCCS - Diabetes Management (Separate Bill for Statutory Change)		0.7	0.7	0.7
47	AHCCCS - Behavioral Health Provider Rate Increase (2.5%) - (Plus Language)		7.5	7.5	7.5
48	AHCCCS - Pediatric Skilled Nursing Facilities Rate Increase (\$144k Cost)		0.1	0.1	0.1
49	Attorney General - Additional Office of Victims Services Staff (2 FTE)		0.2	0.2	0.2
50	Charter Board - Ongoing Costs From '22 IT Upgrade (\$116k Ongoing/\$389k One-Time)		0.5	0.1	0.1
51	Charter Board - Additional Staff (4 FTE) and Selected Salary Increases Above 10%		0.5	0.5	0.5
52	Charter Board - Attorney General Legal Services (Fund 1 FTE)		0.1	0.1	0.1
53	DCS - Federal Match Change		Cost in FY 24	7.5	10.0
54	DCS - Healthy Families Expansion (\$12.5 M in '24, \$15.0 M in '25)		10.0	12.5	15.0
55	DCS - Increase Foster Child Daily Stipend From \$1.41 to \$2.82 (Licensed & Kinship)		4.8	4.8	4.8
56	DCS - Selected Salary Increases above 10% - Caseworkers/Others		3.4	3.4	3.4
57	DCS - Increase Monthly Kinship Stipend from \$75 to \$300 (Separate Bill)		19.8	19.8	19.8
58	DCS - Independent Living Stipend		2.6	2.6	2.6
59	DCS - Qualified Residential Treatment Program Rate Increase (10%)		7.0	7.0	7.0
60	Commerce - Continue Germany Trade Office Funding (\$250K Funded One-Time in '22)		0.5	0.5	0.5
61	Commerce - Increase Israel Trade Office Funding (\$125K)		0.1	0.1	0.1
62	Commerce - Economic Development Marketing and Attraction		1.0	1.0	1.0
63	Commerce - 2 New Asia Trade Offices (\$750K) - (Taiwan and South Korea)		0.8	0.8	0.8
64	Comm Colleges - Formula (FY 24/FY 25)			(3.2)	(5.1)
65	Comm Colleges - Maricopa/Pima/Pinal STEM Funding Restoration		10.8	10.8	10.8
66	Comm Colleges - Rural County Allocation Adjustment		0.2	0.2	0.2
67	Corporation Commission - Hazardous Materials Railroad Inspector (\$92k)		0.1	0.1	0.1

General Fund Budget 4-Year Analysis (\$ in Millions)

		A	B	C	D
		FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
68	ADC - Private Prison Contract Increase (Vendor Penalty Overtime/Stipend Footnote)		17.5	17.5	17.5
69	ADC - Continue Substance Abuse Treatment Funding (One-Time in '22); Add 3 FTE		5.4	5.4	5.4
70	ADC - Inmate Healthcare Contract Services Increase		70.0	70.0	70.0
71	ADC - Salary Increases - 20% For All Staff		116.7	116.7	116.7
72	ACJC - Victims' Compensation Fund (+\$10 M ARPA in '23)		2.0	2.0	2.0
73	ACJC - State Aid for Juvenile Dependency Proceedings Fund		2.0	2.0	2.0
74	ACJC - Major Incident Regional Law Enforcement Task Forces		0.6	0.6	0.6
75	DES - Formula/Federal Match Change		15.9	25.2	36.4
76	DES - Additional Adult Protective Services Staff (95 FTE)		11.2	11.2	11.2
77	DES - Building System Management Upgrade (\$147k Ongoing/\$273k One-Time)		0.4	0.1	0.1
78	DES - Selected Salary Increases Above 10%		6.1	6.1	6.1
79	DES - IT Infrastructure/Security Upgrades - Operating Costs		2.5	2.5	2.5
80	DES - Additional Food Bank Funding (Friends of the Farm)		0.5	0.5	0.5
81	DES - Recidivism/Re-Entry Programs (Second Chance Centers)		1.4	1.4	1.4
82	DES - Arizona Early Intervention Program (AZEIP) Rate Increase		Federal Funds	4.4	8.8
83	DES - AZEIP Provider Rate Increases		3.4	3.4	3.4
84	DES - DD Provider Rate Increases (9.7%) (also see AHCCCS)		56.7	56.7	56.7
85	DES - DD State Only Provider Rate Increases		0.5	0.5	0.5
86	DES - Cost Effectiveness Study Provider Rate Increase (Includes \$3 M Base Adj.)		7.2	7.2	7.2
87	DES - Area Agencies on Aging Provider Rate Increases		1.0	1.0	1.0
88	SBE - Misconduct Caseload/AG Legal Services - 1 FTE (\$513k Ongoing/\$23k One-Time)		0.5	0.5	0.5
89	SBE - ESA Appeals Process Implementation (\$70k Ongoing/\$4k One-Time)		0.1	0.1	0.1
90	SBE - Open Enrollment Promotion/Constituent Services - 1 FTE (\$150k)		0.2	0.2	0.2
91	SBE - Additional Policy Development Staff - 1 FTE (\$106k Ongoing/\$4k One-Time)		0.1	0.1	0.1
92	ADE - Formula		(85.3)	(113.9)	(112.5)
93	ADE - Veterans Property Tax Exemptions (Savings Begins in '24) (Separate Bill)		FY 24 Impact	(1.1)	(1.1)
94	ADE - Extra 2.5% Base Level Increase; Eliminate Teacher Comp \$		99.3	101.6	104.2
95	ADE - Additional 4.3% Base Level Increase (2% Base + 2.5% Above + 4.3% = 8.8% Increase)		290.0	290.0	290.0
96	ADE - Eliminate State Equalization Tax Rate		330.5	337.6	344.7
97	ADE - Special Education Weight Increase		100.0	104.4	109.2
98	ADE - Opportunity Weight (Low Income Students)		50.0	63.0	100.0
99	ADE - Add'l Assistance Increase (\$48 M DAA/\$12 M CAA) + Phase in Add'l \$58 M		60.0	89.0	118.0
100	ADE - School Safety Funding Increase (SROs First Priority, Then Counselors/Social Workers)		50.0	50.0	50.0
101	ADE - Adult Education Administrative Costs (\$250k)		0.3	0.3	0.2
102	ADE - Adult Education (Allocate to Agencies Based on Bill)		16.6	19.7	22.3
103	ADE - Education Programs in Jails (\$114K)		0.1	0.1	0.1
104	ADE - Procure Statewide Gifted Assessment		0.8	0.8	0.8

General Fund Budget 4-Year Analysis (\$ in Millions)

		A	B	C	D
		FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
105	ADE - Empowerment Scholarship Account Administration Costs (26 FTEs) - (Separate Bill)		2.2	2.2	2.2
106	DEMA - Reimburse Federal Government for Facilities Maintenance Overpayment		0.8	0.8	0.8
107	DEMA - Fully Fund State Match for Readiness Center Maintenance (25% to 50%)		1.7	1.7	1.7
108	Equalization - Appeals Application IT Costs (\$25k Ongoing/\$50k One-Time)		0.1	0.1	0.1
109	Executive Clemency - Chief Operating Officer Position (\$32k + Other Budget Capacity)		0.1	0.1	0.1
110	Executive Clemency - Selected Salary Increase (\$44k)		0.1	0.1	0.1
111	Forestry - Healthy Forest New Vehicle Purchases		0.3	0.3	0.3
112	Forestry - Healthy Forest Annual State Fleet Operation Charge		0.2	0.2	0.2
113	Forestry - Healthy Forest Annual State Fleet Vehicle Replacement Charge		0.1	0.1	0.1
114	Forestry - Good Neighbor/Fire Marshall Annual State Fleet Operation Charge		0.2	0.2	0.2
115	Forestry - Good Neighbor/Fire Marshall Annual State Fleet Vehicle Replacement Charge		0.1	0.1	0.1
116	Forestry - 17 FTE for US Forest Service Land Thinning (19K Acres)		1.5	1.5	1.5
117	Forestry - Additional Fire Marshal Staff (5.5 FTE)		0.5	0.5	0.5
118	Gaming/Racing - Contract Veterinarian/Pre-Race Inspections (\$175K)		0.2	0.2	0.2
119	Gaming/Racing - Horse Racing Integrity Act Assessment (\$355k)		0.4	0.4	0.4
120	Gaming/Racing - County Fair Funding		2.0	2.0	2.0
121	Gaming/Racing - Adjust Racetrack Maintenance and Operations Funding		0.4	0.4	0.4
122	DHS - Behavioral Health Student Loan Repayment Program (\$1 M in FY 24/25)		2.0	1.0	1.0
123	DHS - Arizona State Hospital (ASH) Hiring Bonuses of Up to \$5,000		0.7	0.7	0.7
124	DHS - ASH Increased Staffing and Operating Costs (SB 1444 IOC As Separate Bill)		6.9	6.9	6.9
125	DHS - Selected Salary Increases Above 10% - ASH Staff/Other		2.3	2.3	2.3
126	DHS - Shift Suicide Prevention Coordinator From AHCCCS to DHS		0.1	0.1	0.1
127	DHS - Alzheimer's Disease Research		2.5	2.5	2.5
128	DHS - Certificate of Necessity Procedures (5 FTE) - \$627k		0.6	0.6	0.6
129	Homeland Security - Cybersecurity Grants to Locals and School Districts/2 FTE		10.0	10.0	10.0
130	Judiciary - Supreme Court - Justices Salary Increases (\$212k/ \$205k Salary)		0.3	0.5	0.5
131	Judiciary - Supreme Court - Selected Staff Salary Increases Above 10%		0.6	0.6	0.6
132	Judiciary - Supreme Court - Juror Day 1 Wage Compensation		1.6	1.6	1.6
133	Judiciary - Court of Appeals - Judges Salary Increases (\$190k Salary)		0.7	1.3	1.3
134	Judiciary - Court of Appeals - Selected Staff Salary Increases Above 10%		0.4	0.4	0.4
135	Judiciary - Court of Appeals - Add 6 Judges (With Statutory Change)		2.2	4.5	4.5
136	Judiciary - Superior Court - Judges Salary Increases (\$165k Salary '23, \$180k Salary '24)		1.1	3.4	4.5
137	Judiciary - Superior Court - Selected Staff Salary Increases Above 10%		0.1	0.1	0.1
138	Judiciary - Superior Court - County Probation Salary Increases		1.2	1.2	1.2
139	DJC - Salary Increases - 20% For All Staff		5.2	5.2	5.2
140	Land - CAP Fees		0.1	0.1	0.1
141	Land - Management System (2 FTE) (\$225K)		0.2	0.2	0.2

General Fund Budget 4-Year Analysis (\$ in Millions)

		A	B	C	D
		FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
142	Legislature - Auditor General - Ongoing Audit Capacity		3.3	3.3	3.3
143	Legislature - Auditor General - Selected Salary Increases Above 10%		0.6	0.6	0.6
144	Legislature - House - Operating Funding		4.0	4.0	4.0
145	Legislature - Senate - Operating Funding		4.2	4.2	4.2
146	Legislature - Leg Council - Operating Funding		1.0	1.0	1.0
147	Legislature - Ombudsman - Operating Funding (+ Separate Budget Unit)		0.3	0.3	0.3
148	Mine Inspector - Abandoned Mines Program Staff - 6 FTE		0.6	0.6	0.6
149	DPS - Additional Border Strike Task Force Staff (\$9 M 21 FTE/\$11 M Local Support)		20.0	20.0	20.0
150	DPS - Salary Increases - 15% For All Staff - With Salary Transfer Footnote		24.5	24.5	24.5
151	DPS - DPS/ADOT Commercial Vehicle Enforcement Consolidation (JLBC Review)		1.0	1.0	1.0
152	DPS - Building System Management Upgrade (\$215k Ongoing/\$205k One-Time)		0.4	0.2	0.2
153	DPS - DNA Testing Enhancements - 2 Additional FTE (Familial DNA)		0.4	0.4	0.4
154	DPS - Public Services Portal Phase 2 - Operating Costs		0.4	0.4	0.4
155	DPS - Pay Cadet Housing Costs in Training		0.5	0.5	0.5
156	DPS - Fill 69 Vacant FTE Positions (57 Sworn/12 Civilian) - Includes \$450k One-Time		10.5	10.1	10.1
157	DPS - Major Incident Division		10.0	17.0	24.0
158	DPS - Move Peace Officers Training from CJEF to GF		6.1	6.1	6.1
159	DOR - Information Technology Staffing (12 FTE)/Server and Data Storage Upgrades		3.5	3.5	3.5
160	Treasurer - Justice of the Peace Salary Increases (\$204K Cost Tied To Superior Court)		0.2	0.2	0.2
161	Treasurer - Fund Justice of the Peace Salaries At 40% Rather Than 19%		1.4	1.4	1.4
162	Universities - ABOR - More Promise Scholarships (Free Tuition)		12.5	12.5	12.5
163	Universities - ABOR - Free In-State Tuition for GI Spouses		10.0	10.0	10.0
164	Universities - ASU - School of Civic and Economic Thought and Leadership		2.8	2.8	2.8
165	Universities - NAU - Economic Policy Institute		0.4	0.4	0.4
166	Universities - UA - Center for the Philosophy of Freedom		1.8	1.8	1.8
167	Universities - ASU - Continue Eastern Europe Cultural Collaborative Funding (\$250K)		0.3	0.3	0.3
168	Universities - UA - Continue Kazakhstan Studies Program Funding (\$250K)		0.3	0.3	0.3
169	Universities - UA - College of Veterinary Medicine (Increase Resident Students)		8.0	8.0	8.0
170	Universities - UA - Natural Resource Users Law & Policy Center		1.0	1.0	1.0
171	Universities - UA - Veterinary Diagnostic Lab (+\$2.5 M one-time)		2.5	2.5	2.5
172	Veterans Services - Veteran Service Officers for Rural Tribal Nation Communities (20 FTE)		2.2	2.2	2.2
173	DWR - Staffing Increase (4 FTE - 3 Assured/Adequate Water, 1 Floodplain Management)		0.4	0.4	0.4
174	DWR - Shift Water Banking Fund Spending Back to General Fund		1.2	1.2	1.2
175	DWR - Water Needs Assessment (Separate Bill)		3.5	3.5	3.5
176	DWR - Arizona Water Protection Fund Deposit		1.0	1.0	1.0
177	Other - FY 23 Non-Payoff Retirement Adjustments		17.2	17.2	17.2
178	Other - Pension Payoff Savings (Ongoing Savings Start in 24)			(99.8)	(99.8)

General Fund Budget 4-Year Analysis (\$ in Millions)

	A	B	C	D
	FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
179 Other - Debt Payoff Savings (DHS/ADC Building Debt)		(18.9)	(18.9)	(18.9)
180 Other - Statewide AFIS Charge		(0.2)	(0.2)	0.3
181 Other - Rent Adjustments		(0.7)	(0.7)	(0.7)
182 Other - Fleet Adjustments		0.6	0.6	0.6
183 Other - Statewide Personnel IT System (\$60 M Total Cost By FY 26)		8.0	8.0	8.0
184 Other - IT Pro Rata Charge Adjustments		1.6	1.6	1.6
185 Other - 10% Pay Increase for State Employees		49.1	49.1	49.1
186 Other - Administrative Adjustment/Reversion Estimates	(172.0)	(45.0)	(5.0)	(3.5)
187 Other Adjustments		(0.5)	(0.7)	
188 Subtotal - Ongoing Changes to JLBC Baseline	\$ (172.0)	\$ 1,618.8	\$ 1,633.7	\$ 1,772.5
189 Total Ongoing Spending	\$ 11,956.8	\$ 14,158.2	\$ 14,677.1	\$ 15,291.7
190 JLBC Baseline - One-Time Spending	\$ 394.0	\$ 186.2	\$ 48.7	\$ 76.7
191 One-Time Changes to JLBC Baseline				
192 ADOA - Healthcare Interoperability Grants (Annual Reporting Requirement)		12.0		
193 ADOA - Election Security Funding (Secure Ballot Boxes, Ballot Paper Testing)		1.5		
194 ADOA - Fire Incident Management System Grants (Municipalities/Fire Districts)		6.1		
195 ADOA - County Sheriff Interoperability for School Safety		20.0		
196 ADOA/APF - Agriculture IT Projects/Cloud Migration		2.0		
197 ADOA/APF - DOR Tax System [\$64 M GF/\$41 M Other] (Tax Data Issues/Oversight)		9.6	11.8	11.9
198 ADOA/APF - Business One Stop Phase 2 (+\$16 M in FY 26)		15.6		
199 ADOA/SFD - Building Renewal (\$200 M Total)	93.1	183.3		
200 ADOA/SFD - Kirkland Site Conditions		0.4		
201 Agriculture - Livestock Operator Infrastructure Grants		10.0		
202 AHCCCS/DES/DCS - '22 FMAP Reversion (4th Quarter Extension)	(133.0)			
203 AHCCCS - Management Information System Replacement (IT Oversight)		0.5	0.7	
204 AHCCCS - Behavioral Health Worker Training (3 Years Fed Funds)		\$5.0 M Fed Funds	\$5.0 M Fed Funds	\$5.0 M Fed Funds
205 AHCCCS - Clinical Rotation (3 Years Fed Funds)		\$27.0 M ARPA	\$27.0 M ARPA	\$27.0 M ARPA
206 AHCCCS - Secure Behavioral Health Residential Facilities		25.0		
207 Arts Commission - Arts Trust Fund Deposit		5.0		
208 Attorney General - Missing and Murdered Indigenous Persons Investigations		2.0		
209 Commerce - Business Water Infrastructure (Pinal County)		15.0		
210 Comm Colleges - Rural Funding		7.0		
211 Comm Colleges - Southern AZ First Responder Academy		6.3		
212 ADC - One-Time Vehicle Purchases (+\$1.6M OF)		7.5		

General Fund Budget 4-Year Analysis (\$ in Millions)

		A	B	C	D
		FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
213	ADC - Community Treatment Program For Imprisoned Women And Their Children		2.0		
214	ACJC - Rural County Attorney Diversion Program Grants (Non-Lapsing)		10.0		
215	ASDB - Increase Bus Transportation Capacity (95 Additional Students)		1.1		
216	DES - IT Infrastructure/Security - Development Costs		1.4		
217	DES - UI IT System Replacement (ARPA \$18.6 M FY 24/\$24.5 M FY 25)		Federal Funds	ARPA	ARPA
218	DES - DD Group Home Monitoring Pilot (3 Years)		1.2	1.2	1.2
219	DES - Area Agencies on Aging Provider Rate Increases		2.0		
220	ADE - Childhood Trauma Awareness/Prevention Grants		0.1		
221	ADE - Office of Indian Education (Non-Lapsing)		5.0		
222	ADE - FY 22 Enrollment Reversion	(104.1)			
223	ADE - Eliminate K-12 Rollover For Districts Up to 4,000 ADM		65.0		
224	ADE - Code Writers Initiative Program		1.0		
225	ADE - Foster Youth Transitional Housing (17-21 Years Old)		10.0		
226	ADE - Electronic Incident Prevention Programs (\$150K)		0.2		
227	ADE - Postsecondary Success Program (Non-Lapsing)		1.0		
228	ADE - Assessment Funding		4.0		
229	DEMA - Readiness Center Maintenance Backlog		13.3		
230	DEMA - Border Security Fund - \$20 M Cochise County New Jail State Match/\$15 M Local Law Enforcement/\$10 M Reduce Trafficking/\$30 M Local Prosecution/\$10 M Nat'l Guard/\$10 M Emergency Care and Testing/\$15 M Transportation/\$53.4 M Sheriff Stipend/\$30 M Emergency Operations Center/\$15 M DPS Marana Fusion Center/\$0.8 M DEMA State Guard Chain of Command [JLBC Transfer Review]		209.2 - TPT		
231	DEMA - Border Security Fund (Border Fence Funding + Quarterly DEMA/Homeland Sec. Report Border Fence/Technology) - Separate Bill		335.0 - TPT		
232	DEQ - Water Quality Fee Fund Deposit		6.4		
233	DEQ - Direct Potable Reuse of Treated Wastewater (\$1.5 M for 2 Years)		1.5	1.5	
234	Forestry - Gila River Nonnative Species Eradication [With Report]		5.0	\$5.0 M ARPA	\$5.0 M ARPA
235	Forestry - Wildfire Expenses (non-lapsing; includes \$3 M for Woodbury Fire)		65.0		
236	Forestry - Renovate Mount Lemmon Fire District Building		2.2		
237	Forestry - Good Neighbor/Fire Marshall New Vehicle Purchases		0.7		
238	Gaming/Racing - Adjust Racetrack Maintenance and Operations Funding Allocation	0.4			
239	DHS - Accelerated Nursing (Post Bach 1 Year) - \$6 M Creighton/\$44 All U'S/Residency		50.0		
240	DHS - Arizona State Hospital Surveillance System Upgrade (With Audio)		7.1		
241	DHS - Nurse Education Investment Pilot Program (3 Years)		15.0	15.0	15.0
242	DHS - Preceptor Grant Program for Graduate Students (3 Years)		0.5	0.5	0.5
243	DHS - Family Health Pilot Program (\$3 M total including Baseline)		1.5		
244	DHS - Homeless Pregnant Women Services (\$500K total including Baseline)		0.3		

General Fund Budget 4-Year Analysis (\$ in Millions)

		A	B	C	D
		FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
245	Homeland Security - State Cybersecurity Controls		2.0		
246	Housing - Housing Trust Fund - Grants (With \$20 M Rural/\$4 M Tribal Set Aside)		60.0		
247	Housing - Homeless Services Grant Pilot (With 50% Local Match)		10.0		
248	IRC - FY 24 One-Time Funding (\$1.5 M in FY 24)		See FY 24	1.5	
249	Industrial Commission - Fire District COVID Related Reimbursement		ARPA - \$20.0 M		
250	Judiciary - Supreme Court - Automation Revenue Shortfall		1.0		
251	Judiciary - Court of Appeals - Additional 6 Judges - Capital Costs		0.9		
252	Legislature - Auditor General - Adult Protective Services Audit		0.3		
253	Legislature - House - One-Time Operating Funding		5.0		
254	Legislature - Senate - One-Time Operating Funding		5.0		
255	Mine Inspector - One-Time Equipment and Vehicle Costs		0.5		
256	Parks - Arizona State Parks Heritage Fund		2.5		
257	DPS - 400 Patrol Vehicle Bumper Tethers		1.8		
258	DPS - Expand Public Services Portal and Fingerprint Clearance Scope		2.6		
259	DPS - Upgrade Recently Purchased Helicopter - One-Time Costs		2.6		
260	DPS - Replace 1 Helicopter		10.9		
261	DPS - Replace 276 Vehicles		11.7		
262	DPS - Civil Air Patrol Infrastructure		5.0		
263	DPS - K-9 Facility Improvements and Vehicles		1.9		
264	SOS - Early Ballot Tracking System (\$250K) (Separate Bill)		0.3		
265	SOS - Election Funding		4.0		
266	Tourism - Southern AZ Sports, Tourism and Film Authority [\$750k] (Separate Bill)		0.8		
267	Tourism - Wine Promotion (Non-Lapsing)		1.0		
268	Treasurer - Crime Victim Public Safety Notifications (Separate Bill)		3.8		
269	Treasurer - Arizona Health Innovation Trust Fund Deposit (Plus BRB)		0.1		
270	Treasurer - Election Security Funding (Use Ballot Paper In Election)			5.0	6.0
271	Treasurer - County Election Funding			6.0	
272	Universities - ABOR - Arizona Veterinary Loan Assistance Program		6.0		
273	Universities - ABOR - On-Farm Irrigation Efficiency Grants		ARPA - 30.0 M		
274	Universities - ABOR - Food Product and Safety Lab (No Admin)		10.9		
275	Universities - ABOR - Enclosed Feeding Facility (No Admin)		9.5		
276	Universities - ABOR - Camp Verde Meat Processing Facility (No Admin)		9.7		
277	Universities - ASU - One-Time Operating Funding (Report Footnote)		21.2	21.2	21.2
278	Universities - ASU - One-Time Operating/Capital Funding		54.0		
279	Universities - NAU - One-Time Operating Funding (Report Footnote)		10.1	10.1	10.1
280	Universities - NAU - One-Time Operating/Capital Funding (\$5 M NAU-Yuma Set Aside)		26.0		
281	Universities - UA - One-Time Operating Funding (Report Footnote)		14.7	14.7	14.7

General Fund Budget 4-Year Analysis (\$ in Millions)

		A	B	C	D
		FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
282	Universities - UA - Veterinary Diagnostic Lab (+ \$2.5 M ongoing)		2.5		
283	Universities - UA - Nat. Resource Users Law/Policy Center Endangered Species Study (\$450k)		0.5		
284	Universities - UA - Wind Tunnel Upgrades		3.0		
285	Veterans' Services - Veteran Home Operating Shortfall		ARPA - 19.5 M		
286	Veterans' Services - Tribal Ceremonies for Members Discharged From Military (Non-Lapsing)		1.0		
287	WIFA - Eastern AZ Water Project Assistance Grants		10.0		
288	WIFA - Water Initiative (\$1.0 B Total Deposit) - Separate Bill		334.0 - TPT	333.0	333.0
289	DWR - New River Flood Insurance Study (\$350K)		0.4		
290	Capital - ADOA - Building Renewal (+16.0 M OF)		37.6		
291	Capital - ADOA - Demolition (1818 W Adams/1850 W Jackson/1720 W Madison)		1.6		
292	Capital - ADOA - 1616 and 1688 West Adams Renovations (Demolish 1624 W. Adams)		47.3		
293	Capital - ADOA - Homeless Veterans Housing (Fort Whipple)		2.4		
294	Capital - ADOA - Astronomy Centers		7.5		
295	Capital - ADOA - Navajo Nation Lukachukai Veterans Multipurpose Complex		0.5		
296	Capital - ADOA - Kayenta Judicial Complex		2.0		
297	Capital - ADOA - Little Colorado River Visitor Center (Navajo County)		1.0		
298	Capital - ADOA - Navajo Technical University Environmental Testing Lab		4.0		
299	Capital - ADOA - Dine College Student Center Construction		8.0		
300	Capital - ADOA - Navajo Nation Teesto Multipurpose Community Center Site Preparation		1.0		
301	Capital - ADOA - Navajo Nation Dilkon Center Improvements		3.0		
302	Capital - ADC - Building Renewal (+5.8 M OF)		30.5		
303	Capital - ADC - Replace Evaporative Cooling With AC Systemwide (Also \$24 M in FY 26)		47.6	31.4	29.8
304	Capital - ADC - Doors/Locks/Fire Systems		20.4		
305	Capital - ASDB - Classroom Notification Replacement		0.1		
306	Capital - ASDB - Security Upgrades (Electronic Locks)		0.4		
307	Capital - ASDB - Food Service Equipment		0.4		
308	Capital - DEMA - Fire Suppression (50% Match of Federal Funds)		1.2		
309	Capital - DEMA - Tucson Readiness Center Construction Cost Increases (\$24M in '19)		1.8		
310	Capital - Judiciary - Supreme Court - Air Handler and Sewer Replacement		3.2		
311	Capital - DJC - Replumbing		0.4		
312	Capital - Leg Council - Capitol Renovations/Building Renewal		5.7		
313	Capital - DPS - Purchase Property for Evidence Vehicle Storage		1.0		
314	Capital - DPS - Replace 25 Remote Units/5 New (Non-Lapsing Thru '25)		9.8		
315	Capital - ADOT - Overall Highway Maintenance Inflation Adjustment		51.0 - SHF		
316	Capital - ADOT - FY 2022 Inflation - SR 69 Repaving (Prescott Valley)		1.6 - SHF		
317	Capital - ADOT - FY 2022 Inflation - US 95 Improvements (Yuma Proving Ground)		3.5 - SHF		
318	Capital - ADOT - FY 2022 Inflation - SR 95 Repaving/Improvements (Bullhead City/Lake Havasu)		19.5 - SHF		

General Fund Budget 4-Year Analysis (\$ in Millions)

		A	B	C	D
		FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
319	Capital - ADOT - FY 2022 Inflation - SR 347 and Riggs Road Overpass (Design/Easements)		2.6 - SHF		
320	Capital - ADOT - FY 2022 Inflation - SR 347 and Riggs Road Overpass (Construction)		8.8 - SHF		
321	Capital - ADOT - FY 2022 Inflation - Willcox SR 186 Funding		1.5 - SHF		
322	Capital - ADOT - FY 2022 Inflation - SR 90 Improvements (Moson Road to Campus Drive)		3.7 - SHF		
323	Capital - ADOT - FY 2022 Inflation - Pavement Rehabilitation		31.5 - SHF		
324	Capital - ADOT - I-10 Widening (Chandler to Casa Grande) - Change Fund Source to SHF		400.0 - SHF		
325	Capital - ADOT - Additional I-10 Lanes (SR-85 to Citrus Road)		64.2 - SHF		
326	Capital - ADOT - Jackrabbit Trail Improvements (80% State Match)		20.1 - SHF		
327	Capital - ADOT - SR-24 Acquisition & Pinal County Connector		15.0 - SHF		
328	Capital - ADOT - US-60 Pavement Rehabilitation (Loop 101 to Loop 202)		38.5 - SHF		
329	Capital - ADOT - SR-69/SR-169 Roundabout Construction [\$5 M in 5-Yr Plan]		1.5 - SHF		
330	Capital - ADOT - SR-74/Lake Pleasant Pkwy Study and Design		5.0 - SHF		
331	Capital - ADOT - SR-79/Hunt Highway Intersection Assessment Cost		0.1 - SHF		
332	Capital - ADOT - SR-87/Skousen Road Intersection Assessment Cost		0.1 - SHF		
333	Capital - ADOT - SR-89/SR-89A Interchange Improvements Design Costs		3.0 - SHF		
334	Capital - ADOT - SR-90 Pavement Rehabilitation (Campus Drive to Border Patrol)		39.2 - SHF		
335	Capital - ADOT - US-191 Pavement Rehabilitation (MP 163 to MP 173)		22.2 - SHF		
336	Capital - ADOT - Screen Wall On Loop 101 (Near 16th St)		7.3 - SHF		
337	Capital - ADOT - Screen Wall On Loop 101 (Between 51st Ave and 59th Ave)		9.5 - SHF		
338	Capital - ADOT - US-191 Pavement Rehabilitation (Armory Road to East Safford)		16.3 - SHF		
339	Capital - ADOT - SR-238 Improvements (SR-347 to Green Rd.) - Design Costs		0.8 - SHF		
340	Capital - ADOT - SR-279 Old State Highway Repairs (Cottonwood)		6.1 - SHF		
341	Capital - ADOT - Design for Loop 303 Improvements (I-17 to Lake Pleasant Pkwy)		4.0 - SHF		
342	Capital - ADOT - Design for Loop 303/I-17 Interchange		19.0 - SHF		
343	Capital - ADOT - SR-347 Widening (SR-347 to Maricopa) - Design Costs		19.0 - SHF		
344	Capital - ADOT - SR-389/Arizona Avenue Intersection Assessment Cost		0.1 - SHF		
345	Capital - ADOT - Lake Havasu Bridge Impact Study		0.2 - SHF		
346	Capital - ADOT - Prescott Airport Education Complex		0.6 - SAF		
347	Capital - ADOT - Flagstaff Downtown Connection Center		6.0 - SHF		
348	Capital - ADOT - Gila Bend Sentinel Exit Lighting		0.6 - SHF		
349	Capital - ADOT - Airport Improvement Projects (Aviation Fund)		20.0 - SAF		
350	Capital - ADOT - Tier 2 Study (North-South Corridor in Pinal)		15.0 - SHF		
351	Capital - ADOT - Tier 2 Study (Sonoran Corridor in Pima)		14.0 - SHF		
352	Capital - ADOT - Tier 2 Study (I-11 in Maricopa County)		25.0 - SHF		
353	Capital - ADOT - SR 97 Improvements (Bagdad) (Conditional On Federal Grant)		See FY 24	10.0	
354	Capital - ADOT - SMART Fund		50.0 - SHF		
355	Capital - ADOT - Ruby Road Bridge Improvements		3.0		

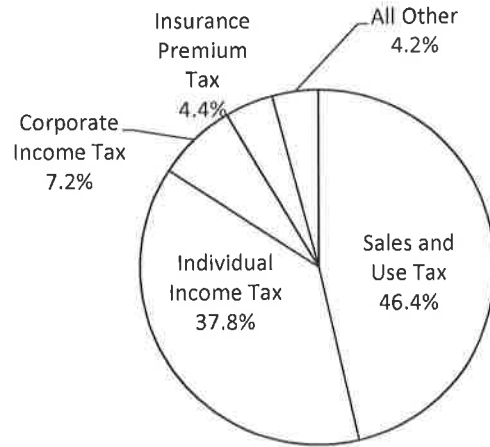
General Fund Budget 4-Year Analysis (\$ in Millions)

	A	B	C	D
	FY 2022 Enacted	FY 2023 Enacted	FY 2024 Estimate	FY 2025 Estimate
356 Capital - ADOT - Loop 101 Slip Ramp		25.0		
357 Capital - ADOT - Cesar Chavez Blvd Widening/Improvements (Separate Bill)		33.0		
358 Capital - ADOT - US 89 & N. Lake Powell Blvd Traffic Circle/US 89 Traffic Control Device (Page)		5.0		
359 Capital - ADOT - Ganado School Loop Road (County Road 420) (Apache County)		1.0		
360 Capital - ADOT - N-9402 Improvements		10.0		
361 Capital - ADOT - N-35 Improvements		6.0		
362 Capital - ABOR - Mining, Mineral, and Natural Resources Museum ('24 Revertment)		12.0		
363 Other - Named Claimants Supplemental (\$52k)	0.1			
364 Other - Federal Funds Offset (<u>See Footnote Below</u>)	(635.0)			
365 Other - State Employer Health Insurance Funding (Includes \$40 M for Univ. Tuition Backfill)		103.2		
366 Other - Pension Payoff (EORP) (Separate Bill - Funding In FY 23)		60.0		
367 Other - Pension Payoff (ADC/DJC/DPS/Game and Fish) (Plus \$15 M Game and Fish Fund)	1,051.4			
368 Other - Pension Payoff (Other State PSPRS Groups + DPS CORP Groups) (Separate Bill)	87.7			
369 Other - Debt Payoff (DHS/ADC State Buildings)	93.5			
370 Subtotal - One-Time Changes to JLBC Baseline	\$ 454.1	\$ 1,411.1	\$ 463.6	\$ 443.4
371 Total One-Time Spending	\$ 848.1	\$ 1,597.3	\$ 512.3	\$ 520.1
372 Total Spending	\$ 12,804.9	\$ 15,755.5	\$ 15,189.4	\$ 15,811.8
373 Cash Balance	\$ 4,508.9	\$ 1,077.0	\$ 678.8	\$ 218.2
374 Ongoing Balance	\$ 4,442.4	\$ 506.4	\$ 114.1	\$ 59.5

Note (Lines 17 and 364) - At the time of passage, the enacted budget assumed a \$635 million deposit of American Rescue Plan Act funds to the General Fund for the costs of federal tax conformity. The Executive subsequently revised its approach based on federal guidance and the \$635 million was incorporated as higher revertments associated with American Rescue Plan Act funding offsets.

FY 2023 General Fund Revenue - Where It Comes From

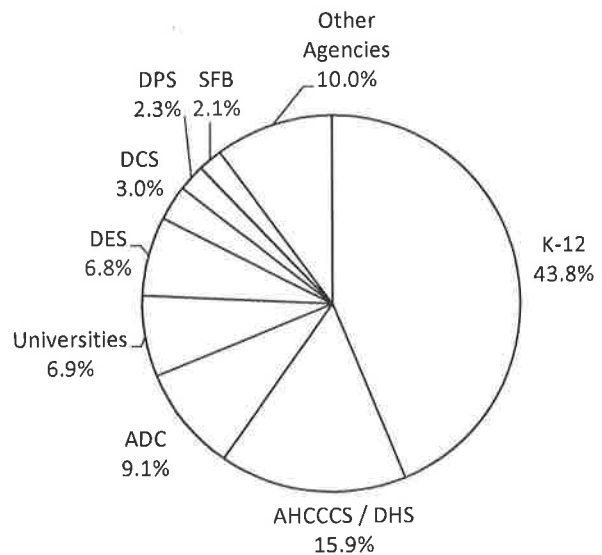
Source	Revenue (Millions)
Sales and Use Tax	\$ 7,291.3
Individual Income Tax	5,946.0
Corporate Income Tax	1,132.6
Insurance Premium Tax	690.4
All Other	657.5
TOTAL REVENUE	<u>\$ 15,717.8</u> ^{1/2/}



^{1/} Excludes FY 2022 balance forward. \$1,107 million of this amount is distributed as urban revenue sharing.
^{2/} Excludes TPT diversions.

FY 2023 General Fund Appropriations - Where It Goes

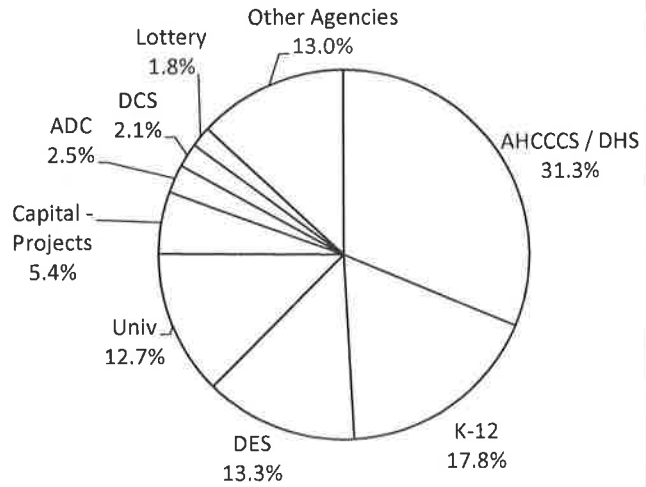
Budget Unit	Appropriation (Millions)
K-12 Education (ADE)	\$ 6,923.9
AHCCCS / DHS	2,515.9
Corrections	1,438.0
Universities	1,095.8
Economic Security	1,079.1
Child Safety	472.9
DPS	364.2
SFB	324.7
Other Agencies	1,586.1
TOTAL BUDGET	<u>\$ 15,800.3</u> ^{1/}



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

FY 2023 Total Spending - All Sources ^{1/}

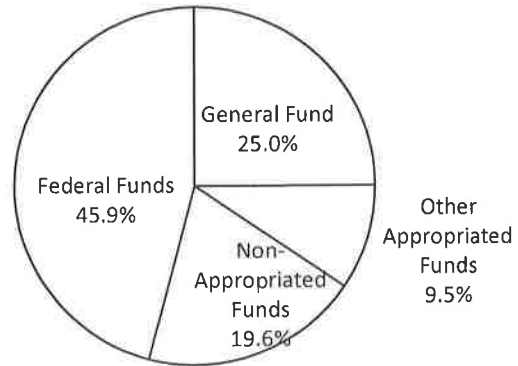
Budget Unit	Spending (Millions)
AHCCCS / DHS	\$ 19,803.9
K-12 Education (ADE)	11,282.7
Economic Security	8,420.7
Universities	8,023.6
Capital - Projects	3,444.1
Corrections	1,571.8
Child Safety	1,330.1
Lottery	1,153.6
Other Agencies / Distributions	8,250.0
TOTAL	\$ 63,280.5



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

FY 2023 Total Spending by Fund Source ^{1/}

Fund Source	Spending (Millions)
General Fund	\$ 15,800.3
Other Appropriated Funds	6,037.2
Non-Appropriated Funds	12,417.8
Federal Funds	29,025.2
TOTAL	\$ 63,280.5



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

FY 2023 FUNDING FORMULA SUSPENSIONS 1/

	FY 2023 Formula Requirement
<u>Statutory</u>	
Community Colleges - STEM and Workforce Programs State Aid Inflation Adjustment Suspension	641,200 <u>2/</u>
Community Colleges - Operating State Aid (Maricopa and Pima)	N/A <u>3/</u>
Department of Environmental Quality - Water Quality Assurance Revolving Fund (WQARF)	0 <u>4/</u>
Universities - Arizona Financial Aid Trust	35,274,800 <u>5/ 6/</u>
 Total - FY 2023 Statutory Funding Formula Suspensions	 \$ 35,916,000
 <u>Non-Statutory</u>	
Universities - Building Renewal	201,446,500 <u>6/</u>
 Total - FY 2023 Non-Statutory Funding Formula Suspensions	 \$ 201,446,500

- 1/ Represents the General Fund cost of funding formulas that are currently suspended on an annual basis.
- 2/ Represents the unfunded inflation adjustment for the STEM and Workforce Programs formula. Using an inflation rate of 4.16%, the formula would provide \$219 or \$167 in per-FTSE funding, based on district size.
- 3/ The dollar value of the suspensions of Operating State Aid for Maricopa and Pima Community Colleges is unknown because formula growth is based on multiplying the change in student count by the current year average state aid per student. Both Maricopa and Pima do not receive funding in FY 2023.
- 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 FY 2023 Environment Budget Reconciliation Bill transfers \$15,000,000 for WQARF, but does not permit any additional corporate income tax adjustment above that level.
- 5/ Based on the required 2:1 match of state funds for student fees levied by the universities, the total FY 2023 General Fund contribution would be \$45,316,000. Of this amount, the budget continues \$10,041,200 in General Fund support.
- 6/ Based on agency estimates. Reflects amount above the appropriation in the FY 2023 budget.

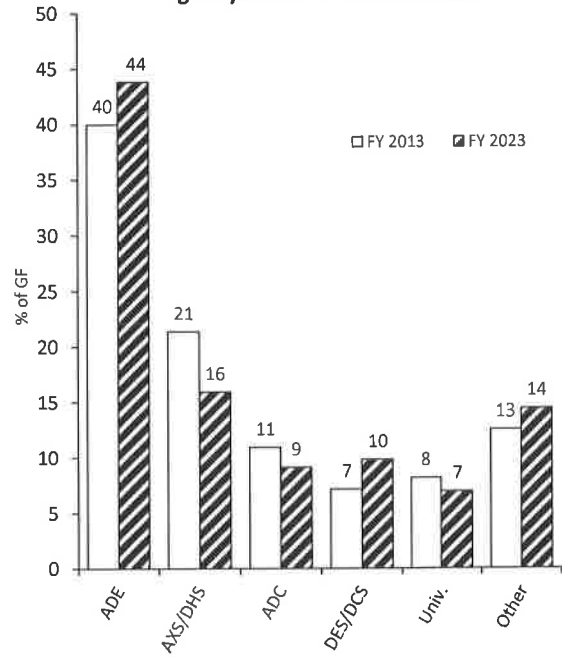
"THEN AND NOW" - FY 2013 vs. FY 2023 General Fund Spending

**Comparison of 10 Largest General Fund Budgets 1/
(\$ in Millions)**

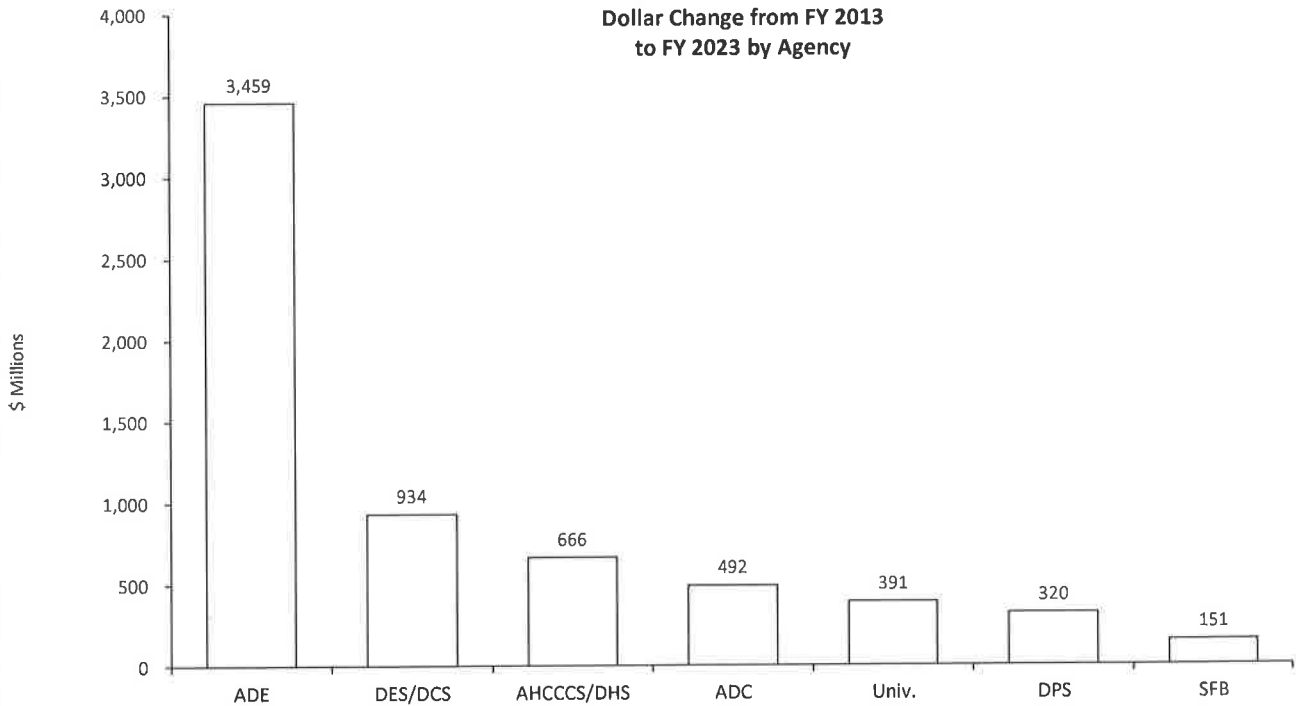
	FY 13 Actuals	FY 23 Approp.	\$ Change FY 13-23	% Change FY 13-23
K-12 Education (ADE)	\$ 3,465.0	\$ 6,923.9	\$ 3,458.9	99.8
AHCCCS / DHS 2/	1,850.1	2,515.9	665.7	36.0
Corrections	946.4	1,438.0	491.6	51.9
Universities	705.2	1,095.8	390.5	55.4
Economic Security	425.2	1,079.1	653.9	3/ 153.8
Child Safety	193.1	472.9	279.8	3/ 144.9
School Facilities Board	173.7	324.7	150.9	86.9
Judiciary	108.6	161.9	53.4	49.1
Public Safety	43.8	364.2	320.3	730.7
Other	752.8	1,424.1	671.3	89.2
TOTAL	\$ 8,664.0	\$ 15,800.3	\$ 7,136.3	82.4%

- 1/ Represents individual agency General Fund spending only. Excludes administrative adjustments and revertsments.
- 2/ AHCCCS and DHS budgets displayed together to provide comparison of total healthcare spending in FY 2013 and FY 2023.
- 3/ DCS was part of DES prior to FY 2015. DCS figures reflect child-welfare related spending.

Agency Share of General Fund



**Dollar Change from FY 2013
to FY 2023 by Agency**



"THEN AND NOW" - FY 2013 vs. FY 2023 General Fund Revenue and Ending Balances

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

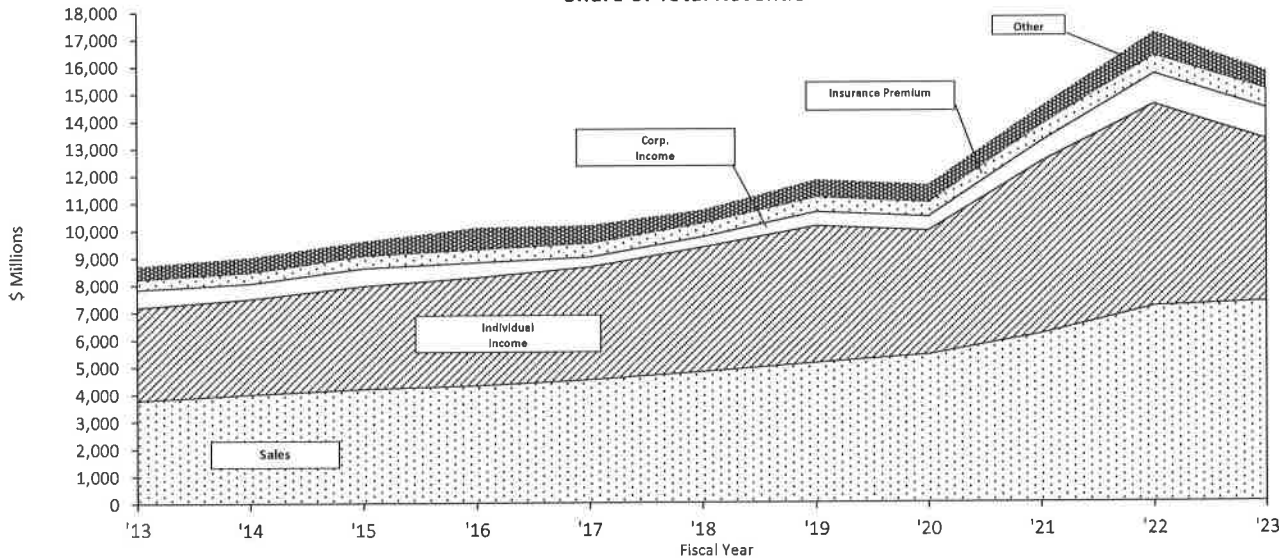
Fiscal Year	Revenue	Expenditures	Ending Balance	Ending Balance as a % of Revenue
2013	9,559.5	8,664.0	895.5	9.4%
2014	9,381.3	8,803.9	577.4	6.2%
2015	9,581.9	9,269.6	312.3	3.3%
2016	9,796.6	9,512.6	284.0	2.9%
2017	9,786.5	9,635.6	150.9	1.5%
2018	10,258.1	9,808.5	449.6	4.4%
2019	11,681.4	10,724.1	957.2	8.2%
2020	11,927.3	11,554.8	372.5	3.1%
2021	14,489.1	13,594.5	894.6	6.2%
2022	17,313.9	12,804.9	4,508.9	26.0%
2023	16,832.3	15,755.3	1,077.0	6.4%

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

Fiscal Year	Sales	Indiv. Income	Corp. Income	Ins. Premium	Other
2013 <u>4/</u>	43.4%	39.0%	7.6%	4.4%	5.6%
2014	44.2%	38.6%	6.4%	4.6%	6.3%
2015	43.6%	39.1%	6.9%	4.7%	5.7%
2016	42.6%	39.2%	5.4%	4.9%	7.9%
2017	44.3%	40.6%	3.6%	5.0%	6.5%
2018	44.7%	42.4%	3.5%	4.8%	4.7%
2019	43.2%	42.4%	4.4%	4.7%	5.4%
2020	46.4%	39.0%	4.4%	4.6%	5.6%
2021	42.5%	43.5%	5.2%	4.2%	4.7%
2022	41.6%	43.1%	6.5%	3.9%	4.9%
2023 <u>5/</u>	46.4%	37.8%	7.2%	4.4%	4.2%

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

General Fund Major Tax Sources as a Share of Total Revenue



BUDGET DETAIL

SUMMARY OF APPROPRIATED FUNDS BY AGENCY
Fiscal Years 2022 and 2023 1/

	Fiscal Year 2022			Fiscal Year 2023		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
<u>BUDGET UNITS</u>						
Accountancy, State Board of	\$0	\$2,051,800	\$2,051,800	\$0	\$2,236,600	\$2,236,600
Acupuncture Examiners, Board of	0	176,800	176,800	0	196,800	196,800
Administration, Arizona Department of	18,292,500	200,123,800	218,416,300	68,950,900	215,998,200	284,949,100
- Automation Projects Fund	3,614,100	32,060,700	35,674,800	28,747,000	59,331,900	88,078,900
- School Facilities Division	383,926,500	0	383,926,500	324,672,200	0	324,672,200
Administrative Hearings, Office of	891,800	0	891,800	998,900	0	998,900
African-American Affairs, Arizona Commission of	128,800	0	128,800	146,600	0	146,600
Agriculture, Arizona Department of	16,915,700	1,734,600	18,650,300	24,954,600	1,878,300	26,832,900
AHCCCS	1,915,630,200	416,468,700	2,332,098,900	2,321,039,900	380,182,300	2,701,222,200
Arts, Arizona Commission on the	0	0	0	5,000,000	0	5,000,000
Athletic Training, Board of	0	127,000	127,000	0	157,300	157,300
Attorney General - Department of Law	24,739,800	60,389,300	85,129,100	29,522,900	75,781,500	105,304,400
Barbering and Cosmetology Board	0	0	0	0	2,864,800	2,864,800
Barbers, Board of	0	408,900	408,900	0	0	0
Behavioral Health Examiners, Board of	0	1,776,100	1,776,100	0	2,179,700	2,179,700
Charter Schools, State Board for	2,103,000	0	2,103,000	3,328,200	0	3,328,200
Child Safety, Department of	405,728,800	290,993,200	696,722,000	472,867,200	204,286,300	677,153,500
Chiropractic Examiners, State Board of	0	437,000	437,000	0	488,700	488,700
Commerce Authority, Arizona	78,925,000	0	78,925,000	41,050,000	5,000,000	46,050,000
Community Colleges, Arizona	108,904,700	0	108,904,700	114,781,400	0	114,781,400
Contractors, Registrar of	0	12,590,300	12,590,300	0	13,754,600	13,754,600
Corporation Commission	623,100	27,326,600	27,949,700	807,200	30,278,300	31,085,500
Corrections, State Department of	1,284,309,400	53,347,900	1,337,657,300	1,437,963,200	58,149,800	1,496,113,000
Cosmetology, Board of	0	1,856,700	1,856,700	0	0	0
County Funding	20,650,700	0	20,650,700	17,650,700	0	17,650,700
Criminal Justice Commission, Arizona	1,000,000	7,174,600	8,174,600	14,600,000	7,280,400	21,880,400
Deaf and the Blind, Schools for the	23,255,700	32,063,800	55,319,500	26,677,900	35,468,600	62,146,500
Deaf and the Hard of Hearing, Commission for the	0	4,631,900	4,631,900	0	4,966,000	4,966,000
Dental Examiners, State Board of	0	1,815,800	1,815,800	0	1,937,500	1,937,500
Economic Opportunity, Office of	470,300	0	470,300	525,800	0	525,800
Economic Security, Department of	850,052,500	1,491,838,200	2,341,890,700	1,079,053,000	386,329,800	1,465,382,800
Education, State Board of	2,340,000	0	2,340,000	3,407,600	0	3,407,600
Education, Department of	5,910,547,300	322,567,600	6,233,114,900	6,923,894,300	339,106,400	7,263,000,700
Emergency and Military Affairs, Department. of	13,367,800	1,930,400	15,298,200	29,607,200	211,192,400	240,799,600
Environmental Quality, Department of	15,000,000	75,619,400	90,619,400	22,900,000	90,248,500	113,148,500
Equal Opportunity, Governor's Office of	0	191,300	191,300	0	211,400	211,400
Equalization, State Board of	670,700	0	670,700	787,900	0	787,900
Executive Clemency, Board of	1,153,600	0	1,153,600	1,336,800	0	1,336,800
Exposition and State Fair Board, Arizona	0	13,297,500	13,297,500	0	19,056,800	19,056,800
Forestry and Fire Management, Arizona Department of	16,727,600	0	16,727,600	129,473,400	0	129,473,400
Funeral Directors and Embalmers, Board of	0	402,800	402,800	0	494,800	494,800
Game and Fish Department, Arizona	0	46,791,700	46,791,700	0	51,987,000	51,987,000
Gaming, Department of	16,156,400	17,073,100	33,229,500	16,956,500	22,050,000	39,006,500
Governor, Office of the	9,813,600	0	9,813,600	9,276,100	0	9,276,100
Governor's Office of Strategic Planning and Budgeting	2,688,700	0	2,688,700	2,961,400	0	2,961,400

	Fiscal Year 2022			Fiscal Year 2023		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Health Services, Department of	103,419,200	58,939,000	162,358,200	194,834,300	58,241,500	253,075,800
Historical Society, Arizona	2,906,000	0	2,906,000	3,214,700	0	3,214,700
Historical Society, Prescott	900,600	0	900,600	1,016,100	0	1,016,100
Homeland Security, AZ Department of	0	0	0	12,000,000	11,930,300	23,930,300
Homeopathic and Integrated Medicine Examiners, Board of	0	46,000	46,000	0	51,900	51,900
Housing, Arizona Department of	0	322,700	322,700	70,000,000	367,400	70,367,400
Independent Redistricting Commission	7,900,000	0	7,900,000	0	0	0
Industrial Commission of Arizona	95,000	20,125,200	20,220,200	84,600	21,976,700	22,061,300
Insurance and Financial Institutions, Department of	7,663,400	10,067,500	17,730,900	8,213,000	12,181,600	20,394,600
Judiciary						
Supreme Court	22,234,700	31,044,800	53,279,500	29,047,400	33,310,900	62,358,300
Court of Appeals	16,790,800	0	16,790,800	22,523,200	0	22,523,200
Superior Court	106,655,000	11,975,600	118,630,600	110,359,700	12,014,000	122,373,700
SUBTOTAL - Judiciary	145,680,500	43,020,400	188,700,900	161,930,300	45,324,900	207,255,200
Juvenile Corrections, Department of	30,696,600	14,921,900	45,618,500	38,607,700	15,070,000	53,677,700
Land Department, State	13,315,100	12,588,700	25,903,800	14,659,300	13,289,400	27,948,700
Legislature						
Auditor General	20,723,500	0	20,723,500	26,991,600	0	26,991,600
House of Representatives	21,429,300	0	21,429,300	27,020,300	0	27,020,300
Joint Legislative Budget Committee	2,841,900	0	2,841,900	3,144,500	0	3,144,500
Legislative Council	10,090,400	0	10,090,400	9,546,500	0	9,546,500
Ombudsman-Citizens Aide Office	0	0	0	1,516,200	0	1,516,200
Senate	17,969,100	0	17,969,100	23,385,300	0	23,385,300
SUBTOTAL - Legislature	73,054,200	0	73,054,200	91,604,400	0	91,604,400
Liquor Licenses and Control, Department of	0	4,456,300	4,456,300	0	7,112,500	7,112,500
Lottery Commission, Arizona State	0	164,067,900	164,067,900	0	170,261,900	170,261,900
Massage Therapy, Board of	0	473,700	473,700	0	603,800	603,800
Medical Board, Arizona	0	7,507,100	7,507,100	0	8,291,700	8,291,700
Mine Inspector, State	1,558,200	112,900	1,671,100	2,819,000	112,900	2,931,900
Naturopathic Physicians Medical Board	0	193,200	193,200	0	212,000	212,000
Navigable Stream Adjudication Commission	129,300	200,000	329,300	144,200	200,000	344,200
Nursing, State Board of	0	5,275,100	5,275,100	0	5,885,000	5,885,000
Nursing Care Institution Administrators Board <u>2/</u>	0	526,100	526,100	0	627,400	627,400
Occupational Therapy Examiners, Board of	0	199,900	199,900	0	266,400	266,400
Opticians, State Board of Dispensing	0	162,600	162,600	0	193,100	193,100
Optometry, State Board of	0	241,900	241,900	0	298,800	298,800
Osteopathic Examiners, Arizona Board of <u>3/</u>	0	1,067,600	1,067,600	0	1,384,500	1,384,500
Parks Board, Arizona State	9,000,000	20,839,500	29,839,500	6,500,000	19,547,400	26,047,400
Personnel Board, State	0	326,400	326,400	0	345,000	345,000
Pharmacy, Arizona State Board of	0	3,083,900	3,083,900	0	3,537,000	3,537,000
Physical Therapy, Board of	0	504,100	504,100	0	630,900	630,900
Pioneers' Home, Arizona	0	7,043,200	7,043,200	0	8,343,300	8,343,300
Podiatry Examiners, State Board of	0	168,200	168,200	0	185,800	185,800
Postsecondary Education, Commission for	1,680,900	1,537,100	3,218,000	0	0	0
Private Postsecondary Education, Board for	0	413,500	413,500	0	453,800	453,800
Psychologist Examiners, State Board of	0	550,800	550,800	0	650,500	650,500
Public Safety, Department of	291,650,400	136,328,100	427,978,500	364,162,500	82,444,000	446,606,500
Public Safety Personnel Retirement System	1,145,086,400	15,000,000	1,160,086,400	66,000,000	0	66,000,000
Real Estate Department, State	2,922,100	0	2,922,100	3,221,000	0	3,221,000
Residential Utility Consumer Office	0	1,352,200	1,352,200	0	1,578,900	1,578,900
Respiratory Care Examiners, Board of	0	324,100	324,100	0	406,800	406,800
Retirement System, Arizona State	0	25,048,400	25,048,400	0	28,135,600	28,135,600

	Fiscal Year 2022			Fiscal Year 2023		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Revenue, Department of	53,542,400	27,161,200	80,703,600	59,863,300	30,223,500	90,086,800
Secretary of State	12,907,700	1,479,300	14,387,000	22,237,100	1,818,400	24,055,500
Tax Appeals, State Board of	283,300	0	283,300	317,700	0	317,700
Technical Registration, State Board of	0	2,352,900	2,352,900	0	2,641,000	2,641,000
Tourism, Office of	8,481,500	0	8,481,500	10,302,600	0	10,302,600
Transportation, Department of	3,300,000	467,545,100	470,845,100	0	599,435,800	599,435,800
Treasurer, State	3,010,200	9,767,500	12,777,700	8,560,800	6,148,900	14,709,700
Tribal Relations, Governor's Office on	63,500	0	63,500	69,900	0	69,900
Universities						
Board of Regents	29,916,000	0	29,916,000	90,238,000	0	90,238,000
Arizona State University	385,261,900	597,718,800	982,980,700	465,044,700	597,483,500	1,062,528,200
Northern Arizona University	135,452,400	134,983,300	270,435,700	164,151,500	134,964,500	299,116,000
University of Arizona - Main Campus	250,739,100	304,589,000	555,328,100	299,423,000	304,407,700	603,830,700
University of Arizona - Health Sciences Center	76,897,700	56,363,300	133,261,000	76,897,700	56,363,300	133,261,000
SUBTOTAL - Universities	878,267,100	1,093,654,400	1,971,921,500	1,095,754,900	1,093,219,000	2,188,973,900
Veterans' Services, Department of	8,625,500	50,519,000	59,144,500	12,449,200	60,584,500	73,033,700
Veterinary Medical Examining Board	0	601,800	601,800	0	770,500	770,500
Water Infrastructure Finance Authority	12,000,000	0	12,000,000	10,000,000	0	10,000,000
Water Resources, Department of	18,424,400	2,506,600	20,931,000	25,364,500	2,017,700	27,382,200
OPERATING BUDGET SUBTOTAL	\$13,965,191,800	\$5,329,890,500	\$19,295,082,300	\$15,437,869,900	\$4,540,096,700	\$19,977,966,600
Unallocated '22 One-Time HITF Employer Premium	0	7,986,500	7,986,500	0	0	0
Unallocated '22 Risk Management Adjustments	6,400	(70,900)	(64,500)	0	0	0
Unallocated '22 Retirement Adjustments	0	1,987,400	1,987,400	0	0	0
Unallocated '22 AFIS Transaction Fee	4,700	472,900	477,600	0	0	0
Unallocated '22 Rent Adjustments	0	100,700	100,700	0	0	0
Unallocated '22 Fleet Adjustments	0	704,700	704,700	0	0	0
Unallocated '23 AFIS Transaction Fee	0	0	0	0	18,900	18,900
Unallocated '23 Rent Adjustments	0	0	0	(1,200)	(165,800)	(167,000)
Unallocated '23 Retirement Adjustments	0	0	0	0	(440,800)	(440,800)
Unallocated '23 HITF Employer Premium Increase	0	0	0	0	7,775,800	7,775,800
Unallocated '23 HRIS Fee Adjustments	0	0	0	2,100	355,300	357,400
Unallocated '23 IT Pro Rata Adjustments	0	0	0	0	140,300	140,300
Unallocated '23 Fleet Adjustments	0	0	0	0	113,600	113,600
Unallocated '23 Salary Adjustments	0	0	0	153,500	1,163,200	1,316,700
University (27th) Pay Period	20,052,100	36,887,300	56,939,400	0	0	0
New ADE Enrollment Reversion	(389,100,000)	0	(389,100,000)	0	0	0
New Medicaid Federal Match Reversion	(285,844,400)	0	(285,844,400)	0	0	0
Federal Funds Offset	(635,000,000)	0	(635,000,000)	0	0	0
Capital Outlay - Debt Payoff (DHS/ADC State Buildings)	93,500,000	0	93,500,000	0	0	0
Capital Outlay Projects	92,632,900	515,869,700	608,502,600	321,257,400	1,488,186,900	1,809,444,300
Capital Outlay - Phoenix Convention Center Debt Service	24,498,500	0	24,498,500	24,999,400	0	24,999,400
Capital Outlay - Rio Nuevo District Distribution	16,000,000	0	16,000,000	16,000,000	0	16,000,000
Administrative Adjustments	160,000,000	0	160,000,000	170,000,000	0	170,000,000
Reversions	(257,000,000)	0	(257,000,000)	(215,000,000)	0	(215,000,000)
GRAND TOTAL	\$12,804,942,000	\$5,893,828,800	\$18,698,770,800	\$15,755,281,100	\$6,037,244,100	\$21,792,525,200

1/ This table summarizes FY 2022 and FY 2023 appropriations from the 2nd Regular Session of the 55th Legislature and all prior sessions.

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

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

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

	FY 2022		FY 2023	
	General Fund	Other Funds	General Fund	Other Funds
ARIZONA DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM				
Administration, Arizona Department of				
Building Renewal for ADOA System (excluding Corrections)	\$ 6,200,000	\$ 18,000,000	\$ 37,594,200	\$ 16,000,000
Air Handler Units	\$ 3,500,000			
1601/1645 W. Jefferson Demolition and Central Plan Conversion	\$ 2,800,000			
West Adams Building Renovation			\$ 47,274,000	\$ 5,000,000
Building Demolition			\$ 1,568,000	
Taylor Rodeo Arena	\$ 1,000,000			
Dark Sky Discovery Center	\$ 2,500,000		\$ 2,500,000	
Northern Arizona Observatory			\$ 5,000,000	
Homeless Veterans Housing			\$ 2,386,600	
Tribal Capital Improvements			\$ 7,500,000	
Debt Payoff 2/	\$ 93,500,000			
Subtotal - Department of Administration	\$ 109,500,000	\$ 18,000,000	\$ 103,822,800	\$ 21,000,000
Attorney General				
Deferred Maintenance 15 S 15 th Ave		\$ 4,000,000		
Corrections, State Department of				
Building Renewal for Corrections Facilities	\$ 22,205,800	\$ 5,864,300	\$ 30,551,100	\$ 5,864,300
Statewide Fire, Doors, and Locks			\$ 20,400,000	
Eyman Fire and Life Safety Upgrades	\$ 10,000,000	\$ 15,564,400		
Statewide HVAC			\$ 47,600,000	
Lewis/Yuma Locks, Fire, HVAC				
Subtotal - State Department of Corrections	\$ 32,205,800	\$ 21,428,700	\$ 98,551,100	\$ 5,864,300
Deaf and the Blind, Arizona State Schools for the				
Classroom Notification System Replacement		\$ 150,000	\$ 96,000	
Security Upgrades			\$ 420,000	
Food Service Equipment Replacement			\$ 350,000	
Subtotal - ASDB	\$ -	\$ 150,000	\$ 866,000	\$ -
Emergency and Military Affairs, Department of				
Fire Suppression and Roof Replacement	\$ 927,100	\$ 191,000		
Yuma County Fairgrounds Relocation	\$ 5,000,000			
Tucson Readiness Center			\$ 1,800,000	
Statewide Fire Suppression			\$ 1,151,100	
Subtotal - Department of Emergency and Military Affairs	\$ 5,927,100	\$ 191,000	\$ 2,951,100	\$ -
Exposition and State Fair Board, AZ				
Capital Improvement Projects	\$ 1,000,000			\$ 1,000,000
Veterans Memorial Coliseum Fire Alarm	\$ 1,000,000			
Subtotal - Exposition and State Fair Board, AZ	\$ 2,000,000	\$ -	\$ -	\$ 1,000,000
Game and Fish Department, Arizona				
Building Renewal		\$ 1,215,800		\$ 1,459,600
Hatchery Maintenance		\$ 400,000		
Property Maintenance		\$ 300,000		\$ 300,000
Dam Maintenance		\$ 150,000		\$ 150,000
Hatchery Capital Renewal		\$ 2,600,000		
Subtotal - Arizona Game and Fish Department	\$ -	\$ 4,665,800	\$ -	\$ 1,909,600
Health Services, Department of				
Demolition of Unused Buildings at the State Hospital		\$ 2,000,000		
Judiciary				
Air Handler and Sewer Replacement			\$ 3,200,000	
Juvenile Corrections, Department of				
Door Replacement		\$ 2,500,000		
Water and Waste Chase Closet Replacement			\$ 400,000	
Subtotal - DJC	\$ -	\$ 2,500,000	\$ 400,000	\$ -
Legislative Council				
Historic Capitol Renovations and Repairs	\$ 11,500,000	\$ 400,000		
Capitol Improvements			\$ 5,700,000	
Subtotal - Legislative Council	\$ 11,500,000	\$ 400,000	\$ 5,700,000	\$ -
Liquor Licenses and Control, Department of				
Space Reconfiguration				\$ 3,500,000
Lottery Commission, Arizona State				
Building Renewal		\$ 152,800		\$ 176,400
Parks Board, Arizona State				
Capital Improvement Projects		\$ 2,396,700		\$ 2,742,800
Kartchner Cavern Discovery Center Roof Replacement		\$ 450,000		
Dead Horse Amphitheater		\$ 150,000		\$ 210,000
Red Rock Fire Suppression System		\$ 126,000		
Red Rock Maintenance Building		\$ 435,200		
Rockin' River Ranch State Park Project		\$ 750,000		\$ 336,800
Jerome Fire Suppression System				\$ 1,540,000
Southern Construction Services Relocation				\$ 2,000,000

	FY 2022		FY 2023	
	General Fund	Other Funds	General Fund	Other Funds
Tonto Natural Bridge Historic Building Renovation				\$ 3,500,000
Tombstone Courthouse Renovation				\$ 2,008,500
Rockin' River Ranch Renovation				\$ 1,750,000
Catalina Main Entrance Bridge				\$ 1,500,000
Statewide Campground Improvements				\$ 4,100,000
Statewide Sunshade Structures				\$ 2,233,333
Statewide Water Conservation				\$ 1,339,000
Smart Phone Application				\$ 535,600
Subtotal - Arizona State Parks Board	\$ -	\$ 4,307,900	\$ -	\$ 23,796,033
Pioneers' Home, Arizona				
Capital Improvements		\$ 353,100		\$ 396,500
Public Safety, Department of				
Remove Officer Housing			\$ 9,750,000	
Wellness and Training Center		\$ 3,000,000		
Evidentiary Vehicle Storage			\$ 1,016,400	
Subtotal - Department of Public Safety	\$ -	\$ 3,000,000	\$ 10,766,400	\$ -
Veterans' Services, Department of				
Northwestern Arizona Home Construction	\$ 25,000,000			
SUBTOTAL - ADOA BUILDING SYSTEM	\$ 186,132,900	\$ 61,149,300	\$ 226,257,400	\$ 57,642,833
ARIZONA BOARD OF REGENTS				
Mining, Mineral, and Natural Resources Educational Museum			\$12,000,000	
ARIZONA DEPARTMENT OF TRANSPORTATION BUILDING SYSTEM				
Arizona Department of Transportation				
Building Renewal		\$15,710,400		\$18,607,200
Airport Planning and Development		26,000,000		27,100,000
Airport Improvements				20,000,000
Highway Construction		361,110,000		470,373,000
Wickenburg Maintenance Facilities		3,150,000		2,985,000
Liquid Brine Tanks		1,950,000		400,000
Vehicle Fueling Stations		1,800,000		3,398,100
Interstate 17, Anthem to Sunset Point		45,000,000		
206 Annex Building				9,309,300
Superior De-Icer Storage Barn				1,200,000
Tucson Signal Equipment Repair Shop				2,124,000
State Match Advantage for Rural Transportation				50,000,000
Pavement Rehabilitation				31,500,000
Prescott Regional Airport Flight Education Complex				600,000
I-10 Widening				400,000,000 ^{3/}
Other Specific Transportation Projects				392,947,500
Tribal Transportation Projects			\$22,000,000	
Loop 101 Slip Ramp			25,000,000	
Ruby Road Bridge			3,000,000	
Cesar Chavez Boulevard			33,000,000 ^{4/}	
SUBTOTAL - ADOT BUILDING SYSTEM	\$0	\$454,720,400	\$83,000,000	\$1,430,544,100
GRAND TOTAL - ALL APPROPRIATIONS	\$186,132,900	\$515,869,700	\$321,257,400	\$1,488,186,933
SUMMARY OF CAPITAL APPROPRIATIONS BY SESSION				
Laws 2019, 1st Regular Session		\$45,000,000		
Laws 2021, 1st Regular Session	\$92,632,900	\$470,869,700		
Laws 2022, 2nd Regular Session	\$93,500,000		\$321,257,400	\$1,488,186,933

^{1/} This table summarizes all capital appropriations for FY 2022 and FY 2023. Appropriations are listed by the state's "building systems." Capital Outlays are budgeted on an annual basis except under special circumstances.

^{2/} Laws 2022, Chapter 313 (FY 2023 General Appropriation Act) included \$93,500,000 from the from General Fund for Debt Payoff in FY 2022.

^{3/} Laws 2022, Chapter 218, as amended by Laws 2022, Chapter 309 appropriated \$400,000,000 from the State Highway Fund in FY 2023 to widen Interstate 10 between Chandler and Casa Grande.

^{4/} Laws 2022, Chapter 331 appropriated \$33,000,000 from the General Fund in FY 2023 to construct, widen, repair and upgrade Cesar Chavez Blvd in the City of San Luis.

SUMMARY OF ADDITIONAL OPERATING AND STATUTORY APPROPRIATIONS 1/ 2/

GENERAL FUND

	<u>FY 2022</u>	<u>FY 2023</u>
Administration, Arizona Department of		
Laws 2022, Ch. 38 (SB 1247) Appropriations; Named Claimants	37,500	
Attorney General - Department of Law		
23-263 - Military Airport Planning; Appropriation	85,000	85,000
Child Safety, Department of		
Laws 2022, Ch. 329 (HB 2274) Appropriation; Stipend; Kinship Foster Care		19,811,200
Commerce Authority, Arizona		
43-409 - Arizona Commerce Authority Income Tax Withholding	15,500,000	15,500,000
Community Colleges		
42-5031.01 - Indian Tribal Postsecondary Educational Institutions	2,856,100	3,014,800
15-1469.01 - Rural County Allocation	4,337,300	4,337,300
Subtotal - Community Colleges	<u>7,193,400</u>	<u>7,352,100</u>
Corrections, State Department of		
Laws 2022, Ch. 38 (SB 1247) Appropriations; Named Claimants	7,100	
Education, Department of		
Laws 2022, Ch. 388 (HB 2853) Arizona Empowerment Scholarship Accounts; Appropriation		2,200,000
Laws 2015, 1st Special Session, Ch. 1 (HB 2001) Schools; Base Level; Appropriations	75,000,000	75,000,000
Subtotal - Department of Education	<u>75,000,000</u>	<u>77,200,000</u>
Emergency and Military Affairs, Department of		
Laws 2022, Ch. 38 (SB 1247) Appropriations; Named Claimants	700	
26-263 - Military Airport Planning; Appropriation	90,000	90,000
35-192 - Governor's Emergency Authority	4,000,000	4,000,000
Subtotal - Department of Emergency and Military Affairs	<u>4,090,700</u>	<u>4,090,000</u>
Environmental Quality, Department of		
49-282 - WQARF Priority Site Remediation	15,000,000	15,000,000 <u>3/</u>
Equalization, Board of		
Laws 2022, Ch. 38 (SB 1247) Appropriations; Named Claimants	6,800	
Executive Clemency, Board of		
Laws 2022, Ch. 38 (SB 1247) Appropriations; Named Claimants	300	
Forestry and Fire Management, Arizona Department of		
37-1305 - Wildland Fire Emergency	3,000,000	3,000,000
Judiciary - Supreme Court		
Laws 2021, Ch. 432 (SB 1294) Sentencing Records; Sealing Arrest; Liability		500,000
Public Safety Personnel Retirement System		
Laws 2022, Ch. 325 (SB 1086) Appropriation; Unfunded Liability; PSPRS; CORP	87,707,700	
Laws 2022, Ch. 323 (SB 1002) EORP; Appropriation; Resignation; Retirement		60,000,000
38-810 - EORP Closure	5,000,000	5,000,000
Subtotal - Public Safety Personnel Retirement System	<u>92,707,700</u>	<u>65,000,000</u>
Secretary of State		
Laws 2022, Ch. 358 (SB 1411) Early Ballots; Tracking System		250,000
Office of Tourism		
Laws 2022, Ch. 364 (SB 1710) Sports; Tourism; Film Authority; Appropriation		750,000
Treasurer, State		
Laws 2022, Ch. 333 (SB 1712) Victim Notification; Victims' Rights; Appropriation		3,800,000
41-2308 - Special Sporting Event Marketing	1,500,000	1,500,000
Subtotal - State Treasurer	<u>1,500,000</u>	<u>5,300,000</u>
Arizona State University		
15-1671 - University Infrastructure Capital Financing	12,533,500	12,784,200
15-1670 - University Research Infrastructure Financing	13,451,900	13,462,100
Subtotal - Arizona State University	<u>25,985,400</u>	<u>26,246,300</u>
Northern Arizona University		
15-1671 - University Infrastructure Capital Financing	4,750,600	4,845,600
15-1670 - University Research Infrastructure Financing	5,039,800	5,301,500
Subtotal - Northern Arizona University	<u>9,790,400</u>	<u>10,147,100</u>

University of Arizona - Main Campus		
15-1671 - University Infrastructure Capital Financing	11,087,900	11,309,700
15-1670 - University Research Infrastructure Financing	14,248,900	14,252,500
Subtotal - University of Arizona - Main Campus	<u>25,336,800</u>	<u>25,562,200</u>
Water Resources, Department of		
Laws 2022, Ch. 366 (SB 1740) Water Infrastructure Financing; Supply; Augmentation		3,500,000
Other		
9-602 - Phoenix Convention Center Financing	24,498,500	24,999,400
42-5031 - Rio Nuevo Multi-Purpose Facility District	<u>16,000,000</u>	<u>16,000,000</u>
GENERAL FUND TOTAL	<u>315,739,600</u>	<u>320,293,300</u>

OTHER FUNDS

	<u>FY 2022</u>	<u>FY 2023</u>
Administration, Arizona Department of		
Laws 2022, Ch. 38 (SB 1247) Appropriations; Named Claimants	7,300	
Agriculture, Department of		
Laws 2021, Ch. 71 (HB 2026) Nuclear Emergency Management; Appropriations; Assessments	280,500	280,500
AHCCCS		
Laws 2022, Ch. 2 (HB 2157) Supplemental Appropriations; Community-Based Services	30,121,100	
Attorney General - Department of Law		
Laws 2022, Ch. 333 (SB 1712) Victim Notification; Victims' Rights; Appropriation		1,400,000
Corrections, State Department of		
Laws 2022, Ch. 38 (SB 1247) Appropriations; Named Claimants	8,900	
Emergency and Military Affairs, Department of		
Laws 2021, Ch. 71 (HB 2026) Nuclear Emergency Management; Appropriations; Assessments	1,930,400	1,987,400
Industrial Commission of Arizona		
Laws 2022, Ch. 38 (SB 1247) Appropriations; Named Claimants	3,200	
Transportation, Department of		
Laws 2022, Ch. 38 (SB 1247) Appropriations; Named Claimants	29,900	
OTHER FUNDS TOTAL	<u>32,381,300</u>	<u>3,667,900</u>

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

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

**PREVIOUSLY ENACTED APPROPRIATIONS
FY 2023 and BEYOND 1/**

GENERAL FUND

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<u>Arizona Department of Administration</u>			
Laws 2021, Ch. 408 - School Financial Transparency Reporting System	1,500,000	1,500,000	
<u>Arizona Department of Administration - School Facilities Division</u>			
Laws 2021, Ch. 408/Laws 2022, Ch. 313 - New School Facilities Fund	47,950,000	31,753,900	
Laws 2021, Ch. 408 - Yuma Union High School District New School Construction	16,515,200		
<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	15,500,000	15,500,000	15,500,000
<u>Community Colleges</u>			
A.R.S. § 42-5031.01 - Indian Tribal Postsecondary Institutions <u>2/</u>	3,014,800	3,014,800	3,014,800
A.R.S. § 15-1469.01 - Rural County Allocation <u>3/</u>	4,582,000	4,582,000	4,582,000
<u>Education, Department of</u>			
Laws 2015, 1st Special Session, Ch. 1 - State Aid Supplement (through FY 2025)	75,000,000	75,000,000	75,000,000
Laws 2021, Ch. 408/Laws 2022, Ch. 313 - Basic State Aid (Rollover)	865,727,700	800,727,700	
A.R.S. § 42-15001 - Lower Assessment Ratio for Commercial Property (FY 2027)	<u>4/</u>	<u>4/</u>	<u>4/</u>
Laws 2022, Ch. 313 - Basic State Aid - Charter Additional Assistance		17,978,000	23,836,000
Laws 2022, Ch. 313 - Basic State Aid - District Additional Assistance		71,022,000	94,164,000
Laws 2022, Ch. 313 - Basic State Aid - FRPL Group B Weight		63,000,000	100,000,000
<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 <u>5/</u>	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>Judiciary - Supreme Court</u>			
Laws 2021, Ch. 432 - Records Sealing	500,000		
<u>Public Safety Personnel Retirement System</u>			
Laws 2019, Ch. 263 - Prescott Fire Dept. Pension Liability (through FY 2026)	1,000,000	1,000,000	1,000,000
A.R.S. § 38-810 - EORP Closure (through FY 2043)	5,000,000	5,000,000	5,000,000
<u>Secretary of State</u>			
Laws 2019, Ch. 275 - Electronic Repository and 1 FTE		70,000	

	FY 2023	FY 2024	FY 2025
<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
Laws 2022, Ch. 313 - County Election Funding		6,000,000	
Laws 2022, Ch. 313 - Election Security Funding		5,000,000	6,000,000
<u>Arizona State University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	13,462,100	13,468,200	13,459,300
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	12,784,200	13,039,900	13,300,700
<u>Northern Arizona University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	5,301,500	5,302,900	4,885,500
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	4,845,600	4,942,500	5,041,400
<u>University of Arizona</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	14,252,500	14,255,300	14,247,300
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	11,309,700	11,535,900	11,766,600
<u>Water Infrastructure Finance Authority</u>			
Laws 2022, Ch. 366 - Long-Term Water Augmentation Fund	<u>8/</u>	333,000,000	333,000,000
<u>Other</u>			
A.R.S. § 9-602 - Phoenix Convention Center Financing <u>9/</u>	24,999,400	25,498,600	25,998,700
A.R.S. § 42-5031 - Rio Nuevo Multi-Purpose Facility District <u>10/</u>	16,000,000	16,000,000	16,000,000
TOTAL	1,163,919,700	1,562,866,700	790,471,300

OTHER FUNDS

	FY 2023	FY 2024	FY 2025
<u>Arizona Department of Administration</u>			
Laws 2021, Ch. 408 - School Financial Transparency Reporting System	1,500,000	1,500,000	
<u>Department of Agriculture</u>			
Laws 2021, Ch. 71 - Nuclear Emergency Management Fund	280,500		
<u>Attorney General - Department of Law</u>			
Laws 2019, Ch. 263 - Criminal Division	2,350,000		
<u>Department of Emergency and Military Affairs</u>			
Laws 2021, Ch. 71 - Nuclear Emergency Management Fund	1,987,400		
<u>Arizona State Parks Board</u>			
Laws 2022, Ch. 309 - Catalina Main Entrance Bridge		5,813,000	
Laws 2022, Ch. 309 - Statewide Campground Improvements		4,100,000	4,100,000
Laws 2022, Ch. 309 - Statewide Sunshade Structures		2,233,333	2,233,333
Laws 2022, Ch. 309 - Statewide Water Conservation		1,339,000	1,339,000
Laws 2022, Ch. 309 - Yuma Territorial Prison Renovation		750,000	5,945,000
Laws 2022, Ch. 309 - Riordan Mansion Renovation		2,900,000	
Laws 2022, Ch. 309 - Oracle Renovation		2,008,500	
Laws 2022, Ch. 309 - Red Rock Renovation			4,000,000
Laws 2022, Ch. 309 - San Rafael Renovation			1,500,000
<u>Arizona Department of Transportation</u>			
Laws 2022, Ch. 309 - SR-97 Improvements Near Bagdad		10,000,000	

	FY 2023	FY 2024	FY 2025
Veterans Services, Department of			
Laws 2018, Ch. 98 - Hyperbaric Oxygen Therapy Fund Reimbursement	25,000		
TOTAL	6,142,900	30,643,833	19,117,333

- 1/ All statutory appropriations are indefinite unless otherwise noted in this report.
- 2/ Pursuant to A.R.S. § 42-5031.01, the JLBC Staff assumes an annual distribution of \$2,625,000 to the Navajo Nation, comprised of \$1,750,000 for Dine College and \$875,000 for Navajo Technical College, and an annual distribution of \$389,800 for the Tohono O'Odham Community College.
- 3/ Pursuant to A.R.S. § 15-1469.01, the JLBC Staff assumes an annual distribution of \$4,582,000 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. 42-15001, as amended by Laws 2022, Ch. 171, reduces the Class 1 (commercial) property assessment ratio from 16.0% in TY 2025 to 15.5% in TY 2026 and 15.0% in TY 2027. Under the state's K-12 Basic State Aid funding formula, lowering the assessment ratio will increase formula costs beginning in FY 2027.
- 5/ 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.
- 6/ 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.
- 7/ 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.
- 8/ Laws 2022, Ch. 366 diverted \$334,000,000 of General Fund transaction privilege tax revenues to the Long-Term Water Augmentation Fund in FY 2023. The bill also appropriated \$333,000,000 to the fund from the General Fund in FY 2024 and FY 2025.
- 9/ 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.
- 10/ Pursuant to A.R.S. § 42-5031, the JLBC Staff assumes an annual distribution of \$16,000,000 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.

SUMMARY OF FISCAL-RELATED VETOES
Fiftieth Legislature - Second Regular Session

Chapter/Bill No.	Reference Title	Description of Vetoed Bill
<i>Full Vetoes</i>		
HB 2685	NOW: transportation tax; Maricopa county; election	Would direct the Maricopa County Board of Supervisors to call a countywide election for the continuation of the county transportation excise tax. Would prescribe the levy and distribution of the excise tax if approved by the voters and establish a transportation tax plan.
SB 1592	governor's declaration; fiscal impact analysis	Would stipulate that the State Treasurer must not withhold any amount from the City of Phoenix related to convention center development during a state of emergency declaration.
<i>Line-Item Vetoes</i>		
Laws 2022, Chapter 313 (HB 2862)	general appropriation act; 2022-2023	General Appropriation Act. Governor line-item vetoed appropriation in Department of Veterans' Services budget which would deposit \$3,640,000 into the Hyperbaric Oxygen Therapy for Military Veterans Fund.

**SUMMARY OF TOTAL SPENDING AUTHORITY BY AGENCY
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
Fiscal Years 2022 and 2023 1/**

	Fiscal Year 2022			Fiscal Year 2023		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
BUDGET UNITS						
Accountancy, State Board of	\$2,051,800	\$0	\$2,051,800	\$2,236,600	\$0	\$2,236,600
Acupuncture Examiners, Board of	176,800	0	176,800	196,800	0	196,800
Administration, Arizona Department of	218,416,300	1,099,998,600	1,318,414,900	284,949,100	1,071,998,600	1,356,947,700
- Automation Projects Fund	35,674,800	0	35,674,800	88,078,900	0	88,078,900
- School Facilities Division	383,926,500	0	383,926,500	324,672,200	0	324,672,200
Administrative Hearings, Office of	891,800	796,100	1,687,900	998,900	796,100	1,795,000
African-American Affairs, Arizona Commission of	128,800	0	128,800	146,600	0	146,600
Agriculture, Arizona Department of	18,650,300	27,963,900	46,614,200	26,832,900	27,963,900	54,796,800
AHCCCS	2,332,098,900	17,420,684,400	19,752,783,300	2,701,222,200	16,173,734,300	18,874,956,500
Arts, Arizona Commission on the	0	5,654,800	5,654,800	5,000,000	5,654,800	10,654,800
Athletic Training, Board of	127,000	0	127,000	157,300	0	157,300
Attorney General - Department of Law	85,129,100	63,439,100	148,568,200	105,304,400	64,669,200	169,973,600
Barbering and Cosmetology Board	0	0	0	2,864,800	0	2,864,800
Barbers, Board of	408,900	0	408,900	0	0	0
Behavioral Health Examiners, Board of	1,776,100	0	1,776,100	2,179,700	0	2,179,700
Charter Schools, State Board for	2,103,000	92,000	2,195,000	3,328,200	92,000	3,420,200
Child Safety, Department of	696,722,000	664,195,900	1,360,917,900	677,153,500	652,973,800	1,330,127,300
Chiropractic Examiners, State Board of	437,000	0	437,000	488,700	0	488,700
Citizens Clean Elections Commission	0	4,878,800	4,878,800	0	4,878,800	4,878,800
Commerce Authority, Arizona	78,925,000	32,154,600	111,079,600	46,050,000	32,154,600	78,204,600
Community Colleges, Arizona	108,904,700	50,925,100	159,829,800	114,781,400	50,925,100	165,706,500
Constable Ethics Standards and Training Board	0	503,700	503,700	0	503,700	503,700
Contractors, Registrar of	12,590,300	4,666,800	17,257,100	13,754,600	4,666,800	18,421,400
Corporation Commission	27,949,700	2,219,500	30,169,200	31,085,500	2,219,500	33,305,000
Corrections, State Department of	1,337,657,300	75,681,100	1,413,338,400	1,496,113,000	75,681,100	1,571,794,100
Cosmetology, Board of	1,856,700	0	1,856,700	0	0	0
County Funding	20,650,700	0	20,650,700	17,650,700	0	17,650,700
Criminal Justice Commission, Arizona	8,174,600	21,245,700	29,420,300	21,880,400	21,245,700	43,126,100
Deaf and the Blind, Schools for the	55,319,500	5,426,400	60,745,900	62,146,500	5,426,400	67,572,900
Deaf and the Hard of Hearing, Commission for the	4,631,900	0	4,631,900	4,966,000	0	4,966,000
Dental Examiners, State Board of	1,815,800	0	1,815,800	1,937,500	0	1,937,500
Early Childhood Development and Health Board, Arizona	0	180,785,000	180,785,000	0	180,785,000	180,785,000
Economic Opportunity, Office of	470,300	12,486,100	12,956,400	525,800	12,510,900	13,036,700
Economic Security, Department of	2,341,890,700	6,448,199,600	8,790,090,300	1,465,382,800	6,955,348,400	8,420,731,200
Education, State Board of	2,340,000	0	2,340,000	3,407,600	0	3,407,600
Education, Department of	6,233,114,900	4,050,178,900	10,283,293,800	7,263,000,700	4,019,678,100	11,282,678,800
Emergency and Military Affairs, Department of	15,298,200	213,699,000	228,997,200	240,799,600	471,104,400	711,904,000
Environmental Quality, Department of	90,619,400	94,305,700	184,925,100	113,148,500	94,305,700	207,454,200
Equal Opportunity, Governor's Office of	191,300	0	191,300	211,400	0	211,400
Equalization, State Board of	670,700	0	670,700	787,900	0	787,900

	Fiscal Year 2022			Fiscal Year 2023		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
Executive Clemency, Board of	1,153,600	23,400	1,177,000	1,336,800	23,400	1,360,200
Exposition and State Fair Board, Arizona	13,297,500	0	13,297,500	19,056,800	0	19,056,800
Forestry and Fire Management, Arizona Department of	16,727,600	59,942,600	76,670,200	129,473,400	59,942,600	189,416,000
Funeral Directors and Embalmers, Board of	402,800	0	402,800	494,800	0	494,800
Game and Fish Department, Arizona	46,791,700	90,765,400	137,557,100	51,987,000	90,765,400	142,752,400
Gaming, Department of	33,229,500	1,520,400	34,749,900	39,006,500	1,520,400	40,526,900
Governor, Office of the	9,813,600	1,388,065,300	1,397,878,900	9,276,100	1,388,065,300	1,397,341,400
Governor's Office of Strategic Planning and Budgeting	2,688,700	0	2,688,700	2,961,400	0	2,961,400
Health Services, Department of	162,358,200	773,093,600	935,451,800	253,075,800	675,887,300	928,963,100
Historical Society, Arizona	2,906,000	1,217,500	4,123,500	3,214,700	1,217,500	4,432,200
Historical Society, Prescott	900,600	628,900	1,529,500	1,016,100	628,900	1,645,000
Homeland Security, Arizona Department of	0	29,280,000	29,280,000	23,930,300	29,280,000	53,210,300
Homeopathic and Integrated Medicine Examiners, Board of	46,000	0	46,000	51,900	0	51,900
Housing, Arizona Department of	322,700	274,565,000	274,887,700	70,367,400	274,565,000	344,932,400
Independent Redistricting Commission	7,900,000	0	7,900,000	0	0	0
Industrial Commission of Arizona	20,220,200	18,008,100	38,228,300	22,061,300	18,008,100	40,069,400
Insurance and Financial Institutions, Department of	17,730,900	22,873,800	40,604,700	20,394,600	22,873,800	43,268,400
Judiciary						
Supreme Court	53,279,500	29,072,000	82,351,500	62,358,300	29,072,000	91,430,300
Court of Appeals	16,790,800	0	16,790,800	22,523,200	0	22,523,200
Superior Court	118,630,600	5,359,100	123,989,700	122,373,700	5,359,100	127,732,800
SUBTOTAL - Judiciary	188,700,900	34,431,100	223,132,000	207,255,200	34,431,100	241,686,300
Juvenile Corrections, Department of	45,618,500	1,066,800	46,685,300	53,677,700	1,066,800	54,744,500
Land Department, State	25,903,800	942,900	26,846,700	27,948,700	942,900	28,891,600
Legislature						
Auditor General	20,723,500	1,310,300	22,033,800	26,991,600	1,310,300	28,301,900
House of Representatives	21,429,300	0	21,429,300	27,020,300	0	27,020,300
Joint Legislative Budget Committee	2,841,900	0	2,841,900	3,144,500	0	3,144,500
Legislative Council	10,090,400	0	10,090,400	9,546,500	0	9,546,500
Ombudsman-Citizens Aide Office	0	0	0	1,516,200	0	1,516,200
Senate	17,969,100	0	17,969,100	23,385,300	0	23,385,300
SUBTOTAL - Legislature	73,054,200	1,310,300	74,364,500	91,604,400	1,310,300	92,914,700
Liquor Licenses and Control, Department of	4,456,300	1,331,000	5,787,300	7,112,500	1,331,000	8,443,500
Lottery Commission, Arizona State	164,067,900	946,343,300	1,110,411,200	170,261,900	983,353,900	1,153,615,800
Massage Therapy, Board of	473,700	0	473,700	603,800	0	603,800
Medical Board, Arizona	7,507,100	0	7,507,100	8,291,700	0	8,291,700
Mine Inspector, State	1,671,100	482,400	2,153,500	2,931,900	482,400	3,414,300
Naturopathic Physicians Medical Board	193,200	0	193,200	212,000	0	212,000
Navigable Stream Adjudication Commission	329,300	0	329,300	344,200	0	344,200
Nursing, State Board of	5,275,100	414,700	5,689,800	5,885,000	414,700	6,299,700
Nursing Care Institution Administrators Board <u>3/</u>	526,100	0	526,100	627,400	0	627,400
Occupational Therapy Examiners, Board of	199,900	0	199,900	266,400	0	266,400
Opticians, State Board of Dispensing	162,600	0	162,600	193,100	0	193,100
Optometry, State Board of	241,900	0	241,900	298,800	0	298,800
Osteopathic Examiners, Arizona Board of <u>4/</u>	1,067,600	0	1,067,600	1,384,500	0	1,384,500
Parents Commission on Drug Educ. & Prev., Arizona	0	5,860,200	5,860,200	0	5,860,200	5,860,200

	Fiscal Year 2022			Fiscal Year 2023		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds 2/		General and Other Funds	Federal and Other Funds 2/	
Parks Board, Arizona State	29,839,500	23,628,000	53,467,500	26,047,400	23,628,000	49,675,400
Personnel Board, State	326,400	0	326,400	345,000	0	345,000
Pharmacy, Arizona State Board of	3,083,900	0	3,083,900	3,537,000	0	3,537,000
Physical Therapy, Board of	504,100	0	504,100	630,900	0	630,900
Pioneers' Home, Arizona	7,043,200	600,000	7,643,200	8,343,300	600,000	8,943,300
Podiatry Examiners, State Board of	168,200	0	168,200	185,800	0	185,800
Postsecondary Education, Commission for	3,218,000	491,300	3,709,300	0	0	0
Power Authority, Arizona	0	19,636,000	19,636,000	0	19,636,000	19,636,000
Private Postsecondary Education, Board for	413,500	272,000	685,500	453,800	272,000	725,800
Psychologist Examiners, State Board of	550,800	0	550,800	650,500	0	650,500
Public Safety, Department of	427,978,500	117,076,200	545,054,700	446,606,500	117,076,200	563,682,700
Public Safety Personnel Retirement System	1,160,086,400	25,626,200	1,185,712,600	66,000,000	25,626,200	91,626,200
Real Estate Department, State	2,922,100	215,300	3,137,400	3,221,000	215,300	3,436,300
Residential Utility Consumer Office	1,352,200	0	1,352,200	1,578,900	0	1,578,900
Respiratory Care Examiners, Board of	324,100	0	324,100	406,800	0	406,800
Retirement System, Arizona State	25,048,400	7,189,200	32,237,600	28,135,600	7,189,200	35,324,800
Revenue, Department of	80,703,600	3,083,800	83,787,400	90,086,800	3,083,800	93,170,600
Secretary of State	14,387,000	8,132,000	22,519,000	24,055,500	8,132,000	32,187,500
Tax Appeals, State Board of	283,300	0	283,300	317,700	0	317,700
Technical Registration, State Board of	2,352,900	0	2,352,900	2,641,000	0	2,641,000
Tourism, Office of	8,481,500	14,626,400	23,107,900	10,302,600	14,626,400	24,929,000
Transportation, Department of	470,845,100	54,759,800	525,604,900	599,435,800	55,131,300	654,567,100
Treasurer, State	12,777,700	4,386,500	17,164,200	14,709,700	4,386,500	19,096,200
Tribal Relations, Governor's Office on	63,500	8,500	72,000	69,900	8,500	78,400
Universities						
Board of Regents	29,916,000	44,542,600	74,458,600	90,238,000	44,728,800	134,966,800
Arizona State University	982,980,700	2,929,180,300	3,912,161,000	1,062,528,200	3,078,334,700	4,140,862,900
Northern Arizona University	270,435,700	459,907,600	730,343,300	299,116,000	489,648,600	788,764,600
University of Arizona - Main Campus	555,328,100	1,656,825,900	2,212,154,000	603,830,700	1,656,825,900	2,260,656,600
University of Arizona - Health Sciences Center	133,261,000	565,095,800	698,356,800	133,261,000	565,095,800	698,356,800
SUBTOTAL - Universities	1,971,921,500	5,655,552,200	7,627,473,700	2,188,973,900	5,834,633,800	8,023,607,700
Veterans' Services, Department of	59,144,500	24,592,200	83,736,700	73,033,700	24,592,200	97,625,900
Veterinary Medical Examining Board	601,800	0	601,800	770,500	0	770,500
Water Infrastructure Finance Authority	12,000,000	139,312,400	151,312,400	10,000,000	139,287,600	149,287,600
Water Resources, Department of	20,931,000	11,546,200	32,477,200	27,382,200	8,976,600	36,358,800
OPERATING BUDGET SUBTOTAL	\$19,295,082,300	\$40,243,081,700	\$59,538,164,000	\$19,977,966,600	\$39,808,389,500	\$59,786,356,100
Unallocated '22 One-Time HITF Employer Premium	7,986,500	0	7,986,500	0	0	0
Unallocated '22 Risk Management Adjustments	(64,500)	0	(64,500)	0	0	0
Unallocated '22 Retirement Adjustments	1,987,400	0	1,987,400	0	0	0
Unallocated '22 AFIS Transaction Fee	477,600	0	477,600	0	0	0
Unallocated '22 Rent Adjustments	100,700	0	100,700	0	0	0
Unallocated '22 Fleet Adjustments	704,700	0	704,700	0	0	0
Unallocated '23 AFIS Transaction Fee	0	0	0	18,900	0	18,900
Unallocated '23 Rent Adjustments	0	0	0	(167,000)	0	(167,000)
Unallocated '23 Retirement Adjustments	0	0	0	(440,800)	0	(440,800)

	Fiscal Year 2022			Fiscal Year 2023		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
Unallocated '23 HITF Employer Premium Increase	0	0	0	7,775,800	0	7,775,800
Unallocated '23 HRIS Fee Adjustments	0	0	0	357,400	0	357,400
Unallocated '23 IT Pro Rata Adjustments	0	0	0	140,300	0	140,300
Unallocated '23 Fleet Adjustments	0	0	0	113,600	0	113,600
Unallocated '23 Salary Adjustments	0	0	0	1,316,700	0	1,316,700
University (27th) Pay Period	56,939,400	0	56,939,400	0	0	0
New ADE Enrollment Reversion	(389,100,000)	0	(389,100,000)	0	0	0
New Medicaid Federal Match Reversion	(285,844,400)	0	(285,844,400)	0	0	0
Federal Funds Offset	(635,000,000)	0	(635,000,000)	0	0	0
Capital Outlay - Debt Payoff (DHS/ADC State Buildings)	93,500,000	0	93,500,000	0	0	0
Capital Outlay Projects	608,502,600	1,480,696,000	2,089,198,600	1,809,444,300	1,634,625,000	3,444,069,300
Capital Outlay - Phoenix Convention Center Debt Service	24,498,500	0	24,498,500	24,999,400	0	24,999,400
Capital Outlay - Rio Nuevo District Distribution	16,000,000	0	16,000,000	16,000,000	0	16,000,000
Administrative Adjustments	160,000,000	0	160,000,000	170,000,000	0	170,000,000
Revertments	(257,000,000)	0	(257,000,000)	(215,000,000)	0	(215,000,000)
GRAND TOTAL	\$18,698,770,800	\$41,723,777,700	\$60,422,548,500	\$21,792,525,200	\$41,443,014,500	\$63,235,539,700

1/ This table summarizes FY 2022 and FY 2023 appropriations from the 2nd Regular Session of the 55th Legislature and all prior sessions.

2/ The amounts shown are generally based on estimates published in the JLBC Staff's *Baseline Book* (January 2022), but may have been updated for later information.

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

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

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2022 and 2023 1/

BUDGET UNITS	Fiscal Year 2022			Fiscal Year 2023		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Accountancy, State Board of	0.0	14.0	14.0	0.0	14.0	14.0
Acupuncture Board of Examiners	0.0	1.0	1.0	0.0	1.0	1.0
Administration, Arizona Department of	114.2	436.9	551.1	114.2	424.9	539.1
School Facilities Division	17.0	0.0	17.0	17.0	0.0	17.0
SUBTOTAL - Administration, Arizona Department of	131.2	436.9	568.1	131.2	424.9	556.1
Administrative Hearings, Office of	12.0	0.0	12.0	12.0	0.0	12.0
African-American Affairs, Arizona Commission of	3.0	0.0	3.0	3.0	0.0	3.0
Agriculture, Arizona Department of	192.7	20.1	212.8	192.7	20.1	212.8
AHCCCS	368.4	795.1	1,163.5	368.4	795.1	1,163.5
AHCCCS - DES Eligibility	557.3	627.5	1,184.8	557.3	627.5	1,184.8
SUBTOTAL - AHCCCS <u>2/</u>	925.7	1,422.6	2,348.3	925.7	1,422.6	2,348.3
Athletic Training, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Attorney General - Department of Law	218.6	406.1	624.7	220.6	435.1	655.7
Barbering and Cosmetology Board <u>3/</u>	0.0	0.0	0.0	0.0	29.5	29.5
Barbers, Board of <u>3/</u>	0.0	4.0	4.0	0.0	0.0	0.0
Behavioral Health Examiners, Board of	0.0	17.0	17.0	0.0	20.0	20.0
Charter Schools, State Board for	24.0	0.0	24.0	25.0	0.0	25.0
Child Safety, Department of <u>4/</u>	1,513.6	1,689.5	3,203.1	1,513.6	1,689.5	3,203.1
Chiropractic Examiners, State Board of	0.0	5.0	5.0	0.0	5.0	5.0
Contractors, Registrar of	0.0	105.6	105.6	0.0	105.6	105.6
Corporation Commission	49.8	251.1	300.9	50.8	251.1	301.9
Corrections, State Department of	9,545.0	21.0	9,566.0	9,548.0	21.0	9,569.0
Cosmetology, Board of <u>3/</u>	0.0	24.5	24.5	0.0	0.0	0.0
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	17.0	17.0	0.0	21.0	21.0
Dental Examiners, State Board of	0.0	11.0	11.0	0.0	11.0	11.0
Economic Opportunity, Office of	5.0	0.0	5.0	5.0	0.0	5.0
Economic Security, Department of <u>5/</u>	1,004.9	3,376.9	4,381.8	1,099.9	3,376.9	4,476.8
Education, State Board of	19.0	0.0	19.0	23.0	0.0	23.0
Education, Department of <u>6/</u>	187.7	15.2	202.9	214.7	15.2	229.9
Emergency and Military Affairs, Department of	63.1	9.5	72.6	63.1	9.5	72.6
Environmental Quality, Department of	0.0	322.0	322.0	0.0	355.7	355.7
Equal Opportunity, Governor's Office of	0.0	4.0	4.0	0.0	4.0	4.0
Equalization, State Board of	7.0	0.0	7.0	7.0	0.0	7.0
Executive Clemency, Board of	14.5	0.0	14.5	14.5	0.0	14.5
Exposition and State Fair Board, Arizona	0.0	184.0	184.0	0.0	184.0	184.0
Forestry and Fire Management, Arizona Department of	213.0	0.0	213.0	235.5	0.0	235.5
Funeral Directors and Embalmers, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Game and Fish Department, Arizona	0.0	273.5	273.5	0.0	273.5	273.5
Gaming, Department of	0.0	155.8	155.8	0.0	155.8	155.8
Governor's Office of Strategic Planning and Budgeting	22.0	0.0	22.0	22.0	0.0	22.0
Health Services, Department of	833.9	301.6	1,135.5	839.9	301.6	1,141.5
Historical Society, Arizona	50.9	0.0	50.9	50.9	0.0	50.9
Historical Society of Arizona, Prescott	13.0	0.0	13.0	13.0	0.0	13.0
Homeland Security, Arizona Department of	0.0	0.0	0.0	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
Independent Redistricting Commission	6.0	0.0	6.0	0.0	0.0	0.0
Industrial Commission of Arizona	1.0	235.6	236.6	1.0	235.6	236.6
Insurance and Financial Institutions, Department of	94.4	57.0	151.4	94.4	58.0	152.4
Judiciary						
Supreme Court	148.6	38.4	187.0	148.6	53.4	202.0
Court of Appeals	136.8	0.0	136.8	162.8	0.0	162.8
Superior Court	229.8	8.7	238.5	229.8	8.7	238.5
SUBTOTAL - Judiciary	515.2	47.1	562.3	541.2	62.1	603.3
Juvenile Corrections, Department of	478.5	260.0	738.5	478.5	260.0	738.5
Land Department, State	126.7	3.0	129.7	128.7	3.0	131.7
Legislature						
Auditor General	200.8	0.0	200.8	224.8	0.0	224.8
Joint Legislative Budget Committee	29.0	0.0	29.0	29.0	0.0	29.0
Ombudsman	0.0	0.0	0.0	12.0	0.0	12.0

BUDGET UNITS	Fiscal Year 2022			Fiscal Year 2023		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Legislative Council	66.0	0.0	66.0	56.0	0.0	56.0
SUBTOTAL - Legislature	295.8	0.0	295.8	321.8	0.0	321.8
Liquor Licenses and Control, Department of	0.0	51.2	51.2	0.0	51.2	51.2
Lottery Commission, Arizona State	0.0	98.8	98.8	0.0	98.8	98.8
Massage Therapy, Board of	0.0	5.0	5.0	0.0	5.0	5.0
Medical Board, Arizona	0.0	61.5	61.5	0.0	61.5	61.5
Mine Inspector, State	16.0	0.0	16.0	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	52.0	52.0	0.0	52.0	52.0
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	1.5	1.5	0.0	1.5	1.5
Opticians, State Board of Dispensing	0.0	1.0	1.0	0.0	1.0	1.0
Optometry, State Board of	0.0	2.0	2.0	0.0	2.0	2.0
Osteopathic Examiners, Arizona Board of	0.0	9.0	9.0	0.0	10.0	10.0
Parks Board, Arizona State	0.0	163.0	163.0	0.0	163.0	163.0
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	106.3	106.3	0.0	107.3	107.3
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Postsecondary Education, Commission of	0.0	5.0	5.0	0.0	0.0	0.0
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	775.7	1,271.0	2,046.7	800.2	1,274.0	2,074.2
Real Estate Department, State	37.0	0.0	37.0	37.0	0.0	37.0
Residential Utility Consumer Office	0.0	11.0	11.0	0.0	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	606.8	880.8	274.0	618.8	892.8
Secretary of State, Department of State	143.1	0.0	143.1	143.1	0.0	143.1
Tax Appeals, State Board of	4.0	0.0	4.0	4.0	0.0	4.0
Technical Registration, State Board of	0.0	25.0	25.0	0.0	25.0	25.0
Tourism, Office of	28.0	0.0	28.0	28.0	0.0	28.0
Transportation, Department of	0.0	4,554.0	4,554.0	0.0	4,554.0	4,554.0
Treasurer, State	0.0	35.4	35.4	0.0	35.4	35.4
Tribal Relations, Governor's Office on	3.0	0.0	3.0	3.0	0.0	3.0
Universities ^{7/8/}						
Regents, Arizona Board of	25.9	0.0	25.9	30.9	0.0	30.9
Arizona State University	3,044.2	5,126.8	8,171.0	3,044.2	5,126.8	8,171.0
Northern Arizona University	1,226.6	1,392.7	2,619.3	1,226.6	1,392.7	2,619.3
University of Arizona - Main Campus	2,884.4	3,091.1	5,975.5	2,884.4	3,091.1	5,975.5
University of Arizona - Health Sciences Center	785.7	483.0	1,268.7	785.7	483.0	1,268.7
SUBTOTAL - Universities	7,966.8	10,093.6	18,060.4	7,971.8	10,093.6	18,065.4
Veterans' Services, Department of	128.3	644.0	772.3	148.3	644.0	792.3
Veterinary Medical Examining Board, Arizona State	0.0	6.0	6.0	0.0	7.0	7.0
Water Resources, Department of	139.0	6.0	145.0	143.0	6.0	149.0
TOTAL APPROPRIATED FUNDS	26,368.9	28,093.4	54,462.3	26,637.9	28,202.1	54,840.0

- 1/ Full-Time Equivalent (FTE) Positions shown for individual agencies include only those positions funded by appropriated funds. The detail for changes in FTE Positions that occurred between FY 2022 and FY 2023 can be found in the individual agency pages.
- 2/ Includes 1,370.1 FTE Positions in FY 2022 and FY 2023 in the Other Fund FTE Positions columns funded from Federal Medicaid Expenditure Authority.
- 3/ Laws 2021, Chapter 334 merged the Board of Barbers and the Board of Cosmetology into 1 agency and renamed it the Barbering and Cosmetology Board. The FY 2023 FTE Positions for the Board of Barbers and the Board of Cosmetology were reduced to 0 and moved to the Barbering and Cosmetology Board.
- 4/ Includes 970.3 FTE Positions in FY 2022 and FY 2023 in the Other Fund FTE Positions columns funded from Expenditure Authority.
- 5/ Includes 2,337.8 FTE Positions in FY 2022 and FY 2023 in the Other Fund FTE Positions columns funded from the Long Term Care System Fund and Child Support Enforcement Expenditure Authority.
- 6/ The FY 2023 FTE Position allocations have been rebased to match FY 2022 allocations.
- 7/ The FY 2022 General Appropriation Act originally appropriated 17,485.0 FTE Positions to the Universities for FY 2022. This FTE Position amount has been revised to 18,060.4 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.
- 8/ The Other Fund FTE Positions are funded by the University Collections Fund, which includes a portion of tuition and fees and a portion of land earnings.

BUDGET UNITS

Arizona State Board of Accountancy

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	785,100	955,500	1,051,000
Employee Related Expenditures	317,700	360,300	436,700
Professional and Outside Services	300,800	418,500	418,500
Travel - In State	0	6,100	6,100
Travel - Out of State	0	12,000	12,000
Other Operating Expenditures	236,200	282,800	295,700
Equipment	3,700	16,600	16,600
AGENCY TOTAL	1,643,500	2,051,800	2,236,600^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Accountancy Fund	1,643,500	2,051,800	2,236,600
SUBTOTAL - Other Appropriated Funds	1,643,500	2,051,800	2,236,600
SUBTOTAL - Appropriated Funds	1,643,500	2,051,800	2,236,600
TOTAL - ALL SOURCES	1,643,500	2,051,800	2,236,600

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

FOOTNOTES

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

Operating Budget

The budget includes \$2,236,600 and 14 FTE Positions from the Board of Accountancy Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$117,500 from the Board of Accountancy Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section).*

Statewide Adjustments

The budget includes an increase of \$67,300 from the Board of Accountancy Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section).*

Acupuncture Board of Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	102,100	102,800	113,100
Employee Related Expenditures	30,800	32,000	35,000
Travel - In State	0	2,000	2,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	34,100	35,000	41,700
AGENCY TOTAL	167,000	176,800	196,800 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Acupuncture Board of Examiners Fund	167,000	176,800	196,800
SUBTOTAL - Other Appropriated Funds	167,000	176,800	196,800
SUBTOTAL - Appropriated Funds	167,000	176,800	196,800
TOTAL - ALL SOURCES	167,000	176,800	196,800

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

FOOTNOTES

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

Operating Budget

The budget includes \$196,800 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing

The budget includes a one-time increase of \$5,500 from the Acupuncture Board of Examiners Fund in FY 2023 for the costs associated with migrating to an e-licensing application.

Salary Increase

The budget includes an increase of \$12,700 from the Acupuncture Board of Examiners Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$1,800 from the Acupuncture Board of Examiners Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Department of Administration

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	551.1	551.1	539.1 ^{1/}
Personal Services	27,589,300	29,477,000	29,597,000
Employee Related Expenditures	9,777,800	10,577,200	11,986,200
Professional and Outside Services	4,877,200	6,068,600	6,171,700
Travel - In State	208,300	220,400	220,400
Travel - Out of State	0	16,200	16,200
Other Operating Expenditures	38,619,800	40,515,900	39,931,600
Equipment	2,184,100	329,500	338,100
OPERATING SUBTOTAL	83,256,500	87,204,800	88,261,200 ^{2/}
SPECIAL LINE ITEMS			
Facilities Management			
Enduring Freedom Memorial Repair	0	21,500	0
Hoteling Pilot Program	0	375,900	0
Utilities	4,319,100	7,649,900	7,649,900
Financial Services			
Arizona Financial Information System	8,483,400	11,423,800	13,057,800 ^{3/}
Named Claimants	49,900	44,800	0
Information Technology Services			
Information Technology Project Management and Oversight	1,368,800	1,504,400	1,561,700
Statewide Information Security and Privacy Operations and Controls	6,186,600	6,366,700	0
Risk Management			
Cyber Risk Insurance	0	0	21,587,200
Federal Transfer Payment	2,801,500	1,110,600	0 ^{4/}
Risk Management Administrative Expenses	10,234,800	9,294,300	8,597,800
Risk Management Losses and Premiums	37,117,300	48,396,100	48,396,100
Workers' Compensation Losses and Premiums	22,157,000	31,171,600	28,253,000
Support Services			
Government Transformation Office	1,496,400	2,016,900	2,038,300
State Surplus Property Sales Agency Proceeds	1,353,400	1,810,000	1,810,000 ^{5/}
Grants			
Election Security Grants	0	0	1,500,000 ^{6/}
Fire Incident Management System Grants	0	0	6,100,000 ^{7/}
Healthcare Interoperability Grants	0	0	12,000,000 ^{8/}
School Safety Interoperability Fund Deposit	0	0	20,000,000 ^{9/}
K-12 Transportation Grants	0	10,000,000	20,000,000
Other			
FY 2023 Salary Increase	0	0	4,111,100
Southwest Defense Contracts	25,000	25,000	25,000 ^{10/}
Transwestern Pipeline Litigation	17,043,300	0	0
AGENCY TOTAL	195,893,000	218,416,200	284,949,100 ^{11/}
FUND SOURCES			
General Fund	24,035,300	18,292,500	68,950,900
<u>Other Appropriated Funds</u>			
Air Quality Fund	142,300	928,200	928,000 ^{12/}
Arizona Financial Information System Collections Fund	8,483,400	11,423,800	13,385,100
Automation Operations Fund	27,105,100	31,127,700	31,568,300 ^{13/}

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
Capital Outlay Stabilization Fund	16,065,300	18,395,100	19,200,200
Capitol Mall Consolidation Fund	0	375,900	0
Corrections Fund	593,000	575,000	634,600
Cyber Risk Insurance Fund	0	0	21,587,200
Federal Surplus Materials Revolving Fund	0	466,900	468,500
Information Technology Fund	8,125,300	8,467,900	2,292,000
Motor Vehicle Pool Revolving Fund	5,371,100	0	0
Personnel Division Fund	12,145,500	12,764,900	13,779,500
Risk Management Revolving Fund	78,361,800	97,832,400	93,500,700
Special Employee Health Insurance Trust Fund	4,956,200	5,330,100	5,719,900
Special Services Revolving Fund	492,200	1,170,700	1,257,300
State Monument and Memorial Repair Fund	0	21,500	0
State Surplus Materials Revolving Fund	2,331,400	2,979,800	3,064,600
State Web Portal Fund	5,996,900	6,612,200	6,798,300
Telecommunications Fund	1,688,200	1,651,700	1,814,000
SUBTOTAL - Other Appropriated Funds	171,857,700	200,123,800	215,998,200
SUBTOTAL - Appropriated Funds	195,893,000	218,416,300	284,949,100
Other Non-Appropriated Funds	1,096,292,200	1,069,078,400	1,069,078,400
Federal Funds	6,614,600	30,920,200	2,920,200
TOTAL - ALL SOURCES	1,298,799,800	1,318,414,900	1,356,947,700

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

FOOTNOTES

- 1/ Includes 43 OF FTE Positions funded from Special Line Items in FY 2023.
- 2/ The amount appropriated for the enduring freedom memorial repair in fiscal year 2021-2022 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, until June 30, 2023. (General Appropriation Act footnote)
- 3/ Of the amount appropriated for the Arizona financial information system line item in fiscal year 2022-2023, \$3,500,000 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2024. (General Appropriation Act footnote)
- 4/ 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 Appropriation Act footnote)
- 5/ All state surplus materials revolving fund monies received by the department of administration in excess of \$3,064,600 in fiscal year 2022-2023 are appropriated to the department. Before spending state surplus materials revolving fund monies in excess of \$3,064,600 in fiscal year 2022-2023, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide adjustments)
- 6/ Of the amount appropriated to the election security grants line item, the department shall distribute:
 1. A total of \$1,000,000 to one or more county recorders to test ballot paper in tabulation systems with specific security features, including watermarks or unique ballot identifiers, or both. The security features shall be used to authenticate the ballot as an official ballot, but may not make the ballot identifiable to a particular elector. The testing shall allow for different sized ballots. Not later than May 1, 2023, the department shall compile a report from the selected counties on recommended ballot security features and submit the report to the president of the senate, speaker of the house of representatives and secretary of state.
 2. A total of \$500,000 to procure, install and maintain photo and video surveillance twenty-four hours per day, seven days per week for secure ballot boxes as follows:
 - (a) Six ballot boxes in Cochise county.
 - (b) Seven ballot boxes in Yuma county.
 - (c) Three ballot boxes in Pinal county.

The department shall assist the counties with the procurement of the drop boxes required by this section. In addition to surveillance requirements, the ballot drop boxes shall only accept one ballot at a time, log receipt of each ballot, generate a paper receipt specifying the number of ballots accepted from a person and reject ballots if the camera or video recorder is nonoperational. (General Appropriation Act footnote)

- 7/ The monies in the fire incident management system grants line item shall be used to provide grants to municipal fire departments and fire districts for hardware and software that:
1. Enables the statewide deployment of a secure incident management platform to fire and law enforcement agencies.
 2. Provides a standardized incident command and management platform based on federal emergency management agency standards that enable diverse incident management and support entities to work together and to ensure the following:
 - (a) A clearly defined chain of command.
 - (b) The use of common terminology.
 - (c) The safety of first responders and others.
 - (d) The achievement of response objectives.
 - (e) The efficient use of resources.
 3. Provides a collaboration and communications solution that does the following:
 - (a) Identifies the location, status and assignment of assigned resources.
 - (b) Allows status updates, tracking and management of an incident.
 - (c) Allows secure messaging and file sharing to all users involved in an incident.
 - (d) Allows the sharing of collaborative maps, building floor plans and images between public safety agencies.
 - (e) Allows collaboration and information sharing between disparate agencies during a mass casualty incident.
 - (f) Defines a federal emergency management agency or national incident management systems based organizational structure for the management of incidents.
 - (g) Provides the ability to print standard integrated computer solutions forms for tracking and cost reimbursement.
 - (h) Provides enhanced telemetry-based firefighter safety monitoring.
 - (i) Works in areas without internet access in a disconnected mode.
 - (j) Provides a seamless and connected platform for notification, response and rostering.

Each municipality or fire district in this state may submit a grant request to the department for the cost of the secure incident management system as described in this section. (General Appropriation Act footnote)

8/ The appropriated amount for health care interoperability grants is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (General Appropriation Act footnote)

9/ The amount appropriated for deposit in to the school safety interoperability fund established by section 41-1733, Arizona Revised Statutes, shall be distributed as follows:

1. Maricopa county sheriff	\$3,050,000
2. Tucson police department	\$2,000,000
3. Pinal county sheriff	\$1,800,000
4. Yavapai county sheriff	\$1,800,000
5. Cochise county sheriff	\$1,500,000
6. Navajo county sheriff	\$1,250,000
7. City of Yuma police department	\$1,350,000
8. Mohave county sheriff	\$1,250,000
9. Coconino county sheriff	\$1,250,000
10. Apache county sheriff	\$1,000,000
11. Gila county sheriff	\$1,000,000
12. Santa Cruz county sheriff	\$ 750,000
13. Graham county sheriff	\$ 750,000
14. La Paz county sheriff	\$ 750,000
15. Greenlee county sheriff	\$ 500,000

(General Appropriation Act footnote)

10/ The amount appropriated for southwest defense contracts shall be distributed to a nonprofit organization that advocates for preserving and enhancing critical defense missions and assets in the southwestern United States. (General Appropriation Act footnote)

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

12/ On or before September 1, 2023, the department shall submit a report to the joint legislative budget committee on the results of pilot projects implemented in fiscal year 2022-2023 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 Appropriation Act footnote)

13/ 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 2022-2023. 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 \$31,568,300 in fiscal year 2022-2023, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide adjustments)

Operating Budget

The budget includes \$88,261,200 and 496.1 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$8,467,300
Air Quality Fund	928,000
Automation Operations Fund	29,492,700
Capital Outlay Stabilization Fund (COSF)	11,137,500
Corrections Fund	586,000
Federal Surplus Materials Revolving Fund	468,500
Information Technology Fund	2,133,900
Personnel Division Fund	13,046,500
Risk Management Revolving Fund	7,847,400
Special Employee Health Insurance Trust Fund	5,449,800
Special Services Revolving Fund	1,201,500
State Surplus Materials Revolving Fund	1,197,700
State Web Portal Fund	4,585,200
Telecommunications Fund	1,719,200

FY 2023 adjustments are as follows:

Credit Lending Report

The budget includes an increase of \$200,000 and 2 FTE Positions from the General Fund in FY 2023 to implement a report on credit support and lending programs.

Medical and Pharmacy Consulting Services

The budget includes an increase of \$203,100 from the Health Insurance Trust Fund (HITF) in FY 2023 for medical and pharmacy consulting services to explore opportunities to reduce HITF costs.

Eliminate One-Time Funding

The budget includes a decrease of \$(100,000) from the General Fund in FY 2023 to remove one-time Information Technology (IT) costs for the State Permitting Portal.

Statewide Adjustments

The budget includes an increase of \$753,300 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	137,300
Air Quality Fund	(200)
Automation Operations Fund	(130,600)
Capital Outlay Stabilization Fund (COSF)	392,300
Corrections Fund	11,000
Federal Surplus Materials Revolving Fund	1,600
Information Technology Fund	32,700
Personnel Division Fund	281,600
Risk Management Revolving Fund	(5,100)
Special Employee Health Insurance Trust Fund	(83,400)
Special Services Revolving Fund	30,800
State Surplus Materials Revolving Fund	27,900
State Web Portal Fund	(10,100)
Telecommunications Fund	67,500

(Please see the Agency Detail and Allocations section.)

Facilities Management

Enduring Freedom Memorial Repair

The budget includes no funding in FY 2023 to repair the Enduring Freedom Memorial. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(21,500) from the State Monument and Memorial Repair Fund in FY 2023 to remove one-time renovation costs for the Enduring Freedom Memorial.

The FY 2023 budget extends the lapsing date for the Enduring Freedom Memorial until June 30, 2023.

Hoteling Pilot Program

The budget includes no funding in FY 2023 for a hoteling pilot program. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(375,900) from the Capitol Mall Consolidation Fund in FY 2023 to remove

one-time funding for a hoteling pilot project at state-owned facilities.

The FY 2022 appropriation for the Hoteling Pilot Program does not lapse until June 30, 2023.

This line item funds costs to develop and design a Hoteling workspace program. Hoteling is a method of providing employees with unassigned and temporary workspace to utilize for in-office work when not working remotely (at home).

Utilities

The budget includes \$7,649,900 from the Capital Outlay Stabilization Fund in FY 2023 for Utilities. This amount is unchanged from FY 2022.

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

Financial Services

Arizona Financial Information System

The budget includes \$13,057,800 and 28 FTE Positions from the Arizona Financial Information System Collections Fund in FY 2023 for the Arizona Financial Information System (AFIS). FY 2023 adjustments are as follows:

AFIS Upgrade Expenditure Alignment

The budget includes an increase of \$1,500,000 from the AFIS Collections Fund in FY 2023 to upgrade the state's financial accounting system. The project costs will be financed by increased charges to state agencies' AFIS transaction fees. The project is expected to cost a total of \$9,500,000 through FY 2024. Of that amount, \$2,000,000 was funded in FY 2022, \$3,500,000 is in FY 2023 and \$4,000,000 would be in FY 2024. The budget includes a footnote to make the FY 2023 appropriation available through FY 2024.

Statewide Adjustments

The budget includes an increase \$134,000 from the AFIS Collections Fund in FY 2023 for statewide adjustments.

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

Named Claimants

The budget includes no funding in FY 2023 for Named Claimants. FY 2023 adjustments are as follows:

One-Time Named Claimants Funding

The budget includes a decrease of \$(44,819.29) in FY 2023 for the elimination of one-time funding of prior year unpaid claims. This amount consists of:

General Fund	(37,526.52)
Risk Management Revolving Fund	(7,292.77)

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 2022, Chapter 38 appropriated \$44,819.29 in FY 2022 for prior year unpaid claims.

Information Technology Services

Information Technology Project Management and Oversight

The budget includes \$1,561,700 and 15 FTE Positions from the Automation Operations Fund in FY 2023 for IT Project Management and Oversight. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase \$57,300 from the Automation Operations Fund in FY 2023 for statewide adjustments.

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

Statewide Information Security and Privacy Operations and Controls

The budget includes no funding in FY 2023 for Statewide Information Security and Privacy Operations and Controls. FY 2023 adjustments are as follows:

Shift Line Item to Homeland Security

The budget includes a decrease of \$(6,366,700) and (14) FTE Positions from the Information Technology (IT) Fund in FY 2023 for shifting this function to the Arizona Department of Homeland Security.

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

Risk Management

Cyber Risk Insurance

The budget includes \$21,587,200 from Cyber Risk Fund in FY 2023 for Cyber Risk Insurance. FY 2023 adjustments are as follows:

Establish Cyber Risk Insurance Program

The budget includes an increase of \$21,587,200 from the Cyber Risk Insurance Fund in FY 2023 to establish a cyber risk insurance program for state agencies.

The FY 2023 Budget Implementation BRB creates the Cyber Risk Insurance Fund and establishes a cyber risk insurance program. The budget transfers \$24,624,400 from the Risk Management Revolving Fund in FY 2023 in to the Cyber Risk Fund. The FY 2023 appropriation of \$21,857,200 funds a partial year's operating costs of the cyber program including \$137,200 for staff to administer the program and \$1,450,000 for insurance premiums. The appropriation also funds \$20,000,000 as a set aside for an insurance deductible in the event of a cyber security breach or incident. The remaining \$3,037,200 in the fund is retained to pay the annual operating costs of the program in FY 2024.

This line item funds insurance premiums, deductibles, and operating costs for cyber risk insurance.

Federal Transfer Payment

The budget includes no funding in FY 2023 for one-time payments to the federal government. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,110,600) from the Risk Management Revolving Fund in FY 2023 to eliminate FY 2022 payments to the federal government for disallowed costs and for fund transfers in FY 2021.

The FY 2023 General Appropriation Act included an FY 2022 supplemental appropriation of \$1,110,600 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and for fund transfers in FY 2021. In addition, the FY 2023 General Appropriation 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 HITEF, 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 2022 will be paid in FY 2023 through a supplemental appropriation. The final appropriated amount will be determined once ADOA reaches agreement with the federal government. *(Please see the [FY 2022 Supplemental section](#) in Other Issues for more information.)*

Risk Management Administrative Expenses

The budget includes \$8,597,800 from the Risk Management Revolving Fund in FY 2023 for Risk Management Administrative Expenses. This amount is unchanged from FY 2022.

Claims Related Expenditures

The budget includes a decrease of \$(696,500) from the Risk Management Revolving Fund in FY 2023 for decreased outside counsel costs for Risk Management. The budget included additional resources in the Attorney General's office for Risk Management internal legal costs.

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

Risk Management Losses and Premiums

The budget includes \$48,396,100 from the Risk Management Revolving Fund in FY 2023 for Risk Management Losses and Premiums. This amount is unchanged from FY 2022.

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

Workers' Compensation Losses and Premiums

The budget includes \$28,253,000 from the Risk Management Revolving Fund in FY 2023 for Workers' Compensation Losses and Premiums. FY 2023 adjustments are as follows:

Claims Related Expenditures

The budget includes a decrease of \$(2,918,600) from the Risk Management Revolving Fund in FY 2023 for lower Workers Compensation costs.

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

Support Services

Government Transformation Office

The budget includes \$2,038,300 from the State Web Portal Fund in FY 2023 for the Government Transformation Office (GTO). FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase \$21,400 from the State Web Portal Fund in FY 2023 for statewide adjustments.

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

State Surplus Property Sales Agency Proceeds

The budget includes \$1,810,000 from the State Surplus Materials Revolving Fund in FY 2023 for State Surplus Property Sales Agency Proceeds. This amount is unchanged from FY 2022.

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.

Grants

Election Security Grants

The budget includes \$1,500,000 from the General Fund in FY 2023 for Election Security Grants. FY 2023 adjustments are as follows:

One-Time Ballot Paper Testing

The budget includes an increase of \$1,000,000 from the General Fund in FY 2023 for ADOA to distribute as grants to county recorders to test ballot paper.

A General Appropriation Act footnote requires ADOA to count recorders in at least one county for each ballot tabulation company currently used in the state of Arizona for the purposes of testing specific security features and water marks and to report to the Legislature no later than May 1, 2023 on recommended ballot security features.

One-Time Secure Ballot Boxes

The budget includes an increase of \$500,000 from the General Fund in FY 2023 for ADOA to distribute as one-time grants to county recorders to purchase ballot drop boxes with 24/7 video surveillance. The boxes shall also generate a log and receipt of each ballot received. The distribution is as follows:

- 6 ballot boxes in Cochise County,
- 7 ballot boxes in Yuma County, and
- 3 ballot boxes in Pinal County.

Fire Incident Management System Grants

The budget includes \$6,100,000 from the General Fund in FY 2023 for Fire Incident Management Grants. FY 2023 adjustments are as follows:

One-Time Grants

The budget includes an increase of \$6,100,000 from the General Fund in FY 2023 for ADOA to distribute as grants to municipal fire departments and fire districts for hardware and software with specific incident management system functionality as outlined in a General Appropriation Act footnote. The appropriation is non-lapsing.

Healthcare Interoperability Grants

The budget includes \$12,000,000 from the General Fund in FY 2023 for Healthcare Interoperability Grants. FY 2023 adjustments are as follows:

One-Time Grants

The budget includes an increase of \$12,000,000 from the General Fund in FY 2023 for ADOA to distribute as grants for health care interoperability.

The FY 2023 Health Care BRB establishes a health care interoperability grant program in ADOA with the purpose of providing grants for an interoperability software technology solution to support rural hospitals, health care providers and urban trauma centers to reducing public and private health care costs and unnecessary transportation costs.

The appropriation is non-lapsing though FY 2025.

School Safety Interoperability Fund Deposit

The budget includes \$20,000,000 from the General Fund in FY 2023 for deposit into the School Safety Interoperability Fund. FY 2023 adjustments are as follows:

One-Time Deposit

The budget includes an increase of \$20,000,000 from the General Fund in FY 2023 for deposit into the School Safety Interoperability Fund. The budget includes a footnote specifying the distribution of the monies from the fund as follows:

1. Maricopa County Sheriff	\$3,050,000
2. Tucson Police Department	\$2,000,000
3. Pinal County Sheriff	\$1,800,000
4. Yavapai County Sheriff	\$1,800,000
5. Cochise County Sheriff	\$1,500,000
6. Navajo County Sheriff	\$1,250,000
7. City of Yuma Police Department	\$1,350,000
8. Mohave County Sheriff	\$1,250,000
9. Coconino County Sheriff	\$1,250,000
10. Apache County Sheriff	\$1,000,000
11. Gila County Sheriff	\$1,000,000
12. Santa Cruz County Sheriff	\$ 750,000
13. Graham County Sheriff	\$ 750,000
14. La Paz County Sheriff	\$ 750,000
15. Greenlee County Sheriff	\$ 500,000

The FY 2023 Automation BRB transfers the existing School Safety Interoperability Fund from the Treasurer to the Department of Administration and makes the fund non-appropriated. The BRB also modifies the use of the grant

money to include implementing eligible systems that include remote lockdown capabilities.

K-12 Transportation Grants

The budget includes \$20,000,000 from the General Fund in FY 2023 for K-12 Transportation Grants. FY 2023 adjustments are as follows:

K-12 Transportation Grants

The budget includes an increase of \$10,000,000 from the General Fund in FY 2023 for K-12 Transportation Grants. The 3-year spending plan associated with the enacted FY 2022 budget designates funding for K-12 Transportation Grants as one-time in FY 2022 (at a level of \$10,000,000) and FY 2023 (at a level of \$20,000,000).

The FY 2022 K-12 BRB established the Public School Transportation Modernization Grants program within ADOA for distribution of grants to school districts, charter schools, and other entities for public transportation projects, such as improving access for students who attend school through open enrollment or through a charter school.

ADOA is required to select a nonprofit organization that would administer the program and report on its results. The nonprofit may use up to 5% of program monies for administrative expenses. The nonprofit A for Arizona was selected to administer the program.

Other

FY 2023 Salary Increase

The budget includes \$4,111,100 in FY 2023 for an FY 2023 Salary Increase. This amount consists of

General Fund	858,600
AFIS Collections Fund	327,300
Automation Operations Fund	513,900
Capital Outlay Stabilization Fund (COSF)	412,800
Corrections Fund	48,600
Information Technology Fund	158,100
Personnel Division Fund	733,000
Risk Management Revolving Fund	406,400
Special Employee Health Insurance Trust Fund	270,100
Special Services Revolving Fund	55,800
State Surplus Materials Revolving Fund	56,900
State Web Portal Fund	174,800
Telecommunications Fund	94,800

These amounts fund a 10% staff salary increase. The budget requires all agencies receiving salary increases to

transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. (Please see the Agency Detail and Allocations section.)

Southwest Defense Contracts

The budget includes \$25,000 from the General Fund in FY 2023 for Southwest Defense Contracts. This amount is unchanged from FY 2022.

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

Other Issues

FY 2022 Supplementals

Named Claimants

Laws 2022, Chapter 37 provides \$101,705.54 in FY 2022 supplemental funding to various agencies for Named Claimants. This amount consists of:

	<u>Claim Amount</u>
<u>General Fund</u>	
Department of Administration	37,526.52
Department of Corrections	7,071.35
Board of Equalization	6,800.00
Board of Executive Clemency	312.91
Department of Emergency and Military Affairs	693.52
<u>Other Appropriated Funds</u>	
Department of Administration	
Risk Management Revolving Fund	7,292.77
Department of Corrections	
Inmate Store Proceeds Fund	6,780.09
State Charitable, Penal and Reformatory Institutions Land Fund	2,150.93
Industrial Commission of Arizona	
Administrative Fund	3,191.73
Arizona Department of Transportation	
State Highway Fund	29,885.72

Federal Financial Participation Payment

The budget includes an FY 2022 supplemental appropriation of \$1,110,600 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and fund transfers in FY 2021. This amount consists of:

- \$368,300 related to fund transfers from the Risk Management Revolving Fund in FY 2021.
- \$423,000 related to excess retained earnings in the IT Fund and the Records Services Fund.
- \$211,600 related to payments made from the Risk Management Revolving Fund which has federal financial participation.
- \$107,700 related to interest on fund transfers, disallowed costs, and payments. This amount also includes a negotiation cushion estimated by ADOA.

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

Statutory Changes

The Automation BRB makes the following statutory changes:

- As permanent law, amend A.R.S. § 18-401 to increase the information technology pro rata from 0.43% to 0.61% for increased Cybersecurity costs.
- As permanent law, transfer unexpended and unencumbered monies remaining in an agency's Automation Projects Fund subaccount to their fund of origin upon completion of a project. Require ADOA to report on each Automation Project Fund reversion made in the prior fiscal year to the JLBC Staff and OSPB. Also repeals comparable FY 2022 Procedures BRB provision.
- As permanent law, transfer the existing School Safety Interoperability Fund from the Treasurer to the Department of Administration, make the fund non-appropriated, and require ADOA to distribute funding as grants to county sheriffs or cities implementing eligible systems that include remote lockdown capabilities (in addition to retaining the existing requirements).

The Budget Implementation BRB makes the following statutory changes:

- As permanent law, establish the appropriated Cyber Risk Insurance Fund for costs associated with a Cybersecurity Risk Management program

The Health Care BRB makes the following statutory changes:

- As permanent law, establishes a health care interoperability grant program in ADOA with the purpose of providing grant for an interoperability software technology solution to support rural hospitals, health care providers and urban trauma centers to reducing public and private health care

costs and unnecessary transportation costs. Requires the grantees to demonstrate proof of veteran employment and report on cost savings and effectiveness of interpretability system and requires the department to submit a consolidated report on grantees annually. Defines rural counties as having a population of less than 900,000.

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. The FY 2023 budget included \$103,277,800 from the General Fund (including \$40,033,000 for university tuition

backfill) and \$172,754,300 total funds for a one-time employer premium increase (see Table 1).

ADOA implemented no changes to employee premiums, deductibles, copays, or plan structure for Plan Year 2023.

For FY 2023, the fund is projected to have a cash balance of \$68,700,000.

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. The recommended reserve is between \$50,000,000 to \$100,000,000, equal to approximately 1 month's claim expenses.

Table 1

Health Insurance Trust Fund
(\$ in M)

	FY 21	FY 22	FY 23
	Actual	Estimate	Proposal
Beginning Balance	\$ 82.2	\$56.9	\$ 5.7
Revenue			
Baseline Premiums	803.0	772.9	799.4
PY 21 Employee/Retiree Premium	4.7	4.7	
Coronavirus Relief Fund Reimbursement		28.0	12.6
COBRA Premium Increase			1.6
Ongoing Employer Increase		36.9	
One-time Employer Increase	<u>58.4</u>	<u>0.0</u>	<u>172.8</u>
Net Revenues	\$948.3	\$899.4	\$992.1
Expenses			
Baseline Medical Expenses	\$ 895.6	\$892.1	\$918.1
PY 21 Plan Changes	(9.5)	(3.7)	0.0
Administration	<u>5.3</u>	<u>5.3</u>	<u>5.3</u>
Net Expenses	\$ 891.4	\$893.7	\$923.4
Cash Balance	\$ 56.9	\$ 5.7	\$ 68.7
Ongoing Balance ^{1/}	\$ (83.7)	\$ (79.2)	\$ (124.2)

^{1/} Reflects ongoing revenues vs. ongoing expenses

Arizona Department of Administration - Automation Projects Fund

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
INDIVIDUAL PROJECTS ^{1/2/}			
Department of Administration Subaccount			
Business One-Stop Shop Web Portal	0	7,758,900	15,614,300
K-12 School Financial Transparency Reporting Portal ^{3/}	0	3,000,000	1,500,000
State Data Center	0	2,000,000	0
Department of Administration Subtotal	0	12,758,900	17,114,300
Human Resources Information System Subaccount			
HRIS Replacement	0	0	22,397,800
Department of Agriculture Subaccount			
IT Projects and Cloud Migration	0	0	2,000,000
Charter School Board Subaccount			
Charter School Board Online Platform	0	614,100	0
Department of Child Safety Subaccount			
CHILDS Replacement	7,476,600	0	0
Department of Economic Security Subaccount			
Child Care Management System	0	9,000,000	0
Department of Education Subaccount			
Education Learning and Accountability System	2,245,800	7,200,000	0
Department of Gaming Subaccount			
Tribal Gaming Certification e-Licensing	0	850,000	0
Industrial Commission of Arizona Subaccount			
IT System Upgrades	0	1,067,700	0
State Board of Psychologist Examiners Subaccount			
e-licensing System Modifications	0	20,000	0
Department of Public Safety Subaccount			
Arizona Criminal Justice Information System	1,101,000	0	0
Concealed Weapons Tracking System	410,000	550,000	0
Department of Public Safety Subtotal	1,511,000	550,000	0
Department of Revenue Subaccount			
Integrated Tax System Modernization ^{4/}	0	0	15,819,800
Secretary of State Subaccount			
Electronic Record Storage Study	0	0	300,000
Department of Water Resources Subaccount			
Application Modernization and Integration	0	0	1,700,000
TOTAL - ALL PROJECTS ^{5/6/7/}	11,233,400	32,060,700	59,331,900

FUND SOURCES

Other Appropriated Funds

Department of Administration Subaccount	0	12,758,900	17,114,300
Human Resources Information System Subaccount	0	0	22,397,800
Department of Agriculture Subaccount	0	0	2,000,000
Charter School Board Subaccount	0	614,100	0

Department of Child Safety Subaccount	7,476,600	0	0
Department of Economic Security Subaccount	0	9,000,000	0
Department of Education Subaccount	2,245,800	7,200,000	0
Department of Gaming Subaccount	0	850,000	0
Industrial Commission of Arizona Subaccount	0	1,067,700	0
State Board of Psychologist Examiners Subaccount	0	20,000	0
Department of Public Safety Subaccount	1,511,000	550,000	0
Department of Revenue Subaccount	0	0	15,819,800
Secretary of State Subaccount	0	0	300,000
Department of Water Resources Subaccount	0	0	1,700,000
SUBTOTAL - Other Appropriated Funds	11,233,400	32,060,700	59,331,900
SUBTOTAL - Appropriated Funds ^{g/}	11,233,400	32,060,700	59,331,900
TOTAL - ALL SOURCES	11,233,400	32,060,700	59,331,900

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

FOOTNOTES

- 1/ General Fund monies are transferred into the Automation Projects Fund to finance certain projects. See *Table 1* for all fund transfers into the APF. These individual transfers are discussed in the narrative as part of the individual projects listed in the Automation Projects Fund.
- 2/ Represents expenditures from the APF. Because many of the APF appropriations are spent over multiple years, the FY 2021 actual column also includes non-lapsing expenditures from FY 2020 appropriations.
- 3/ A. The sum of \$1,500,000 is appropriated from the department of administration subaccount in the automation projects fund established pursuant to section 41-714, Arizona Revised Statutes, in each of fiscal years 2022-2023 and 2023-2024 to the department of administration to develop a K-12 school financial transparency reporting system.
 B. The sum of \$1,500,000 is appropriated from the state general fund in each of fiscal years 2022-2023 and 2023-2024 for deposit in department of administration subaccount in the automation projects fund established pursuant to section 41-714, Arizona Revised Statutes, to develop a K-12 school financial transparency reporting system.
 C. Notwithstanding section 41-714, Arizona Revised Statutes, in each of fiscal years 2022-2023 and 2023-2024, the appropriations made in subsection A of this section do not require review from the joint legislative budget committee pursuant to section 41-714, Arizona Revised Statutes.
 D. The amounts appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal years 2022-2023 and 2023-2024 are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (FY 2022 General Appropriation Act footnote)
- 4/ 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.

Before awarding any procurement contract for the tax system, the department of revenue shall submit a report addressing the project specifications contained in this subsection for review by the joint legislative budget committee. (General Appropriation Act footnote)

- 5/ Except for the amounts appropriated to the department of administration for the K-12 school financial transparency reporting portal and the department of education school finance data system, the amounts appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2021-2022 are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. The amount appropriated in fiscal year 2021-2022 to the department of administration for the department of education school finance data system is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2024. The amount appropriated in fiscal year 2021-2022 to the department of administration for the K-12 school financial transparency reporting portal is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (FY 2022 General Appropriation Act footnote as amended by FY 2023 General Appropriations Act)
- 6/ The amount appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2022-2023 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2024. (General Appropriation Act footnote)
- 7/ 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 Appropriation Act footnote)
- 8/ The transfers into the automation projects fund established by section 41-714, Arizona Revised Statutes, are not appropriations out of the automation project fund. Only direct appropriations out of the automation projects fund are appropriations. (General Appropriation Act footnote)

Background

The APF is administered by ADOA and consists of 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.

The FY 2023 Automation Budget Reconciliation Bill (BRB) modifies permanent law to allow ADOA to transfer unspent APF subaccount funding back to the fund of origin at the completion of an information technology project. ADOA is required to annually report on transfers.

Department of Administration Subaccount

Business One-Stop Shop Web Portal

The budget includes \$15,614,300 from the ADOA APF Subaccount in FY 2023 for the Business One-Stop Shop Web Portal. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$7,855,400 from the ADOA APF Subaccount in FY 2023 for one-time design costs associated with phase 2 development of a Business One-Stop Web Portal.

The FY 2023 appropriation will be financed from the General Fund.

The FY 2020 budget included \$1,000,000 for initial design and a pilot of the Business One-Stop Web Portal. The FY 2022 budget included funding, transferred from ADOA's Other Appropriated Funds, to complete the development for functionality for any business to plan or start operations in Arizona. In July 2021, the JLBC gave a favorable review of ADOA's FY 2022 expenditure.

The FY 2023 funding will be used to add functionality to "manage" a business in Arizona, by adding a dashboard

which allows businesses to register users, connect accounts to existing businesses, update user information, register or cancel a license, apply for a tax license, register a trade name or trademark, reserve an LLC name, and procure a certificate of good standing.

K-12 School Financial Transparency Reporting Portal

The budget includes \$1,500,000 from the ADOA APF Subaccount in FY 2023 for the K-12 School Financial Transparency Reporting Portal. FY 2023 adjustments are as follows:

Expenditure Alignment

The budget includes a decrease of \$(1,500,000) from the ADOA APF Subaccount in FY 2023 for the development of a K-12 School Financial Transparency Reporting Portal.

The FY 2022 K-12 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 Appropriation Act also included appropriations of \$1,500,000 in both FY 2023 and FY 2024 for the completion of the project. As a result, these monies did not appear in the FY 2023 General Appropriation Act. These appropriations are non-lapsing through FY 2025.

State Data Center

The budget includes no funding in FY 2023 for the ADOA State Data Center. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(2,000,000) from the ADOA APF Subaccount in FY 2023 to eliminate one-time funding for ADOA to relocate the state data center in Tucson to a third-party location.

The FY 2022 appropriation was financed by a transfer from the APF fund balance to the ADOA APF Subaccount.

Human Resources Information System Subaccount

HRIS Replacement

The budget includes \$22,397,800 from the Human Resources Information System (HRIS) APF Subaccount in FY 2023 for the HRIS Replacement project. FY 2023 adjustments are as follows:

HRIS Replacement

The budget includes an increase of \$22,397,800 from the HRIS APF Subaccount in FY 2023 for development costs associated with the first year of the HRIS replacement project.

The FY 2023 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 the \$22,397,800, \$8,011,400 is from the General Fund and \$14,386,400, is from other appropriated and non-appropriated funds.

HRIS is the state's central hub for salary and benefit administration, employee records, time and leave management, and other workforce data. Total project costs are expected to be \$68,000,000 over 3 years.

Department of Agriculture Subaccount

IT Projects and Cloud Migration

The budget includes \$2,000,000 from the Department of Agriculture APF Subaccount in FY 2023 for IT projects and cloud migration. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase \$2,000,000 from the Department of Agriculture Subaccount in FY 2023 for IT projects and cloud migration.

The funding will continue the department's efforts to modernize its IT systems and move the systems to the cloud. FY 2022 funding for this project was funded in the agency's operating budget.

The FY 2023 appropriation will be financed from the General Fund.

Charter School Board Subaccount

Charter School Board Online Platform

The budget includes no funding in FY 2023 for the Charter School Board Online Platform. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(614,100) from the Charter School Board APF Subaccount in FY 2023 to eliminate one-time funding to replace the board's online information platform with an off-the-shelf solution. The platform provides charter school data to board staff, charter holders, and the public.

The FY 2022 appropriation was financed by an appropriation from the General Fund to the Charter School Board APF Subaccount.

Department of Child Safety Subaccount

CHILDS Replacement

The budget includes no funding in FY 2023 to replace the Department of Child Safety (DCS) CHILDS system. This amount is unchanged from FY 2022.

Through FY 2021, the Legislature appropriated a total of \$35,784,600 for the CHILDS Replacement project. Including federal IV-E matching funds, DCS projects that total cumulative resources for the project will be \$86,088,100 through FY 2021.

CHILDS is the management information system used to document the status, demographics, location and outcomes for every child in the care of DCS. *(Please see the FY 2020 Appropriations Report for additional details and background on the project.)*

Department of Economic Security Subaccount

Child Care Management System

The budget includes no funding in FY 2023 for the Department of Economic Security (DES) Child Care Management System. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(9,000,000) from the DES APF Subaccount in FY 2023 to eliminate one-time funding to update the Child Care Management System. The Child Care Management Software (CCMS) system allows the department and its contract child care providers to track finances, enrollment, attendance, and reporting.

At the December 2021 JLBC meeting, the Committee favorably reviewed DES's expenditure plan of \$2,532,800 to replace the child care attendance tracking system.

The FY 2022 appropriation was financed by a transfer from the federal Child Care Development Fund Block Grant to the DES APF Subaccount.

Department of Education Subaccount

Education Learning and Accountability System

The budget includes no funding in FY 2023 for the Arizona Department of Education (ADE) Education Learning and Accountability System (ELAS). FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(7,200,000) from the ADE APF Subaccount in FY 2023 to eliminate one-time funding to complete the ELAS project.

The FY 2022 appropriation includes \$1,200,000 for ADOA-ASET oversight of the project. A General Appropriation Act footnote requires ADOA to engage consultants that provide project management to ADE, including support in technical documentation, financial tracking and documentation, and program management and governance.

The FY 2022 appropriation was financed by a transfer from the Empowerment Scholarship Fund to the ADE APF Subaccount. *(Please see the FY 2022 Appropriations Report for additional details and background on the project.)*

The FY 2023 General Appropriation Act extends the lapsing date of the FY 2022 appropriation through FY 2024.

Department of Gaming Subaccount

Tribal Gaming Certification e-Licensing

The budget includes no funding in FY 2023 for Tribal Gaming Certification e-Licensing system. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(850,000) from the Department of Gaming APF Subaccount in FY 2023 to eliminate one-time funding for the Tribal Gaming Certification e-Licensing system.

The FY 2022 appropriation was financed by a transfer from the Arizona Benefits Fund to the Department of Gaming APF Subaccount.

At ITAC's October 2021 meeting, the committee approved the department's e-licensing project which included an additional \$384,300 from the agency's operating budget for a total project cost of \$1,231,300.

Industrial Commission of Arizona Subaccount

IT System Upgrades

The budget includes no funding in FY 2023 for the Industrial Commission of Arizona's IT System Upgrades. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(1,067,700) from the Industrial Commission of Arizona APF Subaccount in FY 2023 to eliminate one-time funding for IT system upgrades. Projects include the modernization and enhancements to the Occupational Safety and Health Administration information system, enhancements to IT systems in the Commission's Claims, Administrative Law Judge, and Labor Divisions, and the development of a finance and budget data warehouse.

The FY 2022 appropriation was financed by a transfer from the Industrial Commission Administrative Fund to the Department of Gaming APF Subaccount.

Board of Psychologist Examiners Subaccount

e-Licensing System Modifications

The budget includes no funding in FY 2023 for modifications to the Board of Psychologist Examiners e-licensing system. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(20,000) from the Board of Psychologist Examiners APF Subaccount in FY 2023 to eliminate one-time funding for modifications to the board's e-licensing system. The board uses the statewide e-licensing system operated by ADOA.

The FY 2022 appropriation was financed by a transfer from the Board of Psychologist Examiners Fund to the Board of Psychologist Examiners APF Subaccount.

Department of Public Safety Subaccount

Concealed Weapons Tracking System

The budget includes no funding in FY 2023 for upgrades to the Department of Public Safety Concealed Weapons Tracking System. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(550,000) from the DPS APF Subaccount in FY 2023 to eliminate one-time funding to complete upgrades to the Concealed Weapons Tracking System.

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

Integrated Tax System Modernization

The budget includes \$15,819,800 from the Department of Revenue (DOR) APF Subaccount in FY 2023 for the DOR's development of a new integrated tax system. FY 2023 adjustments are as follows:

First-Year Development costs

The budget includes an increase of \$15,819,800 from the DOR APF Subaccount in FY 2023 for the development of a new integrated tax system modernization project.

The FY 2023 appropriation will be financed by a transfer from the following funds to the DOR APF Subaccount:

- \$9,632,700 from the General Fund
- \$6,187,100 from the Integrated Tax System Project Fund. The Integrated Tax System Project Fund consists of monies recovered from local partners and tax authorities that will benefit from the system.

Based on estimates of states that have recently built new systems, DOR estimates the system will cost \$104,827,700 and anticipates that the system will be completed across FY 2023 to FY 2028 with different taxes coming online each year. The budget presumes a total General Fund cost of \$63,829,700. The remaining \$40,997,900 is to be appropriated from the Integrated Tax System Project Fund as show in *Table 1*.

Table 1:

Integrated Tax Modernization Costs		
	<u>General Fund</u>	<u>Integrated Tax System Project Fund</u>
FY 2023	9,632,700	6,187,100
FY 2024	11,794,100	7,575,300
FY 2025	11,847,300	7,609,500
FY 2026	11,725,500	7,531,300
FY 2027	11,238,400	7,218,400
FY 2028	<u>7,591,700</u>	<u>4,876,300</u>
Totals	63,829,700	40,997,900

As part of the budget's 6-year spending plan, the General Fund costs for this project are projected to increase by \$2,161,400 in FY 2024 above FY 2023, and by \$53,200 in FY 2025 above FY 2024, with subsequent years' changes as shown in *Table 1* above.

The \$40,997,900 from the Integrated Tax System Project Fund will be funded by assessments to counties, cities, towns, regional transportation authorities, councils of governments, the 16% recreational marijuana tax, and the 0.6% education sales tax. The FY 2023 Tax Omnibus BRB outlines the process for setting these charges and includes changes to permanent law to allow the fund to be used for the new system. *(For discussion of how these fees are assessed, please see the Statutory Changes in the Department of Revenue narrative or Other Issues in the Counties section.)*

As session law, the Tax Omnibus BRB limited the amount to be charged to all counties, cities, towns, Council of Governments and the regional transportation authorities to \$5,388,200 for FY 2023. The amounts charged to individual localities will depend on their population as of the last census, and the distribution of revenues 2 years prior to the current fiscal year. The amount charged to the 16% recreational marijuana excise tax and the 0.6% education sales tax are not to exceed \$145,500 and \$653,400, respectively, in FY 2023. In future years, these limits will be adjusted in session law to allow for the collection of the expected future contributions from the Integrated Tax System Project Fund as shown in *Table 1*.

A General Appropriation Act footnote appropriation requires DOR to submit a report on meeting project specifications to JLBC for review prior to completing the procurement process and details the following system requirements for the project:

- Capturing data fields from electronically-filed individual and corporate income tax returns and make the data available for querying and reporting purpose.
- For electronic corporate income tax returns, capturing 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.
- Including an integrated tax model within the project that will be accessible to DOR, JLBC, and OSPB staff to adjust tax law parameters against an anonymized sample of income tax returns to estimate the fiscal impact of proposed tax legislation. The model shall include procedures to protect taxpayer anonymity.
- The system shall make individual and corporate income tax data available for querying, modeling, and reporting within 24 months following the end of a tax year.

The FY 2023 Procurement BRB includes session law requiring DOR to review any bid from a vendor who has developed, in whole or in part, of similar size and complexity of the DOR tax system. In soliciting bids, DOR may not include any mandatory minimum requirements.

(For additional information on the funding of the project and statutory changes related to funding this project, please see the Department of Revenue narrative.)

Secretary of State

Electronic Record Storage Study

The budget includes \$300,000 from the Secretary of State APF Subaccount in FY 2023 for an electronic record storage feasibility study. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase \$300,000 from the Secretary of State APF Subaccount in FY 2023 for a one-time electronic record storage feasibility study.

The funding will be used to conduct a feasibility study on how the Secretary of State shall preserve electronic records on behalf of the state in a self-sustaining manner similar to physical record storage.

The FY 2023 appropriation will be financed from a transfer from the Records Services Fund.

Department of Water Resources Subaccount

Application Modernization and Integration

The budget includes \$1,700,000 from the Department of Water Resources (DWR) APF Subaccount in FY 2023 to update the department's applications. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase \$1,700,000 from the DWR APF Subaccount in FY 2023 for application modernization.

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

The FY 2023 appropriation will be financed from a transfer from the Water Resources Fund

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the General Fund deposits into the APF costs are projected to increase by \$2,223,000 in FY 2024 above FY 2023 and \$154,600 in FY 2025 above FY 2024. These estimates are based on:

HRIS Replacement

The long-term estimates assume funding for HRIS replacement will increase by \$61,600 in FY 2024 above FY 2023 and \$101,400 in FY 2025 above FY 2024.

DOR Integrated Tax System Modernization

The long-term estimates assume funding for the DOR Integrated Tax System modernization project will increase by \$2,161,400 in FY 2024 above FY 2023 and \$53,200 in FY 2025 above FY 2024.

Table 1

Automation Projects Fund Transfers

(\$ in thousands)

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<u>Department of Administration Subaccount</u>			
General Fund		3,000.0	17,114.3
Automation Projects Fund		2,000.0	
Automation Operations Fund		4,758.9	
State Web Portal Fund		3,000.0	
<u>HRIS Subaccount</u>			
General Fund			8,011.4
Other Agency Funds			14,386.4
<u>Department of Agriculture Subaccount</u>			
General Fund			2,000.0
<u>Charter School Board Subaccount</u>			
General Fund		614.1	
<u>Department of Child Safety Subaccount</u>			
Automation Projects Fund	4,992.8		
<u>Department of Economic Security Subaccount</u>			
Federal Child Care Development Fund Block Grant		9,000.0	
<u>Department of Education Subaccount</u>			
ADE Empowerment Scholarship Fund		4,448.9	
State Treasurer Empowerment Scholarship Fund		2,751.1	
<u>Department of Gaming Subaccount</u>			
Arizona Benefits Fund		850.0	
<u>Industrial Commission of Arizona Subaccount</u>			
Industrial Commission Administrative Fund		1,067.7	
<u>Board of Psychologist Examiners Subaccount</u>			
Board of Psychologist Examiners Fund		20.0	
<u>Department of Public Safety Subaccount</u>			
Concealed Weapons Permit Fund		550.0	
Highway Patrol Fund			
<u>Secretary of State Subaccount</u>			
Record Services Fund			300.0
<u>Department of Revenue Subaccount</u>			
General Fund			9,632.7
Integrated Tax System Project Fund			6,187.1
<u>Department of Water Resources</u>			
Water Resources Fund			1,700.0
General Fund Subtotal	0.0	3,614.1	36,758.4
Other Appropriated Fund Subtotal	4,992.8	28,446.6	22,573.5
Total	4,992.8 ^{1/}	32,060.7	59,331.9

^{1/} The FY 2021 column of numbers are transfers, not actuals, and therefore may not match the FY 2021 Actual column in the Budget table above.

Arizona Department of Administration - School Facilities Division

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	884,200	900,100	988,500
Employee Related Expenditures	291,700	305,200	366,300
Professional and Outside Services	124,600	83,300	83,300
Travel - In State	9,100	24,000	24,000
Other Operating Expenditures	217,100	399,800	170,700
Equipment	13,900	5,000	14,300
OPERATING SUBTOTAL	1,540,600	1,717,400	1,647,100
SPECIAL LINE ITEMS			
New School Facilities			
New School Facilities (FY 2020 Authorizations)	45,805,900	0	0
New School Facilities (FY 2021 Authorizations)	12,980,900	11,730,900	0
New School Facilities (FY 2020 Authorizations)	45,805,900	0	0
New School Facilities (FY 2022 Authorizations)	0	76,881,700	47,950,000 ^{1/}
New School Facilities (FY 2023 Authorizations)	0	0	48,253,900 ^{2/}
Retroactive Rate Increases	0	63,526,200	0
Yuma Union High School	0	16,515,200	16,515,200 ^{3/}
Kirkland Elementary Replacement School	0	3,000,000	0
Kirkland Site Conditions	0	0	400,000
New School Facilities Debt Service	67,177,800	9,938,100	9,938,100 ^{5/}
Other Programs			
Building Renewal Grants	146,259,000	200,617,000	199,967,900
AGENCY TOTAL	319,570,100	383,926,500	324,672,200 ^{6/}
FUND SOURCES			
General Fund	319,570,100	383,926,500	324,672,200
SUBTOTAL - Appropriated Funds	319,570,100	383,926,500	324,672,200
Other Non-Appropriated Funds	662,100	0	0
Federal Funds	918,700	0	0
TOTAL - ALL SOURCES	321,150,900	383,926,500	324,672,200

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. In addition, the division provides support to the Credit Enhancement Eligibility Board, which operates the Arizona Public School Credit Enhancement program for district and charter schools. 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 2021, Chapter 408 appropriated \$47,950,000 from the General Fund in FY 2023 for the New School Facilities FY 2022 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 school facilities division on or before December 15, 2021. (General Appropriation Act footnote)
- ^{3/} Laws 2021, Chapter 408 appropriated \$16,515,200 from the General Fund in FY 2023 for the Yuma Union High School project.

- 4/ At least thirty days before any monies are transferred out of the new school facilities debt service line item, the school facilities division shall report the proposed transfer to the director of the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ Pursuant to section 35-142.01, Arizona Revised Statutes, any reimbursement received by or allocated to the school facilities division under the federal qualified school construction bond program in fiscal year 2022-2023 shall be deposited in or revert to the state general fund. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by division.

Operating Budget

The budget includes \$1,647,100 and 17 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 amounts are as follows:

Salary Increase

The budget includes an increase of \$108,700 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes a decrease of \$(179,000) from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

New School Facilities

The budget includes \$113,119,100 from the General Fund in FY 2023 for New School Facilities, which is a decrease of \$(58,534,900) from FY 2022. The FY 2023 funding amount for New School Facilities includes the following:

- \$47,950,000 for the remaining 50% of construction funding to complete 5 projects which were authorized to begin construction in FY 2022.
- \$16,515,200 for the remaining 50% of construction costs to accelerate the construction of a new high school for Yuma Union School District.
- \$48,253,900 for the land costs and the first 50% of construction costs for 3 projects that will be authorized to begin construction in FY 2023. This amount includes \$16,500,000 for land, and \$31,753,900 for construction.
- \$400,000 for site conditions for the Kirkland School Replacement project.

All new school construction is labeled as one-time rather than ongoing. *(See Table 3)*

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 14, 2021 meeting, the JLBC approved a 6.63% adjustment in the cost per square foot. This inflation adjustment is based on measure of construction costs since December 2020 when the Committee last adopted an adjustment. This adjustment applies to the FY 2023 projects approved by the division. *(See Table 1)*

Type of School	Per Student	Funding Per Square Foot
K-6	90	\$288.16
7-8	100	\$304.22
9-12 (<1,800 pupils)	134	\$352.20
9-12 (≥1,800 pupils)	125	\$352.20

^{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 2021 Authorization)

The budget includes no funding in FY 2023 for New School Facilities projects which are authorized to start construction in FY 2021. FY 2023 adjustments are as follows:

New School Funding Completion

The budget includes a decrease of \$(11,730,900) from the General Fund in FY 2023 for the completion of the following projects:

- Chandler Unified (9-12) – for a high school addition.
- Tanque Verde Unified (7-12) – for a new high school including land.

New School Facilities (FY 2022 Authorization)

The budget includes \$47,950,000 from the General Fund in FY 2023 for New School Facilities projects which are authorized to start construction in FY 2022. FY 2023 adjustments are as follows:

Continue New School Construction Projects

The budget includes a decrease of \$(28,931,700) from the General Fund in FY 2023 to continue construction for 5 new school projects authorized to start construction in FY 2022. The enacted FY 2022 budget included 100% of the land costs and 50% of the construction costs with the exception of Tanque Verde Unified project which received 100% of the funding in FY 2022. The projects are as follows:

- Liberty Elementary (K-8) – for a new elementary school.
- Queen Creek Unified (9-12) – for a new high school including land.
- Sahuarita Unified (9-12) – for a new high school including land.
- Tanque Verde Unified (K-6) – for a new elementary school, with 100% of the construction costs funded in FY 2022.
- Vail Unified (6-8) – for a new elementary school including land.

In addition, the FY 2022 General Appropriation Act appropriated the remaining \$47,950,000 of funding in FY 2023 for these projects. As a result, these monies did not appear in the FY 2023 General Appropriations Act

New School Facilities (FY 2023 Authorization)

The budget includes \$48,253,900 from the General Fund in FY 2023 for New School Facilities projects which are authorized to start construction in FY 2023. FY 2023 adjustments are as follows:

Begin New School Construction Projects

The budget includes an increase of \$48,253,900 from the General Fund in FY 2023 for new projects. These school districts are projected to be at capacity in FY 2024 or

before. The FY 2023 appropriation includes 100% of the land costs and 50% of the construction costs. The projects are as follows:

- Marana (9-12) – for a new high school
- Nadaburg (9-12) – for a new high school including land.
- Pima (9-12) – for a new high school including land.

In addition, the FY 2023 General Appropriation Act appropriated the remaining \$31,753,900 of funding in FY 2024 for these projects.

Retroactive Rate Increases

The budget includes no funding in FY 2023 for one-time retroactive rate increases for schools that were authorized to start construction between FY 2019 and FY 2021, but which had not yet started construction. FY 2023 adjustments are as follows:

Remove One-Time Retroactive Rate Increases

The budget includes a decrease of \$(63,526,200) from the General Fund in FY 2023 to remove increased funding provided to new schools approved between FY 2019 and FY 2021, but which had not yet started construction. (See Table 3).

Yuma Union High School

The budget includes \$16,515,200 from the General Fund in FY 2023 for a new high school in the Yuma Union High School District. This amount is unchanged from FY 2022.

The FY 2022 General Appropriation Act appropriated the remaining \$16,515,200 of funding in FY 2023 for the remaining cost of this project. As a result, these monies did not appear in the FY 2023 General Appropriation Act.

Kirkland Elementary Replacement School

The budget includes no funding in FY 2023 for the Kirkland Elementary Replacement School line item. FY 2023 adjustments are as follows:

Remove One-Time School Replacement Funding

The budget includes a decrease of \$(3,000,000) from the General Fund in FY 2023 to remove one-time funding to replace the Kirkland Elementary School. The school has experienced flooding and requires relocation.

Kirkland Site Conditions

The budget includes \$400,000 from the General Fund in FY 2023 for Kirkland Site Conditions. FY 2023 adjustments are as follows:

Site Conditions

The budget includes an increase of \$400,000 from the General Fund in FY 2023 to for site conditions related to the Kirkland Elementary School replacement project. This funding is in addition to the \$3,000,000 appropriated in FY 2022 to replace the school. (See the prior line item).

New School Facilities Debt Service

The budget includes \$9,938,100 from the General Fund in FY 2023 for New School Facilities Debt Service. This amount is unchanged from FY 2022.

Background – SFD is currently paying debt service only on a FY 2010 lease-purchase agreement used to finance the costs of new school construction. SFD issued Certificates of Participation (COPs) that are typically repaid over a period of 15 years.

The FY 2023 budget 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 2023 related to the lease-purchase payment. The subsidy is deposited into the General Fund.

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

Other Programs

Building Renewal Grants

The budget includes \$199,967,900 from the General Fund in FY 2023 for Building Renewal Grants. FY 2023 adjustments are as follows:

One-Time Funding Adjustment

The budget includes a decrease of \$(649,100) from the General Fund in FY 2023 for a lower amount of one-time building renewal grants funding.

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

Table 2

**Building Renewal Appropriations
FY 2013 - FY 2022**

<u>Fiscal Year</u>	<u>Ongoing</u>	<u>One-Time</u>
2013	2,667,900	0
2014	16,667,900	0
2015	16,667,900	0
2016	16,667,900	15,000,000
2017	16,667,900	15,000,000
2018	16,667,900	27,167,900
2019	16,667,900	59,417,900
2020	16,667,900	90,790,900
2021	16,667,900	129,591,100
2022	16,667,900	183,949,100
2023	16,667,900	183,300,000

The FY 2022 budget appropriated a total of 107,500,000 in FY 2022 for building renewal grants. The FY 2023 budget included a \$93,117,000 FY 2022 supplemental appropriation for building renewal grants. Therefore, the total available funding in FY 2022 is \$200,617,000 of which \$183,949,100 is designated as one-time. For FY 2023, the Legislature allocated \$183,300,000 of one-time funding which resulted in a total FY 2023 building renewal grant appropriation of \$199,967,900. (Please see Other Issues for more information.)

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

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

FY 2022 Supplemental

The FY 2023 budget includes an FY 2022 supplemental appropriation of \$93,117,000 from the General Fund for Building Renewal Grants (*Please see Building Renewal Grants for further details.*)

Statutory Changes

The K-12 Education Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, require ADOA to report any unobligated funding in the Building Renewal Grant Fund to OSPB and JLBC Staff by June 30th of each year.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, SFD's General Fund costs are projected to decrease by \$(264,302,000) in FY 2024 below FY 2023 and increase by \$37,109,800 in FY 2025 above FY 2024. 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 2023 for the schools which were authorized to begin construction in FY 2022; and 2) Conceptual approvals made by SFD as part of the agencies' long-term planning process.

In FY 2024, new school construction spending is projected to decrease by \$(81,002,000). In addition, FY 2025 new school construction spending is projected to increase by \$37,109,800 above FY 2024. (*See Table 3*)

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 estimated land market values.

New construction projects assumed to start in FY 2024 and FY 2025 reflect the enacted budget's 3-year spending plan, which was based on SFD conceptual approvals as of December 2021.

One-Time Building Renewal Grant Funding

SFB building renewal grant costs funding would decrease by \$(183,300,000) in FY 2024 and remain unchanged for FY 2025. The enacted budget 3-year spending plan labeled \$183,300,000 of funding as one-time and discontinues it in FY 2024, which would return SFB building renewal grant funding to the ongoing "base" level of \$16,667,900.

Auditor General Report

In September 2021, the Auditor General published a performance audit of SFD that included recommendations for improvements to the division's school facilities database and enrollment projections for its new school facilities program.

Specifically, the audit recommended that the division establish processes for inspecting school district buildings for compliance with the minimum adequacy guidelines.

In addition, the audit recommended that the division establish a process to ensure accuracy of school facility square footage in its database. That database is used to determine new school eligibility and to publish a list of vacant and partially used school buildings as required by statute.

Finally, the audit found that SFD did not use the most recently available average daily membership data, as required by statute, when projecting enrollment to award new school projects. Instead, SFD used historical data to develop its final enrollment projections to correct for student enrollment declines related to the COVID-19 pandemic, based on the assumption that student enrollment would recover to pre-pandemic levels in the next school year.

By not using the most recently available average daily membership data in its approved enrollment projections, the division potentially overestimated some districts' future enrollment growth. The audit found that other states have developed models using different assumptions about the long-term effects of COVID-19 on school enrollment. The audit recommended that the division revise its process to project enrollment. The audit also recommended that the division follow its process to re-evaluate projections for districts already approved for a new school.

Table 3

Long-Term New School Facilities Funding

	Type	Sq. Ft	Student Capacity	FY 2022	FY 2023	FY 2024	FY 2025
<u>FY 2021 Starts</u>							
Chandler 9-12	Addition	87,500	700	8,789,500			
Tanque Verde 7-12	New	30,675	250	2,941,400			
Subtotal - FY 2021 Starts				\$ 11,730,900			
<u>FY 2022 Starts</u>							
Liberty K-8	New	73,920	800	\$ 10,120,100	\$ 10,120,100		
Queen Creek 9-12	New	120,375	963	19,880,000	19,880,000		
Queen Creek Land				17,185,500			
Sahuarita 9-12	New	55,375	443	9,145,300	9,145,300		
Sahuarita Land				6,350,000			
Tanque Verde K-6	New	8,460	94	2,286,200			
Vail 6-8	New	62,836	650	8,804,600	8,804,600		
Vail Land				3,110,000			
Subtotal - FY 2022 Starts				\$ 76,881,700	\$ 47,950,000		
<u>FY 2022 New School Line Items</u>							
Kirkland Replacement				3,000,000			
Yuma Union 9-12	New	100,000	800	16,515,200	16,515,200		
Subtotal - FY 2022 New School Line Items				\$ 19,515,200	\$ 16,515,200		
<u>Retroactive Rate Increases</u>							
Douglas 9-12 (Rural)				13,838,100			
Maricopa 9-12				18,826,700			
Safford K-6 (Rural)				5,462,300			
Santa Cruz Valley 9-12				3,738,400			
Somerton K-6				2,772,900			
Somerton K-6				2,772,900			
Tanque Verde 7-12				3,789,300			
Vail K-5				6,162,000			
Vail K-5				6,163,600			
Subtotal - Retroactive Rate Increases				\$ 63,526,200			
<u>FY 2023 Starts</u>							
Marana 9-12	New	50,000	400		8,805,100	8,805,100	
Nadaburg 9-12	New	67,000	500		11,799,000	11,799,000	
Nadaburg Land					12,000,000		
Pima 9-12 (Rural)	New	60,300	450		11,149,800	11,149,800	
Pima Land					4,500,000		
Subtotal - FY 2023 Starts					\$ 48,253,900	\$ 31,753,900	
<u>FY 2023 New School Line Items</u>							
Kirkland Site Conditions					400,000		
<u>FY 2024 Starts</u>							
Somerton K-6	New	1,260	14			363,200	
Subtotal - FY 2024 Starts						\$ 363,200	\$ -
<u>FY 2025 Starts</u>							
Agua Fria 9-12	New	225,000	1800				39,622,900
Liberty K-8	New	73,920	800				10,790,900
Maricopa 6-8	New	58,002	600				8,666,100
Saddle Mountain 9-12	Addition	57,620	430				10,147,000
Subtotal - FY 2025 Starts							\$ -
Total				\$ 171,654,000	\$ 113,119,100	\$ 32,117,100	\$ 69,226,900

Office of Administrative Hearings

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	590,700	565,600	621,600
Employee Related Expenditures	219,700	218,200	262,900
Other Operating Expenditures	110,400	108,000	114,400
AGENCY TOTAL	920,800	891,800	998,900^{1/}
FUND SOURCES			
General Fund	920,800	891,800	998,900
SUBTOTAL - Appropriated Funds	920,800	891,800	998,900
Other Non-Appropriated Funds	772,900	796,100	796,100
TOTAL - ALL SOURCES	1,693,700	1,687,900	1,795,000

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

FOOTNOTES

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

Operating Budget

The budget includes \$998,900 and 12 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$68,900 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the *Agency Detail and Allocations* section.)

Statewide Adjustments

The budget includes an increase of \$38,200 in FY 2023 for statewide adjustments. (Please see the *Agency Detail and Allocations* section.)

Arizona Commission of African-American Affairs

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	82,800	83,100	91,500
Employee Related Expenditures	33,200	25,700	32,700
Professional and Outside Services	5,700	0	0
Travel - Out of State	0	3,200	3,200
Other Operating Expenditures	11,500	16,800	19,200
AGENCY TOTAL	133,200	128,800	146,600^{1/}
FUND SOURCES			
General Fund	133,200	128,800	146,600
SUBTOTAL - Appropriated Funds	133,200	128,800	146,600
Other Non-Appropriated Funds	500	0	0
TOTAL - ALL SOURCES	133,700	128,800	146,600

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

FOOTNOTES

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

Operating Budget

The budget includes \$146,600 and 3 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$10,300 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section).*

Statewide Adjustments

The budget includes an increase of \$7,500 from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section).*

Arizona Department of Agriculture

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	209.3	212.8	212.8 ^{1/2/}
Personal Services	5,896,300	6,767,300	4,267,300
Employee Related Expenditures	2,564,600	2,827,800	3,253,100
Professional and Outside Services	319,900	3,010,400	1,010,400
Travel - In State	651,300	972,000	972,000
Travel - Out of State	600	40,700	40,700
Other Operating Expenditures	1,911,200	1,926,700	2,163,000
Equipment	300,900	2,584,900	2,584,900
OPERATING SUBTOTAL	11,644,800	18,129,800	14,291,400 ^{3/}
SPECIAL LINE ITEMS			
FY 2023 Salary Increase	0	0	2,013,200
Agricultural Consulting and Training	127,200	128,500	136,300
Agricultural Employment Relations Board	23,300	23,300	23,300
Animal Damage Control	65,000	65,000	65,000
Livestock Operator Assistance Program Deposit	0	0	10,000,000
Nuclear Emergency Management Program	230,600	280,500	280,500 ^{4/5/}
Red Imported Fire Ant Control	23,200	23,200	23,200
AGENCY TOTAL	12,114,100	18,650,300	26,832,900 ^{6/}
FUND SOURCES			
General Fund	10,395,000	16,915,700	24,954,600
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,488,500	1,454,100	1,597,800
Nuclear Emergency Management Fund	230,600	280,500	280,500
SUBTOTAL - Other Appropriated Funds	1,719,100	1,734,600	1,878,300
SUBTOTAL - Appropriated Funds	12,114,100	18,650,300	26,832,900
Other Non-Appropriated Funds	17,475,000	21,791,400	21,791,400
Federal Funds	5,127,800	6,172,500	6,172,500
TOTAL - ALL SOURCES	34,716,900	46,614,200	54,796,800

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 2.88 OF FTE Positions funded from Special Line Items in FY 2023.
- 2/ Includes 2.88 OF FTE Positions appropriated by Laws 2021, Chapter 71.
- 3/ The appropriation made to the department of agriculture in Laws 2021, Chapter 408, Section 8 for information technology improvements is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023.
- 4/ Laws 2021, Chapter 71 appropriated \$280,512 and 2.88 FTE Positions in both FY 2022 and FY 2023 from the Nuclear Emergency Management Fund.

- 5/ 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.
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$14,291,400 and 209.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$12,693,600
Air Quality Fund	1,597,800

FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2023 to remove one-time funding for migrating department data to a cloud-based system. The budget also includes a footnote extending the lapsing date of the FY 2022 \$2,000,000 appropriated for information technology projects through FY 2023.

Remove One-Time Funding

The budget includes a decrease of \$(2,500,000) from the General Fund in FY 2023 to remove one-time funding for the replacement of aging equipment in the State Agricultural Lab.

Statewide Adjustments

The budget includes an increase of \$661,600 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	593,600
Air Quality Fund	68,000

(Please see the Agency Detail and Allocations section.)

FY 2023 Salary Increases

The budget includes \$2,013,200 from the General Fund in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

General Fund	1,937,500
Air Quality Fund	75,700

Of this amount, \$840,000 is for a 10% minimum state employee salary increase and \$1,173,200 is for selected market adjustments above 10%. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will

include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

Agricultural Consulting and Training

The budget includes \$136,300 from the General Fund in FY 2023 for the Agricultural Consulting and Training line item. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$7,800 from the General Fund in FY 2023 for statewide adjustments.

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

Agricultural Employment Relations Board

The budget includes \$23,300 from the General Fund in FY 2023 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2022.

This line item funds accounting and budgeting support for the Agricultural Employment Relations Board. The board receives and investigates complaints and conducts farm labor union elections.

Animal Damage Control

The budget includes \$65,000 from the General Fund in FY 2023 for the Animal Damage Control line item. This amount is unchanged from FY 2022.

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.

Livestock Operator Assistance Program Deposit

The budget includes \$10,000,000 from the General Fund in FY 2023 for the Livestock Operator Assistance Program Deposit line item. FY 2023 adjustments are as follows:

Establish Livestock Operator Assistance Program

The budget includes a one-time increase of \$10,000,000 from the General Fund in FY 2023 for the administration of a new Livestock Operator Assistance Program Deposit line item.

Monies in this line item fund the livestock operator assistance program established in Arizona Revised Statutes, § 3-109.03 by Laws 2022, Chapter 292. This program will partially reimburse livestock operators for damages incurred to their property as a result of natural disasters.

Nuclear Emergency Management Program

The budget includes \$280,512 and 2.88 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2023 for the Nuclear Emergency Management Program line item. These amounts are unchanged from FY 2022.

Laws 2021, Chapter 71 appropriated \$280,512 and 2.88 FTE Positions from the NEMF to the department in FY 2022 and FY 2023.

As a result, these monies do not appear in the General Appropriation Act. The Department of Emergency and Military Affairs (DEMA) and the Department of Agriculture received monies from Chapter 71. *(Please see the Department of Emergency and Military Affairs narrative for more information.)*

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

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

Department representatives assist in the planning for off-site responses to an emergency at the Palo Verde Nuclear Generating Station and participate in the annual response exercises, mainly the Ingestion Pathway Zone exercises.

The Department of Agriculture is responsible for controlling embargoes of food, water, and milk in the event that there is an emergency that would contaminate those items produced in the areas around the plant.

Red Imported Fire Ant Control

The budget includes \$23,200 from the General Fund in FY 2023 for the Red Imported Fire Ant Control line item. This amount is unchanged from FY 2022.

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.

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

- As session law, continues the fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2023, including legislative intent that limits additional revenues to \$357,000.

Arizona Health Care Cost Containment System

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,339.3	2,348.3	2,348.3 ^{1/}
Personal Services	45,660,500	47,141,900	47,499,200
Employee Related Expenditures	18,992,100	19,357,500	22,774,300
Professional and Outside Services	16,920,200	17,700,900	27,200,900
Travel - In State	15,300	15,300	15,300
Other Operating Expenditures	22,420,700	27,232,600	29,330,900
Equipment	98,400	98,400	98,400
OPERATING SUBTOTAL	104,107,200	111,546,600	126,919,000 ^{2/}
SPECIAL LINE ITEMS			
Administration			
AHCCCS Data Storage	15,173,500	19,325,800	19,325,800
DES Eligibility	101,760,300	88,874,500	97,074,500 ^{3/}
Proposition 204 - AHCCCS Administration	21,885,900	13,906,200	14,525,200 ^{4/}
Proposition 204 - DES Eligibility	41,745,200	44,358,700	44,358,700 ^{4/}
FY 2023 Salary Increase	0	0	7,879,700
Medicaid Services			
Traditional Medicaid Services	5,219,519,500	7,299,366,400	7,303,608,100 ^{5/-12/}
Proposition 204 Services	4,108,435,000	6,743,005,000	6,390,896,200 ^{10/-12/}
Adult Expansion Services	602,859,200	1,302,702,900	804,705,200 ^{10/}
Comprehensive Medical and Dental Program	198,750,800	243,543,800	244,906,300 ^{10/11/}
KidsCare Services	95,663,000	171,812,300	152,682,100 ^{10/}
ALTCS Services	1,648,966,200	2,621,917,300	2,576,091,400 ^{13/-17/}
Behavioral Health Services in Schools	10,003,300	10,003,300	9,891,200
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	75,714,600	77,646,900	77,646,900 ^{18/}
One-Time Substance Use Disorder Services Fund Deposit	0	6,000,000	0
Supported Housing	5,324,800	65,324,800	65,324,800 ^{19/20/}
Crisis Services	16,319,700	16,391,300	16,391,300
Secure Behavioral Health Residential Facilities	0	0	25,000,000 ^{21/}
Hospital Payments			
Disproportionate Share Payments	4,202,300	5,087,100	5,087,100 ^{22/}
DSH Payments - Voluntary Match	30,632,100	48,666,500	37,425,900 ^{12/23/}
Graduate Medical Education	270,797,800	401,318,900	393,232,100 ^{12/24/-27/}
Rural Hospitals	36,068,900	28,612,400	28,612,400
Targeted Investments Program	7,499,200	50,000,000	50,000,000
AGENCY TOTAL	12,615,428,500	19,369,410,700 ^{28/}	18,491,583,900 ^{29/-34/}
FUND SOURCES			
General Fund	1,274,618,300	1,915,630,200	2,321,039,900
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	4,037,400	4,076,200	4,303,100
Children's Health Insurance Program Fund	100,299,800	147,782,000	123,622,900
Prescription Drug Rebate Fund - State	148,305,700	175,236,600	165,160,800
Seriously Mentally Ill Housing Trust Fund	0	200,000	217,300
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	16,216,300	17,921,600	17,448,300
Tobacco Tax and Health Care Fund - Medically Needy Account	65,627,200	69,002,100	67,179,700
SUBTOTAL - Other Appropriated Funds	336,736,600	416,468,700	380,182,300

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
SUBTOTAL - Appropriated Funds	1,611,354,900	2,332,098,900	2,701,222,200
<u>Expenditure Authority Funds</u>			
Arizona Tobacco Litigation Settlement Fund	105,683,600	102,000,000	102,000,000
County Funds	303,982,200	328,828,000	397,615,200
Delivery System Reform Incentive Payment Fund	2,249,000	15,495,200	15,495,200
Federal Medicaid Authority	9,461,104,900	14,749,873,900	13,426,977,000
Health Care Investment Fund	97,764,900	382,548,500	453,104,400
Hospital Assessment Fund	251,024,200	608,696,900	548,910,500
Nursing Facility Provider Assessment Fund	28,411,500	32,989,600	32,989,600
Political Subdivision Funds	109,800,400	169,989,300	167,373,400
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	34,797,900	37,635,400	36,641,400
SUBTOTAL - Expenditure Authority Funds	11,004,073,600	17,037,311,800	15,790,361,700
SUBTOTAL - Appropriated/Expenditure Authority Funds	12,615,428,500	19,369,410,700	18,491,583,900
Other Non-Appropriated Funds	108,798,000	119,404,400	119,404,400
Federal Funds	157,393,300	263,968,200	263,968,200
TOTAL - ALL SOURCES	12,881,619,800	19,752,783,300	18,874,956,500

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

FOOTNOTES

- 1/ Includes 619.3 GF and 696.8 EA FTE Positions funded from Special Line Items in FY 2023.
- 2/ 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 Appropriation Act Footnote)
- 3/ The amount appropriated for the DES eligibility line item shall be used for intergovernmental agreements with the department of economic security for eligibility determination and other functions. The state general fund share may be used for eligibility determination for other programs administered by the division of benefits and medical eligibility based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- 4/ The amounts included in the proposition 204 — AHCCCS administration, proposition 204 — DES eligibility and proposition 204 services line items include all available sources of funding consistent with section 36-2901.01, subsection B, Arizona Revised Statutes. (General Appropriation Act Footnote)
- 5/ 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 2022-2023 to the attorney general for costs associated with e-cigarette enforcement and tobacco settlement litigation. (General Appropriation Act footnote)
- 6/ The Arizona health care cost containment system administration shall transfer \$836,000 from the traditional medicaid services line item for fiscal year 2022-2023 to the department of revenue for enforcement costs associated with the March 13, 2013 master settlement agreement with tobacco companies. (General Appropriation Act footnote)
- 7/ The amount appropriated for the traditional medicaid services line item includes \$8,900,000 for services to eligible women who are less than one year postpartum. This appropriation may not be spent unless on or before July 1, 2023 the centers for medicare and medicaid services authorizes the Arizona health care cost containment system administration to either redetermine the eligibility of members who are less than one year postpartum and are under one hundred thirty-three percent of the federal poverty level or use another methodology that enables the administration to provide coverage for eligible postpartum women. (General Appropriation Act footnote)

- 8/ The amount appropriated for the traditional medicaid services line item includes monies to increase a differential adjustment payment by \$1,250 for twenty-four-bed pediatric skilled nursing facilities offering skilled nursing services in place of intensive care services. This increased payment is contingent on approval from the centers for medicare and medicaid services before implementation. (General Appropriation Act footnote)
- 9/ The amount appropriated for the traditional medicaid services line item includes \$10,000,000 from the state general fund and \$22,851,500 from expenditure authority to increase physician fee schedule rates associated with the Arizona health care cost containment system global obstetrical package, including current procedural technology codes 59400, 59510, 59610 and 59618, by eighty-eight percent. (General Appropriation Act footnote)
- 10/ It is the intent of the legislature that the Arizona health care cost containment system administration allocate \$7,500,000 from the state general fund and \$25,191,300 from expenditure authority for a 2.5 percent increase to the outpatient behavioral health fee schedule. On or before October 1, 2022, the administration shall report to the joint legislative budget committee on the actual distribution of rate increases by its contracted health plans. (General Appropriation 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 Appropriation 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 2022-2023 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 Appropriation Act footnote)
- 13/ 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 Appropriation Act footnote)
- 14/ Pursuant to section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2022-2023 nonfederal costs of providing long-term care system services is \$352,697,700. This amount is included in the expenditure authority fund source. (General Appropriation Act footnote)
- 15/ Any supplemental payments received in excess of \$107,449,200 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2022-2023, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2022-2023. Before spending these increased monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. These payments are included in the expenditure authority fund source. (General Appropriation Act footnote)
- 16/ The amount appropriated for the ALTCS services line item includes \$237,200,000 from expenditure authority to implement the American rescue plan act of 2021 (P.L. 117-2) home and community-based services spending plan in fiscal year 2022-2023. The administration may not use these monies for marketing purposes, and any direct payments or grants provided with the monies shall include a notification to the recipient that the monies are onetime funding. Beginning on or before July 31, 2022, the administration shall provide quarterly reports to the joint legislative budget committee at the same time that the information is provided to the centers for medicare and medicaid services, reflecting any changes to the administration's spending plan. Of the amount appropriated for the ALTCS services line item, \$237,200,000 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 17/ This appropriation includes \$24,200,000 from the state general fund, \$19,364,100 from county funds and \$100,081,500 from expenditure authority for an eleven percent increase to provider rates for both home and community-based services and skilled nursing facilities. (General Appropriation Act footnote)
- 18/ On or before June 30, 2023, 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 Appropriation Act footnote)
- 19/ On or before September 30, 2023, the Arizona health care cost containment system administration shall report to the joint legislative budget committee on its progress in implementing services specified in the housing and health opportunities section 1115 waiver amendment. The report shall include, at a minimum, the types of services provided for

eligible AHCCCS members, expenditures by service category, the number of members receiving services by eligibility category, the number of members waitlisted for housing services and progress toward achieving program outcomes, including changes in hospital utilization rates and utilization of primary care and preventive health services. (General Appropriation Act footnote)

- 20/ The appropriated amount for the supported housing line item includes \$60,000,000 of federal medicaid expenditure authority. If the administration's housing and health opportunities section 1115 waiver amendment is denied federal approval, the amount of \$60,000,000 of federal medicaid expenditure authority is reduced from the supported housing line item appropriation. (General Appropriation Act footnote)
- 21/ The monies appropriated for secure behavioral health residential facilities shall support five secure behavioral health residential facilities licensed by the department of health services pursuant to section 36-425.06, Arizona Revised Statutes, to provide secure on-site supportive treatment to persons determined to be seriously mentally ill, who are chronically resistant to treatment and who are placed in the facility pursuant to a court order. Three facilities shall be located in the central geographic service area, one facility shall be located in the north geographic service area and one facility shall be located in the south geographic service area. The administration shall allocate up to \$5,000,000 for each recipient facility, prioritizing facilities that can open within twelve months after the effective date of this act. (General Appropriation Act)
- 22/ The \$5,087,100 appropriation for disproportionate share payments for fiscal year 2022-2023 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 Appropriation Act footnote)
- 23/ 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 2022-2023 by the Arizona health care cost containment system administration in excess of \$37,425,900 are appropriated to the administration in fiscal year 2022-2023. 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.
- 24/ Any monies for graduate medical education received in fiscal year 2022-2023, including any federal matching monies, by the Arizona health care cost containment system administration in excess of \$393,232,100 are appropriated to the administration in fiscal year 2022-2023. Before spending these increased monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
- 25/ 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 \$13,549,300 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 Appropriation Act footnote)
- 26/ 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 \$10,875,400 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 Appropriation Act footnote)
- 27/ 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, 2024. (General Appropriation Act footnote)
- 28/ Laws 2022, Chapter 2 appropriated \$1,078,032,800 in Expenditure Authority and \$30,121,100 in Children's Health Insurance Program Fund as a supplemental in FY 2022 for the same purpose and with the same conditions.
- 29/ 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 Appropriation Act footnote)
- 30/ The expenditure authority amount includes an increase of \$400,000,000 from the health care investment fund for additional directed payments to hospitals. (General Appropriation Act footnote)
- 31/ 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 Appropriation Act footnote)
- 32/ The Arizona health care cost containment system administration shall report to the joint legislative budget committee on or before March 1, 2023 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 Appropriation Act footnote)

33/ On or before July 1, 2023, 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, 2022. (General Appropriation Act footnote)

34/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS's FY 2023 General Fund spending increases by \$405,409,700 from FY 2022. This amount includes:

- \$319,312,500 for formula adjustments.
- \$3,000,000 for Graduate Medical Education funding.
- \$140,100 for implementation of a newborn screening fee.
- \$178,600 for American Indian Health Program SMI integration
- \$270,000 for federal IT regulation compliance.
- \$500,000 one-time for PMMIS replacement.
- \$(100,000) for transfer of a Suicide Prevention Coordinator position to DHS.
- \$4,500,000 for increased eligibility determination costs.
- \$200,000 for eligibility determinations for older foster care youth.
- \$2,600,000 for chiropractic care.
- \$2,700,000 for postpartum care.
- \$700,000 for diabetes management.
- \$25,000,000 one-time for secure behavioral health residential facilities.
- \$630,000 for CHIP eligibility extension.
- \$24,200,000 for EPD provider rate increases.
- \$144,600 for pediatric skilled nursing facility rate increases.
- \$10,000,000 for pregnancy care provider rate increases.
- \$7,500,000 for a behavioral health provider rate increase.
- \$2,364,900 for a state employee salary increase.
- \$1,569,000 for statewide adjustments.

As part of the budget's 3-year spending plan, AHCCCS's General Fund costs are projected to increase by \$194,307,100 in FY 2024 above FY 2023 and by \$186,104,000 in FY 2025 above FY 2024. (See the *Other Issues section for more information.*)

Operating Budget

The budget includes \$126,919,000 and 1,032.2 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$34,558,100
Children's Health Insurance Program (CHIP) Fund	5,636,400
Health Care Investment Fund	2,472,300
Prescription Drug Rebate Fund (PDRF) - State	662,100
Seriously Mentally Ill (SMI) Housing Trust Fund	199,600
Federal Medicaid Authority (FMA)	83,390,500

FY 2023 adjustments are as follows:

Remove One-Time Funding of PMMIS Roadmap

The budget includes a decrease of \$(780,000) in FY 2023 to remove one-time funding for the cost of developing a plan to replace AHCCCS's management information system. This amount consists of:

PDRF - State	(78,000)
Federal Medicaid Authority (FMA)	(702,000)

American Indian Health Program (AIHP) Serious Mental Illness Integration

The budget includes an increase of \$591,500 in FY 2023 for AIHP Serious Mental Illness (SMI) integration. This amount consists of:

General Fund	178,600
Federal Medicaid Authority	412,900

These amounts fund 2 new nurse case managers, 2 prior authorization/utilization review nurses, 1 supervisor, 1 administrative assistant, and 1 clinical care specialist position. These 7 positions will provide behavioral health services to 350 individuals with an SMI designation that

are transferring from contracted Regional Behavioral Health Authorities (RBHAs) to AIHP in October 2022. AHCCCS would receive additional FTE authority as part of the FY 2024 Baseline.

Federal IT Regulation Compliance

The budget includes an increase of \$2,250,000 in FY 2023 for federal IT regulation compliance. This amount consists of:

General Fund	270,000
Federal Medicaid Authority	1,980,000

These amounts are for the professional services of a vendor to develop and host a software solution to accommodate a new federal rule. AHCCCS is currently non-compliant with the Centers for Medicare and Medicaid Services (CMS) Interoperability and Patient Access Final Rule, which began enforcement on July 1, 2021. The rule requires AHCCCS to enable members to access their claims and encounter information by implementing and maintaining an application programming interface, among other requirements relating to data exchanges. Of these amounts, \$1,950,000 is for one-time costs.

PMMIS Replacement

The budget includes a one-time increase of \$9,500,000 in FY 2023 for a Prepaid Medicaid Management Information System (PMMIS) replacement. This amount consists of:

General Fund	500,000
Federal Medicaid Authority	9,000,000

These amounts are for AHCCCS to contract the services of a Systems Integration (SI) provider to transition PMMIS to a new platform. The new system will enable AHCCCS to comply with rules and cybersecurity requirements established by the Centers for Medicare and Medicaid Services (CMS). The SI provider will be responsible for the integration and testing of system modules, as well as monitoring and adjusting modules for continuous operation.

Suicide Prevention Transfer

The budget includes a decrease of \$(100,000) from the General Fund in FY 2023 for a Suicide Prevention Coordinator position transfer. Funding for the position and its reporting requirements are being moved from AHCCCS to the Department of Health Services (DHS). The funds for this position were transferred through an FY 2022 intergovernmental agreement between AHCCCS and DHS. The FY 2024 Baseline will include a reduction of 1 FTE Position for AHCCCS to account for the change.

Statewide Adjustments

The budget includes an increase of \$3,910,900 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	1,499,600
CHIP Fund	53,900
PDRF - State	1,400
SMI Housing Trust Fund	(400)
Federal Medicaid Authority	2,356,400

(Please see the Agency Detail and Allocations section).

Administration

AHCCCS Data Storage

The budget includes \$19,325,800 in FY 2023 for AHCCCS Data Storage. This amount consists of:

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

These amounts are unchanged from FY 2022.

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 budget includes \$97,074,500 and 885 FTE Positions in FY 2023 for DES Eligibility services. These amounts consist of:

General Fund	30,191,200
Federal Medicaid Authority	66,883,300

FY 2023 adjustments are as follows:

Eligibility Determination

The budget includes an increase of \$7,800,000 in FY 2023 for increased eligibility determination costs. This amount consists of:

General Fund	4,500,000
Federal Medicaid Authority	3,300,000

These amounts fund an increase in costs associated with implementing the integrated eligibility system for Medicaid, SNAP, and TANF Cash Assistance. The increase is due to the department running both new and legacy

information technology systems, population growth in programs, and a higher proportion of staff determining SNAP and TANF eligibility.

Foster Care Eligibility Determination

The budget includes an increase of \$400,000 in FY 2023 for foster care eligibility determination. This amount consists of:

General Fund	200,000
Federal Medicaid Authority	200,000

Laws 2022, Chapter 339 no longer requires the department to annually redetermine the eligibility of older foster care youth by requesting additional information from the person when they turn 18. Instead, the department will annually renew the person's eligibility until the person turns 26 unless the person notifies the department they are otherwise ineligible. These amounts fund the implementation of the renewal process.

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

Proposition 204 - AHCCCS Administration

The budget includes \$14,525,200 and 131 FTE Positions in FY 2023 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,556,300
PDRF - State	60,900
Federal Medicaid Authority	9,908,000

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$619,000 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	69,400
Federal Medicaid Authority	549,600

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 budget includes \$44,358,700 and 300.1 FTE Positions in FY 2023 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,419,100
Budget Neutrality Compliance Fund (BNCF)	4,303,100
Federal Medicaid Authority	23,636,500

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(226,900) from the General Fund and a corresponding increase of \$226,900 from the BNCF in FY 2023 to reflect an increase of county contributions in FY 2023. This adjustment assumes an inflation adjustment of 4.07% and a state population adjustment of 1.5% 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.

FY 2023 Salary Increase

The budget includes an increase of \$7,879,700 for an FY 2023 Salary Increase. This amount consists of:

General Fund	2,364,900
CHIP Fund	92,100
PDRF – State	800
SMI Housing Trust Fund	17,700
Federal Medicaid Authority	5,404,200

Of this amount, \$7,591,400 is for a 10% minimum state employee salary increase and \$288,300 is for selected market adjustments above 10%. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section).*

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 2023 and *Table 1* shows AHCCCS actual enrollment by eligibility category as of June. A more detailed description of program components can be found in the *Other Issues* section.

Formula Adjustments

Medicaid Services line items are delineated based on eligibility for the program and fund the costs of these services. In addition to policy issues, each line includes funding changes for "formula adjustments," which represent the estimated change in state and federal costs for Medicaid services based on current law program parameters before accounting for policy changes. These funding requirements change annually based on the following factors:

- Enrollment changes
- Inflation in costs for covered services
- Adjustments to the federal share of funding, known as the Federal Medical Assistance Percentage (FMAP)
- Changes in non-General Fund sources to cover the cost of the state match.

In total, the FY 2023 budget includes a General Fund increase of \$319,312,500 for formula adjustments.

Public Health Emergency

The FY 2022 budget included a one-time savings of \$(180,000,000) from the General Fund in FY 2022 for a temporary 6.2% increase in the federal match rate due to the federally-declared public health emergency associated with COVID-19. The \$319,312,500 of formula adjustments includes an increase of \$180,000,000 from the General Fund in FY 2023 to remove these savings. (See the FY 2022 Supplemental discussion in the Other Issues section for more information).

As of this writing in July 2022, the public health emergency has been extended to September 15th, meaning that the 6.2% enhanced match rate would be available through at least December 2022. Under the extension, AHCCCS would continue to be prohibited from disenrolling individuals from Medicaid coverage pursuant to a provision in the federal Families First Coronavirus Response Act. Neither the 6-month FY 2023 savings from the additional FMAP nor the costs from higher caseloads associated with the prohibition on disenrollment are accounted for in the budget numbers. As a result, AHCCCS's actual formula costs are likely to change relative to the enacted budget numbers.

Traditional Medicaid Services

The budget includes \$7,303,608,100 in FY 2023 for Traditional Medicaid Services. This amount consists of:

General Fund	1,521,653,500
County Funds	44,917,500
Health Care Investment Fund	290,892,500
Political Subdivision Funds	40,142,900

Table 1

AHCCCS Enrollment ^{1/}

	June 2021 <u>(Actual)</u>	June 2022 <u>(Revised)</u>	'21-'22 % <u>Change</u>
Population			
Traditional	1,142,194	1,226,158	7.4%
Prop 204 Childless Adults	423,908	503,329	18.7%
Other Proposition 204	203,556	194,235	(4.6)%
Adult Expansion	149,545	146,391	(2.1)%
KidsCare	54,408	65,728	20.8%
CMDP	13,628	12,829	(5.9)%
ALTCS - Elderly & Physically Disabled ^{2/}	28,238	27,939	(1.1)%
Emergency Services	<u>125,482</u>	<u>136,968</u>	<u>9.2%</u>
Total Member Months	2,140,959	2,313,577	8.1%

^{1/} The figures represent June 1 enrollment. Excludes members who are only eligible for the Medicare Savings Program.

^{2/} The ALTCS program is funded in AHCCCS. An additional 38,212 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of June 1, 2022.

PDRF - State	156,858,600
TTHCF - Medically Needy Account	67,179,700
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	4,609,130,400

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$198,882,400 in FY 2023 for formula adjustments. This amount consists of:

General Fund	251,826,600
County Funds	(716,500)
Health Care Investment Fund	7,203,100
Political Subdivision Funds	(10,104,900)
TTHCF - Medically Needy Account	(1,822,400)
Federal Medicaid Authority	(47,503,500)

Remove FY 2022 Supplemental

The budget includes a decrease of \$(441,030,700) from Federal Medicaid Authority in FY 2023 for removal of one-time supplemental expenditure authority appropriated by Laws 2022, Chapter 2 for additional federal funding associated with the enhanced federal match rate. (Please see the FY 2022 Supplemental narrative for more information.)

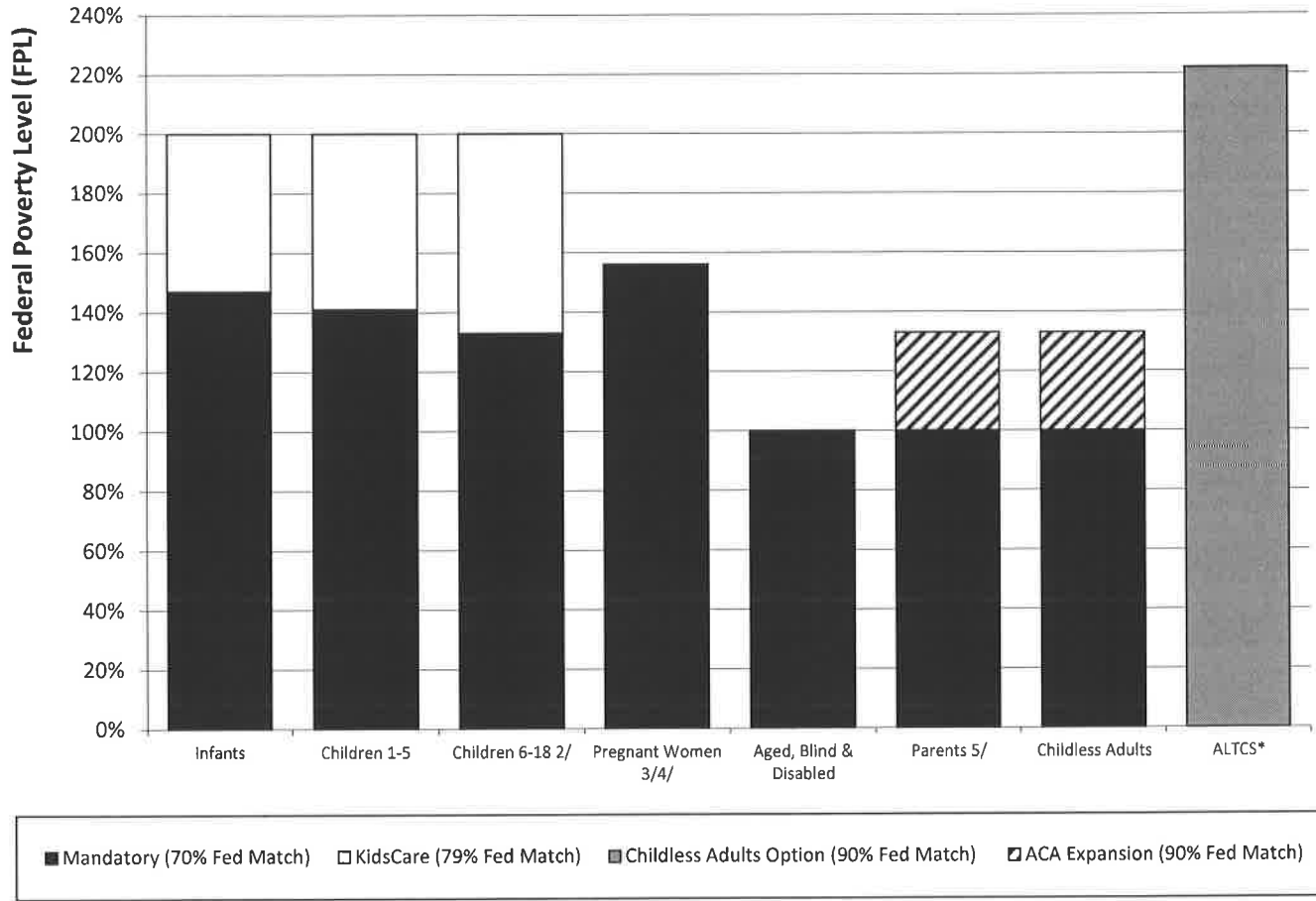
Chiropractic Care

The budget includes an increase of \$12,750,000 in FY 2023 for chiropractic care. This amount consists of:

General Fund	2,600,000
Federal Medicaid Authority	10,150,000

Chart 1

AHCCCS Eligibility ^{1/}



- 1/ Match rates do not reflect a one-time increase to the regular and KidsCare match rate associated with the federal Families First Coronavirus Response Act.
- 2/ Children ages 6 to 18 year 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.
- 4/ Women less than 1 year postpartum receive coverage between 133% FPL and 156% FPL. Contingent on CMS approval, women below 133% FPL would continue to shift to other eligibility categories.
- 5/ Mandatory Status of Parents is subject to interpretation.

Laws 2022, Chapter 314 authorizes AHCCCS to include medically necessary chiropractic care as part of its covered services. The service must be provided by a licensed chiropractor and ordered by a primary care physician or practitioner.

Postpartum Care

The budget includes an increase of \$8,900,000 in FY 2023 for postpartum care. This amount consists of:

General Fund	2,700,000
Federal Medicaid Authority	6,200,000

Laws 2022, Chapter 314 authorizes AHCCCS to extend coverage for pregnant women from 56 days postpartum to 1 year postpartum. The change extends coverage to postpartum women between 133%-156% of the federal poverty limit (FPL). Contingent on CMS approval, postpartum women below 133% FPL would continue to shift to adult eligibility categories past the 60-day period. A General Appropriation Act footnote prohibits AHCCCS from spending the appropriation in the event the administration does not receive CMS approval.

Pregnancy Provider Rate Increase

The budget includes an increase of \$32,851,500 in FY 2023 for a pregnancy provider rate increase. This amount consists of:

General Fund	10,000,000
Federal Medicaid Authority	22,851,500

AHCCCS's current global payment rate (\$2,000) to OBGYNs for pregnancy care is below the typical commercial rate (\$5,000). These amounts will fund an 88% increase to the agency's payment rate.

Diabetes Management

The budget includes an increase of \$3,498,300 in FY 2023 for covering diabetes management services. This amount consists of:

General Fund	700,000
Federal Medicaid Authority	2,798,300

Laws 2022, Chapter 328 authorizes the department to include up to 10 program hours annually of diabetes outpatient self-management training as part of its covered services. To be eligible, members need to have been recently diagnosed with diabetes and prescribed the services by a primary care practitioner, had a change in their diabetic diagnosis or treatment, or found not to be meeting appropriate clinical outcomes. Monies from the Hospital Assessment Fund may not be used to provide these services.

Behavioral Health Provider Rate Increase

The budget includes an increase of \$15,038,000 in FY 2023 for a behavioral health provider rate increase. This amount consists of:

General Fund	4,577,500
Federal Medicaid Authority	10,460,500

These amounts fund a 2.5% rate increase to the outpatient behavioral health fee schedule. A General Appropriation Act footnote requires AHCCCS to report the actual distribution of the increase by its contracted health plans by October 1, 2022.

Pediatric SNF Rate Increase

The budget includes an increase of \$474,900 in FY 2023 for a pediatric skilled nursing facility (SNF) rate increase. This amount consists of:

General Fund	144,600
Federal Medicaid Authority	330,300

These amounts fund a rate increase via the differential adjusted payment (DAP) program that will go to 24-bed pediatric SNFs offering skilled nursing services in place of intensive care services. There are no SNFs in Arizona that currently accept pediatric patients, so funding is based on a single eligible facility providing services.

HCIF Directed Payment Increase

The budget includes an increase of \$187,290,800 in FY 2023 for a Health Care Investment Fund (HCIF) directed payment increase. This amount consists of:

Health Care Investment Fund	57,011,300
Federal Medicaid Authority	130,279,500

These amounts fund additional directed payments to hospitals. The increase is sufficient to raise total HCIF collections to 5.8% of patient service revenues.

Remove One-Time HCIF Increase

The budget includes a decrease of \$(14,875,400) in FY 2023 to remove one-time funding used to maintain 15% physician and dentist base rate increases that would have otherwise been financed by the Health Care Investment Fund. This amount consists of:

PDRF - State	(4,000,000)
Federal Medicaid Authority	(10,875,400)

Newborn Screening Fee

The budget includes an increase of \$461,900 in FY 2023 for increased newborn screening fees. This amount consists of:

General Fund	140,100
Federal Medicaid Authority	321,800

The FY 2022 Health Budget Reconciliation Bill (BRB) (Laws 2021, Chapter 409) required the Department of Health Services to increase the number of disorders included in newborn screening, which DHS estimates will increase its fees in FY 2023. The 3-year spending plan associated with the enacted FY 2022 budget assumed AHCCCS would incur a cost of \$461,900 for AHCCCS-eligible newborns.

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 22% FPL.
- Women diagnosed with breast or cervical cancer by a provider recognized by DHS' Well Women Healthcheck program up to 250% FPL.
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL ("Ticket to Work").

Proposition 204 Services

The budget includes \$6,390,896,200 in FY 2023 for Proposition 204 Services. This amount consists of:

General Fund	140,821,400
Health Care Investment Fund	119,764,200
Hospital Assessment Fund	487,525,400
Political Subdivision Funds	8,644,000
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	17,448,300
TPTF - Proposition 204 Protection Account	36,641,400
Federal Medicaid Authority	5,478,051,500

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(298,394,300) in FY 2023 for formula adjustments. This amount consists of:

General Fund	9,996,200
Health Care Investment Fund	(29,741,000)
Hospital Assessment Fund	6,897,500
Political Subdivision Funds	4,245,900
TPTF - Emergency Health Services Account	(473,300)
TPTF - Proposition 204 Protection Account	(994,000)
Federal Medicaid Authority	(288,325,600)

Remove FY 2022 Supplemental

The budget includes a decrease of \$(238,770,900) from Federal Medicaid Authority in FY 2023 for removal of one-time supplemental expenditure authority appropriated by Laws 2022, Chapter 2 for additional federal funding associated with the enhanced federal match rate. *(Please see the FY 2022 Supplemental narrative for more information.)*

Behavioral Health Provider Rate Increase

The budget includes an increase of \$14,384,200 in FY 2023 for a behavioral health provider rate increase. This amount consists of:

General Fund	2,157,600
Federal Medicaid Authority	12,226,600

HCIF Directed Payment Increase

The budget includes an increase of \$170,672,200 in FY 2023 for a Health Care Investment Fund (HCIF) directed payment increase. This amount consists of:

Health Care Investment Fund	25,600,800
Federal Medicaid Authority	145,071,400

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

Adult Expansion Services

The budget includes \$804,705,200 in FY 2023 for Adult Expansion Services. This amount consists of:

General Fund	6,972,000
Health Care Investment Fund	10,798,700
Hospital Assessment Fund	61,385,100
Political Subdivision Funds	1,221,700
Federal Medicaid Authority	724,327,700

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(789,829,300) in FY 2023 for formula adjustments. This amount consists of:

General Fund	(9,769,600)
Health Care Investment Fund	(606,400)
Hospital Assessment Fund	(66,683,900)
Political Subdivision Funds	739,200
Federal Medicaid Authority	(713,508,600)

Remove FY 2022 Supplemental

The budget includes an increase of \$267,259,000 from Federal Medicaid Authority in FY 2023 for removal of one-time supplemental expenditure authority changes in Laws 2022, Chapter 2. *(Please see the FY 2022 Supplemental narrative for more information.)*

Behavioral Health Provider Rate Increase

The budget includes an increase of \$980,700 in FY 2023 for a behavioral health provider rate increase. This amount consists of:

General Fund	98,100
Federal Medicaid Authority	882,600

HCIF Directed Payment Increase

The budget includes an increase of \$23,591,900 in FY 2023 for a Health Care Investment Fund (HCIF) directed payment increase. This amount consists of:

Health Care Investment Fund	2,359,200
Federal Medicaid Authority	21,232,700

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 Medical and Dental Program

The budget includes \$244,906,300 in FY 2023 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	69,062,500
Health Care Investment Fund	4,698,800
Federal Medicaid Authority	171,145,000

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$13,331,400 in FY 2023 for formula adjustments. This amount consists of:

General Fund	9,951,000
Health Care Investment Fund	1,329,800
Federal Medicaid Authority	2,050,600

Remove FY 2022 Supplemental

The budget includes a decrease of \$(16,454,500) from Federal Medicaid Authority in FY 2023 for removal of one-time supplemental expenditure authority appropriated by Laws 2022, Chapter 2 for additional federal funding associated with the enhanced federal match rate. *(Please see the FY 2022 Supplemental narrative for more information.)*

Behavioral Health Provider Rate Increase

The budget includes an increase of \$1,961,500 in FY 2023 for a behavioral health provider rate increase. This amount consists of:

General Fund	597,100
Federal Medicaid Authority	1,364,400

HCIF Directed Payment Increase

The budget includes an increase of \$2,524,100 in FY 2023 for a Health Care Investment Fund (HCIF) directed payment increase. This amount consists of:

Health Care Investment Fund	768,300
Federal Medicaid Authority	1,755,800

Background – This line item provides coverage to CMDP eligible children. CMDP is the health plan responsible for providing health services for children in foster care. The Department of Child Safety (DCS) administers 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 budget includes \$152,682,100 in FY 2023 for KidsCare Services. This amount consists of:

General Fund	29,518,300
Health Care Investment Fund	2,971,600
Political Subdivision Funds	358,400
CHIP Fund	117,734,400
Federal Medicaid Authority	2,099,400

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$5,553,700 in FY 2023 for formula adjustments. This amount consists of:

General Fund	1,741,400
Health Care Investment Fund	289,200
Political Subdivision Funds	(104,500)
CHIP Fund	3,446,000
Federal Medicaid Authority	181,600

Remove FY 2022 Supplemental

The budget includes a decrease of \$(30,121,100) from the CHIP Fund in FY 2023 for removal of one-time supplemental expenditure authority appropriated by Laws 2022, Chapter 2 for additional federal funding associated with the enhanced federal match rate. *(Please see the FY 2022 Supplemental narrative for more information.)*

Eligibility Extension

The budget includes an increase of \$3,000,000 in FY 2023 to extend CHIP eligibility. This amount consists of:

General Fund	630,000
CHIP Fund	2,370,000

Laws 2022, Chapter 338 requires that AHCCCS, subject to CMS approval, conduct eligibility redeterminations for children enrolled in the KidsCare Program to once every 12 months instead of once every 6 months. These amounts fund higher KidsCare caseloads that may result from reduced frequency of eligibility determinations.

Behavioral Health Provider Rate Increase

The budget includes an increase of \$326,900 in FY 2023 for a behavioral health provider rate increase. This amount consists of:

General Fund	69,700
Federal Medicaid Authority	257,200

HCIF Directed Payment Increase

The budget includes an increase of \$2,110,300 in FY 2023 for a Health Care Investment Fund (HCIF) directed payment increase. This amount consists of:

Health Care Investment Fund	449,700
Federal Medicaid Authority	1,660,600

These amounts fund additional directed payments to hospitals.

Background – The KidsCare program, also referred to as the Children’s Health Insurance Program (CHIP), provides health coverage to children in families with incomes between 133% and 200% FPL. Households are charged a monthly premium of \$10 to \$70, depending on level of family income and number of children enrolled in the program. KidsCare is funded with the federal CHIP Block Grant and state matching dollars. The federal monies are deposited into the CHIP Fund, and the CHIP Fund is then appropriated, along with the General Fund match, to fund KidsCare. *For additional program history, please refer to the FY 2020 Appropriations Report.*

ALTCs Services

The budget includes \$2,576,091,400 in FY 2023 for ALTCs Services. This amount consists of:

General Fund	315,915,500
County Funds	352,697,700
Health Care Investment Fund	21,506,300
Political Subdivision Funds	6,227,800
PDRF - State	7,578,400
PDRF - In Lieu of Federal Funds	36,422,000
Nursing Facility Provider Assessment Fund	32,989,600
Federal Medicaid Authority	1,802,754,100

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$158,557,400 in FY 2023 for formula adjustments. This amount consists of:

General Fund	55,661,100
County Funds	50,139,600

Health Care Investment Fund	1,687,900
Political Subdivision Funds	5,777,800
Federal Medicaid Authority	45,291,000

Provider Rate Increases

The budget includes an increase of \$143,645,600 in FY 2023 for provider rate increases. This amount consists of:

General Fund	24,200,000
County Funds	19,364,100
Federal Medicaid Authority	100,081,500

These amounts fund an 11% provider rate increase to both home-and community-based services (HCBS) and skilled nursing facility providers.

HCIF Directed Payment Increase

The budget includes an increase of \$13,810,700 in FY 2023 for a Health Care Investment Fund (HCIF) directed payment increase. This amount consists of:

Health Care Investment Fund	4,204,000
Federal Medicaid Authority	9,606,700

American Rescue Plan HCBS

The budget includes an increase of \$237,200,000 from Federal Medicaid Authority in FY 2023 for home-and community-based services (HCBS). On March 11, 2021, the American Rescue Plan Act (ARPA) gave state Medicaid agencies the ability to spend on HCBS with an enhanced match percentage. The amount will be spent in accordance with the department's HCBS Spending Plan. Monies in this appropriation are non-lapsing.

Remove FY 2022 Supplemental

The budget includes a decrease of \$(599,039,600) from Federal Medicaid Authority in FY 2023 for removal of one-time supplemental expenditure authority appropriated by Laws 2022, Chapter 2 for additional federal funding associated with the enhanced federal match rate and one-time funding to implement the department's HCBS Spending Plan in FY 2022. *(Please see the FY 2022 Supplemental narrative for more information.)*

Background – ALTCs provides coverage for individuals up to 222% of the FPL, or \$28,593 per person. The federal government requires coverage of individuals up to 100% of the Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or \$9,660 per person.

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 2022, AHCCCS estimates that client

contributions will pay for 3.6%, or \$52,300,000 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. A.R.S. § 36-2999.55 continues the assessment through September 30, 2023. 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 budget includes \$9,891,200 in FY 2023 for Behavioral Health Services in schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	6,891,200

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(112,100) from Federal Medicaid Authority in FY 2023 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 will be 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 budget includes \$77,646,900 from the General Fund in FY 2023 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2022.

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

One-Time Substance Use Disorder Services Fund Deposit

The budget includes no funding in FY 2023 for One-Time Substance Use Disorder Services Fund Deposit. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(6,000,000) from PDRF - State in FY 2023 to remove a one-time deposit in the Substance Use Disorder Services (SUDS) Fund. The deposit funds opioid treatment services, including copays, doctor visits, and lab tests, for uninsured and underinsured individuals.

Background – The SUDS Fund was established in 2018 following the enactment of the Opioid Epidemic Act. AHCCCS used the initial \$10,000,000 deposit in FY 2018-FY 2021 to provide substance use disorder treatment services to underinsured or uninsured individuals who are otherwise ineligible for Medicaid.

Supported Housing

The budget includes \$65,324,800 in FY 2023 for Supported Housing. This amount consists of:

General Fund	5,324,800
Federal Medicaid Authority	60,000,000

This amount is unchanged from FY 2022.

Background – This line item funds housing services that enable individuals to live in the community. These funds are distributed to the RBHAs and may serve Medicaid and 100% state-funded recipients. Medicaid, however, does not provide a match for housing assistance. In addition to the \$5,324,800 for Supported Housing in this line item, the RBHAs may also expend monies in the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing services. AHCCCS reports \$22,400,000 of RBHAs' allocation from the Non-Medicaid Seriously Mentally Ill Services line item will be spent on Supported Housing Services in SFY 2021.

In May 2021, AHCCCS submitted a waiver amendment to the Centers for Medicare and Medicaid Services (CMS) that would use current state funding for housing initiatives to draw down additional Federal Funds. If approved, the new funds would be used 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. The amendment is currently being considered by the CMS. In the event the amendment is denied federal approval, an FY 2023 General Appropriation Act continues a footnote

would reduce the Federal Medicaid Authority appropriation by \$60,000,000.

Crisis Services

The budget includes \$16,391,300 in FY 2023 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 2022.

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.

Secure Behavioral Health Residential Facilities

The budget includes \$25,000,000 from the General Fund in FY 2023 for Secure Behavioral Health Residential Facilities. FY 2023 adjustments are as follows:

Secure Behavioral Health Residential Facilities

The budget includes a one-time increase of \$25,000,000 from the General Fund in FY 2023 for construction of 5 secure behavioral health residential facilities.

The facilities will provide on-site supportive treatment to persons determined to be seriously mentally ill, chronically resistant to treatment, and who are placed in the facility pursuant to occur order.

A General Appropriation Act footnote instructs AHCCCS to award \$5,000,000 for each recipient facility, prioritizing facilities that can open within 1 year, as well as ensuring that one facility is located in each geographic service area.

The 3-year spending plan associated with the enacted FY 2023 budget includes an ongoing increase of \$10,000,000 from the General Fund in FY 2024 to provide a daily payment rate to the newly constructed facilities that is higher than the rate available to existing behavioral health facilities.

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 2021 delayed nationwide DSH payment reductions that were originally authorized by the federal Affordable Care Act (ACA) until FY 2024. Given that Congress has enacted multiple delays to the ACA's DSH payment reductions to states, the budget does not assume any federal funding loss related to DSH in FY 2024. The budget therefore assumes that Arizona's DSH allocation would be adjusted in FY 2023 through FY 2025 according to the regular federal formula, as outlined below.

MIHS Distribution

The budget continues to appropriate \$4,202,300 of federal DSH funds associated with uncompensated care at Maricopa Integrated Health System (MIHS) for distribution to MIHS. The remaining \$91,574,300 of federal DSH funds associated with uncompensated care in public hospitals (MIHS and the Arizona State Hospital) are available for General Fund deposit. The \$91,574,300 assumes MIHS would report uncompensated care of \$109,214,300 in FY 2023.

Increase in Uncompensated Care Payments

In FY 2023, the state's total DSH payments are estimated to increase by \$2,277,700 from \$173,722,200 in FY 2022 (budgeted) to \$175,999,900 due to federal adjustments for inflation and the FMAP. Of the \$175,999,900 of eligible DSH funding in FY 2023, \$134,087,300 is distributed according to the allocations described below and listed in *Table 2*. The remaining \$41,912,600 of eligible funding represents existing expenditures used as part of the state match. (*See the Hospital Payments program summary on the JLBC website.*)

Disproportionate Share Payments

The budget includes \$5,087,100 in FY 2023 for Disproportionate Share Payments. This amount consists of:

General Fund	269,300
Federal Medicaid Authority	4,817,800

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$3,900 from the General Fund and a corresponding decrease of \$(3,900) from Federal Medicaid Authority in FY 2023 to reflect a change in the federal match rate.

Of the \$5,087,100 of total funds appropriated by the budget in the Disproportionate Share Payments line, \$884,800 represents distributions to private hospitals, including \$269,300 from the General Fund and \$615,500 in federal expenditure authority. In FY 2018, there were 31 private hospitals that received DSH payments. The remaining \$4,202,300 represents federal matching funds that the state appropriates to MIHS.

DSH Payments - Voluntary Match

The budget includes \$37,425,900 in FY 2023 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	11,425,700
Federal Medicaid Authority	26,000,200

FY 2023 adjustments are as follows:

Decreased Funding

The budget includes a decrease of \$(11,240,600) in FY 2023 due to DSH Formula adjustments. This amount consists of:

Political Subdivision Funds	(3,169,400)
Federal Medicaid Authority	(8,071,200)

Background – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The budget continues a provision that gives priority to eligible rural hospitals when allocating voluntary match DSH payments and continues to permit AHCCCS to include MIHS in allocations of voluntary match DSH payments if MIHS’ CPE and matching Federal Funds exceed \$113,818,500 in FY 2023. (Please see Table 2.)

Graduate Medical Education

The budget includes \$393,232,100 in FY 2023 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	9,000,000
Political Subdivision Funds	99,352,900
Federal Medicaid Authority	284,879,200

FY 2023 adjustments are as follows:

Funding Adjustment

The budget includes a decrease of \$(21,548,200) from Federal Medicaid Authority in FY 2023 for GME formula adjustments.

Eligible Funding ^{1/}	FY 2022 (Enacted)	FY 2022 (Estimated)	FY 2023
Valleywise - CPE ^{2/}	\$ 95,696,000	\$ 107,685,700	\$ 109,214,300
ASH - CPE	28,474,900	28,474,900	28,474,900
Private Hospitals	884,800	884,800	884,800
DSH Voluntary Match	<u>48,666,500</u>	<u>33,300,500</u>	<u>37,425,900</u>
Total Funding	\$ 173,722,200	\$ 170,345,900	\$ 175,999,900
General Fund			
Retain FF of CPE (via Valleywise) ^{3/}	\$ 62,794,500	\$ 66,132,800	\$ 71,767,200
Retain FF of CPE (via ASH)	<u>19,935,300</u>	<u>21,700,700</u>	<u>19,807,100</u>
Subtotal - General Fund	\$ 82,729,800	\$ 87,833,500	\$ 91,574,300
Other Entities			
State MIHS	\$ 4,202,300	\$ 4,202,300	\$ 4,202,300
Private Hospitals	<u>884,800</u>	<u>884,800</u>	<u>884,800</u>
Subtotal - Other Entities	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>
Total DSH Distributions	\$ 87,816,900	\$ 92,920,600	\$ 96,661,400
Voluntary Match	\$ 48,666,500	\$ 33,300,500	\$ 37,425,900
Total Distributions	\$ 136,483,400	\$ 126,221,100	\$ 134,087,300

^{1/} Amounts include state and federal match funding.
^{2/} The budget continues a Valleywise DSH limit of \$113,818,500 in the FY 2023 Health Care BRB to maximize the DSH General Fund revenue deposit in the event actual uncompensated care is higher.
^{3/} Based on FY 2022 federal match rates, the actual \$107,685,700 of CPE reported by Valleywise would have resulted in a DSH General Fund deposit of \$77,865,000. AHCCCS reports, however, that it reduced the deposit to \$66,132,800, or \$(11,732,200) based on retroactive adjustments to DSH formula calculations from FY 2018.

Health Professional Shortage Areas

The budget includes an increase of \$13,461,400 in FY 2023 for GME payments to hospitals located in health professional shortage areas. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	10,461,400

With this increase, \$33,469,700 Total Funds will be available for Health Professional Shortage Areas, or \$9,000,000 from the General Fund and \$24,469,700 from Federal Medicaid Authority.

A pair of General Appropriation Act footnotes instructs AHCCCS how to allocate the \$33,469,700 total amount for this program. The budget allocates \$16,663,900 Total Funds for GME programs located in a county with less than 500,000 persons (rural) and the remaining \$13,331,100 to programs in counties with a population of more than 500,000 persons (urban). The General Fund amount may supplement, but not supplant, existing political subdivision funds for GME programs. The FY 2023 budget modifies the footnotes to clarify that AHCCCS is no longer required to prioritize federally-designated health professional shortage areas (HPSAs) in its distribution of monies from the urban pool. HPSAs will continue to receive priority in the rural pool.

The FY 2022 budget's 3-year spending plan included a \$3,000,000 increase in FY 2023 GME funding for a total General Fund contribution of \$9,000,000. This amount includes \$5,000,000 allocation for rural programs and \$4,000,000 for urban programs.

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 2021, 21 hospitals received a total of \$270,797,900 for Graduate Medical Education.

Rural Hospitals

The budget includes \$28,612,400 in FY 2023 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	8,709,600
Federal Medicaid Authority	19,902,800

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$128,800 from the General Fund and a corresponding decrease of \$(128,800) from Federal Medicaid Authority in FY 2023 due to a change in the federal match.

Background – This line item includes \$12,158,100 for the Rural Hospital Reimbursement program, which increases inpatient reimbursement rates for qualifying rural hospitals. The remaining \$16,454,300 is for the CAH program, which provides increased reimbursement to small rural hospitals that are federally designated as CAHs. Funding is distributed according to a hospital's share of the cost in serving Medicaid enrollees during the prior year. In FY 2021, 20 hospitals qualified for funding from Rural Hospital Reimbursement and 12 from CAH.

Targeted Investments Program

The budget includes \$50,000,000 in FY 2023 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	15,495,200
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	34,504,800

This amount is unchanged from FY 2022.

Background – In January 2017, the Centers for Medicare and Medicaid Services (CMS) approved AHCCCS' request to create a Targeted Investments Program. AHCCCS began using the program in FY 2018 to make incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services. CMS has authorized up to \$300,000,000 in total funds for the program from FY 2018 through FY 2022. The state portion of the program's cost is funded from certified public expenditures for existing state-funded programs and voluntary contributions from local governments and public universities.

AHCCCS is seeking to extend its waiver authority for this program as part of its 2021-2026 waiver renewal application, submitted December 21, 2020. The current application proposes \$250,000,000 over the next 5 years.

Other Issues

This section includes information on the following topics:

- FY 2022 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- County Contributions

- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2022 Supplemental

The budget assumes that AHCCCS General Fund formula expenses for FY 2022 will be \$(167,932,400) lower than the original FY 2022 General Fund appropriation. The \$(167,932,400) surplus is based on the federal government's extension of the enhanced FMAP associated with the COVID-19 public health emergency through June 2022. The enacted budget assumed the enhanced rate would only be available through December 2021. As a result, the initial estimated savings of \$(180,000,000) within AHCCCS will increase to an estimated \$(347,932,400).

The budget does not, however, include an ex-appropriation to account for the savings. Instead, the surplus would be realized through General Fund reverts.

In addition, Laws 2022, Chapter 2 appropriates \$1,078,032,800 from Expenditure Authority and \$30,121,100 from the CHIP Fund in FY 2022. These appropriations authorized AHCCCS to expend additional federal monies associated with the extension of the 6.2% enhanced federal match rate as noted above and to expend one-time federal monies for Home and Community-Based Services made available by the federal American Rescue Plan Act (ARPA) of 2021. Chapter 2 requires AHCCCS to notify recipients of ARPA HCBS monies that the grants are one-time in nature. The agency must also provide quarterly reports to JLBC reflecting any changes to its ARPA HCBS spending plan.

Statutory Changes

The Health Care BRB makes the following statutory changes:

Rates and Services

- As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels.
- As permanent law, require AHCCCS to cover medically necessary chiropractic services ordered by a primary care physician and submit a report documenting chiropractic service utilization and cost savings by January 21, 2027.

- As permanent law, expand AHCCCS eligibility to women less than one year postpartum with a family income not exceeding 150% FPL.

Counties

- As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
- As session law, set the FY 2023 County Acute Care contribution at \$44,917,500.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2023, 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 2023 county Arizona Long Term Care System (ALTCs) contributions at \$352,697,700.

Hospitals

- As session law, continue to establish FY 2023 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (MIHS), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. Keep the MIHS distribution of \$113,818,500 in FY 2023.
- As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow MIHS to be eligible for Pool 5 allocations, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions.
- As session law, modify distribution of FY 2021, FY 2022 and FY 2023 private disproportionate share hospital payments to reflect new 2020 census figures. Places certain Pinal County hospitals below other rural hospitals but above urban hospitals.
- As session law, provide a rulemaking exemption for the expanded Health Care Investment Fund assessment.

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 budget's 3-year spending plan, AHCCCS's General Fund spending increases by \$194,307,100 in FY 2024 above FY 2023 and by \$186,104,000 in FY 2025 above FY 2024. The FY 2024 increase includes \$10,000,000 from the General Fund in ongoing funding for a secure behavioral health provider rate increase. This amount is expected to draw down approximately \$35,000,000 in Federal Funds.

Table 3

County Contributions

County	FY 2022			FY 2023		
	<u>BNCF ^{1/}</u>	<u>Acute</u>	<u>ALTCS</u>	<u>BNCF ^{1/}</u>	<u>Acute</u>	<u>ALTCS</u>
Apache	\$134,400	\$268,800	662,900	\$141,800	\$268,800	860,500
Cochise	250,600	2,214,800	4,551,700	264,500	2,214,800	6,320,300
Coconino	247,200	742,900	1,990,400	261,000	742,900	2,583,200
Gila	101,500	1,413,200	2,327,100	107,200	1,413,200	2,855,600
Graham	72,200	536,200	1,328,000	76,200	536,200	1,258,800
Greenlee	18,500	190,700	0	19,600	190,700	0
La Paz	38,400	212,100	357,100	40,600	212,100	653,700
Maricopa	0	17,603,700	184,272,900	0	16,887,200	229,265,800
Mohave	288,600	1,237,700	9,154,300	304,600	1,237,700	10,473,800
Navajo	189,100	310,800	2,744,100	199,700	310,800	3,561,400
Pima	1,718,800	14,951,800	44,073,400	1,814,500	14,951,800	54,350,500
Pinal	336,300	2,715,600	12,109,900	355,000	2,715,600	17,427,100
Santa Cruz	79,500	482,800	2,242,800	83,900	482,800	2,775,000
Yavapai	317,700	1,427,800	7,677,800	335,400	1,427,800	9,429,000
Yuma	<u>283,300</u>	<u>1,325,100</u>	<u>9,701,600</u>	<u>299,000</u>	<u>1,325,100</u>	<u>10,883,000</u>
Subtotal	\$4,076,200	\$45,634,000	\$283,194,000	\$4,303,100	\$44,917,500	\$352,697,700
Total			\$332,904,200			\$401,918,300

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

County Contributions

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in *Table 3*. 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 CMDP services include the following:

Capitation

The majority of AHCCCS payments are made through monthly capitated payments to contracted health plans to cover Medicaid services. In FY 2023, the average capitation rate is expected to be approximately \$593 per member per month (or \$7,100 annually). Of that amount, an average of \$150 is from state match and \$443 from Federal Medicaid Authority.

Reinsurance

Reinsurance is a stop-loss program for health plans and program contractors for patients with unusually high costs. The health plan is responsible for paying all 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.

Tobacco Master Settlement Agreement

The budget continues to require AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2023 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 budget projects AHCCCS and DHS will receive \$144,826,200 in transfers of tobacco tax collections in FY 2023. This amount represents a decrease of \$(3,928,600) from the FY 2022 budgeted amount. *Table 4* summarizes tobacco tax transfers and allocations to the agencies.

Table 4

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

	<u>FY 2021</u>	<u>FY 2022</u>
Medically Needy Account		
<u>Funds Available</u>		
Balance Forward	\$ 1,581,400	\$ 6,166,000
Transfer In - Tobacco Tax and Health Care Fund	39,610,400	43,201,200
Transfer In - Tobacco Products Tax Fund	<u>22,879,600</u>	<u>22,975,200</u>
Total Funds Available	\$ 64,071,400	\$ 72,342,400
<u>Allocations</u>		
<u>AHCCCS</u>		
AHCCCS State Match Appropriation	\$ 65,627,200	\$ 69,002,100
Total AHCCCS Allocations	\$ 65,627,200	\$ 69,002,100
<u>DHS</u>		
Folic Acid	\$ 400,000	\$ 400,000
Renal, Dental Care, and Nutrition Supplements	300,000	300,000
Administrative Adjustments	<u>0</u>	<u>0</u>
Total DHS Allocations	<u>700,000</u>	<u>700,000</u>
Balance Forward*	\$ (2,255,800)	\$ 2,640,300
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 3,890,500	\$ 6,166,000
Transfer In - Tobacco Products Tax Fund	<u>37,073,400</u>	<u>37,228,400</u>
Total Funds Available	\$ 40,963,900	\$ 43,394,400
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 34,797,900	\$ 37,635,400
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward	\$ 6,166,000	\$ 5,759,000
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 1,852,600	\$ 3,290,300
Transfer In - Tobacco Products Tax Fund	<u>17,654,000</u>	<u>17,727,800</u>
Total Funds Available	\$ 19,506,600	\$ 21,018,100
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 16,216,300	\$ 17,921,600
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward ^{1/}	\$ 3,290,300	\$ 3,096,500
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 5,542,100	\$ 10,994,400
Transfer In - Tobacco Tax and Health Care Fund	14,431,600	12,946,000
Transfer In - Tobacco Products Tax Fund	<u>2,090,900</u>	<u>2,107,500</u>
Total Funds Available	\$ 22,064,600	\$ 26,047,900
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 9,605,800	\$ 17,507,100
Leading Causes of Death - Prevention and Detection	<u>1,464,400</u>	<u>2,292,900</u>
Balance Forward	\$ 10,994,400	\$ 6,247,900
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 2,391,600	\$ 1,866,900
Transfer In - Tobacco Tax and Health Care Fund	3,135,100	3,195,100
Transfer In - Tobacco Products Tax Fund	<u>4,430,800</u>	<u>4,515,600</u>
Total Funds Available	\$ 9,957,500	\$ 9,577,600
<u>Allocations</u>		
Biomedical Research Support	\$ 1,500,600	\$ 0
Alzheimer's Disease Research	1,000,000	0
Research Grants	<u>5,590,000</u>	<u>7,829,100</u>
Balance Forward	\$ 1,866,900	\$ 1,748,500 *

^{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.

Arizona Commission on the Arts

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
SPECIAL LINE ITEMS			
Arts Trust Fund Deposit	0	0	5,000,000
AGENCY TOTAL	0	0	5,000,000
FUND SOURCES			
General Fund	0	0	5,000,000
SUBTOTAL - Appropriated Funds	0	0	5,000,000
Other Non-Appropriated Funds	1,123,100	1,859,000	1,859,000 ^{1/}
Federal Funds	1,351,500	3,795,800	3,795,800
TOTAL - ALL SOURCES	2,474,600	5,654,800	10,654,800

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/} Monies appropriated from the General Fund for deposit into the Arts Trust Fund pursuant to the FY 2023 General Appropriation Act are not displayed to avoid double counting of appropriations.

Arts Trust Fund Deposit

The budget includes \$5,000,000 from the General Fund in FY 2023 for deposit into the non-appropriated Arts Trust Fund. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$5,000,000 from the General Fund in FY 2023 for funding for the Arts Trust Fund.

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

Board of Athletic Training

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	69,200	63,500	75,400
Employee Related Expenditures	28,900	35,900	43,700
Travel - In State	0	1,200	1,200
Other Operating Expenditures	22,000	26,400	37,000
AGENCY TOTAL	120,100	127,000	157,300^{1/}

FUND SOURCES

Other Appropriated Funds

Athletic Training Fund	120,100	127,000	157,300
SUBTOTAL - Other Appropriated Funds	120,100	127,000	157,300
SUBTOTAL - Appropriated Funds	120,100	127,000	157,300
TOTAL - ALL SOURCES	120,100	127,000	157,300

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

FOOTNOTES

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

Operating Budget

The budget includes \$157,300 and 1 FTE Position from the Athletic Training Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Executive Director Salary Increase

The budget includes an increase of \$7,000 from the Athletic Training Fund in FY 2023 for half of a \$14,000 salary increase for a shared Executive Director position. The remaining \$7,000 is from the Occupational Therapy Fund and shown in the Board of Occupational Therapy budget.

E-licensing

The budget includes an increase of \$9,700 from the Athletic Training Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$7,300 is one-time.

Salary Increase

The budget includes an increase of \$7,700 from the Athletic Training Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$5,900 from the Athletic Training Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Attorney General - Department of Law

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	607.7	624.7	655.7 ^{1/}
Personal Services	31,322,700	32,014,400	34,266,600
Employee Related Expenditures	11,836,000	13,226,400	15,180,800
Professional and Outside Services	620,900	1,060,200	1,060,200
Travel - In State	130,000	151,900	151,900
Travel - Out of State	36,300	18,400	18,400
Other Operating Expenditures	7,844,300	8,970,900	9,263,400
Equipment	1,244,000	1,150,200	1,150,200
OPERATING SUBTOTAL	53,034,200	56,592,400 ^{2/}	61,091,500 ^{3/A/}
SPECIAL LINE ITEMS			
Attorney Stipend/Retention Bonus	0	2,000,000	0
Employee Stipend/Retention Bonus	0	0	3,000,000
Capital Postconviction Prosecution	682,400	802,200	823,500
Child and Family Advocacy Centers	100,000	600,000	600,000 ^{5/}
Colorado City Radio Dispatch System	0	0	400,000
Criminal Division Major Fraud Unit	0	1,139,000	1,139,000
Internet Crimes Against Children Enforcement	81,400	1,250,000	1,250,000 ^{6/}
Expert Witness and Outside Counsel	0	1,200,000	2,000,000
Federalism Unit	820,200	1,236,000	1,239,600
FY 2023 Salary Increase	0	0	5,477,700
Government Accountability and Special Litigation	899,900	1,235,200	1,240,300
Military Airport Planning	83,300	85,000	85,000 ^{7/}
Missing and Murdered Indigenous People Investigations	0	0	2,000,000 ^{8/}
Study Committee on Missing and Murdered Indigenous Peoples	0	40,000	0
Opioid Abatement	0	0	5,000,000
Organized Retail Theft Task Force	0	1,500,000	1,500,000 ^{9/}
Risk Management Interagency Service Agreement	9,371,700	9,617,300	9,971,800
State Grand Jury	174,200	180,500	185,400
Southern Arizona Law Enforcement	1,401,600	1,527,500	1,565,900
Technology Company Antitrust	0	1,000,000	0
Tobacco Enforcement	77,400	829,800	832,200
Victims' Rights	2,467,000	3,768,800	3,974,400
Victims' Rights Fund Deposit	0	0	1,400,000 ^{10/}
Voter Fraud Unit	482,400	525,400	528,100
AGENCY TOTAL	69,675,700	85,129,100	105,304,400 ^{11/}
FUND SOURCES			
General Fund	24,600,300	24,739,800	29,522,900
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	144,600	1,148,700	161,400
Attorney General Legal Services Cost Allocation Fund	1,623,600	2,110,300	2,326,200
Collection Enforcement Revolving Fund	6,854,900	6,925,700	7,599,300
Consumer Protection - Consumer Fraud Revolving Fund	9,251,300	18,943,600	24,474,500
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund	0	0	5,000,000
Interagency Service Agreements Fund	15,362,300	16,474,900	18,199,300 ^{12/}
Internet Crimes Against Children Enforcement Fund	0	900,000	900,000
Risk Management Revolving Fund	9,371,700	10,117,300	13,308,100
Victims' Rights Fund	2,467,000	3,768,800	3,812,700

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
SUBTOTAL - Other Appropriated Funds	45,075,400	60,389,300	75,781,500
SUBTOTAL - Appropriated Funds	69,675,700	85,129,100	105,304,400
Other Non-Appropriated Funds	55,630,800	54,908,300	54,908,300
Federal Funds	6,632,800	8,530,800	9,760,900
TOTAL - ALL SOURCES	131,939,300	148,568,200	169,973,600

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

FOOTNOTES

- 1/ Includes 24.2 GF and 146 OF FTE Positions funded from Special Line Items in FY 2023.
- 2/ Of the amount appropriated for the attorney general operating lump sum in fiscal year 2021-2022, \$500,000 from the risk management revolving fund is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, until June 30, 2023 for the purpose of legal costs associated with the pursuit of criminal prosecutions and for defense in civil cases regarding elections. (General Appropriation Act footnote)
- 3/ The sum of \$950,000 in FY 2021, the sum of \$2,350,000 in FY 2022 and the sum of \$2,350,000 in FY 2023 are appropriated from the Consumer Protection-Consumer Fraud Revolving Fund established by section 4-1531.01, Arizona Revised Statutes, to the Attorney General for operating expenses of the Criminal Division. (FY 2020 General Appropriation Act footnote)
- 4/ 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 Appropriation Act footnote)
- 5/ The amount appropriated for the child and family advocacy centers line item is allocated to the child and family advocacy center fund established by section 41-191.11, Arizona Revised Statutes. (General Appropriation 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 \$350,000 appropriation from the state general fund for the internet crimes against children enforcement line item are continuing appropriations and are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2024. (General Appropriation 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 Appropriation Act.
- 8/ A. In addition to any other appropriations made in fiscal year 2022-2023, the sum of \$2,000,000 is appropriated from the state general fund to the department of law for investigations regarding missing and murdered indigenous people.
B. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. (General Appropriation Act footnote)
- 9/ The \$1,500,000 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 Appropriation Act footnote)
- 10/ Laws 2022, Chapter 333 appropriated \$1,400,000 from the Consumer Protection-Consumer Fraud Revolving Fund for the Victims' Rights Fund Deposit Line Item and made it exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 12/ 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 2022-2023. (General Appropriation Act footnote)

Operating Budget

The budget includes \$61,091,500 and 485.5 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$22,708,700
Antitrust Enforcement Revolving Fund	152,800
Attorney General Legal Services Cost Allocation Fund (LSCAF)	2,181,400

Collection Enforcement Revolving Fund (CERF)	7,157,800
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	9,289,100
Interagency Service Agreements (ISA) Fund	16,997,500
Risk Management Revolving Fund	2,604,200

FY 2023 adjustments are as follows:

Criminal Division Resources

The budget continues to include \$2,350,000 from the CPCF Revolving Fund in FY 2023 for additional Criminal Division resources. This amount is unchanged from FY 2022.

An FY 2020 General Appropriation Act footnote appropriates \$950,000 in FY 2021, \$2,350,000 in FY 2022, and \$2,350,000 in FY 2023 from the CPCF Revolving Fund for Criminal Division resources. This funding will not appear in the FY 2023 General Appropriation Act.

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

Consumer Protection Settlement Backfill Funding

The budget includes an increase of \$331,000 and 3 FTE Positions from the CPCF Revolving Fund in FY 2023 as backfill funding for opioid and automobile-related fraud resources that was previously funded through one-time legal settlements.

Medicaid Fraud Control Unit Additional Funding

The budget includes \$418,400 and 8 FTE Positions from the CPCF Revolving Fund in FY 2023 to expand the Medicaid Fraud Control Unit (MFCU). This amount consists of:

- **Additional FTE Positions:** The budget includes an increase of \$333,700 and 8 FTE Positions to expand the MFCU with 6 special agents, 1 attorney, and 1 legal support staff. Of this amount, \$13,000 is one-time funding in FY 2023 for office equipment to support new FTE Positions.
- **One-Time Fleet Purchases:** The budget includes a one-time increase of \$63,000 in FY 2023 to purchase 6 vehicles for new investigator positions in the MFCU.

- **Ongoing Fleet Costs:** The budget includes an increase of \$21,700 for the ongoing costs associated with the 6 new MFCU vehicles.

The MFCU investigates and prosecutes cases involving Medicaid fraud. The federal government matches 75% of the Unit's costs, so this increase generates an additional \$1,255,200 in Federal Funds. Of this Federal amount, \$228,000 is one-time funding in FY 2023.

Human Trafficking Prevention Program Funding

The budget includes an increase of \$116,400 and 1 FTE Position from the CPCF Revolving Fund in FY 2023 to expand the Human Trafficking Prevention Program and increase the number of attendees at human trafficking informational events.

The Human Trafficking Prevention Program educates the public about human trafficking awareness and prevention.

Liability Management Section Funding

The budget includes an increase of \$2,604,200 and 17 FTE Positions from the Risk Management Revolving Fund in FY 2023 to expand the Liability Management Section (LMS) and reduce outside counsel costs. Of this amount, \$110,500 is one-time funding in FY 2023 for equipment to support new FTE Positions.

The LMS provides legal representation for Arizona Department of Administration (ADOA) Risk Management cases. ADOA pays the LMS for outside counsel services related to these cases. *(Please see the Arizona Department of Administration narrative for more information.)*

Remove One-Time State Fleet Initiative Funding

The budget includes a decrease of \$(156,300) from the CPCF Revolving Fund in FY 2023 to remove one-time funding for newly purchased State Fleet vehicles. *(Please see the Arizona Department of Transportation narrative for more details on the State Fleet Initiative.)*

Remove One-Time Election Litigation Funding

The budget includes a decrease of \$(500,000) from the Risk Management Revolving Fund in FY 2023 to remove one-time funding for election litigation expenses.

This funding is used for legal costs associated with the pursuit of criminal prosecutions and defense in civil cases regarding the most recent election.

A General Appropriations Act footnote makes this FY 2022 appropriation non-lapsing until June 30, 2023.

Statewide Adjustments

The budget includes an increase of \$1,685,400 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	784,900
Antitrust Enforcement Revolving Fund	4,100
Attorney General Legal Services Cost Allocation Fund (LSCAF)	71,100
Collection Enforcement Revolving Fund (CERF)	232,100
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	70,600
Interagency Service Agreements (ISA) Fund	522,600

(Please see the Agency Detail and Allocations section.)

Attorney Stipend/Retention Bonus

The budget includes no funding in FY 2023 for the Attorney Stipend/Retention Bonus line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,000,000) from the CPCF Revolving Fund in FY 2023 to remove one-time funding for attorney stipends and retention bonuses added in FY 2022.

Monies in this line item provide funding for stipend and retention bonuses to reduce attorney turnover. Please see the next line item for further information.

Employee Stipend/Retention Bonus

The budget includes \$3,000,000 from the CPCF Revolving Fund in FY 2023 for the new Employee Stipend/Retention Bonus line item. FY 2023 adjustments are as follows:

One-Time Funding Increase

The budget includes a one-time increase of \$3,000,000 from the CPCF Revolving Fund in FY 2023 for employee stipends and retention bonuses.

Monies in this line item provide funding for stipend and retention bonuses for employees of the Attorney General's Office.

Capital Postconviction Prosecution

The budget includes \$823,500 and 6 FTE Positions from the General Fund in FY 2023 for Capital Postconviction Prosecution. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$21,300 from the General Fund in FY 2023 for statewide adjustments.

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

Child and Family Advocacy Centers

The budget includes \$600,000 in FY 2023 for the Child and Family Advocacy Centers line item. This amount consists of:

General Fund	100,000
CPCF Revolving Fund	500,000

FY 2023 adjustments are as follows:

Continue One-Time Funding

The budget continues one-time funding of \$500,000 from the CPCF Revolving Fund in FY 2023 to fund another distribution to child and family advocacy centers originally made in FY 2022.

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.

Colorado City Radio Dispatch System

The budget includes \$400,000 from the CPCF Revolving Fund in FY 2023 for the new Colorado City Radio Dispatch System line item. FY 2023 adjustments are as follows:

One-Time Funding Increase

The budget includes a one-time increase of \$400,000 from the CPCF Revolving Fund in FY 2023 for funding to support a radio dispatch system in Colorado City.

Monies in this line item provide funding for the costs to start-up and maintain a digital radio dispatch system in Colorado City.

Criminal Division Major Fraud Unit

The budget includes \$1,139,000 and 7 FTE Positions from the CPCF Revolving Fund in FY 2023 for the Criminal Division Major Fraud Unit. These amounts are unchanged from FY 2022.

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.

Internet Crimes Against Children Enforcement

The budget includes \$1,250,000 in FY 2023 for the Internet Crimes Against Children (ICAC) Enforcement line item. This amount consists of:

General Fund	350,000
ICAC Enforcement Fund	900,000

These amounts are unchanged from FY 2022.

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.

A General Appropriation Act footnote would make the FY 2023 amount non-lapsing until the end of FY 2024.

Expert Witness and Outside Counsel

The budget includes \$2,000,000 from the CPCF Revolving Fund in FY 2023 for the Expert Witness and Outside Counsel line item. FY 2023 adjustments are as follows:

Continue One-Time Funding

The budget includes a one-time increase of \$800,000 from the CPCF Revolving Fund in FY 2023 for expert witnesses and outside counsel. The budget also continues a one-time increase of \$1,200,000 from the CPCF Revolving Fund in FY 2023 originally made in FY 2022 for the same purpose.

Monies in this line item are used for expert witness and litigation expenses.

Federalism Unit

The budget includes \$1,239,600 and 8 FTE Positions from the CPCF Revolving Fund in FY 2023 for the Federalism Unit. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,600 from the CPCF Revolving Fund in FY 2023 for statewide adjustments.

This line item provides funding for the Attorney General to defend the state in cases related to federal issues. Some of these legal expenses had previously been borne by the Governor’s Office.

FY 2023 Salary Increase

The budget includes an increase of \$5,477,700 in FY 2023 for a statewide employee salary increase. This amount consists of:

General Fund	1,734,600
Antitrust Enforcement Revolving Fund	8,600
Attorney General Legal Services Cost Allocation Fund (LSCAF)	144,800
Collection Enforcement Revolving Fund (CERF)	441,500
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	1,177,600
Interagency Service Agreements (ISA) Fund	1,201,800
Risk Management Revolving Fund	732,100
Victims' Rights Fund	36,700

These amounts fund a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

Government Accountability and Special Litigation

The budget includes \$1,240,300 and 10 FTE Positions from the CPCF Revolving Fund in FY 2023 for the Government Accountability and Special Litigation (GASL) line item. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$5,100 from the CPCF Revolving Fund in FY 2023 for statewide adjustments.

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

Military Airport Planning

The budget includes \$85,000 and 1 FTE Position from the General Fund in FY 2023 for Military Airport Planning. These amounts are unchanged from FY 2022.

A.R.S. § 26-263 appropriates \$85,000 annually from the General Fund to the Attorney General's Office. Therefore, funding for this line item does not appear in the General Appropriation Act. Monies in this line item pay for the review and determination of compliance with land use plans.

Missing and Murdered Indigenous People Investigations

The budget includes \$2,000,000 from the General Fund in FY 2023 for a new Missing and Murdered Indigenous People Investigations line item. FY 2023 adjustments are as follows:

One-Time Funding Increase

The budget includes a one-time increase of \$2,000,000 from the General Fund in FY 2023 for missing and murdered indigenous people investigations.

Monies in this line item provide funding for investigations regarding missing and murdered indigenous people. The FY 2023 appropriation is non-lapsing.

Study Committee on Missing and Murdered Indigenous Peoples

The budget includes no funding in FY 2023 for the Study Committee on Missing and Murdered Indigenous Peoples line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(40,000) from the CCPF Revolving Fund in FY 2023 to remove one-time funding for the Missing and Murdered Indigenous People Study Committee added in FY 2022.

Monies in this line item are for the Missing and Murdered Indigenous Women and Girls (MMIWG) Study Committee established by Laws 2019, Chapter 232.

Opioid Abatement

The budget includes \$5,000,000 from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2023 for the new Opioid Abatement line item. FY 2023 adjustments are as follows:

One-Time Funding Increase

The budget includes a one-time increase of \$5,000,000 from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2023 for opioid abatement funding.

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.

These settlement monies may only 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.

A.R.S. § 44-1531.02 (C) requires the Attorney General to submit an expenditure plan to the JLBC for review prior to spending any monies from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund.

Organized Retail Theft Task Force

The budget includes \$1,500,000 and 9 FTE Positions from the CCPF Revolving Fund in FY 2023 for the Organized Retail Theft Task Force line item. These amounts are unchanged from FY 2022.

An FY 2022 General Appropriation Act footnote required this funding be used to establish and fund the operational expenses of an Organized Retail Theft Task Force to combat 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. The appropriation will also 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 budget includes \$9,971,800 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2023 for the Risk Management Interagency Service Agreement. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$354,500 from the Risk Management Revolving Fund in FY 2023 for statewide adjustments.

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

State Grand Jury

The budget includes \$185,400 and 1.6 FTE Positions from the General Fund in FY 2023 for the State Grand Jury. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$4,900 from the General Fund in FY 2023 for statewide adjustments.

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

Southern Arizona Law Enforcement

The budget includes \$1,565,900 and 16 FTE Positions in FY 2023 for Southern Arizona Law Enforcement. These amounts consist of:

General Fund	1,249,100
CPCF Revolving Fund	316,800

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$38,400 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	36,600
CPCF Revolving Fund	1,800

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.

Technology Company Antitrust

The budget includes no funding in FY 2023 for the Technology Company Antitrust line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the Antitrust Enforcement Revolving Fund in FY 2023 to remove one-time funding for technology company antitrust enforcement added in FY 2022.

An FY 2022 General Appropriation Act footnote requires monies in this line item be used to employ or retain attorneys to investigate and pursue enforcement actions against technology companies that engage in anticompetitive, anticonsumer, or monopolistic behavior. The FY 2022 appropriation is non-lapsing.

Tobacco Enforcement

The budget includes \$832,200 and 6.6 FTE Positions in FY 2023 for Tobacco Enforcement. These amounts consist of:

General Fund	88,200
CPCF Revolving Fund	744,000

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,400 from the General Fund in FY 2023 for statewide adjustments.

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 budget 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 budget includes a total of up to \$2,032,200 for the Attorney General to enforce the MSA in FY 2023.

Victims’ Rights

The budget includes \$3,974,400 and 8 FTE Positions in FY 2023 for Victims’ Rights. These amounts consist of:

General Fund	198,400
Victims' Rights Fund	3,776,000

FY 2023 adjustments are as follows:

Additional Office of Victims Services Staff Funding

The budget includes an increase of \$198,400 and 2 FTE Positions from the General Fund in FY 2023 for additional staff in the Office of Victims Services to reduce caseloads.

Statewide Adjustments

The budget includes an increase of \$7,200 from the Victims' Rights Fund in FY 2023 for statewide adjustments.

This line item provides monies to state and local agencies that are required to notify victims during various steps in the criminal justice process. The program is funded by a \$9 penalty on civil and criminal violations.

Victims' Rights Fund Deposit

Laws 2022, Chapter 333 appropriates \$1,400,000 from the CPCF Revolving Fund in FY 2023 for deposit into the Victims' Rights Fund.

The appropriation is intended to address declining revenues and a structural deficit in the Victims' Rights Fund. The estimated FY 2022 ending balance of Victims' Rights Fund is \$(623,200). The FY 2023 appropriation is non-lapsing.

Voter Fraud Unit

The budget includes \$528,100 and 4 FTE Positions from the CPCF Revolving Fund in FY 2023 for the Voter Fraud Unit. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,700 from the CPCF Revolving Fund in FY 2023 for statewide adjustments.

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

Other Issues

Statutory Changes

The Criminal Justice Budget Reconciliation Bill makes the following statutory changes:

- As session law, notwithstanding the \$50 per hour fixed fee in A.R.S. § 41-191 (D) for counsel appointed in

suits to enforce state or federal statutes pertaining to antitrust, restraint of trade, or price fixing activities or conspiracies pursuant to A.R.S. § 41-4801 through 41-4804.

Attorney General Legal Services Cost Allocation Fund

A.R.S. § 41-191.09 requires agencies to pay annually a flat fee to the Attorney General for general legal counsel as specified by the General Appropriation Act each year. See *Table 1* for a list of agencies and their corresponding FY 2023 Attorney General Legal Services charge. These amounts are unchanged from FY 2022.

(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 2023 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	<u>52,700</u>
Total Legal Services Charges	\$ 1,798,500

Barbering and Cosmetology Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	29.5
Personal Services	0	0	1,170,600
Employee Related Expenditures	0	0	631,500
Professional and Outside Services	0	0	148,300
Travel - In State	0	0	38,700
Travel - Out of State	0	0	8,800
Other Operating Expenditures	0	0	505,700
Equipment	0	0	361,200
AGENCY TOTAL	0	0	2,864,800 ^{1/2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Barbering and Cosmetology Fund	0	0	2,864,800
SUBTOTAL - Other Appropriated Funds	0	0	2,864,800
SUBTOTAL - Appropriated Funds	0	0	2,864,800
TOTAL - ALL SOURCES	0	0	2,864,800

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.

FOOTNOTES

- ^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- ^{2/} Notwithstanding Laws 2018, chapter 276, section 23, the \$34,200 appropriated to the board of cosmetology by Laws 2018, chapter 276, section 23 from the board of cosmetology fund for the annual leave payout line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. (FY 2019 General Appropriation Act footnote, as amended by FY 2020 General Appropriation Act)

Laws 2021, Chapter 334 merged the Board of Barbers with the Board of Cosmetology and renamed the agency the Barbering and Cosmetology Board effective January 1, 2022. The newly-renamed agency retained all the same regulatory functions as the 2 separate agencies.

Operating Budget

The budget includes \$2,864,800 and 29.5 FTE Positions from the Barbering and Cosmetology Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Agency Consolidation

The budget includes an increase of \$2,258,800 from the Barbering and Cosmetology Fund in FY 2023 to consolidate the Board of Barbers and the Board of Cosmetology.

Customer Service Representative

The budget includes an increase of \$49,600 and 1 FTE Position from the Barbering and Cosmetology Fund in FY 2023 to hire a customer service representative to address increased workload.

E-licensing Upgrade

The budget includes an increase of \$354,400 from the Barbering and Cosmetology Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$149,300 is one-time.

Salary Increase

The budget includes an increase of \$125,300 from the Barbering and Cosmetology Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$76,700 from the Barbering and Cosmetology Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Auditor General Report

In August 2021 the Auditor General published a Board of Barbers performance audit and sunset review. In terms of budget-related issues, the report found that the board has not reevaluated the appropriateness of its fees since 2016 and has not adequately protected cash receipts.

The Auditor General recommended the Board of Barbers:

- Develop and implement policies and procedures for periodically reviewing the appropriateness of its fees by analyzing the costs of its regulatory processes, comparing these costs to the associated fees, and then revising its fees as needed.
- Develop and implement cash-handling policies and procedures that adhere to the State of Arizona Accounting Manual requirements.

Board of Barbers

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	0.0
Personal Services	193,600	196,000	0
Employee Related Expenditures	98,500	94,800	0
Professional and Outside Services	600	1,300	0
Travel - In State	1,100	8,700	0
Travel - Out of State	0	3,300	0
Other Operating Expenditures	89,300	104,200	0
Equipment	1,600	600	0
AGENCY TOTAL	384,700	408,900	0
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Barbers Fund	384,700	408,900	0
SUBTOTAL - Other Appropriated Funds	384,700	408,900	0
SUBTOTAL - Appropriated Funds	384,700	408,900	0
TOTAL - ALL SOURCES	384,700	408,900	0

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

As required by Laws 2021, Chapter 334, the Board of Cosmetology will merge with the Board of Barbers and be renamed the Barbering and Cosmetology Board effective January 1, 2022. The FY 2022 General Appropriation Act provided a full year's funding to the Board of Barbers. As a result, the FY 2022 column is displayed as the full appropriation. Upon the effective date, the remainder of this funding will be available to the Barbering and Cosmetology Board.

Operating Budget

The budget includes no funding in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Agency Consolidation

The budget includes a decrease of \$(408,900) and (4) FTE Positions from the Board of Barbers Fund in FY 2023 to merge the Board of Barbers with the Board of Cosmetology. This reduction is offset by an equally sized increase in the Barbering and Cosmetology Board. *(Please see Barbering and Cosmetology Board for more information.)*

Board of Behavioral Health Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	20.0
Personal Services	1,008,000	947,800	1,208,700
Employee Related Expenditures	376,300	380,900	446,600
Professional and Outside Services	90,900	190,000	190,000
Travel - In State	3,500	20,000	20,000
Travel - Out of State	600	15,000	15,000
Other Operating Expenditures	194,000	212,400	223,700
Equipment	45,300	10,000	75,700
AGENCY TOTAL	1,718,600	1,776,100	2,179,700^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Behavioral Health Examiners Fund	1,718,600	1,776,100	2,179,700
SUBTOTAL - Other Appropriated Funds	1,718,600	1,776,100	2,179,700
SUBTOTAL - Appropriated Funds	1,718,600	1,776,100	2,179,700
TOTAL - ALL SOURCES	1,718,600	1,776,100	2,179,700

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

FOOTNOTES

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

Operating Budget

The budget includes \$2,179,700 and 20 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

FTE Increase

The budget includes an increase of \$166,300 and 3 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2023 to hire 2 administrative assistants and one additional investigator to address increased workload.

E-licensing Upgrade

The budget includes an increase of \$65,700 from the Board of Behavioral Health Examiners Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$56,700 is one-time.

Salary Increase

The budget includes an increase of \$116,400 from the Board of Behavioral Health Examiners Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$55,200 from the Board of Behavioral Health Examiners Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board for Charter Schools

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.0	24.0	25.0
Personal Services	979,100	830,000	1,480,500
Employee Related Expenditures	354,000	343,300	395,900
Professional and Outside Services	112,400	70,500	70,500
Travel - In State	0	10,000	10,000
Travel - Out of State	0	5,500	5,500
Other Operating Expenditures	271,000	823,700	840,900
Equipment	14,900	20,000	524,900
AGENCY TOTAL	1,731,400	2,103,000	3,328,200^{1/}
FUND SOURCES			
General Fund	1,731,400	2,103,000	3,328,200
SUBTOTAL - Appropriated Funds	1,731,400	2,103,000	3,328,200
Other Non-Appropriated Funds	102,200	92,000	92,000
TOTAL - ALL SOURCES	1,833,600	2,195,000	3,420,200

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

FOOTNOTES

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

Operating Budget

The budget includes \$3,328,200 and 25 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Assistant Attorney General

The budget includes an increase of \$106,100 and 1 FTE Position from the General Fund in FY 2023 for one additional Assistant Attorney General.

Increase Staff Capacity

The budget includes an increase of \$462,000 from the General Fund in FY 2023 to increase staff capacity and increase selected salaries above the statewide employee salary increase.

IT Platform Modernization

The budget includes an increase of \$504,900 from the General Fund in FY 2023 to replace the charter school board online platform. The total amount includes \$389,000 for one-time expenses.

Salary Increases

The budget includes an increase of \$101,400 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section).*

Statewide Adjustments

The budget includes an increase of \$50,800 from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section).*

Department of Child Safety

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,193.1	3,203.1	3,203.1 ^{1/}
Personal Services	58,724,800	57,524,800	57,524,800
Employee Related Expenditures	25,269,100	25,177,600	25,695,900
Professional and Outside Services	7,047,800	6,326,000	6,326,000
Travel - In State	178,200	208,600	208,600
Travel - Out of State	34,900	36,400	36,400
Other Operating Expenditures	24,344,700	46,868,200	38,070,400
Equipment	336,000	336,000	336,000
OPERATING SUBTOTAL	115,935,500	136,477,600	128,198,100 ^{2/-10/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	25,522,800	25,522,800	25,522,800 ^{11/}
Caseworkers	102,144,100	111,900,500	111,957,000
General Counsel	134,000	157,000	157,100
Inspections Bureau	2,548,300	2,514,800	2,517,200
New Case Aides	3,305,900	3,232,200	3,232,700
Office of Child Welfare Investigations	9,085,500	9,699,400	9,707,500
Records Retention Staff	565,600	589,900	590,600
Training Resources	9,150,000	9,150,000	9,150,000
Litigation Expenses	1,168,000	0	0
Overtime Pay	4,425,400	0	0
FY 2023 Salary Increase	0	0	16,403,700
Out-of-Home Placements			
Congregate Group Care	100,055,900	114,927,100	125,847,200 ^{12/}
Extended Foster Care	13,970,000	14,437,200	17,037,200
Foster Home Placement	46,798,000	51,929,500	51,929,500
Foster Home Recruitment, Study and Supervision	32,753,600	32,753,600	32,753,600
Kinship Care	5,000,000	5,000,000	24,811,200 ^{13/-15/}
Permanent Placements			
Permanent Guardianship Subsidy	12,516,900	12,516,900	12,516,900
Adoption Services	274,922,900	281,558,500	278,258,500
Support Services			
DCS Child Care Subsidy	56,559,400	152,075,400	61,675,400
In-Home Mitigation	25,362,600	28,988,100	28,988,100
Out-of-Home Support Services	90,545,600	116,126,800	122,710,800
Preventive Services	15,148,400	15,148,300	25,148,300
Comprehensive Health Plan			
Comprehensive Health Plan Administration	13,404,000	29,862,500	29,870,000
Comprehensive Health Plan Premium Tax	2,062,100	4,405,100	4,550,900
Comprehensive Health Plan Services	87,641,000	197,055,400	201,703,700
AGENCY TOTAL	1,050,725,500	1,356,028,600	1,325,238,000 ^{16/}
FUND SOURCES			
General Fund	372,440,600	405,728,800	472,867,200
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,300	1,459,300
Child Welfare Licensing Fee Fund	900	941,900	1,020,800
Children and Family Services Training Program Fund	0	207,900	208,000
Federal Child Care and Development Fund Block Grant	35,400,000	130,916,000	40,516,000

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
Federal Temporary Assistance for Needy Families Block Grant	159,091,100	157,468,100	161,082,200
Risk Management Revolving Fund	1,168,000	0	0
SUBTOTAL - Other Appropriated Funds	195,660,000	290,993,200	204,286,300
SUBTOTAL - Appropriated Funds	568,100,600	696,722,000	677,153,500
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	379,517,800	427,983,600	411,959,900
Comprehensive Health Plan Fund	103,107,100	231,323,000	236,124,600
SUBTOTAL - Expenditure Authority Funds	482,624,900	659,306,600	648,084,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,050,725,500	1,356,028,600	1,325,238,000
Other Non-Appropriated Funds	548,700	4,889,300	4,889,300
TOTAL - ALL SOURCES	1,051,274,200	1,360,917,900	1,330,127,300

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

FOOTNOTES

- 1/ Includes 901.4 GF, 436.5 OF, and 543.3 EA FTE Positions funded from Special Line Items in FY 2023.
- 2/ The department of child safety shall provide training to any new child safety FTE positions before assigning any client caseload duties to any of these employees. (General Appropriation Act footnote)
- 3/ The legislature intends that the department of child safety use its funding to achieve a one hundred percent investigation rate. (General Appropriation Act footnote)rating
- 4/ 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 Appropriation Act footnote)
- 5/ 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 Appropriation Act footnote)
- 6/ For the purposes of this section, "backlog case":
 1. Means any nonactive case for which documentation has not been entered in the child welfare automated system for at least 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.
 2. 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. (General Appropriation Act footnote)
- 7/ For the purposes of this section:
 1. "Long-term case" means any case in which the child has been in an out-of-home placement for at least eighteen months.
 2. "Open report" means a report that is under investigation or awaiting closure by a supervisor. (General Appropriation Act footnote)
- 8/ On or before February 28, 2023 and August 31, 2023, the department of child safety shall present a report to the joint legislative budget committee on the progress made during July 2022 through December 2022 and January 2023 through June 2023, 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 the caseload reported for December 2022.

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 Appropriation Act footnote)

- 9/ 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 Appropriation Act footnote)
- 10/ On or before December 1, 2022, 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 Appropriation Act footnote)
- 11/ All expenditures made by the department of child safety for attorney general legal services shall be funded only from the attorney general legal services line item. Monies in department of child safety line items intended for this purpose shall be transferred to the attorney general legal services line item before expenditure. (General Appropriation Act footnote)
- 12/ The congregate group care line item includes an increase of \$7,000,000 from the state general fund and \$3,920,100 in child safety expenditure authority in fiscal year 2022-2023 for a ten percent increase in the daily rate for children placed in qualified residential treatment programs that are licensed through the department of child safety. (General Appropriation Act footnote)
- 13/ Laws 2022, Chapter 329 appropriated \$19,811,200 from the General Fund to increase the monthly kinship care stipend to \$300.
- 14/ 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 Appropriation Act footnote)
- 15/ On or before March 31, 2023, 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 Appropriation Act footnote)
- 16/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$128,198,100 and 1,321.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$73,413,800
Child Safety Expenditure Authority	31,941,100
Federal TANF Block Grant	21,902,900
Child Welfare Licensing Fee Fund	940,300

FY 2023 adjustments are as follows:

Align Expenditures with Federal Revenue

The budget includes a decrease of \$(200,000) from Child Safety Expenditure Authority in FY 2023 associated with claiming available federal monies that would otherwise revert back to the federal government. DCS will use these monies to continue existing functionality and oversight. The budget included an FY 2022 supplemental of \$15,100,000 and continued \$14,900,000 of those funds into FY 2023 for a net decrease of \$(200,000) in FY 2023.

Federal Funding Shift

The budget includes an increase of \$10,000,000 from the General Fund and a corresponding decrease of \$(20,105,000) from Child Safety Expenditure Authority in FY 2023 to remove a one-time fund shift in the FY 2022 budget associated with enhanced matching federal funding originally authorized by the Families First Coronavirus Response Act. This shift consists of two components:

- 1) A shift of \$10,000,000 from Child Safety Expenditure Authority to the General Fund, based on the original FY 2022 budget, which assumed that the enhanced federal match rate would end on December 31, 2021.
- 2) A decrease of \$(10,105,000) from Child Safety Expenditure Authority to reflect that the enhanced federal match rate was extended through the end of FY 2023, which was not contemplated by the original FY 2022 budget. The FY 2023 budget included one-time FY 2022 supplemental funding to reflect the additional 6 months of higher federal funding but did not make a corresponding General Fund reduction; as a result, this second component did not need to have a matching General Fund increase in the FY 2023 budget.

The FY 2023 budget does reflect new General Fund reversion savings of \$(10,000,000) in FY 2022 to reflect the additional 6 months of savings.

(Please see Other Issues section for further details.)

Statewide Adjustments

The budget includes an increase of \$2,025,500 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	734,300
Child Welfare Licensing Fee Fund	(1,600)
Federal TANF Block Grant	(23,800)
Child Safety Expenditure Authority	1,316,600

(Please see the Agency Detail and Allocations section.)

Additional Operating Resources

Attorney General Legal Services

The budget includes \$25,522,800 and 276.2 FTE Positions in FY 2023 for Attorney General Legal Services. These amounts consist of:

General Fund	19,741,900
Child Safety Expenditure Authority	5,780,900

These amounts are unchanged from FY 2022.

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 budget includes \$111,957,000 and 1,406 FTE Positions in FY 2023 for caseworkers. These amounts consist of:

General Fund	47,575,300
Children and Family Services Training Program Fund	208,000
Federal TANF Block Grant	31,946,000
Child Safety Expenditure Authority	32,227,700

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$56,500 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	35,800
Children and Family Services Training Program Fund	100
Federal TANF Block Grant	(46,200)
Child Safety Expenditure Authority	66,800

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.

The Legislature has funded 1,406 caseworkers (direct line staff). As of the latest available data from May 2022, DCS

had filled 1,135 of these positions, or 271 fewer filled positions than the funded amount.

General Counsel

The budget includes \$157,100 and 1 FTE Position from the General Fund in FY 2023 for General Counsel. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2023 for statewide adjustments.

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

Inspections Bureau

The budget includes \$2,517,200 and 31 FTE Positions in FY 2023 for the Inspections Bureau. These amounts consist of:

General Fund	1,492,000
Federal TANF Block Grant	178,700
Child Safety Expenditure Authority	846,500

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,400 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	1,100
Federal TANF Block Grant	(200)
Child Safety Expenditure Authority	1,500

Background – Monies in this line item fund the Inspections Bureau established in A.R.S. § 8-458, which is tasked with ensuring the department policies and procedures are being followed by all staff in accordance with federal and state law.

New Case Aides

The budget includes \$3,232,700 and 34 FTE Positions in FY 2023 for New Case Aides. These amounts consist of:

General Fund	1,148,900
Federal TANF Block Grant	1,332,500
Child Safety Expenditure Authority	751,300

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$500 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	1,400
Federal TANF Block Grant	(2,200)
Child Safety Expenditure Authority	1,300

Monies in this line item fund 34 new case aides. These positions are in addition to the 256 case aides funded from the Operating Budget in May 2016.

Office of Child Welfare Investigations

The budget includes \$9,707,500 and 127 FTE Positions in FY 2023 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	9,505,500
Child Safety Expenditure Authority	202,000

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$8,100 from the General Fund in FY 2023 for statewide adjustments.

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.

Records Retention Staff

The budget includes \$590,600 and 5 FTE Positions in FY 2023 for Records Retention Staff. These amounts consist of:

General Fund	459,800
Child Safety Expenditure Authority	130,800

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$700 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	500
Child Safety Expenditure Authority	200

This line item funds staff that process information requests about children in the state child welfare system.

Training Resources

The budget includes \$9,150,000 in FY 2023 for Training Resources. This amount consists of:

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

These amounts are unchanged from FY 2022.

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 2022, DCS reports that 24 ASU/NAU social work students received scholarships, including 11 Bachelors of Social Work (BSW) students and 13 Masters of Social Work (MSW) students.

FY 2023 Salary Increase

The budget includes \$16,403,700 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

General Fund	12,161,900
Federal TANF Block Grant	3,686,500
Child Safety Expenditure Authority	474,800
Child Welfare Licensing Fee Fund	80,500

Of these amounts, \$13,001,600 is for a 10% minimum state employee salary increase, and \$3,402,100 is for selected market adjustments above 10%. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

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 Group Care

The budget includes \$125,847,200 in FY 2023 for Congregate Group Care. This amount consists of:

General Fund	63,214,200
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	41,210,000

FY 2023 adjustments are as follows:

	Out-of-Home Placements ^{1/}		
	July <u>2021</u>	Dec <u>2021</u>	Mar <u>2021</u>
Kinship Care ^{2/}	5,552	4,294	3,538
Foster Home	4,590	4,148	3,892
Congregate Care	2,392	2,443	2,486
<i>Group Home</i>	1,344	1,355	1,383
<i>Emergency Shelter</i>	68	64	73
<i>Behavioral Health Placement</i>	980	1,024	1,030
Independent Living	876	727	643
Other ^{3/}	<u>720</u>	<u>1,751</u>	<u>2,453</u>
Total	14,130	13,363	13,012 ^{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 March 2022.

QRTP Rate Increase

The budget includes \$10,920,100 in FY 2023 for a rate increased for qualified residential treatment programs (QRTP). This amount consists of:

General Fund	7,000,000
Child Safety Expenditure Authority	3,920,100

These amounts fund a 10% increase in the daily rate for children placed in QRTPs licensed by DCS.

Congregate Care Federal Funding Backfill

The budget continues an FY 2022 increase of \$25,138,200 from the General Fund to address an expected loss of federal funding, increased provider rates, and new placement requirements for those placed in foster-care. The FY 2022 3-year budget plan designates this funding as one-time in FY 2022 and FY 2023.

(Please see the Family First Prevention Services Act section below for more details on both increases.)

Caseload – According to the latest available data from DCS, in FY 2022, DCS served a monthly average caseload of 2,441 in congregare care placements. At an average

monthly cost of \$4,444 per placement excluding the Q RTP rate increase, funding in this line is sufficient for an average monthly caseload of 2,155 placements in FY 2023. The estimated average cost is based on DCS' reported congregate care expenses following the implementation of a contracted rate increase effective April 1, 2019

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 CMDP children and pays for the room and board expenditures for Medicaid-eligible children. All other behavioral health facility costs are funded by the RBHAs within the AHCCCS budget.

Extended Foster Care

The budget includes \$17,037,200 in FY 2023 for Extended Foster Care. This amount consists of:

General Fund	9,883,300
Child Safety Expenditure Authority	7,153,900

FY 2023 adjustments are as follows:

Independent Living Stipend

The budget includes \$2,600,000 from the General Fund in FY 2023 to increase the monthly stipend for youth in the Independent Living Program. The Human Services Budget Reconciliation Bill (BRB) sets the minimum monthly stipend at \$1,200 per eligible child instead of no more than the average monthly cost of services for the 3 months immediately preceding placement in the Independent Living Program.

Caseload – According to the latest available data from DCS, in FY 2022, a monthly average of 726 individuals aged 17-21 remained voluntarily in DCS foster care.

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.

Foster Home Placement

The budget includes \$51,929,500 in FY 2023 for Foster Home Placement. This amount consists of:

General Fund	17,825,500
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	27,130,900

These amounts are unchanged from FY 2022.

Caseload – According to the latest available data from DCS, in FY 2022, a monthly average of 4,142 clients received licensed foster home services. At an average monthly cost of \$840, the funding in this line item is sufficient for 5,152 foster home placements in FY 2023.

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 budget includes \$32,753,600 in FY 2023 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 2022.

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.

Kinship Care

The budget includes \$24,811,200 in FY 2023 for Kinship Care. This amount consists of:

General Fund	24,311,200
Federal TANF Block Grant	500,000

FY 2023 adjustments are as follows:

Kinship Stipend Increase

Laws 2022, Chapter 329 appropriates \$19,811,200 from the General Fund in FY 2023 to increase the monthly kinship care stipend from \$75 to \$300.

Caseload – In FY 2022, a monthly average of 4,578 children were placed in unlicensed kinship care. Based on a monthly stipend of \$300, funding in this line item is sufficient for 6,892 kinship placements in FY 2023.

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.

The budget continues a General Appropriation Act footnote that 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 Appropriation Act requires DCS to report to the Joint Legislative Budget Committee by March 31, 2023 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.

Permanent Placements			
	<u>June</u> <u>2019</u>	<u>June</u> <u>2020</u>	<u>October</u> <u>2021</u>
Adoption	31,382	32,688	35,147
Permanent Guardianship	<u>2,775</u>	<u>2,723</u>	<u>3,541</u>
Total	34,157	35,411	38,688

Permanent Guardianship Subsidy

The budget includes \$12,516,900 in FY 2023 for the Permanent Guardianship Subsidy. This amount consists of:

General Fund	10,573,900
Federal TANF Block Grant	1,943,000

These amounts are unchanged from FY 2022.

Caseload – According to the latest available data from DCS, in FY 2022, a monthly average of 2,720 clients received permanent guardianship subsidies. At an average monthly cost of \$375, the funding in this line item is sufficient to fund 2,782 total placements in FY 2023.

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 budget includes \$278,258,500 in FY 2023 for Adoption Services. This amount consists of:

General Fund	80,965,800
Federal TANF Block Grant	22,445,700
Child Safety Expenditure Authority	174,847,000

FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(3,300,000) from Child Safety Expenditure Authority in FY 2023 to remove one-time FY 2022 supplemental funding. (*Please see Other Issues section for further details.*)

Caseload – According to the latest available data from DCS, in FY 2022, a monthly average of 33,209 clients received adoption subsidies. At an average monthly cost of \$677, the funding in this line item is sufficient for 34,251 total placements in FY 2023.

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 have children enter out-of-home care. *Table 3* displays combined spending from FY 2020 for in-home mitigation and out-of-home support services by category. DCS was not able to provide an FY 2021 update in time for publication.

Table 3

**Support Services
FY 2020 Actual Expenditures by Service Category ^{1/}**

Services	Amount
Child Care Subsidies	\$ 48,923,000
CMDP ^{2/}	46,692,900
Parent Aide	21,298,600
Supervised Visitation	20,040,200
Transportation	16,485,000
In-Home Services	18,105,000
Preventive Services	15,148,300
Allowances	9,246,800
Counseling and Psychological Services	5,945,300
Substance Use Disorder Treatment ^{3/}	6,747,000
Independent Living Support	5,837,100
Lab Services	5,733,200
Other	<u>4,261,800</u>
Total	\$224,464,200 ^{2/}

- ^{1/} Does not include substance use disorder services spending for AFF recipients who are eligible for AHCCCS.
^{2/} Latest available data for placement types is from January 2021.

DCS Child Care Subsidy

The budget includes \$61,675,400 in FY 2023 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,000,000
Federal CCDF Block Grant	40,516,000
Child Safety Expenditure Authority	14,159,400

FY 2023 adjustments are as follows:

**Remove One-Time Additional Child Care
Development Funding**

The budget includes a decrease of \$(90,400,000) from the Federal CCDF Block Grant in FY 2023 for the removal of one-time additional child care funding. This funding was

allocated to Arizona in the federal American Recovery Plan Act. A General Appropriation Act footnote makes this \$90,400,000 appropriation non-lapsing. *(Please see the Department of Economic Security narrative for more details.)*

Caseload – According to the latest available data from DCS, in FY 2020, a monthly average of 8,645 children received DCS child care. At \$589 monthly, the base funding in this line item (excluding the \$90,400,000 appropriation) is sufficient for an average monthly caseload of 8,726 children in FY 2022.

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 budget includes \$28,988,100 and 1 FTE Position in FY 2023 for In-Home Mitigation. These amounts consist of:

General Fund	6,971,700
Child Abuse Prevention Fund	1,459,300
Federal TANF Block Grant	14,611,200
Child Safety Expenditure Authority	5,945,900

These amounts are unchanged from FY 2022.

Background – This line item funds DCS’ in-home services program for families with a child at risk of out-of-home placement. Contracted in-home services provide a wide range of voluntary services for up to 120 days intended to ensure that children remain safely at home, including parent education, counseling, domestic violence intervention, behavioral management, home management, and linkages to community resources. According to the latest available data from DCS, there were 3,855 new referrals to the in-home services program in FY 2021.

Out-of-Home Support Services

The budget includes \$122,710,800 in FY 2023 for Out-of-Home Support Services. This amount consists of:

General Fund	52,663,200
Federal TANF Block Grant	34,139,600
Child Safety Expenditure Authority	35,908,000

FY 2023 adjustments are as follows:

Foster Child Daily Stipend Increase

The budget includes an increase of \$6,584,000 in FY 2023 to increase the daily stipend for foster children. This amount consists of:

General Fund	4,784,000
Child Safety Expenditure Authority	1,800,000

This amount covers an increase in the foster child stipend from \$1.41 to \$2.82 per day. This stipend is paid to all licensed and unlicensed caregivers of out-of-home children and offsets costs such as clothing, school supplies, diapers, and extracurricular activities.

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

Preventive Services

The budget includes \$25,148,300 in FY 2023 for Preventive Services. This amount consists of:

General Fund	14,000,000
Child Safety Expenditure Authority	11,148,300

FY 2023 adjustments are as follows:

Healthy Families Expansion

The budget includes an increase of \$10,000,000 from the General Fund in FY 2023 to expand the Healthy Families Arizona Program and replace expiring federal grant monies that cannot be renewed.

The 3-year budget plan associated with the FY 2023 budget outlines another \$2,500,000 increase in FY 2024 above FY 2023 and \$2,500,000 increase in FY 2025 above FY 2024.

Background – This line item funds broad-based prevention programs to reduce the risk of involvement with DCS for at-risk families. The programs include the Healthy Families, which is an in-home visiting program, and the Building Resilient Families program, which provides follow-up services to families that were previously the subject of a DCS report.

Comprehensive Health Plan

The Comprehensive Health Plan 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. *(Please see the FY 2022 Appropriations Report for more detail.)*

Comprehensive Health Plan Administration

The budget includes \$29,870,000 from the Comprehensive Health Plan Fund in FY 2023 for

Comprehensive Health Plan Administration. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$7,500 from the Comprehensive Health Plan Fund in FY 2023 for statewide 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 budget includes \$4,550,900 from the Comprehensive Health Plan Fund in FY 2023 for Comprehensive Health Plan Premium Taxes. FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$145,800 from the Comprehensive Health Plan Fund in FY 2023 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 budget includes \$201,703,700 from the Comprehensive Health Plan Fund in FY 2023 for Comprehensive Health Plan Services. FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$4,648,300 from the Comprehensive Health Plan Fund in FY 2023 for CHP formula adjustments. The formula adjustments consist of 0.5% enrollment growth in FY 2023, 3.1% capitation growth, and prior year base 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

This section includes information on the following topics:

- FY 2022 Supplemental
- Statutory Changes

- Long-Term Budget Impacts
- Family First Prevention Services Act

FY 2022 Supplemental

The FY 2023 budget includes funding for the following:

- \$10,105,000 in FY 2022 from Child Safety Expenditure Authority to claim additional federal funding associated with the extension of an enhanced federal medical assistance percentage rate. *(Please see the Operating Budget for further details.)*
- \$3,300,000 in FY 2022 from Child Safety Expenditure Authority for adoption caseload growth. *(Please see the Adoption Services line item for further details.)*
- \$15,100,000 in FY 2022 from Child Safety Expenditure Authority associated with additional federal funding for the operating budget.

Statutory Changes

The Human Services BRB makes the following statutory change:

- As permanent law, sets the minimum monthly stipend for foster youth enrolled in the Independent Living Program shall be no less than \$1,200.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, Department of Child Safety General Fund costs are projected to increase by \$10,000,000 in 2024 above FY 2023 and \$5,000,000 in FY 2025 above FY 2024. These estimates are based on:

- An increase of \$7,500,000 in FY 2024 over FY 2023 and \$2,500,000 in FY 2025 over FY 2024 resulting from a decrease in the base Federal Medical Assistance Percentage (FMAP) rate.
- An increase of \$2,500,000 in FY 2024 over FY 2023 and \$2,500,000 in FY 2025 over FY 2024 to continue expansion of the Health Families Arizona Program.

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 2021 General Appropriation Act footnote requires DCS to report on its implementation of the legislation by December 1, 2021, including quantification of any fiscal impacts. DCS reported it has taken the following actions related to implementing the legislation:

- The department implemented a variety of measures to retain and recruit foster families and accredit Qualified Residential Treatment Programs (QRTP), which are congregate care settings that will continue to be eligible for federal reimbursement.
- DCS hired 2 Foster Recruitment and Retention Specialists, launched a website to support foster families, and began working with a marketing firm to create a campaign to raise awareness to further support and recruit foster families.
- The department now has 9 contracted QRTP providers and 18 other facilities working to become accredited as of November 2021.
- DCS announced they would cover accreditation fees for congregate care homes to provide trauma informed care, qualifying them as QRTP facilities. The department now has 14 providers that received accreditation and 13 additional providers that are seeking accreditation.
- DCS standardized therapeutic foster care placements in collaboration with the Arizona Health Care Cost Containment System (AHCCCS), including increased utilization of therapeutic foster homes for youth with higher needs, but do not meet medical necessity.

State Board of Chiropractic Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	210,600	214,600	235,700
Employee Related Expenditures	94,200	85,400	102,200
Professional and Outside Services	27,300	35,000	35,000
Travel - In State	600	2,000	2,000
Travel - Out of State	0	15,000	15,000
Other Operating Expenditures	61,600	75,000	77,700
Equipment	2,500	10,000	21,100
AGENCY TOTAL	396,800	437,000	488,700^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Chiropractic Examiners Fund	396,800	437,000	488,700
SUBTOTAL - Other Appropriated Funds	396,800	437,000	488,700
SUBTOTAL - Appropriated Funds	396,800	437,000	488,700
TOTAL - ALL SOURCES	396,800	437,000	488,700

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

Operating Budget

The budget includes \$488,700 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing Upgrade

The budget includes an increase of \$11,100 from the Board of Chiropractic Examiners Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$2,800 is one-time.

Salary Increase

The budget includes an increase of \$26,000 from the Board of Chiropractic Examiners Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$14,600 from Board of Chiropractic Examiners Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Citizens Clean Elections Commission

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	8,153,000	4,878,800	4,878,800
TOTAL - ALL SOURCES	8,153,000	4,878,800	4,878,800

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% must be spent on voter education.

The Clean Elections Fund balance has continued to grow since the program's inception. In FY 2021, the fund had revenues of \$6,583,300 for total available funds of \$36,663,400. This compared to spending of \$8,153,000 in FY 2021. For FY 2022, the commission estimated annual fund revenue would increase to \$6,813,000, compared to \$4,878,800 in ongoing spending. Along with surpluses from prior years, the commission forecasted the fund would have a balance of \$30,444,600 at the end of FY 2022.

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

Arizona Commerce Authority

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
Personal Services	5,460,500	5,460,500	5,460,500
Employee Related Expenditures	1,201,400	1,201,400	1,201,400
Professional and Outside Services	1,489,800	1,489,800	1,489,800
Travel - In State	87,600	87,600	87,600
Travel - Out of State	156,800	156,800	156,800
Other Operating Expenditures	1,548,100	1,548,100	1,548,100
Equipment	55,800	55,800	55,800
OPERATING SUBTOTAL	10,000,000	10,000,000	10,000,000 ^{1/}
SPECIAL LINE ITEMS			
Arizona Competes Fund Deposit	5,500,000	55,500,000	5,500,000
Asian Trade Offices	0	0	750,000
Blockchain/Wearable Research	0	5,000,000	5,000,000 ^{2/}
Economic Development Marketing and Attraction	0	0	1,000,000
Frankfurt, Germany Trade Office	0	250,000	500,000
Israel Trade Office	175,000	175,000	300,000
Major Events Fund Deposit	0	7,500,000	7,500,000 ^{3/}
Mexico Trade Offices	500,000	500,000	500,000
Water Infrastructure and Commerce Grant Fund Deposit	0	0	15,000,000
AGENCY TOTAL	16,175,000	78,925,000	46,050,000
FUND SOURCES			
General Fund	16,175,000	78,925,000	41,050,000
<u>Other Appropriated Funds</u>			
State Web Portal Fund	0	0	5,000,000
SUBTOTAL - Other Appropriated Funds	0	0	5,000,000
SUBTOTAL - Appropriated Funds	16,175,000	78,925,000	46,050,000
Other Non-Appropriated Funds	18,864,000	26,795,600	26,795,600
Federal Funds	6,153,100	5,359,000	5,359,000
TOTAL - ALL SOURCES	41,192,100	111,079,600	78,204,600

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/} Pursuant to section 43-409, Arizona Revised Statutes, of the amounts listed above, \$15,500,000 of the state general fund withholding tax revenues is allocated in fiscal year 2022-2023 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 \$5,500,000 is credited to the Arizona competes fund established by section 41-1545.01, Arizona Revised Statutes. (General Appropriation Act footnote)
- ^{2/} The authority shall distribute the monies in the blockchain/wearable research line item to applied research centers located in this state that specialize in blockchain technology, wearable technology or a technology discipline approved by the authority to be allocated as follows:
- \$500,000 for distribution to applied research centers that specialize in blockchain technology.
 - \$3,000,000 for distribution to applied research centers that specialize in wearable technology, including hardware or software components, or both.
 - \$1,500,000 for distribution to applied research centers in a technology discipline that is approved by the authority.
- Subject to available funding, the authority shall distribute monies appropriated in the blockchain/wearable research line item to any applied research center in increments of up to \$250,000 within thirty days after the applied research center

notifies the authority in writing that the applied research center has received a matching amount from sources other than this state. Monies that have been previously appropriated to the authority for potential distribution to an applied research center that specializes in blockchain technology that have not been distributed may be distributed to an applied research center that specializes in wearable technology, including hardware or software components, or both, or in a technology discipline approved by the Arizona commerce authority if the application for such distribution is in compliance with this section.

An applied research center that receives a distribution pursuant to this section must collaborate with universities, nonprofit business associations, health science research centers, institutes or other technology businesses that do business in this state. On or before September 15, 2026, the applied research center or institute shall return to the authority all monies received by the applied research center or institute pursuant to this section that remain unexpended and unencumbered on September 1, 2026. The authority shall deposit the returned monies in the state web portal fund established by section 18-421, Arizona Revised Statutes. The authority shall notify the president of the senate and the speaker of the house of representatives on or before July 1, 2023 and July 1, 2024 if the authority has not distributed any monies pursuant to this section.

An applied research center or institute that receives monies pursuant to this section shall annually submit an expenditure and performance report to the authority. On or before February 1 of each year, the authority shall transmit the report to the joint legislative budget committee and the governor's office of strategic planning and budgeting. For the purposes of this section, the authority is exempt from the requirements of title 41, chapter 23, Arizona Revised Statutes.

The appropriation made in the blockchain/wearable research line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that any amounts that remain unexpended and unencumbered on June 30, 2026 revert to the state web portal fund. (General Appropriation Act footnote)

- 3/ The \$7,500,000 appropriated in the major events fund deposit line item pursuant to laws 2021, chapter 408, section 17 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, until June 30, 2023. (General Appropriation Act footnote)

Operating Budget Deposit

The budget includes \$10,000,000 from the General Fund in FY 2023 for the operating budget. This amount is unchanged from FY 2022.

Arizona Competes Fund Deposit

The budget includes \$5,500,000 from the General Fund in FY 2023 for deposit into the Arizona Competes Fund. FY 2023 adjustments are as follows:

Remove One Time Funding

The budget includes a decrease of \$(50,000,000) from the General Fund in FY 2023 for removal of a one-time deposit into the Arizona Competes Fund.

Additionally, the fund also receives a non-appropriated deposit of \$3,500,000 in lottery revenues pursuant to A.R.S. § 4-572. In total, the fund receives \$9,000,000 annually.

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.

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

Asian Trade Offices

The budget includes \$750,000 from the General Fund in FY 2023 for a new Asian Trade Offices line item. FY 2023 adjustments are as follows:

Establish Two Offices

The budget includes an increase of \$750,000 from the General Fund in FY 2023 to set up and operate 2 trade offices in Asia.

Blockchain/Wearable Research

The budget includes \$5,000,000 from the State Web Portal Fund in FY 2023 for Blockchain/Wearable Research. FY 2023 adjustments are as follows:

Remove One Time Funding

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2023 for removal of one-time funding for research into blockchain and wearable technology.

Add One Time Funding

The budget includes an increase of \$5,000,000 from the State Web Portal Fund in FY 2023 for research into blockchain and wearable technology.

Of the monies in this line item for FY 2023, \$500,000 is to be distributed to applied research centers specializing in blockchain research, \$3,000,000 is dedicated to applied research centers specializing in wearable technology, and the remaining \$1,500,000 is to be distributed to applied research centers in a technology discipline approved by the authority.

Economic Development Marketing and Attraction

The budget includes \$1,000,000 from the General Fund in FY 2023 for a new Economic Development Marketing and Attraction line item. FY 2023 adjustments are as follows:

Establish New Line Item

The budget includes an increase of \$1,000,000 from the General Fund in FY 2023 for ongoing funding for economic development marketing. The funding will be used for such activities as a marketing campaign designed to attract industries such as advanced manufacturing to Arizona.

Frankfurt, Germany Trade Office

The budget includes \$500,000 from the General Fund in FY 2023 for the Frankfurt, Germany Trade Office. FY 2023 adjustments are as follows:

Increase Funding

The budget includes an increase of \$250,000 from the General Fund in FY 2023 for increased costs of operating a trade office in Frankfurt, Germany. The budget also converts \$250,000 of funding designated as one-time in the FY 2022 budget as ongoing funding.

Israel Trade Office

The budget includes \$300,000 from the General Fund in FY 2023 for the Israel Trade Office. FY 2023 adjustments are as follows:

Increase Funding

The budget includes an increase of \$125,000 from the General Fund in FY 2023 for increased costs of operating a trade office in Israel.

Major Events Fund Deposit

The budget includes \$7,500,000 from the General Fund in FY 2023 to be deposited into the Major Events Fund. This amount is unchanged from FY 2022.

The Major Events Fund was initially created by the FY 2022 Budget Procedures Budget Reconciliation Bill (BRB), which was determined by the Arizona Supreme Court to be unconstitutional. The FY 2023 Budget Implementation BRB re-established the fund in statute. A General Appropriation Act footnote makes the FY 2022 appropriation non-lapsing until the end of FY 2023.

The FY 2022 budget's 3-year spending plan includes funding the program at \$7,500,000 annually as a pilot program through FY 2025.

Mexico Trade Offices

The budget includes \$500,000 from the General Fund in FY 2023 to operate trade offices in Mexico. This amount is unchanged from FY 2022.

Currently, the ACA funds trade offices in Mexico City, Guanajuato, and Chihuahua.

Water Infrastructure and Commerce Grant Fund Deposit

The budget includes \$15,000,000 from the General Fund in FY 2023 for a Water Infrastructure and Commerce Grant Fund Deposit. FY 2023 adjustments are as follows:

One-Time Deposit

The budget includes a one-time increase of \$15,000,000 from the General Fund in FY 2023 for the distribution of water infrastructure grants via the Water Infrastructure and Commerce Grant Fund. This fund was established by the Environment BRB and is intended to provide water infrastructure grants to public service corporations acting on behalf of an employer with at least 250 employees and that are located in a county with a population of not less than 400,000 and less than 1,000,000.

Other Issues

Statutory Changes

The Budget Implementation BRB makes the following statutory change:

- As permanent law, establishes the Major Events Fund consisting of monies appropriated by the Legislature for a special event promotion and attraction pilot program. Monies are non-lapsing and can be used for

planning and operations of competitively bid major events, grants to local organizing committees for infrastructure and operations costs of major events, and other economic development activities associated with major event operations. The authority must report semi-annually on expenditures from the fund.

The Environment BRB makes the following statutory change:

- As permanent law, establishes the non-appropriated Water Infrastructure and Commerce Grant Fund consisting of legislative appropriations, donations, and federal monies to provide water infrastructure grants to public service corporations acting on behalf of an employer with at least 250 employees and that are located in a county with a population of not less than 400,000 and less than 1,000,000. Up to 1% of monies in the fund may be used for administrative costs. The authority must submit a report to the Joint Legislative Budget Committee on or before December 15 of each year that includes actual expenditures from the fund, detailing expenditures by project and including an expenditure plan for any remaining monies.

Arizona Community Colleges

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
SPECIAL LINE ITEMS			
Equalization Aid			
Cochise	7,227,100	7,925,300	8,771,400
Graham	17,469,100	18,193,200	19,114,000
Navajo	8,444,300	9,171,000	9,912,900
Yuma/La Paz	155,200	616,700	530,200
<i>Subtotal - Equalization Aid</i>	33,295,700	35,906,200	38,328,500
Operating State Aid			
Cochise	4,690,700	4,373,500	4,230,000
Coconino	1,698,400	1,626,500	1,369,600
Gila	296,300	271,500	155,300
Graham	2,338,800	1,936,100	1,532,300
Mohave	1,138,900	1,205,500	903,000
Navajo	1,554,800	1,512,300	1,393,400
Pinal	1,128,300	1,356,500	818,200
Santa Cruz	0	17,100	0
Yavapai	585,800	590,500	300,400
Yuma/La Paz	2,384,800	2,391,900	1,898,200
<i>Subtotal - Operating State Aid</i>	15,816,800	15,281,400	12,600,400
STEM and Workforce Programs State Aid			
Cochise	1,014,500	928,400	895,200
Coconino	397,400	371,800	293,800
Gila	136,000	127,200	91,900
Graham	627,600	484,200	361,500
Maricopa	1,600,000	1,600,000	8,584,900
Mohave	441,900	465,700	373,800
Navajo	334,800	319,700	283,600
Pima	400,000	400,000	1,776,600
Pinal	96,500	96,500	551,100
Santa Cruz	23,700	29,800	21,800
Yavapai	697,500	699,200	611,100
Yuma/La Paz	1,024,900	1,027,400	877,500
<i>Subtotal - STEM and Workforce Programs State Aid</i>	6,794,800	6,549,900	14,722,800
Rural Aid			
Cochise	0	6,251,000	5,267,500
Coconino	0	1,907,300	1,343,400
Gila	0	652,300	421,800
Graham	0	2,483,700	1,633,200
Mohave	0	2,388,900	1,714,400
Navajo	0	1,640,200	1,305,600
Pinal	0	3,666,000	2,476,600
Santa Cruz	0	153,000	97,800
Yavapai	0	3,586,900	2,782,200
Yuma/La Paz	0	5,270,700	3,957,500
<i>Subtotal - Rural Aid</i>	0	28,000,000	21,000,000
Urban Aid			
Maricopa	0	10,400,000	0
Pima	0	2,600,000	0
<i>Subtotal - Urban Aid</i>	0	13,000,000	0 ^{1/}
Rural County Allocation	3,658,200	4,337,300	4,582,000 ^{1/}
Rural County Reimbursement Subsidy	1,273,800	1,773,800	1,082,900 ^{2/}
Tribal Community Colleges	4,099,600	2,856,100	3,014,800 ^{3/}
Additional Gila Workforce Development Aid	200,000	200,000	200,000
Diné College Remedial Education	1,000,000	1,000,000	1,000,000 ^{4/}

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
Cochise First Responders Academy	0	0	6,250,000 ^{5/}
Navajo Technical University Laboratory	0	0	4,000,000 ^{6/}
Diné College Student Center	0	0	8,000,000 ^{6/}
AGENCY TOTAL	66,138,900	108,904,700	114,781,400 ^{7/}
FUND SOURCES			
General Fund	66,138,900	108,904,700	114,781,400
SUBTOTAL - Appropriated Funds	66,138,900	108,904,700	114,781,400
Other Non-Appropriated Funds	34,460,300	50,925,100	50,925,100
TOTAL - ALL SOURCES	100,599,200	159,829,800	165,706,500

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 2023, that amount is estimated to be \$4,582,000. Because this appropriation is in permanent statute, it is not included in the General Appropriation 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 Appropriation 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 Appropriation Act.
- 4/ On or before October 15, 2023, 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 2022-2023 academic year. (General Appropriation Act footnote)
- 5/ The amount appropriated for the Cochise first responders academy line item shall be distributed to Cochise community college to build an indoor shooting range and burn tower for the first responders academy. (General Appropriation Act footnote)
- 6/ Laws 2022, Chapter 309 appropriated \$4,000,000 from the General Fund for Navajo Technical University to develop and construct an environmental testing laboratory and \$8,000,000 from the General Fund for Diné College to construct a student center.
- 7/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

Equalization Aid

The budget includes \$38,328,500 from the General Fund in FY 2023 for Equalization Aid. FY 2023 adjustments are as follows:

Property Value Changes

The budget includes an increase of \$2,422,300 from the General Fund in FY 2023 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 2022	Year-over- Year Change	FY 2023
Cochise	\$ 7,925,300	\$ 846,100	\$ 8,771,400
Graham	18,193,200	920,800	19,114,000
Navajo	9,171,000	741,900	9,912,900
Yuma/La Paz	616,700	(86,500)	530,200
Total	\$35,906,200	\$2,422,300	\$38,328,500

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 5.4% higher in TY 2021 than in the preceding year. Therefore, for the FY 2023 Equalization Aid formula calculation, the minimum assessed valuation increased 5.4% to approximately \$1.6 billion. (See Table 2 for the calculation of the growth rate.)

District	TY 2020 Primary AV	TY 2021 Primary AV	TY 2020-2021 % Growth
Cochise*	\$ 973,084,500	\$ 994,800,800	2.2 %
Graham*	223,604,200	239,863,700	7.3 %
Navajo*	882,158,100	911,478,100	3.3 %
Yuma/La Paz*	1,506,557,400	1,596,348,900	6.0 %
Coconino	1,929,724,100	1,983,520,000	2.8 %
Mohave	2,010,693,400	2,143,344,600	6.6 %
Pinal	2,689,422,200	2,868,880,600	6.7 %
Yavapai	<u>2,957,724,700</u>	<u>3,143,221,200</u>	<u>6.3 %</u>
Total	\$13,172,968,600	\$13,881,457,800	5.4 %
Minimum AV	\$1,551,572,600	\$1,635,047,200	5.4 %

* These districts qualify to receive Equalization Aid under the state funding formula in FY 2023.

Equalization Aid is paid based on the difference between the minimum assessed valuation and the most recent actual assessed valuation for the district. Equalization Aid is calculated at the lesser of \$1.37 per \$100 of the district's assessed valuation or the district's levy rate.

As noted in Table 2, the average rural district assessed value increased by 5.4% in TY 2021. In comparison, Cochise increased by 2.2% and Navajo increased by 3.3%. Because their primary assessed values increased by less than the average rural district, Cochise and Navajo qualify for more aid. While Graham increased by 7.3% and Yuma/La Paz increased by 6.0%, more than the average rural district, their assessed values remain below the minimum assessed value.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.64 billion in FY 2023), 2) whether the district's change in assessed value was less than the

rural districts' average change, and 3) the applicable tax rate.

Operating State Aid

The budget includes \$12,600,400 from the General Fund in FY 2023 for Operating State Aid. FY 2023 adjustments are as follows:

Enrollment Changes

The budget includes a decrease of \$(2,681,000) from the General Fund in FY 2023 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (3,996), or (14.9)% decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 3). The (3,996) net FTSE decrease consists of a (3,785) FTSE decrease in non-dual enrollment students and a (211) FTSE decrease in dual enrollment students. A.R.S. § 15-1466.01 requires dual enrollment students be funded at 50% for state aid purposes. Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit.

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

	FY 2020 FTSE	FY 2021 FTSE	Percentage Change
Rural Districts			
Cochise	5,829	5,620	(3.6)%
Coconino	1,877	1,491	(20.6)%
Gila	655	472	(27.9)%
Graham	2,348	1,770	(24.6)%
Mohave	2,370	1,914	(19.2)%
Navajo	1,648	1,468	(10.9)%
Pinal	3,432	2,655	(22.6)%
Santa Cruz	142	104	(26.8)%
Yavapai	3,520	3,062	(13.0)%
Yuma/La Paz	<u>5,005</u>	<u>4,274</u>	<u>(14.6)%</u>
Subtotal	26,826	22,830	(14.9)%
Urban Districts			
Maricopa	67,472	56,417	(16.4)%
Pima	<u>13,874</u>	<u>11,488</u>	<u>(17.2)%</u>
Total	108,172	90,735	(16.1)%

aid per FTSE appropriated in the current fiscal year. (For FY 2023, the last actual FTSE data was from FY 2021.)

Maricopa and Pima County 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 effectively be calculated for FY 2023. The Operating State Aid formula adjusts the prior year's appropriation based on the changes in FTSE enrollment count. Maricopa and Pima County have not received Operating State Aid since FY 2015.

STEM and Workforce Programs State Aid

The budget includes \$14,722,800 from the General Fund in FY 2023 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid. FY 2023 adjustments are as follows:

Remove Maricopa and Pima Funding

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2023 for the elimination of one-time funding to Maricopa and Pima. Maricopa and Pima were appropriated \$1,600,000 and \$400,000, respectively, for FY 2020, FY 2021, and FY 2022 in the FY 2020 General Appropriation Act.

Restore Maricopa, Pima, and Pinal Funding

The budget includes an increase of \$10,816,100 from the General Fund in FY 2023 for the ongoing restoration of funding to Maricopa, Pima, and Pinal. Of this amount, Maricopa receives \$8,584,900, Pima receives \$1,776,600, and Pinal receives an additional \$454,600.

Enrollment Changes

The budget includes a decrease of \$(643,200) from the General Fund in FY 2023 to fund decreased formula costs for STEM and Workforce Programs State Aid. This reduction is the result of a net decline in rural district enrollment in FY 2021.

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 2023 Higher Education BRB suspends 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 budget includes \$21,000,000 from the General Fund in FY 2023 for Rural Aid. FY 2023 adjustments are as follows:

Remove One-Time Rural Aid

The budget includes a decrease of \$(14,000,000) from the General Fund in FY 2023 for the elimination of one-time aid to the 10 rural community college districts.

In FY 2022, this one-time funding was allocated to the 10 rural community college districts based on each district's share of actual FY 2020 enrollment.

One-Time Rural Aid

The budget includes an increase of \$7,000,000 from the General Fund in FY 2023 for one-time aid to the 10 rural community college districts.

In FY 2023, rural aid will be allocated based on each district's share of actual FY 2021 enrollment.

Urban Aid

The budget includes no funding in FY 2023 for Urban Aid. FY 2023 adjustments are as follows:

Remove One-Time Urban Aid

The budget includes a decrease of \$(13,000,000) from the General Fund in FY 2023 for the elimination of one-time aid to the 2 urban community college districts, Maricopa and Pima.

In FY 2022, this one-time funding was allocated to the 2 urban community college districts based on each district's share of STEM and Workforce Programs State Aid in the FY 2020 General Appropriation Act.

Rural County Allocation

The budget includes \$4,582,000 from the General Fund in FY 2023 for Rural County Allocation. FY 2023 adjustments are as follows:

Enrollment Changes

The budget includes an increase of \$244,700 from the General Fund in FY 2023 to fund changes in student enrollment.

Background – The Rural County Allocation line item facilitates payment to community college districts for

students enrolled from counties that are not a part of an established community college district. If a county is not part of a community college district, it is responsible for the cost of their students attending community college in another county. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and that the state will then withhold these counties' sales tax revenues to offset a portion of that cost. The FY 2023 Higher Education BRB makes changes to permanent law to reduce the amount that is withheld from the counties' sales tax revenues. A.R.S. § 15-1469C prescribes the formula that calculates the amount that is owed by the counties to the community college districts, which is based on the community college districts' primary property tax levies. The payments made on behalf of the counties are not included in county expenditure limits established in the Arizona Constitution. The county payments are partially offset by a state subsidy. *(See next line item.)*

Each year, the amount is determined by enrollment counts submitted to the JLBC Staff. The JLBC Staff is required by A.R.S. § 15-1469D to report the county withholdings to the Treasurer by May 15 for the upcoming fiscal year. In May 2022, the JLBC Staff reported the amount to be \$4,582,000 for FY 2023.

Monies for the Rural County Allocation are authorized by A.R.S. § 15-1469.01, and therefore do not appear in the General Appropriation Act.

Rural County Reimbursement Subsidy

The budget includes \$1,082,900 from the General Fund in FY 2023 for Rural County Reimbursement Subsidy. FY 2023 adjustments are as follows:

Remove One-Time Subsidy Increase

The budget includes a decrease of \$(500,000) from the General Fund in FY 2023 for the elimination of a one-time increase for the Rural County Reimbursement Subsidy.

Subsidy Adjustment

The budget includes a decrease of \$(190,900) from the General Fund in FY 2023 as a technical adjustment.

Changes to permanent law in the FY 2023 Higher Education BRB reduced the cost of out-of-county reimbursements for Apache and Greenlee Counties. *(See prior line item.)*

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 budget continues a General

Appropriation Act footnote allocating these monies. Of the \$1,082,900 subsidy, \$699,300 is distributed to Apache and \$383,600 to Greenlee. Due to differences in out-of-county enrollment levels, the subsidy partially offsets Apache's costs and fully eliminates Greenlee's costs. The budget includes a corresponding technical adjustment to the Rural County Reimbursement Subsidy to Greenlee.

Tribal Community Colleges

The budget includes \$3,014,800 from the General Fund in FY 2023 for Tribal Community Colleges. FY 2023 adjustments are as follows:

Increase Tohono O'odham Funding

The budget includes an increase of \$158,700 from the General Fund in FY 2023 for Tohono O'odham Community College.

The budget includes a distribution of \$2,625,000 to the Navajo Nation, comprised of \$1,750,000 for Diné College and \$875,000 for Navajo Technical College. For the Navajo Nation, the budget assumes the maximum amounts allowed under statute since a net of 15% of their current TPT revenues would exceed the statutory distribution limits as described below. The budget also includes \$389,800 for Tohono O'odham Community College in FY 2023 based on a projection of 10% of the collected TPT revenues from the reservation.

Background – This funding is limited to qualified tribes that instituted a compact with the state before September 1, 2017, to receive a portion of Transaction Privilege Tax (TPT) revenues for support of tribe's postsecondary institution(s). A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the TPT revenues collected from all sources located on the reservation, whichever is less. A.R.S. § 42-5031.01 also allows any additional technical college located on the same reservation to receive \$875,000, or 5% of the TPT revenues collected from sources located on the reservation, whichever is less. Actual amounts for FY 2023 will depend on FY 2023 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act. *(Please see the FY 2020 Appropriations Report for more information.)*

Additional Gila Workforce Development Aid

The budget includes \$200,000 from the General Fund in FY 2023 for Additional Gila Workforce Development Aid. This amount is unchanged from FY 2022.

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).

Diné College Remedial Education

The budget includes \$1,000,000 from the General Fund in FY 2023 for Diné College Remedial Education. This amount is unchanged from FY 2022.

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 budget continues a General Appropriation 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 2022-2023 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2023.

Cochise First Responders Academy

The budget includes \$6,250,000 from the General Fund in FY 2023 for the Cochise First Responders Academy. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$6,250,000 from the General Fund in FY 2023 for the Cochise First Responders Academy.

A General Appropriation Act footnote allocates these monies to Cochise College for capital costs related to building an indoor shooting range and burn tower as part of the First Responders Academy.

Navajo Technical University Laboratory

Laws 2022, Chapter 309 appropriates \$4,000,000 from the General Fund in FY 2023 for the Navajo Technical University laboratory. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$4,000,000 from the General Fund in FY 2023 for capital costs related to developing and constructing an environmental testing laboratory at Navajo Technical University.

Diné College Student Center

Laws 2022, Chapter 309 appropriates \$8,000,000 from the General Fund in FY 2023 for the Diné College Student Center. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$8,000,000 from the General Fund in FY 2023 for capital costs related to constructing the Diné College Student Center.

Other Issues

Statutory Changes

The FY 2023 Higher Education BRB makes the following changes:

- As session law, continue to suspend the Operating State Aid funding at levels specified in the General Appropriation Act, which effectively means suspending the formula in FY 2023 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 Appropriation Act, which effectively means suspending the inflation adjustment in the formula in FY 2023 for all community college districts.
- As permanent law, reduce the out-of-county reimbursement amounts due from Apache and Greenlee Counties to the community college districts and require the difference to be paid by the General Fund.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, Community College General Fund costs are projected to decrease by \$(24,354,800) in FY 2024 below FY 2023 spending and to increase by \$943,700 in FY 2025 above FY 2024 spending.

These estimates are based on:

- An increase of \$1,918,100 for Equalization Aid in FY 2024 above FY 2023 and \$1,857,400 in FY 2025 above FY 2024.
- A decrease of \$(400,000) for Operating State Aid in FY 2024 below FY 2023 spending and \$(403,100) in FY 2025 below FY 2024 spending due to enrollment decreases in rural districts in FY 2022 and FY 2023. Given that the Operating State Aid funding is based

on enrollment changes from 2 years prior, enrollment increases in FY 2022 and FY 2023 would not affect Operating State Aid until FY 2024 and FY 2025.

- A decrease of \$(464,200) for STEM and Workforce Programs State Aid in FY 2024 below FY 2023 spending and \$(510,600) in FY 2025 below FY 2024 spending. As with Operating State Aid, STEM and Workforce Programs State Aid funding is based on enrollment from 2 years prior. Therefore, enrollment increases in FY 2022 and FY 2023 would not affect STEM and Workforce Programs State Aid until FY 2024 and FY 2025.
- A decrease of \$(158,700) for Tribal Community Colleges in FY 2024 below FY 2023 spending due to TPT revenue declines on tribal reservations.
- A decrease of \$(25,250,000) in FY 2024 to remove one-time funding, including \$(7,000,000) for Rural Aid, \$(6,250,000) for the Cochise First Responders Academy, \$(4,000,000) for the Navajo Technical University Laboratory, and \$(8,000,000) for the Diné College Student Center.

the colleges. Of the total, the community colleges receive 3.0% of their revenues (excluding bond proceeds) from state aid.

For FY 2022, base operating revenues from all sources are estimated to be \$2,252,816,800. (See Table 4 for a summary of FY 2022 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 42.6% of their revenues. There are 2 types of property taxes: primary and secondary. For the community colleges, primary property taxes are levied for operating purposes and secondary property taxes are levied to pay for capital outlay expenses. Both taxes are levied on limited property values. Each community college district determines its primary and secondary property tax rates. (See Table 5 for a summary of FY 2021 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 over 2% requires voter approval, unless the district has foregone increases in prior years and consolidates those increases into a single year.

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 community colleges also collect tuition and fees from enrolled students. These collections account for approximately 13.9% of total revenues. Tuition and fees

Table 4

Total Estimated Community College Revenues – FY 2022

District	State Aid ^{1/}	Tuition/Fees	Property Taxes	Grants ^{2/}	Other ^{3/}	FY 2022 Total ^{4/}	FY 2021 Total ^{5/}	% Change from FY 2021
Cochise	\$16,379,100	\$6,381,000	\$24,314,900	\$29,141,200	\$12,977,300	\$89,193,500	\$61,218,000	45.7%
Coconino	3,204,800	7,508,500	8,715,600	12,620,100	809,000	32,858,000	24,794,700	32.5%
Gila ^{6/}	271,500	0	5,374,300	591,200	351,000	6,588,000	6,356,100	3.6%
Graham	20,129,300	7,494,000	7,424,700	23,370,100	8,781,900	67,200,000	53,919,600	24.6%
Maricopa	0	201,749,700	597,210,100	291,480,900	240,885,500	1,331,326,200	978,844,900	36.0%
Mohave	1,205,500	8,506,000	26,510,100	16,635,500	543,100	53,400,200	48,291,100	10.6%
Navajo	12,323,500	4,400,000	15,955,400	8,250,000	2,682,500	43,611,400	39,718,300	9.8%
Pima	0	44,707,000	123,461,100	124,009,000	6,192,000	298,369,100	219,095,800	36.2%
Pinal	1,356,500	9,185,000	61,454,900	32,133,800	7,796,200	111,926,400	89,542,900	25.0%
Santa Cruz ^{6/}	17,100	10,000	1,727,000	224,000	11,700	1,989,800	1,866,300	6.6%
Yavapai	4,096,500	10,574,000	48,329,600	23,394,500	5,434,300	91,828,900	80,890,600	13.5%
Yuma/La Paz	<u>8,008,600</u>	<u>12,407,500</u>	<u>39,376,100</u>	<u>55,928,000</u>	<u>8,805,100</u>	<u>124,525,300</u>	<u>80,064,200</u>	<u>55.5%</u>
Total ^{7/}	\$66,992,400	\$312,922,600	\$959,853,800	\$617,778,300	\$295,269,600	\$2,252,816,800	\$1,684,602,500	33.7%

^{1/} State Aid revenue includes Operating State Aid and Equalization Aid.
^{2/} Includes federal coronavirus-related grants.
^{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 \$2,561,553,100 for FY 2022.
^{5/} Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are \$1,778,770,400 for FY 2021.
^{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.
^{7/} Columns may not add to total due to rounding.

Table 5

Community College Tax Rates – TY 2021

District	Primary Rate	Secondary Rate	Combined Rate	% Change Combined Rate from TY 2020
Cochise	\$2.44	\$0.00	\$2.44	1.7%
Coconino	0.44	0.00	0.44	(2.2)%
Gila	0.96	0.00	0.96	0.0%
Graham	3.10	0.00	3.10	(0.6)%
Maricopa	1.11	0.11	1.22	(5.4)%
Mohave	1.24	0.00	1.24	(3.9)%
Navajo	1.75	0.00	1.75	(1.7)%
Pima	1.27	0.00	1.27	(5.2)%
Pinal	1.98	0.17	2.15	(6.5)%
Santa Cruz	0.46	0.00	0.46	(2.1)%
Yavapai	1.56	0.01	1.57	(7.1)%
Yuma/La Paz	2.13	0.34	2.47	(3.5)%

are assessed on a per credit hour basis. FY 2022 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is \$2,580 if a full-time student attends for 30 hours a year. The FY 2022 amount represents a decrease of (14.2)% from FY 2021. (See Table 6 for FY 2022 resident tuition and fee rates.)

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 40.5% of community college revenues.

Revenue listed in the "other" category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

Table 6

Community College Resident Tuition and Fees – FY 2022

District	Average Cost Per Credit Hour	Annual Cost ^{1/}	% Change from FY 2021
Cochise	\$91	\$2,730	0.0%
Coconino	113	3,390	0.0%
Gila	90	2,700	0.0%
Graham	90	2,700	0.0%
Maricopa	85	2,550	25.0%
Mohave	81	2,430	0.0%
Navajo	82	2,460	3.8%
Pima	87	2,610	0.0%
Pinal	86	2,580	0.0%
Santa Cruz	44	1,305	(48.5)%
Yavapai	76	2,280	0.0%
Yuma/La Paz	90	2,700	2.3%
Weighted Average	\$86	\$2,580	(14.2)%

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

Total Community College Expenditures

Table 7 shows total budgeted FY 2022 community college expenditures. In FY 2022, total budgeted expenditures are \$2,549,359,400. As mentioned previously, base operating revenues for FY 2022 are \$2,252,816,800; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,561,553,100. Of the total \$2,549,359,400 in budgeted expenditures, \$2,107,949,500, or 82.7%, of these expenditures are from the community colleges' General and Restricted Funds. This includes \$542,259,900, or 21.3%, for instruction and \$425,392,200, or 16.7%, for institutional support.

Expenditures for auxiliary enterprises, including revenue-generating retail and business services such as parking lots, bookstores, and food service, are \$76,072,100, or 3.0% of the total. Plant Fund expenditures, which generally include capital costs, are \$281,523,300, or 11.0% of the total. The remaining \$83,814,500, or 3.3%, is for debt service.

Table 7

Community Colleges - FY 2022 Budgeted Expenditures

General/Restricted Funds	Total	% of Total
Instruction	\$ 542,259,900	21.3%
Public Service	55,341,500	2.2%
Academic Support	187,150,000	7.3%
Student Services	213,215,600	8.4%
Institutional Support	425,392,200	16.7%
Operation & Maintenance	141,971,100	5.6%
Scholarships & Grants	433,298,100	17.0%
Contingency	109,321,000	4.3%
Subtotal ^{1/}	\$2,107,949,500	82.7%
Auxiliary Enterprises Fund	\$ 76,072,100	3.0%
Plant Fund	281,523,300	11.0%
Debt Service	83,814,500	3.3%
Total ^{1/}	\$2,549,359,400	100%

^{1/} May not add to subtotal and total due to rounding.

Community College Expenditure Limitations

The Arizona Constitution requires the Economic Estimates Commission to calculate the expenditures limitation for community college districts based on FY 1980 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 2022 expenditure limits and the estimated expenditures reported by the districts. Of the 12 districts, 7 currently estimate that they will be at the limit in FY 2022.

Table 8
Community College Expenditure Limits – FY 2022

<u>District</u>	<u>Expenditure Limit</u>	<u>Estimated Expenditures</u>
Cochise	\$67,578,287	\$45,369,582
Coconino	16,927,200	15,367,633
Gila*	5,241,566	5,241,566
Graham	36,049,564	34,247,086
Maricopa	472,659,526	472,659,526
Mohave	25,647,407	25,647,407
Navajo	15,503,375	15,503,375
Pima	138,825,309	138,825,309
Pinal	37,374,131	37,374,131
Santa Cruz*	1,441,943	1,441,943
Yavapai	48,002,250	45,866,490
Yuma/La Paz	55,891,071	47,535,530

* Indicates provisional community college district

Laws 2022, Chapter 367 reduces the penalty for a community college district that exceeds its FY 2023 expenditure limitation without authorization. For FY 2023, the amount of state aid withheld, based on the percentage of the excess expenditure, will be as follows:

- 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 limitation, the amount withheld is \$20,000.
- If the excess expenditures are equal to 12% 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. However, for a provisional community college district, the maximum amount of state aid withheld may not exceed 1% of the district budget.

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 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.

Constable Ethics Standards and Training Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	337,500	503,700	503,700
TOTAL - ALL SOURCES	337,500	503,700	503,700

AGENCY DESCRIPTION — The board establishes and enforces the code of conduct for constables throughout the state. The board also administers funding for constable training and equipment. The Arizona Association of Counties currently manages the board’s administrative responsibilities. The board receives fees from every writ collected on behalf of a Justice of the Peace.

Registrar of Contractors

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	6,165,000	5,936,600	6,524,500
Employee Related Expenditures	2,381,000	2,506,100	2,957,700
Professional and Outside Services	238,700	405,300	405,300
Travel - In State	164,300	301,000	301,000
Travel - Out of State	200	11,800	11,800
Other Operating Expenditures	1,225,400	1,894,900	2,019,700
Equipment	121,600	517,000	517,000
OPERATING SUBTOTAL	10,296,200	11,572,700	12,737,000
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	375,500	1,017,600	1,017,600
AGENCY TOTAL	10,671,700	12,590,300	13,754,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Registrar of Contractors Fund	10,671,700	12,590,300	13,754,600
SUBTOTAL - Other Appropriated Funds	10,671,700	12,590,300	13,754,600
SUBTOTAL - Appropriated Funds	10,671,700	12,590,300	13,754,600
Other Non-Appropriated Funds	3,098,400	4,666,800	4,666,800
TOTAL - ALL SOURCES	13,770,100	17,257,100	18,421,400

AGENCY DESCRIPTION — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

FOOTNOTES

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

Operating Budget

The budget includes \$12,737,000 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$723,100 from the Registrar of Contractors Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations sections.)*

Statewide Adjustments

The budget includes an increase of \$441,200 from the Registrar of Contractors Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations sections.)*

Office of Administrative Hearings Costs

The budget includes \$1,017,600 from the Registrar of Contractors Fund in FY 2023 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2022.

Monies in this line item are transferred from the Registrar of Contractors to OAH for services provided by OAH.

Corporation Commission

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	300.9	300.9	301.9 ^{1/}
Personal Services	15,569,100	16,665,200	16,758,000
Employee Related Expenditures	5,978,000	6,519,700	7,350,300
Professional and Outside Services	398,500	421,100	421,100
Travel - In State	141,800	224,000	224,000
Travel - Out of State	3,000	116,000	116,000
Other Operating Expenditures	3,292,100	2,929,400	3,110,900
Equipment	203,900	285,900	285,900
OPERATING SUBTOTAL	25,586,400	27,161,300	28,266,200
SPECIAL LINE ITEMS			
Corporation Filings, Same-Day Service	360,800	408,400	415,000
Utilities Audits, Studies, Investigations & Hearings	701,100	380,000	380,000 ^{2/}
FY 2023 Salary Increase	0	0	2,024,300
AGENCY TOTAL	26,648,300	27,949,700	31,085,500 ^{3/}
FUND SOURCES			
General Fund	647,000	623,100	807,200
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	36,800	51,200	58,800
Investment Management Regulatory and Enforcement Fund	735,300	721,600	812,000
Public Access Fund	6,318,300	6,799,400	7,464,500
Securities Regulatory and Enforcement Fund	5,062,100	5,135,300	5,706,900
Utility Regulation Revolving Fund	13,848,800	14,619,100	16,236,100
SUBTOTAL - Other Appropriated Funds	26,001,300	27,326,600	30,278,300
SUBTOTAL - Appropriated Funds	26,648,300	27,949,700	31,085,500
Other Non-Appropriated Funds	19,700	0	0
Federal Funds	1,725,100	2,219,500	2,219,500
TOTAL - ALL SOURCES	28,393,100	30,169,200	33,305,000

AGENCY DESCRIPTION — The Arizona Corporation Commission (ACC) was established by Article 15 of the Arizona Constitution and consists of 5 statewide elected Commissioners, each serving 4-year terms. The commission has 3 primary responsibilities. The Corporations Division provides public access to corporate annual reports, articles of incorporation, and corporate status change documents. The Securities Division regulates securities dealers and investment advisers. The Utilities Division monitors approximately 500 public service corporations operating in Arizona and establishes public utility rates. Other functions of the commission include inspecting gas pipelines and railroad track.

FOOTNOTES

- ^{1/} Includes 2 OF FTE Positions funded from Special Line Items in FY 2023.
- ^{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 Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$28,266,200 and 299.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$756,400
Arizona Arts Trust Fund	55,400
Investment Management Regulatory and Enforcement Fund	755,100

Public Access Fund	6,616,600
Securities Regulatory and Enforcement Fund	5,328,500
Utility Regulation Revolving Fund	14,754,200

FY 2023 adjustments are as follows:

Hazardous Materials Railroad Inspector

The budget includes an increase of \$92,800 and 1 FTE Position from the General Fund in FY 2023 to hire a new hazardous materials railroad inspector.

Statewide Adjustments

The budget includes an increase of \$1,012,100 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	40,500
Arizona Arts Trust Fund	4,200
Investment Management Regulatory and Enforcement Fund	33,500
Public Access Fund	225,600
Securities Regulatory and Enforcement Fund	193,200
Utility Regulation Revolving Fund	515,100

(Please see the Agency Detail and Allocations section.)

Corporation Filings, Same-Day Service

The budget includes \$415,000 and 2 FTE Positions from the Public Access Fund in FY 2023 for Corporation Filings, Same-Day Service. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$6,600 from the Public Access Fund in FY 2023 for statewide adjustments.

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 commission charges a fee to use this program, which is then deposited into the Public Access Fund.

Utilities Audits, Studies, Investigations & Hearings

The budget includes \$380,000 from the Utility Regulation Revolving Fund in FY 2023 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2022.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

FY 2023 Salary Increase

The budget includes \$2,024,300 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

General Fund	50,800
Arizona Arts Trust Fund	3,400
Investment Management Regulatory and Enforcement Fund	56,900
Public Access Fund	432,900
Securities Regulatory and Enforcement Fund	378,400
Utility Regulation Revolving Fund	1,101,900

Of these amounts, \$2,005,000 is for a 10% minimum state employee salary increase and \$19,300 is for selected market adjustments above 10%. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

State Department of Corrections

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	9,566.0	9,566.0	9,569.0 ^{1/}
Correctional Officer Personal Services	322,746,300	356,924,800	351,085,300
Health Care Personal Services	3,563,700	3,542,300	3,542,300
All Other Personal Services	72,356,900	66,575,700	66,575,700
Personal Services Subtotal	398,666,900	427,042,800	421,203,300
Employee Related Expenditures	233,785,100	272,708,300	251,490,100
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	68,028,000	15,540,500	15,540,500
Other Operating Expenditures			
Professional and Outside Services	7,879,700	8,869,200	8,869,200
Travel - In State	143,600	169,000	169,000
Travel - Out of State	21,600	48,300	48,300
Food	36,699,000	39,503,000	37,218,800
Other Operating Expenditures	102,662,700	107,874,300	71,846,000
Equipment	4,544,200	21,479,400	24,122,100
Other Operating Expenditures Subtotal	151,950,800	177,943,200	142,273,400
OPERATING SUBTOTAL	852,430,800	893,234,800	830,507,300 ^{2/3/}
SPECIAL LINE ITEMS			
Community Corrections	18,911,600	23,684,000	24,564,400
Private Prison Per Diem	154,061,400	197,548,800	237,554,100 ^{4/5/}
Inmate Health Care Contracted Services	177,657,900	203,173,100	269,681,300 ^{6/7/}
Medical Staffing Augmentation	0	15,000,000	0
Substance Abuse Treatment	0	5,000,600	6,100,700
Community Treatment Program for Imprisoned Women	0	0	2,000,000
Onetime Vehicle Purchase	0	0	9,048,400 ^{8/}
FY 2023 Salary Increase	0	0	116,656,800
Named Claimants	800	16,000	0
AGENCY TOTAL	1,203,062,500	1,337,657,300	1,496,113,000 ^{9/-16/}
FUND SOURCES			
General Fund	1,162,398,100 ^{2/}	1,284,309,400	1,437,963,200
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	17,800	555,700	555,800
Corrections Fund	30,238,700	30,312,400	30,967,800
Inmate Store Proceeds Fund	616,100	1,379,800	5,544,200
Penitentiary Land Fund	2,653,300	2,790,700	2,777,600 ^{12/}
Prison Construction and Operations Fund	4,000,000	12,500,000	12,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,400	2,665,800	2,665,100 ^{18/}
State Education Fund for Correctional Education	0	743,300	738,900 ^{19/}
Transition Program Fund	477,100	2,400,200	2,400,300
SUBTOTAL - Other Appropriated Funds	40,664,400	53,347,900	58,149,800
SUBTOTAL - Appropriated Funds	1,203,062,500	1,337,657,300	1,496,113,000
Other Non-Appropriated Funds	84,459,600	60,415,900	60,415,900
Federal Funds	27,013,300	15,265,200	15,265,200
TOTAL - ALL SOURCES	1,314,535,400	1,413,338,400	1,571,794,100

AGENCY DESCRIPTION — The Arizona Department of Corrections (ADC) maintains and administers a statewide system of prisons for adult and minor offenders legally committed to the department. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.

FOOTNOTES

- 1/ Includes 187 GF FTE Positions funded from Special Line Items in FY 2023.
- 2/ Of the amount appropriated in the operating lump sum, \$510,616,000 is designated for personal services and \$296,059,400 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 other than for personal services or employee-related expenditures, except that until January 1, 2023, if the department makes a transfer between two line items to maximize the use of federal monies, the department shall submit an expenditure plan that is not subject to review before spending those monies. (General Appropriation Act footnote, adjusted for back of the bill appropriations)
- 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 Appropriation Act footnote)
- 4/ The private prison per diem line item includes an increase of \$17,505,300 from the state general fund in fiscal year 2022-2023 for a twenty percent salary increase for correctional officers and all other staff beginning from and after July 8, 2022. (General Appropriation Act footnote)
- 5/ Private prison vendors who contract with this state may use staff vacancy savings to pay for overtime costs without incurring a penalty or staffing offset. (General Appropriation Act footnote)
- 6/ Before implementing any changes in contracted rates for inmate health care contracted services, the state department of corrections shall submit its expenditure plan for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 7/ On or before August 1, 2022 and February 1, 2023, 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 Appropriation Act footnote)
- 8/ The amount appropriated in the onetime vehicle purchase line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2024. (General Appropriation Act footnote)
- 9/ Before placing any inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in this state and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- 10/ 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 Appropriation Act footnote)
- 11/ On or before November 1, 2022, 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, 2021 and June 30, 2022 and the projected capacity for June 30, 2023, 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. (General Appropriation Act footnote)
- 12/ If the department develops a plan to open or close 100 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 Appropriation Act footnote)

- 13/ On or before August 1, 2022, 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 2022-2023. (General Appropriation Act footnote)
- 14/ On or before December 15, 2022 and July 15, 2023, 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 Appropriation Act footnote)
- 15/ The department shall report actual fiscal year 2021-2022, estimated fiscal year 2022-2023, and requested fiscal year 2023-2024 expenditures as delineated in the prior year when the department submits its fiscal year 2023-2024 budget request pursuant to section 35-113, Arizona Revised Statutes. (General Appropriation Act footnote)
- 16/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 17/ 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 Appropriation Act footnote)
- 18/ Twenty-five percent of land earnings and interest from the state charitable, penal and reformatory institutions land fund shall be distributed to the state department of corrections in compliance with the enabling act and the Constitution of Arizona to be used to support state penal institutions. (General Appropriation Act footnote)
- 19/ Before spending any state education fund for correctional education monies in excess of \$738,900, the state department of corrections shall report the intended use of the monies to the director of the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Summary

The budget increases the Arizona Department of Corrections (ADC)'s General Fund spending by \$153,653,800 in FY 2023 for the following:

- \$116,656,800 for staff salary increases.
- \$70,046,800 for inmate health care.
- \$17,505,300 for private prison contract increases.
- \$7,488,400 for vehicle purchases.
- \$5,445,400 for substance abuse treatment.
- \$2,444,700 for net increased costs associated with year 2 of the phased closure of the Florence prison.
- \$2,000,000 for community treatment program for imprisoned women.
- \$41,913,800 for statewide adjustments.
- \$(7,100) for named claimants.
- \$(600,000) for rent savings.
- \$(15,971,000) for debt services savings.
- \$(41,232,000) for the elimination of one-time funding.
- \$(52,037,300) for pension payoff savings.

Operating Budget

The budget includes \$830,507,300 and 9,382 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$818,152,600

Alcohol Abuse Treatment Fund	250,300
Corrections Fund	3,001,000
Inmate Store Proceeds Fund	3,984,200
Penitentiary Land Fund	715,100
Prison Construction and Operations Fund	2,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	1,165,100
State Education Fund for Correctional Education	738,900

FY 2023 adjustments are as follows:

One-Time Body Scanners

The budget includes a one-time increase of \$2,642,700 from the Inmate Store Proceeds Fund in FY 2023 to purchase 19 single view and 2 dual view body scanners in order to help improve detection of contraband.

Retirement Savings

The budget includes a decrease of \$(52,037,300) from the General Fund in FY 2023 due to lower employer retirement contributions. The FY 2022 budget included a FY 2021 supplemental of \$500,000,000 from the General Fund to PSPRS to reduce unfunded pension liability in the ADC CORP Employer Group. Those savings take effect in FY 2023.

Debt Payoff Savings

The budget includes a decrease of \$(15,971,000) from the General Fund in FY 2023 to eliminate debt service payments. The budget includes \$93,500,000 from the General Fund in FY 2022 to the Department of

Administration to pay for the retirement or defeasance of the remaining debt entered into pursuant to Laws 2007, Chapter 257, Section 8 and Laws 2007, Chapter 261, Section 9. *(Please see the Capital Outlay Debt and Lease Purchase Financing section for more information.)*

Remove One-Time Radio Replacement Funding

The budget includes a decrease of \$(17,329,500) from the General Fund in FY 2023 for the elimination of one-time funding for radio replacements.

Remove One-Time Vest Funding

The budget includes a decrease of \$(3,851,900) from the General Fund in FY 2023 for the elimination of one-time funding for new ballistic and stab-proof vests.

Remove One-Time Equipment

The budget includes a decrease of \$(50,000) from the General Fund in FY 2023 for the elimination of one-time equipment for the expansion of the Braille Transcription Program.

Florence Closure Savings

The budget includes a decrease of \$(16,516,700) from the General Fund in FY 2023 for state-funded prison operational savings resulting from the second year of the Florence closure plan. *(See the Florence Prison section in Other Issues)*

Rent Savings

The budget includes a decrease of \$(600,000) from the General Fund in FY 2023 for rent savings. Beginning in FY 2023, ADC will consolidate its office space and relocate to less square feet at 701 E. Jefferson in downtown Phoenix. This decrease was outlined in the FY 2022 budget's 3-year spending plan.

Statewide Adjustments

The budget includes an increase of \$40,986,200 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	41,033,500
Alcohol Abuse Treatment Fund	100
Corrections Fund	100
Inmate Store Proceeds Fund	(31,500)
Penitentiary Land Fund	(13,100)
Prison Construction and Operations Fund	100
State Charitable, Penal and Reformatory Institutions Land Fund	1,400
State Education Fund for Correctional Education	(4,400)

(Please see the Agency Detail and Allocations section.)

A new General Appropriation Act footnote requires the department to report actual FY 2022, estimated FY 2023, and requested FY 2024 expenditures as delineated in the prior year when the department submits its FY 2024 budget request. This requirement was previously included in the Criminal Justice Budget Reconciliation Bill.

A new General Appropriation Act footnote also allows the department to use its own staff vacancy savings for private prison staff stipends as long as the amount of the stipend does not exceed the amount given to department employees. The footnote requires the department to submit an expenditure plan to the Joint Legislative Budget Committee prior to the transfer.

Community Corrections

The budget includes \$24,564,400 and 184 FTE Positions in FY 2023 for Community Corrections. These amounts consist of:

General Fund	21,858,600
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,300

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$880,400 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	880,300
Transition Program Fund	100

Background – Monies in this line item are used for several different community corrections programs as described below. In addition to the \$24,564,400 in FY 2023 appropriated funds, ADC projects that they will utilize an additional \$5,791,100 in non-appropriated funds for these activities in FY 2023.

As of June 30, 2022, ADC has responsibility for 5,265 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.

Table 1

FY 2021 Community Corrections Program Expenditures

	<u>Approp.</u>	<u>Non-Approp.</u>	<u>Total</u>
Comm. Supervision	\$14,155,200	\$3,691,500	\$17,846,700
Transition	495,000	0	495,000
Maricopa Reentry	1,099,800	425,400	1,525,200
Pima Reentry	2,444,500	0	2,444,500
Other/Overhead	<u>717,100</u>	<u>0</u>	<u>717,100</u>
Total	\$18,911,600	\$4,116,900	\$23,028,500

Private Prison Per Diem

The budget includes \$237,554,100 in FY 2023 for Private Prison Per Diem. This amount consists of:

General Fund	208,180,100
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

FY 2023 adjustments are as follows:

Florence Replacement Beds

The budget includes an increase of \$22,500,000 from the General Fund in FY 2023 for the second-year costs of new private prison beds to replace beds removed from service in the partial Florence prison closure. *(See the Florence Prison section.)*

Salary Increase

The budget includes an increase of \$17,505,300 from the General Fund in FY 2023 for a 20% salary increase for all private prison staff, effective July 9, 2022.

Background – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 11,268 beds after the increase in new private prison beds. Administrative expenses related to monitoring private prison contracts are included in the department’s operating budget.

ADC will usually own the facilities after a specified amount of time (typically 20 years) because the per diem rate includes a portion of the facilities’ purchase cost. Two private prison contracts (Marana and Kingman) are solely for management services as the state owns those facilities. The state will take ownership of 2 additional private prisons (Phoenix West and Florence West) in FY 2023. Private prison contractors will continue to operate these facilities.

A new General Appropriation Act footnote allows private prison contractors to use vacancy savings for overtime costs without incurring a penalty.

Inmate Health Care Contracted Services

The budget includes \$269,681,300 in FY 2023 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	258,181,300
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,500,000

FY 2023 adjustments are as follows:

Florence Closure Savings

The budget includes a decrease of \$(3,538,600) from the General Fund in FY 2023 for assumed contract savings from a reduced state-prison inmate population resulting from the second year of the partial closure of the Florence prison. *(See the Florence Prison section.)*

Contract Increase

The budget includes an increase of \$70,046,800 from the General Fund in FY 2023 for the cost of the new inmate healthcare contract.

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 at an annual cost of \$279,700,000. The

contract will take effect in October 2022 and is for 5 years with a renewal option for an additional 5 years.

In addition to appropriated funding, ADC receives reimbursement from Medicaid for the costs of outside health care that can be utilized to pay vendor costs. In FY 2021, the department received \$14,371,000 in Medicaid reimbursement.

A General Appropriation Act footnote continues to require review by the Joint Legislative Budget Committee of any changes to the per diem.

A General Appropriation Act footnote also requires ADC to report semi-annually on the status of healthcare performance measures.

Medical Staffing Augmentation

The budget includes no funding from the General Fund in FY 2023 for Medical Staffing Augmentation. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(15,000,000) from the General Fund in FY 2023 for the elimination of one-time funding.

This line item provides ADC with flexible funding to address performance measures related to the ongoing inmate health care litigation. A FY 2022 General Appropriation Act footnote exempted the funding from lapsing. The department estimates total spending in FY 2022 will be \$6.8 million.

Substance Abuse Treatment

The budget includes \$6,100,700 and 3 FTE Positions in FY 2023 for Substance Abuse Treatment. These amounts consist of:

General Fund	5,445,400
Corrections Fund	655,300

FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(5,000,600) from the General Fund in FY 2023 for the elimination of one-time funding.

Ongoing Substance Abuse Treatment Funding

The budget includes an increase of \$5,000,000 from the General Fund in FY 2023 to contract with a vendor to provide additional substance abuse treatment capacity.

Therapeutic Community Unit

The budget includes an increase of \$989,100 and 2 FTE Positions in FY 2023 for a 6-month intensive treatment program for inmates evaluated to have a high risk of recidivism. These amounts consist of:

General Fund	333,800
Corrections Fund	655,300

Of the amount appropriated, the \$655,300 from the Corrections Fund is for one-time costs associated with equipment and other startup costs.

Substance Abuse Treatment Coordinator

The budget includes an increase of \$111,600 and 1 FTE Position from the General Fund in FY 2023 for a substance abuse treatment coordinator.

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.

Community Treatment Program for Imprisoned Women

The budget includes \$2,000,000 from the General Fund in FY 2023 for the Community Treatment Program for Imprisoned Women. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$2,000,000 from the General Fund in FY 2023 to establish the program. The budget exempts this funding from lapsing.

This line item provides funding for ADC to contract with a private vendor to house inmates that have given birth in prison, and to provide specialized treatment and services.

One-Time Vehicle Purchase

The budget includes \$9,048,400 in FY 2023 for One-Time Vehicle Purchase. This amount consists of:

General Fund	7,488,400
Inmate Store Proceeds Fund	1,560,000

FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$9,048,400 in FY 2023 for vehicle purchases. This amount consists of:

General Fund	7,488,400
Inmate Store Proceeds Fund	1,560,000

This amount is expected to purchase 50 additional vehicles for community supervision officers and replace roughly 10% of ADC's existing fleet of vehicles. ADC's current fleet includes 1,693 vehicles and 174 pieces of equipment (such as tractors).

FY 2023 Salary Increase

The budget includes \$116,656,800 from the General Fund in FY 2023 for an FY 2023 Salary Increase. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$116,656,800 from the General in FY 2023 for a statewide salary increase. This amount funds a 20% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

Named Claimants

The budget includes no funding in FY 2023 for Named Claimants. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(16,002.37) in FY 2023 for the elimination of one-time funding for prior year unpaid claims. This amount consists of:

General Fund	(7,071.35)
Inmate Store Proceeds Fund	(6,780.09)
State Charitable, Penal and Reformatory Institutions Land Fund	(2,150.93)

(Please see the Named Claimants section in ADOA Other Issues.)

Other Issues

This section includes information on the following topics:

- FY 2022 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Transition Program
- Bed Capacity Issues
 - Inmate Growth Rate
 - Bed Capacity
 - Bed Surplus/Shortfall

- Auditor General Report
- Florence Prison

FY 2022 Supplemental

The FY 2023 budget includes a FY 2022 supplemental appropriation of \$16,002.37 for a one-time named claimants appropriation. This amount consists of:

General Fund	7,071.35
Inmate Store Proceeds Fund	6,780.09
State Charitable, Penal and Reformatory Institutions Land Fund	2,150.93

(Please see the Named Claimants line item for further details.)

Statutory Changes

The Criminal Justice Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, requires ADC to establish the Community Treatment Program for Imprisoned Women by contracting with a non-profit organization to provide a facility for imprisoned women that have given birth while incarcerated. The program must provide additional treatment and services including substance abuse treatment, parenting skills, education and employments skills, and workforce training. To be eligible for the program, imprisoned women must give birth in prison and be scheduled for release within 5 years. Subject to available monies, the department is required to place up to 20 women in the program in the first year, and up to 50 women in the program beginning in year 2.

Long-Term Budget Impacts

As part of the FY 2023 budget's 3-year spending plan, ADC's General Fund costs are projected to decrease by \$(261,600) in FY 2024 below FY 2023.

These amounts are based on:

- A decrease of \$(7,488,400) in FY 2024 below FY 2023 to remove one-time funding for vehicle purchase.
- An increase of \$7,226,800 in FY 2024 above FY 2023 for increased costs of the Florence closure plan. *(See the Florence Prison section.)*

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. ADC has transferred money from the State DOC Revolving Fund to meet this requirement.

In FY 2021, the program saved a total of 81,082 bed days. In that same year, the Transition Program Fund received revenue of about \$1,990,800 from all sources. Of this amount, \$1,378,400 came from the statutory \$17 transfer and the remainder came from DUI inmate wages. According to ADC, the vendor costs to run the program in FY 2021 were on average \$6 per inmate per day, or \$495,000 total.

Bed Capacity Issues

Inmate Growth Rate

On June 30, 2022, the total inmate population was 33,371. This was a decrease of (2,583) inmates since the June 30, 2021 population of 35,954. *Table 2* shows the year-end populations from FY 2017 to FY 2022.

<u>Year</u>	<u>Population</u>
FY 2017	42,200
FY 2018	42,113
FY 2019	42,312
FY 2020	40,151
FY 2021	35,954
FY 2022	33,371

The decline in the ADC population in FY 2020 through FY 2022 may be 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 39,188 public and private beds on June 30, 2022, an increase of 216 beds since June 30, 2021.
- 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 2022, the department decreased its total operating capacity by (734) beds, from 45,207 to 44,473.

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 1,898 as of June 30, 2022, an increase of 61 from June 30, 2021.

Bed Surplus/Shortfall

At the end of FY 2022, the department had a total rated bed surplus of 5,817. After adjusting for the 5,285 temporary beds in the overall ADC system, the rated bed surplus became a 11,102-operating bed surplus. Because beds are divided by gender and security level, this figure may not fully reflect system capacity. (Please see *Table 5 for more information.*)

Auditor General Report

In October 2021 the Auditor General published 2 ADC audits: a performance audit and sunset review and a review of specific self-improvement or treatment programs provided by the department.

Performance Audit and Sunset Review

The report evaluated whether the department met its statutory requirements. In terms of budget-related issues, the report found that in some instances the department did not release inmates to the Transition Program as required by statute, and as a result some inmates were in custody longer than required. The report also found that the department had not yet programmed all eligibility requirements for the Transition Program into the inmate management system, which likely led to the error.

Review of Specific Self-Improvement or Treatment Programs

The report reviewed 4 specific programs offered by the department: cognitive restructuring, moderate substance abuse (SA) treatment, intensive SA treatment, and driving-under-the-influence (DUI) treatment. The report found that the department was not able to provide treatment to all inmates who needed it. *Table 3* details the participation and completion rates for inmates released by the department between January 2017 and November 2019.

	<u>Need Met</u>	<u>Completion Rate</u>
Cognitive Restructuring	43%	78%
Moderate or Intensive SA Treatment	17%	63%
DUI Treatment	79%	87%

The report identified staffing limitations as a contributor to the lack of treatment capacity. The report also noted that transfers to other prisons while enrolled in a program contributed to lower completion rates and said the department was taking steps to reduce those noncompletions.

The Auditor General's key recommendations were that ADC:

- Continue to increase capacity in these 4 programs by requesting additional resources, particularly for substance abuse treatment.
- Continue efforts to reduce noncompletions.
- Use enrollment data to research causes for noncompletions and utilize data to change enrollment process.

Florence Prison

The FY 2022 budget included a net increase of \$18,650,200 from the General Fund in FY 2022 for the first-year costs of the Executive's plan to close the Florence prison and partially replace the Florence beds with new private prison beds. The 3-year spending plan included an additional net increase of \$2,444,700 from the General Fund in FY 2023 for the second-year costs and \$7,226,800 in FY 2024.

The Executive plan includes several components:

- **Florence Closure Savings:** This includes savings from reduced overtime, healthcare costs, food, and other costs.
- **Remaining Florence Unit Costs:** The Executive plans to keep the Globe and Florence South units at least partially open through FY 2024. The Globe unit is a satellite unit with 250 beds for minimum security inmates. The South unit has operating capacity for 965 medium security inmates and currently houses sex offenders. After accounting for these units, the Executive's plan would eliminate (2,766) net beds.
- **Private Prison Bed Costs:** The Executive's plan would replace these beds with new private prison beds. The majority of these beds would come from a new private prison contract for 2,412 beds with an assumed per diem of \$85. The new private beds would be phased in over several years. ADC's budget caps some private prison contracts at 97% of capacity. The Executive plan restores this funding, which would add 294 beds. In total, the Executive plans to add 2,706 beds.

The Executive ultimately awarded the contract at a per diem of \$85 as planned. However, the contract included 2,706 beds rather than 2,412. As a result, the available funding may not be sufficient to fully utilize these new beds.

See *Table 4* for the full 3-year funding plan.

Table 4

Florence Prison Closure 3-Year Budget Plan

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
<u>Florence Closure Savings</u>			
Overtime	\$(9,105,700)	\$(18,211,300)	\$(18,211,300)
Healthcare Population Reduction	(3,538,600)	(7,077,200)	(9,038,600)
Food	(2,284,100)	(4,568,300)	(4,568,300)
Operating Costs	(4,500,000)	(9,000,000)	(9,000,000)
Attrition Savings	<u>(626,800)</u>	<u>(1,253,700)</u>	<u>(1,880,500)</u>
<i>Florence Closure Savings Subtotal</i>	<i>\$(20,055,200)</i>	<i>\$(40,110,500)</i>	<i>\$(42,698,700)</i>
<u>Florence Open Unit Costs</u>			
Keep Globe Unit Open	\$3,100,000	\$3,100,000	\$3,100,000
Keep Florence South Unit Open	<u>10,170,000</u>	<u>10,170,000</u>	<u>5,085,000</u>
<i>Florence Open Unit Costs Subtotal</i>	<i>\$13,270,000</i>	<i>\$13,270,000</i>	<i>\$8,185,000</i>
Total Savings	\$(6,785,200)	\$(26,840,500)	\$(34,513,700)
<u>Private Prison Bed Costs</u>			
New Contract Beds (2,412*365*85) ^{1/2/}	\$22,400,000	\$44,900,000	\$59,800,000
Kingman Funding Restoration (210 beds)	1,410,400	1,410,400	1,410,400
Red Rock Funding Restoration (60 beds)	1,493,600	1,493,600	1,493,600
Red Rock Additional Capacity (24 beds)	<u>131,400</u>	<u>131,400</u>	<u>131,400</u>
<i>Private Prison Bed Costs</i>	<i>\$25,435,400</i>	<i>\$47,935,400</i>	<i>\$62,835,400</i>
Net Project Cost	\$18,650,200	\$21,094,900	\$28,321,700
Costs above prior year	-	\$2,444,700	\$7,226,800

1/ The full cost of the new contract beds will be phased in over at least 4 years. Based on the assumed \$85 per diem, the total cost once fully phased in would be \$74,832,300. The actual cost will depend on the results of the procurement process.

2/ The Executive ultimately awarded the contract at a per diem of \$85 as planned. However, the contract was awarded for \$2,706 beds rather than the 2,412 included in the Executive's plan.

Table 5

Fiscal Year-End Operating Capacity									
State	FY 2021 Actual			FY 2022 Actual			FY 2023 Estimate		
	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity
Douglas	1,905	343	2,248	1,905	140	2,045	1,905	140	2,045
Eyman	3,984	1,793	5,777	3,984	1,833	5,817	3,984	1,833	5,817
Florence	3,284	697	3,981	794	421	1,215	794	421	1,215
Perryville	4,214	141	4,355	4,214	141	4,355	4,214	141	4,355
Phoenix	552	168	720	552	202	754	552	202	754
Lewis	5,104	870	5,974	5,104	870	5,974	5,104	870	5,974
Safford	1,453	416	1,869	1,453	160	1,613	1,453	160	1,613
Tucson	4,600	509	5,109	4,600	516	5,116	4,600	516	5,116
Winslow	1,626	216	1,842	1,626	0	1,626	1,626	0	1,626
Yuma	4,350	420	4,770	4,350	340	4,690	4,350	340	4,690
Subtotal	31,072	5,573	36,645	28,582	4,623	33,205	28,582	4,623	33,205
Private (Per Diem)									
Kingman (\$48.09)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$57.37)	400	100	500	400	100	500	400	100	500
Marana (\$53.98)	500	-	500	500	-	500	500	-	500
Florence West (\$52.82 - 64.01)	600	150	750	600	150	750	600	150	750
Florence II (\$76.22)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$75.07)	2,000	24	2,024	2,000	24	2,024	2,000	24	2,024
La Palma (\$85.00)	-	-	-	2,706	-	2,706	2,706	-	2,706
Subtotal ^{1/}	7,900	662	8,562	10,606	662	11,268	10,606	662	11,268
Total - All beds ^{2/}	38,972	6,235	45,207	39,188	6,058	44,473	39,188	5,285	44,473
State Prison Population									
Female	3,387		3,387	3,063		3,063	3,200		3,200
Male	25,372		25,372	22,331		22,331	22,500		22,500
Subtotal	28,759		38,759	25,394		25,394	25,700		25,700
Private Prison Population									
Male	7,195		7,195	7,977		7,977	9,300		9,300
Total Population ^{3/4/}	35,954		35,954	33,371		33,371	35,000		35,000
Bed Surplus/(Shortfall)									
Male	2,080		8,174	4,555		8,213	3,063		8,207
Female	938		1,079	1,262		1,353	1,125		1,266
Bed Surplus/(Shortfall) (% of Beds)	8%		20%	15%		25%	11%		21%

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. Marana and Kingman are management only.
 2/ Excludes special use beds totaling 1,898 as of June 30, 2022.
 3/ The chart excludes prisoners awaiting transfer from county jail.
 4/ The chart reflects the inmate population under an assumption of a 5% population growth in FY 2023 over FY 2022.

Board of Cosmetology

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.5	24.5	0.0
Personal Services	768,000	823,100	0
Employee Related Expenditures	383,700	423,000	0
Professional and Outside Services	188,000	147,000	0
Travel - In State	10,900	30,000	0
Travel - Out of State	0	5,500	0
Other Operating Expenditures	352,400	415,100	0
Equipment	1,300	6,200	0
AGENCY TOTAL	1,704,300	1,856,700	0
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Cosmetology Fund	1,704,300	1,856,700	0
SUBTOTAL - Other Appropriated Funds	1,704,300	1,856,700	0
SUBTOTAL - Appropriated Funds	1,704,300	1,856,700	0
TOTAL - ALL SOURCES	1,704,300	1,856,700	0

AGENCY DESCRIPTION — The board administers licensing examinations and licenses; inspects salons and schools; and investigates violations of sanitation requirements and procedures. It conducts hearings and imposes enforcement actions where appropriate.

As required by Laws 2021, Chapter 334, the Board of Cosmetology will merge with the Board of Barbers and be renamed the Barbering and Cosmetology Board effective January 1, 2022. The FY 2022 General Appropriation Act provided a full year's funding to the Board of Cosmetology. As a result, the FY 2022 column is displayed as the full appropriation. Upon the effective date, the remainder of this funding will be available to the Barbering and Cosmetology Board.

Operating Budget

The budget includes no funding in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(6,800) from the Board of Cosmetology Fund in FY 2023 to eliminate one-time funding for digital documentation.

Agency Consolidation

The budget includes a decrease of \$(1,849,900) and (24.5) FTE Positions from the Board of Cosmetology Fund in FY 2023 to merge the Board of Barbers with the Board of Cosmetology. This reduction is offset by an equally sized increase in the Barbering and Cosmetology Board. (Please see *Barbering and Cosmetology Board* for more information.)

County Funding

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
SPECIAL LINE ITEMS			
Coordinated Reentry Planning Services	0	10,000,000	7,000,000
County Sheriff Reentry Planning	500,000	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	11,150,700	20,650,700	17,650,700
FUND SOURCES			
General Fund	10,650,700	20,650,700	17,650,700
<u>Other Appropriated Funds</u>			
State Charitable, Penal and Reformatory Institutions	500,000	0	0
Land Fund			
SUBTOTAL - Other Appropriated Funds	500,000	0	0
SUBTOTAL - Appropriated Funds	11,150,700	20,650,700	17,650,700
TOTAL - ALL SOURCES	11,150,700	20,650,700	17,650,700

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. This section also includes monies for County Sheriff Reentry Planning Services.

Coordinated Reentry Planning Services

The budget includes \$7,000,000 from the General Fund in FY 2023 for Coordinated Reentry Planning Services. FY 2023 adjustments are as follows:

Decreased Coordinated Reentry Services Funding

The budget includes a decrease of \$(3,000,000) from the General Fund in FY 2023 to reduce the level of funding for counties to establish a coordinated reentry planning services program.

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. The FY 2023 General Appropriation Act does not specify a distribution for the FY 2023 appropriation.

Elected Officials Retirement Plan Offset

The budget includes \$3,000,000 from the General Fund in FY 2023 for the Elected Officials Retirement Plan (EORP) Offset. This amount is unchanged from FY 2022.

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 budget includes \$7,650,650 from the General Fund in FY 2023 for assistance to small counties. This amount is unchanged from FY 2022.

This line item provides funding for counties with populations less than 900,000 according to the 2020 Decennial Census. With one exception, each county receives \$550,050 (*see Table 1*). Graham County receives \$1,050,050.

Other Issues

Statutory Changes

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

- As session law, continue to allow counties with a population of less than 250,000 according to the 2020 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY

2023, up to \$1,250,000 of county revenue for each county. The bill also requires counties using this authority to report to the Director of the Joint Legislative Budget Committee (JLBC) on the intended amount and sources of funds by October 1, 2022.

- Mohave County: \$1,250,000 from the Landfill Fund, ERACE Fund, and Motor Pool Fund to the General Fund for capital projects.
- Navajo County: \$300,000 from the Library District and Flood Control District to the General Fund for operating expenses.

Table 1

Distribution and County Population

<u>County</u>	<u>Ongoing Distribution</u>	<u>2020 Census Population</u>
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	550,050	203,771
Total	\$7,650,650	7,151,392

The following 7 counties indicated that they are not utilizing this provision: Cochise, Gila, Graham, Greenlee, Santa Cruz, Yavapai, and Yuma.

Table 2 shows the utilization of the county flexibility language in FY 2021 and FY 2022. Please see FY 2022 Appropriations Report for FY 2016 – FY 2020 usage.

Table 2

County Flexibility Language Utilization

	<u>FY 2021</u>	<u>FY 2022</u>
Apache	NR	\$ 900,000
Cochise	-	-
Coconino	\$1,250,000	1,250,000
Gila	-	-
Graham	-	-
Greenlee	-	-
La Paz	600,000	1,250,000
Maricopa	-	-
Mohave	1,000,000	1,250,000
Navajo	830,000	300,000
Pima	-	-
Pinal	-	-
Santa Cruz	-	-
Yavapai	1,250,000	-
Yuma	500,000	-
Total	\$5,430,000	\$4,950,000

NR = County did not respond to the request for information.

County Flexible Revenue Report

The FY 2022 Revenue BRB permits counties with a population of less than 250,000 according to the 2010 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 2022. 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, 2021.

Of the 12 eligible counties, 5 reported using the flexibility in FY 2022:

- Apache County: \$900,000 from the Library District, Junior College District, and Flood Control District to the Jail District for Jail District Operations.
- 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.
- La Paz County: \$1,250,000 from the Vehicle License Tax to the General Fund to pay down a General Fund shortfall.

New County Allocations

The budget includes the following distributions to counties from various state agencies:

- ADOA: A total of \$74,905,000 is allocated to ADOA in FY 2023 for the following:
 - \$53,405,000 from the Department of Military Affairs' (DEMA) Border Security Fund for deputy sheriff and county detention officer compensation.
 - \$20,000,000 from the School Safety Interoperability Fund for county sheriffs and city police departments.

- \$1,500,000 from the General Fund to ADOA's Election Security Grants Line Item which includes \$1,000,000 for one or more County Recorders to test ballot paper and \$500,000 for ballot box surveillance in Cochise County, Yuma County, and Pinal County.
- Arizona Criminal Justice Commission: \$10,000,000 in FY 2023 from the General Fund to the Rural County Diversion Programs Line Item for alternative prosecution and diversion programs.
- DEMA: A total of 73,000,000 is allocated to DEMA in FY 2023 for the following:
 - \$30,000,000 from the Border Security Fund to cities, towns, or counties for costs associated with prosecuting and imprisoning individuals with drug trafficking, human smuggling, illegal immigration and other border-related crimes.
 - \$20,000,000 from the Border Security Fund to Cochise County to construct a new county jail facility (contingent on other funding collections).
 - \$15,000,000 from the Border Security Fund for reimbursements to county and local law enforcement agencies for costs incurred for participating in a program with the United States Immigration and Customs Enforcement.
 - \$8,000,000 from the Antihuman Trafficking Grant Fund to city, town, and county law enforcement agencies for programs that reduce human trafficking.
- State Treasurer: The budget's 3-year spending plan includes \$6,000,000 in FY 2024 from the General Fund to be distributed to County Recorders Offices in counties with a population of more than 200,000 persons according to the 2020 Decennial Census; and \$5,000,000 in FY 2024 and \$6,000,000 in FY 2025 for proportional distribution to County Recorders that purchase ballot paper that uses specific security features.

(Please see the specific agency narratives for more details on these allocations.)

New County Expenditures and Savings

The budget includes the following estimated costs and savings to counties:

- Justice of the Peace Salaries: The FY 2023 Courts BRB amends A.R.S. § 22-117 to raise the portion of Justice of the Peace compensation and employee related expenditures paid by the state to 40% from 19.25%. The budget includes an increase of \$1,409,100 from the General Fund for the State Treasurer to fund the increase in the proportion of Justice of the Peace

salaries paid by the state. *(Please see the State Treasurer section for more information.)*

- Department of Revenue (DOR) IT System Cost-Sharing: The FY 2023 budget includes the first year of 6 years of funding for a \$104.8 million new income tax modernization system for DOR. Of this amount, across all years \$41.0 million is to be assessed to certain state government funds, local governments, and other taxing authorities to recover a portion of the administrative, development and operating costs for the system. The FY 2023 Tax Omnibus BRB included a legislative intent statement limiting the amount to be charged to all counties, cities, towns, council of governments (Maricopa Association of Governments) and the regional transportation authorities in a county with a population of more than 800,000 persons (Pima Regional Transportation Authority) to \$5,388,200 for FY 2023. Based on the BRB provision, the assessment is to be allocated among these jurisdictions based on the proportionate share of certain FY 2021 revenues, which results in the following amounts for the FY 2023 charge:
 - Cities: \$3,866,300
 - Counties: \$1,054,700
 - Maricopa Association of Governments: \$395,600
 - Pima Regional Transportation Authority: \$71,600
 The enacted budget assumes that 34.1% of the monies for the income tax modernization system in FY 2023 will come from local governments. The total amount assessed to local governments will vary in future years as the 34.1% proportion is applied to the modernization system's project budget during the funding schedule through FY 2028. In future years, the total local government charge will then be allocated across counties, cities and other local governments based on their proportionate share of certain revenues. The allocation among each type of local government (for example, a specific county's payment within the total amount charged to counties) will continue to be based on population counts according to the most recent decennial census. *(For additional discussion of the scope and total costs of the project, please see the Department of Revenue – Other Issues section and the ADOA-Automation Projects Fund section.)*

Arizona Criminal Justice Commission

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	539,600	461,000	515,600
Employee Related Expenditures	187,600	170,100	208,700
Professional and Outside Services	243,100	442,400	442,400
Travel - In State	3,500	4,000	4,000
Travel - Out of State	1,300	2,000	2,000
Other Operating Expenditures	132,700	160,800	173,400
Equipment	2,300	36,000	36,000
OPERATING SUBTOTAL	1,110,100	1,276,300	1,382,100
SPECIAL LINE ITEMS			
Major Incident Regional Law Enforcement Task Force	0	0	600,000
Rural County Diversion Programs	0	0	10,000,000 ^{1/}
Coordinated Reentry Planning Database	0	1,000,000	0
Criminal History Repository Upgrade	553,300 ^{2/}	0	0
State Aid to County Attorneys	685,900	973,700	973,700
State Aid to Indigent Defense	0	700,000	700,000
State Aid for Juvenile Dependency Proceedings Fund Deposit	0	0	2,000,000
Victim Compensation and Assistance	2,620,800	4,224,600	6,224,600
AGENCY TOTAL	4,970,100	8,174,600	21,880,400 ^{3/}
FUND SOURCES			
General Fund	0	1,000,000	14,600,000
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	488,400	658,800	708,900
Drug and Gang Prevention Resource Center Fund	621,700	617,500	647,100
Fingerprint Clearance Card Fund	553,300	0	0
State Aid to County Attorneys Fund	685,900	973,700	973,700 ^{4/}
State Aid to Indigent Defense Fund	0	700,000	700,000
Victim Compensation and Assistance Fund	2,620,800	4,224,600	4,250,700 ^{5/}
SUBTOTAL - Other Appropriated Funds	4,970,100	7,174,600	7,280,400
SUBTOTAL - Appropriated Funds	4,970,100	8,174,600	21,880,400
Other Non-Appropriated Funds	4,671,500	4,628,900	4,628,900
Federal Funds	12,630,600	16,616,800	16,616,800
TOTAL - ALL SOURCES	22,272,200	29,420,300	43,126,100

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/} The amount appropriated in the rural county diversion programs line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. The monies shall be distributed as grants to county attorney offices in counties with a population of less than nine hundred thousand persons according to the 2020 United States decennial census for the purpose of establishing and operating alternative prosecution and diversion programs that are based on evidence-based practices pertaining to diversion from prosecution and alternatives to prosecution. The commission shall adopt criteria for distributing grants to eligible counties. The monies may not be used to supplant existing monies for alternative prosecution and diversion programs. On or before September 30, 2023, the commission

shall submit a report to the joint legislative budget committee on the use of the monies and the outcomes obtained by the alternative prosecution and diversion programs in the previous fiscal year. (General Appropriation 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.
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 4/ All monies received by the Arizona criminal justice commission in excess of \$973,700 in fiscal year 2022-2023 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 2022-2023, the Arizona criminal justice commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ All victim compensation and assistance fund monies received by the Arizona criminal justice commission in excess of \$4,250,700 in fiscal year 2022-2023 are appropriated to the crime victims program. Before spending any victim compensation and assistance fund monies in excess of \$4,250,700 in fiscal year 2022-2023, the Arizona criminal justice commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes \$1,382,100 and 11 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
Criminal Justice Enhancement Fund (CJEF)	\$708,900
Drug and Gang Prevention Resource Center Fund	647,100
Victim Compensation and Assistance Fund	26,100

FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$67,100 in FY 2023 for a statewide employee salary increase. This amount consists of:

CJEF	24,600
Drug and Gang Prevention Resource Center Fund	29,600
Victim Compensation and Assistance Fund	12,900

This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$38,700 in FY 2023 for statewide adjustments. This amount consists of:

CJEF	25,500
Victim Compensation and Assistance Fund	13,200

(Please see the Agency Detail and Allocations section.)

Major Incident Regional Law Enforcement Task Force

The budget includes \$600,000 from the General Fund in FY 2023 for the Major Incident Regional Law Enforcement Task Force. FY 2023 adjustments are as follows:

Major Incident Regional Task Force Funding

The budget includes an increase of \$600,000 from the General Fund in FY 2023 to support regional task force investigations pursuant to A.R.S. § 41-1762.

Monies in this line item are for distribution to regional law enforcement task forces to investigate instances of critical force incidents. *(Please see the Department of Public Safety narrative for more details on the Major Incident Regional Law Enforcement Task Forces.)*

Rural County Diversion Programs

The budget includes \$10,000,000 from the General Fund in FY 2023 for Rural County Diversion Programs. FY 2023 adjustments are as follows:

One-Time Rural County Diversion Program Funding

The budget includes a one-time increase of \$10,000,000 from the General Fund in FY 2023 for Rural County Diversion Programs. This funding is non-lapsing.

A General Appropriation Act footnote requires this funding to be used as grants to county attorney offices in counties with populations less than 900,000 according to the 2020 Decennial Census to establish and operate alternative prosecution and diversion programs that are based on evidence-based practices pertaining to diversion from prosecution and alternatives to prosecution.

By September 30, 2023, ACJC is required to submit a report to the JLBC on the use of the monies and the

outcomes obtained by the alternative prosecution and diversion programs in FY 2023.

Coordinated Reentry Planning Database

The budget includes no funding in FY 2023 for the Coordinated Reentry Planning Database. FY 2023 adjustments are as follows:

Remove One-Time Database Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2023 to remove one-time funding for the development of a cross-system recidivism tracking database.

This line item provides funding for ACJC to develop a recidivism tracking database that incorporates data collected by counties that receive money for these purposes. *(Please see the County Funding – Coordinated Reentry Planning Services Section for more information.)*

State Aid to County Attorneys

The budget includes \$973,700 from the State Aid to County Attorneys Fund in FY 2023 for State Aid to County Attorneys. This amount is unchanged from FY 2022.

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 budget includes \$700,000 from the State Aid to Indigent Defense Fund in FY 2023 for State Aid to Indigent Defense. This amount is unchanged from FY 2022.

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 budget includes \$2,000,000 from the General Fund in FY 2023 for State Aid for Juvenile Dependency Proceedings Fund Deposit. FY 2023 adjustments are as follows:

Ongoing Fund Deposit

The budget includes an increase of \$2,000,000 from the General Fund in FY 2023 to provide state aid to county public defenders, legal defenders, and contract indigent defense counsel for the processing of juvenile dependency cases.

The FY 2023 Criminal Justice Budget Reconciliation Bill (BRB) establishes the State Aid for Juvenile Dependency Proceedings Fund administered by ACJC consisting of legislative appropriations. 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 budget includes \$6,224,600 in FY 2023 for Victim Compensation and Assistance. These amounts consist of:

General Fund	2,000,000
Victim Compensation and Assistance Fund	4,224,600

FY 2023 adjustments are as follows:

Additional Funding

The budget includes an increase of \$2,000,000 from the General Fund in FY 2023 for additional Victim Compensation and Assistance Program funding.

In addition to the funding appropriated, the Executive plans to allocate \$10,000,000 from the American Rescue Plan Act in FY 2023 to ACJC for the Victim Compensation and Assistance Program.

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.

and programs receiving CJEF monies. *(See individual agency pages for detailed information on each recipient.)*

Other Issues

Statutory Changes

The Criminal Justice Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, establishes the State Aid for Juvenile Dependency Proceedings Fund consisting of legislative appropriations. The fund is continuously appropriated and administered by ACJC. Monies are non-lapsing and can be used to provide state aid to county public defenders, legal defenders, and contract indigent defense counsel of the processing of juvenile dependency cases.

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.

Laws 2018, Chapter 237 reduced the CJEF surcharge from 47.0% to 42.0% in A.R.S. § 41-2401 and removed the Victims' Rights Fund and Victim Compensation and Assistance Fund as recipients of the surcharge. Instead, these 2 funds receive revenues from a new \$9 penalty on criminal and civil violations.

Laws 2022, Chapter 311 removes AZPOST as a recipient of CJEF funding and redistributes that funding to the remaining recipients proportionally. *(Please see the Department of Public Safety narrative for more details on the funding for AZPOST and redistribution of CJEF allocations.)*

Table 1 shows the FY 2021 amounts transferred, the previous and newly-enacted distribution percentages, an estimate for the new allocation amounts based on the FY 2021 amounts, and the appropriation status of the funds

Table 1

Criminal Justice Enhancement Fund (CJEF)

<u>Funds Transferred</u> ^{1/}	<u>Previous % of CJEF</u>	<u>FY 2021 Transfers</u> ^{2/}	<u>New % of CJEF</u>	<u>Est. Transfers Under Ch 311</u> ^{3/}	<u>Approp.</u>
<u>Attorney General</u>					
AZ Prosecuting Attorneys Advisory Council (4)	3.45	\$ 933,800	5.18	\$ 1,379,400	no
County Attorneys (7)	10.66	2,885,400	12.38	3,296,700	no
<u>Arizona Criminal Justice Commission</u>					
Operation Costs (10)	1.79	424,700	3.52	937,300	yes
<u>Department of Public Safety</u>					
Forensics Fund (1,11)	21.71	5,876,400	25.15	6,697,200	yes
Peace Officers' Training Fund (3) ^{4/}	18.97	5,134,800	-	-	no
State/Local Grants (6)	8.29	2,243,900	10.01	2,665,600	^{5/}
<u>Department of Juvenile Corrections (2)</u>					
	1.84	498,000	3.57	950,700	yes
<u>State Treasurer</u>					
County Sheriffs (9)	13.34	3,232,000	15.06	4,010,400	no
<u>Supreme Court</u>					
Case Processing (8)	6.86	1,856,900	8.59	2,287,400	yes
Juvenile Crime (5)	10.66	2,885,400	12.38	3,296,700	yes
Community Punishment Program (12)	2.43	<u>657,800</u>	4.16	<u>1,107,800</u>	yes
Total Funds Distributed ^{6/}		\$26,629,200		\$26,629,200	

^{1/} The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401D.

^{2/} The FY 2021 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/} The estimated transfers reflect what the distribution would have been in FY 2021 had the provisions of Laws 2022, Chapter 311 been in effect at the time.

^{4/} Laws 2022, Chapter 311 removes AZPOST as a recipient of CJEF funding and redistributes that allocation to the remaining recipients.

^{5/} Monies retained by the Department of Public Safety for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.

^{6/} Total does not sum due to rounding.

Arizona State Schools for the Deaf and the Blind

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
PROGRAM BUDGET			
Administration/Statewide	8,271,000	7,986,700	11,988,100
Phoenix Day School for the Deaf	9,555,400	10,801,700	11,714,300
Preschool/Outreach Programs	6,287,400	6,323,400	6,544,300
Regional Cooperatives	0	18,108,600	18,834,500
Tucson Campus	11,785,900	12,099,100	13,065,300
AGENCY TOTAL	35,899,700	55,319,500	62,146,500
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	562.2	562.2	562.2
Personal Services	19,959,400	19,256,200	19,256,200
Employee Related Expenditures	8,425,800	8,094,900	9,447,600
Professional and Outside Services	2,195,600	3,206,600	3,206,600
Travel - In State	27,400	108,200	108,200
Travel - Out of State	700	3,000	3,000
Other Operating Expenditures	4,367,900	5,596,400	6,706,700
Equipment	593,300	576,600	576,600
OPERATING SUBTOTAL	35,570,100	36,841,900	39,304,900
SPECIAL LINE ITEMS			
School Bus/Agency Vehicle Replacement	329,600	369,000	369,000
FY 2023 Salary Increase	0	0	3,638,100
Cooperative Services	0	18,108,600	18,834,500 ^{1/}
AGENCY TOTAL	35,899,700	55,319,500	62,146,500 ^{2/}
FUND SOURCES			
General Fund	23,432,000	23,255,700	26,677,900
<u>Other Appropriated Funds</u>			
Cooperative Services Fund	0	18,108,600	20,125,900
Schools for the Deaf and the Blind Fund	12,467,700	13,955,200	15,342,700
SUBTOTAL - Other Appropriated Funds	12,467,700	32,063,800	35,468,600
SUBTOTAL - Appropriated Funds	35,899,700	55,319,500	62,146,500
Other Non-Appropriated Funds	18,012,800	2,738,900	2,738,900
Federal Funds	3,526,800	2,687,500	2,687,500
TOTAL - ALL SOURCES	57,439,300	60,745,900	67,572,900

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 October 2019, ASDB served approximately 2,009 children: 377 students in the K-12 programs (120 in Tucson and 257 in Phoenix), 119 children in preschools, 442 infant/toddlers in regional areas, and 1,071 children through the 5 existing regional cooperatives.

FOOTNOTES

- ^{1/} Before spending any cooperative services fund monies in excess of \$18,834,500 in fiscal year 2022-2023, the Arizona state schools for the deaf and the blind shall report to the joint legislative budget committee the intended use of the monies. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{2/} General Appropriation 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 \$15,342,700 in fiscal year 2022-2023, the Arizona state schools for the deaf and the blind shall report to the joint legislative budget committee the intended use of the monies. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes \$39,304,900 and 562.2 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$24,885,400
Schools for the Deaf and the Blind Fund	14,419,500

FY 2023 adjustments are as follows:

Transportation Support

The budget includes an increase of \$1,106,200 from the General Fund in FY 2023 to fund additional transportation expenses. Due to a change in LEA status from the 2021 Legislative Session, ASDB is required to provide transportation for an additional 95 students.

Assistive Technology Devices

The budget includes no change in funding from the General Fund in FY 2023 for assistive technology devices. The budget includes a total of \$253,100 from the General Fund in FY 2023 for this equipment, which may include: electronic dictionaries for visually impaired students, mobile classroom computer labs for visually disabled students, interactive whiteboards for hearing impaired students, and computer and software upgrades for computers used by visually impaired students.

Foundation for Blind Children

The budget maintains funding in FY 2023 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

Statewide Adjustments

The budget includes an increase of \$1,356,800 in FY 2023 statewide adjustments. This amount consists of:

General Fund	892,500
School for the Deaf and the Blind Fund	464,300

(Please see the Agency Detail and Allocations section.)

School Bus/Agency Vehicle Replacement

The budget includes \$369,000 from the General Fund in FY 2023 for School Bus/Agency Vehicle Replacement. This amount is unchanged from FY 2022.

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).*

FY 2023 Salary Increase

The budget includes \$3,638,100 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

General Fund	1,423,500
Schools for the Deaf and Blind Fund	923,200
Cooperatives Services Fund	1,291,400

These amounts fund a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Details and Allocations section.)*

Cooperative Services

The budget includes \$18,834,500 from the Cooperative Services Fund in FY 2023 for Cooperative Services. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$725,900 from the Cooperative Services Fund in FY 2023 for statewide adjustments.

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 July 2022 was 1,162.

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 (the district pays

tuition for services offered when the district receives the voucher instead of ASDB) 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 Appropriation Act footnote stipulates that ASDB submit a report to JLBC detailing the intended use of the monies.

Commission for the Deaf and the Hard of Hearing

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	21.0
Personal Services	1,218,600	1,151,200	1,258,900
Employee Related Expenditures	432,400	437,500	512,200
Professional and Outside Services	837,100	1,457,000	1,457,000
Travel - In State	0	3,000	3,000
Other Operating Expenditures	946,600	1,271,200	1,292,900
Equipment	113,800	120,000	120,000
OPERATING SUBTOTAL	3,548,500	4,439,900	4,644,000
SPECIAL LINE ITEMS			
Aging Individuals Research	0	0	115,000
American Sign Language User Support	0	0	15,000
Support Services for the Deaf-Blind	0	192,000	192,000
AGENCY TOTAL	3,548,500	4,631,900	4,966,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Telecommunication Fund for the Deaf	3,548,500	4,631,900	4,966,000
SUBTOTAL - Other Appropriated Funds	3,548,500	4,631,900	4,966,000
SUBTOTAL - Appropriated Funds	3,548,500	4,631,900	4,966,000
TOTAL - ALL SOURCES	3,548,500	4,631,900	4,966,000

AGENCY DESCRIPTION — The agency acts as an information and referral resource for the deaf and the hard of hearing and provides educational materials to the general public; administers a statewide telephone access program, the Telecommunication Devices for the Deaf (TDD) Relay Program; and licenses interpreters for the deaf and the hard of hearing. The Commission is supported by the Telecommunication Fund for the Deaf, which derives monies from the Telecommunication Services Excise Tax.

FOOTNOTES

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

Operating Budget

The budget includes \$4,644,400 and 21 FTE Positions from the Telecommunication Fund for the Deaf in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Increase Staffing Support

The budget includes an increase of 4 FTE Positions from the Telecommunication Fund for the Deaf in FY 2023 for increased staffing support.

Salary Increase

The budget includes an increase of \$132,500 from the Telecommunication Fund for the Deaf in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section).*

Statewide Adjustments

The budget includes an increase of \$71,600 from the Telecommunications Fund for the Deaf in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section).*

Aging Individuals Research

The budget includes \$115,000 from the Telecommunication Fund for the Deaf in FY 2023 for the Aging Individuals Research line item. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes \$115,000 from the Telecommunication Fund for the Deaf in FY 2023 for Aging Individuals Research.

Monies in this line item shall be used as a one-time expense to contract with a university or college in the state of Arizona, or an approved vendor under ADOA state contract, to research issues impacting Deaf, Hard of Hearing, and Deaf-Blind aging individuals.

American Sign Language User Support

The budget includes \$15,000 from the Telecommunication Fund for the Deaf in FY 2023 for the American Sign Language User Support line item. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes \$15,000 from the Telecommunication Fund for the Deaf in FY 2023 for American Sign Language User Support.

Monies in this line item shall be used as a one-time expense to pilot an American Sign Language user support group for family members and caregivers.

Support Services for the Deaf-Blind

The budget includes \$192,000 from the Telecommunication Fund for the Deaf in FY 2023 for the Support Services for the Deaf-Blind line item. This amount is unchanged from FY 2022.

Monies in this line item fund a support services program (SSP) which provides 5 hours per week of support services to 35 deaf-blind adults at no cost to the individual. Deafblindness is any combination of visual and auditory loss which requires special strategies and skills. Examples of support services provided include transportation assistance, sighted guides, independent living assistance, and communication facilitators.

State Board of Dental Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	564,300	703,600	773,600
Employee Related Expenditures	242,700	281,800	335,400
Professional and Outside Services	194,900	541,700	481,000
Travel - In State	700	3,200	3,200
Travel - Out of State	0	5,500	5,500
Other Operating Expenditures	190,500	256,300	262,800
Equipment	1,000	23,700	76,000
AGENCY TOTAL	1,194,100	1,815,800	1,937,500 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Dental Board Fund	1,194,100	1,815,800	1,937,500
SUBTOTAL - Other Appropriated Funds	1,194,100	1,815,800	1,937,500
SUBTOTAL - Appropriated Funds	1,194,100	1,815,800	1,937,500
TOTAL - ALL SOURCES	1,194,100	1,815,800	1,937,500

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

FOOTNOTES

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

Operating Budget

The budget includes \$1,937,500 and 11 FTE Positions from the Dental Board Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Remove One-Time File Imaging Costs

The budget includes a decrease of \$(60,700) from the Dental Board Fund in FY 2023 to remove one-time file imaging costs for a compliance files digitization project.

E-licensing Upgrade

The budget includes an increase of \$52,300 from the Dental Board Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$34,200 is one-time.

Salary Increase

The budget includes an increase of \$86,100 from the Dental Board Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$44,000 from the Dental Board Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Drought Mitigation Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
SPECIAL LINE ITEMS			
Drought Mitigation Revolving Fund Deposit	160,000,000	0	0
AGENCY TOTAL	160,000,000	0	0
FUND SOURCES			
General Fund	160,000,000	0	0
SUBTOTAL - Appropriated Funds	160,000,000	0	0
Other Non-Appropriated Funds	0	0	0
TOTAL - ALL SOURCES	160,000,000	0	0

AGENCY DESCRIPTION — The Drought Mitigation Board was established by the FY 2022 Environment Budget Reconciliation Bill. Laws 2022, Chapter 366 repealed the Drought Mitigation Board and Drought Mitigation Revolving Fund. This legislation established similar purposes for the Water Infrastructure Finance Authority. The board's remaining funds are to be transferred to the Water Supply Development Revolving Fund and the Arizona System Conservation Fund.

Other Issues

Repeal of Drought Mitigation Revolving Fund and Board

Laws 2022, Chapter 366 repeals the Drought Mitigation Board and Drought Mitigation Fund established in the FY 2022 Environment Budget Reconciliation Bill. The legislation also includes \$1.0 billion of additional funding over 3 years to support the augmentation of Arizona's water supplies and directs the Water Infrastructure Finance Authority (WIFA) to support efforts to augment the state's long-term water supply and support water supply development, infrastructure, and conservation projects.

The FY 2022 budget included \$160,000,000 from the General Fund as a FY 2021 supplemental to the Drought Mitigation Revolving Fund.

Laws 2022, Chapter 366 repeals the fund and transfers these monies on the bill's effective date, September 24, 2022. The \$10,000,000 available for forbearance of water deliveries to avoid reductions to the state's Colorado River water supplies will be transferred to the Department of Water Resource's Arizona System Conservation Fund, and the remaining unencumbered and unexpended funds to WIFA's Water Supply Development Revolving Fund. The expected transfer amount is \$150,000,000. *(For additional details on the changes, please see the Water Infrastructure Finance Authority narrative. Additional information about the Drought Mitigation Board can be found in the FY 2023 Baseline narrative for the agency.)*

Arizona Early Childhood Development and Health Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	141,199,400	163,412,000	163,412,000
Federal Funds	1,592,200	17,373,000	17,373,000
TOTAL - ALL SOURCES	142,791,600	180,785,000	180,785,000

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 2021, ECDHB’s largest expenditure was **Child Care Scholarships** at \$69.3 million, as displayed in *Table 1*, serving an average of 5,920 children monthly, up from 5,167 in FY 2020.

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 124 filled FTE Positions from the \$15,293,800 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 2021 ECDH Fund Expenditures by Category ^{1/} (\$ in Millions)

Expenditure Category	Amount	Percent
Child Care Scholarships	\$69.3	49%
Family Support	31.3	22%
Health	15.6	11%
Administration	10.0	7%
Professional Development	5.2	4%
Community Awareness	2.7	2%
Research & Evaluation	4.1	3%
System Coordination	1.0	1%
Other Funds (Grants, Gifts, etc.)	2.0	1%
Total	\$141.2	100%

^{1/} Does not include federal grant expenditures.

Office of Economic Opportunity

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	323,200	323,200	355,000
Employee Related Expenditures	113,000	113,000	133,100
Professional and Outside Services	4,100	4,100	4,100
Other Operating Expenditures	38,600	29,900	33,500
Equipment	100	100	100
AGENCY TOTAL	479,000	470,300	525,800 ^{1/}
FUND SOURCES			
General Fund	479,000	470,300	525,800
SUBTOTAL - Appropriated Funds	479,000	470,300	525,800
Other Non-Appropriated Funds	5,344,800	9,896,700	9,921,500
Federal Funds	2,589,400	2,589,400	2,589,400
TOTAL - ALL SOURCES	8,413,200	12,956,400	13,036,700

AGENCY DESCRIPTION — The Office of Economic Opportunity (OEO) is responsible for monitoring the state's tax competitiveness, evaluating the effectiveness of state incentive programs, analyzing state and local regulatory costs to businesses, serving as the state's workforce planning coordinator, and providing economic and demographic research and analysis. Also established within OEO is the Arizona Finance Authority, which oversees the Water Infrastructure Finance Authority (WIFA) and the Greater Arizona Development Authority (GADA) in addition to being the state recipient of private activity bonding authority. Additionally, OEO oversees the Arizona Industrial Development Authority which is the sole state issuer of private activity bonds.

FOOTNOTES

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

Operating Budget

The budget includes \$525,800 and 5 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$39,100 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$16,400 from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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, 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. AFA is expected to oversee \$26,300 in expenditures in FY 2023.

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.

WIFA Removal

Prior to FY 2023, AFA housed the Water Infrastructure Finance Authority (WIFA). Laws 2022, Chapter 366 established WIFA as an independent entity from the AFA. All WIFA funds previously administered by AFA are now overseen by the WIFA board and are reported in a separate section of the Appropriations Report. *(See the Water Infrastructure Finance Authority section for more details).*

Department of Economic Security

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,377.8	4,381.8	4,476.8 ^{1/}
Personal Services	74,199,000	74,694,400	79,994,200
Employee Related Expenditures	32,869,600	32,939,600	36,922,500
Professional and Outside Services	22,844,500	21,532,600	27,918,700
Travel - In State	26,900	133,000	133,000
Travel - Out of State	0	80,700	80,700
Other Operating Expenditures	24,856,800	24,901,800	26,873,600
Equipment	5,554,200	5,468,200	5,468,200
OPERATING SUBTOTAL	160,351,000	159,750,300	177,390,900 ^{2/3/}
SPECIAL LINE ITEMS			
FY 2023 Salary Increase	0	0	18,564,100
Administration			
Attorney General Legal Services	10,600,000	11,222,900	11,379,800
Aging and Adult Services			
Adult Services	8,731,900	11,205,900	12,731,900
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Services	2,522,600	2,522,600	2,522,600
Domestic Violence Prevention	12,770,200	14,003,900	14,004,000 ^{4/5/}
Sexual Violence Services	0	8,000,000 ^{6/}	0
Long-Term Care Ombudsman	0	1,000,000	1,000,000
After School and Summer Youth Program	0	500,000	0
Benefits and Medical Eligibility			
TANF Cash Benefits	22,736,400	22,736,400	22,736,400
Pandemic Emergency Assistance	0	14,546,500	0
Coordinated Hunger Services	1,754,600	1,754,600	2,254,600
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	3,043,800	8,539,700	8,539,700
Developmental Disabilities ^{7/-11/}			
DDD Administration	45,460,100	45,865,500	47,049,900 ^{13/}
DDD Premium Tax Payment	46,961,500	50,055,200	52,819,500
Case Management - Medicaid	69,740,400	85,719,800	91,429,800 ^{12/}
Home and Community Based Services - Medicaid	1,417,726,500	2,371,151,600	2,450,165,900 ^{13/}
Institutional Services - Medicaid	41,321,100	40,149,500	42,821,600
Physical and Behavioral Health Services - Medicaid	448,078,500	485,132,500	528,255,700
Medicare Clawback Payments	4,388,900	4,661,200	5,710,300
Targeted Case Management - Medicaid	8,300,300	12,924,500	13,144,600
State Match Transfer from AHCCCS	0	0	821,118,700
Case Management - State-Only	6,311,900	6,211,400	6,354,000 ^{12/}
Cost Effectiveness Study - Client Services	1,220,000	1,220,000	8,420,000 ^{14/}
Home and Community Based Services - State-Only	13,589,000	13,589,000	14,089,000
Arizona Early Intervention Program	6,319,000	6,319,000	9,719,000
State-Funded Long Term Care Services	37,839,600	41,574,900	42,669,300
Group Home Monitoring Program	0	0	1,200,000
Employment and Rehabilitative Services			
Child Care Subsidy	292,007,300	1,273,693,000	187,080,200 ^{15/16/}
Independent Living Rehabilitation Services	936,100	1,289,400	1,289,400
JOBS	10,595,900	11,005,600	11,005,600
Rehabilitation Services	7,249,100	7,249,100	7,249,100
Workforce Investment Act Services	69,500,000	53,654,600	55,006,900 ^{17/}
Return to Work Grants	0	7,500,000	0

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
Unemployment Insurance Trust Fund Deposit	62,000,000	0	0
AGENCY TOTAL	2,820,460,000	4,783,152,900	4,676,126,800 ^{18/- 23/}
FUND SOURCES			
General Fund	760,829,100	850,052,500	1,079,053,000
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	14,346,900	17,204,700	17,683,300
Domestic Violence Services Fund	2,766,500	4,000,200	4,000,300
Federal CCDF Block Grant	304,470,100	1,285,880,000	200,010,200
Federal Pandemic Emergency Assistance Fund	0	14,546,500	0
Federal TANF Block Grant	65,839,800	65,405,800	66,591,200
Long Term Care System Fund (Non-Federal Matched)	28,989,800	32,459,600	33,289,500
Public Assistance Collections Fund	0	423,700	430,400
Sexual Violence Service Fund	0	8,000,000	0
Special Administration Fund	4,140,300	4,512,600	4,643,200
Spinal and Head Injuries Trust Fund	1,975,900	2,336,000	2,388,200
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	75,110,200	56,069,100	56,293,500
SUBTOTAL - Other Appropriated Funds	497,639,500	1,491,838,200	386,329,800
SUBTOTAL - Appropriated Funds	1,258,468,600	2,341,890,700	1,465,382,800
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	35,317,500	42,495,100	43,047,000
Health Care Investment Fund	20,147,300	26,863,200	54,370,500
Long Term Care System Fund (Federal Match)	1,506,526,600	2,371,903,900	3,113,326,500
SUBTOTAL - Expenditure Authority Funds	1,561,991,400	2,441,262,200	3,210,744,000
SUBTOTAL - Appropriated/Expenditure Authority Funds	2,820,460,000	4,783,152,900	4,676,126,800
Other Non-Appropriated Funds	1,095,045,400	306,537,300	282,604,300
Federal Funds	2,785,215,100	3,700,400,100	3,462,000,100
TOTAL - ALL SOURCES	6,700,720,500	8,790,090,300	8,420,731,200

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration; Developmental Disabilities; Benefits and Medical Eligibility; Child Support Enforcement; Aging and Adult Services; and Employment and Rehabilitation Services.

FOOTNOTES

- 1/ Includes 294.2 GF, 144.6 OF, and 1,972.6 EA FTE Positions funded from Special Line Items in FY 2023.
- 2/ The operating lump sum appropriation may be spent on Arizona health care cost containment system eligibility determinations based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- 3/ All state shares of retained earnings, fees and federal incentives in excess of \$17,683,300 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 Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ 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 Appropriation Act footnote, as adjusted for statewide allocations)
- 5/ On or before December 15, 2022, 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 Appropriation Act footnote)

- 6/ The \$8,000,000 appropriated in the sexual violence services line item pursuant to laws 2021, chapter 408, section 28 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. (General Appropriation Act footnote)
- 7/ 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 Appropriation Act footnote)
- 8/ Before implementing developmental disabilities or long-term care statewide provider rate adjustments that are not already specifically authorized by the legislature, court mandates or changes to federal law, the department shall submit a report for review by the joint legislative budget committee that includes, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriation Act footnote)
- 9/ On or before September 1, 2023, 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 2022-2023 and the reason this placement, rather than a placement into a privately run facility for persons with developmental disabilities, was deemed as the most appropriate placement. The department shall also report if no new placements were made. On or before September 1, 2023, 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 2022-2023. (General Appropriation Act footnote)
- 10/ The appropriations in this section include \$65,800,000 from the state general fund and \$130,220,800 from expenditure authority for provider rate increases. This includes \$56,700,000 from the state general fund and \$130,220,800 from expenditure authority for a 9.7 percent increase to provider rates funded in the home and community based services - medicaid line item, \$3,400,000 from the state general fund for the Arizona early intervention program line item, \$500,000 from the state general fund for the home and community based services - state-only line item, \$4,200,000 from the state general fund for the cost effectiveness study - client services line item and \$1,000,000 from the state general fund for the adult services line item. (General Appropriation Act footnote)
- 11/ Before implementing provider rate increases, the department shall engage community stakeholders regarding the department's plans to increase provider rates. On or before September 1, 2022, the department shall submit a report to the joint legislative budget committee describing the efforts to engage stakeholders and the department's plans to implement provider rate increases for fiscal year 2022-2023. (General Appropriation Act footnote)
- 12/ Before transferring any monies in or out of the case management - medicaid, case management - state-only and DDD administration line items, the department shall submit a report for review by the joint legislative budget committee, except that transfers from the state match transfer from AHCCCS line item into those line items do not require a report for review. (General Appropriation Act footnote)
- 13/ The amount appropriated for the home and community based services - medicaid line item includes \$280,000,000 from expenditure authority to implement the American rescue plan act of 2021 (P.L. 117-2) home and community-based services spending plan in fiscal year 2022-2023. The department may not use these monies for marketing purposes and any direct payments or grants provided with the monies shall include a notification to the recipient that the monies are onetime funding. Beginning on or before July 31, 2022, the department shall provide quarterly reports to the joint legislative budget committee at the same time that the information is provided to the centers for medicare and medicaid services reflecting any changes to the department's spending plan. Of the amount appropriated for the home and community based services - medicaid line item, \$280,000,000 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote) Laws 2022, Chapter 2 appropriated \$362,700,000 in Expenditure Authority as a supplemental in FY 2022 for the same purpose and with the same conditions.
- 14/ On or before November 30, 2022 and November 30, 2023, 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 Appropriation Act footnote)

- 15/ On or before September 15, 2022 and March 15, 2023, 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). The report must include, at a minimum, the actual expenditures made to date by purpose and, separately, by federal legislation, the expenditure plan for all remaining monies 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. (General Appropriation Act footnote)
- 16/ 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 Appropriation Act footnote)
- 17/ All workforce investment act grant monies that are received by this state in excess of \$56,293,500 are appropriated to the workforce investment act services line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$56,293,500 to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 18/ On or after April 1, 2023, 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, 2023 and must be reimbursed in full as part of the closing process for fiscal year 2022-2023. The department shall notify the joint legislative budget committee of the reimbursement on or before September 1, 2023. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)
- 19/ 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 Appropriation Act footnote)
- 20/ 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 Appropriation Act footnote)
- 21/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

The Department of Economic Security's (DES) FY 2023 General Fund spending increases by \$229,000,500 or 26.9% above the FY 2022 appropriation. This amount includes:

- \$130,209,800 for DDD formula adjustments.
- \$64,800,000 for DDD provider rate increases.
- \$3,000,000 for a DDD Cost-Effectiveness Study base adjustment.
- \$1,200,000 for a DDD group home monitoring pilot program.
- \$11,200,000 for additional APS staff.
- \$3,000,000 for Area Agencies on Aging provider rate increases.
- \$1,352,300 for recidivism and reentry services.
- \$500,000 for additional funding for the Friends of the Farm food bank program.
- \$3,884,300 for information technology (IT) infrastructure and security upgrades.
- \$419,800 for a building system management upgrade.
- \$15,738,400 for a statewide salary increase.
- \$3,169,900 for statewide adjustments.
- \$(9,474,000) to remove one-time funding.

Operating Budget

The budget includes \$177,390,900 and 2,065.4 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<u>FY 2023</u>
General Fund	\$96,729,800
Child Support Enforcement Administration Fund	13,653,000
Child Support Enforcement Administration Fund (EA)	27,988,300
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,450,500
Federal Child Care and Development Fund (CCDF) Block Grant	12,153,800
Public Assistance Collections Fund	332,100
Special Administration Fund	2,105,000
Spinal and Head Injuries Trust Fund	578,200
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,400,200

FY 2023 adjustments are as follows:

Adult Protective Services

The budget includes an increase of \$11,200,000 and 95 FTE Positions from the General Fund in FY 2023 for additional staff and resources for the department's investigations of complaints about the abuse, neglect, and exploitation of vulnerable adults. The Auditor General's budget included \$300,000 from the General Fund for the hiring of an independent consultant to examine the current program and make recommendations as to best practices for the delivery of such services in the state.

Building System Management Upgrade

The budget includes an increase of \$419,800 from the General Fund in FY 2023 for the purchase of a software program that provides a centralized platform allowing them to track operational, financial and environmental metrics for the department's buildings. This is part of an ADOA initiative, and the ongoing costs to DES will be \$147,000.

IT Security Upgrades

The budget includes an increase of \$3,884,300 from the General Fund in FY 2023 for the upgrading of staff and resources to improve the security of the department's information technology systems.

Statewide Adjustments

The budget includes an increase of \$2,136,500 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	1,710,900
Child Support Enforcement Administration	421,400

Fund (EA)	
Federal Temporary Assistance for Needy Families (TANF) Block Grant	(26,200)
Federal Child Care and Development Fund (CCDF) Block Grant	(15,200)
Public Assistance Collections Fund	(300)
Special Administration Fund	28,300
Spinal and Head Injuries Trust Fund	22,100
Workforce Investment Act Grant	(4,500)

(Please see the Agency Detail and Allocations section.)

FY 2023 Salary Increase

The budget includes \$18,564,100 for a FY 2023 Salary Increase. This amount consists of:

General Fund	15,738,400
Child Support Enforcement Administration Fund	478,600
Federal CCDF Block Grant	758,200
Federal TANF Block Grant	1,211,800
Long-Term Care System Fund	9,000
Public Assistance Collections Fund	7,000
Special Administration Fund	102,200
Spinal and Head Injuries Trust Fund	30,000
Workforce Investment Act Grant	228,900

Of these amounts, \$12,428,000 is for a 10% minimum state employee increase and \$6,136,100 is for selected market adjustments above 10%. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

Administration

Attorney General Legal Services

The budget includes \$11,379,800 and 157.9 FTE Positions in FY 2023 for Attorney General (AG) Legal Services. This amount consists of:

General Fund	1,079,400
Child Support Enforcement Administration Fund	2,497,400
Child Support Enforcement Administration Fund (EA)	7,573,300
Federal TANF Block Grant	103,600
Federal CCDF Block Grant	18,000
Public Assistance Collections Fund	91,300
Special Administration Fund	5,100

Spinal and Head Injuries Trust Fund	1,900
Workforce Investment Act Grant	9,800

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$156,900 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	26,400
Child Support Enforcement Administration Fund (EA)	130,500
Federal TANF Block Grant	(200)
Special Administration Fund	100
Spinal and Head Injuries Trust Fund	100

Aging and Adult Services

Adult Services

The budget includes \$12,731,900 from the General Fund in FY 2023 for Adult Services. FY 2023 adjustments are as follows:

Area Agencies on Aging Increase

The budget includes an increase of \$1,526,000 from the General Fund in FY 2023. This consists of a FY 2023 appropriation of \$3,000,000 and the removal of a one-time FY 2022 increase of \$(1,474,000). A total of \$2,000,000 of the increase is designated as one-time for FY 2023.

This line item provides an array of support services to elderly persons, as shown in *Table 1*.

Table 1	
Services	Adult Services FY 2022
Adult Protective Contracted Services	\$ 295,100
Home Care	4,068,400
Older Americans Act	2,248,600
Assessments and Case Management	1,657,800
Respite Care	462,000
Provider Rate Increase Ongoing	1,000,000
Provider Rate Increase One-Time	1,474,000
Total	\$11,205,900

Community and Emergency Services

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2023 for Community and Emergency Services. This amount is unchanged from FY 2022.

Monies in this line item provide funding to 18 community action agencies to deliver a wide range of services related to the needs of low-income families and individuals. In FY 2021, this line item provided short-term crisis services to 7,927 households and energy assistance to 30,388 households.

Coordinated Homeless Services

The budget includes \$2,522,600 in FY 2023 for Coordinated Homeless Services programs. This amount consists of:

General Fund	873,100
Federal TANF Block Grant	1,649,500

These amounts are unchanged from FY 2022.

In FY 2021, this line item provided emergency shelter services to 19,714 individuals, rapid re-housing services to 2,771 individuals, and homeless prevention services to 2,618 individuals.

Domestic Violence Prevention

The budget includes \$14,004,000 in FY 2023 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,000
Federal TANF Block Grant	6,620,700
Domestic Violence Services Fund	4,000,300
Special Administration Fund	100,000

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$100 from the Domestic Violence Services Fund in FY 2023 for statewide adjustments.

In FY 2021, this line item, along with non-appropriated funds, served approximately 4,300 adults and children in emergency shelters, 549 adults and children in transitional housing, and 13,571 victims with mobile and community-based advocacy.

Sexual Violence Services

The budget includes no funding in FY 2023 for Sexual Violence Services. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(8,000,000) from the Sexual Violence Service Fund in FY 2023 to remove a one-

time fund deposit for grants to providers serving victims of sexual violence.

An FY 2023 General Appropriation Act footnote made the FY 2022 appropriation non-lapsing.

Long-Term Care Ombudsman

The budget includes \$1,000,000 from the General Fund in FY 2023 for Long-Term Care Ombudsman services. This amount is unchanged from FY 2022.

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.

After School and Summer Youth Program

The budget includes no funding in FY 2023 for the After School and Summer Youth Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(500,000) from the General Fund in FY 2023 to remove one-time funding that was to be distributed to a charitable 501(c)(3) organization located in the City of Phoenix that provides after school and summer youth programs dealing with gang violence for at-risk youth.

Benefits and Medical Eligibility

TANF Cash Benefits

The budget includes \$22,736,400 from the Federal TANF Block Grant in FY 2023 for TANF Cash Benefits. This amount is unchanged from FY 2022.

The budgeted amount would be able to fund an average of 15,750 individuals at \$100 per month. As of June 2022, the program serves 11,161 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. As of June 2022, the TANF Diversion program serves 218 clients.

At June 2022 levels, the total cost would be \$15,530,500, or \$(7,205,900) 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.

The budget continues a provision allowing 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).

Pandemic Emergency Assistance

The budget includes no funding in FY 2023 for Pandemic Emergency Assistance. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(14,546,500) from the Pandemic Emergency Assistance Fund in FY 2023 to remove one-time funding for emergency grants.

The American Rescue Plan Act established the Pandemic Emergency Assistance Fund (PEAF) to assist needy families impacted by the COVID-19 pandemic. The PEAFF is meant to provide short-term benefits to families and may only include expenditures such as emergency assistance and diversion payments, emergency housing and short-term homeless assistance, emergency food aid, short-term utilities payments, burial assistance, and clothing allowances. Benefits may not include tax credits, child care, transportation, or short-term education and training. These PEAFF monies must be expended by September 30, 2022.

Coordinated Hunger Services

The budget includes \$2,254,600 in FY 2023 for Coordinated Hunger Services programs. This amount consists of:

General Fund	1,754,600
Federal TANF Block Grant	500,000

FY 2023 adjustments are as follows:

Friends of the Farm Assistance

The budget includes an increase of \$500,000 from the General Fund in FY 2023 for a transfer to the Friends of the Farm program. The Arizona Food Bank Network runs the farm-to-food-bank program, which assists regional food banks that purchase from local farmers and growers.

State and federal dollars are used to administer a USDA commodities food program, to assist in statewide food distribution, and for food banks. Monies are also used to provide information on where individuals and families can obtain food. In FY 2021, this funding assisted in the distribution of 209.2 million pounds of food.

Tribal Pass-Through Funding

The budget includes \$4,680,300 from the General Fund in FY 2023 for Tribal Pass-Through Funding. This amount is unchanged from FY 2022.

Monies in this line item are passed through to Native American tribes operating their own TANF 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.

County Participation

The budget includes \$8,539,700 in FY 2023 for County Participation. This amount consists of:

CSEA Fund	1,054,300
CSEA Fund (EA)	7,485,400

These amounts are unchanged from FY 2022.

<u>Sources</u>	<u>FY 2023</u>
State Share of Retained Earnings	\$ 2,516,100
Federal Incentive Payments	5,706,400
Fees	3,823,800
Excess Appropriation Authority ^{1/}	4,783,400
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$19,945,300
<u>Uses</u>	
DCSE Administration (DES Operating)	\$13,278,000
Attorney General Legal Services	2,497,400
County Participation	1,054,300
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$19,945,300

^{1/} This line is the difference between appropriation authority and expected revenues.

DES distributes these monies for county costs of child support programs. This line item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match.

Developmental Disabilities

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long Term Care (LTC) program. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the FPL, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for federal Medicaid services.

The LTC program is funded from 2 sources: the General Fund and the Long Term Care System Fund. The Legislature appropriates the division's resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available to the Division of Developmental Disabilities (DDD) but does not appropriate any specific non-appropriated fund.

As of June 2022, the Division of Developmental Disabilities served 47,552 clients, which includes 38,090 clients in the LTC program, 5,309 in Targeted Case Management, and 4,153 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

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Intellectual Disability	16,129	33.9%
At Risk	10,677	22.5%
Autism	15,309	32.2%
Cerebral Palsy	3,479	7.3%
Epilepsy	1,958	4.1%
Total	47,552	

Overall DDD Adjustments

The budget includes an increase of \$196,058,900 from the General Fund in FY 2023 for DDD formula changes. Changes are described in further detail below.

Formula Adjustments

These formula adjustments of \$130,209,800 include caseload growth, capitation rate adjustments, and changes to the Federal Medical Assistance Percentage (FMAP).

The budget includes no change to the General Fund in FY 2023 associated with the regular 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 2023, the blended Medicaid FMAP is projected to remain at 70.01%. The 6.2% enhanced Medicaid match from the Families First Coronavirus Response Act is not included in this figure. *(Please see the Other Issues section for further details on FY 2023 Savings.)*

In addition, Federal COVID legislation temporarily increased the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. The temporary enhanced match rate is currently effective through December 31, 2022. The extension beyond June 30, 2022 is not reflected in the budget. However, the FY 2023 budget does reflect new reversion savings in FY 2022 as the original budget for FY 2022 did not account for two quarters of savings from subsequent extensions of the enhanced match rate. *(Please see FY 2022 FMAP Savings in Other Issues for more information.)*

Table 4 shows the number of clients by placement setting for DDD enrollees in June 2021, and the estimated growth in FY 2022 and FY 2023.

Table 4

DDD June Caseloads and Placement Settings

<u>Placement</u>	<u>FY 21</u>	<u>FY 22 Est</u>	<u>FY 23 Est</u>
Home	31,719	33,032	34,518
Group Home	3,293	3,371	3,523
Developmental Home	1,540	1,530	1,599
Institution	106	109	114
Total	36,658	38,042	39,754

Table 5

DDD ALTCS Capitation Growth

	<u>FY 2022 Capitation Rate</u> ^{1/}
Administration	229.79
Premium Tax	108.35
Case Management	194.75
HCBS ^{2/}	3,789.27
Institutional Care ^{3/}	69.48
Acute Care ^{4/}	1,050.50
Total	5,442.14

^{1/} Revised rate effective January 1, 2022.
^{2/} HCBS line includes PMPM rates for HCBS and Risk Contingency.
^{3/} Institutional Care rate is net of client's share of cost.
^{4/} Acute care rate includes \$77.77 for reinsurance. Does not include behavioral health expenses.

Table 5 shows how the capitation adjustment is allocated by service category in FY 2022.

Medicare Clawback

The budget includes an increase of \$1,049,100 from the General Fund in FY 2023 for adjustments associated with Medicare Clawback Payments.

Provider Rate Increases

The budget includes an increase of \$64,800,000 from the General Fund in FY 2023 for provider rate increases. These increases are distributed across the following DDD special line items: Home and Community Based Services - Medicaid, Home and Community Based Services - State Only, Arizona Early Intervention Program, and Cost-Effectiveness Study - Client Services. The budget adds a footnote specifying how the amount (including \$1,000,000 for a provider rate increase in a non-DDD line item) from the General Fund and \$130,220,800 of expenditure authority appropriated for provider rate increases is allocated among line items.

The budget adds a footnote requiring the department to engage with community stakeholders prior to implementing provider rate increases for FY 2023. It also requires the department to report to the JLBC on its stakeholder engagement efforts and plans to increase provider rates by September 1, 2022.

DDD Administration

The budget includes \$47,049,900 and 345 FTE Positions in FY 2023 for DDD Administration. These amounts consist of:

General Fund	18,086,500
Long Term Care System Fund (EA)	28,963,400

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,184,400 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	421,500
Long Term Care System Fund (EA)	762,900

Background – This line item includes funding for direct and indirect DDD administrative costs, as well as administrative funding for DES' subcontracted health plans for DD clients.

DDD Premium Tax Payment

The budget includes \$52,819,500 in FY 2023 for the DDD Premium Tax Payment. This amount consists of:

General Fund	16,018,800
Long Term Care System Fund (EA)	36,800,700

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$2,764,300 in FY 2023 for standard formula adjustments. This amount consists of:

General Fund	2,494,900
Long Term Care System Fund (EA)	269,400

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 budget includes \$91,429,800 and 1,029.9 FTE Positions in FY 2023 for Case Management - Medicaid. These amounts consist of:

General Fund	27,765,400
Long Term Care System Fund (EA)	63,664,400

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$4,159,700 from the General Fund in FY 2023 for standard formula adjustments.

Statewide Adjustments

The budget includes an increase of \$1,550,300 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	520,300
Long Term Care System Fund (EA)	1,030,000

Background – This line item provides case managers, case aides, case management unit supervisors, and case management area program managers that serve DDD clients enrolled in the ALTCS program. The ALTCS program requires DES to have at least 1 case manager for every 35 DD clients for each ALTCS client added since 2006.

Home and Community Based Services - Medicaid

The budget includes \$2,450,165,900 and 221.2 FTE Positions in FY 2023 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	653,140,400
Long Term Care System Fund (EA)	1,786,277,200
Health Care Investment Fund	10,748,300

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$114,318,500 in FY 2023 for standard formula adjustments. This amount consists of:

General Fund	97,851,400
Long Term Care System Fund (EA)	16,467,100

American Rescue Plan HCBS

The budget includes a decrease of \$(82,700,000) from the Long Term Care System Fund Expenditure Authority in FY 2023 for home- and community-based services (HCBS). Laws 2022, Chapter 2 includes a supplemental expenditure authority of \$362,700,000 in FY 2022 for this purpose, while the FY 2023 budget included an increase of \$280,000,000. As a result, this is reflected as an \$(82,700,000) decrease from FY 2022. *(Please see FY 2022 Supplementals in Other Issues for more information.)*

On March 11, 2021, the American Rescue Plan Act (ARPA) gave state Medicaid agencies the ability to spend on HCBS with an enhanced match percentage. The budget adds a footnote requiring the department to provide quarterly reports to the JLBC reflecting changes to the HCBS Spending Plan. It specifies the appropriation may not be used for marketing purposes, directs the department to include notification that monies are one-time, and exempts the appropriation from lapsing.

Remove FY 2022 Supplemental

The budget includes a decrease of \$(139,824,000) from the Long Term Care System Fund Expenditure Authority in

FY 2023 for removal of one-time additional expenditure authority associated with the enhanced federal match rate. (Please see FY 2022 Supplementals in Other Issues for more information.)

Provider Rate Increases

The budget includes an increase of \$186,920,800 in FY 2023 for a 9.7% DDD provider rate increase. This amount consists of:

General Fund	56,700,000
Long Term Care System Fund (EA)	130,220,800

Statewide Adjustments

The budget includes an increase of \$299,000 in FY 2023 for statewide adjustments. This amount consists of:

Long Term Care System Fund	296,000
Health Care Investment Fund (EA)	3,000

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 budget includes \$42,821,600 and 383 FTE Positions in FY 2023 for Medicaid Institutional Services. These amounts consist of:

General Fund	13,494,700
Long Term Care System Fund (EA)	29,326,900

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$2,194,700 from the General Fund in FY 2023 for standard formula adjustments.

Statewide Adjustments

The budget includes an increase of \$477,400 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	190,700
Long Term Care System Fund (EA)	286,700

Background – Monies in this line item fund Intermediate Care Facilities for Persons with Intellectual Disabilities (ICF-IIDs) or other nursing facilities, both private and state-operated, including ATP-Coolidge (ATP-C). DES reports that ATP-C had an enrollment of 58 in FY 2022, an increase of 8 from FY 2021.

Statute requires DES to annually provide their plans for ATP-C to the JLBC for review. The department anticipates closing the state operated group homes (SOGHs) at ATP-C. These closures were originally planned for April 2022, but as of July 2022, the homes remain in operation. If deemed medically necessary, members residing in SOGHs will be given the opportunity to transfer to an ICF-IID at ATP-C with approval from the member's guardians.

Physical and Behavioral Health Services - Medicaid

The budget includes \$528,255,700 and 77 FTE Positions in FY 2023 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	147,045,600
Long Term Care System Fund (EA)	337,587,900
Health Care Investment Fund	43,622,200

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$15,437,500 in FY 2023 for standard formula adjustments. This amount consists of:

General Fund	22,186,500
Long Term Care System Fund (EA)	(6,749,000)

Hospital Direct Payments

The budget includes an increase of \$27,500,000 from the Health Care Investment Fund in FY 2023 for hospital direct payments. This amount does not reflect an increase in resources as it reflects pass-through funding from AHCCCS that previously wasn't displayed in the DES budget.

Statewide Adjustments

The budget includes an increase of \$185,700 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	71,400
Long Term Care System Fund (EA)	110,000
Health Care Investment Fund	4,300

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 budget includes \$5,710,300 from the General Fund in FY 2023 for Medicare Clawback Payments. FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$1,049,100 from the General Fund in FY 2023 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 budget includes \$13,144,600 and 134.6 FTE Positions in FY 2023 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	3,557,300
Long Term Care System Fund (EA)	9,587,300

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$220,100 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	86,100
Long Term Care System Fund (EA)	134,000

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. A monthly average of 5,424 clients received TCM services in FY 2022.

State Match Transfer from AHCCCS

The budget includes \$821,118,700 from the Long Term Care System Fund Expenditure Authority in FY 2023 for a state match transfer from the Arizona Health Care Cost Containment System (AHCCCS). FY 2023 adjustments are as follows:

Administrative Pass-Through

The budget includes an increase of \$821,118,700 from the Long Term Care System Fund Expenditure Authority in FY 2023 for a state match transfer from AHCCCS. The amount is equivalent to the department's FY 2023 General Fund appropriation for line items within DDD. Because DES needs to send its General Fund match to AHCCCS to fund DDD, this added 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.

Case Management - State-Only

The budget includes \$6,354,000 and 60.8 FTE Positions from the General Fund in FY 2023 for Case Management - State-Only. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$142,600 from the General Fund in FY 2023 for statewide adjustments.

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. A monthly average of 4,013 DDD state-only clients received case management state-only services in FY 2022.

Cost-Effectiveness Study - Client Services

The budget includes \$8,420,000 in FY 2023 for Cost-Effectiveness Study (CES) - Client Services. These amounts consist of:

General Fund	7,200,000
Special Administration Fund	1,220,000

FY 2023 adjustments are as follows:

Provider Rate Increase

The budget includes an increase of \$4,200,000 from the General Fund in FY 2023 for a provider rate increase.

Base Adjustment

The budget includes an increase of \$3,000,000 from the General Fund in FY 2023 for operational costs. The budget adds a footnote requiring the department to submit a report to the JLBC on or before November 30, 2022, and November 30, 2023 on Cost Effectiveness Study-related expenditures, including number of clients and total amount spent.

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.)

Home and Community Based Services - State-Only

The budget includes \$14,089,000 from the General Fund in FY 2023 for State-Only Home and Community Based Services. FY 2023 adjustments are as follows:

Provider Rate Increases

The budget includes an increase of \$500,000 from the General Fund in FY 2023 for a provider rate increase.

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 budget includes \$9,719,000 from the General Fund in FY 2023 for the Arizona Early Intervention Program (AzEIP). FY 2023 adjustments are as follows:

Provider Rate Increases

The budget includes an increase of \$3,400,000 from the General Fund in FY 2023 for a provider rate increase.

Background – AzEIP provides screening and intervention services for children age 0 to 3 with developmental delays or disabilities. DES receives a capped allotment of Federal Funds for the program through Part C of the Individuals with Disabilities Education Act (IDEA). IDEA Part C is expected to provide \$9,882,000 for AzEIP services in FY 2023. As a result, the total AzEIP funding available is \$19,601,000 in FY 2023.

The funds in this line item represent costs incurred by DES for "AzEIP-Only" children, which include children that are AzEIP-eligible but do not have a qualifying DD diagnosis. AzEIP children with a DD diagnosis continue to be funded within the HCBS State-Only line item. There were 1,925 DDD-eligible children enrolled in the AzEIP program in FY 2022. DES reports there were 16,035 new referrals to AzEIP in FY 2022 and 5,380 referred children were determined eligible.

State-Funded Long Term Care Services

The budget includes \$42,669,300 and 2 FTE Positions in FY 2023 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	9,388,800
Long Term Care System Fund	
33,280,500	

FY 2023 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$1,094,400 in FY 2023 for standard caseload growth in ALTCs-eligible DD clients receiving residential services with room and board expenses. This amount consists of:

General Fund	273,500
Long Term Care System Fund	820,900

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 budget includes \$1,200,000 from the General Fund in FY 2023 for the Group Home Monitoring Program. FY 2023 adjustments are as follows:

New Program

The budget includes an increase of \$1,200,000 from the General Fund in FY 2023 to fund a group home monitoring pilot program. Laws 2022, Chapter 316 authorizes the pilot 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.

Employment and Rehabilitation Services

Child Care Subsidy

The budget includes \$187,080,200 from the Federal CCDF Block Grant in FY 2023 for child care subsidies. FY 2023 adjustments are as follows:

Remove One-Time Federal Monies

The budget includes a decrease of \$(1,086,612,800) from the Child Care and Development Fund Block Grant in FY 2023 to remove one-time funding for child care initiatives and programs.

In FY 2022 the budget included an increase of \$1,086,612,800 in CCDF funding provided through federal COVID legislation. This funding was aimed at supporting additional recipients, providing additional benefits, increasing reimbursement rates, enhancing quality, updating systems, and for provider grants. (See the FY 2022 Appropriations Report.)

These funds allow for continued spending flexibilities given to states during the COVID pandemic. These funds also must be obligated by September 30, 2022 and liquidated by September 30, 2023. The FY 2022 budget included a footnote stating that provider rate increases from federal child care monies are contingent upon available federal funding and that they do not continue in the future after these federal child care monies have been spent.

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. Table 6 shows child care subsidy appropriations by year. (For more information on state funded child care, please refer to the Child Care Program Summary on the JLBC website.)

Subsidy Rates – Effective June 1, 2019, DES increased maximum provider rates for child care subsidies from the 75th percentile of the 2000 market survey rates to the 25th percentile of the 2018 market survey rates. DES estimates this will increase the average monthly reimbursement rate from \$360 to \$444, a 23.3% increase. These estimates do not reflect the \$1,086,612,800 in CCDF provided from federal COVID legislation and appropriated in FY 2022. As of October 2021, the department has implemented the higher rates associated with this funding. Maximum rates for infants and toddlers are

currently at the 75th percentile of the 2018 survey while older children's maximum rates are at the 50th percentile.

Caseloads – According to the department, the estimated number of children receiving child care services in June 2022 was 18,020 (see Table 7) excluding ECDHB- and DCS-related child care and the funding from federal COVID legislation.

<u>Category</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23 est</u>
TANF	600	530	490
Low-Income Working	14,000	16,020	19,110
Transitional Child Care	<u>1,500</u>	<u>1,470</u>	<u>1,350</u>
Total Served	16,100	18,020	20,950

^{1/} These numbers do not include increases associated with the additional \$1,086,612,800 in CCDF provided from federal COVID legislation.

Independent Living Rehabilitation Services

The budget includes \$1,289,400 in FY 2023 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 2022.

Background – The line item assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training.

The Independent Living Rehabilitation Services program is expected to serve up to 490 clients in FY 2023 at an average Total Funds cost per client of \$3,600. In addition to these clients, the division is also expected to serve 150 Independent Living clients at an average annual cost of \$2,940 per client using federal Social Services Block Grant monies.

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Base Appropriation	\$169,095,000	\$ 169,095,000	\$187,080,200
Base Appropriation Increase	-	17,985,200	-
Laws 2021, Chapter 18 FY 2021 Supplemental	92,712,300	-	-
FY 2021 Supplemental - Return to Work Child Care	30,200,000	-	-
One-Time Federal Monies ^{1/}	-	<u>1,086,612,800</u>	-
Total Appropriation	\$292,007,300	\$1,273,693,000	\$187,080,200

^{1/} For more information on One-Time Federal Monies please see the FY 2022 Appropriations Report.

JOBS

The budget includes \$11,005,600 in FY 2023 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 2022.

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. *Table 8* highlights total estimated expenditures for the JOBS line item.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 8,664,800
Job Training	959,700
FLSA Supplement	4,400
Work-Related Transportation	1,076,700
Job Search Stipends	<u>300,000</u>
Total	\$11,005,600

Rehabilitation Services

The budget includes \$7,249,100 in FY 2023 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 2022.

Background – This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. The program is expected to serve up to 9,500 clients in FY 2022 at an average Total Funds cost of \$12,030 per client.

Third-party partnerships with government and non-governmental agencies provide portions of the state match.

Workforce Investment Act Services

The budget includes \$55,006,900 in FY 2023 for the Workforce Investment Act Services line item. This amount consists of:

General Fund	1,352,300
Workforce Investment Act Grant	53,654,600

FY 2023 adjustments are as follows:

Recidivism and Reentry Services

The budget includes an increase of \$1,352,300 from the General Fund in FY 2023 to support staffing and workforce development for prisoners reentering and those that have recent reentered society.

Background – These monies are the state’s allotment of the federal WIA Grant for job training activities of dislocated workers and disadvantaged adults and youth. Of the total grant received by the state, 85% is allocated to local governments and 15% is retained at the state level. There is no income eligibility for the program. For eligible adults, priority is given to veterans and their spouses, individuals who are below the poverty line, individuals receiving public assistance, and those who were recently laid off.

Eligible youths must be between the ages of 14 and 24 and have at least one barrier to employment such as homelessness, pregnancy, incarceration, or a disability.

The projected allocation of the WIA Grant for workforce-related programs in FY 2023 is shown in *Table 9*.

<u>Category</u>	<u>Amount</u>
WIA Line Item	\$53,654,600
Operating Budget	2,400,200
FY 2023 Salary Increase	228,900
AG Legal Services	<u>9,800</u>
Total	\$56,293,500

Return to Work Grants

The budget includes no funding in FY 2023 for Return to Work Grants. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(7,500,000) from the General Fund in FY 2023 to remove one-time funding for scholarships to part-time community college students.

Other Issues

This section includes information on the following topics:

- FY 2022 Supplementals
- FY 2022 FMAP Savings
- Statutory Changes

- Long-Term Budget Impacts
- Federal TANF Block Grant

FY 2022 Supplementals

The FY 2023 budget includes the following supplementals for FY 2022:

HCBS - Medicaid Supplemental

The budget includes a FY 2022 supplemental expenditure authority of \$139,824,000 from the Long Term Care System Fund for additional federal funding for DDD. This appropriation authorized DES to expend additional federal monies associated with the extension of the 6.2% enhanced federal match rate.

HCBS Spending Plan Supplemental

The budget includes a FY 2022 supplemental expenditure authority of \$362,700,000 from the Long Term Care System Fund to implement the department's American Rescue Plan Act (ARPA) home- and community-based services (HCBS) Spending Plan.

Laws 2022, Chapter 2 authorizes additional expenditure authority to implement the HCBS Spending Plan. Monies from this amount will not be used for marketing purposes. Any changes to the HCBS Spending Plan by the Arizona Health Care Cost Containment System (AHCCCS) must be reported to the JLBC on a quarterly basis. The monies are appropriated as non-lapsing.

FY 2022 FMAP Savings

The budget assumes that DES General Fund formula expenses for FY 2022 will be \$(107,912,000) lower than the original FY 2022 General Fund appropriation. The \$(107,912,000) surplus is based on the federal government's extension of the enhanced FMAP associated with the COVID-19 public health emergency enhanced rate would only be available through December 2021. As a result, the initial estimated savings of \$(77,000,000) within DES will increase to an estimated \$(184,912,000).

The FY 2023 budget does not, however, include an FY 2022 ex-appropriation to account for the savings. Instead, the surplus would be realized through General Fund revertsments.

In March 2020, the President signed the federal Families First Coronavirus Response Act into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. The temporary enhanced match rate is currently effective through December 31, 2022. The match rate

increase reduces General Fund expenditures for AHCCCS, DCS and DES in FY 2020, FY 2021, FY 2022, and FY 2023. The FY 2022 enacted budget adjusted DES's General Fund appropriation to account for two quarters of savings, but the enhanced FMAP extension lasted the full fiscal year as the declaration of a public health emergency continued to be extended.

Statutory Changes

The Human Services Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, establishes the Developmental Disabilities Group Home Monitoring Pilot Program.
- As session law, continue to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable suspicion the recipient uses illegal drugs.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, DES' General Fund Developmental Disabilities formula costs are projected to increase by \$111,966,100 in FY 2024 above FY 2023 and \$98,375,900 in FY 2025 above FY 2024. The FY 2024 estimate includes an increase of \$1,000,000 for housing, rental assistance and other services for homeless youth.

Federal TANF Block Grant

The budget appropriates \$227,673,400 of the state's Federal TANF Block Grant monies in FY 2023. *Table 10* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

Table 10

	TANF Block Grant Spending		
	Actual FY 2021	Estimate FY 2022	Estimate FY 2023
Revenues			
Beginning Balance	\$ 8,404,500	\$ 8,195,200	\$ 8,419,900
TANF Base Revenues	<u>224,721,600</u>	<u>223,098,600</u>	<u>223,098,600</u>
Total TANF Available	\$233,126,100	\$231,293,800	\$231,518,500
Expenditures			
Department of Child Safety	\$159,091,100	\$157,468,100	\$161,082,200
Department of Economic Security			
TANF Cash Benefits	\$ 22,736,400	\$ 22,736,400	\$ 22,736,400
All Other TANF Expenditures	<u>43,103,400</u>	<u>42,669,400</u>	<u>43,854,800</u>
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 65,839,800	\$ 65,405,800	\$ 66,591,200
TOTAL - STATEWIDE	\$224,930,900	\$222,873,900	\$227,673,400
Ending Balance	\$ 8,195,200	\$ 8,419,900	\$ 3,845,100

State Board of Education

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	19.0	23.0 ^{1/}
Personal Services	465,500	1,502,000	1,718,000
Employee Related Expenditures	161,100	146,800	232,700
Professional and Outside Services	307,900	206,800	600,100
Travel - In State	400	25,500	25,500
Travel - Out of State	0	15,000	15,000
Other Operating Expenditures	201,100	278,900	376,700
Equipment	5,700	15,000	34,500
OPERATING SUBTOTAL	1,141,700	2,190,000	3,002,500 ^{2/}
SPECIAL LINE ITEMS			
Arizona Empowerment Scholarship Account Appeals	123,700	150,000	225,400
FY 2023 Salary Increase	0	0	179,700
AGENCY TOTAL	1,265,400	2,340,000	3,407,600
FUND SOURCES			
General Fund	1,265,400	2,340,000	3,407,600
SUBTOTAL - Appropriated Funds	1,265,400	2,340,000	3,407,600
TOTAL - ALL SOURCES	1,265,400	2,340,000	3,407,600

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/} Includes 2 GF FTE Positions funded from Special Line Items in FY 2023.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$3,002,500 and 21 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Educator Misconduct Adjudication

The budget includes an increase of \$536,100 and 1 FTE Position from the General Fund in FY 2023 for adjudication of educator misconduct. Of this amount, \$23,300 is one-time. This funding will be used for contracting 3 Assistant Attorney General FTE Positions, hearing costs, and administrative support.

Policy Development and Implementation

The budget includes an increase of \$109,800 and 1 FTE Position from the General Fund in FY 2023 for additional

policy development and implementation staff. Of this amount, \$3,800 is one-time funding.

Open Enrollment and Constituent Services

The budget includes an increase of \$150,000 and 1 FTE Position from the General Fund in FY 2023 for additional staff relating to open enrollment policies and constituent services.

Statewide Adjustments

The budget includes an increase of \$16,600 from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Empowerment Scholarship Account Appeals

The budget includes \$225,400 and 2 FTE Positions from the General Fund in FY 2023 for Arizona Empowerment Scholarship Account (ESA) Appeals. FY 2023 adjustments are as follows:

Appeals Process Implementation

The budget includes an increase of \$74,200 and 1 FTE Position from the General Fund in FY 2023 for administrative staff to assist in the ESA appeals process. Of this amount, \$3,800 is one-time funding.

Statewide Adjustments

The budget includes an increase of \$1,200 from the General Fund in FY 2023 for statewide adjustments.

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.

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.

FY 2023 Salary Increase

The budget includes \$179,700 from the General Fund in FY 2023 for an FY 2023 Salary Increase. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$179,700 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

Department of Education

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	208.9	202.9	229.9
Personal Services	4,429,600	4,384,300	4,384,300
Employee Related Expenditures	1,564,800	1,627,800	1,795,200
Professional and Outside Services	397,900	399,500	399,500
Travel - In State	4,700	11,200	11,200
Travel - Out of State	0	17,500	17,500
Other Operating Expenditures	4,405,400	6,583,600	4,001,700
Equipment	304,500	25,600	25,600
OPERATING SUBTOTAL	11,106,900	13,049,500	10,635,000 ^{2/3/4/5/}
SPECIAL LINE ITEMS			
FY 2023 Salary Increase	0	0	1,084,400
Formula Programs			
Basic State Aid	4,928,172,500	5,611,174,900	6,517,782,700 ^{6/-12/}
State Aid Supplement	75,000,000	75,000,000	75,000,000 ^{13/14/}
Results-Based Funding	0	68,600,000	68,600,000 ^{15/}
Special Education Fund	36,029,200	36,029,200	36,029,200
Other State Aid to Districts	124,800	983,900	983,900
Classroom Site Fund	585,143,300	977,025,600	946,524,800 ^{16/}
Instructional Improvement Fund	76,298,500	54,425,700	54,425,700 ^{17/}
Property Tax Relief			
Additional State Aid	333,676,500	460,630,300	510,093,700
Non-Formula Programs			
Accountability and Achievement Testing	9,428,100	21,423,300	20,427,100 ^{18/19/}
Adult Education	4,502,100	4,867,800	21,493,400 ^{20/}
Adult Education and Workforce Development Administration	0	0	250,000
Alternative Teacher Development Program	500,000	500,000	500,000
Arizona Empowerment Scholarship Account Administration	1,407,400	2,176,400	4,426,800 ^{21/}
Arizona English Language Learner Fund	4,960,400	4,960,400	4,960,400
Childhood Trauma Awareness and Prevention Training Grants	0	0	100,000 ^{22/}
Code Writers Initiative Program	0	0	1,000,000
College Credit by Examination Incentive Program	5,000,000	7,472,100	7,472,100
College Placement Exam Fee Waiver	0	1,265,800	1,265,800
Computer Science Professional Development Program	0	1,000,000	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 ^{23/24/25/}
CTED Industry Credential Incentive Program	5,000,000	5,000,000	0
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 ^{26/}
Early Literacy	12,000,000	12,000,000	12,000,000
Education Learning and Accountability System	5,305,300	5,315,400	5,339,800 ^{27/}
English Learner Administration	6,541,600	6,516,900	6,538,800
Extraordinary Special Education Needs Fund Deposit	0	5,000,000	0
Foster Home Youth Transitional Housing	0	0	10,000,000 ^{28/}
Geographic Literacy	100,000	100,000	100,000 ^{29/}
Gifted Assessments	0	850,000	850,000
Invest in Postsecondary Success Program Fund Deposit	0	0	1,000,000
Jobs for Arizona Graduates	100,000	100,000	100,000 ^{30/}
Office of Indian Education	0	0	5,000,000 ^{31/}
Onetime Electronic Incident Prevention Programs	0	0	150,000 ^{32/}
School Safety Program	33,924,800	31,925,200	81,932,100 ^{33/34/}
State Block Grant for Vocational Education	11,539,100	11,576,300	11,628,100

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
Student Level Data Access	0	350,000	350,000
Teacher Certification	1,950,500	2,403,000	2,462,900
Teacher Professional Development Pilot	78,800	400,000	0
Tribal College Dual Enrollment Program	157,500	325,000	325,000
AGENCY TOTAL	6,150,047,300	7,424,446,700	8,423,831,700 ^{35/-38/}
FUND SOURCES			
General Fund	5,090,264,300	5,910,547,300	6,923,894,300
<u>Other Appropriated Funds</u>			
Department of Education Empowerment Scholarship Account Fund	0	350,000	357,900
Department of Education Professional Development Revolving Fund	0	2,701,100	0
Education Sales Tax Fund	0	7,000,000	7,000,000
Permanent State School Fund	300,555,000	309,832,400	328,895,600
Teacher Certification Fund	1,848,200	2,359,100	2,527,900
Tribal College Dual Enrollment Program Fund	157,500	325,000	325,000
SUBTOTAL - Other Appropriated Funds	302,560,700	322,567,600	339,106,400
SUBTOTAL - Appropriated Funds	5,392,825,000	6,233,114,900	7,263,000,700
<u>Expenditure Authority Funds</u>			
Classroom Site Fund – Carryforward	0	236,163,800	73,796,200
Classroom Site Fund – Land Trust	107,142,200	123,167,700	128,463,900
Education Sales Tax	573,781,600	777,574,600	904,145,200
Instructional Improvement Fund	76,298,500	54,425,700	54,425,700
SUBTOTAL - Expenditure Authority Funds	757,222,300	1,191,331,800	1,160,831,000
SUBTOTAL - Appropriated/Expenditure Authority Funds	6,150,047,300	7,424,446,700	8,423,831,700
Other Non-Appropriated Funds	15,993,500	19,287,600	19,287,600
Federal Funds	1,465,534,100	2,839,559,500	2,839,559,500
TOTAL - ALL SOURCES	7,631,574,900	10,283,293,800	11,282,678,800

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/ Includes 138.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2023.
- 2/ The operating lump sum appropriation includes \$683,900 and 8.5 FTE positions for average daily membership auditing and \$200,000 and 2 FTE positions for information technology security services. (General Appropriation Act footnote)
- 3/ The amount appropriated for the department of education's operating budget includes \$500,000 for technical assistance and state-level administration of the K-3 reading program established pursuant to section 15-211, Arizona Revised Statutes. (General Appropriation Act footnote)
- 4/ 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 Appropriation Act footnote)
- 5/ 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 Appropriation Act footnote)
- 6/ Laws 2021, Chapter 408 appropriated \$865,727,700 from the General fund for the K-12 rollover.
- 7/ 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 \$328,895,600 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 2022-2023. (General Appropriation Act footnote)
- 8/ Monies derived from the permanent state school fund and any other non-state general fund revenue source that is dedicated to fund basic state aid shall be spent, whenever possible, before spending state general fund monies. (General Appropriation Act footnote)
- 9/ Except as required by 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 Appropriation Act footnote)
- 10/ 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 Appropriation Act footnote)
- 11/ A. The sum of \$17,978,000 is appropriated from the state general fund in fiscal year 2023-2024 to the department of education for basic state aid. The appropriated amount shall be used to fund an ongoing increase in the per pupil charter additional assistance amounts prescribed in section 15-185, subsection B, paragraph 4, Arizona Revised Statutes, above the amount of charter additional assistance that otherwise would be provided by law for fiscal year 2023-2024.
- B. The sum of \$71,022,000 is appropriated from the state general fund in fiscal year 2023-2024 to the department of education for basic state aid. The appropriated amount shall be used to fund an ongoing increase in the per pupil district additional assistance amounts prescribed in section 15-961, Arizona Revised Statutes, above the amount of district additional assistance that otherwise would be provided by law for fiscal year 2023-2024.
- C. The sum of \$63,000,000 is appropriated from the state general fund in fiscal year 2023-2024 to the department of education for basic state aid. The appropriated amount shall be used to fund an ongoing increase in the FRPL group B weight established by section 15-943, paragraph 2, subdivision (b), Arizona Revised Statutes.
- 12/ A. The sum of \$23,836,000 is appropriated from the state general fund in fiscal year 2024-2025 to the department of education for basic state aid. The appropriated amount shall be used to fund an ongoing increase in the per pupil charter additional assistance amounts prescribed in section 15-185, subsection B, paragraph 4, Arizona Revised Statutes, above the amount of charter additional assistance that otherwise would be provided by law for fiscal year 2024-2025.
- B. The sum of \$94,164,000 is appropriated from the state general fund in fiscal year 2024-2025 to the department of education for basic state aid. The appropriated amount shall be used to fund an ongoing increase in the per pupil district additional assistance amounts prescribed in section 15-961, Arizona Revised Statutes, above the amount of district additional assistance that otherwise would be provided by law for fiscal year 2024-2025.
- C. The sum of \$100,000,000 is appropriated from the state general fund in fiscal year 2024-2025 to the department of education for basic state aid. The appropriated amount shall be used to fund an ongoing increase in the FRPL group B weight established by section 15-943, paragraph 2, subdivision (b), Arizona Revised Statutes.
- 13/ Laws 2015, 1st Special Session, Chapter 1 appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 from the General Fund for school districts and charter schools.
- 14/ The Department of Education shall allocate the appropriated amount to school districts and charter schools on a pro rata basis using the weighted student count for the school district or charter school for the fiscal year pursuant to A.R.S. § 15-943, paragraph 2, subdivision (a) and increase the budget limits pursuant to A.R.S. § 15-947 accordingly. For the purposes of this subsection, the weighted student count for a school district that serves as the district of attendance for nonresident pupils shall be increased to include nonresident pupils who attend school in the school district. (Laws 2015, 1st Special Session, Chapter 1, Section 6 footnote)
- 15/ Notwithstanding section 15-901.03, Arizona Revised Statutes, the superintendent of public instruction may transfer \$5,000,000 from the state general fund appropriation for basic state aid for fiscal year 2021-2022 to the results-based funding program for fiscal year 2021-2022 without review by the joint legislative budget committee. Any amount transferred to the results-based funding program under this section that exceeds the amount needed to address a funding shortfall for the results-based funding program for fiscal year 2021-2022 reverts to the state general fund on June 30, 2022. (General Appropriation Act footnote)
- 16/ 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 Appropriation Act footnote)

- 17/ 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 Appropriation Act footnote)
- 18/ Before making any changes to the achievement testing program that will increase program costs, the department of education and the state board of education shall submit the estimated fiscal impact of those changes to the joint legislative budget committee for review. (General Appropriation Act footnote)
- 19/ 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 Appropriation Act footnote)
- 20/ The appropriated amount for adult education includes \$4,620,000 for the continuing high school and workforce training program established by section 15-217.01, Arizona Revised Statutes, \$6,000,000 for deposit in the adult workforce diploma program fund established by section 15-217.02, subsection B, Arizona Revised Statutes and \$6,000,000 for deposit in the community college adult education workforce development program fund established by section 15-217.03, subsection C, Arizona Revised Statutes. (General Appropriation Act footnote)
- 21/ Laws 2022, Chapter 388 appropriated \$2,200,000 and 26 FTE Positions from the General Fund for the purposes of administering Arizona Empowerment Scholarship Accounts.
- 22/ The sum of \$100,000 is appropriated from the state general fund in fiscal year 2022-2023 to the superintendent of public instruction for onetime childhood trauma awareness and prevention grants. The department of education may distribute the grants to a nonprofit organization that provides childhood trauma awareness and prevention training to certificated teachers and public school administrators in this state. (General Appropriation Act footnote)
- 23/ 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 Appropriation Act footnote)
- 24/ 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 Appropriation Act footnote)
- 25/ 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, 2024. (General Appropriation Act footnote)
- 26/ 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 Appropriation Act footnote)
- 27/ 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 Appropriation Act footnote)
- 28/ The amount appropriated for foster home youth transitional housing shall be distributed to the East valley institute of technology for a transitional housing unit. The legislature intends that the monies be used to construct and furnish a sixty-four bed transitional housing unit for foster youths who are at least seventeen years of age but not more than twenty-one years of age and who need stable housing in order to obtain a high school diploma or a high school equivalency diploma and who are earning an industry certification in a program offered by the East valley institute of technology. On or before September 15 in years 2025, 2026 and 2027, the superintendent of the East valley institute of technology shall submit a report to the governor, the president of the senate, the speaker of the house of representatives and the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting, and provide a copy to the secretary of state, detailing the total number of foster youths who lived in the transitional housing unit during the immediately preceding fiscal year and the progress that each foster youth made

toward obtaining a high school diploma or a high school equivalency diploma and earning an industry certification during the fiscal year. (General Appropriation Act footnote)

- 29/ 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 Appropriation Act footnote)
- 30/ 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 Appropriation Act footnote)
- 31/ A. The sum of \$5,000,000 is appropriated from the state general fund to the superintendent of public instruction for a onetime distribution to the office of Indian education established in section 15-244, Arizona Revised Statutes.
B. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. (General Appropriation Act footnote)
- 32/ The department of education shall use the amount appropriated for onetime electronic incident prevention programs for the purposes of awarding student safety grants to public schools. A public school that receives a student safety grant under this section shall use the grant monies to procure and implement an electronic incident prevention program. (General Appropriation Act footnote)
- 33/ The amount appropriated for the school safety program includes 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 new grants for school resource officer costs 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 section 15-154, Arizona Revised Statutes. (General Appropriation Act footnote)
- 34/ 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 Appropriation Act footnote)
- 35/ After review by the joint legislative budget committee, in fiscal year 2022-2023, the department of education may use a portion of its fiscal year 2022-2023 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 2021-2022. (General Appropriation Act footnote)
- 36/ 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 Appropriation Act footnote)
- 37/ 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 Appropriation Act footnote)
- 38/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

ADE's FY 2023 General Fund spending increases by \$1,013,347,000 or 17.1% above the FY 2022 appropriation. The budget includes the following funding changes:

Standard Formula Adjustments

- A decrease of \$(244,653,200) for lower-than-budgeted FY 2022 Average Daily Membership (ADM).
- An increase of \$141,214,000 for FY 2023 enrollment growth of 11,777 pupils.
- An increase of \$137,721,900 for a 2.0% inflator.
- A decrease of \$(57,624,300) for local property tax growth due to new construction

- Increased Homeowner's Rebate expenses of \$49,463,400. This amount includes \$30,000,000 to increase the Homeowner's Rebate percentage from 47.19% in FY 2022 to 50.0% in FY 2023 and \$4,400,000 for increased expenses associated with a reduction in the assessment ratio for commercial property from 18.0% in FY 2022 to 17.5% in FY 2023 pursuant to Laws 2021, Chapter 412.
- A decrease of \$(19,063,200) to offset higher available endowment earnings under Proposition 123.

Basic State Aid Funding Increases

- An increase of \$389,300,000 for an additional 6.76% increase to the Base Level, for a total Base Level increase of 8.76% above FY 2023. This amount includes a reduction of \$(70,000,000) associated with

a (1.25)% reduction to the Base Level for school districts associated with the elimination of Additional Monies for Teacher Compensation established by A.R.S. § 15-952.

- An increase of \$330,535,400 for elimination of the State Equalization Tax Rate (SETR).
- An increase of \$100,000,000 for Special Education formula funding.
- A one-time increase of \$65,000,000 to eliminate the K-12 rollover for districts with more than 2,000 but less than 4,000 students.
- An increase of \$60,000,000 to increase the per pupil amounts in the District Additional Assistance (DAA) and Charter Additional Assistance (CAA) formulas.
- An increase of \$50,000,000 to establish a new Group B weight for students eligible for the federal Free and Reduced-Price Lunch (FRPL) program.
- An increase of \$114,000 to allow county jail education programs to receive Basic State Aid for inmates aged 18-21 who do not have a disability and who have not yet received a high school diploma

Non-Formula Funding Changes

- An increase of \$50,000,000 for the School Safety Program. Districts and charter schools on the waiting list to receive a grant to fund a school resource officer (SRO) will receive priority.
- An increase of \$16,620,000 for Adult Education.
- A one-time increase of \$10,000,000 for distribution to the East Valley Institute of Technology (EVIT) for Foster Home Youth Transitional Housing.
- A one-time increase of \$5,000,000 for distribution to the Office of Indian Education.
- A one-time increase of \$4,000,000 for ADE's expenses associated with the achievement testing program.
- An increase of \$2,200,000 and 26 FTE Positions for administrative funding increases for the Arizona Empowerment Scholarship program pursuant to Laws 2022, Chapter 388.
- A one-time increase of \$1,000,000 for deposit in the Invest in Postsecondary Success Program Fund.
- A one-time increase of \$1,000,000 for the Code Writers Initiative Program
- An increase of \$984,900 for a statewide employee salary increase.
- An increase of \$850,000 for Gifted Assessments.
- An increase of \$434,100 for statewide adjustments.
- An increase of \$250,000 for administration of adult education programs.
- A one-time increase of \$150,000 for grants to schools with electronic incident prevention programs.
- A one-time increase of \$100,000 for Childhood Trauma Awareness and Prevention Training Grants.

- A decrease of \$(81,250,000) to remove other funding from the FY 2022 budget that was designated as one-time.

As part of the budget's 3-year spending plan, ADE General Fund costs are projected to increase by \$169,107,300 in FY 2024 above FY 2023 and \$309,571,900 in FY 2025 above FY 2024. *(See Other Issues for more information.)*

Operating Budget

The budget includes \$10,635,000 and 55.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$8,782,100
Teacher Certification Fund	152,900
Education Sales Tax	1,700,000

FY 2023 adjustments are as follows:

Remove Unused Fund Source

The budget includes a decrease of \$(2,701,100) from the Department of Education Professional Development Revolving Fund in FY 2023. According to ADE, the fund is not currently used because the monies were intended to collect tuition monies from an online professional development program that was never started.

Statewide Adjustments

The budget includes an increase of \$286,600 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	269,300
Teacher Certification Fund	17,300

(Please see the Agency Detail and Allocations section.)

FY 2023 Salary Increase

The budget includes \$1,084,400 in FY 2023 for a FY 2023 Salary Increase. This amount consists of:

General Fund	984,900
Teacher Certification Fund	91,600
Department of Education Empowerment Scholarship Account Fund	7,900

This amount funds a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation

for both FY 2023 and FY 2024. (Please see the Agency Details and Allocations section).

Formula Programs

Basic State Aid

The budget includes \$6,517,782,700 in FY 2023 for Basic State Aid. This amount consists of:

General Fund	6,038,506,600
Permanent State School Fund	328,895,600
Education Sales Tax	150,380,500

The \$6,517,782,700 total does not include local property taxes that will help fund K-12 formula costs for FY 2023, as they are non-appropriated (see Table 1).

Table 1
FY 2023 Basic State Aid Formula Summary (estimated)

General Fund	
FY 2022 Appropriation	\$5,150,962,000
FY 2022 Enrollment Base Adjustment	(244,653,200)
FY 2023 Enrollment Growth	141,214,000
2.0% Inflation	137,721,900
Property Taxes from New Construction	(57,624,300)
Endowment Earnings	(19,063,200)
Rollover Payoff (2,000 – 4,000 Pupils)	65,000,000
Rollover Payoff (600 to 2,000 Pupils)	(65,000,000)
Additional Base Level Increase	389,300,000
Eliminate SETR	330,535,400
Special Education Weight Increase	100,000,000
DAA/CAA Increase	60,000,000
FRPL Weight	50,000,000
County Jail Education Programs	<u>114,000</u>
FY 2023 Budget	\$6,038,506,600
Permanent State School Fund	
FY 2022 Appropriation	\$ 309,832,400
Estimated FY 2023 Growth	<u>19,063,200</u>
FY 2023 budget	\$ 328,895,600
Education Sales Tax	
FY 2023 budget	\$ 150,380,500
Local Property Taxes ¹	
FY 2023 budget - estimated	<u>\$2,530,152,000</u>
Grand Total (all sources)	\$9,047,934,700

^{1/} Non-appropriated, so excluded from appropriated totals.

FY 2023 adjustments are as follows:

Enrollment Base Adjustment

The budget includes a decrease of \$(244,653,200) from the General Fund in FY 2023 for an FY 2022 enrollment base adjustment. As of June 30, unweighted enrollment reported by ADE was (27,177) less than the enrollment assumed in the enacted FY 2022 budget. In addition, district transportation route miles for FY 2022, which will

be used for FY 2023 Basic State Aid calculations, remain approximately (15)% below pre-pandemic levels based on preliminary data published by ADE.

Enrollment Growth

The budget includes an increase of \$141,214,000 from the General Fund in FY 2023 for enrollment growth. This amount would be sufficient to fund unweighted enrollment growth in districts, charter schools, and the ESA program of 11,777 pupils, or 1.1%, and weighted enrollment growth of 1.7% above final FY 2022 student counts. Table 2 and Table 3 provide historical and projected unweighted and weighted enrollment figures through FY 2025.

Table 2

Fiscal Year	K-12 Enrollment (unweighted)				Change	%
	District	Charter	ESA	Total		
2017	915,797	179,788	3,360	1,098,945	9,444	0.9%
2018	913,665	189,869	5,042	1,108,576	9,631	0.9%
2019	906,004	201,757	6,450	1,114,211	5,635	0.5%
2020	907,121	208,438	7,781	1,123,340	9,129	0.8%
2021	857,139	220,678	9,777	1,087,594	(35,746)	(3.2)%
2022 est	875,051	220,925	11,775	1,107,751	20,157	1.9%
2023 est	873,926	232,402	13,200	1,119,528	11,777	1.1%
2024 est	864,387	242,216	14,625	1,121,228	1,700	0.2%
2025 est	857,911	253,250	16,050	1,127,211	5,983	0.5%

^{1/} ESA estimates do not reflect enrollment impacts of Laws 2022, Chapter 388

Table 3

Fiscal Year	K-12 Enrollment (weighted) ^{1/2/}				Change	%
	District	Charter	ESA	Total		
2017	1,239,690	248,277	11,668	1,499,635	13,390	0.9%
2018	1,242,424	262,390	14,775	1,519,589	19,955	1.3%
2019	1,238,223	278,094	19,698	1,536,015	16,426	1.1%
2020	1,245,681	287,844	24,493	1,558,018	22,003	1.4%
2021	1,179,670	303,774	30,696	1,514,140	(43,878)	(2.8)%
2022 est	1,214,552	299,715	38,263	1,552,530	38,390	2.5%
2023 est	1,221,254	314,198	42,928	1,578,380	25,850	1.7%
2024 est	1,216,833	327,001	47,593	1,591,427	13,047	0.8%
2025 est	1,217,156	341,416	52,266	1,610,838	19,411	1.2%

^{1/} District and charter figures are weighted ADM used for Basic State Aid formula calculations. In lieu of ADE weighted counts for ESAs, the ESA figures are JLBC Staff estimates based on ESA enrollment and spending data reported by ADE of the weighted ADM used to compute ESA recipient awards.

^{2/} The above counts exclude the impact of Special Education weight increase and the new FRPL Group B weight on weighted student counts, as these figures are intended to display formula growth excluding the effects of policy changes.

These estimates do not include potential ESA enrollment impacts associated with Laws 2022, Chapter 388, which expands ESA eligibility to all children in Arizona who are eligible to attend a public school. The JLBC Staff estimated Chapter 388 would increase ADE General Fund spending by an estimated \$33,400,000 in FY 2023, \$64,500,000 in FY 2024, and \$125,400,000 in FY 2025.

These estimates are highly speculative, however, due to uncertain participation rates among newly eligible pupils.

2.0% Inflation Adjustment

The budget includes an increase of \$137,721,900 from the General Fund in FY 2023 for a 2.0% inflation increase in the per pupil base level prescribed in A.R.S. § 15-901B2, the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school Additional Assistance amounts prescribed in A.R.S. § 15-185B. The 2.0% inflation adjustment increases the base level by \$87.81.

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. 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 budget includes a decrease of \$(57,624,300) from the General Fund in FY 2023 due to a 2.4% 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 \$57,624,300 in FY 2023. It also will decrease state costs by \$(57,624,300), since QTR revenues offset state formula costs on a dollar for dollar basis.

Statewide NAV for property already on the tax rolls (“existing property”) is increasing by 3.28% in FY 2023, resulting in a net 5.68% NAV increase for new construction and existing property combined for FY 2023.

The 3.28% NAV increase for existing property will not affect net QTR collections in FY 2023 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 \$3.4266 (from \$3.5388 currently) in FY 2023 to offset the estimated 3.28% NAV increase for existing property (see Table 4).

Tax Rate	TNT Tax Rates	
	FY 2022	FY 2023
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.7694	\$1.7133
• Unified districts and elementary districts not located within a high school district	\$3.5388	\$3.4266

Proposition 117 from the November 2012 General Election capped annual growth in existing property values at 5% starting in FY 2016. (See the FY 2016 Appropriations Report for more information.)

The estimates of savings from new construction do not include the fiscal impact of Laws 2022, Chapter 103, which reduces the full cash value of personal property to 2.5% of the acquisition cost. This change will increase the General Fund cost of the Basic State Aid formula primarily by reducing the savings of property taxes from new construction. The JLBC Staff estimates the bill will increase the General Fund cost of the formula relative to current law by \$9,200,000 in FY 2023, \$19,200,000 in FY 2024, and \$29,600,000 in FY 2025.

Endowment Earnings Growth

The budget includes a decrease of \$(19,063,200) from the General Fund and an increase of \$19,063,200 from the Permanent State School Fund in FY 2023 for endowment earnings funding for Basic State Aid. The General Fund savings assumes that K-12 endowment earnings for Basic State Aid from the State Land Department and State Treasurer combined under Proposition 123 will equal \$328,895,600 for FY 2023, which would be \$19,063,200 more than the \$309,832,400 total assumed for FY 2022 (see Table 5).

A.R.S. § 37-521 caps the amount of K-12 endowment earnings that may be used for SFB debt service and Basic State Aid combined at the FY 2001 level of endowment earnings, which was \$72,263,000. All endowment earnings above \$72,263,000 go to the Classroom Site Fund established by A.R.S. § 15-977, except that Laws 2015, 1st Special Session, Chapter 1 appropriates for Basic State Aid any increase in State Treasurer land trust distributions from the new 4.4% distribution starting in FY 2016. (See the FY 2017 Appropriations Report and Other Issues for more information).

Source	FY 2022	FY 2023	Change
Original 2.5%	\$72,263,000	\$72,263,000	\$0
Prop 123 4.4%	237,569,400	256,632,600	19,063,200
Total	\$309,832,400	\$328,895,600	\$19,063,200

^{1/} These earnings also fund the Classroom Site Fund (see Table 8).

Rollover

The budget includes no net change to continue to reduce the K-12 rollover by \$(65,000,000). The FY 2022 budget included a one-time increase of \$65,000,000 to eliminate the rollover for districts with more than 600 but less than 2,000 pupils. The FY 2023 budget continues to allocate \$65,000,000 on a one-time basis in FY 2023 to eliminate the rollover for districts with more than 2,000 but less than 4,000 pupils. The one-time payment will reduce the ongoing K-12 rollover from \$865,727,700 to \$800,727,700. The FY 2023 General Appropriation Act advance appropriates \$800,727,700 from the General

Fund in FY 2024 to fund the \$800,727,700 deferred obligation from FY 2023.

Additional Base Level Increase

The budget includes an increase of \$389,300,000 from the General Fund in FY 2023 for Base Level funding increases. This amount consists of an increase of \$459,300,000 for an additional 6.76% increase to the Base Level above the 2.0% standard inflation adjustment (for a total increase of 8.76%), partially offset by a reduction of \$(70,000,000) to eliminate the 1.25% increase to the Base Level received for school districts for Additional Monies for Teacher Compensation pursuant to A.R.S. § 15-952. The resulting FY 2023 Base Level is \$4,775.27.

Eliminate State Equalization Tax Rate

The budget includes an increase of \$330,535,400 from the General Fund in FY 2023 to eliminate the State Equalization Tax Rate (SETR). Under the Basic State Aid formula, the SETR currently provides a dollar-for-dollar offset to the General Fund share of the Basic State Aid formula for all school districts within each county in proportion to their BSA funding entitlement that remains after accounting for QTR collections within the district. Given that the SETR was forecast to generate \$330,535,400 in local property tax revenues statewide in FY 2023, its elimination will increase the General Fund cost of the formula by an equivalent amount.

Special Education Weight Increase

The budget includes an increase of \$100,000,000 from the General Fund in FY 2023 to increase the Group B formula weight for children with developmental delays, emotional disabilities, mild intellectual disabilities, a specific learning disability, a speech language impairment, other health impairments from 0.093 in FY 2022 to 0.292 in FY 2023. The estimated resulting per pupil funding increase is approximately \$950.

Additional Assistance Formula Increase

The budget includes an increase of \$60,000,000 from the General Fund in FY 2023 to increase the per pupil formula amounts for District Additional Assistance (DAA) and Charter Additional Assistance (CAA) in FY 2023. The DAA allocation is \$47,900,000 while the CAA allocation is \$12,100,000. Based on current DAA/CAA enrollment, these allocations are sufficient for an average increase in Additional Assistance funding of \$55 per pupil for both districts and charter schools. The corresponding increases in the per pupil formula amounts are 11.4% for DAA and 2.62% for CAA (for a total of 4.62% after including a 2.0% regular inflation adjustment).

Sections 127 and 128 of the General Appropriation Act appropriate \$89,000,000 in FY 2024 (\$29,000,000 increase

above FY 2023) and \$118,000,000 in FY 2025 (\$58,000,000 increase above FY 2023) for further increases to the DAA/CAA formulas in those years and continue to be allocated proportionately on a per-pupil basis.

Establish Free and Reduced-Price Lunch Weight

The budget includes an increase of \$50,000,000 from the General Fund in FY 2023 to establish a new Group B weight of 0.018 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). The associated per pupil funding increase from the weight is an estimated \$86 in FY 2023.

Sections 127 and 128 of the General Appropriation Act appropriate \$63,000,000 in FY 2024 (\$13,000,000 increase above FY 2023) and \$100,000,000 in FY 2025 (\$50,000,000 increase above FY 2023) for further increase to the FRPL weight in those years.

County Jail Education Programs Increase

The budget includes an increase of \$114,000 from the General Fund in FY 2023 to authorize Basic State Aid funding for county jail inmates aged 18-21 who are not disabled and have not yet obtained a high school diploma. Current law only authorizes funding for county jail pupils with disabilities.

State Aid Supplement

The budget includes \$75,000,000 from the General Fund in FY 2023 for State Aid Supplement funding. This amount is unchanged from FY 2022.

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 State Aid Supplement amounts for FY 2016 through FY 2025 do not appear in the General Appropriation Acts for those years, since they already were advance appropriated by Chapter 1.

The State Aid Supplement, in conjunction with Proposition 123, serves to provide additional funding for school districts and charter schools through FY 2025 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).

Results-Based Funding

The budget includes \$68,600,000 from the General Fund in FY 2023 for Results-Based Funding. This amount is unchanged from FY 2022.

Background – The program provides additional funding to individual schools under a formula prescribed in A.R.S. § 15-249.08. (See the FY 2018 Appropriations Report for program requirements.)

The budget continues session law provisions from the FY 2022 K-12 Education BRB establishing Results-Based Funding per pupil funding levels and eligibility, including:

- \$400 per pupil for the following:
 - Schools Free and Reduced-Price Lunch (FRPL) eligibility of at least 60% and with statewide assessment scores in the top 13% among other schools with at least 60% FRPL eligibility.
 - Alternative High Schools with statewide assessment scores in the top 27% among other schools with at least 60% FRPL eligibility and FRPL eligibility of at least 60%.
- \$225 per pupil for the following:
 - Schools with FRPL eligibility of less than 60% and with statewide assessment scores in the top 13% statewide.
 - Schools with FRPL eligibility of at least 60% and statewide assessment scores in the top 27% in comparison to other schools with FRPL-eligibility of at least 60%.

These session law provisions continue to notwithstanding A.R.S. § 15-249.08 in FY 2023, which would otherwise make schools eligible for program funding in FY 2023 if they had a letter designation of A in the prior fiscal year (FY 2022) under the State Board of Education's A-F performance rating system pursuant to A.R.S. § 15-241. The State Board of Education has not yet determined letter grades for FY 2022. As a result, the cost of the statutory formula for FY 2023 is unknown.

The budget continues to include a General Appropriation Act Footnote for FY 2022 to allow the Superintendent of Public Instruction to transfer up to \$5,000,000 from the state General Fund appropriation for Basic State Aid for FY 2023 to this program, if needed, without JLBC review, to address any FY 2022 shortfalls.

Special Education Fund

The budget includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2023 for the Special Education Fund Line Item. These amounts are unchanged from FY 2022.

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.

Other State Aid to Districts

The budget includes \$983,900 from the General Fund in FY 2023 for Other State Aid to Districts. This amount is unchanged from FY 2022.

This amount includes \$880,200 (unchanged) for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 (unchanged) for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

Classroom Site Fund

The budget includes \$946,524,800 in FY 2023 for the Classroom Site Fund (CSF). This amount consists of:

Education Sales Tax	744,264,700
Classroom Site Fund - Land Trust	128,463,900
Classroom Site Fund - Carry-Forward	73,796,200

FY 2023 adjustments are as follows:

FY 2023 CSF Adjustment

The budget includes a decrease of \$(30,500,800) in FY 2023 to reflect the JLBC Staff's calculation of the FY 2023 CSF per pupil amount. The decrease is primarily associated with a reduction in one-time cash balances in the fund that accumulated during the pandemic. This amount consists of:

Education Sales Tax	126,570,600
Classroom Site Fund - Land Trust	5,296,200
Classroom Site Fund - Carry-Forward	(162,367,600)

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 Appropriation Act footnote allows the department to spend whatever funding is available.

Instructional Improvement Fund

The budget includes \$54,425,700 from Instructional Improvement Fund Expenditure Authority in FY 2023 for the Instructional Improvement Fund. This amount is unchanged from FY 2022.

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.

Property Tax Relief

Additional State Aid

The budget includes \$510,093,700 from the General Fund in FY 2023 for Additional State Aid. FY 2023 adjustments are as follows:

Increase Homeowner's Rebate Percentage to 50%

The budget includes an increase of \$30,000,000 from the General Fund in FY 2023 to increase the Homeowner's Rebate Percentage from 47.19% of the QTR in FY 2022 to 50.0% of the QTR in FY 2023. This change was previously enacted by section 1 of the FY 2022 Omnibus Tax bill (Laws 2021, Chapter 412). The 3-year spending plan associated with the enacted FY 2022 budget included \$30,000,000 from the General Fund for this change in FY 2023.

Decrease Commercial Assessment Ratio

The budget includes an increase of \$4,400,000 from the General Fund in FY 2023 for increased Additional State Aid Costs associated with a decrease in the assessment ratio for commercial property from 18.0% in FY 2022 to 17.5% in FY 2023. 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 and each year thereafter. The 3-year spending plan included \$4,400,000 for this change in FY 2023.

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 budget includes an increase of \$15,063,400 from the General Fund in FY 2023 for increased Additional State Aid costs associated with new home construction. The \$15,063,400 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2023.

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 FY 2019 Revenue BRB (Laws 2018, Chapter 283) required school district desegregation programs to be funded with secondary rather than primary property taxes starting in FY 2019. This reduced 1% cap costs in FY 2019 because the 1% cap does not apply to secondary property taxes. Primary property taxes for desegregation programs accounted for the majority of 1% cap costs prior to FY 2019.

In July 2019, the Arizona Superior Court ruled in litigation filed by the Pima County and Tucson Unified School District (TUSD) that Chapter 283 violated the state's responsibility to establish a property tax system compliant with the 1% cap provision in the State Constitution. In August 2021, the Arizona Court of Appeals reversed the Superior Court decision. The Court stipulated in the ruling that the state is not responsible for covering the costs of the 1% cap in school districts with a desegregation levy. In such jurisdictions, the school district would need to either 1) reduce its desegregation levy such that district residents no longer have primary property tax expenses that exceed the 1% cap or 2) cover desegregation expenses through a voter-approved override. The latter levies are exempt from the 1% cap requirement.

Non-Formula Programs

Accountability and Achievement Testing

The budget includes \$20,427,100 and 24.4 FTE Positions in FY 2023 for Accountability and Achievement Testing. These amounts consist of:

General Fund	13,427,100
Education Sales Tax Fund	7,000,000

FY 2023 adjustments are as follows:

One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2023 to partially continue one-time funding for ADE's achievement testing contracts. The FY 2022 budget provided one-time funding of \$5,000,000 for these contracts. The FY 2023 budget continues that funding in FY 2023 on a one-time basis, but at a level of \$4,000,000.

Statewide Adjustments

The budget includes an increase of \$3,800 from the General Fund in FY 2023 for statewide adjustments.

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 2022:

- 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.

Under the Menu of Assessments (MOA) program established by A.R.S. § 15-741.02, local education agencies(LEAs)may opt to replace the ACT exam for high school pupils with a different nationally recognized exam. For FY 2022, however, the State Board of Education has not approved any MOA exams.

- 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). The costs of administering the AZELLA exam, however, are funded in the English Learner Administration line item.

Adult Education

The budget includes \$21,493,400 and 3 FTE Positions from the General Fund in FY 2023 for Adult Education. FY 2023 adjustments are as follows:

Establish New Adult Education Programs

The budget includes an increase of \$16,620,000 from the General Fund in FY 2023 to establish 3 new adult education programs established in the K-12 budget bill (Laws 2022, Chapter 317). A General Appropriation Act footnote stipulates that the distribution of the increase is as follows:

- \$4,620,000 is for the Continuing High School and Workforce Training Program established in A.R.S. § 15-217.01. The program provides \$7,700 per student to districts and charter schools that contract with a nonprofit organization to provide adults with alternative study services that lead to a high school diploma and industry-recognized credentials. No more than 600 students may participate in the program in FY 2023.
- \$6,000,000 is for deposit in the Adult Workforce Diploma Program Fund established in A.R.S. § 15-217.02. The Adult Workforce Diploma Program is established to assist adults in earning a high school diploma and earning career and technical skills in a campus-based, online, or blended format. Payments to providers range from \$250 to \$1,000 per program milestone completed by participating students.
- \$6,000,000 is for deposit in the Community College Adult Education Workforce Development Program

Fund established in A.R.S. § 15-217.03. The Community College Adult Education Workforce Development Program authorizes Community College Districts to establish programs for adults to provide a high school diploma or high school equivalency diploma and an industry-recognized credential or community college degree. Participating community college districts may receive up to \$3,000 per full-time student and may use a portion of the monies to provide support services to participating adults, such as transportation and child care.

Statewide Adjustments

The budget includes an increase of \$5,600 from the General Fund in FY 2023 for statewide adjustments.

The 3 new programs described above are in addition to the existing Adult Education program in ADE, which provides instruction in the following areas to adult learners who are at least 16 years of age: 1) English language acquisition; 2) adult basic education, including GED preparation; 3) adult secondary education; 4) civics; and 5) basic computer literacy skills. Program monies are distributed through a competitive grant process. In FY 2022, 26 school districts, community colleges, counties and community-based organizations are operating state-funded Adult Education programs. For FY 2020 (latest data available), the program served 11,340 participants.

The program is also expected to receive an estimated \$15,554,500 in federal funding in FY 2022. Its federal monies are subject to non-supplanting and maintenance-of-effort requirements stipulated in federal law.

Adult Education and Workforce Development Administration

The budget includes \$250,000 and 1 FTE Position from the General Fund in FY 2023 for Adult Education and Workforce Development Administration. FY 2023 adjustments are as follows:

Administrative Funding Increase

The budget includes an increase of \$250,000 and 1 FTE Position from the General Fund in FY 2023 for ADE's administrative expenses associated with the establishment of the Continuing High School and Workforce Training program, The Adult Workforce Diploma Program, and the Community College Adult Education Workforce Development Program. The 3-year spending plan associated with the enacted FY 2023 budget assumes the administrative allocation will be reduced to \$150,000 in FY 2025.

Alternative Teacher Development Program

The budget includes \$500,000 from the General Fund in FY 2023 for an Alternative Teacher Development Program. This amount is unchanged from FY 2022.

The program is authorized by A.R.S. § 15-552, which requires the establishment of an alternative teacher development program for accelerating the placement of highly qualified individuals into low-income schools. Monies in the line item are distributed to the Teach for America program.

Arizona Empowerment Scholarship Account Administration

The budget includes \$4,426,800 and 52 FTE Positions from the General Fund in FY 2023 for Arizona Empowerment Scholarship Account Administration. FY 2023 adjustments are as follows:

ESA Eligibility Expansion

Laws 2022, Chapter 388 appropriates an additional \$2,200,000 and 26 FTE Positions from the General Fund in FY 2023 for ESA administrative workload increases associated with the expansion of eligibility for the ESA program to all children in Arizona who are eligible to attend a public school in this state.

Statewide Adjustments

The budget includes an increase of \$50,400 from the General Fund in FY 2023 for statewide adjustments.

This line item funds administrative costs of the Arizona Empowerment Scholarship Account program. It includes staff for a call center, case managers, accounting staff, marketing, and information technology expenses.

Arizona English Language Learner Fund

The budget includes \$4,960,400 from the General Fund in FY 2023 for the Arizona English Language Learner Fund. This amount is unchanged from FY 2022.

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 \$7,254,100 to public schools from the fund in FY 2021, including unspent prior year monies.

Childhood Trauma Awareness and Prevention Training Grants

The budget includes \$100,000 from the General Fund in FY 2023 for Childhood Trauma Awareness and Prevention Training Grants. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$100,000 from the General Fund in FY 2023 to provide one-time funding for Childhood Trauma Awareness and Prevention Training Grants. A General Appropriation Act footnote stipulates that ADE may distribute the grants to a nonprofit organization that provides childhood trauma awareness and prevention training to certificated teachers and public school administrators in this state.

Code Writers Initiative Program

The budget includes \$1,000,000 from the General Fund in FY 2023 for the Code Writers Initiative Program. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$1,000,000 from the General Fund in FY 2023 to provide one-time funding for the Code Writers Initiative Program established in A.R.S. § 15-249.17. The program will provide competitive grants to schools that instruct Native American students in computer code writing.

College Credit by Examination Incentive Program

The budget includes \$7,472,100 from the General Fund in FY 2023 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2022.

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 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.

College Placement Exam Fee Waiver

The budget includes \$1,265,800 from the General Fund in FY 2023 for a College Placement Exam Fee Waiver. This amount is unchanged from FY 2022.

This line item funds out-of-pocket expenses for college placement exams taken by students who are FRPL-eligible. The funding is sufficient to cover such costs for an estimated 19,044 FRPL-eligible students in FY 2023.

Computer Science Professional Development Program

The budget includes \$1,000,000 from the General Fund in FY 2023 for a Computer Science Professional Development Program. This amount is unchanged from FY 2022.

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. It 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 Completion Grants

The budget includes \$1,000,000 from the General Fund in FY 2023 for CTED Completion Grants. This amount is unchanged from FY 2022.

A footnote in the General Appropriation Act stipulates that program monies are intended to help fund program completion for students who complete at least 50% of a CTED program before graduating from high school and who successfully complete the program after graduating from high school. 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 budget continues a footnote that makes the program's appropriation non-lapsing through the end of the following fiscal year (FY 2024).

CTED Industry Credential Incentive Program

The budget includes no funding in FY 2023 for the CTED Industry Credential Incentive Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2023 to eliminate one-time funding for the CTED Industry Credential Incentive Program. The FY 2020 budget provided one-time funding for this program in FY 2021 and FY 2022.

Background – The FY 2020 K-12 Education BRB established a new CTED Industry Credential Incentive Program (A.R.S. § 15-249.15) that provides awards of up to \$1,000 per student to a student's school district, charter school or CTED if the student obtains an eligible CTE certification, credential, or license through a CTE program prior to graduation. The awards will be provided only for CTE certifications related to "high demand" occupations.

CTED Soft Capital and Equipment

The budget includes \$1,000,000 from the General Fund in FY 2023 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2022.

The line item provides additional funding to small CTEDs for soft capital and equipment. A footnote in the General Appropriation Act requires the department to distribute the appropriated amount to CTEDs with fewer than 2,000 ADM pupils on a pro rata basis for soft capital and equipment expenses. The budget continues this footnote for FY 2023.

Early Literacy

The budget includes \$12,000,000 from the General Fund in FY 2023 for Early Literacy. This amount is unchanged from FY 2022.

The program is authorized by A.R.S. § 15-249.09, which establishes the Early Literacy Grant Program Fund (ELGPF) to provide support to improve reading skills, literacy and proficiency for students in Kindergarten through 3rd Grade.

Education Learning and Accountability System

The budget includes \$5,339,800 and 24.2 FTE Positions from the General Fund in FY 2023 for the Education

Learning and Accountability System (ELAS) line item. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$24,400 from the General Fund in FY 2023 for statewide adjustments.

Background – The monies in this line item are for continued maintenance and operation of ELA, 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). (See the ADOA – Automation Projects Fund narrative)

English Learner Administration

The budget includes \$6,538,800 and 13.5 FTE Positions from the General Fund in FY 2023 for English Learner Administration. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$21,900 from the General Fund in FY 2023 for statewide adjustments.

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.)

Extraordinary Special Education Needs Fund Deposit

The budget includes no funding in FY 2023 for an Extraordinary Special Education Needs Fund Deposit. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2023 to remove one-time funding for a deposit in the Extraordinary Special Education Needs Fund.

Background - School districts and charter schools may apply for grants from the Extraordinary Special Education Needs Fund established in A.R.S. § 15-774 if they have pupils enrolled in special education for whom the district or charter school has not received sufficient funding for all services needed by the child. Eligibility for grants is limited to school districts and charter school with pupils

receiving special education incurring costs of at least 3 times the statewide per pupil funding average. If monies in the fund are insufficient to cover the cost of all claims submitted, ADE shall prioritize claims based on the difference between the total costs for the child and the total funding the district or charter has received for the child. ADE is required to report data on claims submitted to the fund by December 15th annually.

Foster Home Youth Transitional Housing

The budget includes \$10,000,000 from the General Fund in FY 2023 for Foster Home Youth Transitional Housing. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$10,000,000 from the General Fund in FY 2023 to provide a one-time distribution to the East Valley Institute of Technology (EVIT) for a transitional housing unit. A General Appropriation Act footnote stipulates that EVIT shall use the monies to construct and furnish a 64-bed transitional housing unit for foster youths who are 17-21 years of age and who need stable housing to obtain a high school diploma or GED and are earning an industry certification in a program offered by EVIT.

Geographic Literacy

The budget includes \$100,000 from the General Fund in FY 2023 for Geographic Literacy. This amount is unchanged from FY 2022.

Based upon a footnote, the program funds a statewide geographic alliance for strengthening geographic literacy in this state.

Gifted Assessments

The budget includes \$850,000 from the General Fund in FY 2023 for Gifted Assessments. This amount is unchanged from FY 2022.

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. This funding was previously labeled as one-time in FY 2022. The budget continues this funding in FY 2023 and designates the \$850,000 as an ongoing expense.

Invest in Postsecondary Success Program Fund Deposit

The budget includes \$1,000,000 from the General Fund in FY 2023 for an Invest in Postsecondary Success Program Fund Deposit. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$1,000,000 from the General Fund in FY 2023 to provide a one-time deposit in the Invest in Postsecondary Success Program Fund established in A.R.S. § 15-249.18. ADE shall use monies in the fund to contract with a nonprofit vendor that establishes college match savings accounts in which a student's contributions are matched by \$8 for each dollar the student deposits per academic year.

Jobs for Arizona Graduates

The budget includes \$100,000 from the General Fund in FY 2023 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2022.

The budget 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 approximately 1,300 Arizona students with college and career readiness services as well as interventions for students at risk of dropping out of high school.

Office of Indian Education

The budget includes \$5,000,000 from the General Fund in FY 2023 for the Office of Indian Education. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$5,000,000 from the General Fund in FY 2023 to provide a one-time distribution to the Office of Indian Education. A General Appropriation Act footnote stipulates that the monies are non-lapsing. A.R.S. § 15-244 stipulates that the Office shall provide technical assistance to school and Indian nations on curricula and instructional materials to meet the educational needs of Native American pupils.

Onetime Electronic Incident Prevention Programs

The budget includes \$150,000 from the General Fund in FY 2023 for Onetime Electronic Incident Prevention Programs. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$150,000 from the General Fund in FY 2023 for onetime electronic incident prevention programs. A General Appropriation Act footnote stipulates that ADE shall use the monies to provide school safety grants to schools to procure and implement an electronic incident prevention program.

School Safety Program

The budget includes \$81,932,100 and 4 FTE Positions in FY 2023 for the School Safety program. These amounts consist of:

General Fund	74,132,100
Education Sales Tax	7,800,000

FY 2023 adjustments are as follows:

School Resource Officer Grants

The budget includes an increase of \$50,000,000 from the General Fund in FY 2023 for additional School Resource Officer (SRO) grants. A General Appropriation Act footnote stipulates that ADE shall first distribute monies to schools that are on the waiting list to receive funding to place school resource officers on school campuses. If the cost of funding all SRO grants on the waiting list is less than \$50,000,000, ADE may use the remaining monies for grants to schools to place school counselors and social workers on school campuses.

Statewide Adjustments

The budget includes an increase of \$6,900 from the General Fund in FY 2023 for statewide adjustments.

Background – The School Safety Program established in A.R.S. § 15-154 has existed in Arizona since FY 1995. (See the FY 2015 Appropriations Report for program history.) The program allows schools to apply for grant monies to support the costs of placing school resource officers (SROs), juvenile probation officers, school counselors, and school social workers on school campuses. Funding is allocated annually by the Department of Education subject to review and approval by the State Board of Education pursuant to A.R.S. § 15-154. Expenditure Authority does not affect the department’s access to funding from the Education Sales Tax as it may spend whatever funding is available.

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. The department opened the current funding cycle in FY 2020. In December 2019, ADE received approval from SBE to disburse the grant amounts for FY 2020, which is funding

116 SROs, 148 school counselors and 118 social workers annually through FY 2022.

State Block Grant for Vocational Education

The budget includes \$11,628,100 and 27 FTE Positions from the General Fund in FY 2023 for the State Block Grant for Vocational Education. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$51,800 from the General Fund in FY 2023 for statewide adjustments.

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 2022, the department will receive an estimated \$32,635,500 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 budget includes \$350,000 from the Department of Education Empowerment Scholarship Account Fund in FY 2023 for Student Level Data Access. This amount is unchanged from FY 2022.

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 budget includes \$2,462,900 and 22.9 FTE Positions in FY 2023 for Teacher Certification. These amounts consist of:

General Fund	179,500
Teacher Certification Fund	2,283,400

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$59,900 from the Teacher Certification Fund in FY 2023 for statewide adjustments.

The program processes applications for teacher and administrator certification, including certification renewal. It is funded through fees paid by certification applicants pursuant to A.R.S. § 15-531.

Teacher Professional Development Pilot

The budget includes no funding in FY 2023 for a Teacher Professional Development Pilot Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(400,000) from the General Fund in FY 2023 to remove one-time funding for the Teacher Professional Development Pilot.

The FY 2020 K-12 Education BRB extended the pilot program through July 1, 2023. It also allows the department to retain up to 3% of program monies for administration. Chapter 284 requires the pilot program to issue scholarships or grants, or both, on a competitive basis that would support certificated teachers in gaining additional credentials and certifications at a regionally or nationally accredited public or private institution to teach math, science, technology, engineering or career and technical education in a public school.

Program scholarships and grants may not exceed \$2,000 per applicant. Recipients shall agree to teach in an Arizona public school for at least 3 additional years after completing their professional development program. If that commitment is not met, the recipient shall be required to fully pay back their scholarship.

On or before November 1 of each year of the pilot program the department shall submit to the Governor, President of the Senate and Speaker of the House of Representatives a report that summarizes the results of the pilot program. In its November 2021 report, ADE states that a total of 119 scholarships were awarded under the pilot program between August 2019 and October 2021. Scholarship disbursements over the same time period totaled \$442,100.

Tribal College Dual Enrollment Program

The budget includes \$325,000 from the Tribal College Dual Enrollment Program Fund in FY 2023 for the Tribal College Dual Enrollment Program. This amount is unchanged from FY 2022.

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 2022 Adjustments
- Statutory Changes
- Long-Term Budget Impacts

Ballot Proposition

- Endowment Earnings
- Proposition 123 Triggers
- Aggregate Expenditure Limit
- Proposition 208
- Education Sales Tax

Basic State Aid

- Basic State Aid Formula Description

Information on these various issues is as follows:

FY 2022 Adjustments

The budget assumes that ADE's General Fund expenses associated with Basic State Aid will be \$(389,100,000) lower than the original FY 2022 appropriation. The estimated surplus is based on 3 factors:

- \$(130,000,000) is for lower-than-budgeted district Transportation Support Level (TSL) expenses as a result of reduced route miles during the COVID-19 pandemic. The Basic State Aid formula is calculated based on route miles from the prior year, so FY 2022 formula allocations are based on FY 2021 route miles, which were (55)% lower in comparison with FY 2020.
- \$(20,000,000) is for lower-than-budgeted District Additional Assistance (DAA). The decrease is based on district enrollment declines that occurred during FY 2021 since DAA is based on prior year rather than current year student counts. The enacted budget did not include any savings in FY 2022 associated with prior year enrollment declines.

- \$(239,100,000) is for lower-than-budgeted current year (FY 2022) student counts. As of June 30, ADE computed reported unweighted student counts of 1,107,751, or (27,177) less than the student count assumed in the enacted FY 2022 budget.

The budget does not, however, reduce ADE's original FY 2022 appropriation to account for the projected surplus. As a result, the \$(389,100,000) is expected to be accounted for in ADE's General Fund reversion for FY 2022.

Statutory Changes

The K-12 Education budget bill (Laws 2022, Chapter 317) 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. Provides an additional 5.88% increase to the Base Level over and above the regular inflation adjustment in FY 2023 for a total adjustment of 8.76%. Results in an FY 2023 Base Level of \$4,775.27.
- As permanent law, increase the Group B weight for children with developmental delays, emotional disabilities, mild intellectual disabilities, a specific learning disability, a speech language impairment, or other health impairments from 0.093 to 0.292 (increase of \$950 per pupil).
- As permanent law, establish new Group B weight in Basic State Aid formula of 0.018 (approximately \$86 per pupil) for children eligible for the federal Free- and Reduced Price Lunch (FRPL) program.
- As permanent law, eliminate the 1.25% increase to the Base Level for school districts associated with Additional Monies for Teacher Compensation established in A.R.S. 15-952.
- As permanent law, allocates \$47,900,000 to increase District Additional Assistance (DAA) per pupil formula allocations by an average of \$55 per pupil. The adjustment will increase the General Fund the DAA per pupil formula amounts by 11.44% in FY 2023.
- As permanent law, allocates \$12,100,000 to increase Charter Additional Assistance (CAA) per pupil formula allocations by an average of \$55 per pupil. The adjustment will result in a 2.62% increase above regular inflation (for total increase of 4.62%) in FY 2023.
- As permanent law, allow county jail education programs to receive state aid for inmates ages 18-21

who do not have a disability and do not have a high school diploma or general equivalency diploma.

Results-Based Funding

- As session law, continue to notwithstanding A.R.S. § 15-249.08 to fund Results-Based Funding in FY 2023 as follows:
 - \$225 per pupil to schools with statewide assessment scores in the top 13% statewide
 - \$225 per pupil to schools with statewide assessment scores between the top 13% and 27% among schools with at least 60% FRPL-eligibility
 - \$400 per pupil to schools with statewide assessment scores in the top 13% among schools with at least 60% FRPL-eligibility
 - \$400 per pupil for alternative schools in the top 27% among schools with at least 60% FRPL-eligibility.

Other

- As permanent law, updates the Qualifying Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2023.
- As permanent law, eliminate the State Equalization Tax Rate.
- As permanent law, establish the Code Writers Initiative Program within ADE to provide competitive grants to be used for computer code writing instruction for Native American students. Requires grantees to report to the President of the Senate, the Speaker of the House, the Indian Advisory Council, and the Department of Education on their use of the grants by September 1 annually.
- As permanent law, require SBE, in cooperation with ADE, to adopt performance measures for adult education and workforce development programs in Arizona by July 1, 2024.
- As permanent law, establishes the Continuing High School and Workforce Training Program within the State Board of Education to provide adults with alternative study services that lead to the issuance of a high school diploma and industry-recognized credentials. ADE shall administer the program. SBE shall authorize eligible service providers that have established a partnership with a school district or charter school that is not otherwise receiving Basic State Aid funding for participating adult students. Participating schools shall receive \$7,700 per student. Total participation is capped at 600 students in FY 2023, 1,000 students in FY 2024, and 1,400 students in FY 2025. If the number of program students exceeds the participation thresholds, ADE shall prioritize funding for programs demonstrating the highest performance.
- As permanent law, require ADE to submit a report to the Governor, the President of the Senate, and the

Speaker of the House, and SBE by December 15, 2025 and each year thereafter evaluating the effectiveness of the Continuing High School and Workforce Training Program.

- As permanent law, establishes the Adult Workforce Diploma Program within the State Board of Education (SBE) to individuals 21 years or older to earn a high school diploma and employment skills. ADE shall administer the program. Providers may furnish services in a campus-based, online, or blended format.
- As permanent law, establishes the Adult Workforce Diploma Program Fund to be administered by ADE. The fund shall consist of legislative appropriations, gifts, grants, and other donations and is non-lapsing. Monies in the fund shall be used to make payments to approved providers in the Adult Workforce Diploma Program of \$1,000 per recipient that earns a high school diploma and lower awards for other specified program milestones. ADE shall distribute the full award amounts on a first-come-first-serve basis.
- As permanent law, require SBE, in consultation with ADE, to approve qualified program providers in the Adult Workforce Diploma Program by October 15 annually. Establishes reporting requirements for approved program providers and stipulates that SBE shall revoke an approved provider's authorization after 2 years if the provider that does not achieve a graduation rate of at least 50% or has an average cost per student that exceeds \$7,000.
- As permanent law, establishes the Community College Adult Education Workforce Development Program within SBE, to be administered by ADE. The program shall provide adult learners with education programs and support services to adult learners that lead to both a high school diploma and an industry-recognized credential or community college degree. Support services may include transportation assistance, child care, college and career counseling, and job placement assistance.
- As permanent law, establishes the Community College Adult Education Workforce Development Program Fund to be administered by ADE. The fund shall consist of legislative appropriations, gifts, grants, and other donations and is non-lapsing. Monies in the fund shall be used to make payments to Community Colleges that offer a high school diploma and that provide workforce training leading to industry recognized credentials. Stipulates that payments shall be up to \$3,000 per full-time program participant and may be distributed proportionally among program providers based on their number of enrolled adult students.
- As permanent law, requires community colleges participating in the Community College Adult Education Workforce Development Program to submit a report by October 30 annually to ADE that details the number of participants, the completion rate and average progress toward a high school degree, the number of industry-recognized credentials and community college credits earned, and other specified information. ADE shall compile and submit the reports to the Governor, the Speaker of the House, the President of the Senate, and SBE by December 15 annually.
- As permanent law, establishes the Arizona Empowerment Scholarship Accounts Parent Oversight Committee. The committee would consist of 6 parents of children participating in the ESA program. The President of the Senate, the Speaker of the House, the Senate Minority leader, and the House Minority leader would each have 1 appointment to the Committee. The Governor would have 2 appointments to the committee. The committee shall review ADE's administration of the ESA program.
- As permanent law, establishes the Invest in Postsecondary Success Program within ADE. Requires the department to contract with a nonprofit vendor that provides college match savings accounts for students that match each dollar saved by the student with \$8 and that meets other eligibility criteria. Establishes the Invest in Postsecondary Success Program Fund consisting of legislative appropriations. ADE may use monies in the fund for administrative costs and distributions to the contracted vendor. Monies in the fund are non-appropriated and non-lapsing.
- As session law, allows schools districts to revise their FY 2023 primary and secondary property tax rates prior to August 1, 2022 to allow school districts to account for legislatively-enacted K-12 funding changes that occur after June 20, 2022.
- As session law, continue stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ADE General Fund costs are projected to increase by \$169,107,300 in FY 2024 above FY 2023 and \$309,571,900 in FY 2025 above FY 2024. These estimates are based on:

- 0.2% ADM growth (unweighted) in FY 2024 and 0.5% growth FY 2025.

- GDP inflators of 2.0% for FY 2024 and FY 2025. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.15% for FY 2024 and 2.08% for FY 2025.
- General Fund decreases of \$(15,070,100) in FY 2024 and \$(17,148,100) in FY 2025 for higher endowment earnings.
- An increase of \$4,600,000 each of FY 2024 and FY 2025 for Homeowner's Rebate expenses associated with a reduction in the assessment ratio for commercial property by 0.5% each year pursuant to Laws 2021, Chapter 412.
- As provided by the 3-year spending plan in the FY 2022 budget, an increase of \$8,780,000 in FY 2024 to add ongoing funding for CTED certification exam fee reimbursement (\$1,000,000), an additional 25 literacy coach FTE Positions (\$3,100,000), a kindergarten entry assessment (\$1,500,000), dyslexia screening and training (\$1,280,000), a teacher reading instruction exam (\$1,000,000), the Jobs for Arizona Graduates program (\$400,000), and the Alternative Teacher Development Program (\$500,000). The adjustments replace federal funding from prior years.
- An increase of \$29,000,000 in FY 2024 above FY 2023 and \$29,000,000 in FY 2025 above FY 2024 for further increases to the DAA/CAA formulas pursuant to Sections 127 and 128 of the General Appropriations Act.
- An increase of \$13,000,000 in FY 2024 above FY 2023 and \$37,000,000 in FY 2025 above FY 2024 for additional increases to the Group B weight for FRPL-eligible pupils pursuant to sections 127 and 128 of the General Appropriation Act.
- A decrease of \$(86,250,000) in FY 2024 and \$(100,000) in FY 2025 to remove funding designated as one-time.

Endowment Earnings

In FY 2021, endowment earnings from state trust lands funded \$412,916,200 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% (8.1 million acres) are for the benefit of public schools.

The rest are designated mostly for the benefit of universities and corrections. K-12 education therefore is by far the largest beneficiary of earnings generated from state trust lands. The State Land Department and State Treasurer both generate endowment earnings from state trust lands. The State Land Department generates

endowment earnings primarily by selling or leasing state trust lands and natural products from trust lands. The State Treasurer generates endowment earnings by investing monies received from the State Land Department from the sale of state trust lands and related natural products in stocks, bonds and other income-earning investments.

State trust land earnings are considered either "permanent" or "expendable" depending on whether they are one-time in nature. Only expendable monies are distributed to beneficiaries, as permanent monies are considered to be part of the original endowment and must be reinvested rather than distributed to beneficiaries. Permanent monies include one-time proceeds from the sale of state trust lands and natural products from state trust lands.

Expendable monies include ongoing income that the State Land Department generates from leases, permits and interest from sales contracts and a portion of investment returns generated by the State Treasurer.

The portion of Treasurer land trust earnings that is considered expendable is determined by a formula prescribed in the State Constitution, since the value of invested land trust monies fluctuates daily. Prior to voter approval of Proposition 123 in May 2016, the State Constitution required the State Treasurer to distribute annually to each beneficiary (such as public schools) a flat 2.5% of the average monthly market value of the beneficiary's permanent fund for the immediately preceding 5 calendar years.

The 2.5% factor has been superseded through FY 2025 by a new 6.9% factor, 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 2021, public schools received \$412,916,200 of expendable land trust monies from the State Land Department and State Treasurer combined. That total included \$54,912,900 from the Land Department and \$358,003,300 from the State Treasurer (see Table 6).

Source	2015 ^{1/}	2021	2022 est	2023 est
Land Department	53.2	54.9	54.9	54.9
Treasurer	76.0	358.0	372.0	402.4
Total	129.2	412.9	426.9	457.4

^{1/} Final year prior to Proposition 123.

Table 7 shows that K-12 endowment earnings are estimated to equal \$426,912,200 in FY 2022 and \$457,359,500 in FY 2023. Of the \$412,916,200 in K-12 expendable earnings generated for FY 2021, \$300,555,000 was used to fund Basic State Aid pursuant to A.R.S. § 37-521B3, and the remaining \$112,361,200 was deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4 (see Table 7). The latter law dedicates to the Classroom Site Fund all growth in K-12 expendable endowment earnings above the FY 2001 level, which was \$72,300,000. (See Education Sales Tax narrative and State Land Trust Program Summary on JLBC website.)

Source	2015	2021	2022	2023
Basic State Aid	47.3	300.6	309.5	328.9
SFB Debt Service ^{2/}	25.0	0.0	0.0	0.0
Classroom Site Fund	56.9	112.4	117.4	128.5
Total	129.2	412.9	426.9	457.4

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 2026, 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.

For FY 2023, budgeted K-12 spending constitutes approximately 43.7% of total state General Fund appropriations. (Please see the FY 2017 Appropriations Report for more information on Proposition 123.)

Aggregate Expenditure Limit

Article IX, Section 21 of the State Constitution establishes an Aggregate Expenditure Limit (AEL) that caps spending for all school districts combined at the FY 1980 statewide level adjusted for subsequent statewide enrollment growth and inflation plus 10%. The AEL does not apply to exempted items like overrides, bonding, or charter school funding.

Pursuant to A.R.S. § 15-911B, 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. A.R.S. § 15-911C2 allows the Legislature to authorize statewide school district spending above the AEL for that year with a two-thirds majority vote in both the House of Representatives and Senate. Pursuant to House Concurrent Resolution 2039, the Legislature authorized district expenditures of \$1,154,029,000 above the AEL for FY 2022.

A permanent increase in the AEL would require a voter-approved change to the State Constitution.

Proposition 208 – Education Funding

Proposition 208, approved by voters in the November 2020 general election, would have established a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. Most of these funds would have been distributed to school districts and charter schools.

In August 2021, the Arizona Supreme Court ruled in *Fann v State of Arizona* that the Proposition 208 income tax surcharge is unconstitutional if the tax revenues generated cannot be spent without school districts exceeding the K-12 Aggregate Expenditure Limit. The

Table 8

**Education Sales Tax Monies
(FY 2023 Estimate)
(\$ in Millions)**

EDUCATION SALES TAX REVENUES

<u>Recipient</u>	<u>Amount</u>	<u>Comment</u>
Universities	123.3	Receive 12% of monies remaining after distributions to the Superintendent for Basic State Aid is deducted.
Community Colleges	30.8	Receive 3% of monies after BSA distribution.
Tribal Colleges	1.2	Same formula as for community colleges.
Income Tax Credit	<u>25.0</u>	For income tax credit authorized by A.R.S. § 43.1072.01.
Subtotal - Non-ADE Programs	\$180.4	
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	<u>744.3</u>	Established by A.R.S. § 15-977. Receives all monies remaining after other distributions are made. Also receives all expendable K-12 endowment earnings above \$72.3 million.
Subtotal - ADE Programs	\$911.1	
Total - Prop 301 Sales Tax	\$1,091.5	
CLASSROOM SITE FUND REVENUES (ALL SOURCES)		
Education Sales Tax (from above)	744.3	
Prop 301/CSF - Land Trust	128.5	
Prop 301/CSF - Carry-Forward	<u>123.3</u>	
Total - Classroom Site Fund	\$996.3^{1/}	

^{1/} Total estimated disbursements reported for FY 2023 in JLBC's Classroom Site Fund memo from March 2022. Amounts may not add due to rounding.

Court remanded the case to the Superior Court to make a determination as to whether Proposition 208 monies would result in an AEL exceedance if they are expended. The Superior Court ruled in March 2022 that it is "more likely than not" that school district budgets would exceed the spending limit in FY 2023 and therefore struck down Proposition 208 in its entirety.

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 purchases from 5% to 5.6% through FY 2021 to generate more funding for public education.

Starting in FY 2022, Laws 2018, Chapter 74 replaces 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 will be 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 2023. 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 \$744,264,700 (68.2%) of the \$1,091,495,300 of estimated collections for FY 2022 (see Table 8).

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 2023 are \$996,341,900 (see Table 8).

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.

Department of Emergency and Military Affairs

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
PROGRAM BUDGET			
Administration	56,921,700	1,957,100	211,853,000
Emergency Management	6,848,200	8,234,000	8,409,100
Military Affairs	1,809,800	5,107,100	20,537,500
AGENCY TOTAL	65,579,700	15,298,200	240,799,600
OPERATING BUDGET			
Full Time Equivalent Positions	69.6	72.6	72.6 ^{1/}
Personal Services	2,016,500	2,236,500	2,584,800
Employee Related Expenditures	659,900	680,200	910,900
Professional and Outside Services	17,700	254,300	254,300
Travel - In State	11,400	53,000	53,000
Travel - Out of State	1,800	10,000	10,000
Other Operating Expenditures	220,800	1,192,800	1,645,600
Equipment	23,000	305,000	84,500
OPERATING SUBTOTAL	2,951,100	4,731,800	5,543,100
SPECIAL LINE ITEMS			
Emergency Management Matching Funds	1,585,900	1,544,900	1,544,900
Governor's Emergency Fund	4,000,000	4,000,000	4,000,000 ^{2/}
Nuclear Emergency Management Program	1,506,100	1,930,400	1,987,400
Military Airport Planning	90,000	90,000	90,000 ^{3/}
Border Security Fund Allocations	0	0	209,205,000 ^{4/5/}
Border Security Fund Deposit	55,000,000	0	0
Federal Government Matching Repayment	0	0	759,200
National Guard Cyber Response Revolving Fund Deposit	0	300,000	0
National Guard Matching Funds	216,200	1,701,100	3,370,000 ^{6/}
National Guard Tuition Reimbursement	230,400	1,000,000	1,000,000 ^{7/}
One-Time Maintenance Backfill	0	0	13,300,000
AGENCY TOTAL	65,579,700	15,298,200	240,799,600 ^{8/}
FUND SOURCES			
General Fund	64,073,600	13,367,800	29,607,200
<u>Other Appropriated Funds</u>			
Border Security Fund	0	0	209,205,000
Nuclear Emergency Management Fund	1,506,100	1,930,400	1,987,400
SUBTOTAL - Other Appropriated Funds	1,506,100	1,930,400	211,192,400
SUBTOTAL - Appropriated Funds	65,579,700	15,298,200	240,799,600
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	190,800	1,275,200	335,165,000
Federal Funds	153,853,000	212,423,800	135,939,400
TOTAL - ALL SOURCES	219,623,500	228,997,200	711,904,000

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 1 GF and 8.5 OF FTE Positions funded from Special Line Items in FY 2023.

- 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 Appropriation 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 Appropriation Act.
- 4/ Please refer to the narrative for the Border Security Fund Allocations line item for details regarding the allocations of the \$209,205,000 appropriated in FY 2023.
- 5/ Monies appropriated for the Border Security Fund Allocations line item in FY 2023 are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 6/ The \$3,370,000 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 2022-2023 monies remaining unexpended and unencumbered on December 31, 2023 revert to the state general fund. (General Appropriation Act footnote)
- 7/ 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, 2023. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

Operating Budget

The budget includes \$5,543,100 and 63.1 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Named Claimants

The budget includes a decrease of \$(693.52) from the General Fund in FY 2023 for the elimination of one-time funding for prior year unpaid claims. *(Please see the Named Claimants discussion in ADQA Other Issues.)*

Remove One-Time Funding

The budget includes a decrease of \$(220,500) from the General Fund in FY 2023 to remove one-time funding for costs associated with communication equipment for National Guard aircrafts.

Salary Increase

The budget includes an increase of \$455,300 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Details and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$577,200 from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Emergency Management Matching Funds

The budget includes \$1,544,900 from the General Fund in FY 2023 for Emergency Management Matching Funds. This amount is unchanged from FY 2022.

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 2020, DEMA was awarded \$7,335,000 by the federal government.

In FY 2020, the state match for these monies was funded by \$730,900 from the General Fund operating budget appropriation, \$1,472,400 from the Emergency Management Matching Funds line item appropriation, \$100,000 in In-Kind Assistance, \$766,500 of the Nuclear Emergency Management Fund appropriation, and a \$4,265,200 match from the local government sub-recipients. FY 2020 is the latest data available.

In FY 2021, DEMA expected to receive \$8,949,100 in EMPG funds. This is the latest estimate available.

Governor's Emergency Fund

The budget includes \$4,000,000 from the General Fund in FY 2023 for the Governor's Emergency Fund. This amount is unchanged from FY 2022.

Under A.R.S. § 35-192, the Governor may, through emergency declarations, authorize up to \$4,000,000 annually from the General Fund for disaster prevention and mitigation without specific appropriation authority. Monies in this line item, therefore, are not included in the General Appropriation Act.

Nuclear Emergency Management Program

The budget includes \$1,987,400 and 8.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2023 for the Nuclear Emergency Management Program line item. FY 2023 adjustments are as follows:

NEMF Assessment

The budget includes an increase of \$57,000 from NEMF in FY 2023 for the NEMF assessment.

Laws 2021, Chapter 71 appropriates \$1,930,417 and 8.5 FTE Positions from NEMF in FY 2022 and \$1,987,423 and 8.5 FTE Positions from NEMF in FY 2023.

As a result, these monies did not appear in the General Appropriation Act. DEMA and the Department of Agriculture received monies from Chapter 71.

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.

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

Military Airport Planning

The budget includes \$90,000 and 1 FTE Position from the General Fund in FY 2023 for Military Airport Planning. These amounts are unchanged from FY 2022.

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 Appropriation Act.

The Military Installation Fund itself currently has no ongoing revenue source. At the end of FY 2020, the fund had an unreserved balance of \$641,491.

Border Security Fund Allocations

The budget includes \$209,205,000 from the Border Security Fund in FY 2023 for the Border Security Fund Allocations line item. *See Table 1 for total border security funding.* FY 2023 adjustments are as follows:

One-Time Border Security Funding

The budget includes a one-time increase of \$209,205,000 from the Border Security Fund in FY 2023.

Laws 2022, Chapter 321 diverts \$209,205,000 of transaction privilege tax (TPT) revenues in FY 2023 from the General Fund to the Border Security Fund. Section 110 of the FY 2023 General Appropriation Act appropriates the \$209,205,000 to DEMA and allocates the funding for various purposes. (The Border Security Fund is otherwise a non-appropriated fund). DEMA is required to allocate the monies in consultation with the Department of Public Safety (DPS) as follows:

- \$20,000,000 to distribute to Cochise County for up to 20% of the costs to construct a county jail. The budget stipulates that the state share of construction costs shall not exceed \$20,000,000 and that these monies not be distributed until Cochise County has submitted a report to JLBC, OSPB, and ADOA that the county has raised sufficient monies to fund the remainder of the project's budget. Monies that remain unspent on June 30, 2027 will revert to the Border Security Fund.
- \$15,000,000 to reimburse a county or local law enforcement agency for costs incurred for participating in a program with the U.S. Immigration and Customs Enforcement (ICE).
- \$10,000,000 for deposit into the Antihuman Trafficking Grant Fund. Of this amount, \$2,000,000 is for the DPS Arizona County Terrorism Information Center (ACTIC) and \$8,000,000 is for grants of up to \$500,000 to local law enforcement agencies for programs that reduce human trafficking.
- \$30,000,000 for distribution to cities, towns or counties for costs associated with prosecuting and imprisoning individuals charged with border-related crimes.
- \$10,000,000 for costs incurred by the Arizona National Guard in the Southern Arizona border region.
- \$10,000,000 for emergency health care and testing for immigrants along the southern border.
- \$15,000,000 for transportation of individuals seeking asylum to other states in the U.S.
- \$53,405,000 to distribute to ADOA for deputy sheriff compensation, including a \$10,000 retention bonus paid over 2 years and a \$5,000 signing bonus paid

over 1 year. The budget requires ADOA to report to JLBC and OSPB on September 1, 2023 and September 1, 2024 on the total amounts distributed by county and staffing and retention data for positions receiving retention bonuses. By June 30, 2023, ADOA is required to submit a report on the amounts distributed to each county for signing bonuses.

- \$800,000 for the chain of command in the Arizona State Guard.
- \$30,000,000 for construction costs of a state emergency operations center. Prior to expending the monies, DEMA is required to submit the scope, purpose, and estimated cost of the project to JCCR for review.
- \$15,000,000 to distribute to DPS for the construction of a southern border coordinated response center. Prior to expending the monies, DPS is required to submit the scope, purpose, and estimated cost of the project to JCCR for review.

The allocations listed above are exempt from lapsing. 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. In addition, the budget permits DEMA to transfer spending authority between and within the allocations listed above. Before making a transfer, the department is required to submit the proposed transfer to JLBC for review.

In addition to the \$209,205,000 appropriation described above, Laws 2022, Chapter 334 diverts \$335,000,000 of transaction privilege tax (TPT) revenues from the General Fund to the Border Security Fund in FY 2023 for other purposes. DEMA is required to use these monies to construct and maintain a physical border fence, to purchase or install border security technologies, including cameras, sensors, drones, software and other surveillance equipment, and to pay associated administrative costs.

Chapter 334 requires DEMA to use existing infrastructure and fence materials for the construction of the physical border fence where feasible. By June 30, 2023, DEMA is required to report to JLBC regarding the use of existing materials for the construction of the physical border fence. In addition, DEMA is required to submit the same quarterly report as required for the \$209,205,000 allocation described above.

Table 1 delineates the total amount of TPT diversions made to the Border Security Fund in FY 2023 by purpose.

Table 1

Border Security Fund Allocations

	<u>FY 2023 Allocation</u>
<i>Laws 2022, Chapter 313</i>	
Cochise County Jail	\$20,000,000
Local ICE Reimbursement	15,000,000
Antihuman Trafficking Grant Fund	10,000,000
Local Prosecution Costs	30,000,000
Arizona National Guard	10,000,000
Emergency Testing and Care	10,000,000
Asylum Transportation	15,000,000
Deputy Sheriff Compensation	53,405,000
State Guard – Chain of Command	800,000
Emergency Operations Center	30,000,000
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

Border Security Fund Deposit

The budget includes no funding in FY 2023 for the Border Security Fund Deposit line item. This amount is unchanged from FY 2022.

DEMA is required to allocate the FY 2021 appropriation in consultation with the Department of Public Safety as follows:

- \$3,700,000 to Cochise County for costs associated with body-worn camera video release.
- \$2,500,000 to Yuma County for costs associated with body-worn camera video release.
- \$2,700,000 to operate a pilot program to reduce human trafficking. This allocation provides \$675,000 to each of the following entities: The Department of Public Safety, the Cochise County Sheriff's Department, the Yuma County Sheriff's Department, and the Pinal County Sheriff's Department.
- \$1,100,000 to the Cochise, Pima, Santa Cruz and Yuma County Sheriff's for cameras and related equipment for Southern Arizona border region enforcement.
- \$20,000,000 for distribution to cities, towns or counties for costs associated with prosecuting and imprisoning individuals charged with border-related crimes.
- \$25,000,000 for costs incurred by the Arizona National Guard in the Southern Arizona border region.

Laws 2022, Chapter 183 allows DEMA to use up to \$250,000 annually from the Border Security Fund for administrative costs.

Federal Government Matching Repayment

The budget includes \$759,200 from the General Fund in FY 2023 for the Federal Government Matching Repayment line item. FY 2023 adjustments are as follows:

Federal Government Matching Repayment Funding

The budget includes an increase of \$759,200 from the General Fund in FY 2023 for costs associated with meeting the federal grant requirements for maintenance and engineering work.

The line item provides ongoing funding to provide a full 100% state match for federal dollars received to fund employee salaries and facility maintenance.

National Guard Cyber Response Revolving Fund Deposit

The budget includes no funding in FY 2023 for the National Guard Cyber Response Revolving Fund Deposit line item. FY 2023 adjustments are as follows:

Remove One-Time Fund Deposit

The budget includes a decrease of \$(300,000) from the General Fund in FY 2023 to remove a one-time deposit into the National Guard Cyber Response Revolving Fund.

A.R.S. § 26-183 allows the National Guard to engage in cyber-attack prevention, response and support activities for the state and political subdivisions in the state.

National Guard Matching Funds

The budget includes \$3,370,000 from the General Fund in FY 2023 for the National Guard Matching Funds line item. FY 2023 adjustments are as follows:

Readiness Center Maintenance Funding

The budget includes an increase of \$1,668,900 from the General Fund in FY 2023 to provide state match funding to support the operation and maintenance of readiness centers statewide.

The line item provides state funding to DEMA that serves as a match to federal grants for the operational and maintenance costs associated with National Guard facilities. These matching funds are for military grants, whereas the Emergency Management Matching Funds line item is for emergency-related grants. These military grants have a matching requirement of 5-50%.

The operations and maintenance for these facilities are paid through service contracts. The FY 2023 budget continues to make this appropriation exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2023 monies remaining unexpended and unencumbered on December 31, 2023 revert to the state General Fund.

In FY 2020, DEMA received \$43,063,000 in National Guard Military Operations and Maintenance Projects monies. Of this amount, \$2,949,600 required a 50% match, or \$1,474,800; \$2,242,200 required a 25% match, or \$560,600; and \$2,168,600 required a 5.5% match, or \$119,300, for a total required match of \$2,154,700.

In FY 2020, DEMA utilized \$1,805,700 from the National Guard Matching Funds appropriations (including monies from the FY 2018 appropriation) and \$513,900 from the Military Affairs appropriation. No funds were provided by the Arizona Department of Administration (ADOA) building renewal appropriation in FY 2020. FY 2020 is the latest data available.

DEMA estimates their FY 2021 match expenditures will be \$1,700,000. This is the latest estimate available from DEMA.

National Guard Tuition Reimbursement

The budget includes \$1,000,000 from the General Fund in FY 2023 for the National Guard Tuition Reimbursement line item. This amount is unchanged from FY 2022.

DEMA estimates that the \$1,000,000 appropriation will provide tuition reimbursement to 369 National Guardsmen. Monies in this line item are exempt from lapsing until September 30, 2023.

Laws 2022, Chapter 151 allows spouses and legal dependents of national guardsmen and employees of DEMA to qualify for tuition reimbursement under the Tuition Reimbursement Program. The bill further allows a 90-day extension of the lapsing of any appropriation to the National Guard Tuition Reimbursement Program.

One-Time Maintenance Backfill

The budget includes \$13,300,000 from the General Fund in FY 2023 for the One-Time Maintenance Backfill line item. FY 2023 adjustments are as follows:

One-Time Maintenance Funding

The budget includes an increase of \$13,300,000 from the General Fund in FY 2023 for one-time costs associated with resolving a deferred maintenance backlog at the

National Guard readiness centers facilities to prevent facility closures.

Other Issues

FY 2022 Supplemental

The FY 2023 budget includes an FY 2022 supplemental appropriation of \$693.52 from the General Fund for a one-time named claimants appropriation. *(Please see the Operating Budget section for further details.)*

Statutory Changes

The Criminal Justice BRB, as permanent law, creates the Antihuman Trafficking Grant Fund. The fund is continuously appropriated and administered by the Department of Emergency and Military Affairs. Monies in the fund can be distributed to organizations to reduce human trafficking in the state.

Please see the Border Security Fund Allocations line item for more information.

Department of Environmental Quality

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	322.0	322.0	355.7
Personal Services	18,186,900	19,533,400	22,582,600
Employee Related Expenditures	6,565,400	7,126,800	8,404,100
Professional and Outside Services	1,603,700	2,682,300	5,102,700
Travel - In State	170,800	444,300	444,300
Travel - Out of State	0	82,200	82,200
Other Operating Expenditures	11,384,100	17,608,200	22,999,900
Equipment	198,300	108,400	108,400
OPERATING SUBTOTAL	38,109,200	47,585,600	59,724,200 ^{1/}
SPECIAL LINE ITEMS			
Direct Potable Reuse of Treated Wastewater Program	0	0	1,500,000
Water Quality Fee Fund Deposit	0	0	6,400,000
Emissions Control Contractor Payment	23,463,500	26,219,500	26,219,500
WQARF Priority Site Remediation	15,000,000	15,000,000	15,000,000 ^{2/3/}
Safe Drinking Water Program	1,779,400	1,814,300	1,854,200
FY 2023 Salary Increase	0	0	2,450,600
AGENCY TOTAL	78,352,100	90,619,400	113,148,500 ^{4/}
FUND SOURCES			
General Fund	15,000,000	15,000,000	22,900,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	5,021,800	5,382,800	5,830,900
Emergency Response Fund	130,100	132,800	528,300
Emissions Inspection Fund	25,629,000	30,293,600	30,484,400
Hazardous Waste Management Fund	1,610,500	1,748,300	1,946,600
Indirect Cost Fund	14,024,600	13,962,600	18,629,000 ^{5/}
Permit Administration Fund	4,456,400	7,166,500	7,285,600 ^{6/}
Recycling Fund	1,298,800	1,565,100	2,522,400
Safe Drinking Water Program Fund	1,779,400	2,214,300	1,998,500
Solid Waste Fee Fund	1,199,100	1,853,900	2,674,600
Underground Storage Tank Revolving Fund	0	148,800	0
Voluntary Vehicle Repair and Retrofit Program Fund	0	560,000	0
Water Quality Fee Fund	8,202,400	10,590,700	18,348,200
SUBTOTAL - Other Appropriated Funds	63,352,100	75,619,400	90,248,500
SUBTOTAL - Appropriated Funds	78,352,100	90,619,400	113,148,500
Other Non-Appropriated Funds	85,334,200	76,970,900	76,970,900
Federal Funds	16,664,500	17,334,800	17,334,800
TOTAL - ALL SOURCES	180,350,800	184,925,100	207,454,200

AGENCY DESCRIPTION — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the cleanup (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and wastewater systems, monitors waters of the state, and provides hydrologic analysis to support hazardous site remediation.

FOOTNOTES

- 1/ The department of environmental quality shall establish an interagency service agreement with the Arizona department of forestry and fire management to transfer \$1,000,000 from the recycling fund established by section 49-837, Arizona Revised Statutes, to the Arizona department of forestry and fire management to administer grants for the purpose of recovering and processing biomass waste. (General Appropriation Act footnote)
- 2/ 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 Appropriation Act, it is shown here as a General Fund expenditure.
- 3/ 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 2022-2023 report to the joint legislative budget committee on or before September 1, 2022. 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 2022-2023. In addition, the department and the advisory board shall prepare and submit to the joint legislative budget committee, on or before October 1, 2022, 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 2021-2022, indicate whether the current stage of remediation is anticipated to be completed in fiscal year 2022-2023 and indicate the anticipated stage of remediation at each listed site at the end of fiscal year 2022-2023, assuming fiscal year 2022-2023 funding levels. The department and the WQARF advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 5/ All monies in the department of environmental quality indirect cost fund, including the beginning balance, that are in excess of \$18,629,000 in fiscal year 2022-2023 are appropriated to the department. Before spending indirect cost fund monies in excess of \$18,629,000 in fiscal year 2022-2023, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 6/ All permit administration fund monies received by the department of environmental quality in excess of \$7,285,600 in fiscal year 2022-2023 are appropriated to the department. Before spending permit administration fund monies in excess of \$7,285,600 in fiscal year 2022-2023, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

Solid Waste Fee Fund	380,100
Water Quality Fee Fund	6,400,000

The budget includes \$59,724,200 and 355.7 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
Air Quality Fund	\$5,381,900
Emergency Response Fund	528,300
Emissions Inspection Fund	4,264,900
Hazardous Waste Management Fund	1,780,100
Indirect Cost Fund	18,629,000
Permit Administration Fund	7,285,600
Recycling Fund	2,392,300
Solid Waste Fee Fund	2,402,800
Water Quality Fee Fund	17,059,300

FY 2023 adjustments are as follows:

Additional Funding for Water Programs

The budget includes an increase of \$6,780,100 and 29.7 FTE Positions in FY 2023 for additional funding to support surface water, groundwater, and drinking water programs. This amount consists of:

The General Appropriation Act also includes a one-time deposit of \$6,400,000 to the Water Quality Fee Fund from the General Fund. *(Please see Water Quality Fee Fund Deposit line item for more information.)*

These monies will be used to respond to findings from a September 2021 Auditor General report regarding the department's water quality protection responsibilities. *(Please see Other Issues - Auditor General Reports section for more information.)*

Appropriate Indirect Cost Fund Balance

The budget includes an increase of \$5,720,700 from the Indirect Cost Fund in FY 2023 to appropriate the estimated ending fund balance for FY 2023.

This increase allows ADEQ to spend the estimated FY 2023 balance of the Indirect Cost Fund on agency operating costs in FY 2023. A General Appropriation Act footnote continues to require ADEQ to report the intended use of any monies in excess of the FY 2023 amount appropriated

from the Indirect Cost Fund to the Joint Legislative Budget Committee.

One-Time Transfer to DEEM for Biomass Recovery

The budget includes a one-time increase of \$1,000,000 from the Recycling Fund in FY 2023 for biomass recovery. A General Appropriation Act requires ADEQ to establish an interagency service agreement with the Arizona Department of Forestry and Fire Management (DFFM) and to transfer \$1,000,000 from the Recycling Fund to DFFM in FY 2023 to administer grants for the purpose of recovering and processing biomass waste.

Coal Combustion Residuals Program Funding

The budget includes an increase of \$743,000 and 4 FTE Positions from the Solid Waste Fee Fund in FY 2023 to establish a state-administered Coal Combustion Residuals (CCR) Program and assume regulatory primacy from the United States Environmental Protection Agency (EPA). Of this amount, \$85,000 is one-time funding in FY 2023 for one-time contracting services.

Laws 2022, Chapter 178 establishes the state-administered CCR Program in ADEQ and outlines program requirements. Before the state program can be administered, the EPA must approve of the Arizona CCR program in accordance with 42 U.S. Code § 6945(d)(1).

One-Time Firefighting Foam Stockpile Removal

The budget includes a one-time increase of \$395,500 from the Emergency Response Fund in FY 2023 to remove stockpiles of foam containing aqueous film forming foams containing Polyfluoroalkyl Substances (PFAS). Laws 2019, Chapter 222 prohibits the use of these foams by fire districts for extinguishing wildfires.

Remove Funding for Repealed UST Commissions

The budget includes a decrease of \$(148,800) from the Underground Storage Tank (UST) Revolving Fund in FY 2023 to remove funding for the UST Policy Commission and UST Technical Appeals Panel, which were repealed by Laws 2015, Chapter 247.

Remove One-Time Waste Program Funding

The budget includes a decrease of \$(604,000) from the Solid Waste Fee Fund in FY 2023 to remove one-time funding for the Hazardous Waste Management program to address a deficit in the Hazardous Waste Management Fund added in FY 2022.

Remove One-Time Surface Water Program Funding

The budget includes a decrease of \$(1,160,000) in FY 2023 to remove one-time funding for the Surface Water Protection Program added in FY 2022. This amount consists of:

Recycling Fund	(200,000)
Safe Drinking Water Program Fund	(400,000)
Voluntary Vehicle Repair and Retrofit Program Fund	(560,000)

The EPA and U.S. Army Corps of Engineers published a new federal Navigable Waters Protection Rule in April 2020, finalizing a decision to revise the definition of "Waters of the United States." This new definition created a gap in the regulation of Arizona surface waters. In June 2021, the EPA announced that it intends to revise the definition of "Waters of the United States" to include waterways that were eliminated in the April 2020 rule.

Statewide Adjustments

The budget includes a decrease of \$(587,900) in FY 2023 for statewide adjustments. This amount consists of:

Air Quality Fund	(900)
Emissions Inspection Fund	190,800
Hazardous Waste Management Fund	31,800
Indirect Cost Fund	(1,054,300)
Permit Administration Fund	119,100
Recycling Fund	27,200
Solid Waste Fee Fund	29,800
Water Quality Fee Fund	68,600

(Please see the Agency Detail and Allocations section.)

Direct Potable Reuse of Treated Wastewater Program

The budget includes \$1,500,000 from the General Fund in FY 2023 for the Direct Potable Reuse of Treated Wastewater Program line item. FY 2023 adjustments are as follows:

First-Year Funding

The budget includes a one-time increase of \$1,500,000 from the General Fund in FY 2023 for the Direct Potable Reuse of Treated Wastewater Program. The 3-year spending plan continues this one-time appropriation in FY 2024, but not beyond that.

The Environment Budget Reconciliation Bill (BRB) requires the ADEQ Director to establish rules and permit fees sufficient to administer the program by December 31, 2024 and states that program revenues are to be deposited into the Water Quality Fee Fund. *(Please see Other Issues for more information.)*

Water Quality Fee Fund Deposit

The budget includes \$6,400,000 from the General Fund in FY 2023 for deposit into the Water Quality Fee Fund. FY 2023 adjustments are as follows:

One-Time General Fund Deposit

The budget includes a one-time increase of \$6,400,000 from the General Fund in FY 2023 for deposit into the Water Quality Fee Fund.

Monies in this line item are to address a funding shortfall in the Water Quality Fee Fund.

Emissions Control Contractor Payment

The budget includes \$26,219,500 from the Emissions Inspection Fund in FY 2023 for the Emissions Control Contractor Payment. This amount is unchanged from FY 2022.

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.

The VEI Program sources and uses are displayed in *Table 1*.

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 budget continues an Environment BRB provision requiring ADEQ to charge emissions inspection fees in FY 2023 that are no greater than those charged in FY 2022 for tests conducted in Area A, which refers to the Phoenix Metropolitan Area and includes Maricopa County as well as portions of Pinal and Yavapai Counties. ADEQ reported that it began rulemaking in FY 2022 to reduce fees in Area A and increase fees in Area B for no overall increase in fees.

Table 1

Emissions Inspection Fund

	Actual	Estimated	Estimated
<u>Revenues</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Balance Forward	\$ 5,439,000	\$ 7,601,100	\$ 7,091,600
Fees	<u>28,947,100</u>	<u>29,778,800</u>	<u>29,778,800</u>
Total Revenues	\$34,386,100	\$37,379,900	\$36,870,400
<u>Expenditures</u>			
Contractor Payment	\$21,119,500	\$26,219,500 ^{1/}	\$26,219,500
Operating Expenses	<u>5,665,500</u>	<u>4,068,800</u>	<u>4,068,800</u>
Total Expenditures	\$26,785,000	\$30,288,300	\$30,288,300
Total Balance	\$ 7,601,100	\$ 7,091,600	\$ 6,582,100

^{1/} The FY 2022 budget included an increase of \$5,100,000 from the Emissions Inspection Fund in for increased contractor payments. After adjusting for a decrease of \$(1,400,000) from ADEQ's Operating Budget, the net increase to the department in FY 2022 was \$3,700,000.

Safe Drinking Water Program

The budget includes \$1,854,200 from the Safe Drinking Water Program Fund in FY 2023 for the Safe Drinking Water Program. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$39,900 from the Safe Drinking Water Program Fund in FY 2023 for statewide adjustments.

The Safe Drinking Water Program Fund receives the first \$1,800,000 of Public Water System (PWS) tax revenues.

WQARF Priority Site Remediation

The budget includes \$15,000,000 from the General Fund in FY 2023 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount is unchanged from FY 2022.

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.

In FY 2021, the WQARF program received \$15,000,000 from the General Fund and \$2,428,500 from fee revenues pursuant to A.R.S. § 49-288 for a total of \$17,428,500.

The budget continues the 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.

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.

FY 2023 Salary Increase

The budget includes \$2,450,600 in FY 2023 for a statewide employee salary increase. This amount consists of:

Air Quality Fund	449,000
Hazardous Waste Management Fund	166,500
Recycling Fund	130,100
Solid Waste Fee Fund	271,800
Water Quality Fee Fund	1,288,900
Safe Drinking Water Program Fund	144,300

These amounts fund a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Statutory Changes

The Environment BRB makes the following statutory changes:

- As session law, continues to allow the department to utilize up to \$6,531,000 from the UST Fund in FY 2023 for department administrative expenses and for sewage remediation.
- 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.

- As session law, continues to charge fees that are not greater than the FY 2022 level of vehicle emissions inspection fees in FY 2023.
- As permanent law, establishes a Direct Potable Reuse of Treated Wastewater Program in ADEQ by December 31, 2024. Monies collected by the program are to be deposited in the Water Quality Fee Fund.

Auditor General Reports

Water Quality Protection Responsibilities

In September 2021, the Auditor General published an audit regarding the department's water quality protection responsibilities. The Auditor General found that ADEQ has not been conducting several water quality protection responsibilities, including:

- Developing all required aquifer water quality standards (AWQS).
- Conducted key groundwater monitoring responsibilities.
- Conducting required monitoring of agricultural pesticides in groundwater and surrounding soil.
- Reducing the total number of impaired surface waters in Arizona to address pollutants that affect the safe use of these waters.

As part of this audit, ADEQ reported that it does not have an authorized funding source to develop and update AWQS or to monitor agricultural pesticides in groundwater and surrounding soil. The department plans to seek a statutory change to expand the allowable uses of the Water Quality Fee Fund to fund these responsibilities.

Additionally, ADEQ reported that it does not have adequate funding from the Water Quality Fee Fund to restart its ambient groundwater monitoring efforts.

The audit recommended that the department perform a workload analysis to assess the costs of developing and updating AWQS, conducting ambient groundwater monitoring, and conducting agricultural pesticide monitoring in groundwater and surrounding soil. It also recommended that ADEQ work with the Legislature to obtain additional resources for these water quality protection responsibilities, including seeking a statutory change to expand the authorized uses of the Water Quality Fee Fund and modifying fees that provide revenue to the fund.

Governor's Office of Equal Opportunity

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	95,000	127,900	140,700
Employee Related Expenditures	28,500	52,900	59,200
Travel - In State	100	1,200	1,200
Other Operating Expenditures	71,400	8,500	9,500
Equipment	0	800	800
AGENCY TOTAL	195,000	191,300	211,400 ^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Division Fund	195,000	191,300	211,400
SUBTOTAL - Other Appropriated Funds	195,000	191,300	211,400
SUBTOTAL - Appropriated Funds	195,000	191,300	211,400
TOTAL - ALL SOURCES	195,000	191,300	211,400

AGENCY DESCRIPTION — The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.

FOOTNOTES

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

Operating Budget

The budget includes \$211,400 and 4 FTE Positions from the Personnel Division Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes \$15,800 from the Personnel Division Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$4,300 from the Personnel Division Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Equalization

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	256,900	274,200	301,400
Employee Related Expenditures	86,600	79,100	94,800
Professional and Outside Services	15,900	35,000	35,000
Travel - In State	3,800	16,000	16,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	293,200	246,400	320,700
Equipment	0	15,000	15,000
AGENCY TOTAL	656,400	670,700	787,900^{1/}
FUND SOURCES			
General Fund	656,400	670,700	787,900
SUBTOTAL - Appropriated Funds	656,400	670,700	787,900
TOTAL - ALL SOURCES	656,400	670,700	787,900

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

Operating Budget

The budget includes \$787,900 and 7 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Appeals Application IT Costs

The budget includes an increase of \$75,000 from the General Fund in FY 2023 for IT costs for the appeals application. Of this amount, \$25,000 is ongoing funding for annual licensing and system server access requirements, and \$50,000 is one-time funding for software upgrades.

Named Claimants

The budget includes a decrease of \$(6,800) from the General Fund in FY 2022 for the elimination of one-time funding for prior year unpaid claims. *(Please see the Named Claimants discussion in ADOA Other Issues.)*

Salary Increase

The budget includes an increase of \$33,500 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$15,500 from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

FY 2022 Supplemental

The FY 2023 budget includes an FY 2022 supplemental appropriation of \$6,800 from the General Fund for a one-time named claimants appropriation. *(Please see the operating budget for further details.)*

Board of Executive Clemency

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.5	14.5	14.5
Personal Services	609,000	638,200	764,300
Employee Related Expenditures	204,900	226,600	277,300
Professional and Outside Services	9,000	32,400	32,400
Travel - In State	0	13,600	13,600
Other Operating Expenditures	248,000	232,800	239,200
Equipment	1,400	10,000	10,000
AGENCY TOTAL	1,072,300	1,153,600	1,336,800 ^{1/2/}
FUND SOURCES			
General Fund	1,072,300	1,153,600	1,336,800
SUBTOTAL - Appropriated Funds	1,072,300	1,153,600	1,336,800
Other Non-Appropriated Funds	36,200	23,400	23,400
TOTAL - ALL SOURCES	1,108,500	1,177,000	1,360,200

AGENCY DESCRIPTION — The board consists of 1 full-time chairman and 4 full-time members. The board makes decisions regarding the discretionary release of inmates convicted prior to January 1, 1994 who are parole and/or home arrest eligible. The board holds hearings for the revocation of parole or community supervision for crimes convicted on or after January 1, 1994, and determines the modification of release conditions and release decisions. The board considers executive clemency actions such as pardons, commutations, and absolute discharges for eligible offenders.

FOOTNOTES

- 1/ On or before November 1, 2022, 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 2021-2022. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$1,336,800 and 14.5 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Chief Operating Officer

The budget includes an increase of \$32,400 from the General Fund in FY 2023 for funding to hire a new Chief Operating Officer. The board will utilize a vacant FTE Position to fill the position.

Named Claimants

The budget includes a decrease of \$(312.91) from the General Fund in FY 2023 for the elimination of one-time funding for prior year unpaid claims. (Please see the Named Claimants discussion in ADOA Other Issues.)

Salary Increase

The budget includes an increase of \$122,700 from the General Fund in FY 2023 for a statewide employee salary increase. Of this amount, \$78,400 is for a 10% minimum state employee salary increase and \$44,300 is for selected market adjustments above 10%. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$28,400 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

FY 2022 Supplemental

The FY 2023 budget includes an FY 2022 supplemental appropriation of \$312.91 from the General Fund for a

one-time named claimants appropriation. (*Please see the operating budget for further details.*)

Caseload Data

Pursuant to a footnote in the FY 2022 General Appropriation Act, the board submitted a report on its FY 2021 caseload. The board conducted 2,626 case hearings in FY 2021, as described below:

- Phases 1 and 2 Commutation (265): 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 (11): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (5): 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 (334): 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.
- Revocation (1,564): These hearings are conducted when an offender has violated the terms of community supervision.
- Probable Cause (447): 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.

Arizona Exposition and State Fair Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	1,533,600	4,836,800	5,299,600
Employee Related Expenditures	585,000	870,000	1,085,200
Professional and Outside Services	190,500	350,400	350,400
Travel - In State	200	2,500	2,500
Travel - Out of State	0	10,000	10,000
Other Operating Expenditures	1,569,500	7,139,600	12,220,900
Equipment	500	88,200	88,200
AGENCY TOTAL	3,879,300	13,297,500	19,056,800 ^{1/2/}

FUND SOURCES

Other Appropriated Funds

Arizona Exposition and State Fair Fund	3,879,300	13,297,500	19,056,800
SUBTOTAL - Other Appropriated Funds	3,879,300	13,297,500	19,056,800
SUBTOTAL - Appropriated Funds	3,879,300	13,297,500	19,056,800
TOTAL - ALL SOURCES	3,879,300	13,297,500	19,056,800

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/ Of the monies in the Arizona exposition and state fair board operating budget, \$5,000,000 shall be spent for enhanced state fair operations. Before spending monies in the operating budget on capital projects, the board shall report the scope, purpose and estimated cost of the capital improvements to the joint committee on capital review. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$19,056,800 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Enhanced State Fair Operations

The budget includes an increase of \$5,000,000 from the Arizona Exposition and State Fair Fund in FY 2023 for enhanced state fair operations. This amount includes \$2,000,000 on an ongoing basis and \$3,000,000 one-time.

Salary Increase

The budget includes an increase of \$569,300 from the Arizona Exposition and State Fair Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section).

Statewide Adjustments

The budget includes an increase of \$190,000 from the Arizona Exposition and State Fair Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section).

Arizona Department of Forestry and Fire Management

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	210.0	213.0	235.5 ^{1/}
Personal Services	2,135,200	2,147,500	2,147,500
Employee Related Expenditures	828,800	966,400	1,078,900
Professional and Outside Services	69,600	69,600	69,600
Travel - In State	5,300	21,000	21,000
Travel - Out of State	100	200	200
Other Operating Expenditures	148,800	152,700	353,000
Equipment	15,900	36,400	36,400
OPERATING SUBTOTAL	3,203,700	3,393,800	3,706,600
SPECIAL LINE ITEMS			
FY 2023 Salary Increase	0	0	885,900
Environmental County Grants	250,000	250,000	250,000
Fire Suppression	3,200,000	3,200,000	3,200,000 ^{2/}
Gila River Nonnative Species Eradication	0	0	5,000,000 ^{3/4/5/}
Hazardous Vegetation Removal	533,500	3,000,000	3,017,000 ^{6/}
Inmate Firefighting Crews	699,900	784,400	804,100
Post-Release Firefighting Crews	961,400	1,151,000	1,186,000
Mount Lemmon Fire District Renovation	0	0	2,230,900
Nonnative Vegetation Species Eradication	1,000,000	1,000,000	1,000,000 ^{7/}
Rural Fire District Reimbursement	0	2,500,000	0
State Fire Marshal	706,700	1,168,700	1,922,300
State Fire School	156,500	279,700	282,400
US Forest Service Land Thinning	0	0	2,150,900
Wildfire Emergency Response	4,507,300	0	65,000,000 ^{8/9/}
Wildfire Mitigation	0	0	38,837,300
AGENCY TOTAL	15,219,000	16,727,600	129,473,400 ^{10/}
FUND SOURCES			
General Fund	15,219,000	16,727,600	129,473,400
SUBTOTAL - Appropriated Funds	15,219,000	16,727,600	129,473,400
Other Non-Appropriated Funds	60,520,700	59,942,600	59,942,600
TOTAL - ALL SOURCES	75,739,700	76,670,200	189,416,000

AGENCY DESCRIPTION — The Arizona Department of Forestry and Fire Management (DFFM) is responsible for the prevention and suppression of forest fires on State Trust Land and private land outside incorporated municipalities (about 22 million acres total). The department includes the Office of the State Fire Marshal, which enforces the state fire codes and provides training and education for fire personnel and the general public. All training provided by the department must comply with safety standards prescribed by the National Fire Protection Association and the Occupational Safety and Health Administration of Arizona.

FOOTNOTES

- ^{1/} Includes 192.5 GF FTE Positions funded from Special Line Items in FY 2023.
- ^{2/} A.R.S. § 37-1305 annually appropriates \$3,000,000 from the General Fund to the Fire Suppression Revolving Fund. Because this authorization is in permanent statute, \$3,000,000 of the appropriated amount is not included in the General Appropriation Act.
- ^{3/} The monies in the Gila River nonnative species eradication line item are for nonnative vegetation species eradication projects, including projects to replace nonnative vegetation species with native vegetation species and restoring habitat for wildlife, in and along the portion of the Gila River between the western boundary of the city of Avondale and the bridge over the Gila River at State Route 85. The Arizona department of forestry and fire management shall serve as the

fiscal agent and contractor for the projects described in this paragraph. The department may subcontract for the eradication and other required services for the projects pursuant to title 34, chapter 6, article 1, Arizona Revised Statutes, to expedite the projects. (General Appropriation Act footnote)

- 4/ On or before September 1, 2023, September 1, 2024 and September 1, 2025, the department shall report to the director of the joint legislative budget committee on the expected amount and purpose of expenditures from the Gila River nonnative species eradication line item. The report shall include projected line item detail. The reports shall also provide follow-up on areas previously treated with funding from the line item and whether the nonnative species have returned. (General Appropriation Act footnote)
- 5/ The appropriation made in the Gila River nonnative species eradication line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except all monies remaining unencumbered or unexpended for the purposes of this section on June 30, 2025 revert to the state general fund. (General Appropriation Act footnote)
- 6/ 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, 2024. (General Appropriation Act footnote)
- 7/ 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 Appropriation Act footnote)
- 8/ The appropriation for the wildfire emergency response line item shall be used for the purposes and is subject to the restrictions outlined in Laws 2021, first special session, chapter 1, as amended by Laws 2022, chapter 1, section 1. The monies appropriated in the wildfire emergency response line item are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, through June 30, 2025. (General Appropriation Act footnote)
- 9/ From the amount appropriated for the wildfire emergency response line item, \$3,000,000 shall be used for purposes related to the Woodbury fire. (General Appropriation Act footnote)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$3,706,600 and 43 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$312,800 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

FY 2023 Salary Increase

The budget includes \$885,900 from the General Fund in FY 2023 for an FY 2023 Salary Increase. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$885,900 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. (Please see the Agency Detail and Allocations section.)

Environmental County Grants

The budget includes \$250,000 from the General Fund in FY 2023 for Environmental County Grants. This amount is unchanged from FY 2022.

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 include 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 budget includes \$3,200,000 from the General Fund in FY 2023 for Fire Suppression. This amount is unchanged from FY 2022.

Monies in this line item are used for fire suppression on state trust land and rural private land. A.R.S. § 37-1305 provides an annual appropriation of up to \$3,000,000 from the General Fund for fire suppression. Because this authorization is in permanent statute, only \$200,000 of the appropriated amount is included in the General

Appropriation Act. (See *Wildfire Mitigation* line item for additional monies supporting fire suppression in Arizona.)

Gila River Nonnative Species Eradication

The budget includes \$5,000,000 from the General Fund in FY 2023 for the Gila River Nonnative Species Eradication line item. FY 2023 adjustments are as follows:

One-Time Increase

The budget includes a one-time increase of \$5,000,000 from the General Fund in FY 2023 for nonnative species eradication projects along specified portions of the Gila River. The FY 2023 budget also assumes the Executive will allocate \$5,000,000 from the Coronavirus State Fiscal Recovery Fund for the same purpose in both FY 2024 and FY 2025.

Monies in this line item fund nonnative vegetation species eradication projects, including projects to replace nonnative vegetation species with native vegetation species and restoring habitat for wildlife, in and along the portion of the Gila River between the western boundary of the city of Avondale and the bridge over the Gila River at State Route 85. A General Appropriation Act footnote permits DFFM to subcontract for the eradication and other required services for the projects.

Another footnote requires the department to report annually on the expected amount and purpose of expenditures and provide follow-up on areas previously treated with funding from the line item and whether the nonnative species have returned.

Monies in this item are non-lapsing through June 30, 2025.

Hazardous Vegetation Removal

The budget includes \$3,017,000 from the General Fund in FY 2023 for a Hazardous Vegetation Removal program. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$17,000 from the General Fund in FY 2023 for statewide adjustments.

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 budget includes \$804,100 and 13 FTE Positions from the General Fund in FY 2023 for Inmate Firefighting Crews. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$19,700 from the General Fund in FY 2023 for statewide adjustments.

These monies provide firefighting training for 12 inmate fire crews. The crews act as first responders and are used for fuel treatment and fire suppression.

Post-Release Firefighting Crews

The budget includes \$1,186,000 and 20 FTE Positions from the General Fund in FY 2023 for Post-Release Firefighting Crews. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$35,000 from the General Fund in FY 2023 for statewide adjustments.

Monies in this line item provide firefighting training for recently released inmates who previously participated in Inmate Firefighting Crews (*see Inmate Firefighting Crews line item*). The Post-Release Firefighting Program allows program participants to work towards completing their wildland firefighting certification following release from Department of Corrections custody.

Mount Lemmon Fire District Renovation

The budget includes \$2,230,900 from the General Fund in FY 2023 for the Mount Lemmon Fire District Renovation. FY 2023 adjustments are as follows:

One-Time Increase

The budget includes a one-time increase of \$2,230,900 from the General Fund in FY 2023 for distribution to the Mount Lemmon Fire District to be used to renovate its headquarters.

Nonnative Vegetation Species Eradication

The budget includes \$1,000,000 from the General Fund in FY 2023 for the Nonnative Vegetation Species Eradication line item. This amount is unchanged from FY 2022. The FY 2020 General Appropriation 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 Appropriation Act, these appropriations will not appear in subsequent General Appropriation Act bills.

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.

Rural Fire District Reimbursement

The budget includes no funding in FY 2023 for Rural Fire District Reimbursement. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,500,000) from the General Fund in FY 2023 for removal of one-time funding for the Rural Fire District Reimbursement line item. Funding for this line item goes toward processing and paying claims to reimburse fire districts with a population of less than 5,000 for expenses incurred responding to emergency medical services provided on federal lands. Local fire districts do not otherwise receive payment for providing emergency medical services to persons injured or sick on federal lands.

State Fire Marshal

The budget includes \$1,922,300 and 19.5 FTE Positions from the General Fund in FY 2023 for the State Fire Marshal. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(116,700) from the General Fund in FY 2023 for removal of one-time equipment costs for the State Fire Marshal line item.

Additional Fire Marshals

The budget includes an increase of \$491,400 and 5.5 FTE Positions from the General Fund in FY 2023 to hire additional fire marshals. Of this amount, \$23,800 is one-time funding for equipment costs.

Additional State Fleet Costs

The budget includes an increase of \$321,700 from the General Fund in FY 2023 for vehicle acquisition, operation, and replacement charges. Of this amount, \$240,000 is for one-time purchases.

Statewide Adjustments

The budget includes an increase of \$57,200 from the General Fund in FY 2023 for statewide adjustments.

The Office of the State Fire Marshal enforces the state fire codes and provides training and education for fire personnel and the general public.

State Fire School

The budget includes \$282,400 and 1 FTE Position from the General Fund in FY 2023 for the State Fire School. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,700 from the General Fund in FY 2023 for statewide adjustments.

Monies in this line item primarily subsidize smaller rural volunteer fire departments attending Arizona State Fire School workshops which provide firefighting education. Besides \$200,000 for subsidizing these costs, the remaining \$82,400 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 budget includes \$2,150,900 and 17 FTE Positions from the General Fund in FY 2023 for a new US Forest Service Land Thinning line item. FY 2023 adjustments are as follows:

Partnership Increase

The budget includes an increase of \$2,150,900 from the General Fund in FY 2023 for administrative costs of land-thinning partnerships with the U.S. Forest Service. Of this amount, \$490,000 is for one-time vehicle purchases.

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 19,000 acres with this funding.

Wildfire Emergency Response

The budget includes \$65,000,000 from the General Fund in FY 2023 for Wildfire Emergency Response. FY 2023 adjustments are as follows:

Add One-Time Wildfire Emergency Response Funding

The budget includes a one-time increase of \$65,000,000 from the General Fund in FY 2023 for wildfire emergency response funding.

In addition, a General Appropriation Act footnote specifies that \$3,000,000 of this appropriation shall be used for purposes related to the Woodbury Fire.

This appropriation is exempt from lapsing through FY 2025.

This amount is in addition to, and for the same purposes as, Laws 2021, 1st Special Session, Chapter 1, which appropriated \$75,000,000 from the General Fund in FY 2021 for the Wildfire Emergency Response line item.

Monies in this line item are to be used for 6 purposes:

1. Fire suppression and pre-positioning of equipment staff, mitigation of wildfire related flooding.
2. Capital expenditures and equipment associated with fire suppression and pre-positioning activities for fire suppression. State capital expenditure for these purposes limited to \$10,000,000.
3. Mitigation projects to address postfire flooding and other damage occurring as a result of fire or fire suppression activities.
4. A state or local government agency's emergency liabilities related to emergency sheltering, wraparound services and support activities.
5. Financial assistance to public and private landowners for emergency repairs for infrastructure damage resulting from fires or fire suppression activities. The state is to be the payor of last resort for assistance to private landowners, and total assistance for private landowners is limited to \$10,000,000.
6. Reimbursement to a state agency or political subdivision for the state agency's or political subdivision's cost-share of eligible claims arising from a declared emergency.

Each month the department shall report to the Senate President, Speaker of the House of Representatives and the Joint Legislative Budget Committee on the expenditures, reimbursements, and the balance of the monies in the appropriation. The expenditures and reimbursements are to be delineated for each type of expenditure.

Through June 2022, DFFM reported spending \$31,262,211 of the appropriation, of which \$16,102,380 was expended in the fire suppression category. Capital and flooding mitigation projects make up the other 2 significant

expenditure categories, with \$6,135,406 and \$8,776,478 in expenditures, respectively. The final \$247,947 in expenditures fall under financial assistance to landowners. Through June 2022, DFFM reported total encumbrances of \$45,335,635.

Wildfire Mitigation

The budget includes \$38,837,300 and 122 FTE Positions from the General Fund in FY 2023 for the Wildfire Mitigation line item. FY 2023 adjustments are as follows:

Continue 3-Year Funding Plan

The budget includes an increase of \$38,211,200 from the General Fund in FY 2023 for continuation of the 3-year funding plan as outlined in the FY 2022 budget.

Laws 2021, 1st Special Session, Chapter 1 appropriated \$24,541,800 and 122 FTE Positions in FY 2021 for wildfire mitigation available until June 30, 2022. The 3-year plan as part of the FY 2022 budget includes \$38,211,200 in FY 2023 and \$32,029,800 in FY 2024 to continue these efforts.

Additional State Fleet Costs

The budget includes an increase of \$626,100 from the General Fund in FY 2023 for state fleet-related expenses. Of this amount, \$320,000 is for one-time vehicle purchases.

Monies in this line item are to be used for personnel, operating costs, equipment, and contracted services to mitigate future fires. In FY 2023, the line item includes:

- \$7,802,800 for 122 DFFM staff to oversee the work of 10 crews of 72 inmates working to remove hazardous vegetation.
- \$11,383,000 for inmate crews and corrections staff.
- \$9,371,500 for vehicles, Department of Transportation program costs, and other equipment and maintenance.
- \$5,780,000 for contracted personnel to support wildfire mitigation efforts.
- \$4,500,000 for external project grants.

Other Issues

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, DFFM's General Fund costs are projected to decrease by \$(6,911,400) in FY 2024 compared to FY 2023 and remain unchanged in FY 2025 from FY 2024 levels. These estimates are based on:

- A decrease of \$(1,960,000) in FY 2024 for removal of one-time equipment costs.
- A decrease of \$(1,031,400) in FY 2024 for removal of one-time ADC equipment and transportation costs.
- A reduction of \$(3,920,000) in FY 2024 for removal of one-time DFFM vehicle purchases.

Biomass Processing

DFFM received a one-time transfer of \$1,000,000 from the Department of Environmental Quality for administration of a biomass processing grant program. *(Please see the Department of Environmental Quality narrative for further details.)*

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 July 2022, DFFM reports using roughly \$10,000,000 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.)*

State Board of Funeral Directors and Embalmers

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	192,300	202,400	233,900
Employee Related Expenditures	72,600	90,800	113,700
Professional and Outside Services	300	34,600	51,900
Travel - In State	2,400	5,000	5,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	94,800	65,000	85,300
AGENCY TOTAL	362,400	402,800	494,800 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Funeral Directors' and Embalmers' Fund	362,400	402,800	494,800
SUBTOTAL - Other Appropriated Funds	362,400	402,800	494,800
SUBTOTAL - Appropriated Funds	362,400	402,800	494,800
TOTAL - ALL SOURCES	362,400	402,800	494,800

AGENCY DESCRIPTION —The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, alkaline hydrolysis facilities and operators, crematories and cremators, and funeral homes and funeral directors. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau. Laws 2022, Chapter 279 continues the Arizona Board of Funeral Directors' and Embalmers' Board until March 31, 2023 and then transfers the board's responsibilities to a funeral services regulating authority that will register rather than license persons and businesses.

FOOTNOTES

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

Operating Budget

The budget includes \$494,800 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Legal Services Staffing

The budget includes an increase of \$26,900 from the Board of Funeral Directors' and Embalmers' Fund in FY 2023 for a quarter-time attorney assigned to provide legal counsel and attend board meetings under a new Interagency Service Agreement with the Attorney General.

E-licensing

The budget includes a one-time increase of \$18,000 from the Board of Funeral Directors' and Embalmers' Fund in FY 2023 for the costs associated with migrating to an e-licensing application.

Remove One-Time Technology Update

The budget includes a decrease of \$(9,600) from the Board of Funeral Directors' and Embalmers' Fund in FY 2023 for the elimination of funds for a one-time technology update.

Salary Increase

The budget includes an increase of \$38,700 from the Board of Funeral Directors' and Embalmers' Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$18,000 from the Board of Funeral Directors' and Embalmers' Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Game and Fish Department

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	14,705,700	17,606,600	19,213,700
Employee Related Expenditures	13,372,000	14,402,000	16,487,000
Professional and Outside Services	1,325,200	1,811,900	2,646,900
Travel - In State	122,600	183,700	183,700
Travel - Out of State	4,000	4,900	4,900
Other Operating Expenditures	9,559,100	8,629,600	9,002,400
Equipment	688,000	1,095,000	1,390,400
OPERATING SUBTOTAL	39,776,600	43,733,700	48,929,000
SPECIAL LINE ITEMS			
Pittman-Robertson/Dingell-Johnson Act	3,058,000	3,058,000	3,058,000
AGENCY TOTAL	42,834,600	46,791,700	51,987,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Capital Improvement Fund	1,001,200	1,001,200	1,001,200
Game and Fish Fund	37,456,400	40,461,500	45,353,600
Game, Non-Game, Fish and Endangered Species Fund	202,000	357,600	389,200
Watercraft Licensing Fund	4,158,800	4,955,200	5,226,800
Wildlife Endowment Fund	16,200	16,200	16,200
SUBTOTAL - Other Appropriated Funds	42,834,600	46,791,700	51,987,000
SUBTOTAL - Appropriated Funds	42,834,600	46,791,700	51,987,000
Other Non-Appropriated Funds	32,995,100	39,615,400	39,615,400
Federal Funds	37,460,900	51,150,000	51,150,000
TOTAL - ALL SOURCES	113,290,600	137,557,100	142,752,400

AGENCY DESCRIPTION — The Arizona Game and Fish Department (AGFD) manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. A 5-member commission appointed by the Governor oversees department operations.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$48,929,000 and 273.5 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
Capital Improvement Fund	\$1,001,200
Game and Fish Fund	42,295,600
Game, Non-Game, Fish and Endangered Species Fund	389,200
Watercraft Licensing Fund	5,226,800
Wildlife Endowment Fund	16,200

FY 2023 adjustments are as follows:

Mitigate Drought Conditions Affecting Wildlife/ Sportfishing Improvements

The budget includes a one-time increase of \$1,490,400 from the Game and Fish Fund in FY 2023 to alleviate the impact of drought conditions. The monies will be used to improve wildlife access to water by improving catchments and for hauling water. Drought conditions reduce the department's ability to hatch and stock fish due to reduced water-levels, so this also includes monies to support the purchase of sportfish as needed.

Salary Increase

The budget includes an increase of \$2,425,800 in FY 2023 for a statewide employee salary increase. This amount consists of:

Game and Fish Fund	2,236,300
Game, Non-Game, Fish and Endangered Species Fund	26,600
Watercraft Licensing Fund	162,900

These amounts fund a 10% staff salary increase. (*Please see the Agency Detail and Allocations section.*)

Statewide Adjustments

The budget includes an increase of \$1,279,100 in FY 2023 for statewide adjustments. This amount consists of:

Game and Fish Fund	1,165,400
Game, Non-Game, Fish and Endangered Species Fund	5,000
Watercraft Licensing Fund	108,700

(*Please see the Agency Detail and Allocations section.*)

Pittman-Robertson/Dingell-Johnson Act

The budget includes \$3,058,000 from the Game and Fish Fund in FY 2023 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2022.

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.

Other Issues

Statutory Changes

The Transportation Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, establishes the Arizona Game and Fish Department Vehicle Replacement Fund consisting of monies deposited pursuant to the AGFD fee schedule for replacing and purchasing vehicles/equipment.
- As permanent law, establishes the Arizona Game and Fish Department Fleet Operations Fund consisting of monies deposited pursuant to the AGFD fee schedule for maintenance and operations.

Department of Gaming

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	155.8	155.8	155.8 ^{1/}
Personal Services	4,097,400	4,998,500	4,998,500
Employee Related Expenditures	1,516,000	1,738,000	1,738,000
Professional and Outside Services	724,800	1,000,000	1,000,000
Travel - In State	110,500	280,000	280,000
Travel - Out of State	1,300	55,000	55,000
Other Operating Expenditures	496,100	1,606,600	1,606,600
Equipment	188,000	295,000	295,000
OPERATING SUBTOTAL	7,134,100	9,973,100	9,973,100
SPECIAL LINE ITEMS			
Additional Operating Expenses	0	0	3,761,900 ^{2/}
Arizona Breeders' Award	250,000	250,000	250,000
Casino Operations Certification	2,211,500	2,104,900	2,168,400
Contract Veterinarian	0	0	175,000 ^{3/}
County Fairs Livestock and Agriculture Promotion	2,509,500	5,759,500	6,029,500 ^{4/}
Division of Racing	1,534,200	2,261,100	2,301,800
Horsereading Integrity and Safety Act Assessment	0	0	355,100 ^{5/}
Problem Gambling	1,619,500	2,484,000	3,320,000
Racetrack Purse and Maintenance and Operations Funding	0	5,396,900	5,396,900 ^{6/}
Racing Purse Enhancement	0	5,000,000	5,000,000 ^{7/}
FY 2023 Salary Increase	0	0	274,800
AGENCY TOTAL	15,258,800	33,229,500	39,006,500 ^{8/9/}
FUND SOURCES			
General Fund	2,509,500	16,156,400	16,956,500
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	8,497,200	12,012,100	16,610,000
Fantasy Sports Contest Fund	0	145,000	150,100
Racing Regulation Fund	1,709,500	2,411,500	2,576,600
Racing Regulation Fund - Unarmed Combat Subaccount	74,700	99,600	104,600
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	2,167,900	2,104,900	2,308,700
SUBTOTAL - Other Appropriated Funds	12,749,300	17,073,100	22,050,000
SUBTOTAL - Appropriated Funds	15,258,800	33,229,500	39,006,500
Other Non-Appropriated Funds	864,200	1,520,400	1,520,400
TOTAL - ALL SOURCES	16,123,000	34,749,900	40,526,900

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/} Includes 73.5 OF FTE Positions funded from Special Line Items in FY 2023.

^{2/} On or before October 1, 2022, 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 additional operative expenses line item for fiscal year 2022-2023. The report shall include the projected line item detail. (General Appropriation Act footnote)

- 3/ On or before the final day of each quarter of fiscal year 2022-2023, 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 Appropriation Act footnote)
- 4/ 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 Appropriation Act footnote)
- 5/ The amount appropriated to the horseracing integrity and safety act assessment line item shall be distributed to commercial live racing permittees during fiscal year 2022-2023 to pay the calendar year 2022 assessment levied by the horseracing integrity and safety authority. If the appropriated amount for the horseracing integrity act assessment line item is insufficient to fund all assessments levied by the horseracing integrity and safety authority, the department shall reduce the distribution amounts on a proportional basis in order to cap total statewide distributions at \$355,100. The distributions for fiscal year 2022-2023 are estimated to be \$309,300 to a commercial live racing permittee located in Maricopa county and \$45,800 to a commercial live racing permittee located in Yavapai county. (General Appropriation Act footnote)
- 6/ The appropriation made in the racetrack purse and maintenance and operations funding line item shall be distributed to commercial live racing permittees to enhance the general purse structure and for track maintenance and operations. From the amount appropriated in the racetrack purse and maintenance and operations funding line item, the department of gaming shall allocate the monies as follows:
 1. \$4,231,800 to a commercial live racing permittee located in Maricopa county.
 2. \$815,600 to a commercial live racing permittee located in Yavapai county.
 3. \$349,500 to a commercial live racing permittee located in Pima county. (General Appropriation Act footnote)
- 7/ The amount appropriated to the racing purse enhancement line item shall be distributed to a recognized nonprofit horsemen's organization that has represented since 1988 the horsemen participating in racing meetings to be used to promote racing and enhance the general purse structure for eligible horse races held in this state. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ On or before August 1, 2022, 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 2022-2023. The report shall include the projected line item detail and the number of filled full-time equivalent positions. (General Appropriation Act footnote)

Administrative Expenses

The budget includes \$13,735,000 in FY 2023 for administrative expenses, which consists of \$13,590,000 from the Arizona Benefits Fund and \$145,000 from the Fantasy Sports Contest Fund. The appropriation from the Arizona Benefits Fund serves as a cap on the level of spending. The department's permissible spending level will be determined by the level of gaming revenues. Pursuant to the Gaming ballot initiative (A.R.S. § 5-601.02) and the Tribal-State Gaming Compacts, the department's administrative expenses from the Arizona Benefits Fund, excluding Problem Gambling, are limited to the greater of \$8,000,000, or 9% of state tribal gaming revenues.

In FY 2022, Gaming has the authority to spend \$9,828,100, based on the FY 2022 Arizona Benefits Fund Operating appropriation which used the 9% tribal gaming revenue forecast at the time of the enacted budget. In FY 2023, 9% of tribal gaming revenues are forecasted to be \$13,590,000, due to a significant increase in contributions resulting from the revised Tribal-State Gaming Compacts.

As a result, the budget increases Gaming's FY 2023 Arizona Benefits Fund expenditure authority by \$3,761,900 to a level of \$13,590,000. The department can expend the actual 9% level or the expenditure authority level, whichever is lower. Given that the 9% formula allocation leads to a significant increase in the department's administrative budget, the budget allocates this \$3,761,900 FY 2023 increase to a separate line item for additional operating expenses. The budget includes a General Appropriation Act footnote requiring the department to report on any new administrative spending from this line item.

Problem Gambling

The budget includes \$3,320,000 in FY 2023 for Problem Gambling, which consists of \$3,020,000 from the Arizona Benefits Fund and \$300,000 from the State Lottery Fund.

The department's permissible spending level for Problem Gambling from the Arizona Benefits Fund will be determined by the level of gaming revenues. Pursuant to

the Gaming ballot initiative and the Tribal-State Gaming Compacts, the department’s Problem Gambling expenses from the Arizona Benefits Fund are limited to 2% of revenues.

In FY 2022, Gaming has the authority to spend \$2,184,000, based on the FY 2022 Arizona Benefits Fund Problem Gaming appropriation which used the 2% tribal gaming revenue forecast at the time of the enacted budget. In FY 2023, 2% of tribal gaming revenues are forecasted to be \$3,020,000, due to a significant increase in contributions resulting from the revised Tribal-State Gaming Compacts.

As a result, the budget increases Gaming's FY 2023 Arizona Benefits Fund expenditure authority by \$836,000 to a level of \$3,020,000. The department can expend the actual 2% level or the expenditure authority level, whichever is lower. *(See Other Issues – Tribal Gaming Revenues section 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.

Given the budget revenue forecast for event wagering license and fee collections, Gaming is estimated to have the authority to spend \$2,821,400 in FY 2022 and \$1,962,100 in FY 2023 from the Event Wagering Fund. *(See Other Issues – Event Wagering/Fantasy Sports Forecast section for additional details.)*

The budget includes a General Appropriation Act footnote requiring the department to report on administrative spending from the Event Wagering Fund.

Operating Budget

The budget includes \$9,973,100 and 82.3 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
Arizona Benefits Fund	\$9,828,100
Fantasy Sports Contest Fund	145,000

These amounts are unchanged from FY 2022.

Additional Operating Expenses

The budget includes \$3,761,900 from the Arizona Benefits Fund in FY 2023 for additional operating expenses. FY 2023 adjustments are as follows:

Align Appropriation with 9% of Gaming Revenues

The budget includes an increase of \$3,761,900 from the Arizona Benefits Fund in FY 2023 to align the appropriation level for the department's administrative expenses with 9% of anticipated FY 2023 tribal gaming contributions.

The agency may use this additional appropriation for administrative costs of regulating gaming. In FY 2023, these resources will be allocated to the appropriate operating budget line items. *(See footnote on additional operating expenses reporting.)*

Arizona Breeders’ Award

The budget includes \$250,000 from the Racing Regulation Fund in FY 2023 for the Arizona Breeders’ Award. This amount is unchanged from FY 2022.

This line item funds awards to the breeder of every winning horse foaled in the state. In FY 2023, this line item will fund awards equal to 25% of the purse won by the horse.

Casino Operations Certification

The budget includes \$2,168,400 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2023 for Casino Operations Certification. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$63,500 from the Tribal-State Compact Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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 budget includes \$175,000 from the General Fund in FY 2023 for a Contract Veterinarian. FY 2023 adjustments are as follows:

Contract Veterinarian Funding

The budget includes an increase of \$175,000 from the General Fund in FY 2023 to contract with a veterinarian and a veterinarian's assistant to provide pre-race inspections.

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 Appropriation 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 budget includes \$6,029,500 from the General Fund in FY 2023 for County Fairs Livestock and Agriculture Promotion. FY 2023 adjustments are as follows:

Increase Ongoing Funding

The budget includes an increase of \$3,000,000 from the General Fund in FY 2023 to increase funding for county fairs livestock and agriculture promotion. The FY 2022 enacted budget's 3-year plan included a \$1,250,000 ongoing FY 2022 funding increase that becomes \$2,250,000 starting in FY 2023, with that \$1,000,000 increase included in the FY 2023 Baseline. The FY 2023 budget added an additional \$2,000,000 of funding, for a total ongoing increase of \$3,000,000 in FY 2023.

Remove FY 2022 One-Time Funding

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2023 to remove one-time funding for county fairs livestock and agriculture promotion. This amount was labeled as one-time funding in the FY 2022 budget.

Remove Prior Year One-Time Funding

The budget includes a decrease of \$(730,000) from the General Fund in FY 2023 to remove one-time funding for county fairs livestock and agriculture promotion. The enacted FY 2020 budget's 3-year plan included this one-time funding during FY 2020 through FY 2022.

Monies in this line item are deposited in the County Fairs Livestock and Agriculture Promotion Fund in the Office of the Governor. The fund is used to promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center.

Division of Racing

The budget includes \$2,301,800 and 40.5 FTE Positions in FY 2023 for operating costs associated with the Division of Racing. These amounts consist of:

Racing Regulation Fund	2,202,300
Racing Regulation Fund- Unarmed Combat Subaccount	99,500

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$40,700 in FY 2023 for statewide adjustments. This amount consists of:

Racing Regulation Fund	40,800
Racing Regulation Fund- Unarmed Combat Subaccount	(100)

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 Racing Wagering Assessment (RWA) is a regulatory assessment from each commercial racing permittee payable from amounts deducted from pari-mutuel pools by the permittee. All monies received from the RWA are deposited into the Racing Regulation Fund, which is the primary funding source for the Division of Racing. The Division of Racing 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 budget continues to include \$99,500 from the Racing Regulation Fund - Unarmed Combat Subaccount in FY 2023 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 budget includes \$355,100 from the General Fund in FY 2023 for the Horseracing Integrity and Safety Act Assessment line item. FY 2023 adjustments are as follows:

Horseracing Integrity and Safety Act Assessment

The budget includes an increase of \$355,100 from the General Fund in FY 2023 for distribution to commercial live racing permittees to pay the calendar year 2022 assessment fee levied by the federal Horseracing Integrity and Safety Authority.

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. Monies in this line item are to be distributed to commercial live racing permittees to pay this fee. A General Appropriation Act footnote directs the department to distribute \$309,300 to a commercial live racing permittee located in Maricopa County and \$45,800 to a commercial live racing permittee located in Yavapai county.

Problem Gambling

The budget includes \$3,320,000 and 5 FTE Positions in FY 2023 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	3,020,000
State Lottery Fund	300,000

FY 2023 adjustments are as follows:

Align Appropriation with 2% of Gaming Revenues

The budget includes an increase of \$836,000 from the Arizona Benefits Fund in FY 2023 to align the appropriation level for the Problem Gambling line item with 2% of anticipated FY 2023 tribal gaming contributions.

Monies in this line item are for the department to provide problem gambling prevention, treatment, and education programs. Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, this is funded from 2% of tribal revenues received by the state that are appropriated to the department for this purpose.

Racetrack Purse and Maintenance and Operations Funding

The budget includes \$5,396,900 from the General Fund in FY 2023 for a Racetrack Purse and Maintenance and Operations Fund line item. This amount is unchanged from FY 2022.

Monies in this line item are to enhance purse structure and for racetrack purse and maintenance and operations. A General Appropriation Act footnote directs the department to distribute the monies to commercial live racing permittees in the following way:

- \$4,231,800 to a commercial live racing permittee located in Maricopa County.

- \$815,600 to a commercial live racing permittee located in Yavapai County.
- \$349,500 to a commercial live racing permittee located in Pima County.

The budget included a supplemental of \$396,900 from the General Fund for this line item in FY 2022, and the final FY 2022 funding amounts by racetrack were continued into FY 2023 (see FY 2022 supplemental section).

Racing Purse Enhancement

The budget includes \$5,000,000 from the General Fund in FY 2023 for a Racing Purse Enhancement line item. This amount is unchanged from FY 2022.

Monies in this line item are to be used to enhance purse races and promote the sport for eligible races held in Arizona. A General Appropriation Act footnote directs the monies to be distributed to a nonprofit horsemen's organization that has represented horsemen in racing meetings since 1988.

FY 2023 Salary Increase

The budget includes \$274,800 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

Fantasy Sports Contest Fund	5,100
Tribal-State Compact Fund	140,300
Racing Regulation Fund	124,300
Racing Regulation Fund- Unarmed Combat Subaccount	5,100

These amounts fund a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. (Please see the Agency Detail and Allocations section.)

Other Issues

FY 2022 Supplemental

The FY 2023 budget includes an FY 2022 supplemental appropriation of \$396,900 from the General Fund for Racetrack Purse and Maintenance and Operations Funding. Of this amount, \$330,400 is to be distributed to a commercial live racing permittee located in Yavapai County and \$66,500 is to be distributed to a commercial live racing permittee located in Pima County.

Statutory Changes

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

- As session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2023 only.
- As permanent law, amend A.R.S. § 5-1318 to transfer 90% of the monies deposited into the Event Wagering Fund from the prior month to the State General Fund.
- As permanent law, amend A.R.S. § 5-1212 to specify that any revenues in excess of the amount appropriated from the Fantasy Sports Fund be transferred to the General Fund at the end of each fiscal year.
- As permanent law, limit the Department of Gaming privilege fees applied to fantasy sports contest operator revenue and event wagering operator revenue to 10%. Currently, the department assesses the following privilege fees: 5% for fantasy sports contest operator revenue, 8% for event wagering operator revenue (retail wagers), and 10% for event wagering operator revenue (mobile wagers).

Existing Tribal Compacts

The Arizona Tribal-State Gaming Compacts regulate tribal gaming activity of Class III, or 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 June 2022, there are 17 tribes operating a total of 24 Class III casinos in Arizona. There are also 6 additional tribes which do not have casinos but have slot machine rights that they may lease to tribes with casinos.

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 budget includes a revenue forecast for event wagering, which includes the following assumptions:

- 8 non-tribal licensees and 10 tribal licensees each pay an initial license fee of \$750,000 and a \$150,000

annual renewal fee. This results in \$13.5 million for FY 2022 license revenue, \$2.7 million for FY 2023 license revenue.

- \$3.00 billion of estimated overall wagering activity in FY 2022. FY 2023 is projected to grow by 15%, resulting in \$3.45 billion of wagers.
- An assumed "hold" or net win percentage of 7.75% for operators.
- Further adjustments for subtracting allowable deductions for promotional bets (assumed to be 2.5% of wagers) and federal excise tax (0.25% of wagers).
- Apply a 9.8% weighted average privilege fee rate (assuming 90% mobile wagers taxed at the 10% rate, 10% retail wagers taxed at the 8% rate).
- FY 2022 revenues would total \$28.2 million (\$2.8 million for 10% administrative cost allocation and \$25.4 million transferred to the General Fund).
- FY 2023 revenues would total \$19.6 million (\$1.9 million for 10% administrative cost allocation and \$17.7 million transferred to the General Fund).

The budget also includes a revenue forecast for fantasy sports contests, which includes the following assumptions:

- 6 licensees each pay an initial license fee of \$2,000 and a \$1,000 annual renewal fee. This results in \$12,000 for FY 2022 license revenue and \$6,000 for FY 2023 license revenue.
- Fantasy sports contest operators would have net win of \$15.5 million in FY 2022. FY 2023 is projected to grow by 15%, resulting in \$17.8 million of net win.
- Applying the 5% fee rate to the net win amounts.
- FY 2022 revenues would total \$787,100 (\$78,700 for 10% administrative cost allocation and \$708,400 transferred to the General Fund).
- FY 2023 revenues would total \$897,400 (\$89,700 for 10% administrative cost allocation and \$807,700 transferred to the General Fund).

Through May 2022, the department has reported \$16,383,300 in combined privilege fee revenues from event wagering and fantasy sports contests. Of this amount, \$10,437,000 has been transferred to the General Fund. As of publication, the department has not reported on the amount of license fee revenue collected.

Tribal Gaming Revenues

In FY 2021, state tribal gaming revenues were \$97,098,800. The budget projects that total tribal gaming revenues will increase to a level of \$125,780,000 in FY 2022 but then increase to a level of \$151,000,000 in FY 2023. These revenue estimates are from the department's FY 2023 budget request. As of June 27, 2022, FY 2022 tribal gaming contributions into the Arizona Benefits Fund were \$123.6 million. (See Table 1 for more info.)

Table 1

Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}

<u>Recipient</u>	<u>Proposition 202 Formula</u>	<u>FY 2021 Actuals ^{1/}</u>	<u>FY 2022 Projected ^{1/}</u>	<u>FY 2023 Projected</u>
State Government Distribution	88% of total	\$ 97,098,800	\$ 125,780,000 ^{2/}	\$151,000,000 ^{2/}
Local Government Distribution ^{3/}	12% of total	<u>13,291,200</u>	<u>17,151,800</u>	<u>20,590,900</u>
Total	100% of total	\$110,390,000	\$142,931,800	\$171,590,900
<u>Allocation of State Government's Share</u>				
<u>Department of Gaming</u>				
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,738,900	\$ 11,320,200 ^{4/}	\$ 13,590,000 ^{4/}
Department of Gaming Problem Gambling	2%	<u>1,942,000</u>	<u>2,515,600 ^{5/}</u>	<u>3,020,000 ^{5/}</u>
Subtotal-Department of Gaming		\$10,680,900	\$13,835,800	\$16,610,000
<u>Other Distributions</u>				
Instructional Improvement Fund (Department of Education)	56% of remainder	48,394,100	62,688,800	75,258,400
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	24,197,000	31,344,400	37,629,200
Arizona Wildlife Conservation Fund	8% of remainder	6,913,400	8,955,500	10,751,200
Tourism Fund	8% of remainder	<u>6,913,400</u>	<u>8,955,500</u>	<u>10,751,200</u>
Subtotal-Other Distributions		\$86,417,900	\$111,944,200	\$134,390,000
Total		\$97,098,800	\$125,780,000	\$151,000,000

^{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 an ADG projection, the budget projects a 29.5% increase in FY 2022 and a 20.1% increase in FY 2023 for tribal contributions to the Arizona Benefits Fund. The budget forecast reflects the revenue projections included in the ADG budget request, which includes changes from the implementation of the new 2021 Tribal Compacts.

^{3/} Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.

^{4/} While the FY 2022 appropriation includes \$9,828,100 and the FY 2023 appropriation includes \$13,590,000, 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. The department cannot expend above the actual 9% level or the expenditure authority level, whichever is lower.

^{5/} While the FY 2022 appropriation includes \$2,184,000 and the FY 2023 appropriation includes \$3,020,000, A.R.S. § 5-601.02H3 requires 2% of state gaming revenues to be used for problem gambling prevention. The department cannot expend above the actual 2% level or the expenditure authority level, whichever is lower.

Office of the Governor

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	5,673,000	7,313,600	7,776,100 ^{1/2/}
SPECIAL LINE ITEMS			
Arizona Civics Corps	0	1,000,000	0
Foster Youth Education Success Fund Deposit	1,500,000	1,500,000	1,500,000
AGENCY TOTAL	7,173,000	9,813,600	9,276,100 ^{3/}
FUND SOURCES			
General Fund	7,173,000	9,813,600	9,276,100
SUBTOTAL - Appropriated Funds	7,173,000	9,813,600	9,276,100
Other Non-Appropriated Funds	7,101,000	3,651,600	3,651,600
Federal Funds	1,169,883,400	1,384,413,700	1,384,413,700
TOTAL - ALL SOURCES	1,184,157,400	1,397,878,900	1,397,341,400

AGENCY DESCRIPTION — The Governor is the state’s Chief Executive Officer and responsible for the execution of state laws. The Office of the Governor includes the Office of Youth, Faith and Family, the Office of Constituent Services, the Arizona-Mexico Commission, as well as others.

FOOTNOTES

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} Included in the lump sum appropriation of \$7,776,100 for fiscal year 2022-2023 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations.)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$7,776,100 from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$333,200 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$129,300 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Civics Corps

The budget includes no funding from the General Fund in FY 2023 for the Arizona Civics Corps. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2023 to eliminate one-time funding for the Arizona Civics Corps pilot program.

The Arizona Civics Corps pilot program will provide postsecondary scholarships to junior and senior high school students who complete a required number of service hours through approved private and nonprofit partners.

Foster Youth Education Success Fund Deposit

The budget includes \$1,500,000 from the General Fund in FY 2023 for the Foster Youth Education Success Fund Deposit. This amount is unchanged from FY 2022.

The Foster Youth Education Success Program was established to improve the educational outcomes of children in Arizona’s foster care system.

Governor's Office of Strategic Planning and Budgeting

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,326,900	1,589,600	1,747,500
Employee Related Expenditures	455,300	583,200	682,500
Professional and Outside Services	131,600	121,200	121,200
Travel - In State	0	800	800
Travel - Out of State	0	6,900	6,900
Other Operating Expenditures	285,500	382,800	398,300
Equipment	37,900	4,200	4,200
AGENCY TOTAL	2,237,200	2,688,700	2,961,400 ^{1/2/}
FUND SOURCES			
General Fund	2,237,200	2,688,700	2,961,400
SUBTOTAL - Appropriated Funds	2,237,200	2,688,700	2,961,400
TOTAL - ALL SOURCES	2,237,200	2,688,700	2,961,400

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 Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$2,961,400 and 22 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$194,200 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$78,500 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Department of Health Services

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,125.0	1,135.5	1,141.5 ^{1/}
Personal Services	19,707,300	23,425,500	24,625,000
Employee Related Expenditures	7,828,500	9,553,000	11,299,900
Professional and Outside Services	1,067,400	1,213,100	1,222,600
Travel - In State	341,800	401,200	435,200
Travel - Out of State	0	81,500	86,500
Other Operating Expenditures	14,311,600	19,598,100	19,485,500
Equipment	709,800	477,100	522,100
OPERATING SUBTOTAL	43,966,400	54,749,500	57,676,800 ^{2/3/}
SPECIAL LINE ITEMS			
FY 2023 Salary Increase	0	0	9,910,000
Arizona State Hospital-Operating	65,659,200	64,188,000	78,030,500 ^{4/5/}
Arizona State Hospital-Restoration to Competency	820,000	900,000	900,000 ^{6/}
Arizona State Hospital-Sexually Violent Persons	9,931,100	9,736,100	10,031,100 ^{7/}
Accelerated Nursing Programs	0	0	50,000,000 ^{8/}
Adult Cystic Fibrosis Care	78,900	105,200	105,200
AIDS Reporting and Surveillance	988,300	1,000,000	1,000,000
Alzheimer's Disease Research	1,125,000	3,625,000	3,625,000 ^{9/}
Behavioral Health Care Provider Loan Repayment Program	0	0	2,000,000
Biomedical Research Support	1,500,600	2,000,000	2,000,000 ^{10/}
Breast and Cervical Cancer and Bone Density Screening	900,400	1,369,400	1,369,400
County Tuberculosis Provider Care and Control	407,400	590,700	590,700
Emergency Medical Services Local Allocation	347,200	0	0
Family Health Pilot Program	0	1,500,000	3,000,000 ^{11/}
Folic Acid Program	355,900	400,000	400,000
High Risk Perinatal Services	2,138,200	2,343,400	2,343,400
Homeless Pregnant Women Services	50,000	200,000	500,000 ^{12/}
Medical Student Loan Fund Deposit	0	2,000,000	0
Newborn Screening Program	6,613,200	13,074,900	12,222,700
Nonrenal Disease Management	132,700	198,000	198,000 ^{13/}
Arizona Nurse Education Investment Pilot Program	0	0	15,000,000
Nursing Care Special Projects	68,400	100,000	200,000
Poison Control Centers Funding	656,800	990,000	990,000
Preceptor Grant Program for Graduate Students	0	0	500,000 ^{14/}
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Rural Prenatal Services	403,400	500,000	0
State Loan Repayment Program	926,200	0	0
Radiation Regulation	1,862,900	2,305,000	0
Nuclear Emergency Management Program	600,100	0	0
AGENCY TOTAL	139,894,600	162,358,200	253,075,800 ^{15/16/}
FUND SOURCES			
General Fund	93,627,700	103,419,200	194,834,300
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	2,364,100	2,883,600	3,145,800
ASH Land Earnings Fund	601,800	650,000	650,000
Child Fatality Review Fund	78,800	196,500	196,500
Disease Control Research Fund	988,300	1,000,000	1,000,000

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
Emergency Medical Services Operating Fund	4,075,600	3,831,300	4,167,900
Environmental Laboratory Licensure Revolving Fund	516,100	933,300	1,001,700
Federal Child Care and Development Fund Block Grant	878,000	1,884,100	998,600
Health Services Licensing Fund	12,695,200	15,570,600	16,960,500
Health Services Lottery Monies Fund	50,000	200,000	200,000
Indirect Cost Fund	10,561,000	11,302,100	12,298,700
Newborn Screening Program Fund	6,642,100	13,507,700	12,821,300
Nuclear Emergency Management Fund	600,100	0	0
Nursing Care Institution Resident Protection Revolving Fund	79,100	138,200	238,200
Prescription Drug Rebate Fund	0	2,500,000	0
Tobacco Tax and Health Care Fund - Health Research Account	2,500,600	0	0
Tobacco Tax and Health Care Fund - Medically Needy Account	580,900	700,000	700,000
Vital Records Electronic Systems Fund	3,055,200	3,641,600	3,862,300
SUBTOTAL - Other Appropriated Funds	46,266,900	58,939,000	58,241,500
SUBTOTAL - Appropriated Funds	139,894,600	162,358,200	253,075,800
Other Non-Appropriated Funds	94,434,000	90,508,800	92,596,000
Federal Funds	621,465,700	682,584,800	583,291,300
TOTAL - ALL SOURCES	855,794,300	935,451,800	928,963,100

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/ Includes 730 GF and 24.1 OF FTE Positions funded from Special Line Items in FY 2023.
- 2/ Of the amount appropriated for the department of health services operating lump sum in fiscal year 2021-2022, \$1,000,000 from the state general fund is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, until June 30, 2023 for the purpose of vital records electronic system upgrades. (General Appropriation Act footnote)
- 3/ 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, 2023, 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 2022-2023. (General Appropriation Act footnote)
- 4/ In addition to the appropriation for the department of health services, earnings on state lands and interest on the investment of the permanent state land funds are appropriated to the Arizona state hospital in compliance with the enabling act and the Constitution of Arizona. (General Appropriation Act footnote)
- 5/ Of the amount appropriated for the Arizona state hospital - operating line item, \$7,100,000 is appropriated onetime to replace the state hospital surveillance system with a system that includes both video and audio capability. (General Appropriation Act footnote)
- 6/ The Arizona State Hospital - Restoration to Competency line item includes monies for direct costs associated with the Restoration to Competency program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 7/ The Arizona State Hospital - Sexually Violent Persons line item includes monies for direct costs associated with the Sexually Violent Persons program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 8/ The amount appropriated to the department of health services for accelerated nursing programs is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. Any monies remaining unexpended on July 1, 2024 revert to the state general fund. (General Appropriation Act footnote)

9/ 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 Appropriation Act footnote)

10/ 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, 2024. (General Appropriation Act footnote)

11/ The department of health services shall distribute the monies appropriated for the family health pilot program line item to at least two nonprofit organizations to implement a statewide system to provide direct services, support services, social services case management and referrals to the biological or adoptive parents of children under two years of age, including unborn children. The purpose of the statewide system is to encourage healthy childbirth, support childbirth as an alternative to abortion, promote family formation, aid successful parenting and increase families' economic self-sufficiency. The statewide system services must be available to all residents of this state in both urban and rural areas. Monies may not be used for abortion referral services or distributed to entities that promote, provide referrals for or perform abortions. A nonprofit organization that receives the monies must demonstrate both:

1. Experience in marketing and serving the eligible patient population.
2. That the organization can begin serving clients statewide within sixty days after receiving monies pursuant to this section.

When determining which nonprofit organizations will participate in the family health pilot program, the department shall give preference to nonprofit organizations that are working and providing services in this state.

Each nonprofit organization that participates in the family health pilot program shall submit to the department of health services on a form prescribed by the department a quarterly report of the services and referrals the nonprofit organization provides, including all of the following information:

1. The number of clients served, either by referral or direct services.
2. The number of direct services provided and referrals made.
3. The number of women referred for medical services or medical care.
4. The number of women who received prenatal care.
5. The number of women who were referred for prenatal care.
6. The number of women who received nutrition services.
7. The number of women who were referred for nutrition services.
8. The number of individuals who received adoption services.
9. The number of individuals who were referred for adoption services.
10. The number of individuals who received educational and employment services. (General Appropriation Act footnote)

12/ The department of health services shall distribute monies appropriated for homeless pregnant women services to nonprofit organizations that are located in a county with a population of more than three million persons and whose primary function is to provide shelter, food, clothing, transportation for health services and support to homeless pregnant women and their children who are under one year of age. Monies may not be granted for abortion referral services or distributed to entities that promote, refer or perform abortions. (General Appropriation Act footnote)

13/ 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 Appropriation Act footnote)

- 14/ The amount appropriated to the department of health services for the preceptor grant program for graduate students is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. Any monies remaining unexpended on July 1, 2026 revert to the state general fund. (General Appropriation Act footnote)
- 15/ 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. The report shall include an estimate of potential shortfalls in programs, potential federal and other monies, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 16/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$57,676,800 and 387.4 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$19,630,000
Child Fatality Review Fund	196,500
Emergency Medical Services (EMS) Operating Fund	3,961,700
Environmental Laboratory Licensure Revolving Fund	962,000
Federal Child Care and Development Fund (CCDF) Block Grant	926,800
Health Services Licensing Fund	16,092,300
DHS Indirect Cost Fund	11,733,600
Newborn Screening Program Fund	432,800
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,702,900

FY 2023 adjustments are as follows:

Certificates of Necessity Procedures

The budget includes an increase of \$627,000 and 5 FTE Positions from the General Fund in FY 2023 to increase funding for issuing Certificates of Necessity for ambulance services in compliance with Laws 2022, Chapter 381, which modified requirements for the department's application and issuance procedures.

Suicide Prevention Coordinator

The budget includes an increase of \$100,000 and 1 FTE Position from the General Fund in FY 2023 to shift a suicide prevention coordinator position from AHCCCS to DHS. The coordinator assists school districts and charter schools with suicide prevention efforts. The budget requires DHS to submit an annual report to JLBC and OSPB on the coordinator's accomplishments.

Lease-Purchase Payment Increase

The budget includes an increase of \$134,700 from the Indirect Cost Fund in FY 2023 to fund a lease-purchase payment increase associated with the department's main office building.

Remove One-Time Caregiver Modules

The budget includes a decrease of \$(160,000) from the General Fund in FY 2023 to remove one-time funding for cognitive decline and caregiver modules for Arizona's Behavioral Risk Factor Surveillance Survey.

Remove One-Time IT Upgrades

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2023 to remove one-time funding for upgrades to the vital records IT system to allow the department to release birth records that were sealed due to an adoption pursuant to Laws 2021, Chapter 384. The FY 2023 budget extended the lapsing date of this appropriation through the end of FY 2023.

Remove One-Time Licensing System Funding

The budget includes a decrease of \$(1,000,000) from the Federal CCDF Block Grant in FY 2023 to remove one-time funding for development costs of a child care services licensing system.

Consolidate Funding

The budget includes an increase of \$2,305,000 and 29 FTE Positions from the Health Services Licensing Fund in FY 2023 to consolidate the Radiation Regulation line item into the operating budget to simplify the budget display.

Statewide Adjustments

The budget includes an increase of \$1,920,600 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	839,000
Emergency Medical Services (EMS) Operating Fund	130,400
Environmental Laboratory Licensure Revolving Fund	28,700

Federal Child Care and Development Fund (CCDF) Block Grant	42,700
Health Services Licensing Fund	521,700
DHS Indirect Cost Fund	296,800
Vital Records Electronic Systems Fund	61,300

(Please see the Agency Detail and Allocations section.)

FY 2023 Salary Increase

The budget includes \$9,910,000 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

General Fund	7,833,800
Emergency Medical Services (EMS) Operating Fund	206,200
Environmental Laboratory Licensure Revolving Fund	39,700
Federal Child Care and Development Fund (CCDF) Block Grant	71,800
Health Services Licensing Fund	868,200
DHS Indirect Cost Fund	565,100
Newborn Screening Program Fund	165,800
Vital Records Electronic Systems Fund	159,400

Of these amounts, \$7,631,100 is for a 10% minimum state employee salary increase and \$2,278,900 is for selected market adjustments above 10%. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. (Please see the Agency Detail and Allocations section.)

Arizona State Hospital

ASH - Operating

The budget includes \$78,030,500 and 616.5 FTE Positions in FY 2023 for the ASH operating budget. These amounts consist of:

General Fund	75,134,700
ASH Fund	2,245,800
ASH Land Earnings Fund	650,000

FY 2023 adjustments are as follows:

Increased Operating Costs

The budget includes an increase of \$6,927,400 from the General Fund in FY 2023 to fund operating cost increases associated with higher staffing levels and contract increases for dietary services, pharmaceutical services,

Attorney General legal fees, and Arizona Department of Administration building maintenance services.

One-Time Surveillance System Replacement

The budget includes an increase of \$7,100,000 from the General Fund in FY 2023 for one-time replacement of the ASH surveillance system. The budget requires ASH to replace the current system with a system that includes both audio and visual capabilities.

Hiring Bonuses

The budget includes an increase of \$705,000 from the General Fund in FY 2023 to fund \$5,000 hiring bonuses for ASH nurses, behavioral health technicians, and therapy specialists. The bonuses will be paid in increments throughout the first year of employment.

IT Projects

The budget includes an increase of \$262,100 from the Arizona State Hospital Fund in FY 2023 to implement an ongoing replacement schedule for IT hardware.

Debt Payoff Savings

The budget includes a decrease of \$(2,973,000) from the General Fund in FY 2023 to remove the cost of paying debt service for the ASH Forensic Hospital. The budget includes \$93,500,000 from the General Fund in FY 2022 appropriated to the Arizona Department of Administration to pay for the retirement or defeasance of lease-purchase agreements for the ASH Forensic Hospital and Arizona Department of Corrections prison beds and water supply projects. (Please see the Capital Outlay Debt and Lease Purchase Financing section for more information.)

Statewide Adjustments

The budget includes an increase of \$1,821,000 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	1,820,900
ASH Fund	100

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 2021, ASH had an average daily census of 98 patients in its civil commitment unit, 113 patients in its forensic unit, and 95 Sexually Violent Persons (SVPs), for a total of 306 patients.

ASH - Restoration to Competency

The budget includes \$900,000 from the ASH Fund in FY 2023 for ASH - Restoration to Competency. This amount is unchanged from FY 2022.

Background – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2021, there was an average daily census of 6 RTC patients treated at ASH. RTC patients are treated in ASH’s forensic unit.

The FY 2023 Health Care BRB continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

ASH - Sexually Violent Persons

The budget includes \$10,031,100 and 112.5 FTE Positions from the General Fund in FY 2023 for ASH - Sexually Violent Persons. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$295,000 from the General Fund in FY 2023 for statewide adjustments.

Background – After serving their prison sentence, some persons convicted of sexually violent crimes may be remanded by the courts for further confinement and treatment. These individuals are housed at the Arizona State Hospital. In FY 2021, ASH had an average daily census of 95 Sexually Violent Persons (SVPs).

Public Health/Family Health

Accelerated Nursing Programs

The budget includes \$50,000,000 from the General Fund in FY 2023 for Accelerated Nursing Programs. FY 2023 adjustments are as follows:

New Program

The budget includes an increase of \$50,000,000 from the General Fund in FY 2023 to expand the number of nursing degrees. Of this amount, the FY 2023 Health Care BRB requires 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.

The FY 2023 Health Care BRB also stipulates 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.

The monies appropriated are non-lapsing through FY 2024. Any unspent monies at the end of FY 2024 will revert to the General Fund.

Adult Cystic Fibrosis Care

The budget includes \$105,200 from the General Fund in FY 2023 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2022.

This line item provides contracted care and treatment services through Phoenix Children’s Hospital for 20 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the Disease Control Research Fund in FY 2023 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2022.

The line item provides \$125,000 for a database system administered by Maricopa and Pima Counties to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The program also includes \$875,000 to provide medications under the Arizona AIDS Drug Assistance Program (ADAP), which also receives Federal Funds for the medications. The ADAP program served approximately 2,915 clients in FY 2021.

Alzheimer's Disease Research

The budget includes \$3,625,000 from the General Fund in FY 2023 for Alzheimer's Disease Research. FY 2023 adjustments are as follows:

Fund Shift

The budget includes an increase of \$2,500,000 from the General Fund in FY 2023 with a corresponding decrease of \$(2,500,000) from the Prescription Drug Rebate Fund – State to shift funding sources for Alzheimer's Disease research.

The FY 2022 budget included a one-time increase of \$2,500,000 from the Prescription Drug Rebate Fund - State for Alzheimer's Disease research funding. The 3-year budget plan also included \$2,500,000 in one-time funding in FY 2023, which was included in the FY 2023 Baseline. The final FY 2023 budget included the \$2,500,000 from the General Fund as ongoing.

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.

Behavioral Health Care Provider Loan Repayment Program

The budget includes \$2,000,000 from the General Fund in FY 2023 for the Behavioral Health Care Provider Loan Repayment Program. FY 2023 adjustments are as follows:

New Program

The budget includes an increase of \$2,000,000 from the General Fund in FY 2023 for a loan repayment program for health care providers who practice in behavioral health facilities in Arizona. Of this amount, \$1,000,000 is one-time.

The program was established in the FY 2023 Health Care BRB 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.

Biomedical Research Support

The budget includes \$2,000,000 from the General Fund in FY 2023 for Biomedical Research Support. This amount is unchanged from FY 2022.

Background – This line item funds a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research focusing on applying genomic technologies and sequencing to clinical care, assists with disease outbreak investigations, and collaborates with universities, hospitals, and other bioscience and related industries in this state.

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 budget includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2023 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2022.

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.

County Tuberculosis Provider Care and Control

The budget includes \$590,700 from the General Fund in FY 2023 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2022.

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.

Family Health Pilot Program

The budget includes \$3,000,000 from the General Fund in FY 2023 for a Family Health Pilot Program. FY 2023 adjustments are as follows:

Program Increase

The budget includes an increase of \$1,500,000 from the General Fund in FY 2023 to increase Family Health Pilot Program funding on a one-time basis.

The FY 2022 budget included \$1,500,000 in initial funding from the General Fund for a Family Health Pilot Program. The 3-year budget plan also included \$1,500,000 in one-

time funding in FY 2023, which was included in the FY 2023 Baseline. The final FY 2023 budget increases FY 2023 one-time funding to \$3,000,000. This funding will be removed in FY 2024.

The department is required to distribute these monies to non-profit organizations to implement a statewide system to provide direct services, support services, social services case management and referrals to the biological or adoptive parents of children under 2 years of age, including unborn children.

Folic Acid Program

The budget includes \$400,000 from the TTHCF - Medically Needy Account in FY 2023 for the Folic Acid Program. This amount is unchanged from FY 2022.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2021, 32,499 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,343,400 from the General Fund in FY 2023 for High Risk Perinatal Services. This amount is unchanged from FY 2022.

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.

Homeless Pregnant Women Services

The budget includes \$500,000 in FY 2023 for Homeless Pregnant Women Services. This amount consists of:

General Fund	300,000
Health Services Lottery Monies Fund	200,000

FY 2023 adjustments are as follows:

Program Increase

The budget includes an increase of \$300,000 from the General Fund in FY 2023 to increase Homeless Pregnant Women Services program funding on a one-time basis.

DHS is required to use monies in this line item to provide grants to non-profit organizations located in a county with

more than 3 million persons and whose primary function is to provide shelter, food, clothing, and transportation services to homeless pregnant women and their children who are under the age of one.

The FY 2023 Health Care BRB continues a provision to permit the department to use the Health Services Lottery Monies Fund for Homeless Pregnant Women Services.

Medical Student Loan Fund Deposit

The budget includes no funding from the General Fund in FY 2023 for a Medical Student Loan Fund Deposit. FY 2023 adjustments are as follows:

Remove One-Time Fund Deposit

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2023 to remove a one-time deposit to the Medical Student Loan Fund. The fund is used by the Board of Medical Student Loans to distribute financial aid to qualified resident medical students pursuant to A.R.S. 15-1723 and § 15-1724.

The Medical Student Loan Fund has been administered by DHS since FY 2013. Laws 2021, Chapter 442 transfers administration of the fund back to the Board of Medical Student Loans.

Newborn Screening Program

The budget includes \$12,222,700 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2023 for the Newborn Screening Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(942,600) from the Newborn Screening Program Fund in FY 2023 to remove one-time equipment and start-up costs associated with expanding the number of conditions on the state's newborn screening panel.

Statewide Adjustments

The budget includes an increase of \$90,400 from the Newborn Screening Program Fund in FY 2023 for statewide adjustments.

The FY 2022 Health Budget Reconciliation Bill (BRB) requires DHS to add Spinal Muscular Atrophy and X-Linked Adrenoleukodystrophy by December 31, 2022. The remaining 29 conditions included on the U.S. Department of Health and Human Services Recommended Uniform Screening Panel (RUSP) are required to be added by December 31, 2023.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 30 disorders, which will be increased to 61 by December 31, 2023. In FY 2021, the program provided screening for 74,693 newborns. The program also provides follow-up counseling for the parents of affected newborns. The State Health Laboratory is the designated laboratory for testing, but DHS may designate other laboratories as testing facilities for conditions or tests added to the screening program.

Nonrenal Disease Management

The budget includes \$198,000 from the General Fund in FY 2023 for Nonrenal Disease Management. This amount is unchanged from FY 2022.

This line item provides funding for medication and other transplant-related services for nonrenal transplant patients who are ineligible for other public assistance programs.

Arizona Nurse Education Investment Pilot Program

The budget includes \$15,000,000 from the General Fund in FY 2023 for the Arizona Nurse Education Investment Pilot Program. FY 2023 adjustments are as follows:

New Program

The budget includes an increase of \$15,000,000 from the General Fund in FY 2023 for the Arizona Nurse Education Investment Pilot Program established by Laws 2022, Chapter 330. The monies are appropriated one-time and will be deposited to the newly-created Arizona Nurse Education Investment Pilot Program Fund to increase the capacity of nursing education programs in Arizona.

Chapter 330 requires DHS to allocate monies to the Arizona Board of Regents 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.

Any monies remaining in the fund at the end of FY 2026 will revert to the General Fund.

Nursing Care Special Projects

The budget includes \$200,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2023 for special projects related to long-term care facilities. FY 2023 adjustment are as follows:

Program Increase

The budget includes an increase of \$100,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2023 to increase Nursing Care Special Projects program funding.

Background – The Nursing Care Institution Resident Protection Revolving Fund receives deposits from civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications. Historically, DHS' operating budget has included an ongoing appropriation of \$38,200 from this fund for emergency patient relocation and patient personal property replacement.

Poison Control Centers Funding

The budget includes \$990,000 from the General Fund in FY 2023 for Poison Control Centers. This amount is unchanged from FY 2022.

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 2021. A.R.S. § 32-1907 allows the Board of Pharmacy to transfer up to \$1,000,000 from the Arizona State Board of Pharmacy Fund to the University of Arizona (UA) Poison Control Information Center. However, this amount is not reflected in the table at the beginning of this narrative. The Board of Pharmacy transferred \$200,000 to the UA Poison Control Center in FY 2021.

Preceptor Grant Program for Graduate Students

The budget includes \$500,000 from the General Fund in FY 2023 for a Preceptor Grant Program for Graduate Students. FY 2023 adjustments are as follows:

New Program

The budget includes an increase of \$500,000 from the General Fund in FY 2023 for a Preceptor Grant Program for Graduate Students established by Laws 2022, Chapter 330. The monies are appropriated one-time 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. Chapter 330 requires DHS to allocate the monies to the 5 largest statewide nonprofit organization representing these professions in proportion to the number 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 a 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.

Any monies remaining unspent at the end of FY 2026 will revert to the General Fund.

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the TTHCF - Medically Needy Account in FY 2023 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2022.

This line item provides pre-operative dental care and ongoing nutritional assistance for low-income renal disease patients. Funding in this line item treats kidney disease and associated kidney damage and provides transportation services for dialysis appointments.

Renal Transplant Drugs

The budget includes \$183,000 from the General Fund in FY 2023 for Renal Transplant Drugs. This amount is unchanged from FY 2022.

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 2021, 38 people received anti-rejection medication assistance.

Rural Prenatal Services

The budget includes no funding from the General Fund in FY 2023 for Rural Prenatal Services. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(500,000) from the General Fund in FY 2023 to remove one-time funding for rural prenatal services. The funding provided medical

student loan repayment options for rural prenatal health care providers practicing in medically underserved areas of the state. The FY 2020 General Appropriation Act appropriated these monies one-time in FY 2021 and FY 2022.

DHS used these monies to fund a portion of 2-year contracts for 24 prenatal care providers currently enrolled in the State Loan Repayment Program. In exchange for loan repayment assistance, the providers will work in a medically underserved area of the state for 2 years.

Bureau of Radiation Control

Radiation Regulation

The budget includes no funding in FY 2023 for Radiation Regulation. FY 2023 adjustments are as follows:

Consolidate Funding

The budget includes a decrease of \$(2,305,000) and (29) FTE Positions from the Health Services Licensing Fund in FY 2023 to consolidate the Radiation Regulation line item into the operating budget to simplify the budget display.

Radiation regulation includes oversight of the use, storage, and disposal of sources of radiation.

Other Issues

Statutory Changes

The FY 2023 Health Care BRB would:

- As session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
- As session law, continue to notwithstanding A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services. (*See Homeless Pregnant Women Services for more information.*)
- As permanent law, establishes the Behavioral Health Care Provider Loan Repayment Program to provide loan repayment assistance to behavioral health technicians, nurses, physicians, psychiatrists, psychologists, and other behavioral health providers who agree to work in a behavioral health hospitals or behavioral health residential facility for at least 2 years. Awards are limited to the amount of principal, interest and related expenses of educational loans

and are capped at \$50,000 in the first 2 years of service and \$25,000 for subsequent years.

- As session law, requires DHS to distribute monies appropriated for accelerated nursing programs as follows:
 - \$6,000,000 to a private university with a health sciences campus located in Phoenix for capital costs associated with adding a new cohort of accelerating nursing students.
 - \$44,000,000 to public and private universities and community colleges for the purpose of expanding accelerated nursing programs. Requires at least 80% of the monies to be used for scholarship costs and no more than 20% to be used for faculty and equipment costs. Requires scholarship recipients to practice nursing in Arizona for at least 4 years after graduation. States that priority will be given to 12-month programs, but programs up to 18 months in length are also eligible. Requires students to reimburse universities if the service commitment is not fulfilled. States that the monies do not supplant other institutional aid sources and may only be used for newly added program seats. Requires recipients to report annually on the number of students awarded a scholarship, number of students completing a service commitment, and the number of students required to provide reimbursement.
- As session law, accelerates the transfer of the Psychiatric Security Review Board to the Superior Court from June 30, 2023 to January 1, 2023.
- As session law, provides a rulemaking exemption for air ambulance service medical staffing.

Proposition 207 – Recreational Marijuana

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax on all recreational marijuana.

We estimate that excise tax collections will be approximately \$120,142,800 in FY 2022, increasing to \$132,157,000 in FY 2023 and \$145,372,700 in FY 2024. These estimates are based on recreational marijuana sales in the first quarter of FY 2022. Actual collections will ultimately depend on total sales generated at full implementation of the program.

Before any distributions are made from the fund, DHS, the Department of Revenue, the Supreme Court, the Department of Public Safety, and the State Treasurer receive monies based on self-determined "actual and reasonable" costs associated with certain requirements of the initiative. Agencies have not yet determined how much will be used for administrative costs.

After state agency distributions, the remaining funds are distributed accordingly:

- 33.0% to community college districts, including:
- 31.4% to municipal police and fire departments, divided according to the number of individuals from each department enrolled in the Public Safety Personnel Retirement System.
- 25.4% to the Highway User Revenue Fund.
- 10.0% to the Justice Reinvestment Fund, including:
- 0.2% to the Attorney General for enforcement.

Since agencies have not yet determined FY 2023 administrative costs, we are not able to estimate how much will be distributed to each recipient.

Arizona Historical Society

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	50.9	50.9	50.9 ^{1/}
Personal Services	1,364,400	1,309,800	1,309,800
Employee Related Expenditures	552,500	526,500	600,200
Professional and Outside Services	100	0	0
Other Operating Expenditures	654,500	498,300	517,500
OPERATING SUBTOTAL	2,571,500	2,334,600	2,427,500
SPECIAL LINE ITEMS			
Field Services and Grants	65,800	62,500	63,800
Papago Park Museum	558,300	508,900	524,800
FY 2023 Salary Increase	0	0	198,600
AGENCY TOTAL	3,195,600	2,906,000	3,214,700 ^{2/}
FUND SOURCES			
General Fund	3,195,600	2,906,000	3,214,700
SUBTOTAL - Appropriated Funds	3,195,600	2,906,000	3,214,700
Other Non-Appropriated Funds	277,200	1,207,900	1,207,900
Federal Funds	16,800	9,600	9,600
TOTAL - ALL SOURCES	3,489,600	4,123,500	4,432,200

AGENCY DESCRIPTION — The Arizona Historical Society acquires, preserves, maintains, and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West, and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix, and Tempe (Papago Park).

FOOTNOTES

^{1/} Includes 10.5 GF FTE Positions funded from Special Line Items in FY 2023.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,427,500 and 40.4 FTE Positions from the General Fund in FY 2023. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$92,900 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Field Services and Grants

The budget includes \$63,800 and 0.5 FTE Positions from the General Fund in FY 2023 for Field Services and Grants. These amounts are unchanged from FY 2022. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,300 from the General Fund in FY 2023 for statewide adjustments.

This line item funds contracts with certified county historical societies for services to be performed for the benefit of the state.

Papago Park Museum

The budget includes \$524,800 and 10 FTE Positions from the General Fund in FY 2023 for the Papago Park Museum. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$15,900 from the General Fund in FY 2023 for statewide adjustments.

This line item funds the operation and maintenance of the Papago Park Museum (Tempe).

FY 2023 Salary Increase

The budget includes \$198,600 from the General Fund in FY 2023 for an FY 2023 Salary Increase. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$198,600 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section).*

Prescott Historical Society of Arizona

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	580,100	580,100	638,900
Employee Related Expenditures	233,300	233,000	283,400
Other Operating Expenditures	49,800	87,500	93,800
AGENCY TOTAL	863,200	900,600	1,016,100 ^{1/}
FUND SOURCES			
General Fund	863,200	900,600	1,016,100
SUBTOTAL - Appropriated Funds	863,200	900,600	1,016,100
Other Non-Appropriated Funds	601,900	628,900	628,900
TOTAL - ALL SOURCES	1,465,100	1,529,500	1,645,000

AGENCY DESCRIPTION — The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving, and publicly exhibiting archival and museum objects pertaining to the history, geological, and anthropological life of Arizona and the West.

FOOTNOTES

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

Operating Budget

The budget includes \$1,016,100 and 13 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$72,300 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$43,200 from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Department of Homeland Security

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
<i>Full Time Equivalent Positions</i>	0.0	0.0	20.0 ^{1/}
SPECIAL LINE ITEMS			
Statewide Information Security and Privacy Operations and Controls	0	0	11,930,300
Cybersecurity Software	0	0	2,000,000 ^{2/}
Statewide Cybersecurity Grants	0	0	10,000,000 ^{3/}
AGENCY TOTAL	0	0	23,930,300 ^{4/}
FUND SOURCES			
General Fund	0	0	12,000,000
<u>Other Appropriated Funds</u>			
Information Technology Fund	0	0	11,930,300
SUBTOTAL - Other Appropriated Funds	0	0	11,930,300
SUBTOTAL - Appropriated Funds	0	0	23,930,300
Federal Funds	23,574,400	29,280,000	29,280,000
TOTAL - ALL SOURCES	23,574,400	29,280,000	53,210,300

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. In FY 2023, the department took responsibility of Statewide Information Security and Privacy Operations and Controls.

FOOTNOTES

- ^{1/} Includes 20 OF FTE Positions funded from Special Line Items in FY 2023.
- ^{2/} The department shall use the amount appropriated in the cybersecurity software line item to procure and implement, through a competitive bidding process, an enterprise license for use by agencies of this state for security software that will integrate security into the development process and scan software code in development, production and postproduction to detect and improve security threats by using at least two of the following testing mechanisms:
 1. Static analysis security testing.
 2. Dynamic testing.
 3. Penetration testing.
 4. Software composition analysis. (General Appropriation Act footnote)
- ^{3/} Of the amount appropriated for statewide cybersecurity grants, the Arizona department of homeland security may spend up to \$310,000 for grant administration. (General Appropriation Act footnote)
- ^{4/} General Appropriation Act funds are appropriated as a Lump Sum with Special Line Items by Agency.

Statewide Information Security and Privacy Operations and Controls

The budget includes \$11,930,300 and 20 FTE Positions from the Information Technology (IT) Fund in FY 2023 for Statewide Information Security and Privacy Operations and Controls. FY 2023 adjustments are as follows:

Transfer Statewide Cyber Operations

The budget includes an increase of \$6,366,700 and 16 FTE Positions from the IT Fund in FY 2023 to transfer the Statewide Information Security and Privacy Operations and Controls line item from the Arizona Department of Administration (ADOA) to the Department of Homeland Security pursuant to Laws 2022, Chapter 50.

Increase Cyber Security Controls

The budget includes an increase of \$4,200,000 and 4 FTE Positions from the IT Fund in FY 2023 to enhance statewide cyber security controls and software.

Cyber Security Mitigation & Telework

The budget includes a one-time increase of \$1,190,500 from the IT Fund in FY 2023 additional cyber security resources for state employee teleworking.

Salary Increase

The budget includes an increase of \$165,300 from the IT Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$7,800 from the Information Technology Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

The Statewide Information Security and Privacy Office 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.

Cyber Security Software

The budget includes \$2,000,000 from the General Fund in FY 2023 for Cyber Security Software. FY 2023 adjustments are as follows:

Cyber Security Software

The budget includes an increase of \$2,000,000 from the General Fund in FY 2023 one-time cyber security software.

Pursuant to a FY 2023 budget footnote, the department shall procure through a competitive process security software that detects security threats by using at least 2 specified testing mechanism

Statewide Cyber Security Grants

The budget includes \$10,000,000 from the General Fund in FY 2023 for statewide cyber security grants. FY 2023 adjustments are as follows:

Statewide Cyber Security Grants

The budget includes an increase of \$10,000,000 from the General Fund in FY 2023 to establish a statewide cyber security grant program.

The line item funds a grant program to provide local political subdivisions with resources for cyber security readiness and tools. An FY 2023 budget footnote allows the department to use up to \$310,000 of the appropriation to administer the grant program.

Other Issues

Agency Background

Prior to FY 2023, the Arizona Department of Homeland Security existed but did not have an appropriated operating budget and department's only funding sources consisted of non-appropriated monies to distribute as grants to state agencies and local governments. Laws 2022, Chapter 50 transfers the state's Information Security and Privacy Office from the ADOA to the department and the budget includes a transfer of this funding.

Board of Homeopathic and Integrated Medicine Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	19,400	22,000	24,200
Employee Related Expenditures	6,500	7,000	8,000
Professional and Outside Services	0	0	2,400
Travel - In State	0	1,000	1,000
Other Operating Expenditures	11,900	15,500	15,800
Equipment	0	500	500
AGENCY TOTAL	37,800	46,000	51,900^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	37,800	46,000	51,900
SUBTOTAL - Other Appropriated Funds	37,800	46,000	51,900
SUBTOTAL - Appropriated Funds	37,800	46,000	51,900
TOTAL - ALL SOURCES	37,800	46,000	51,900

AGENCY DESCRIPTION — The board licenses and regulates medical physicians who practice homeopathic and integrated medicine, a system of medical treatment based on the use of small quantities of remedies which in larger doses produce symptoms of the disease. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$51,900 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing

The budget includes an increase of \$2,400 from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application

Salary Increase

The budget includes an increase of \$2,700 from Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$800 from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Department of Housing

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	203,300	203,300	233,100
Employee Related Expenditures	75,600	79,300	86,300
Professional and Outside Services	1,700	1,700	1,700
Travel - In State	1,800	7,900	7,900
Other Operating Expenditures	49,600	30,000	37,900
Equipment	500	500	500
OPERATING SUBTOTAL	332,500	322,700	367,400
SPECIAL LINE ITEMS			
Homeless Services Grant Pilot	0	0	10,000,000 ^{1/}
Housing Trust Fund Deposit	0	0	60,000,000 ^{2/}
AGENCY TOTAL	332,500	322,700	70,367,400 ^{3/}
FUND SOURCES			
General Fund	0	0	70,000,000
<u>Other Appropriated Funds</u>			
Housing Trust Fund	332,500	322,700	367,400
SUBTOTAL - Other Appropriated Funds	332,500	322,700	367,400
SUBTOTAL - Appropriated Funds	332,500	322,700	70,367,400
Other Non-Appropriated Funds	32,698,300	45,606,900	45,606,900
Federal Funds	93,639,800	228,958,100	228,958,100
TOTAL - ALL SOURCES	126,670,600	274,887,700	344,932,400

AGENCY DESCRIPTION — The department annually administers approximately \$274.6 million in federal and non-appropriated state housing and community development funds. The appropriated budget reflects a portion of the agency's administration expenses. The department provides affordable housing opportunities in conjunction with the Arizona Industrial Development Authority. The department's responsibilities include the Office of Manufactured Housing.

FOOTNOTES

- 1/ The Arizona department of housing shall use the monies appropriated for the homeless services grant pilot to establish a grant program for cities, towns, and counties in this state for homeless services programs designed to reduce homelessness. Eligible programs must allow homeless individuals to be compensated for daily work, offer a daily remuneration rate, and help participants to access support services. Participating cities, towns and counties must provide a dollar-for-dollar local match for each grant dollar received. The department shall prioritize awarding grants to cities, towns and counties that have an established program that meets the grant requirements.
- 2/ All monies from the housing trust fund deposit shall be distributed in the form of grants, not loans, to projects in cities, towns, and counties in this state. Of the \$60,000,000 appropriated to the housing trust fund, \$20,000,000 must be distributed to projects in counties other than Maricopa and Pima counties and an additional \$4,000,000 must be distributed to the Navajo and Hopi tribal nations.
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$367,400 and 3 FTE Positions from the Housing Trust Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$24,900 from the Housing Trust Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$19,800 from the Housing Trust Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Homeless Services Grant Pilot

The budget includes \$10,000,000 from the General Fund in FY 2023 for a new Homeless Services Grant Program line item. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$10,000,000 from the General Fund in FY 2023 to establish a homeless services grant pilot program. A General Appropriation Act footnote requires the appropriation be used to establish a grant program for cities, towns, and counties for programs designed to reduce homelessness. In addition to meeting specified program requirements, participating cities, towns, and counties must provide a dollar-for-dollar local match for each grant dollar received. Cities, towns and counties that have an established program meeting program requirements will be given priority by the department.

Housing Trust Fund Deposit

The budget includes \$60,000,000 from the General Fund in FY 2023 for a new Housing Trust Fund Deposit line item. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$60,000,000 from the General Fund in FY 2023 for a deposit into the Housing Trust Fund. A General Appropriation Act footnote requires that these monies be distributed in the form of grants, not loans, to cities, towns, and counties in Arizona, with set-aside allocations as follows:

- \$20,000,000 of the appropriation must be distributed to projects in counties other than Maricopa and Pima counties.
- \$4,000,000 of the appropriation must be distributed in the Navajo and Hopi tribal nations.

Independent Redistricting Commission

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	6.0	6.0	0.0
Personal Services	50,300	850,000	0
Employee Related Expenditures	11,600	375,000	0
Professional and Outside Services	436,400	5,310,000	0
Travel - In State	0	500,000	0
Travel - Out of State	0	100,000	0
Other Operating Expenditures	1,700	545,000	0
Equipment	0	220,000	0
AGENCY TOTAL	500,000	7,900,000 ^{1/}	0
FUND SOURCES			
General Fund	500,000	7,900,000	0
SUBTOTAL - Appropriated Funds	500,000	7,900,000	0
TOTAL - ALL SOURCES	500,000	7,900,000	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 Appropriation Act footnote)

Operating Budget

The budget includes no funding in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(7,900,000) and (6) FTE Positions from the General Fund in FY 2023 for redistricting cycle funding.

The commission resumed its constitutional duties in CY 2021, the start of the next 10-year redistricting cycle. The FY 2022 budget included \$7,900,000 of one-time, non-lapsing funding for the IRC in FY 2022. (See Table 1 for appropriations provided in the previous 2010 redistricting cycle).

The enacted budget's FY 2023 and FY 2024 spending projections include \$1,500,000 in FY 2024. Any future appropriations will depend on redistricting expenses and the Commission's usage of the current FY 2022 non-lapsing appropriation.

Table 1

CY 2010 Redistricting Cycle Appropriations

Fiscal Year	Appropriation
FY 2011 (Laws 2010, 7 th SS, Ch. 1)	\$ 500,000
FY 2012 (Laws 2011, Ch. 24)	3,000,000
FY 2012 (Laws 2012, Ch. 108)	700,000
FY 2013 (Laws 2012, Ch. 294)	1,457,300
FY 2013 (Laws 2013, Ch. 2)	500,000
FY 2013 (Laws 2013, Ch. 158)	635,226
FY 2014 (Laws 2013, 1 st SS, Ch. 1)	1,115,100
FY 2014 (Laws 2014, Ch. 3)	1,462,701
FY 2015 (Laws 2014, Ch. 18)	1,115,300
FY 2016 (Laws 2015, Ch. 8)	1,115,300
FY 2017 (Laws 2016, Ch. 117)	1,115,300
Subtotal	\$12,716,227
CY 2020 Redistricting Cycle Appropriations	
FY 2021 (Laws 2020, Ch. 58)	\$ 500,000
FY 2022 (Laws 2021, Ch. 408)	7,900,000
Subtotal	\$8,400,000

Industrial Commission of Arizona

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.6	236.6	236.6 ^{1/}
Personal Services	9,754,300	9,881,000	9,881,000
Employee Related Expenditures	3,614,300	3,622,700	4,154,800
Professional and Outside Services	1,657,600	1,364,900	1,364,900
Travel - In State	97,700	111,900	111,900
Travel - Out of State	0	35,600	35,600
Other Operating Expenditures	4,327,000	4,889,200	4,996,300
Equipment	147,400	219,900	219,900
OPERATING SUBTOTAL	19,598,300	20,125,200	20,764,400
SPECIAL LINE ITEMS			
Municipal Firefighter Reimbursement Administration	0	95,000	80,000 ^{2/}
FY 2023 Salary Increase	0	0	1,216,900
AGENCY TOTAL	19,598,300	20,220,200	22,061,300 ^{3/}
FUND SOURCES			
General Fund	0	95,000	84,600
<u>Other Appropriated Funds</u>			
Administrative Fund	19,598,300	20,125,200	21,976,700
SUBTOTAL - Other Appropriated Funds	19,598,300	20,125,200	21,976,700
SUBTOTAL - Appropriated Funds	19,598,300	20,220,200	22,061,300
Other Non-Appropriated Funds	16,450,400	14,832,900	14,832,900
Federal Funds	3,607,300	3,175,200	3,175,200
TOTAL - ALL SOURCES	39,656,000	38,228,300	40,069,400

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/ Includes 1 GF FTE Position funded from Special Line Items in FY 2023.
- 2/ 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 Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$20,764,400 and 235.6 FTE Positions from the Administrative Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Named Claimants

The budget includes a decrease of \$(3,191.73) from the Administrative Fund in FY 2023 for the elimination of one-time funding for prior year unpaid claims. (Please see the *Named Claimants discussion in ADOA Other Issues.*)

Statewide Adjustments

The budget includes an increase of \$642,400 from the Administrative Funds in FY 2023 for statewide adjustments. (Please see the *Agency Detail and Allocations section.*)

Municipal Firefighter Reimbursement Administration

The budget includes \$80,000 and 1 FTE Position from the General Fund in FY 2023 for the Municipal Firefighter Reimbursement Administration line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(15,000) from the General Fund in FY 2023 for the elimination of one-time funding.

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.

FY 2023 Salary Increase

The budget includes \$1,216,900 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

	<u>FY 2023</u>
General Fund	\$4,600
Administrative Fund	1,212,300

These amounts fund a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Details and Allocations section.)*

Other Issues

FY 2022 Supplemental

The FY 2023 budget includes an FY 2022 supplemental appropriation of \$3,191.73 from the Administrative Fund for a one-time named claimants appropriation. *(Please see the operating budget for further details.)*

COVID-Related Spending

As part of the FY 2023 budget's 3-year spending plan, the Executive plans to allocate \$20.0 million from the American Rescue Plan Act to the Industrial Commission to reimburse fire districts for COVID-related expenses.

Department of Insurance and Financial Institutions

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	152.4	151.4	152.4 ^{1/}
Personal Services	7,238,100	6,761,600	7,482,500
Employee Related Expenditures	2,662,100	2,491,800	2,803,200
Professional and Outside Services	422,900	155,600	155,600
Travel - In State	13,500	65,300	65,300
Travel - Out of State	0	7,000	7,000
Other Operating Expenditures	1,399,600	399,400	281,100
Equipment	68,800	39,200	39,200
OPERATING SUBTOTAL	11,805,000	9,919,900	10,833,900
SPECIAL LINE ITEMS			
FY 2023 Salary Increase	0	0	1,006,200
Information Technology Upgrades	0	0	700,000
Insurance Fraud Unit	0	1,800,500	1,825,100
Mental Health Omnibus	113,400 ^{2/}	0	0
Reimbursable Programs	0	50,000	50,000 ^{3/}
Local Grants	956,900	957,700	957,700 ^{4/}
Arizona Vehicle Theft Task Force	3,650,000	4,343,500	4,343,500 ^{5/}
ATA Operating Budget	645,100	659,300	678,200
AGENCY TOTAL	17,170,400	17,730,900	20,394,600 ^{6/7/}
FUND SOURCES			
General Fund	7,809,400	7,663,400	8,213,000
<u>Other Appropriated Funds</u>			
Automobile Theft Authority Fund	5,252,000	6,010,500	6,159,700
Financial Services Fund	4,058,700	4,006,700	5,971,600
Revolving Fund	50,300	50,300	50,300
SUBTOTAL - Other Appropriated Funds	9,361,000	10,067,500	12,181,600
SUBTOTAL - Appropriated Funds	17,170,400	17,730,900	20,394,600
Other Non-Appropriated Funds	22,688,600	22,757,500	22,757,500
Federal Funds	46,700	116,300	116,300
TOTAL - ALL SOURCES	39,905,700	40,604,700	43,268,400

AGENCY DESCRIPTION — The Department of Insurance and Financial Institutions 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/ Includes 9 GF and 6 OF FTE Positions from Special Line Items in FY 2023.
- 2/ The appropriation for the mental health omnibus line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. The agency plans on expending \$115,700 from this appropriation in FY 2022.
- 3/ 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 Appropriation Act footnote)

- 4/ Local grants shall be awarded with consideration given to areas with greater automobile theft problems and shall be used to combat economic automobile theft operations. (General Appropriation Act footnote)
- 5/ 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 Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ 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 Appropriation Act footnote)

Operating Budget

The budget includes \$10,833,900 and 137.4 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$5,873,100
Financial Services Fund	4,910,500
Department Revolving Fund	50,300

FY 2023 adjustments are as follows:

Shift Operating Costs

The budget includes an increase of \$626,900 from the Financial Services Fund in FY 2023 to shift some of the department's operating costs from the General Fund to the Financial Services Fund.

Financial Institutions Examiner

The budget includes an increase of \$94,000 and 1 FTE Position from the Financial Services Fund in FY 2023 to hire a new financial institutions examiner.

Statewide Adjustments

The budget includes an increase of \$193,100 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	10,200
Financial Services Fund	182,900

(Please see the Agency Detail and Allocations section.)

FY 2023 Salary Increase

The budget includes \$1,006,200 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

General Fund	514,800
Financial Services Fund	361,100
Automobile Theft Authority Fund	130,300

Of these amounts \$897,100 is for a 10% minimum state employee salary increase and \$109,100 is for selected

market adjustments above 10%. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

Information Technology Upgrades

The budget includes \$700,000 from the Financial Services Fund in FY 2023 for the Information Technology Upgrades line item. FY 2023 adjustments are as follows:

One-Time IT Upgrades

The budget includes a one-time increase of \$700,000 from the Financial Services Fund in FY 2023 to upgrade the department's Financial Institutions and Enterprises licensing IT system. DIFI will work with the Arizona Strategic Enterprise Technology Office on this project.

Insurance Fraud Unit

The budget includes \$1,825,100 and 9 FTE Positions from the General Fund in FY 2023 for the Insurance Fraud Unit. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$24,600 from the General Fund in FY 2023 for statewide adjustments.

These monies were previously included in the Department of Insurance operating budget. The department levies a \$1,050 assessment on all licensed insurers to prosecute insurance fraud in the state. Laws 2020, Chapter 37 requires that all monies appropriated for fraud prevention be included as a line item and that all monies shall be used exclusively for insurance fraud prevention.

Reimbursable Programs

The budget includes \$50,000 from the ATA Fund in FY 2023 for Reimbursable Programs. This amount is unchanged from FY 2022.

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 budget includes \$957,700 from the ATA Fund in FY 2023 for Local Grants. This amount is unchanged from FY 2022.

This line item provides funding for the 4 categories of local grants that the DIFI 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 budget includes \$4,343,500 from the ATA Fund in FY 2023 for the Arizona Vehicle Theft Task Force. This amount is unchanged from FY 2022.

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 budget includes \$678,200 and 6 FTE Positions from the ATA Fund in FY 2023 for the Automobile Theft Authority Operating Budget. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$18,900 from the ATA Fund in FY 2023 for statewide adjustments.

Monies in this line item cover the operating expenditures of the Automobile Theft Authority, which works to combat auto theft-related crime.

Judiciary - Supreme Court

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	187.0	202.0 ^{1/}
Personal Services	7,500,700	7,406,000	7,550,900
Employee Related Expenditures	2,925,900	3,093,100	3,902,000
Professional and Outside Services	170,600	218,400	218,400
Travel - In State	179,600	149,900	149,900
Travel - Out of State	2,900	37,700	37,700
Other Operating Expenditures	4,325,300	4,823,500	4,824,600
OPERATING SUBTOTAL	15,105,000	15,728,600	16,683,500 ^{2/3/}
SPECIAL LINE ITEMS			
State Aid	3,645,800	5,679,000	5,750,200
County Reimbursements	183,000	187,900	187,900 ^{4/}
Automation	14,879,800	21,289,200	23,766,500 ^{5/6/}
Arizona Trial and Digital Evidence Fund Deposit	0	0	1,620,000
State Foster Care Review Board	3,342,400	3,283,000	3,435,700
Court Appointed Special Advocate	3,518,200	3,987,300	4,971,300
Model Court	438,700	659,700	659,700
Domestic Relations	660,900	646,500	683,100
Judicial Nominations and Performance Review	537,600	543,900	573,300
Commission on Judicial Conduct	536,100	524,400	558,100
Courthouse Security	749,100	750,000	750,000
FY 2023 Salary Increase	0	0	2,719,000
AGENCY TOTAL	43,596,600	53,279,500	62,358,300 ^{7/8/}
FUND SOURCES			
General Fund	21,317,700	22,234,700	29,047,400
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	354,500	494,300	546,500
Court Appointed Special Advocate Fund	3,597,100	4,068,000	5,416,000
Criminal Justice Enhancement Fund	3,101,700	4,407,800	4,722,800
Defensive Driving School Fund	3,188,600	4,233,500	4,487,700
Judicial Collection Enhancement Fund	10,173,600	14,895,800	15,191,400
State Aid to the Courts Fund	1,863,400	2,945,400	2,946,500
SUBTOTAL - Other Appropriated Funds	22,278,900	31,044,800	33,310,900
SUBTOTAL - Appropriated Funds	43,596,600	53,279,500	62,358,300
Other Non-Appropriated Funds	28,139,600	29,072,000	29,072,000
TOTAL - ALL SOURCES	71,736,200	82,351,500	91,430,300

AGENCY DESCRIPTION — The Supreme Court consists of 7 Supreme Court Justices, judicial support staff and the Administrative Office of the Courts (AOC). The Supreme Court, as the state's highest court, has the responsibility to review appeals and to provide rules of procedure for all the courts in Arizona. Under the direction of the Chief Justice, the AOC provides administrative supervision over the Arizona court system.

FOOTNOTES

- ^{1/} Includes 56.5 GF and 36.8 OF FTE Positions funded from Special Line Items in FY 2023.
- ^{2/} Included in the operating lump sum appropriation for the supreme court is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- ^{3/} The operating lump sum includes \$263,500 for a pay increase for supreme court justices. Pursuant to section 41-1904, Arizona Revised Statutes, as of January 1, 2023, the annual salary for the chief justice of the supreme court is \$212,000 and the annual salary for the other justices of the supreme court is \$205,000. (General Appropriation Act footnote)

- 4/ Of the \$187,900 appropriated for county reimbursements, state grand jury is limited to \$97,900 and capital postconviction relief is limited to \$90,000. (General Appropriation Act footnote)
- 5/ On or before September 1, 2022, 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 Appropriation Act footnote)
- 6/ Automation expenses of the judiciary shall be funded only from the automation line item. Monies in the operating lump sum appropriation or other line items intended for automation purposes shall be transferred to the automation line item before expenditure. (General Appropriation Act footnote)
- 7/ Laws 2021, Chapter 432 appropriated \$500,000 from the General Fund for a new records sealing law. Because this appropriation is in separate legislation, this amount is not included in the General Appropriation Act.
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$16,683,500 and 108.7 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<u>FY 2023</u>
General Fund	\$12,741,900
Confidential Intermediary and Fiduciary Fund	506,500
Criminal Justice Enhancement Fund (CJEF)	7,700
Defensive Driving School Fund	733,700
Judicial Collection Enhancement Fund (JCEF)	2,693,700

FY 2023 adjustments are as follows:

Judicial Salary Increase

The budget includes an increase of \$263,500 from the General Fund in FY 2023 to increase the Chief Justice salary from \$164,800 to \$212,000 and Associate Justice salary from \$159,650 to \$205,000 effective January 1, 2023.

The 3-year spending plan increases this appropriation to \$527,000 in FY 2024 for the full-year implementation.

Statewide Adjustments

The budget includes an increase of \$691,400 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	611,900
Confidential Intermediary and Fiduciary Fund	12,200
Defensive Driving School Fund	18,500
JCEF	48,800

(Please see the Agency Detail and Allocations section.)

State Aid

The budget includes \$5,750,200 and 3.3 FTE Positions in FY 2023 for State Aid. These amounts consist of:

CJEF	2,803,700
State Aid to the Courts Fund	2,946,500

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$71,200 in FY 2023 for statewide adjustments. This amount consists of:

CJEF	70,100
State Aid to the Courts Fund	1,100

The State Aid line item provides state aid to counties for the payment of judges pro tempore salaries, and for projects designed to improve the processing of criminal cases in the Superior Court and Justice Courts.

County Reimbursements

The budget includes \$187,900 from the General Fund in FY 2023 for County Reimbursements. This amount is unchanged from FY 2022.

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 Appropriation Act footnote limits the appropriation for the State Grand Jury to \$97,900 and for Capital Postconviction Relief to \$90,000. The budget continues this in FY 2023.

Automation

The budget includes \$23,766,500 and 15 FTE Positions in FY 2023 for Automation. These amounts consist of:

General Fund	6,337,900
Court Appointed Special Advocate (CASA) Fund	382,900
CJEF	1,710,900
Defensive Driving School Fund	3,589,300
JCEF	11,745,500

FY 2023 adjustments are as follows:

Funding for Dependent Children Tracking System

The budget includes an increase of \$300,000 from the CASA Fund in FY 2023 for funding to upgrade the Dependent Children Automated Tracking System (DCATS). Of this amount, \$183,000 is one-time funding in FY 2023 for start-up costs of the new system.

DCATS helps manage the work of Foster Care Review Boards and CASA volunteers and tracks the review process for children in the child welfare system.

One-Time General Fund Increase

The budget includes a one-time increase of \$1,000,000 from the General Fund in FY 2023 to address a shortfall in revenues that support the Automation line.

Appellate Case Management System

The budget includes an increase of \$59,100 from the General Fund in FY 2023 for Appellate Case Management System licensing and maintenance costs in accordance with the 3-year spending plan as enacted in the FY 2022 budget.

Digital Evidence Storage One-Time Funding

The budget includes an increase of \$90,000 from the General Fund in FY 2023 for digital evidence storage. This adjustment includes a decrease of \$(400,000) to remove funding designated as one-time in the FY 2022 budget and a one-time increase of \$490,000 in FY 2023 for these purposes.

Records Sealing One-Time Funding

The budget includes a one-time increase of \$500,000 from the General Fund in FY 2023 for costs to implement a new records sealing law. This amount was advance appropriated by Laws 2021, Chapter 432. As a result, this

funding does not appear in the FY 2023 General Appropriation Act.

The funding will be used for automation changes for implementing the law, which may require contracting services, in addition to costs involved in updating documents and training staff on updated procedures.

Statewide Adjustments

The budget includes an increase of \$528,200 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	166,000
CASA Fund	2,200
CJEF	44,400
Defensive Driving School Fund	71,000
JCEF	244,600

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 Appropriation Act footnote, any additional monies expended from other line items for automation projects are to be transferred to the Automation line item prior to expenditure.

Arizona Trial and Digital Evidence Fund Deposit

The budget includes \$1,620,000 from the General Fund in FY 2023 for the Arizona Trial and Digital Evidence Fund Deposit. FY 2023 adjustments are as follows:

Juror Day 1 Wage Compensation Funding

The budget includes an increase of \$1,620,000 from the General Fund in FY 2023 for deposit into the Arizona Trial and Digital Evidence Fund.

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.

As permanent law, the Courts Budget Reconciliation Bill (BRB) changes the name of the Arizona Lengthy Trial and Digital Evidence Fund to the Arizona Trial and Digital Evidence Fund and allows a petit juror in the Superior Court to be eligible for replacement and supplemental earnings after one day of service. A.R.S. § 22-122 previously allowed for compensation beginning after 5 days of service. *(Please see Other Issues – Statutory Changes for more information.)*

State Foster Care Review Board

The budget includes \$3,435,700 and 40 FTE Positions from the General Fund in FY 2023 for the State Foster Care Review Board. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$152,700 from the General Fund in FY 2023 for statewide adjustments.

The State Foster Care Review Board line item coordinates local volunteer review boards for foster care children in out-of-home placement.

Court Appointed Special Advocate

The budget includes \$4,971,300 and 20.5 FTE Positions from the CASA Fund in FY 2023 for CASA. FY 2023 adjustments are as follows:

CASA Volunteer Retention

The budget includes an increase of \$959,000 and 15 FTE Positions from the CASA Fund for funding to support CASA volunteer retention efforts. These monies are used for 14 additional volunteer coordinator positions and 1 volunteer retention specialist.

Statewide Adjustments

The budget includes an increase of \$25,000 from the CASA Fund in FY 2023 for statewide adjustments.

The CASA line item administers and monitors a community-based volunteer advocacy program for abused and neglected children in the Juvenile Court System.

Model Court

The budget includes \$659,700 and 1 FTE Position from the General Fund in FY 2023 for Model Court. These amounts are unchanged from FY 2022.

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. Both Maricopa and Pima have existing programs.

Domestic Relations

The budget includes \$683,100 and 4.9 FTE Positions from the General Fund in FY 2023 for Domestic Relations. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$36,600 from the General Fund in FY 2023 for statewide adjustments.

The Domestic Relations line item provides coordination and technical support for groups formed to develop and review policies and programs related to domestic relations and child support.

Judicial Nominations and Performance Review

The budget includes \$573,300 and 4.6 FTE Positions from the General Fund in FY 2023 for Judicial Nominations and Performance Review. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$29,400 from the General Fund in FY 2023 for statewide adjustments.

This line item funds administrative costs to oversee the nominations for the Supreme Court, the Court of Appeals, and the Superior Court in Maricopa, Pima, Pinal, Coconino and Yavapai Counties, as well as evaluating the performance of all merit retention justices and judges. The results of the performance evaluations are provided to the voters before each retention election.

Commission on Judicial Conduct

The budget includes \$558,100 and 4 FTE Positions from the General Fund in FY 2023 for the Commission on Judicial Conduct. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an Increase of \$33,700 from the General Fund in FY 2023 for statewide adjustments.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Courthouse Security

The budget includes \$750,000 from JCEF in FY 2023 for Courthouse Security. This amount is unchanged from FY 2022.

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.

FY 2023 Salary Increase

The budget includes an increase of \$2,719,000 in FY 2023 for a statewide employee salary increase. This amount consists of:

General Fund	2,249,800
Confidential Intermediary and Fiduciary Fund	40,000
CASA Fund	61,800
CJEF	200,500
Defensive Driving School Fund	164,700
JCEF	2,200

This amount does not include salary increases for judges, as those are addressed separately. Of these amounts, \$2,165,100 is for a 10% minimum state employee salary increase and \$553,900 is for selected market adjustments above 10%. *(Please see the Agency Detail and Allocations section.)*

The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024.

Other Issues

Statutory Changes

The Courts BRB makes the following statutory changes:

- As session law, amend Laws 2018, Chapter 278, Section 17 as amended by Laws 2021, Chapter 403, Section 24 to allow the Supreme Court to spend money on a new appellate case management system in FY 2023.
- As permanent law, allow a petit juror in the Superior Court to be eligible for replacement and supplemental earnings after one day of service.
- As permanent law, changes the name of the Arizona Lengthy Trial and Digital Evidence Fund to the "Arizona Trial and Digital Evidence Fund."

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the Supreme Court's General Fund appropriations will increase by \$263,500 in FY 2024 above FY 2023 for full-year implementation of salary increases for Supreme Court Justices.

Judiciary - Court of Appeals

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
PROGRAM BUDGET			
Division I	11,825,800	11,622,300	15,052,100 ^{1/2/3/}
Division II	5,284,000	5,168,500	7,471,100 ^{4/5/6/}
AGENCY TOTAL	17,109,800	16,790,800	22,523,200
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	136.8	136.8	162.8 ^{7/}
Personal Services	11,080,700	10,826,500	13,623,100
Employee Related Expenditures	4,601,900	4,612,600	6,648,100
Professional and Outside Services	48,400	8,700	8,700
Travel - In State	125,600	171,200	171,200
Travel - Out of State	0	10,800	10,800
Other Operating Expenditures	1,158,200	1,161,000	2,061,300
Equipment	95,000	0	0
AGENCY TOTAL	17,109,800	16,790,800	22,523,200 ^{8/}
FUND SOURCES			
General Fund	17,109,800	16,790,800	22,523,200
SUBTOTAL - Appropriated Funds	17,109,800	16,790,800	22,523,200
TOTAL - ALL SOURCES	17,109,800	16,790,800	22,523,200

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/ The operating lump sum for division one includes \$468,600 for a pay increase for court of appeals judges. Pursuant to section 41-1904, Arizona Revised Statutes, as of January 1, 2023, the annual salary for a court of appeals judge is \$190,000. (General Appropriation Act footnote)
- 2/ The operating lump sum for division one includes \$1,115,400 for a new three-judge court of appeals panel and ten support staff, effective January 1, 2023. (General Appropriation Act footnote)
- 3/ The operating lump sum for division one includes \$450,000 for the remodeling of chambers to accommodate a new three-judge court of appeals panel. Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriation is not subject to review by the joint committee on capital review. (General Appropriation Act footnote)
- 4/ The operating lump sum for division two includes \$175,800 for a pay increase for court of appeals judges. Pursuant to section 41-1904, Arizona Revised Statutes, as of January 1, 2023, the annual salary for a court of appeals judge is \$190,000. (General Appropriation Act footnote)
- 5/ The operating lump sum for division two includes \$1,115,400 for a new three-judge court of appeals panel and ten support staff, effective January 1, 2023. (General Appropriation Act footnote)
- 6/ The operating lump sum for division two includes \$450,000 for the remodeling of chambers to accommodate a new three-judge court of appeals panel. Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriation is not subject to review by the joint committee on capital review. (General Appropriation Act footnote)
- 7/ Of the 162.8 FTE positions for fiscal year 2022-2023, 111.3 FTE positions are for division one and 51.5 FTE positions are for division two. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

Operating Budget

The budget includes \$22,523,200 and 162.8 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts include \$15,052,100 and 111.3 FTE Positions for Division I and \$7,471,100 and 51.5 FTE Positions for Division II. FY 2023 adjustments are as follows:

Additional Court of Appeals Judges and Staff

The budget includes an increase of \$2,230,800 and 26 FTE Positions from the General Fund in FY 2023 to add 2 new 3-judge Court of Appeals panels and support staff. Of this amount, \$1,115,400 and 13 FTE Positions is for a new panel in Division I and \$1,115,400 and 13 FTE Positions is for a new panel in Division II.

The judicial term begins on January 1, 2023. As a result, two FY 2023 General Appropriation Act footnotes delay implementation until January 1, 2023. The 3-year budget plan increases this appropriation to \$4,461,600 in FY 2024 for the full-year implementation.

One-Time Chamber Remodeling Funding

The budget includes a one-time increase of \$900,000 from the General Fund in FY 2023 for the remodeling of chambers to accommodate new judges and staff. Of this amount, \$450,000 is for Division I and \$450,000 is for Division II. Two FY 2023 General Appropriation Act footnotes make these appropriations exempt from review by the Joint Committee on Capital Review.

Judicial Salary Increase

The budget includes an increase of \$644,400 from the General Fund in FY 2023 to increase Court of Appeals judges' salaries from \$154,500 to \$190,000 beginning January 1, 2023. Of this amount, \$468,600 is for judges in Division I and \$175,800 is for judges in Division II.

The 3-year budget plan increases this appropriation to \$1,288,800 in FY 2024 for the full-year implementation.

Salary Increase

The budget includes an increase of \$1,282,000 from the General Fund in FY 2023 for a statewide employee salary increase. This amount does not include salary increases for judges, as those are addressed separately. Of the total amount, \$895,500 is for a 10% minimum state employee salary increase and \$386,500 is for selected market adjustments above 10%. Of the total amount, \$914,200 is for Division I and \$367,800 is for Division II. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$675,200 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Statutory Changes

The Courts Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, adds new 3-judge Court of Appeals panels to Division I and Division II of the Arizona Court of Appeals, makes 4 judges in Division I and 3 judges in Division II "at-large" judges who can reside in any county in the judges' division, and allows cases to be transferred between divisions.
- As session law, allows the Chief Judge of each division to designate specialized departments to process different types of cases and requires the Administrative Office of the Courts to evaluate the distribution of cases between divisions and submit a report on the findings to JLBC and OSPB by January 1, 2025.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the Court of Appeals General Fund appropriations will increase by \$1,975,200 in FY 2024 above FY 2023. This is based on:

- An increase of \$2,230,800 in FY 2024 above FY 2023 for full-year implementation of additional Court of Appeals judges and staff.
- An increase of \$644,400 in FY 2024 above FY 2023 for full-year implementation of a judicial salary increase.
- A decrease of \$(900,000) in FY 2024 below FY 2023 to remove one-time chamber remodeling funding.

Judiciary - Superior Court

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.5	238.5	238.5 ^{1/2/}
Personal Services	2,979,900	2,554,200	2,554,200
Employee Related Expenditures	1,020,300	917,800	1,062,600
Professional and Outside Services	8,200	59,900	59,900
Travel - In State	2,200	17,700	17,700
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	701,200	1,403,000	1,403,000
OPERATING SUBTOTAL	4,711,800	4,954,600	5,099,400 ^{3/}
SPECIAL LINE ITEMS			
Centralized Service Payments	3,193,100	4,135,000	4,211,900 ^{4/}
Judges' Compensation	23,799,100	23,826,500	25,641,800 ^{5/6/}
Adult Standard Probation	18,043,100	21,824,200	22,297,500 ^{7/8/}
Adult Intensive Probation	10,708,400	12,892,100	13,150,200 ^{7/8/}
Community Punishment	1,101,200	2,310,300	2,310,300 ^{7/}
Interstate Compact	467,700	503,300	513,700 ^{7/8/}
Drug Court	1,033,100	1,080,000	1,096,400 ^{8/}
Juvenile Standard Probation	3,524,700	3,705,600	3,781,800 ^{7/8/}
Juvenile Intensive Probation	5,635,500	5,969,300	6,087,200 ^{7/8/}
Juvenile Treatment Services	20,134,500	20,697,900	20,803,000 ^{7/8/9/}
Juvenile Family Counseling	500,000	500,000	500,000
Juvenile Diversion Consequences	8,559,700	8,918,600	9,088,500 ^{7/8/9/}
Juvenile Crime Reduction	766,500	3,313,500	3,313,100 ^{7/}
Special Water Master	243,200	497,200	505,300
General Adjudication Personnel and Support Fund Deposit	0	2,000,000	2,000,000
Probation Incentive Payments	0	1,000,000	1,000,000 ^{7/}
Probation Officer Vehicles	0	187,500 ^{10/}	0
Court-Ordered Removals	315,000	315,000	315,000
FY 2023 Salary Increase	0	0	658,600
AGENCY TOTAL	102,736,600	118,630,600	122,373,700 ^{11/-14/}
FUND SOURCES			
General Fund	97,976,700	106,655,000	110,359,700
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	1,618,400	5,456,200	5,494,400
Drug Treatment and Education Fund	500,200	504,200	504,200
Judicial Collection Enhancement Fund	2,641,300	6,015,200	6,015,400
SUBTOTAL - Other Appropriated Funds	4,759,900	11,975,600	12,014,000
SUBTOTAL - Appropriated Funds	102,736,600	118,630,600	122,373,700
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	4,028,900	4,356,700	4,356,700
Federal Funds	1,000,100	1,002,400	1,002,400
TOTAL - ALL SOURCES	107,765,600	123,989,700	127,732,800

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 238.5 FTE positions, 180 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 Appropriation Act footnote)
- 2/ Includes 183 GF FTE Positions funded from Special Line Items in FY 2023.
- 3/ 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 Appropriation 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 Appropriation Act footnote)
- 5/ 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 Appropriation Act footnote)
- 6/ The judges' compensation line item includes \$1,136,100 for a pay increase for superior court judges. Pursuant to section 41-1904, Arizona Revised Statutes, as of January 1, 2023, the annual salary for a superior court judge is \$164,700. As of January 1, 2024, the annual salary is \$180,000. (General Appropriation Act footnote)
- 7/ 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 Appropriation Act footnote)
- 8/ The amounts appropriated in the adult standard probation, adult intensive probation, interstate compact, drug court, juvenile standard probation, juvenile intensive probation, juvenile treatment services and juvenile diversion consequences line items in fiscal year 2022-2023 include an increase of \$1,227,300 to cover the state's share of a 2.5 percent probation officer salary increase. If the counties approve probation officer step or inflation salary increases in fiscal year 2022-2023 that increase the state's share above the amount appropriated, the legislature intends that the counties absorb any additional cost to this state in fiscal year 2022-2023 and subsequent years. (General Appropriation Act footnote)
- 9/ 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 Appropriation Act footnote)
- 10/ The \$187,500 appropriated in the probation officer vehicles line item pursuant to laws 2021, chapter 408, section 51 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, until June 30, 2023 for the purchase of six vehicles for adult intensive probation officers. (General Appropriation Act footnote)
- 11/ 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 Appropriation Act footnote)
- 12/ On or before November 1, 2022, 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 2021-2022 actual, fiscal year 2022-2023 estimated and fiscal year 2023-2024 requested amounts for each of the following:
 1. On a county-by-county basis, the number of authorized and filled case carrying probation positions and non-case carrying probation positions, distinguishing between adult standard, adult intensive, juvenile standard and juvenile intensive. The report shall indicate the level of state probation funding, other state funding, county funding and probation surcharge funding for those positions.
 2. Total receipts and expenditures by county and fund source for the adult standard, adult intensive, juvenile standard and juvenile intensive probation line items, including the amount of personal services spent from each revenue source of each account. (General Appropriation Act footnote)

13/ On or before November 1, 2022, 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, 2021. 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 Appropriation Act footnote)

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

Operating Budget

The budget includes \$5,099,400 and 55.5 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$4,750,000
Criminal Justice Enhancement Fund (CJEF)	332,200
Drug Treatment and Education Fund	4,000
Judicial Collection Enhancement Fund (JCEF)	13,200

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$144,800 in FY 2023 for statewide adjustments. These amounts consist of:

General Fund	145,200
Criminal Justice Enhancement Fund (CJEF)	(400)

(Please see the Agency Detail and Allocations section.)

Background – These monies represent the administrative costs incurred by the Administrative Office of the Courts (AOC) while overseeing the various line items of the Superior Court budget.

Centralized Service Payments

The budget includes \$4,211,900 in FY 2023 for centralized service payments. This amount consists of:

General Fund	3,762,000
JCEF	449,900

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$76,900 from the General Fund in FY 2023 for statewide adjustments.

Background – In order to facilitate payment for services that are offered by all Superior Courts, AOC pays for various services centrally. These services include training, motor vehicle payments, Corrections Officer Retirement Plan Review Board funding, Literacy Education and Resource Network program funding (an online G.E.D. preparation program), research, operational reviews and GPS vendor payments.

Judges Compensation

The budget includes \$25,641,800 and 180 FTE Positions from the General Fund in FY 2023 for Judges Compensation. FY 2023 adjustments are as follows:

Judicial Salary Increase

The budget includes an increase of \$1,136,100 from the General Fund in FY 2023 for the first year of a 2-year phase-in of a pay increase for Superior Court judges. The budget increases the Superior Court judge salary from \$149,400 to \$164,700 on January 1, 2023 and to \$180,000 on January 1, 2024.

The 3-year spending plan increases this appropriation to \$3,408,200 in FY 2024 and \$4,544,200 in FY 2025 for full implementation.

Statewide Adjustments

The budget includes an increase of \$679,200 from the General Fund in FY 2023 for statewide adjustments.

Background – This line item provides funding for the state's 50% share of salary and non-health benefits. The line item also funds 100% of the costs of Superior Court Judges that elect state benefits, although some opt to participate in county programs. In the latter circumstance, the county pays 100% of the employer cost.

Pursuant to A.R.S. § 12-121, each county receives one judge for the first 30,000 of population. Additional judges may be created for every additional 30,000-person increment upon approval by the Governor.

Probation Programs

The state and non-Maricopa Counties share the costs of probation. The state pays 100% of salary and benefits for all state-funded probation officers. For the intensive programs, the state pays 100% of the costs (although the counties may provide offices and other support services). Counties typically contribute through Probation Service Fee collections, outside grants, and office space. Since FY 2004, Maricopa County has assumed the state's share of its probation costs.

As required by a General Appropriation 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.

A General Appropriation Act footnote requires AOC to submit an annual report on county-approved salary adjustments provided to probation officers since the last report. The budget continues to require the report but removes the JLBC review requirement. *(Please see the Other Issues section for more information on probation funding.)*

Adult Standard Probation

The budget includes \$22,297,500 in FY 2023 for Adult Standard Probation. This amount consists of:

General Fund	18,523,400
JCEF	3,774,100

FY 2023 adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes an increase of \$473,300 from the General Fund in FY 2023 for a projected 2.5% salary increase in FY 2023. *(Please see the State-Funded Probation Officer Salary and Benefits section in Other Issues for more information.)*

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 budget includes \$13,150,200 in FY 2023 for Adult Intensive Probation. This amount consists of:

General Fund	11,615,000
JCEF	1,535,200

FY 2023 adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes an increase of \$258,100 from the General Fund in FY 2023 for a projected 2.5% salary increase in FY 2023.

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 budget includes \$2,310,300 in FY 2023 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund	500,200

These amounts are unchanged from FY 2022.

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 budget includes \$513,700 in FY 2023 for Interstate Compact. This amount consists of:

General Fund	420,900
JCEF	92,800

FY 2023 adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes an increase of \$10,400 from the General Fund in FY 2023 for a projected 2.5% salary increase in FY 2023.

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 May 2022, AOC reported 180 active probationers under supervision under the Interstate Compact line item.

Drug Court

The budget includes \$1,096,400 from the General Fund in FY 2023 for Drug Court programs. FY 2023 adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes an increase of \$16,400 from the General Fund in FY 2023 for a projected 2.5% salary increase in FY 2023.

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 budget includes \$3,781,800 in FY 2023 for Juvenile Standard Probation. This amount consists of:

General Fund	3,631,800
JCEF	150,000

FY 2023 adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes an increase of \$76,200 from the General Fund in FY 2023 for a projected 2.5% salary increase in FY 2023.

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 budget includes \$6,087,200 from the General Fund in FY 2023 for Juvenile Intensive Probation. FY 2023 adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes an increase of \$117,900 from the General Fund in FY 2023 for a projected 2.5% salary increase in FY 2023.

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 budget includes \$20,803,000 from the General Fund in FY 2023 for Juvenile Treatment Services. FY 2023 adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes an increase of \$105,100 from the General Fund in FY 2023 for a projected 2.5% salary increase in FY 2023.

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 budget includes \$500,000 from the General Fund in FY 2023 for Juvenile Family Counseling. This amount is unchanged from FY 2022.

Background – This line item provides funding to the Juvenile Division of the Superior Court for prevention of delinquency among juvenile offenders by strengthening family relationships. These monies are predominantly for non-adjudicated juveniles and their families and require a 25% county match.

Juvenile Diversion Consequences

The budget includes \$9,088,500 from the General Fund in FY 2023 for Juvenile Diversion Consequences. FY 2023 adjustments are as follows:

Probation Officer Salary/Benefits

The budget includes an increase of \$169,900 from the General Fund in FY 2023 for a projected 2.5% salary increase in FY 2023.

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 3,857 juveniles diverted from formal court proceedings in FY 2021. Monies in this line item are distributed to all counties.

Juvenile Crime Reduction

The budget includes \$3,313,100 from CJEF in FY 2023 for Juvenile Crime Reduction. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(400) from CJEF in FY 2023 for statewide adjustments.

Background – This line item provides funding for the design and implementation of community-based strategies for reducing juvenile crime. Strategies include prevention, early intervention, effective intermediate sanctions, and rehabilitation. Through a grant process, AOC distributes monies in this line item to approximately 25 public and private entities.

Special Water Master

The budget includes \$505,300 and 3 FTE Positions from the General Fund in FY 2023 for the Special Water Master line item. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$8,100 from the General Fund in FY 2023 for statewide adjustments.

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 2021, 673 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 2021 Actual	FY 2022 Estimated ^{1/}	FY 2023 Estimated ^{1/}
Gila River			
Beginning Balance	\$197,600	\$211,600	\$242,700
Revenues ^{2/}	220,700	435,200	435,200
Expenditures	<u>206,700</u>	<u>404,100</u>	<u>421,200</u>
Ending Balance	\$211,600	\$242,700	\$256,700
Little Colorado River			
Beginning Balance	\$152,500	\$154,200	\$159,000
Revenues ^{2/}	38,200	76,100	76,100
Expenditures	<u>36,500</u>	<u>71,300</u>	<u>74,400</u>
Ending Balance	\$154,200	\$159,000	\$160,700

^{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 budget includes \$2,000,000 from the General Fund in FY 2023 for a General Adjudication Personnel and Support Fund Deposit. This amount is unchanged from FY 2022.

The courts and the Department of Water Resources may use the General Adjudication Personnel and Support Fund for water adjudication staff, equipment, and services. Prior to spending any monies from the fund in FY 2022 and FY 2023, the Supreme Court must submit an expenditure plan to the Joint Legislative Budget Committee for review.

Probation Incentive Payments

The budget includes \$1,000,000 from the General Fund in FY 2023 for probation incentive payments. This amount is unchanged from FY 2022.

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.

Probation Officer Vehicles

The budget includes no funding from the General Fund in FY 2023 for probation officer vehicles. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(187,500) from the General Fund in FY 2023 to remove one-time funding for 6 vehicles for the new Adult Intensive Probation officers.

These monies cover the one-time purchase costs of new vehicles for state-funded probation officers. Funding for the ongoing maintenance of these vehicles is added to the Centralized Service Payments line item. An FY 2023 General Appropriation Act footnote makes this appropriation non-lapsing until June 30, 2023.

Court-Ordered Removals

The budget includes \$315,000 from the General Fund in FY 2023 for Court-Ordered Removals. This amount is unchanged from FY 2022.

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.

FY 2023 Salary Increase

The budget includes \$658,600 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

General Fund	619,400
CJEF	39,000
JCEF	200

These amounts do not include salary increases for judges, as those are addressed separately. Of these amounts, \$583,500 is for a 10% minimum state employee salary increase and \$75,100 from the General Fund is for

selected market adjustments above 10%. (Please see the Agency Detail and Allocations section.)

The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024.

Other Issues

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the Superior Court's General Fund appropriations are projected to increase by \$2,272,100 in FY 2024 above FY 2023 and \$1,136,000 in FY 2025 above FY 2024. This is based on:

- An increase of \$2,272,100 in FY 2024 above FY 2023 for the second year of phased-in judicial salary increase.
- An increase of \$1,136,000 in FY 2025 above FY 2024 for the full annualized cost of the 2-year phased-in judicial salary increase.

(Please see Judges Compensation line for further details).

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 decreased by (4.6)% from June 2020 to June 2021. As of May 31, 2022, total caseloads were 18,616 from all categories, which represents an increase of 1.1% above June 2021 (Please see Table 2).

State-Funded Probation Officer Salary and Benefits

The state funds probation officers in all counties except Maricopa. While these officers are funded with state monies, they are county employees and statute requires the county board of supervisors in each county to set the salary for probation officers.

Counties regularly award salary increases to probation officers, which can create a funding deficit relative to the

appropriation. AOC annually evaluates these salary increases and requests an appropriation increase in the following fiscal year to pay for these deficits.

The FY 2023 budget includes an increase of \$1,227,300 to cover the state's share of a 2.5% salary increase for probation officers in FY 2023.

The General Appropriation Act continues a footnote stating that if the counties approve probation officer salary increases in FY 2023 that increase the state's share above the amount appropriated, the Legislature intends that the counties absorb any additional cost to the state in FY 2023 and subsequent years.

	FY 2019 <u>Actual</u>	FY 2020 <u>Actual</u>	FY 2021 <u>Actual</u>	FY 2022 <u>Actual</u> ^{2/}
<u>Probation Category</u>				
Adult Standard ^{3/}	16,215	16,325	15,860	16,444
Adult Intensive	1,255	1,293	1,275	1,169
Juvenile Standard	1,439	1,386	1,020	824
Juvenile Intensive	<u>374</u>	<u>303</u>	<u>264</u>	<u>179</u>
Total Caseload	19,283	19,307	18,419	18,616
^{1/}	Numbers represent June probation caseloads.			
^{2/}	These amounts represent caseloads as of May 31, 2022.			
^{3/}	Does not include Interstate Compact participants.			

Department of Juvenile Corrections

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	23,107,300	22,787,800	26,978,100
Employee Related Expenditures	14,396,300	16,929,700	20,229,900
Professional and Outside Services	1,146,900	862,000	862,000
Travel - In State	194,800	297,000	297,000
Travel - Out of State	1,100	14,800	14,800
Other Operating Expenditures	5,554,300	4,717,900	5,286,600
Equipment	460,900	9,300	9,300
AGENCY TOTAL	44,861,600	45,618,500	53,677,700 ^{1/2/}
FUND SOURCES			
General Fund	30,602,300	30,696,600	38,607,700
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	538,300	533,200	538,500
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900	8,450,900	8,450,900
State Charitable, Penal and Reformatory Institutions Land Fund	3,861,400	4,044,100	4,125,400
State Education Fund for Committed Youth	1,408,700	1,893,700	1,955,200
SUBTOTAL - Other Appropriated Funds	14,259,300	14,921,900	15,070,000
SUBTOTAL - Appropriated Funds	44,861,600	45,618,500	53,677,700
Other Non-Appropriated Funds	115,500	80,300	80,300
Federal Funds	1,185,300	986,500	986,500
TOTAL - ALL SOURCES	46,162,400	46,685,300	54,744,500

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 Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$53,677,700 and 738.5 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$38,607,700
Criminal Justice Enhancement Fund (CJEF)	538,500
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900

State Charitable, Penal and Reformatory Institutions Land Fund	4,125,400
State Education Fund for Committed Youth	1,955,200

FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$5,154,100 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 20% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$2,905,100 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	2,757,000
Criminal Justice Enhancement Fund (CJEF)	5,300
State Charitable, Penal and Reformatory Institutions Land Fund	81,300
State Education Fund for Committed Youth	61,500

(Please see the Agency Detail and Allocations section.)

Other Issues

Local Cost Sharing

The FY 2016 Criminal Justice Budget Reconciliation Bill (BRB) created the DJC Local Cost Sharing Fund with annual deposits from each county for their share of a portion of the operational costs of DJC. The FY 2020 Criminal Justice BRB repealed the requirement in statute for all counties (except Maricopa and Pima) to pay their proportional share of \$11,260,000 according to their population. The FY 2020 Criminal Justice BRB also suspended the \$8,450,900 in county cost sharing for Maricopa and Pima Counties on a one-time basis in FY 2020. The budget does not include the suspension, thereby requiring Maricopa and Pima Counties to make deposits into the DJC Local Cost Sharing Fund in FY 2023. Maricopa County will contribute \$6,724,000 while Pima County will contribute \$1,726,900.

(Please see the County Funding narrative for more information on state distributions to counties.)

Population Counts

Table 1 lists the DJC population by category since FY 2019. From FY 2019 to FY 2021, the housed population decreased from 198 to 182, or (8.1)%, while the parole population has increased.

During FY 2022, the housed population has decreased from 182 to 148, or (18.8)%. This decrease appears primarily due to reduced court activity during the coronavirus pandemic. At the same time, the parole population decreased from 130 to 101, or (22.3)%.

Auditor General Reports

Use of Temporary Stabilization Units

In June 2021, the Auditor General published an audit regarding the department's use of temporary stabilization units (TSUs). TSUs are short-term isolation units used to stabilize and de-escalate youth behavior that represents a danger to themselves or others. The audit found that the department has not followed its policy and procedures for referring youth to TSUs, and that youth isolation can potentially have negative consequences and undermine the department's mission to rehabilitate youth. It recommends that DJC follow its policy and procedure requirements for referring youth to TSUs and ensure that TSU referrals comply with policy and procedure.

Youth Treatment Programming Evaluation

In October 2021, the Auditor General published an audit regarding the department's processes for evaluating the treatment programming it provides to youth. The audit recommended that the department:

DJC Census				
	<u>FY 2019 Average Population</u>	<u>FY 2020 Average Population</u>	<u>FY 2021 Average Population</u>	<u>Population as of June 30, 2022</u>
Housed Population				
Adobe Mountain	198	223	182	148
Parole Population				
Parole	36	41	62	28
Interstate Compact (Inside Arizona) ^{1/}	<u>77</u>	<u>75</u>	<u>68</u>	<u>73</u>
Total Parole Population	<u>113</u>	<u>116</u>	<u>130</u>	<u>101</u>
Total DJC Population	311	339	312	249

^{1/} The Interstate Compact is an agreement between states to supervise parolees in each other's state. "Inside Arizona" means parolees from other states living in Arizona and "Outside Arizona" means Arizona parolees living in other states. There was an average of 1 Arizona parolee outside of Arizona in FY 2021 and 0 parolees as of June 30, 2022.

- Ensure it delivers treatment interventions for youth with fidelity to the interventions' original research designs and correct any identified deficiencies by conducting ongoing monitoring.
- Implement its revised policy and procedures for using the Evidence-Based Correctional Program Checklist (CPC) to ensure it addresses all actionable CPC evaluation report recommendations, and further revise and implement these procedures to include requirements for addressing areas needing improvement.
- Develop and implement a plan to identify opportunities, methods, external assistance, and resources for developing additional outcome measures and conducting outcome evaluations of treatment programming; establish and track additional outcome measures and prioritize and conduct outcome evaluations, as appropriate.

The Auditor General believes the recommendation that DJC conduct outcome evaluations has potential budget implications on the department. DJC reported that designing and conducting outcome evaluations is complex and requires extensive planning to ensure appropriate data is available to produce valid information. Although the department did not identify a lack of resources for conducting outcome evaluations, the report found that this may require additional resources in the future.

Performance and Sunset Review Audit

In October 2021, the Auditor General also published a performance audit and sunset review to determine the extent to which the department has complied with statute and its policies in several areas, including supervision of youth on parole, monitoring youth placed in exclusion, measuring and reporting youth recidivism, and safeguarding its information technology (IT) systems and data. The report recommended that DJC:

- Continue to implement its revised youth work experience policies and written plan for implementing its newly-developed IT security policies.
- Evaluate and revise its method for measuring and reporting recidivism to further align it with additional practices recommended by literature and modify and implement its policies regarding youth exclusion.
- Follow its time frames for reviewing and resolving youth grievances and develop and implement youth grievance supervisory review policies and procedures.

State Land Department

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	129.7	129.7	131.7
Personal Services	6,829,400	6,821,900	7,684,400
Employee Related Expenditures	2,618,900	2,676,400	3,249,400
Professional and Outside Services	3,468,500	4,479,400	5,979,400
Travel - In State	106,700	112,800	112,800
Travel - Out of State	0	2,600	2,600
Other Operating Expenditures	2,382,600	1,872,700	1,782,100
Equipment	55,700	68,000	68,000
OPERATING SUBTOTAL	15,461,800	16,033,800	18,878,700
SPECIAL LINE ITEMS			
CAP User Fees	1,700,000	1,700,000	1,700,000 ^{1/}
Due Diligence Fund Deposit	0	1,500,000	1,500,000
Due Diligence Program	467,100	5,000,000	5,000,000
Fire Suppression	800,000	800,000	0
Natural Resource Conservation Districts	581,600	650,000	650,000 ^{2/}
Streambed Navigability Litigation	0	220,000	220,000
AGENCY TOTAL	19,010,500	25,903,800	27,948,700 ^{3/}
FUND SOURCES			
General Fund	12,118,400	13,315,100	14,659,300
<u>Other Appropriated Funds</u>			
Due Diligence Fund	467,100	5,000,000	5,000,000
Environmental Special Plate Fund	192,200	260,600	260,600
Trust Land Management Fund	6,232,800	7,328,100	8,028,800
SUBTOTAL - Other Appropriated Funds	6,892,100	12,588,700	13,289,400
SUBTOTAL - Appropriated Funds	19,010,500	25,903,800	27,948,700
Other Non-Appropriated Funds	887,000	942,900	942,900
TOTAL - ALL SOURCES	19,897,500	26,846,700	28,891,600

AGENCY DESCRIPTION — The agency manages the state's 9.2 million acres of trust land on behalf of its 13 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from trust land minerals and other natural products.

FOOTNOTES

- ^{1/} The appropriation includes \$1,700,000 for CAP user fees in fiscal year 2022-2023. For fiscal year 2022-2023, 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 Appropriation Act footnote)
- ^{2/} Of the amount appropriated for natural resource conservation districts in fiscal year 2022-2023, \$30,000 shall be used to provide grants to natural resource conservation districts environmental education centers. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$18,878,700 and 131.7 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$10,849,300
Environmental Special Plate Fund	600
Trust Land Management Fund	8,028,800

FY 2023 adjustments are as follows:

Digitize Paper Flow One-Time Funding

The budget includes a one-time increase of \$1,500,000 from the Trust Land Management Fund in FY 2023 to continue digitization process including workflows for billing and complete the migration of business applications to a new digital data system.

Additional Staff

The budget includes an increase of \$225,000 and 2 FTE Positions from the General Fund in FY 2023 to support the new digital data system.

Salary Increase

The budget includes an increase of \$853,300 from the General Fund in FY 2023 for a statewide employee salary increase. Of this amount, \$825,500 is for a 10% minimum state employee salary increase and \$27,800 is for selected market adjustments above 10%. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$266,600 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	265,900
Trust Land Management Fund	700

(Please see the Agency Detail and Allocations section.)

CAP User Fees

The budget includes \$1,700,000 from the General Fund in FY 2023 for Central Arizona Project (CAP) User Fees. This amount is unchanged from FY 2022.

This funding level is based on the final FY 2023 rate of \$53 per acre-foot on 32,076 acre-feet of water that the department will be billed for "capital charges" in FY 2023. The rate was set at the June 2022 CAP meeting.

Starting with the FY 2023 budget, this line item will be adjusted based on the provisional rate for the upcoming year unless a final rate is known. The Central Arizona Project board determines a final rate for the upcoming

year and a provisional rate for the following year in June. On June 2, 2022, the CAP Board set the final rate for FY 2023 at \$53 and the provisional rate for FY 2024 at \$53. Due to the length of session, the initial provisional rate of \$56 for FY 2023 was adjusted and finalized before session ended. Given that the final rate was known at the time the budget was enacted, this line item was adjusted to reflect the final rate for FY 2023 of \$53. For the FY 2024 Baseline, the line item will be based on the 2024 provisional rate of \$53, unless final data becomes available before the budget is enacted.

Previously, this line item was typically based on the final rate for the previous year. For example, the FY 2022 appropriation set the line item at \$1,796,300 to align with the FY 2021 final rate of \$53. The final FY 2022 rate was eventually set at the level of \$50, however, the FY 2022 appropriation remained at the dollar level to fund a \$53 charge.

Pursuant to A.R.S. § 37-106.01, the State Land Department has a long-term contract with the Central Arizona Water Conservation District (CAWCD) (the governing entity for CAP) for the rights to purchase 32,076 acre-feet of CAP water annually for municipal and industrial uses on state trust lands. The department typically does not take delivery of the water, but must still pay capital charges to the CAWCD each year to maintain its CAP water rights. (The CAWCD uses revenue from capital charges to fund repayment of federal construction debt for the CAP.) Maintaining CAP water rights on state trust lands increases their market value. When CAP water rights on state trust lands are transferred to a municipality through the sale or lease of state trust lands, the state General Fund is reimbursed for all previous costs associated with the water rights pursuant to A.R.S. § 37-106.01C&G. *(Please see related General Appropriation Act footnote.)*

Due Diligence Fund Deposit

The budget includes \$1,500,000 from the General Fund in FY 2023 for the Due Diligence Fund Deposit line item. This amount is unchanged from FY 2022.

The FY 2022 budget included an increase of \$1,500,000 from the General Fund in FY 2022 to be deposited into the department's Due Diligence Fund. The budget's 3-year spending plan includes a continuation of the \$1,500,000 deposit in FY 2023, and no deposit in FY 2024.

Due Diligence Program

The budget includes \$5,000,000 from the Due Diligence Fund in FY 2023 to fund this line item. This amount is unchanged from FY 2022.

The State Land Department uses monies in this line item to fund due diligence studies on land that it prepares for auction. The purchasers of state trust land then reimburse the State Land Department for the cost of the studies.

Fire Suppression

The budget includes no funding in FY 2023 for the Fire Suppression line item. FY 2023 adjustments are as follows:

Remove Fire Suppression Funding

The budget includes a decrease of \$(800,000) from the Trust Land Management Fund to remove funding to pay for an interagency service agreement (ISA) between the State Land Department and the Arizona Department of Forestry and Fire Management to fund fire suppression activity on state trust lands. The FY 2023 budget includes \$65.0 million of additional funding from the General Fund in the Arizona Department of Forestry and Fire Management budget that will be used for overall fire suppression purposes. *(Please see the Arizona Department of Forestry and Fire Management narrative for more information.)*

Natural Resource Conservation Districts

The budget includes \$650,000 in FY 2023 for Natural Resource Conservation Districts (NRCs).

This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2022.

This line item funds natural resource research, activities, and staff at the state’s 30 NRCs. These districts are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A.R.S. § 37-1014 requires the department to include in its budget request up to \$40,000 for each NRC and \$60,000 for each education center for a 2-year period.

A General Appropriation Act footnote continues to require that \$30,000 of the total appropriation for NRCs be used to provide grants to NRC environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by 30 NRCs. Districts that sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015.

Streambed Navigability Litigation

The budget includes \$220,000 from the General Fund in FY 2023 for Streambed Navigability Litigation. This amount is unchanged from FY 2022.

Pursuant to A.R.S. §§ 37-1123 and 37-1124, the State Land Department is required to provide evidence to the Arizona Navigable Stream Adjudication Commission (ANSAC) to help resolve litigation regarding the navigability of watercourses in the state. The State Land Department uses this line item to fund expert witness services, technical examinations, and associated legal costs incurred in connection with ongoing hearings and appeals processes.

Other Issues

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, State Land Department's General Fund costs are projected to decrease by \$(1,500,000) in FY 2024 compared to FY 2023, due to the \$1,500,000 for the Due Diligence Fund Deposit line item not being continued into FY 2024. The State Land Department's funding level would be unchanged for FY 2025.

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 \$228,349,600 in incremental land trust funds to K-12 schools in FY 2021 and \$237,569,400 in FY 2022. The 4.4% incremental funding increase will provide \$247,303,400 in incremental funds in FY 2023. *(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 ^{1/}</u>	<u>FY 2022 Ending Balance</u>	<u>FY 2023 Total Revenue ^{2/}</u>	<u>FY 2023 Appropriation</u>
Universities ^{3/}				
Military Institute	\$ 83,800		\$ 97,800	
Normal Schools ASU/NAU	296,600		599,200	
A & M Colleges	445,100		1,648,500	
School of Mines	499,800		1,325,000	
University Fund	2,175,400		2,573,500	
U of A Land - 1881	<u>1,659,400</u>		<u>8,170,700</u>	
Subtotal	\$ 5,160,100		\$14,414,700	
Schools for the Deaf and the Blind ^{4/}				
State Hospital	\$ 701,000	\$ 1,491,500	\$ 1,177,100	\$ 650,000
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 386,300	\$ 4,340,700	\$ 1,032,600	\$ 0
Corrections				
Penitentiaries	\$ 1,382,600	\$ 3,620,700	\$ 3,287,300	\$ 2,777,600
State Charitable (25%)	<u>1,452,500</u>	<u>2,609,500</u>	<u>3,832,600</u>	<u>2,665,100</u>
Subtotal	\$ 2,835,100	\$ 6,230,200	\$ 7,119,900	\$ 5,442,700
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 9,095,300	\$ 3,935,300	\$ 2,318,600
State Charitable (50%)	<u>2,905,000</u>	<u>\$16,797,600</u>	<u>7,665,200</u>	<u>6,421,200</u>
Subtotal	\$ 4,886,400	\$25,892,900	\$11,600,500	\$ 8,739,800
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 851,700	\$ 3,832,600	\$ 4,125,400
Non-K-12 Beneficiaries Total	\$15,845,800		\$39,941,200	

^{1/} Includes actual Treasurer's distributions and lease revenues. The FY 2015 revenues reflect the 2.5% Treasurer's distribution rate in effect prior to Proposition 123.

^{2/} Includes both Treasurer's distributions and lease revenues. The Treasurer's distributions are known numbers based on the funding formula. Projected FY 2023 lease revenues reflect actual FY 2021 amounts.

^{3/} University land trust funds are non-appropriated. As a result, budget appropriations and balance amounts are not included. (Please see ABOR section for more information.)

^{4/} Arizona State Schools for the Deaf and the Blind (ASDB) land trust monies are appropriated as part of the Schools for the Deaf and the Blind Fund, which also receives revenues from the Arizona Department of Education. The FY 2022 General Appropriation Act and FY 2023 Baseline allow monies in this fund to be expended in excess of the appropriated amount. As a result, FY 2022 ending balance and FY 2023 appropriation amounts are not included.

^{5/} The expenditure for the Legislative, Executive, and Judicial Buildings land trust monies requires a legislative appropriation. A.R.S § 35-142 requires land fund monies to be expended only as authorized, regulated, and controlled by the General Appropriation Act or other act of the Legislature. A.R.S § 35-154 also requires that no person shall incur, order, or vote for the incurrence of any obligation against the state or for any expenditure not authorized by an appropriation and an allotment.

Legislature - Auditor General

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	200.8	200.8	224.8
Personal Services	13,953,300	13,628,400	17,478,000
Employee Related Expenditures	4,854,500	4,752,900	6,484,400
Professional and Outside Services	228,800	931,500	1,081,500
Travel - In State	27,600	92,800	112,800
Travel - Out of State	0	5,500	5,500
Other Operating Expenditures	1,157,500	1,286,400	1,444,400
Equipment	5,400	26,000	85,000
OPERATING SUBTOTAL	20,227,100	20,723,500	26,691,600^{1/}
SPECIAL LINE ITEMS			
Adult Protective Services Audit	0	0	300,000 ^{2/}
AGENCY TOTAL	20,227,100	20,723,500	26,991,600^{3/4/}
FUND SOURCES			
General Fund	20,227,100	20,723,500	26,991,600
SUBTOTAL - Appropriated Funds	20,227,100	20,723,500	26,991,600
Other Non-Appropriated Funds	1,084,600	1,310,300	1,310,300
TOTAL - ALL SOURCES	21,311,700	22,033,800	28,301,900

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 operating lump sum appropriation, the auditor general shall use \$3,300,000 for additional agency performance audits and school district audits. (General Appropriation Act footnote)
- ^{2/} The auditor general shall engage an independent consultant with expertise in adult protective services operations and investigations to examine the current adult protective services and consider best practices to improve the delivery of services in this state, including all of the following:
1. Developing a strategic direction that ensures the safety of vulnerable adults and establishes protocols for services after an investigation.
 2. Creating accountability mechanisms, including the capacity to produce accurate data on performance and outcome measures, use of the data for performance management, processes for continuous quality review, mechanisms for qualitative review of system functioning and outcomes for vulnerable adults.
 3. Strategies for community engagement, including engagement with families, vulnerable adults and service providers.
 4. The need for and frequency of regular, periodic performance evaluations and the recommended areas for future reviews of adult protective services by an independent outside evaluator.
- The auditor general shall consider, in its decision to enter into a contract with an independent consultant, the consultant's history of working with states or counties in evaluating its operations for adult protective services, the satisfaction of the states or counties with the work of the consultant, the knowledge of the consultant's staff or contractors in adult protective services reform and operations, the consultant's knowledge of related laws governing adult protective services and the consultant's knowledge of evidence-based and promising best practices in adult protective services. On or before October 1, 2023, the consultant shall submit a report of its work, including findings and recommendations, to the governor, the president of the senate, the speaker of the house of representatives and the chairperson of the house ad hoc committee on abuse and neglect of vulnerable adults and shall provide a copy of its report to the secretary of state. (General Appropriation 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 Appropriation Act footnote)

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

Operating Budget

The budget includes \$26,691,600 and 224.8 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Additional Audit Capacity

The budget includes an increase of \$3,300,000 and 24 FTE from the General Fund in FY 2023 for additional capacity to conduct audits.

A FY 2023 General Appropriation Act footnote requires the \$3,300,000 of the agency's operating budget is to be used for additional agency performance audits and school district audits.

Adjust One-Time Audit for K-12 Federal Funds Oversight

The budget includes a decrease of \$(50,000) from the General Fund in FY 2023 to adjust one-time funding for K-12 Federal Funds oversight. The FY 2022 budget included \$250,000 in FY 2022 and \$200,000 in FY 2023 from the General Fund for compilation of information on how district schools, charter schools, and the Arizona Department of Education plan to spend discretionary monies received from federal COVID-19 stimulus bills. Pursuant to a General Appropriation Act footnote, the Auditor General is required to issue a report by January 1, 2022 and January 1, 2023.

Eliminate One-Time Audit of Non-Governmental Election Funding

The budget includes a decrease of \$(165,000) from the General Fund in FY 2023 to eliminate one-time funding for a financial audit of private, non-governmental grant monies for Arizona's 2020 elections and Maricopa County's procurement of voting systems.

Salary Increase

The budget includes an increase of \$2,252,800 from the General Fund in FY 2023 for a statewide employee increase. Of this amount, \$1,676,200 is for a 10% minimum state employee salary increase and \$576,600 is for selected market adjustments above 10%. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$630,300 from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Adult Protective Services Audit

The budget includes \$300,000 from the General Fund in FY 2023 for an audit of the state's Adult Protective Services operations. FY 2023 adjustments are as follows:

Adult Protective Services Audit

The budget includes a one-time increase of \$300,000 from the General Fund in FY 2023 for contracting with an independent consultant to examine the current adult protective services operations and provide suggestions such as how the state might improve delivery of services, follow-up investigations with services, and develop processes for ongoing monitoring of the state's performance.

A General Appropriation Act footnote details the requirements the independent contractor must meet such as expertise in adult protective services operations and investigations, the scope of the audit, and the expectation that the consultant offer suggestions to improve the state's delivery of services and program data. The same footnote requires the consultant to issue a report on or before October 1, 2023.

Legislature - House of Representatives

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	15,930,400	21,429,300	27,020,300
AGENCY TOTAL	15,930,400	21,429,300	27,020,300 ^{1/2/3/}
FUND SOURCES			
General Fund	15,930,400	21,429,300	27,020,300
SUBTOTAL - Appropriated Funds	15,930,400	21,429,300	27,020,300
TOTAL - ALL SOURCES	15,930,400	21,429,300	27,020,300

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 Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$27,020,300 for fiscal year 2022-2023 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$27,020,300 from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Additional Funding

The budget includes an increase of \$3,956,500 from the General Fund in FY 2023 for additional funding.

Salary Increase

The budget includes an increase of \$1,043,500 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$591,000 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

One-Time Funding

The FY 2022 budget included one-time funding of \$5,000,000. The FY 2023 budget maintains this \$5,000,000 for an additional year.

Legislature - Joint Legislative Budget Committee

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	2,019,200	1,898,400	2,088,400
Employee Related Expenditures	605,500	715,500	828,000
Professional and Outside Services	91,300	125,000	125,000
Travel - In State	0	500	500
Other Operating Expenditures	26,300	100,500	100,600
Equipment	2,600	2,000	2,000
AGENCY TOTAL	2,744,900	2,841,900	3,144,500 ^{1/2/}
FUND SOURCES			
General Fund	2,744,900	2,841,900	3,144,500
SUBTOTAL - Appropriated Funds	2,744,900	2,841,900	3,144,500
TOTAL - ALL SOURCES	2,744,900	2,841,900	3,144,500

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 Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$3,144,500 and 29 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$233,700 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$68,900 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Legislature - Legislative Council

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.0	66.0	56.0
Personal Services	3,126,700	3,260,400	3,597,500
Employee Related Expenditures	1,083,600	1,178,500	1,412,700
Professional and Outside Services	128,800	1,110,000	1,110,000
Travel - In State	0	12,000	12,000
Travel - Out of State	0	6,500	6,500
Other Operating Expenditures	1,256,300	880,600	1,880,800
Equipment	945,200	2,527,000	1,527,000
OPERATING SUBTOTAL	6,540,600	8,975,000	9,546,500 ^{1/2/3/A/}
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	955,600	1,115,400	0
AGENCY TOTAL	7,496,200	10,090,400	9,546,500
FUND SOURCES			
General Fund	7,496,200	10,090,400	9,546,500
SUBTOTAL - Appropriated Funds	7,496,200	10,090,400	9,546,500
TOTAL - ALL SOURCES	7,496,200	10,090,400	9,546,500

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 Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$9,546,500 for fiscal year 2022-2023 is \$50,000 for planning and operational costs for this state's participation in an Article V convention. These monies may be spent on the joint authorization of the president of the senate and the speaker of the house of representatives. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ Dues for the council of state governments may be expended only on an affirmative vote of the legislative council. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$9,546,500 and 56 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Additional Funding

The budget includes an increase of \$1,000,000 from the General Fund in FY 2023 for additional funding.

Eliminate One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2023 for the elimination of one-time funding for IT Positions.

Salary Increase

The budget includes an increase of \$414,600 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$156,900 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Ombudsman-Citizens Aide Office

The budget includes no funding in FY 2023 for the Ombudsman-Citizens Aide Office. FY 2023 adjustments are as follows:

Ombudsman-Citizens Aide Office

The budget includes a decrease of \$(1,115,400) and (10) FTE Positions for the removal of the Ombudsman-Citizens Aide Office line item from the Legislative Council budget. The FY 2023 budget appropriated monies to the Ombudsman-Citizens Aide as an individual legislative agency. *(For additional information on this shift, please see the Ombudsman-Citizens Aide Office.)*

Other Issues

Statutory Changes

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

- As permanent law, removed the requirement that the Legislative Council request funding for the Ombudsman-Citizens Aide Office.

Legislature - Ombudsman-Citizens Aide Office

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	12.0
Personal Services	0	0	992,500
Employee Related Expenditures	0	0	376,300
Professional and Outside Services	0	0	14,000
Travel - In State	0	0	400
Travel - Out of State	0	0	0
Other Operating Expenditures	0	0	96,000
Equipment	0	0	37,000
AGENCY TOTAL	0	0	1,516,200 ^{1/2/3/4/}
FUND SOURCES			
General Fund	0	0	1,516,200
SUBTOTAL - Appropriated Funds	0	0	1,516,200
TOTAL - ALL SOURCES	0	0	1,516,200

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 Appropriation Act footnote)
- 2/ The legislature intends that the ombudsman-citizens aide prioritize investigating and processing complaints relating to the department of child safety. (General Appropriation Act footnote)
- 3/ 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 Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$1,516,200 and 12 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Operating Funds

The budget includes an increase of \$1,115,400 and 10 FTE Positions from the General Fund in FY 2023 for the operating costs of the Ombudsman-Citizens Aide Office. The FY 2023 budget appropriated monies to the Ombudsman-Citizens Aide as an individual legislative agency rather than as a single line item in the Legislative Council budget. The amounts and footnote previously included in the Legislative Council narrative are now included in this operating budget.

Ongoing Operating Funding

The budget includes an increase of \$275,000 and 2 FTE Positions from the General Fund in FY 2023 for additional staff.

The budget includes a footnote requiring that \$137,500 and 1 FTE Position are to be used to address complaints related to the administration of the Arizona Empowerment Scholarship Account (ESA) program.

Salary Increase

The budget includes an increase of \$98,400 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$27,400 from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

<i>Statutory Changes</i>

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

- As permanent law, removed the requirement that the Legislative Council request funding for the Ombudsman-Citizens Aide Office.

The Management of State Buildings BRB make the following changes:

- As permanent law, removed the requirement that the Ombudsman-Citizens Aide Office not be located within a state office building complex or adjacent to another state agency.

Legislature - Senate

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	11,538,500	17,969,100	23,385,300
AGENCY TOTAL	11,538,500	17,969,100	23,385,300 ^{1/2/3/}
FUND SOURCES			
General Fund	11,538,500	17,969,100	23,385,300
SUBTOTAL - Appropriated Funds	11,538,500	17,969,100	23,385,300
TOTAL - ALL SOURCES	11,538,500	17,969,100	23,385,300

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 Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$23,385,300 for fiscal year 2022-2023 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$23,385,300 from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Additional Funding

The budget includes an increase of \$4,175,900 from the General Fund in FY 2023 for additional funding.

Salary Increase

The budget includes an increase of \$824,100 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$416,200 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

One-Time Funding

The FY 2022 budget included one-time funding of \$5,000,000. The FY 2023 budget maintains this \$5,000,000 for an additional year.

Department of Liquor Licenses and Control

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	45.2	51.2	51.2
Personal Services	1,419,600	1,760,200	2,978,100
Employee Related Expenditures	1,056,600	1,393,000	2,060,100
Professional and Outside Services	293,900	490,300	592,800
Travel - In State	58,900	85,300	85,300
Other Operating Expenditures	649,300	670,100	868,000
Equipment	14,700	57,400	528,200
AGENCY TOTAL	3,493,000	4,456,300	7,112,500 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	3,493,000	4,456,300	7,112,500
SUBTOTAL - Other Appropriated Funds	3,493,000	4,456,300	7,112,500
SUBTOTAL - Appropriated Funds	3,493,000	4,456,300	7,112,500
Other Non-Appropriated Funds	1,148,100	1,218,400	1,218,400
Federal Funds	233,400	112,600	112,600
TOTAL - ALL SOURCES	4,874,500	5,787,300	8,443,500

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

FOOTNOTES

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

Operating Budget

The budget includes \$7,112,500 and 51.2 FTE Positions from the Liquor Licenses Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

One-Time Radio Equipment

The budget includes a one-time increase of \$126,000 from the Liquor Licenses Fund in FY 2023 for the purchase of radio equipment.

Ammunition, Training and Overtime Funding

The budget includes an increase of \$111,000 from the Liquor Licenses Fund in FY 2023 for ammunition, training and for compensating staff for working overtime hours.

Add New Investigators

The budget includes an increase of \$1,282,500 from the Liquor Licenses Fund in FY 2023 for hiring additional liquor license investigators. Of this amount, \$159,600 is one-time. The budget did not include additional FTE authority. The FY 2024 Baseline will include 7 additional FTE Positions for these investigators.

IT Improvements

The budget includes an increase of \$102,500 from the Liquor Licenses Fund in FY 2023 for information technology improvements. Of this amount, \$20,300 is for one-time costs.

State Fleet Operation

The budget includes an increase of \$52,100 from the Liquor Licenses Fund in FY 2023 for state fleet operations charges.

State Fleet Replacement

The budget includes an increase of \$50,800 from the Liquor Licenses Fund in FY 2023 for state fleet replacement charges.

One-Time New Vehicles

The budget includes a one-time increase of \$294,000 from the Liquor Licenses Fund in FY 2023 for the purchase of 7 new vehicles.

Increase Administrative Budget

The budget includes an increase of \$67,600 from the Liquor Licenses Fund in FY 2023 for increased administrative costs.

Remove One-Time Funding

The budget includes a decrease of \$(200,000) from the Liquor Licenses Fund in FY 2023 for the elimination of one-time automation costs for to-go cocktail licenses.

Salary Increase

The budget includes an increase of \$637,000 from the Liquor Licenses Fund in FY 2023 for a statewide employee salary increase. Of this amount, \$254,900 is for a 10% minimum state employee salary increase and \$382,100 is for selected market adjustments above 10%. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$132,700 from the Liquor Licenses Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona State Lottery Commission

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	98.8	98.8	98.8
Personal Services	4,845,000	4,812,000	5,218,300
Employee Related Expenditures	1,943,700	1,797,400	2,173,800
Professional and Outside Services	607,800	386,800	386,800
Travel - In State	141,900	271,600	271,600
Travel - Out of State	(4,300)	16,800	16,800
Other Operating Expenditures	1,620,100	2,093,300	2,401,600
Equipment	30,200	0	0
OPERATING SUBTOTAL	9,184,400	9,377,900	10,468,900
SPECIAL LINE ITEMS			
Advertising	13,839,100	15,500,000	15,500,000
Charitable Commissions ^{1/}	1,452,200	1,500,000	1,560,000 ^{2/}
Instant Tickets ^{1/}	36,304,900	37,146,700	38,680,100 ^{3/}
On-Line Vendor Fees ^{1/}	13,514,600	12,172,200	12,659,000 ^{4/}
Retailer Commissions ^{1/}	88,196,600	88,371,100	91,393,900 ^{5/}
AGENCY TOTAL	162,491,800	164,067,900	170,261,900 ^{6/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
State Lottery Fund	162,491,800	164,067,900	170,261,900
SUBTOTAL - Other Appropriated Funds	162,491,800	164,067,900	170,261,900
SUBTOTAL - Appropriated Funds	162,491,800	164,067,900	170,261,900
Other Non-Appropriated Funds	994,640,700	897,086,500	934,078,400
TOTAL - ALL SOURCES	1,157,132,500	1,061,154,400	1,104,340,300

AGENCY DESCRIPTION — The Arizona Lottery is responsible for administering sanctioned games of chance. In addition to Arizona-specific games, the state also participates in multi-state Powerball and Mega-Millions on-line games.

FOOTNOTES

- 1/ Charitable Commissions, Instant Tickets, On-Line Vendor Fees, and Retailer Commissions are appropriated as a percentage of sales. Therefore, the amounts shown for those line items are estimates only.
- 2/ An amount equal to twenty percent of tab ticket sales is appropriated to pay sales commissions to charitable organizations. This amount is currently estimated to be \$1,560,000 in fiscal year 2022-2023. (General Appropriation 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 \$38,680,100 in fiscal year 2022-2023. (General Appropriation Act footnote)
- 4/ An amount equal to a percentage of actual online game sales as determined by contract is appropriated to pay online vendor fees. This amount is currently estimated to be \$12,659,000, or 4.256 percent of actual online ticket sales, in fiscal year 2022-2023. (General Appropriation 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 \$91,393,900, in fiscal year 2022-2023. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$10,468,900 and 98.8 FTE Positions from the State Lottery Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Keno Implementation

The budget includes an increase of \$279,800 from the State Lottery Fund in FY 2023 to contract with a third-party to develop and implement an electronic Keno game at approximately 184 retailers. The contract funding will pay for personnel and vehicle rentals to ensure retailer compliance with the Lottery Commission's guidelines for the keno game.

Salary Increases

The budget includes an increase of \$499,700 from the State Lottery Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$311,500 from the State Lottery Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Advertising

The budget includes \$15,500,000 from the State Lottery Fund in FY 2023 for Advertising. This amount is unchanged from FY 2022.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The budget includes \$1,560,000 from the State Lottery Fund in FY 2023 for Charitable Commissions. FY 2023 adjustments are as follows:

Tab Ticket Increase

The budget includes an increase of \$60,000 from the State Lottery Fund in FY 2023 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 budget includes \$38,680,100 from the State Lottery Fund in FY 2023 for Instant Tickets. FY 2023 adjustments are as follows:

Instant Ticket Sales Increase

The budget includes an increase of \$1,533,400 from the State Lottery Fund in FY 2023 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 budget includes \$12,659,000 from the State Lottery Fund in FY 2023 for On-Line Vendor Fees. FY 2023 adjustments are as follows:

On-Line Sales Increase

The budget includes an increase of \$486,800 from the State Lottery Fund in FY 2023 for On-Line Vendor Fees due to higher projected sales.

Monies in this line item are used to pay the vendor that operates the on-line game computer system. The actual appropriation is equal to a percentage of on-line ticket sales specified in the Lottery's contractual agreement with the vendor, which is 4.256%.

Retailer Commissions

The budget includes \$91,393,900 from the State Lottery Fund in FY 2023 for Retailer Commissions. FY 2023 adjustments are as follows:

Retailer Commissions Increase

The budget includes an increase of \$3,022,800 from the State Lottery Fund in FY 2023 for Retailer Commissions due to higher projected sales. *(See Table 1 for more information.)*

Monies in this line item are used to compensate retailers for selling lottery tickets. A.R.S. § 5-555 specifies that compensation to retailers will be at least 5.5% but not more than 8% of non-charitable Tab Ticket sales. The actual appropriation is equal to 6.5% of these sales.

Pursuant to statute, an additional 0.5% of total non-charitable Tab Ticket sales may be paid to retailers based on their attainment of specified sales and marketing objectives. Since 40% of retailers are estimated to meet these objectives, this would result in an additional 0.2% in retailer commissions and a total retail commission rate of 6.7%. The displayed amount is derived by applying the approved percentage to the forecasted sales total.

Other Issues

Keno

Laws 2021, Chapter 234 expanded non-tribal gaming in the state and authorized the Department of Gaming to regulate event wagering and fantasy sports contests, along with authorizing the Lottery Commission to operate keno and mobile draw games. Keno is a lottery game where players select numbers ranging from 1-80 attempting to match 20 numbers chosen by a random number generator. *(See the FY 2022 Appropriation Report Lottery Commission section for more information).*

Lottery Forecast and Distributions

The budget assumes an (8.4)% decrease in overall Lottery ticket sales in FY 2022, followed by a 4.0% increase in FY 2023. For FY 2022 and FY 2023, the budget assumes Lottery ticket sales of \$1,318,971,500 and \$1,371,887,400, respectively.

The FY 2022 forecasted sales and Special Line Items expenditures are revised from the amounts included as part of the *FY 2022 Appropriations Report* due to an updated FY 2022 sales forecast. These revised amounts are estimates based on the current sales forecast and the special line item percentages included in the FY 2022 General Appropriation Act footnotes. The final FY 2022 expenditures will be determined by the actual Lottery ticket sales during FY 2022.

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 2021 and the JLBC Staff projected distributions for FY 2022 and FY 2023. A brief description of each beneficiary follows in the order that they receive Lottery-generated revenue in accordance with A.R.S. § 5-534 and 5-572.

State Lottery Revenue Bond Debt Service Fund

Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments were made from Lottery revenues that would have otherwise been deposited into the General Fund.

In December 2018, ADOA refinanced these bonds. Chapter 4 requires the first Lottery proceeds to be distributed to the State Lottery Revenue Bond Debt Service Fund.

The FY 2022 budget included one-time funding of \$269,550,000 from the General Fund to pay off the remaining Lottery Revenue Bond principal balance, ending the annual debt service payments beginning in FY 2022 and redirecting those revenues to the General Fund.

Maricopa County Mass Transit

The projected annual distribution of Powerball proceeds to the Maricopa Public Transportation Fund is \$11,476,800 in each FY 2022 and FY 2023. *(See FY 2021 Appropriations Report for additional background.)*

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 2022 and FY 2023 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2. The full \$84,150,000 General Fund - Part 1 will be realized in FY 2022 and thereafter, as the state has retired the Lottery Revenue Bonds (whose debt service previously counted against this allocation).

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 2022 and FY 2023, 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 \$22,800,000 in FY 2022 and \$23,376,100 in FY 2023. 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 2022 and FY 2023.

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 2022 and FY 2023.

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 2022 and FY 2023, the General Fund is estimated to receive its entire allocation of \$15,490,000.

Arizona Competes Fund

Statute caps annual distributions to the Arizona Competes Fund at \$3,500,000. Allotments to this fund are used for administering grants to qualifying businesses for the purpose of attracting, retaining, and expanding business within the state. This fund is estimated to receive its full allocation in both FY 2022 and FY 2023.

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 \$38,203,500 in FY 2021. Based on ABOR data which includes current and planned SPEED bond issuances, the UCI Fund is expected to require \$37,780,000 in FY 2022 and \$37,798,700 in FY 2023 to make the expected 80% level of debt service payments. *(Please see the FY 2023 Arizona Board of Regents Capital Outlay section for more details.)*

Current Year/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 make a partial General Fund – Part 3 transfer (based on current year sales). Following a year-end audit, the Commission then transfers the remaining profits in a Deferred General Fund - Part 3 in the succeeding fiscal year.

The budget forecast assumes that for each forecast year's ticket sales (FY 2022 and FY 2023), the Lottery Commission will transfer 50% of the Part 3 profits in the current year and 50% of Part 3 profits in a deferred transfer during the next fiscal year.

Total Distributions to the General Fund

Total FY 2022 distributions to the General Fund consist of the FY 2022 General Fund Part 1, Part 2, and partial Part 3 profit transfers plus the delayed prior year Part 3 transfer from FY 2021. With a FY 2022 Part 1 transfer of \$84,150,000, a Part 2 FY 2022 transfer of \$15,490,000, and a partial Part 3 FY 2022 transfer of \$35,370,200 and a FY 2021 delayed transfer of \$87,400,000, total FY 2022 distributions to the General Fund are forecast to be \$222,410,200.

Total FY 2023 distributions to the General Fund are forecast to be \$175,241,500, which includes: a FY 2023 Part 1 transfer of \$84,150,000, a Part 2 FY 2023 transfer of \$15,490,000, and a partial Part 3 FY 2023 transfer of \$40,231,300 and a FY 2022 delayed transfer of \$35,370,200. *(See Table 1 for more information).*

Table 1

Forecast of Lottery Revenue Distribution
(\$ in Millions)

<u>Sales</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Instant Sales	\$1,121.8	\$1,033.0	\$1,074.5
On-Line Sales	<u>317.6</u>	<u>286.0</u>	<u>297.4</u>
Total Sales	\$1,439.4	\$1,319.0	\$1,371.9
<i>Less:</i>			
Operating Budget	\$ 162.5	\$ 164.1	\$ 170.3
Gaming Distribution	0.3	0.3	0.3
ICACEF/VREF Sales Transfer ^{1/}	0.6	0.6	0.6
Prizes ^{2/}	<u>994.4</u>	<u>897.1</u>	<u>933.4</u>
Net Profit ^{3/ 4/}	\$281.6	\$256.9	\$267.3
<u>Profit Transfers ^{5/}</u>			
Debt Service Fund	\$ 34.5	\$ 0.0	\$ 0.0
Maricopa County Mass Transit	11.5	11.5	11.5
General Fund - Part 1	49.6	84.2	84.2
Heritage	10.0	10.0	10.0
Health and Welfare Programs	22.2	22.8	23.4
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2	15.5	15.5	15.5
Arizona Commerce Authority	3.5	3.5	3.5
University Capital	38.2	37.8	37.8
Current Year General Fund - Part 3	8.2	35.3	40.2
Deferred General Fund - Part 3	<u>87.4</u>	<u>35.3</u>	<u>40.2</u>
Total Transfers	\$281.6	\$256.9	\$267.3
<u>General Fund</u>			
Delayed Prior Year Transfer ^{5/}	31.4	87.4	35.3
General Fund - Part 1	49.6	84.2	84.2
General Fund - Part 2	15.5	15.5	15.5
General Fund - Part 3	<u>8.2</u>	<u>35.3</u>	<u>40.2</u>
Total General Fund ^{6/}	\$104.7	\$222.4	\$175.2

^{1/} 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. In FY 2021, \$601,000 was distributed to the ICACEF/VREF from the sale of tab tickets. An estimated \$579,900 and \$603,100 will be distributed in FY 2022 and FY 2023, respectively. (See Footnote 4.)

^{2/} 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.

^{3/} To derive the profit transfer amounts, the historical rate of return for each game was applied to the current budget forecast. The total rate of return on all games in FY 2021 was 19.61%. The estimated total profit margin is 19.55% in FY 2022 and 19.55% in FY 2023.

^{4/} 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 (This distribution was \$160,000 in FY 2016, but was increased to \$250,000 pursuant to Laws 2016, Chapter 124 and increased again to \$325,000 pursuant to Laws 2021, Chapter 404).
- An estimated \$420,100 in FY 2022 and \$396,900 in FY 2023 of unclaimed prizes to ICACEF and VREF.

^{5/} Due to the timing of Lottery profit transfers, part of 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.

Board of Massage Therapy

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	249,300	234,400	258,000
Employee Related Expenditures	104,000	106,400	129,900
Professional and Outside Services	19,000	30,800	111,000
Travel - In State	0	1,500	1,500
Other Operating Expenditures	90,300	100,600	103,400
Equipment	8,000	0	0
AGENCY TOTAL	470,600	473,700	603,800 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Massage Therapy Fund	470,600	473,700	603,800
SUBTOTAL - Other Appropriated Funds	470,600	473,700	603,800
SUBTOTAL - Appropriated Funds	470,600	473,700	603,800
TOTAL - ALL SOURCES	470,600	473,700	603,800

AGENCY DESCRIPTION — The board licenses and regulates massage therapists. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$603,800 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing

The budget includes an increase of \$60,300 from the Board of Massage Therapy Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$30,000 is one-time.

Attorney General Legal Services

The budget includes \$15,500 from the Board of Massage Therapy Fund in FY 2023 for increased legal services from the Attorney General's Office. The increased funding will double the legal services staff time provided to the board.

Translation Services

The budget includes \$4,400 from the Board of Massage Therapy Fund in FY 2023 for contracted translation services during administrative hearings.

Salary Increase

The budget includes an increase of \$29,000 from the Board of Massage Therapy Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$20,900 from the Board of Massage Therapy Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Medical Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	61.5	61.5	61.5
Personal Services	3,046,000	3,289,700	3,629,600
Employee Related Expenditures	1,115,200	1,231,900	1,465,900
Professional and Outside Services	1,233,500	1,190,900	1,364,500
Travel - In State	300	13,000	13,000
Travel - Out of State	0	13,000	13,000
Other Operating Expenditures	1,087,100	1,547,600	1,584,700
Equipment	119,800	55,400	55,400
OPERATING SUBTOTAL	6,601,900	7,341,500	8,126,100 ^{1/}
SPECIAL LINE ITEMS			
Employee Performance Incentive Program	147,800	165,600	165,600
AGENCY TOTAL	6,749,700	7,507,100	8,291,700

FUND SOURCES

Other Appropriated Funds

Arizona Medical Board Fund	6,749,700	7,507,100	8,291,700
SUBTOTAL - Other Appropriated Funds	6,749,700	7,507,100	8,291,700
SUBTOTAL - Appropriated Funds	6,749,700	7,507,100	8,291,700
TOTAL - ALL SOURCES	6,749,700	7,507,100	8,291,700

AGENCY DESCRIPTION - The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$8,126,100 and 61.5 FTE Positions from the Arizona Medical Board Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing

The budget includes an increase of \$173,600 from the Arizona Medical Board Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$102,500 is one-time.

Salary Increase

The budget includes an increase of \$418,100 from the Arizona Medical Board Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section).*

Statewide Adjustments

The budget includes an increase of \$192,900 from the Arizona Medical Board Fund in FY 2023 for statewide

adjustments. *(Please see the Agency Detail and Allocations section).*

Employee Performance Incentive Program

The budget includes \$165,600 from the Arizona Medical Board Fund in FY 2023 for the Employee Performance Incentive Program. This amount is unchanged from FY 2022.

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 Appropriation Act removed that footnote and instead added a line item for the incentive program.

The board awards employees based on performance of certain agency-identified measures, such as the average number of days taken to approve a new license after receiving an application.

State Mine Inspector

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	16.0	22.0 ^{1/}
Personal Services	453,200	630,300	702,500
Employee Related Expenditures	227,600	322,700	378,800
Professional and Outside Services	6,600	28,700	28,700
Travel - In State	74,200	72,600	72,600
Travel - Out of State	0	8,700	8,700
Other Operating Expenditures	167,400	225,400	235,900
Equipment	36,000	6,200	6,200
OPERATING SUBTOTAL	965,000	1,294,600	1,433,400
SPECIAL LINE ITEMS			
Abandoned Mines	190,600	194,700	1,316,700
Aggregate Mining Land Reclamation	38,500	181,800	181,800 ^{2/}
AGENCY TOTAL	1,194,100	1,671,100	2,931,900 ^{3/}
FUND SOURCES			
General Fund	1,155,600	1,558,200	2,819,000
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	38,500	112,900	112,900
SUBTOTAL - Other Appropriated Funds	38,500	112,900	112,900
SUBTOTAL - Appropriated Funds	1,194,100	1,671,100	2,931,900
Federal Funds	725,500	482,400	482,400
TOTAL - ALL SOURCES	1,919,600	2,153,500	3,414,300

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/ Includes 6 GF FTE Positions funded from Special Line Items in FY 2023.
- 2/ All aggregate mining reclamation fund monies received by the state mine inspector in excess of \$112,900 in fiscal year 2022-2023 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 2022-2023, the state mine inspector shall report the intended use of the monies to the joint legislative budget committee and the governor's office of strategic planning and budgeting. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$1,433,400 and 16 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$88,800 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$50,000 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Abandoned Mines

The budget includes \$1,316,700 and 6 FTE Positions from the General Fund in FY 2023 for the Abandoned Mines line item. FY 2023 adjustments are as follows:

Additional Abandoned Mine Inspectors

The budget includes an increase of \$1,122,000 and 6 FTE Positions from the General Fund in FY 2023 for the Abandoned Mines line item. This includes \$496,100 in one-time funding. Currently, the Mine Inspector closes around 120 mines per year. With 6 new abandoned mine inspectors, the office anticipates closing around 320 additional mines per year.

This line item pays contractors to fill, plug, or fence abandoned mines. These monies are also used to pay administrative salaries and other costs. In addition to General Fund appropriations to the program, deposits can be made into the Abandoned Mines Safety Fund from sources such as intergovernmental agreements and donations.

Aggregate Mining Land Reclamation

The budget includes \$181,800 in FY 2023 for the Aggregate Mining Land Reclamation line item. This amount consists of:

	<u>FY 2023</u>
General Fund	\$68,900
Aggregate Mining Reclamation Fund	112,900

These amounts are unchanged from FY 2022.

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.

Naturopathic Physicians Medical Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	61,600	62,900	69,100
Employee Related Expenditures	36,400	40,000	46,500
Professional and Outside Services	2,000	8,000	13,200
Other Operating Expenditures	80,300	82,300	83,200
AGENCY TOTAL	180,300	193,200	212,000^{1/}

FUND SOURCES

Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	180,300	193,200	212,000
SUBTOTAL - Other Appropriated Funds	180,300	193,200	212,000
SUBTOTAL - Appropriated Funds	180,300	193,200	212,000
TOTAL - ALL SOURCES	180,300	193,200	212,000

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

Operating Budget

The budget includes \$212,000 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing

The budget includes an increase of \$5,200 from the Naturopathic Physicians Medical Board Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application.

Salary Increase

The budget includes an increase of \$7,600 from the Naturopathic Physicians Medical Board Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$6,000 from the Naturopathic Physicians Medical Board Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Navigable Stream Adjudication Commission

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	73,500	73,500	80,900
Employee Related Expenditures	32,300	32,300	39,000
Professional and Outside Services	200,000	200,000	200,000
Other Operating Expenditures	23,500	23,500	24,300
AGENCY TOTAL	329,300	329,300	344,200^{1/}

FUND SOURCES			
General Fund	129,300	129,300	144,200
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	200,000	200,000	200,000
SUBTOTAL - Other Appropriated Funds	200,000	200,000	200,000
SUBTOTAL - Appropriated Funds	329,300	329,300	344,200
TOTAL - ALL SOURCES	329,300	329,300	344,200

AGENCY DESCRIPTION — The Arizona Navigable Stream Adjudication Commission (ANSAC) is a 5-member body charged with determining the ownership of watercourses in the state by establishing whether the watercourses were navigable at the time of statehood. If navigable, title to the watercourse belongs to the state based on a series of court rulings. If non-navigable, the title to the watercourse belongs to the current title holder.

FOOTNOTES

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

Operating Budget

The budget includes \$344,200 and 2 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$144,200
Arizona Water Banking Fund	200,000

FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$9,100 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$5,800 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Statutory Changes

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

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

Background

The commission is responsible for determining the navigability of state watercourses at the time of statehood. As of December 2021, 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.
(Please see the ANSAC Program Summary located on the JLBC website for additional information on ANSAC related litigation.)

State Board of Nursing

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	48.5	52.0	52.0
Personal Services	2,687,900	2,975,400	3,327,800
Employee Related Expenditures	948,300	985,900	1,223,400
Professional and Outside Services	288,700	213,300	213,300
Travel - In State	700	4,700	4,700
Travel - Out of State	400	2,100	2,100
Other Operating Expenditures	407,800	475,100	509,400
Equipment	5,600	80,200	65,900
OPERATING SUBTOTAL	4,339,400	4,736,700	5,346,600^{1/}
SPECIAL LINE ITEMS			
Certified Nursing Assistant Credentialing Program	531,100	538,400	538,400
AGENCY TOTAL	4,870,500	5,275,100	5,885,000

FUND SOURCES

Other Appropriated Funds

Board of Nursing Fund	4,870,500	5,275,100	5,885,000
SUBTOTAL - Other Appropriated Funds	4,870,500	5,275,100	5,885,000
SUBTOTAL - Appropriated Funds	4,870,500	5,275,100	5,885,000
Federal Funds	409,800	414,700	414,700
TOTAL - ALL SOURCES	5,280,300	5,689,800	6,299,700

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

FOOTNOTES

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

Operating Budget

The budget includes \$5,346,600 and 52 FTE Positions from the Board of Nursing Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Education Program Administrator

The budget includes an increase of \$21,000 from the Board of Nursing Fund in FY 2023 to convert a part-time Education Program Administrator (0.75 FTE Position) to full-time (1 FTE Position). Education Program Administrators are responsible for reviewing nursing school curriculums, accreditation, and investigating complaints against nursing programs.

Remove One-Time Equipment Purchases

The budget includes a decrease of \$(14,300) from the Board of Nursing Fund in FY 2023 to remove funding for one-time equipment purchases.

Salary Increase

The budget includes an increase of \$414,000 from the Board of Nursing Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section).*

Statewide Adjustments

The budget includes an increase of \$189,200 from the Board of Nursing Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section).*

Certified Nursing Assistant Credentialing Program

The budget includes \$538,400 from the Board of Nursing Fund in FY 2023 for the Certified Nursing Assistant (CNA) Credentialing Program line item. This amount is unchanged from FY 2022.

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.

Other Issues

<i>Auditor General Report</i>

In September 2021, the Auditor General published a Board of Nursing audit that included recommendations for improvements to the board's policies and procedures for processing, investigating and adjudicating complaints, remitting revenues to the General Fund, reviewing the appropriateness of its fees, and complying with open meeting laws.

Specifically, the audit found that the board did not resolve reviewed complaints within 180 days. The FY 2022 budget included \$356,400 and 3.5 FTE Positions to expand the board's investigations team. The audit recommended that the board assess whether the appropriation is sufficient to address untimely complaint resolution and request additional resources as needed.

In addition, the audit found that the board had not remitted all revenues owed to the state General Fund, including civil and administrative penalties, and that the board had been charging the maximum statutory amount for all its fees since 2002. The board has remitted all required revenues to the General Fund and will implement new policies and procedures for periodic review of its fees.

Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	7.0	7.0
Personal Services	272,400	299,300	328,200
Employee Related Expenditures	112,300	131,000	155,100
Professional and Outside Services	2,900	1,800	46,900
Travel - In State	1,200	5,000	5,000
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	73,600	73,500	76,700
Equipment	0	13,500	13,500
AGENCY TOTAL	462,400	526,100	627,400^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	462,400	526,100	627,400
SUBTOTAL - Other Appropriated Funds	462,400	526,100	627,400
SUBTOTAL - Appropriated Funds	462,400	526,100	627,400
TOTAL - ALL SOURCES	462,400	526,100	627,400

AGENCY DESCRIPTION — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$627,400 and 7 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing

The budget includes an increase of \$45,100 from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$31,800 is one-time.

Salary Increase

The budget includes an increase of \$35,600 from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2023 for a statewide employee salary increase. This

amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section).

Statewide Adjustments

The budget includes an increase of \$20,600 from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section).

Other Issues

Agency Continuation

Laws 2021, Chapter 409 required all new licenses and certifications issued after June 30, 2021 to be approved by both the board and the Department of Health Services (DHS). The bill continued the board through March 31, 2022 and established the Nursing Care Institution and Assisted Living Facility Study Committee to consider

whether the board should be administered independently, or if the board's duties should be moved to DHS or another successor after its termination date.

On November 19, 2021, the study committee recommended the board continue as an independent entity. It also recommended changes to the board's operations, including implementing a birthday-based license renewal system and a national criminal background search. Laws 2022, Chapter 12 continues the board through July 1, 2024, and Laws 2022, Chapter 15 adopts many of the committee's operational recommendations for the board.

Board of Occupational Therapy Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	104,800	96,800	113,500
Employee Related Expenditures	46,800	49,900	60,000
Professional and Outside Services	600	0	0
Travel - In State	100	1,300	1,300
Other Operating Expenditures	41,600	49,900	89,600
Equipment	0	2,000	2,000
AGENCY TOTAL	193,900	199,900	266,400^{1/}

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	193,900	199,900	266,400
SUBTOTAL - Other Appropriated Funds	193,900	199,900	266,400
SUBTOTAL - Appropriated Funds	193,900	199,900	266,400
TOTAL - ALL SOURCES	193,900	199,900	266,400

AGENCY DESCRIPTION — The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice.

FOOTNOTES

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

Operating Budget

The budget includes \$266,400 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Executive Director Salary Increase

The budget includes an increase of \$7,000 from the Occupational Therapy Fund in FY 2023 to increase the board's Executive Director salary.

One-Time Laptop Replacements

The budget includes an increase of \$4,300 from the Occupational Therapy Fund in FY 2023 for one-time replacement of laptops used by board members.

E-licensing

The budget includes an increase of \$34,100 from the Occupational Therapy Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$18,900 is one-time.

Salary Increase

The budget includes an increase of \$11,900 from the Occupational Therapy Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff

salary increase. (Please see the Agency Detail and Allocations section).

Statewide Adjustments

The budget includes an increase of \$9,200 from the Occupational Therapy Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section).

State Board of Dispensing Opticians

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	88,100	88,500	97,400
Employee Related Expenditures	27,700	28,000	32,200
Professional and Outside Services	1,400	1,000	1,000
Travel - In State	200	8,500	8,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	26,900	34,600	52,000
AGENCY TOTAL	144,300	162,600	193,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Dispensing Opticians Fund	144,300	162,600	193,100
SUBTOTAL - Other Appropriated Funds	144,300	162,600	193,100
SUBTOTAL - Appropriated Funds	144,300	162,600	193,100
TOTAL - ALL SOURCES	144,300	162,600	193,100

AGENCY DESCRIPTION — The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eyeglasses. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$193,100 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing

The budget includes an increase of \$16,300 from the Board of Dispensing Opticians Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$6,200 is one-time.

Salary Increase

The budget includes an increase of \$10,900 from the Board of Dispensing Opticians Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section).

Statewide Adjustments

The budget includes an increase of \$3,300 from the Board of Dispensing Opticians Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section).

State Board of Optometry

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	75,900	81,500	89,600
Employee Related Expenditures	48,500	81,500	95,300
Professional and Outside Services	1,000	16,300	16,300
Travel - In State	0	200	200
Travel - Out of State	0	6,000	6,000
Other Operating Expenditures	48,200	53,400	88,400
Equipment	5,500	3,000	3,000
AGENCY TOTAL	179,100	241,900	298,800^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Optometry Fund	179,100	241,900	298,800
SUBTOTAL - Other Appropriated Funds	179,100	241,900	298,800
SUBTOTAL - Appropriated Funds	179,100	241,900	298,800
TOTAL - ALL SOURCES	179,100	241,900	298,800

AGENCY DESCRIPTION — The board licenses and regulates optometrists and issues certificates authorizing the use of diagnostic pharmaceutical agents. An optometrist examines eyes, measures vision, and prescribes corrective lenses and treatments which do not require a licensed physician. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$298,800 and 2 FTE Positions from the Board of Optometry Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Attorney General Legal Services

The budget includes an increase of \$15,300 from the Board of Optometry Fund in FY 2023 for the board to utilize legal services provided by the Attorney General's office.

Cloud Migration

The budget includes an increase of \$10,800 from the Board of Optometry Fund in FY 2023 for the board to migrate electronic data to the cloud and increase storage capacity for electronic files.

E-licensing

The budget includes a one-time increase of \$7,500 from the Board of Optometry Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application.

Salary Increase

The budget includes an increase of \$10,000 from the Board of Optometry Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section).*

Statewide Adjustments

The budget includes an increase of \$13,300 from the Board of Optometry Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section).*

Arizona Board of Osteopathic Examiners in Medicine and Surgery

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	8.0	9.0	10.0
Personal Services	509,100	519,900	620,200
Employee Related Expenditures	167,200	223,800	279,900
Professional and Outside Services	119,800	158,700	172,700
Travel - In State	100	2,500	2,500
Travel - Out of State	300	5,500	5,500
Other Operating Expenditures	237,900	157,200	303,700
Equipment	3,600	0	0
AGENCY TOTAL	1,038,000	1,067,600	1,384,500^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund	1,038,000	1,067,600	1,384,500
SUBTOTAL - Other Appropriated Funds	1,038,000	1,067,600	1,384,500
SUBTOTAL - Appropriated Funds	1,038,000	1,067,600	1,384,500
TOTAL - ALL SOURCES	1,038,000	1,067,600	1,384,500

AGENCY DESCRIPTION — The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.

FOOTNOTES

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

Operating Budget

The budget includes \$1,384,500 and 10 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Cloud Enterprise and Managed Services

The budget includes an increase of \$123,000 from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2023 for increased Cloud Enterprise and Managed Services costs, including additional staffing, system expansions, and statutory licensing and training requirements.

Legal Secretary

The budget includes an increase of \$60,300 and 1 FTE Position from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2023 to fund a new legal secretary to assist with complaints and malpractice investigations.

Consultant Services

The budget includes an increase of \$14,000 from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2023 to expand the board's outside medical consultant services. Medical consultants assist the board in addressing complaints that require professional review.

E-licensing

The budget includes an increase of \$17,800 from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application.

One-Time Leave Payout

The budget includes a one-time increase of \$11,000 from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2023 for an annual leave payout.

Salary Increase

The budget includes an increase of \$63,700 from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2023 for a statewide employee salary

increase. This amount funds a 10% staff salary increase.
(Please see the Agency Detail and Allocations section).

Statewide Adjustments

The budget includes an increase of \$27,100 from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2023 for statewide adjustments.
(Please see the Agency Detail and Allocations section).

Arizona Parents Commission on Drug Education and Prevention

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	4,858,400	5,860,200	5,860,200
TOTAL - ALL SOURCES	4,858,400	5,860,200	5,860,200

AGENCY DESCRIPTION — The commission funds programs that increase and enhance parental involvement and education regarding the serious risks and public health problems caused by the abuse of alcohol and controlled substances. The commission typically does not receive an appropriation from the Legislature.

Arizona State Parks Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	163.0	163.0	163.0 ^{1/}
Personal Services	5,356,200	6,207,000	6,215,400
Employee Related Expenditures	2,889,400	2,810,300	3,882,900
Professional and Outside Services	153,700	249,200	150,000
Travel - In State	5,800	7,000	10,000
Other Operating Expenditures	5,237,100	6,133,100	4,525,600
Equipment	281,000	300,000	300,000
OPERATING SUBTOTAL	13,923,200	15,706,600	15,083,900 ^{2/}
SPECIAL LINE ITEMS			
FY 2023 Salary Increase	0	0	844,500
Arizona State Parks Heritage Fund Deposit	0	5,000,000	2,500,000 ^{3/}
Arizona Trail	0	250,000	250,000 ^{4/}
Kartchner Caverns State Park	2,337,200	2,354,500	2,369,200
One-Time Cabin Debt Payoff	0	528,400	0
SPRF Deposit to State Parks Store Fund	0	1,000,000	0
State Lake Improvement Fund Deposit	0	4,000,000	4,000,000
State Parks Store	0	1,000,000	999,800
AGENCY TOTAL	16,260,400	29,839,500	26,047,400 ^{5/}
FUND SOURCES			
General Fund	0	9,000,000	6,500,000
<u>Other Appropriated Funds</u>			
Off-Highway Vehicle Recreation Fund	0	16,700	16,700
State Park Store Fund	0	1,000,000	1,011,300
State Parks Revenue Fund	16,260,400	19,822,800	18,519,400
SUBTOTAL - Other Appropriated Funds	16,260,400	20,839,500	19,547,400
SUBTOTAL - Appropriated Funds	16,260,400	29,839,500	26,047,400
Other Non-Appropriated Funds	11,390,800	17,786,000	17,786,000
Federal Funds	2,968,400	5,842,000	5,842,000
TOTAL - ALL SOURCES	30,619,600	53,467,500	49,675,400

AGENCY DESCRIPTION — The Arizona State Parks Board (ASPB) is responsible for managing the state parks system, which includes recreational parks, historical parks, and natural areas. The Parks Board consists of 7 members appointed by the Governor. Major functions of the Parks Board, through its staff, include the maintenance and development of existing parks, new parks acquisitions, statewide recreational planning, and historic preservation.

FOOTNOTES

- 1/ Includes 35.8 OF FTE Positions funded from Special Line Items in FY 2023.
- 2/ 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 is appropriated to the Arizona state parks board from the state parks revenue fund established by section 41-511.21, Arizona Revised Statutes. (General Appropriation Act footnote)
- 3/ The Arizona state parks board may distribute the monies in the Arizona state parks heritage fund deposit line item to grantees for local, regional and state historic preservation projects, local, regional and state nonmotorized trails and outdoor and environmental education. (General Appropriation Act footnote)
- 4/ The Arizona state parks board shall manage the monies in the Arizona trail line item but may distribute the monies to a nonprofit entity. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$15,083,900 and 127.2 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
State Parks Revenue Fund	\$15,067,200
Off-Highway Vehicle Recreation Fund	16,700

FY 2023 adjustments are as follows:

Remove One-Time Wastewater Funding

The budget includes a decrease of \$(1,116,000) from SPRF in FY 2023 for removal of one-time funding for wastewater system mitigation and assessments at various Arizona state parks.

Statewide Adjustments

The budget includes an increase of \$493,300 from SPRF in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

FY 2023 Salary Increase

The budget includes \$844,500 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

State Parks Revenue Fund	833,000
State Parks Store Fund	11,500

These amounts fund a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

Arizona State Parks Heritage Fund Deposit

The budget includes \$2,500,000 from the General Fund in FY 2023 for the Arizona State Parks Heritage Fund Deposit line item. FY 2023 adjustments are as follows:

Reduce One-Time General Fund Deposit

The budget includes a decrease of \$(2,500,000) from the General Fund in FY 2023 for the reduction of a deposit to the Arizona State Parks Heritage Fund. The \$2,500,000 deposit in FY 2023 is one-time.

Pursuant to a General Appropriation Act footnote, monies in this line item may be used for local, regional, and state historical projects; outdoor and environmental education; and local, regional, and state non-motorized trails. Statute directs the State Parks Board in consultation with the

Historical Advisory Commission to establish criteria for the use of monies in the fund, and review and evaluate grant applications.

Arizona Trail

The budget includes \$250,000 from SPRF in FY 2023 for the Arizona Trail line item. FY 2023 adjustments are as follows:

Continue One-Time Funding

The budget continues one-time funding of \$250,000 from SPRF in FY 2023 for Arizona Trail maintenance. The FY 2022 budget included one-time funding of \$250,000 for the same purpose; the FY 2023 budget includes another \$250,000 one-time appropriation for FY 2023.

Monies in this line item will be used to maintain 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. A General Appropriation Act footnote requires the agency to manage these monies but permits the distribution of monies to a non-profit entity.

Kartchner Caverns State Park

The budget includes \$2,369,200 and 35.8 FTE Positions from SPRF in FY 2023 for Kartchner Caverns State Park. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$14,700 from SPRF in FY 2023 for statewide adjustments.

Kartchner Caverns is located in Benson, Arizona and was discovered in 1974. The State Parks Board acquired the property in 1988 and opened the caverns to the public in 1999.

One-Time Cabin Payoff

The budget includes no funding in FY 2023 for the One-Time Cabin Payoff line item. FY 2023 adjustments are as follows:

Remove One-Time Cabin Payoff Funding

The budget includes a decrease of \$(528,400) from SPRF in FY 2023 for removal of one-time funding to pay off the remaining balance of 26 cabins the agency began financing in FY 2018.

In FY 2018, SPB entered into an agreement with a building manufacturer to purchase 26 cabins. These cabins were

not purchased but financed with a revenue share agreement and installment loan. Now that the cabins are fully paid for, SPB receives 100% of revenues generated by the cabin rentals instead of continuing a revenue sharing agreement with the manufacturer.

SPRF Deposit to State Parks Store Fund

The budget includes no funding in FY 2023 for the SPRF Deposit to State Parks Store Fund line item. FY 2023 adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of \$(1,000,000) from SPRF in FY 2023 for removal of a one-time deposit to the agency's State Parks Store Fund.

State Lake Improvement Fund Deposit

The budget includes \$4,000,000 from the General Fund in FY 2023 for the State Lake Improvement Fund Deposit line item. This amount is unchanged from FY 2022.

The FY 2022 budget's 3-year spending plan provided \$4,000,000 in one-time spending in both FY 2022 and FY 2023, but would discontinue the funding in FY 2024.

Monies in the State Lake Improvement Fund are used to fund projects at boating sites, including launching ramps, parking areas, lake improvement and construction, campgrounds, and acquisition of property to provide access to boating sites.

State Parks Store

The budget includes \$999,800 from the State Parks Store Fund in FY 2023 for the State Parks Store line item. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(200) from the State Parks Store Fund in FY 2023 for statewide adjustments. Monies in the State Parks Store line item will be used to operate and maintain state-owned giftshops.

Other Issues

State Parks Operations

As of July 2022, 31 state parks and natural areas are open to the public. Twenty-seven 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 [SPB Visitation and Revenue Program Summary](#) available on the JLBC website for additional information on the parks, visitation, and operations.)*

State Personnel Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	60,300	104,500	115,000
Employee Related Expenditures	26,200	36,500	43,800
Professional and Outside Services	33,500	132,600	132,600
Travel - In State	0	600	600
Other Operating Expenditures	162,600	47,200	48,000
Equipment	300	5,000	5,000
AGENCY TOTAL	282,900	326,400	345,000^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Board Subaccount of the Personnel Division Fund	282,900	326,400	345,000
SUBTOTAL - Other Appropriated Funds	282,900	326,400	345,000
SUBTOTAL - Appropriated Funds	282,900	326,400	345,000
TOTAL - ALL SOURCES	282,900	326,400	345,000

AGENCY DESCRIPTION — The State Personnel Board hears appeals for covered state employees in the State Personnel System who have been dismissed, involuntarily demoted, or suspended for more than 80 hours. The board may recommend modifying or reversing the agency decision, but the agency makes the final determination. The board also hears “whistleblower” complaints concerning reprisals against employees or former employees who disclose information to a public body. If the Personnel Board finds a reprisal occurred, the employee who committed the reprisal shall be ordered by the board to pay a civil penalty of up to \$5,000, and the board shall rescind the personnel action and order all lost pay and benefits be restored to the “whistleblower.”

FOOTNOTES

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

Operating Budget

The budget includes \$345,000 and 2 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$12,900 from the Personnel Board Subaccount of the Personnel Division Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$5,700 from the Personnel Board Subaccount of the Personnel Division Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona State Board of Pharmacy

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.4	25.4	25.4
Personal Services	1,415,700	1,762,800	1,936,900
Employee Related Expenditures	479,400	647,100	750,300
Professional and Outside Services	147,200	157,000	157,000
Travel - In State	37,200	65,200	65,200
Travel - Out of State	0	4,200	4,200
Other Operating Expenditures	350,400	364,300	540,100
Equipment	30,500	33,300	33,300
OPERATING SUBTOTAL	2,460,400	3,033,900	3,487,000
SPECIAL LINE ITEMS			
Prescriber Report Card	50,000	50,000	50,000
AGENCY TOTAL	2,510,400	3,083,900	3,537,000^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona State Board of Pharmacy Fund	2,510,400	3,083,900	3,537,000
SUBTOTAL - Other Appropriated Funds	2,510,400	3,083,900	3,537,000
SUBTOTAL - Appropriated Funds	2,510,400	3,083,900	3,537,000
Other Non-Appropriated Funds	1,919,800	0	0
TOTAL - ALL SOURCES	4,430,200	3,083,900	3,537,000

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 Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$3,487,000 and 25.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing

The budget includes an increase of \$190,500 from the Arizona State Board of Pharmacy Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$102,000 is one-time.

Salary Increase

The budget includes an increase of \$214,100 from the Arizona State Board of Pharmacy Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section).

Statewide Adjustments

The budget includes an increase of \$48,500 from the Arizona State Board of Pharmacy Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section).

Prescriber Report Card

The budget includes \$50,000 from the Arizona State Board of Pharmacy Fund in FY 2023 for the Prescriber Report Card program. This amount is unchanged from FY 2022.

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.

Board of Physical Therapy

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	245,700	200,800	220,800
Employee Related Expenditures	96,900	97,600	113,500
Professional and Outside Services	50,700	68,600	68,600
Travel - In State	100	2,100	2,100
Other Operating Expenditures	98,000	130,000	220,900
Equipment	2,000	5,000	5,000
AGENCY TOTAL	493,400	504,100	630,900^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Physical Therapy Fund	493,400	504,100	630,900
SUBTOTAL - Other Appropriated Funds	493,400	504,100	630,900
SUBTOTAL - Appropriated Funds	493,400	504,100	630,900
TOTAL - ALL SOURCES	493,400	504,100	630,900

AGENCY DESCRIPTION — The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$630,900 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

License Issuance and Complaint Reviews

The budget includes an increase of \$34,400 from the Board of Physical Therapy Fund in FY 2023 to support increased workload associated with issuing licenses and reviewing complaints received by the board.

E-licensing

The budget includes an increase of \$53,600 from the Board of Physical Therapy Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$43,400 is one-time.

Salary Increase

The budget includes an increase of \$24,600 from the Board of Physical Therapy Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section).

Statewide Adjustments

The budget includes an increase of \$14,200 from the Board of Physical Therapy Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section).

Arizona Pioneers' Home

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	106.3	106.3	107.3
Personal Services	4,152,900	3,844,000	4,576,800
Employee Related Expenditures	1,874,500	2,189,000	2,675,700
Professional and Outside Services	56,300	95,800	95,800
Travel - In State	100	26,700	26,700
Other Operating Expenditures	501,700	867,600	916,200
Equipment	10,500	20,100	52,100
OPERATING SUBTOTAL	6,596,000	7,043,200	8,343,300 ^{1/2/}
SPECIAL LINE ITEMS			
Prescription Drugs	193,200	0	0
AGENCY TOTAL	6,789,200	7,043,200	8,343,300

FUND SOURCES

Other Appropriated Funds

Miners' Hospital for Miners with Disabilities Land Fund	2,137,500	2,074,100	2,318,600
State Charitable Fund	4,651,700	4,969,100	6,024,700
SUBTOTAL - Other Appropriated Funds	6,789,200	7,043,200	8,343,300
SUBTOTAL - Appropriated Funds	6,789,200	7,043,200	8,343,300
Other Non-Appropriated Funds	901,700	600,000	600,000
TOTAL - ALL SOURCES	7,690,900	7,643,200	8,943,300

AGENCY DESCRIPTION — The Arizona Pioneers' Home provides a home and long-term nursing care and medical care for Arizona pioneers, long-term residents, and disabled miners. The Home cares for, on average, 105 residents.

FOOTNOTES

- 1/ Earnings on state lands and interest on the investment of the permanent land funds are appropriated for the Arizona pioneers' home and the state hospital for miners with disabilities in compliance with the enabling act and the Constitution of Arizona. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$8,343,300 and 107.3 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
Miners' Hospital for Miners with Disabilities Land Fund	\$2,318,600
State Charitable Fund	6,024,700

FY 2023 adjustments are as follows:

One-Time Computer Replacements

The budget includes an increase of \$32,000 from the State Charitable Fund in FY 2023 for the one-time purchase of 23 new desktop and laptop computers to replace outdated equipment.

Staffing Needs

The budget includes an increase of \$63,100 and 1 FTE Position from the State Charitable Fund in FY 2023 for staffing needs. This includes funding for a new Building Maintenance Technician, who will ensure normal function of the facility at night. In addition, the funding will be used to increase the Medical Director's medical insurance and liability coverage to accommodate changes in requirements set by the third-party agency.

Salary Increase

The budget includes an increase of \$843,700 in FY 2023 for a statewide employee salary increase. This amount consists of:

Miners' Hospital for Miners with Disabilities Land Fund	114,200
State Charitable Fund	729,500

Of these amounts, \$431,000 is for a 10% minimum state employee salary increase and \$412,700 is for selected market adjustments above 10%. *(Please see the Agency Detail and Allocations section).*

Statewide Adjustments

The budget includes an increase of \$361,300 in FY 2023 for statewide adjustments. This amount consists of:

Miners' Hospital for Miners with Disabilities Land Fund	130,300
State Charitable Fund	231,000

(Please see the Agency Detail and Allocations section).

Other Issues

Capital Projects

The FY 2023 Capital Outlay Bill appropriates \$396,500 from the State Charitable Fund in FY 2023 for capital improvement projects.

State Board of Podiatry Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	74,700	78,000	86,500
Employee Related Expenditures	24,100	29,700	33,400
Professional and Outside Services	4,000	5,500	5,500
Travel - In State	2,300	2,200	2,200
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	40,100	51,300	56,700
AGENCY TOTAL	145,200	168,200	185,800^{1/}

FUND SOURCES

Other Appropriated Funds

Podiatry Fund	145,200	168,200	185,800
SUBTOTAL - Other Appropriated Funds	145,200	168,200	185,800
SUBTOTAL - Appropriated Funds	145,200	168,200	185,800
TOTAL - ALL SOURCES	145,200	168,200	185,800

AGENCY DESCRIPTION — The board licenses and regulates Doctors of Podiatric Medicine. A podiatrist must take specialized training, serve an internship and pass a qualifying examination prior to licensure to diagnose and treat foot ailments. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$185,800 and 1 FTE Position from the Podiatry Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing

The budget includes a one-time increase of \$4,500 from the Podiatry Fund in FY 2023 for the costs associated with migrating to an e-licensing application.

Salary Increase

The budget includes an increase of \$10,500 from the Podiatry Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section).

Statewide Adjustments

The budget includes an increase of \$2,600 from the Podiatry Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section).

Commission for Postsecondary Education

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	5.0	5.0	0.0
Personal Services	55,500	125,100	0
Employee Related Expenditures	11,000	48,000	0
Other Operating Expenditures	25,500	47,800	0
OPERATING SUBTOTAL	92,000	220,900	0
SPECIAL LINE ITEMS			
Arizona College and Career Guide	0	21,300	0
Arizona Minority Educational Policy Analysis Center	6,500	99,900	0
Arizona Teacher Student Loan Program	426,000	426,000	0
Leveraging Educational Assistance Partnership	2,319,500	2,319,500	0
Twelve Plus Partnership	500	130,400	0
AGENCY TOTAL	2,844,500	3,218,000	0
FUND SOURCES			
General Fund	1,663,700	1,680,900	0
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	1,180,800	1,537,100	0
SUBTOTAL - Other Appropriated Funds	1,180,800	1,537,100	0
SUBTOTAL - Appropriated Funds	2,844,500	3,218,000	0
Other Non-Appropriated Funds	862,600	201,500	0
Federal Funds	134,500	289,800	0
TOTAL - ALL SOURCES	3,841,600	3,709,300	0

AGENCY DESCRIPTION — The Commission for Postsecondary Education reviews and recommends higher education policies, while providing a discussion forum for public and private postsecondary educational institutions and their stakeholders on issues of mutual interest. The 16 commissioners are authorized to administer certain federal and state student financial aid programs. Beginning January 1, 2022, the responsibilities of the Commission for Postsecondary Education are transferred to the Arizona Board of Regents.

Laws 2021, Chapter 410 transfers the responsibilities of the Commission for Postsecondary Education (CPSE) to the Arizona Board of Regents (ABOR) effective January 1, 2022. The FY 2022 General Appropriation Act provided a full year's spending to CPSE. As a result, the FY 2022 column is displayed as the full appropriation. Beginning January 1, 2022, a portion of this funding became available to ABOR to administer CPSE's programs.

Operating Budget

The budget includes no funding in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Agency Transfer

The budget includes a decrease of \$(220,900) and (4.5) FTE Positions in FY 2023 for the transfer of agency responsibilities to ABOR. These amounts consist of:

FY 2023

General Fund	\$(34,100)
Postsecondary Education Fund	(186,800)

Arizona College and Career Guide

The budget includes no funding in FY 2023 for the Arizona College and Career Guide line item. FY 2023 adjustments are as follows:

Agency Transfer

The budget includes a decrease of \$(21,300) from the Postsecondary Education Fund in FY 2023 for the transfer of responsibilities to ABOR. This line item was transferred to the ABOR operating budget.

This line item funds costs associated with the Arizona College and Career Guide, which is an annual publication

that lists Arizona’s public and private postsecondary educational institutions.

Arizona Minority Educational Policy Analysis Center

The budget includes no funding in FY 2023 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) line item. FY 2023 adjustments are as follows:

Agency Transfer

The budget includes a decrease of \$(99,900) and a (0.2) FTE Position from the Postsecondary Education Fund in FY 2023 for the transfer of agency responsibilities to ABOR. This line item was transferred to the ABOR operating budget.

AMEPAC promotes minority students’ access to Arizona’s postsecondary educational institutions.

Arizona Teacher Student Loan Program

The budget includes no funding in FY 2023 for the Arizona Teacher Student Loan Program (ATSLP). FY 2023 adjustments are as follows:

Agency Transfer

The budget includes a decrease of \$(426,000) from the General Fund in FY 2023 for the transfer of agency responsibilities to ABOR. This program now appears as a separate line item in the ABOR budget.

This program offers forgivable loans to resident students pursuing a teaching degree at private postsecondary institutions 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.

Leveraging Educational Assistance Partnership

The budget includes no funding for the Leveraging Educational Assistance Partnership (LEAP) in FY 2023. FY 2023 adjustments are as follows:

Agency Transfer

The budget includes a decrease of \$(2,319,500) in FY 2023 for the transfer of agency responsibilities to ABOR. This amount consists of:

General Fund	(1,220,800)
Postsecondary Education Fund	(1,098,700)

This program now appears as a separate line item in the ABOR budget.

LEAP is a state and institutional partnership that provides financial assistance to students demonstrating substantial financial need. To be eligible, students must attend, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution (including public universities, public community colleges, private collegiate institutions, and proprietary schools). The federal portion of these funds was eliminated in FY 2012.

In FY 2020, awards were provided to 2,931 recipients at 36 different postsecondary institutions. Of the total funding distributed, 35% went to public universities, 50% to community colleges, and 15% to private institutions.

Twelve Plus Partnership

The budget includes no funding from the Postsecondary Education Fund in FY 2023 for the Twelve Plus Partnership (TPP). FY 2023 adjustments are as follows:

Agency Transfer

The budget includes a decrease of \$(130,400) and a (0.3) FTE Position from the Postsecondary Education Fund in FY 2023 for the transfer of agency responsibilities to ABOR. This line item was transferred to the ABOR operating budget.

TPP is an early education awareness initiative with 3 components: Best Education Practices Conference and Awards Recognition, Think College, and College Goal Sunday. Approximately 70% of this line item funds College Goal Sunday, 25% of the monies go to Best Education Practices Conference and Awards Recognition, and the remaining 5% funds Think College. Private gifts, donations of service, and corporate sponsorships support TPP.

Arizona Power Authority

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	39,928,500	19,636,000	19,636,000
TOTAL - ALL SOURCES	39,928,500	19,636,000	19,636,000

AGENCY DESCRIPTION — The Arizona Power Authority (APA) manages Arizona’s allocation of hydroelectric power from Hoover Dam for the benefit of the state. Within the scope of that management, APA cooperates with federal, state, and non-governmental agencies to address regulatory and environmental matters that impact electric and water uses of the Colorado River. In addition, the APA serves as an informational resource for its customers on electricity utilization. APA is not subject to appropriation.

State Board for Private Postsecondary Education

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	208,800	217,500	237,200
Employee Related Expenditures	82,200	89,800	105,500
Professional and Outside Services	19,700	26,000	26,000
Travel - In State	100	1,000	1,000
Travel - Out of State	600	6,000	6,000
Other Operating Expenditures	58,800	71,000	75,900
Equipment	2,200	2,200	2,200
AGENCY TOTAL	372,400	413,500	453,800^{1/}

FUND SOURCES

Other Appropriated Funds

Board for Private Postsecondary Education Fund	372,400	413,500	453,800
SUBTOTAL - Other Appropriated Funds	372,400	413,500	453,800
SUBTOTAL - Appropriated Funds	372,400	413,500	453,800
Other Non-Appropriated Funds	209,300	272,000	272,000
TOTAL - ALL SOURCES	581,700	685,500	725,800

AGENCY DESCRIPTION — The board licenses and regulates 217 private postsecondary education institutions that service approximately 265,544 students annually. The board processes license applications, determines compliance, investigates complaints and violations, and takes disciplinary action on all private postsecondary institutions that offer vocational and/or degree programs. However, the board does not have jurisdiction over cosmetology, barber, real estate, or professional driving schools. In addition to regulatory duties, the board administers the Student Tuition Recovery Fund, which provides restitution to students financially injured by private postsecondary institutional closures.

FOOTNOTES

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

Operating Budget

The budget includes \$453,800 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing

The budget includes a one-time increase of \$2,500 from the Board for Private Postsecondary Education Fund in FY 2023 for the costs associated with migrating to an e-licensing application.

Salary Increase

The budget includes an increase of \$24,200 from the Board for Private Postsecondary Education Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$13,600 from the Board for Private Postsecondary Education Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

State Board of Psychologist Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.5	4.5
Personal Services	270,800	285,700	314,400
Employee Related Expenditures	111,700	115,300	140,900
Professional and Outside Services	33,200	45,000	45,000
Travel - In State	0	2,300	2,300
Travel - Out of State	0	18,300	18,300
Other Operating Expenditures	85,300	73,000	118,400
Equipment	800	11,200	11,200
AGENCY TOTAL	501,800	550,800	650,500^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Psychologist Examiners Fund	501,800	550,800	650,500
SUBTOTAL - Other Appropriated Funds	501,800	550,800	650,500
SUBTOTAL - Appropriated Funds	501,800	550,800	650,500
TOTAL - ALL SOURCES	501,800	550,800	650,500

AGENCY DESCRIPTION — The board licenses and regulates psychologists and behavior analysts. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$650,500 and 4.5 FTE Positions from the Board of Psychologist Examiners Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Attorney General Legal Services

The budget includes an increase of \$27,200 from the Board of Psychologist Examiners Fund in FY 2023 for increased Attorney General legal services costs.

E-licensing

The budget includes an increase of \$18,000 from the Board of Psychologist Examiners Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$15,200 is one-time.

Salary Increase

The budget includes an increase of \$35,300 from the Board of Psychologist Examiners Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section).

Statewide Adjustments

The budget includes an increase of \$19,200 from the Board of Psychologist Examiners Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section).

Department of Public Safety

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,014.7	2,046.7	2,074.2 ^{1/}
Personal Services	108,858,500	138,582,000	145,147,100
Employee Related Expenditures	104,069,300	122,965,900	102,151,600
Professional and Outside Services	2,571,900	2,632,400	2,632,400
Travel - In State	334,700	715,100	715,100
Travel - Out of State	146,400	610,300	610,300
Other Operating Expenditures	45,398,300	41,105,300	40,873,700
Equipment	18,938,500	17,060,000	10,755,600
OPERATING SUBTOTAL	280,317,600	323,671,000	302,885,800
SPECIAL LINE ITEMS			
ACTIC	1,222,500	1,450,000	1,450,000
AZPOST	0	0	6,576,000
Border Strike Task Force Local Support	1,010,000	1,261,700	12,232,900 ^{2/3/4/}
Border Strike Task Force Ongoing	8,206,000	9,028,800	17,145,900
Civil Air Patrol Infrastructure	0	0	5,000,000 ^{5/6/}
Civil Air Patrol Maintenance and Operations	150,000	150,000	150,000
Commercial Vehicle Enforcement Consolidation	0	0	978,400 ^{7/}
DPS - Rapid DNA Testing Equipment	0	600,000	0
FY 2023 Salary Increase	0	0	24,478,800 ^{8/}
GIITEM	27,193,500	28,311,100	25,329,700 ^{9/10/}
GIITEM Subaccount	1,963,900	2,396,400	2,396,400
Major Incident Division	0	0	10,000,000 ^{6/}
Microwave Backbone Project	0	48,200,000	0 ^{11/}
Motor Vehicle Fuel	4,124,300	5,454,600	5,454,600
One-Time Active Shooter Equipment	0	2,912,900	0
One-Time AZPOST Support	0	1,196,300	0
One-Time Helicopter Replacement	0	0	13,459,600 ^{12/}
One-Time K-9 Support	0	0	1,900,000
One-Time Vehicle Bumper Tethers	0	0	1,800,000
One-Time Vehicle Replacement	0	0	11,709,300 ^{13/}
Peace Officer Training Equipment	1,133,800	0	0
Pharmaceutical Diversion and Drug Theft Task Force	613,500	455,700	769,100
Public Safety Equipment	1,481,500	2,890,000	2,890,000
AGENCY TOTAL	327,416,600	427,978,500	446,606,500 ^{14/15/16/}
FUND SOURCES			
General Fund	88,012,400	291,650,400	364,162,500
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	200,775,400	86,217,900	31,293,300
Concealed Weapons Permit Fund	2,642,300	2,807,300	3,172,200
Criminal Justice Enhancement Fund	2,283,400	2,931,500	2,989,100
DPS Forensics Fund	17,284,000	22,528,600	22,985,300
Fingerprint Clearance Card Fund	1,431,500	1,581,100	1,581,100
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	2,992,000	2,396,400	2,396,400
Motor Vehicle Liability Insurance Enforcement Fund	1,302,700	1,254,100	1,282,000
Motorcycle Safety Fund	205,000	198,900	198,900
Parity Compensation Fund	4,175,500	4,000,300	4,088,100
Peace Officer Training Equipment Fund	1,133,800	0	0

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
Public Safety Equipment Fund	1,485,200	2,894,000	2,894,000
Risk Management Revolving Fund	1,408,600	1,351,000	1,396,900
Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount	1,286,300	0	0
State Aid to Indigent Defense Fund	680,300	0	0
State Highway Fund	318,200	8,167,000	8,166,700
SUBTOTAL - Other Appropriated Funds	239,404,200	136,328,100	82,444,000
SUBTOTAL - Appropriated Funds	327,416,600	427,978,500	446,606,500
Other Non-Appropriated Funds	39,184,300	42,100,200	42,100,200
Federal Funds	78,555,300	74,976,000	74,976,000
TOTAL - ALL SOURCES	445,156,200	545,054,700	563,682,700

AGENCY DESCRIPTION — The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.

FOOTNOTES

- 1/ Includes 198.3 GF FTE Positions and 6 OF FTE Positions funded from Special Line Items in FY 2023.
- 2/ Of the \$12,232,900 appropriated for the border strike task force local support line item, \$11,732,900 shall be used to fund local law enforcement officer positions within the border strike task force. Any city, town, county or other entity that enters into an agreement with the department to participate in the border strike task force shall provide at least twenty-five percent of the cost of the services, and the department shall provide not more than seventy-five percent of personal services and employee-related expenditures for each agreement or contract. The department may fund all capital-related equipment. (General Appropriation Act footnote)
- 3/ On or before September 1, 2022, the department of public safety shall submit an expenditure plan for the border strike task force local support line item to the joint legislature budget committee and the governor's office of strategic planning and budgeting. (General Appropriation Act footnote)
- 4/ Of the \$12,232,900 appropriated for the border strike task force local support line item, \$500,000 shall be used for grants to cities, towns or counties for costs associated with prosecuting and imprisoning individuals charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes. (General Appropriation Act footnote)
- 5/ Until all of the monies in the civil air patrol infrastructure line item have been distributed, on or before December 1 of each year, the department shall submit a report to the joint legislative budget committee on the monies distributed from the civil air patrol infrastructure line item and the intended purposes of the distributions. (General Appropriation Act footnote)
- 6/ This line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.
- 7/ Before spending the \$978,400 appropriated for the commercial vehicle enforcement consolidation line item, the department shall submit an operational and expenditure plan, including a description of how the department of public safety will split the commercial vehicle enforcement duties with the department of transportation, to the joint legislative budget committee for review. (General Appropriation Act footnote)
- 8/ The state department of corrections and the department of public safety shall submit an expenditure plan to the joint legislative budget committee for review before spending any monies appropriated by this section other than for personal services or employee-related expenditures.
- 9/ Of the \$25,329,700 appropriated to the GIITEM line item, only \$1,403,400 is deposited in the GIITEM fund established by section 41-1724, Arizona Revised Statutes, and is appropriated for the purposes of that section. The \$1,403,400 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 Appropriation Act footnote, as adjusted for statewide allocations)
- 10/ Of the \$25,329,700 appropriated to the GIITEM line item, \$13,275,800 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 Appropriation Act footnote, as adjusted for statewide allocations)

- 11/ The Microwave Backbone Project includes 3 OF FTE Positions until the \$48,200,000 appropriated to the line item has been fully expended.
- 12/ Of the \$13,459,600 appropriated for the onetime helicopter replacement line item, \$2,559,600 shall be used to cover the cost of upfitting a previously purchased helicopter. (General Appropriation Act footnote)
- 13/ The department shall use the \$11,709,300 appropriated for the onetime vehicle replacement line item to replace at least 276 vehicles. This appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations until June 30, 2024. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 15/ Any monies remaining in the department of public safety joint account on June 30, 2023 revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. (General Appropriation Act footnote)
- 16/ Of the amount appropriated in the total appropriation for the department of public safety, \$161,717,600 is designated for personal services and \$143,165,500 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 Appropriation Act footnote)

Operating Budget

The budget includes \$302,885,800 and 1,869.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$227,934,200
Arizona Highway Patrol Fund	29,221,600
Concealed Weapons Permit Fund	3,172,200
Criminal Justice Enhancement Fund (CJEF)	2,854,800
DPS Forensics Fund	22,985,300
Fingerprint Clearance Card Fund	1,581,100
Motor Vehicle Liability Insurance Enforcement Fund	1,282,000
Motorcycle Safety Fund	198,900
Parity Compensation Fund	4,088,100
Public Safety Equipment Fund	4,000
Risk Management Revolving Fund	1,396,900
State Highway Fund	8,166,700

FY 2023 adjustments are as follows:

Building System Management Upgrade

The budget includes an increase of \$214,600 and 1 FTE Position from the General Fund in FY 2023 to upgrade the

department's building management system. The system is used by the department for the operation and maintenance of their facilities. The ongoing funding will be used to hire an FTE Position for statewide facility maintenance.

Concealed Weapons Permit Notification Funding

The budget includes an increase of \$300,000 from the Concealed Weapons Permit Fund in FY 2023 to provide notifications for expired concealed weapons permits (CWP). Laws 2022, Chapter 344 requires the department to send a reminder notice and renewal application form to each CWP holder at least 60 days prior to the permit expiration date. The funding will cover the costs to annually mail paper notifications to CWP holders.

Familial DNA Analysis

The budget includes an increase of \$400,000 and 2 FTE Positions from the General Fund in FY 2023 for familial DNA analysis. The funding will go towards hiring new positions and purchasing familial DNA supplies. Familial DNA analysis will be used by the department for cold-case violent crimes to identify potential close biological relatives, within their database, of an unknown perpetrator.

Fill 69 Vacant FTE Positions

The budget includes an increase of \$10,060,800 from the General Fund in FY 2023 to fill approximately 69 vacant FTE Positions. Over the years, the department has diverted funding from these positions to cover various equipment and inflationary costs. The ongoing funding will allow the department to fill these 69 vacant positions.

Public Services Portal Phase 2

The budget includes an increase of \$368,500 from the General Fund in FY 2023 for the phase 2 implementation of the Public Services Portal (PSP) and FBI's Record of Arrest and Prosecutions (RAP) Back program. The PSP will allow DPS to convert various services from paper application to online application. The FBI's RAP Back program will enable the department to receive an instant notification if any enrolled individual engages in any criminal activity where fingerprints are submitted to the FBI's Next Generation Identification system. The ongoing funding will cover the annual maintenance costs.

One-Time Public Services Portal Phase 2

The budget includes a one-time increase of \$2,631,500 from the General Fund in FY 2023 for the one-time phase 2 implementation of the PSP and FBI's RAP Back program. The one-time funding will cover the costs of extending the PSP and implementing the RAP Back program.

One-Time Building System Management Upgrade

The budget includes an increase of \$204,600 from the General Fund in FY 2023 to upgrade the department's building management system. The system is used by the department for the operation and maintenance of their facilities. The one-time funding will be used for the IT upgrade costs.

One-Time Equipment Funding

The budget includes a one-time increase of \$450,000 from the General Fund in FY 2023 for the one-time purchase of phones.

Remove One-Time Civil Asset Forfeiture Funding

The budget includes a decrease of \$(3,500,000) from the General Fund in FY 2023 to remove funding for the offset of lost revenues from the passage of Laws 2021, Chapter 327. The department estimated the new legislation, which would prohibit the forfeiture of assets until conviction, would result in a loss of revenues deposited into the Anti-Racketeering Revolving Fund in FY 2022.

Remove One-Time K-9 Unit Funding

The budget includes a decrease of \$(250,000) from the General Fund in FY 2023 to remove funding for a newly-trained K-9 unit.

Remove One-Time Body Camera Funding

The budget includes a decrease of \$(6,904,400) from the Arizona Highway Patrol Fund in FY 2023 to remove funding for the purchase of body-worn cameras and accompanying equipment for the department's new body camera program.

Retirement Savings

The budget includes a decrease of \$(40,574,700) from the General Fund in FY 2023 for retirement savings. These savings come as a result of the PSPRS pension payoff included in the FY 2022 budget.

Technical Adjustment

The budget includes a decrease of \$(238,100) in FY 2023 from the Arizona Highway Patrol Fund in the operating budget and a corresponding increase of \$238,100 in FY 2023 from the Arizona Highway Patrol Fund in the Pharmaceutical Diversion and Drug Theft Task Force line item for a technical adjustment.

Statewide Adjustments

The budget includes an increase of \$16,052,000 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	11,194,800
Arizona Highway Patrol Fund	4,116,700
Concealed Weapons Permit Fund	64,900
Criminal Justice Enhancement Fund (CJEF)	57,600
DPS Forensics Fund	456,700
Motor Vehicle Liability Insurance Enforcement Fund	27,900
Parity Compensation Fund	87,800
Risk Management Revolving Fund	45,900
State Highway Fund	(300)

(Please see the Agency Detail and Allocations section.)

ACTIC

The budget includes \$1,450,000 from the General Fund in FY 2023 for the operation of the Arizona Counter Terrorism Information Center (ACTIC). This amount is unchanged from FY 2022.

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 budget includes \$6,576,000 from the General Fund in FY 2023 for the Arizona Peace Officer Standards and Training Board (AZPOST). FY 2023 adjustments are as follows:

AZPOST Operating Funding

The budget includes an increase of \$6,100,000 from the General Fund in FY 2023 for funding to operate AZPOST. Laws 2022, Chapter 311 removes AZPOST as a recipient of non-appropriated CJEF funding and redistributes that allocation to the remaining recipients. This funding will supplant the CJEF funding to continue the operations of AZPOST.

DPS Cadet Housing

The budget includes an increase of \$476,000 from the General Fund in FY 2023 for DPS cadet housing. The ongoing funding will be used to pay for 7 months of housing for approximately 34 cadets while they are trained at the Phoenix Regional Police Academy (PRPA). The funding will be used to house only cadets who live at least 50 miles away from PRPA.

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 Strike Task Force Local Support

The budget includes \$12,232,900 from the General Fund in FY 2023 for the costs of BSTF Local Support. FY 2023 adjustments are as follows:

Additional BSTF Funding

The budget includes an increase of \$10,971,200 from the General Fund in FY 2023 for additional funding in the BSTF. The funding will be used to provide additional salary matches for local law enforcement positions to participate in the BSTF program.

The BSTF is a multi-agency task force established to target drug and human trafficking organizations and activities along the Arizona-Mexico border. Of the \$12,232,900 total appropriation, the budget requires that \$11,732,900 be used to fund 75% of the costs for local law enforcement officers that will participate in the BSTF. The participating local law enforcement agency will be

responsible for providing a 25% match to these amounts. The remaining \$500,000 shall be used for grants to local governments for the prosecution and imprisonment of individuals that are charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes.

Border Strike Task Force Ongoing

The budget includes \$17,145,900 and 58.5 FTE Positions from the General Fund in FY 2023 for the Border Strike Task Force (BSTF). FY 2023 adjustments are as follows:

Additional BSTF Funding

The budget includes an increase of \$9,028,800 and 21.5 FTE Positions from the General Fund in FY 2023 funding for additional funding in the BSTF. The funding will be used to hire new positions and increase overtime and operations funding in the BSTF.

Retirement Savings

The budget includes a decrease of \$(1,258,500) from the General Fund in FY 2023 for retirement savings. These savings come as a result of the PSPRS pension payoff included in the FY 2022 budget.

Statewide Adjustments

The budget includes an increase of \$346,800 from the General Fund in FY 2023 for statewide adjustments.

The BSTF is a multi-agency law enforcement task force that targets drug and human trafficking organizations and activities along the Arizona-Mexico border.

Civil Air Patrol Infrastructure

The budget includes \$5,000,000 from the General Fund in FY 2023 for funding of Civil Air Patrol (CAP) Infrastructure. FY 2023 adjustments are as follows:

One-Time Civil Air Patrol Infrastructure

The budget includes a one-time increase of \$5,000,000 from the General Fund in FY 2023 for new CAP infrastructure.

This line item covers the cost to construct new facilities to house aircraft used by CAP to aid in search and rescue and other emergency missions. The appropriation is non-lapsing. A General Appropriation Act footnote requires an annual report on expenditures from this line item.

Civil Air Patrol Maintenance and Operations

The budget includes \$150,000 from the General Fund in FY 2023 for funding of the CAP Maintenance and Operations. This amount is unchanged from FY 2022.

This line item partially offsets the costs of operations and maintenance of aircraft used by CAP to aid in search and rescue and other emergency missions. *(Please see the FY 2018 Appropriations Report for more information.)*

Commercial Vehicle Enforcement Consolidation

The budget includes \$978,400 and 3 FTE Positions from the General Fund in FY 2023 for the Commercial Vehicle Enforcement Consolidation line item. FY 2023 adjustments are as follows:

Commercial Vehicle Enforcement Funding

The budget includes an increase of \$978,400 and 3 FTE Positions from the General Fund in FY 2023 to create a commercial vehicle enforcement task force between DPS and ADOT. The funding will be used to hire 3 management positions to oversee the consolidation.

This line item funds the Consolidated Commercial Vehicle Enforcement Task Force between DPS and ADOT. The 2 agencies will be operated under a single management structure in a joint effort to perform commercial vehicle inspections throughout the state. A General Appropriation Act footnote requires the department to submit an operational and expenditure plan to JLBC for review prior to expending monies from this line item.

DPS - Rapid DNA Testing Equipment

The budget includes no funding in FY 2023 for the DPS - Rapid DNA Testing Equipment line item. FY 2023 adjustments are as follows:

Remove One-Time Rapid DNA Testing Funding

The budget includes a decrease of \$(600,000) and (3) FTE Positions from the General Fund in FY 2023 to remove funding for the DPS – Rapid DNA Testing Equipment line item.

The line item funds the purchase of rapid DNA testing equipment for the department's use in criminal investigations.

FY 2023 Salary Increase

The budget includes \$24,478,800 from the General Fund in FY 2023 for an FY 2023 Salary Increase. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$24,478,800 from the General Fund in FY 2023 for a statewide employee salary increase. Of this amount, \$16,319,200 is for a 10% minimum state employee salary increase and \$8,159,600 is for selected market adjustments above 10%. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024.

GIITEM

The budget includes \$25,329,700 and 136.8 FTE Positions in FY 2023 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts consist of:

General Fund	24,852,200
Arizona Highway Patrol Fund	477,500

FY 2023 adjustments are as follows:

Retirement Savings

The budget includes a decrease of \$(4,223,600) from the General Fund in FY 2023 for retirement savings. These savings come as a result of the PSPRS pension payoff included in the FY 2022 budget.

Statewide Adjustments

The budget includes an increase of \$1,242,200 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	1,163,900
Arizona Highway Patrol Fund	78,300

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) \$13,275,800 for at least 50 sworn DPS positions to be used for immigration enforcement and border security and up to 50 DPS positions to expand GIITEM's public awareness, investigation, and intelligence efforts; 3) \$1,403,400 for local gang and immigration enforcement grants; and 4) \$600,000 for crime analysts associated with the state gang intelligence database (GangNet).

Monies deposited in the GIITEM Fund can be used for employer sanctions, smuggling, gang, and immigration enforcement. Local grants are distributed to county sheriffs and do not require further approval by the county board of supervisors. The local entity provides at least 25% of the cost of services.

Permanent law prohibits Maricopa County from receiving any monies from the fund and allocates \$500,000 in revenues to Pinal County. The remaining \$903,400 may be used for agreements with cities, counties, and other entities at a 3:1 match rate. Pinal County is excluded from the matching requirements. *(Please see the FY 2018 Appropriations Report for more information.)*

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 budget includes \$2,396,400 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2023 for the GIITEM Subaccount, to be used for equipment and supplies for border security. This amount is unchanged from FY 2022.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$1,524,000 in FY 2023. 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 2022 GIITEM Subaccount expenditure plan. The plan includes \$463,900 for detention liaison officers, \$547,700 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.

Major Incident Division

The budget includes \$10,000,000 from the General Fund in FY 2023 for the Major Incident Division (MID). FY 2023 adjustments are as follows:

Major Incident Division Funding

The budget includes an increase of \$10,000,000 from the General Fund in FY 2023 to fund a new Major Incident Division within DPS established by Laws 2022, Chapter 311. The funding will be used for start up costs associated with the establishment of the MID.

This line item funds the MID, which 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. The appropriation is non-lapsing. The 3-year budget plan assumes that the Division will receive ongoing funding of \$17,000,000 in FY 2024 and \$24,000,000 in FY 2025.

Microwave Backbone Statewide Communication System

The budget includes no funding and 3 FTE Positions from the Arizona Highway Patrol Fund in FY 2023 for the Microwave Backbone Statewide Communication System line item. FY 2023 adjustments are as follows:

Remove One-Time Microwave Backbone Funding

The budget includes a decrease of \$(48,200,000) from the Arizona Highway Patrol Fund in FY 2023 to remove funding for updates to the Microwave Backbone Statewide Communication System.

Additional FTE Positions

The budget includes an increase of 3 FTE Positions from the Arizona Highway Patrol Fund in FY 2023 to add personnel for the oversight of the construction of the northern loop of the statewide microwave radio system. The \$48,200,000 appropriated in FY 2022 to update the Microwave Backbone system is non-lapsing and a portion of the monies will cover the cost of the 3 FTE Positions until the project is complete.

The statewide microwave radio system is a series of towers situated on mountain tops and divided into 3 loops that allow DPS troopers and other state agencies to communicate with dispatch centers while in the field. This appropriation will fund the construction of the remaining digital upgrades to the northern loop, which is slated for completion by the end of FY 2024.

Motor Vehicle Fuel

The budget includes \$5,454,600 in FY 2023 for Motor Vehicle Fuel. This amount consists of:

General Fund	4,384,200
Arizona Highway Patrol Fund	936,100
CJEF	134,300

These amounts are unchanged from FY 2022.

The Motor Vehicle Fuel line item centralizes monies appropriated to DPS for motor vehicle fuel.

One-Time Active Shooter Equipment

The budget includes no funding in FY 2023 for the One-Time Active Shooter Equipment line item. FY 2023 adjustments are as follows:

Remove One-Time Active Shooter Funding

The budget includes a decrease of \$(2,912,900) from the Arizona Highway Patrol Fund in FY 2023 to remove funding for One-Time Active Shooter Equipment.

This line item funds the one-time purchases of safety equipment for sworn personnel to address active-shooter instances. The funding will provide a rifle-resistant helmet and rifle-resistant vest for each trooper and a rifle-resistant shield for each squad of troopers (7 troopers).

One-Time AZPOST Support

The budget includes no funding in FY 2023 for the One-Time AZPOST Support line item. FY 2023 adjustments are as follows:

Remove One-Time AZPOST Funding

The budget includes a decrease of \$(1,196,300) from the Arizona Highway Patrol Fund in FY 2023 to remove funding for One-Time AZPOST Support.

This line item provides one-time funding for AZPOST to supplement the board's funding due to a decline in revenues from the Criminal Justice Enhancement Fund.

Monies from this line item will be used for reimbursements provided to law enforcement training academies. The FY 2022 budget includes an intent statement that after FY 2022, monies received by local law enforcement agencies under Proposition 207 are expected to cover reimbursements to regional peace officer training academies for training officers.

One-Time Helicopter Replacement

The budget includes \$13,459,600 from the General Fund in FY 2023 for the One-Time Helicopter Replacement line item. FY 2023 adjustments are as follows:

One-Time Helicopter Replacement

The budget includes an increase of \$10,900,000 from the General Fund in FY 2023 to replace one of the department's 5 helicopters.

One-Time Helicopter Upfit

The budget includes an increase of \$2,559,600 from the General Fund in FY 2023 to upgrade a recently purchased helicopter.

This line item provides one-time funding for the department to replace a helicopter and upfit (i.e., customize with extra features) a recently purchased helicopter.

One-Time K-9 Support

The budget includes \$1,900,000 from the General Fund in FY 2023 for the One-Time K-9 Support line item. FY 2023 adjustments are as follows:

One-Time K-9 Support Funding

The budget includes an increase of \$1,900,000 from the General Fund in FY 2023 to provide one-time K-9 support.

This line item provides one-time funding for the department for various K-9 needs, including K-9 facility improvements, the replacement of 12 K-9 equipped vehicles, and for 3 newly trained K-9 dogs.

One-Time Vehicle Bumper Tethers

The budget includes \$1,800,000 from the General Fund in FY 2023 for the One-Time Vehicle Bumper Tethers line item. FY 2023 adjustments are as follows:

One-Time Vehicle Bumper Tethers Funding

The budget includes an increase of \$1,800,000 from the General Fund in FY 2023 to purchase approximately 400 vehicle bumper tethers.

These bumper tethers enable Highway Patrol Troopers to launch a fabric band at the rear wheel of a fleeing vehicle to bring the pursuit to an end.

One-Time Vehicle Replacement

The budget includes \$11,709,300 from the General Fund in FY 2023 for the One-Time Vehicle Replacement line item. FY 2023 adjustments are as follows:

One-Time Vehicle Replacement Funding

The budget includes an increase of \$11,709,300 from the General Fund in FY 2023 to replace at least 276 vehicles.

This line item provides one-time funding for the department to replace at least 276 vehicles. The department intends to purchase 187 Highway Patrol vehicles and 89 vehicles for criminal investigations. The appropriation is exempt from lapsing through FY 2024.

Peace Officer Training Equipment

The budget includes no funding in FY 2023 for Peace Officer Training Equipment. This amount is unchanged from FY 2022.

Laws 2018, Chapter 312 appropriated a one-time appropriation of \$3,073,000 from the Peace Officer Training Equipment Fund in FY 2019. The fund consists of a \$4 assessment on civil traffic violations, local motor vehicle citations, and criminal motor vehicle citations.

The \$3,073,000 amount includes the following non-lapsing allocations:

1. The first \$500,000 in revenue is appropriated to DPS for employee overtime pay;
2. The next \$2,300,000 in revenue is appropriated to DPS for 10 virtual firing ranges (one must be for the White Mountain Apache Police Department) and 3 virtual training simulators (Tucson Police Department, Pinal County Sheriff, Glendale Regional Training Academy);
3. The next \$203,000 in revenue is appropriated to DPS to maintain and service the 7 existing virtual training simulators;
4. The next \$50,000 in revenue is appropriated to the Governor's Office of Highway Safety to provide public service announcements that educate drivers on how to act when stopped by a peace officer.
5. The next \$20,000 in revenue is appropriated to the Supreme Court to cover the programming costs of implementing the new fees.

The FY 2020 budget appropriated \$1,047,800 from the fund. The FY 2022 budget extends this appropriation through FY 2022.

These funds are to be distributed in the above order as revenue is received in the fund, with the FY 2020 appropriation distributed after the \$20,000 appropriation to the Supreme Court is made.

Through FY 2021, DPS has expended \$1,931,100 from the Peace Officer Training Equipment Fund. These expenditures include the \$500,000 for employee overtime pay as well as \$1,431,100 for firing ranges and virtual training simulators.

Current revenue projections from the department estimate annual revenues of \$1,449,200, with an annual decline of (3)%. By the end of FY 2023, the fund is estimated to collect a total of approximately \$5,744,700 since its creation, compared to an appropriated spending amount of \$4,120,800 (\$3,073,000 in FY 2019 and \$1,047,800 in FY 2020). If the department expends the full FY 2019 and FY 2020 appropriations, this will leave an estimated fund balance of \$1,623,900 in FY 2023.

Once the FY 2019 and FY 2020 appropriations are completed, the Peace Officer Training Equipment Advisory Commission established by Chapter 312 will make annual recommendations on how the funding should be spent. Before spending any of the FY 2020 appropriation from the fund, DPS must submit an expenditure plan to JLBC for review.

Pharmaceutical Diversion and Drug Theft Task Force

The budget includes \$769,100 and 3 FTE Positions in FY 2023 for the Pharmaceutical Diversion and Drug Theft Task Force. These amounts consist of:

General Fund	111,000
Arizona Highway Patrol Fund	658,100

FY 2023 adjustments are as follows:

Retirement Savings

The budget includes a decrease of \$(25,800) from the General Fund in FY 2023 for retirement savings. These savings come as a result of the PSPRS pension payoff included in the FY 2022 budget.

Technical Adjustment

The budget includes an increase of \$238,100 in FY 2023 from the Arizona Highway Patrol Fund in the Pharmaceutical Diversion and Drug Theft Task Force line item and a corresponding decrease of \$(238,100) in FY 2023 from the Arizona Highway Patrol Fund in the operating budget for a technical adjustment.

Statewide Adjustments

The budget includes an increase of \$101,100 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	7,100
Arizona Highway Patrol Fund	94,000

This line item funds a task force to combat the abuse and trafficking of prescription drugs and inappropriate prescriber behavior.

Public Safety Equipment

The budget includes \$2,890,000 from the Public Safety Equipment Fund in FY 2023 to equip DPS officers. This amount is unchanged from FY 2022.

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.

Other Issues

Statutory Changes

The Criminal Justice Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, create a Major Incident Division (MID) with the department to conduct independent investigations of critical force incidents. Requires each law enforcement agency in Arizona to require the MID, a regional law enforcement task force, or another law enforcement agency to perform the investigation of any critical force incidents in the state.
- As permanent law, removes the Peace Officers' Training Fund as a recipient of the Criminal Justice Enhancement Fund (CJEF) distribution and reallocates the monies to all other CJEF recipients.

Public Safety Personnel Retirement System

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
SPECIAL LINE ITEMS ^{1/}			
EORP Fund Deposit (Statutory Appropriation)	5,000,000	5,000,000	5,000,000
EORP Fund Deposit (Ch. 323)	0	0	60,000,000 ^{2/3/}
Prescott Fire Employer Group Deposit	1,000,000	1,000,000	1,000,000 ^{4/}
<u>One-Time PSPRS Employer Group Deposits ^{5/6/7/8/}</u>			
Attorney General Investigators (Ch. 325)	0	9,117,700	0
Department of Emergency and Military Affairs (Ch. 325)	0	8,542,800	0
Game and Fish Department (GAA)	0	97,243,000	0
Department of Liquor Licenses and Control (Ch. 325)	0	7,628,900	0
State Parks Board (Ch. 325)	0	8,820,600	0
Department of Public Safety (GAA)	500,000,000	420,559,600	0
Arizona State University Campus Police (Ch. 325)	0	23,565,000	0
Northern Arizona University Campus Police (Ch. 325)	0	7,725,600	0
University of Arizona Campus Police (Ch. 325)	0	15,645,900	0
<u>One-Time CORP Employer Group Deposits ^{5/6/7/8/}</u>			
Department of Corrections (GAA)	500,000,000	474,635,300	0
Department of Juvenile Corrections (GAA)	0	73,940,800	0
Department of Public Safety (Detention) (Ch. 325)	0	309,200	0
Department of Public Safety (Dispatchers) (Ch. 325)	0	6,352,000	0
AGENCY TOTAL	1,006,000,000	1,160,086,400	66,000,000
FUND SOURCES			
General Fund	1,006,000,000	1,145,086,400	66,000,000
Game and Fish Fund	0	15,000,000	0
SUBTOTAL - Appropriated Funds	1,006,000,000	1,160,086,400	66,000,000
Other Non-Appropriated Funds	18,746,400	25,626,200	25,626,200
TOTAL - ALL SOURCES	1,024,746,400	1,185,712,600	91,626,200

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/ The FY 2023 budget included retirement system deposits from the following bills: the General Appropriation Act (GAA); Laws 2022, Chapter 323; and Laws 2022, Chapter 325. Each deposit has the funding bill noted in the line item name.
- 2/ The board of trustees of the public safety personnel retirement system shall account for the appropriation made in subsection A of this section in the June 30, 2023 actuarial valuation of the elected officials' retirement plan. (Laws 2022, Chapter 323 footnote)
- 3/ Laws 2022, Chapter 323 appropriated \$60,000,000 from the General Fund to the EORP Fund for the EORP unfunded accrued liability.
- 4/ 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.
- 5/ The board of trustees of the public safety personnel retirement system shall account for the appropriations made in this section in the June 30, 2022 actuarial valuation of the public safety personnel retirement system and the corrections officer retirement plan. The board shall account for the appropriations when calculating the employee contribution rates and employer contribution rates pursuant to section 38-843, Arizona Revised Statutes, and section 38-891, Arizona Revised Statutes, during fiscal year 2023-2024. (General Appropriation Act footnote)

- 6/ The board of trustees of the public safety personnel retirement system shall account for the appropriations made in this section in the June 30, 2022 actuarial valuation of the public safety personnel retirement system groups listed in subsection A of this section and the corrections officer retirement plan groups listed in subsection B of this section. The board shall account for the appropriations when calculating the employee contribution rates and employer contribution rates, which the public safety personnel retirement system groups shall use when making contributions pursuant to section 38-843, Arizona Revised Statutes, and the corrections officer retirement plan groups shall use when making contributions pursuant to section 38-891, Arizona Revised Statutes, during fiscal year 2023-2024. (Laws 2022, Chapter 325 footnote)
- 7/ Within twelve months after receiving the appropriations made in this section, the board of trustees of the public safety personnel retirement system shall transmit to the joint legislative budget committee and the governor's office of strategic planning and budgeting a comprehensive report on the actuarial assumptions for the public safety personnel retirement system and corrections officer retirement plan. The report shall analyze the current policies and potential future changes for the following actuarial assumptions: investment returns, payroll growth, inflation, cost-of-living adjustments, actuarial asset smoothing method and member experience related to mortality, service and disability. The report shall also include a comparison of the board's current and potential future actuarial assumptions to other comparable public retirement systems and generally accepted actuarial funding policies. (General Appropriation Act footnote)
- 8/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

EORP Fund Deposit (Statutory Appropriation)

The budget includes \$5,000,000 from the General Fund in FY 2023 as part of the closure of the Elected Officials' Retirement Plan (EORP). This amount is unchanged from FY 2022. *(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 will not be included in the General Appropriation Act.

EORP Fund Deposit (Chapter 323)

The budget includes \$60,000,000 from the General Fund in FY 2023 for deposit into the EORP Fund. FY 2023 adjustments are as follows:

EORP Early Retirement

Laws 2022, Chapter 323 appropriates \$60,000,000 from the General Fund in FY 2023 for deposit into the EORP Fund. This amount is intended to offset the increased actuarial liability from the early retirement benefit.

Chapter 323 makes a temporary exception to standard EORP provisions to allow a member to receive a normal retirement pension if they have either: 1) 55 years of age with 10 years of credited service; or 2) 59.5 years of age with 5 years of credited service. To qualify for this benefit, the member must make an irrevocable notice of resignation by July 29, 2022, with a date of resignation and retirement not later than September 30, 2022.

Prescott Fire Employer Group Deposit

The budget includes \$1,000,000 from the General Fund in FY 2023 for deposit into the employer account of the Prescott Fire Department group. This amount is unchanged from FY 2022.

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 will not be included in the General Appropriation 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.

The original estimated liability resulting from the Yarnell Hill fire was \$5,200,000. As of June 2021, PSPRS re-estimated this liability to be \$11,162,000.

See the Consolidated Retirement Report section for more information on PSPRS membership and actuarial data.

One-Time PSPRS Employer Group Deposits

The budget includes no funding in FY 2023 for the One-Time PSPRS Employer Group Deposits line items. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(598,849,100) in FY 2023 for the elimination of one-time funding for deposits to state PSPRS employer groups to eliminate the unfunded accrued liabilities. This amount consists of:

General Fund	(583,849,100)
Game and Fish Fund	(15,000,000)

The reduced unfunded pension liability from the FY 2022 deposits will be reflected in the June 30, 2022 PSPRS actuarial valuations, which impacts FY 2024 retirement contributions. The enacted budget's 3-year spending plan assumes that ongoing General Fund spending will be reduced by \$(41,671,800) beginning in FY 2024 due to lower PSPRS state employer contributions.

One-Time CORP Employer Group Deposits

The budget includes no funding in FY 2023 for the One-Time CORP Employer Group Deposits line items. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(555,237,300) from the General Fund in FY 2023 for the elimination of one-time funding for deposits to the state CORP employer groups to eliminate the unfunded accrued liabilities.

The reduced unfunded pension liability from the FY 2022 deposits will be reflected in the June 30, 2022 CORP actuarial valuations, which impacts FY 2024 retirement contributions. The enacted budget's 3-year spending plan assumes that ongoing General Fund spending will be reduced by \$(58,168,400) beginning in FY 2024 due to lower CORP state employer contributions.

Other Issues

FY 2022 Supplementals

The FY 2023 budget includes FY 2022 supplemental appropriations totaling \$1,139,086,400 from the General Fund and \$15,000,000 from the Game and Fish Fund to eliminate unfunded pension liabilities in certain retirement plans managed by the PSPRS Board of

Trustees. Of the \$1,154,086,400 funding amount, \$598,849,100 was allocated to eliminate PSPRS employer group unfunded liabilities and \$555,237,300 was allocated to eliminate CORP employer group unfunded liabilities. (Please see the Employer Group Deposits sections for further details.)

State Real Estate Department

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	37.0	37.0	37.0
Personal Services	1,403,600	1,625,100	1,787,000
Employee Related Expenditures	529,300	648,800	763,400
Professional and Outside Services	95,600	105,700	105,700
Travel - In State	10,300	18,500	18,500
Travel - Out of State	2,500	7,000	7,000
Other Operating Expenditures	304,300	367,000	389,400
Equipment	100	150,000	150,000
AGENCY TOTAL	2,345,700	2,922,100	3,221,000 ^{1/}
FUND SOURCES			
General Fund	2,345,700	2,922,100	3,221,000
SUBTOTAL - Appropriated Funds	2,345,700	2,922,100	3,221,000
Other Non-Appropriated Funds	42,400	215,300	215,300
TOTAL - ALL SOURCES	2,388,100	3,137,400	3,436,300

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

Operating Budget

The budget includes \$3,221,000 and 37 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$199,200 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$ \$99,700 from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Auditor General Report

In April 2021, the Auditor General published a performance audit and sunset review for the Department of Real Estate that included recommendations for adjusting its fees to better match inspection costs and meet statutory requirements.

The department collects fees to cover the travel costs of onsite inspections. If an inspection was done virtually, department policy is to not charge a travel fee. As of March 2021, the audit found that the department had collected \$61,000 in travel fees from virtual inspections and deposited them into the General Fund. The Auditor General recommended the department work with the Assistant Attorney General to determine how to address the fees collected from virtual inspections, which the department agreed to. This may result in a General Fund impact if the inspection fee revenue is refunded or otherwise moved from the General Fund.

Statute also requires the department to revise its fees each year so the total fee revenue it receives is between 95%-110% of its anticipated appropriated budget for the following fiscal year. If fee revenue exceeds 110%, the department must lower its fees proportionally. The audit found that despite reducing some of its fees, the department has not included revenue from its development fees in its analysis, which if included may demonstrate the need to further lower their fees. The Auditor General recommended the department consult with its Assistant Attorney General to determine if the revenue it receives from development fees should be included in its fee revenue calculation and analysis, which the department agreed to. If fees are reduced there may be a General Fund impact.

Eliminate Minimum License Fee Amounts

Laws 2022, Chapter 298 eliminated the statutory minimum fee amounts for real estate licenses. Statute requires the department to revise its fees each year so the total fee revenue it receives is between 95%-110% of its anticipated appropriated budget for the following fiscal year. If fee revenue exceeds 110%, the department must lower its fees proportionally. Prior to Laws 2022, Chapter 298, the minimum fee requirements resulted in fee revenues above the 110% requirement, and the excess revenue was transferred to the General Fund.

The enacted budget assumed removing the minimum fee requirements would reduce General Fund revenues by \$(708,800) annually beginning in FY 2023.

Residential Utility Consumer Office

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	12.0
Personal Services	631,400	757,700	926,300
Employee Related Expenditures	217,700	257,300	303,800
Professional and Outside Services	0	2,400	2,400
Travel - In State	0	8,600	8,600
Travel - Out of State	0	7,000	7,000
Other Operating Expenditures	168,800	174,200	185,800
Equipment	1,300	0	0
OPERATING SUBTOTAL	1,019,200	1,207,200	1,433,900
SPECIAL LINE ITEMS			
Professional Witnesses	49,100	145,000	145,000 ^{1/}
AGENCY TOTAL	1,068,300	1,352,200	1,578,900 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Residential Utility Consumer Office Revolving Fund	1,068,300	1,352,200	1,578,900
SUBTOTAL - Other Appropriated Funds	1,068,300	1,352,200	1,578,900
SUBTOTAL - Appropriated Funds	1,068,300	1,352,200	1,578,900
TOTAL - ALL SOURCES	1,068,300	1,352,200	1,578,900

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 Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$1,433,900 and 12 FTE Positions from the RUCO Revolving Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Additional Staff Attorney

The budget includes an increase of \$100,000 and 1 FTE Position from the RUCO Revolving Fund in FY 2023 for an additional staff attorney.

Salary Increase

The budget includes an increase of \$84,400 from the RUCO Revolving Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$42,300 in FY 2023 from the RUCO Revolving Fund for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Professional Witnesses

The budget includes \$145,000 from the RUCO Revolving Fund in FY 2023 for Professional Witnesses. This amount is unchanged from FY 2022.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

Board of Respiratory Care Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	189,900	179,500	197,400
Employee Related Expenditures	68,900	66,400	83,000
Professional and Outside Services	10,200	6,500	6,500
Travel - In State	600	1,500	1,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	52,900	68,200	116,400
Equipment	6,400	0	0
AGENCY TOTAL	328,900	324,100	406,800 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Respiratory Care Examiners Fund	328,900	324,100	406,800
SUBTOTAL - Other Appropriated Funds	328,900	324,100	406,800
SUBTOTAL - Appropriated Funds	328,900	324,100	406,800
TOTAL - ALL SOURCES	328,900	324,100	406,800

AGENCY DESCRIPTION — The board licenses and regulates respiratory care practitioners. A respiratory therapist performs inhalation therapy and respiratory therapy, which includes administering pharmacological, diagnostic, and therapeutic agents, as directed by a physician.

FOOTNOTES

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

Operating Budget

The budget includes \$406,800 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing

The budget includes an increase of \$45,900 from the Board of Respiratory Care Examiners Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount, \$21,700 is one-time.

Salary Increase

The budget includes an increase of \$22,000 from the Board of Respiratory Care Examiners Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section).*

Statewide Adjustments

The budget includes an increase of \$14,800 from the Board of Respiratory Care Examiners Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section).*

Arizona State Retirement System

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	240.9	240.9	240.9
Personal Services	12,618,100	13,025,000	14,577,200
Employee Related Expenditures	4,673,100	5,363,500	6,454,200
Professional and Outside Services	3,296,200	3,055,400	3,055,400
Travel - In State	4,900	30,000	30,000
Travel - Out of State	0	49,000	49,000
Other Operating Expenditures	2,530,000	3,136,000	3,580,300
Equipment	225,300	389,500	389,500
AGENCY TOTAL	23,347,600	25,048,400	28,135,600 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Long-Term Disability Trust Fund Administration Account	1,394,700	1,800,000	1,800,000
Arizona State Retirement System Administration Account	21,952,900	23,248,400	26,335,600
SUBTOTAL - Other Appropriated Funds	23,347,600	25,048,400	28,135,600
SUBTOTAL - Appropriated Funds	23,347,600	25,048,400	28,135,600
Other Non-Appropriated Funds	7,101,700	7,189,200	7,189,200
TOTAL - ALL SOURCES	30,449,300	32,237,600	35,324,800

AGENCY DESCRIPTION — The Arizona State Retirement System (ASRS) provides retirement, survivors, health and disability benefits to employees of most public employers in Arizona, including public schools, most local and county governments, and the State of Arizona. Funding for the agency is appropriated except for investment management and consulting fees, rent, actuarial consulting fees, legal counsel costs, retiree payroll and health insurance program administration.

FOOTNOTES

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

Operating Budget

The budget includes \$28,135,600 and 240.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
Arizona State Retirement System Administration Account	\$26,335,600
Long-Term Disability (LTD) Trust Fund Administration Account	1,800,000

FY 2023 adjustments are as follows:

Cloud Migration Funding

The budget includes an increase of \$285,000 from the Arizona State Retirement System Account in FY 2023 to fund ongoing permanent cloud migration costs and service management software.

IT Staff Workload

The budget includes an increase of \$266,000 from the Arizona State Retirement System Account in FY 2023 to convert 2 currently unfilled FTE Positions to IT staff.

Salary Increase

The budget includes an increase of \$1,582,000 from the Arizona State Retirement System Account in FY 2023 for a statewide salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

See the Consolidated Retirement Report section for more information on ASRS membership and actuarial data.

Statewide Adjustments

The budget includes an increase of \$954,200 from the Arizona State Retirement System Account in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations Section.)*

Department of Revenue

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	880.8	880.8	892.8 ^{1/}
Personal Services	29,433,200	30,112,200	31,095,900
Employee Related Expenditures	11,514,500	12,730,800	14,523,900
Professional and Outside Services	8,614,900	6,820,400	6,819,900
Travel - In State	51,900	69,000	69,000
Other Operating Expenditures	12,928,200	16,186,000	18,610,800
Equipment	420,500	294,600	503,500
OPERATING SUBTOTAL	62,963,200	66,213,000	71,623,000 ^{2/}
SPECIAL LINE ITEMS			
BRITS Operational Support	7,555,800	7,567,500	7,797,000
E-Commerce Compliance and Outreach	0	854,900	854,900
Income Tax Information Technology	0	466,300	0
Tax Fraud Prevention	3,149,100	3,150,000	3,150,000 ^{3/4/}
TPT Simplification	946,500	984,100	1,013,800
Unclaimed Property Administration and Audit	2,443,400	1,467,800	1,467,800 ^{5/}
FY 2023 Salary Increase	0	0	4,180,300
AGENCY TOTAL	77,058,000	80,703,600	90,086,800 ^{6/7/}
FUND SOURCES			
General Fund	29,253,200	53,542,400	59,863,300
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	46,453,300	25,669,800	28,603,100
Liability Setoff Program Revolving Fund	714,300	806,900	892,500
Tobacco Tax and Health Care Fund	637,200	684,500	727,900
SUBTOTAL - Other Appropriated Funds	47,804,800	27,161,200	30,223,500
SUBTOTAL - Appropriated Funds	77,058,000	80,703,600	90,086,800
Other Non-Appropriated Funds	2,016,100	3,083,800	3,083,800
TOTAL - ALL SOURCES	79,074,100	83,787,400	93,170,600

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/ Includes 70 GF FTE Positions funded from Special Line Items in FY 2023.
- 2/ The operating lump sum appropriation includes \$2,000,000 and 25 FTE positions for additional audit and collections staff. (General Appropriation Act footnote)
- 3/ The department may not transfer any monies to or from the tax fraud prevention line item without prior review by the joint legislative budget committee. (General Appropriation Act footnote)
- 4/ On or before November 1, 2022, the department shall report the results of private fraud prevention investigation services during fiscal year 2021-2022 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 2021-2022. (General Appropriation Act footnote)
- 5/ If the total value of properties retained by unclaimed property contract auditors exceeds \$1,467,800, 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 Appropriation Act footnote)
- 6/ The department shall report the department's general fund revenue enforcement goals for fiscal year 2022-2023 to the joint legislative budget committee on or before September 30, 2022. On or before September 30, 2023, 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 2022-2023. 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 2021-2022 and fiscal year 2022-2023, 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 2021-2022. (General Appropriation Act footnote)

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

Operating Budget

The budget includes \$71,623,000 and 822.8 FTE Positions in FY 2023 for the operating budget. This amount consists of:

	FY 2023
General Fund	\$47,622,900
DOR Administrative Fund	22,469,500
Liability Setoff Program Revolving Fund	830,300
Tobacco Tax and Health Care Fund	700,300

FY 2023 adjustments are as follows:

Information Technology Resources

The budget includes an increase of \$3,513,000 and 12 FTE from the General Fund in FY 2023 to increase the capacity of the department's information technology staff to implement state and federal tax law changes in the current tax system, along with funding server and data storage upgrades.

Statewide Adjustments

The budget includes an increase of \$1,897,000 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	584,500
DOR Administrative Fund	1,273,300
Liability Setoff Program Revolving Fund	23,400
Tobacco Tax and Health Care Fund	15,800

(Please see the Agency Detail and Allocations section.)

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The budget includes \$7,797,000 and 51 FTE Positions in FY 2023 for operational support of BRITS.

These amounts consist of:

General Fund	4,600,900
DOR Administrative Fund	3,196,100

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$229,500 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	39,200
DOR Administrative Fund	190,300

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 budget included monies for the development of a new integrated tax system. *For additional information, please see the APF- New DOR tax system in the Other Issues section and the Arizona Department of Administration – Automation Projects Fund narrative*

E-Commerce Compliance and Outreach

The budget includes \$854,900 from the General Fund in FY 2023 for E-commerce compliance and outreach (ECCO) administrative costs. These amounts are unchanged from FY 2022.

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.

Income Tax Information Technology

The budget includes no funding from the General Fund in FY 2023 for Income Tax Information Technology (IT) costs. FY 2023 adjustments are as follows:

Remove One-Time Increase

The budget includes a decrease of \$(466,300) from the General Fund in FY 2023 for one-time costs associated with Laws 2021, Chapter 425. This legislation created an

optional entity-level income tax for partnerships and S-Corporations. The funding increase allowed DOR to make programming changes to the IT tax system to comply with Chapter 425.

Pursuant to a General Appropriation Act footnote, the FY 2022 appropriation is scheduled to lapse on June 30, 2024.

Tax Fraud Prevention

The budget includes \$3,150,000 from the General Fund in FY 2023 for Tax Fraud Prevention. This amount is unchanged from FY 2022.

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 \$18.7 million in fraudulent returns in Individual Income Tax returns in FY 2021.

TPT Simplification

The budget includes \$1,013,800 and 19 FTE Positions from the General Fund in FY 2023 for TPT Simplification responsibilities. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$29,700 from the General Fund in FY 2023 for statewide adjustments.

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 budget includes \$1,467,800 from the DOR Administrative Fund in FY 2023 for Unclaimed Property Administration and Audit. This amount is unchanged from FY 2022.

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 \$1,467,800.

FY 2023 Salary Increase

The budget includes \$4,180,300 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

General Fund	2,620,800
DOR Administrative Fund	1,469,700
Liability Setoff Program Revolving Fund	62,200
Tobacco Tax and Health Care Fund	27,600

This amount funds a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the Department of Revenue was allocated funding from the General Fund in FY 2024 and FY 2025 for the development costs of a new integrated tax system. *(See the Arizona Department of Administration – Automation Projects Fund section for more information).*

Statutory Changes

The Tax Omnibus Budget Reconciliation Bill (BRB) makes the following changes:

- As permanent law, establishes the appropriated DOR Integrated Tax System Project Fund for the administrative, development, and other operating costs incurred in implementing a new integrated tax system modernization project. The fund consists of monies deposited into the fund from fees charged to local governments and revenues transferred from the 0.6% sales tax and the 16% recreational marijuana excise tax.
- As permanent law, establish the DOR tax system modernization project advisory committee to serve as a liaison between the department and users of the tax system. The Director of DOR shall serve as member of the committee and the chairperson of the committee, which sunsets, December 31, 2029. The committee shall consist of 8 voting members and 2 non-voting members. The voting members are: 1 member appointed by the Senate President; 1 member appointed by the Speaker of the House of Representatives; the OPSB Director or the director's designee, the Director of the Department of

Administration or the director's designee, and 3 members appointed by the DOR Director (1 representative from a city or town of this state, 1 representative from a county in this state, 1 representative from the business community). The non-voting members are the Auditor General or the Auditor General's designee and the JLBC Director or the Director's designee.

- As permanent law, requires DOR to maintain an individual income tax model that estimates the fiscal impact of proposed individual income tax legislation and requires that the staff of DOR, JLBC, and OSPB have access to the model when the new Integrated Tax System Modernization Project is completed.
- As permanent law, requires DOR to charge a fee to local governments from FY 2023 to FY 2028 to recover a portion of the administrative, development, and other operating costs incurred in implementing the integrated tax system modernization project. The charges are to be deposited into the new Integrated Tax System Project Fund. Local governments may meet this obligation from any source of revenue.
- As session law, stipulates legislative intent that the fees charge to local governments not exceed \$5,388,200 in FY 2023. Includes provisions that stipulate that the fee charged to local governments be allocated to counties, cities, towns, councils of governments, and regional transportation authorities with a population of more than 800,000. This allocation is to be proportionate to the share of revenues distributed to them 2 fiscal years prior to the current fiscal year. Provides that population is the basis for determining the apportioning of fees among counties as well as among cities and towns. *(For additional discussion of the local government assessment, please see the Other Issues in the County Funding agency section.)*
- As permanent law, requires that a portion of revenues from the 0.6% education sales tax as well as the 16% recreational marijuana excise tax be transferred to the new Integrated Tax System Project Fund for the amounts needed to cover their share of the costs of the new system, and amends A.R.S. § 5029.02 to allow for a portion of the 0.6% education sales to be used to cover these costs.
- As session law, stipulates legislative intent that the amount transferred in FY 2023 from the 0.6% educational sales tax shall not exceed \$653,400 and the 16% recreational marijuana tax shall not exceed \$145,500.

The Procurement BRB makes the following changes:

- As session law, requires DOR to review any bid from a vendor who developed, in whole or part, a project of similar size and complexity of the DOR tax system. In soliciting bids, DOR may not include any mandatory minimum qualifications.

Integrated Tax System

The budget includes a transfer of \$9,632,700 from the General Fund and \$6,187,100 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 \$15,819,800 is then appropriated from the Automation Projects Fund for the first year of funding *(Please see the Department of Administration – Automation Projects Fund narrative for details regarding this information technology project.)*

The appropriation included specific requirements for the system and for the Department of Revenue prior to procurement. *(These requirements are detailed in the Arizona Department of Administration – Automation Project Fund's narrative.)*

The FY 2023 budget includes the first year of 6 years of funding for a \$104.8 million new income tax modernization system for the Department of Revenue. Of this amount, across all years \$41.0 million is to be assessed to certain state government funds, local governments and other taxing authorities to recover a portion of the administrative, development and operating costs for the system. These assessed monies will be deposited into the Integrated Tax System Project Fund. *Please see the Other Issues - Statutory Changes section and the Department of Administration – Automation Projects Fund section for additional details on the funding, requirements, and oversight of this project.*

Department of State - Secretary of State

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	143.1	143.1	143.1
Personal Services	6,076,100	5,892,900	6,471,500
Employee Related Expenditures	2,306,700	2,357,200	2,831,200
Professional and Outside Services	1,618,400	1,375,500	1,375,500
Travel - In State	900	6,900	6,900
Travel - Out of State	3,000	13,000	13,000
Other Operating Expenditures	3,626,600	3,678,900	3,753,800
Equipment	23,900	22,700	22,700
OPERATING SUBTOTAL	13,655,600	13,347,100	14,474,600 ^{1/2/3/}
SPECIAL LINE ITEMS			
Access Voter Information Database	0	192,500	483,500 ^{4/}
Early Ballot Tracking	0	0	250,000 ^{5/}
Election Services	3,948,300	0	8,000,000 ^{6/}
HAVA – Other Help America Vote Act Projects	0 ^{7/}	0	0
HAVA – December 2019 Grant - County Allocation	0	0	0 ^{8/9/}
HAVA – December 2019 Grant - SOS Allocation	0 ^{9/}	0	0
Uniform State Laws Commission	63,600	99,000	99,000
Library Grants-in-Aid	525,200	651,400	651,400 ^{10/}
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	18,289,700	14,387,000	24,055,500 ^{11/}
FUND SOURCES			
General Fund	17,050,400	12,907,700	22,237,100
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	0	192,500	483,500
Records Services Fund	1,239,300	1,286,800	1,334,900
SUBTOTAL - Other Appropriated Funds	1,239,300	1,479,300	1,818,400
SUBTOTAL - Appropriated Funds	18,289,700	14,387,000	24,055,500
Other Non-Appropriated Funds	5,945,800	1,992,400	1,992,400
Federal Funds	5,248,600	6,139,600	6,139,600
TOTAL - ALL SOURCES	29,484,100	22,519,000	32,187,500

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 \$14,474,600 for fiscal year 2022-2023 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{2/} Included in the operating lump sum appropriation of \$14,474,600 for fiscal year 2022-2023 is \$1,334,900 from the records services fund. This appropriation may be used for the payment of obligations incurred in fiscal year 2021-2022. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{3/} The secretary of state may hire one full-time equivalent position to serve as legal advisor and to represent the secretary of state, but the secretary of state may not make expenditures or incur indebtedness to employ outside or private attorneys to provide representation or services. (General Appropriation Act footnote)

- 4/ 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.
- 5/ Laws 2022, Chapter 358 appropriated \$250,000 from the General Fund for one-time funding for enhancements to the voter registration database to accommodate early ballot tracking.
- 6/ Before transferring any monies in or out of the election services line item, the secretary of state shall submit a report for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 7/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$5,400,400 to the secretary of state for other help America vote act projects made by Laws 2018, chapter 276, section 85 that remains unexpended on June 30, 2022 reverts to the fund from which the monies were appropriated. (FY 2021 General Appropriation Act footnote)
- 8/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$5,352,200 to the secretary of state for the county allocation of help America vote act election security grant monies made by Laws 2020, chapter 58, section 104 that remains unexpended on June 30, 2023 reverts to the fund from which the monies were appropriated.
- 9/ The sum of \$6,690,300 is appropriated from the election systems improvement fund established by section 41-129, Arizona Revised Statutes, in fiscal year 2019-2020 to the secretary of state to be allocated as follows:
1. \$5,352,200 shall be distributed to the counties for election systems improvements. Each county shall receive \$50,000 and the remainder of the monies allocated shall be distributed to each county based on the county's population according to the 2010 United States decennial census.
 2. \$1,338,100 shall be used by the secretary of state for election systems improvements. Before spending the monies, the secretary of state shall submit an expenditure plan for review by the joint legislative budget committee.
- 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, until June 30, 2022. (FY 2021 General Appropriation Act footnote)
- 10/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$14,474,600 and 143.1 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$13,139,700
Record Services Fund	1,334,900

FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$711,600 in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. This amount consists of:

General Fund	694,800
Record Services Fund	16,800

(Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$415,900 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	384,600
Record Services Fund	31,300

(Please see the Agency Detail and Allocations section.)

Access Voter Information Database

The budget includes \$483,500 from the Election Systems Improvement Fund in FY 2023 for the Access Voter Information Database line item. FY 2023 adjustments are as follows:

Operation and Maintenance Funding

The budget includes an increase of \$291,000 from the Election Systems Improvement Fund in FY 2023 for funding of the state's share of operation and maintenance costs for the voter registration database.

The state and the counties split operation and maintenance costs for the voter registration database, which is named Access Voter Information Database (AVID).

Early Ballot Tracking

Laws 2022, Chapter 358 appropriates \$250,000 from the General Fund in FY 2023 for the Early Ballot Tracking line item. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$250,000 from the General Fund in FY 2023 for one-time funding of

enhancements to the voter registration database to accommodate early ballot tracking.

Laws 2022, Chapter 358 requires counties using early ballots to provide a tracking system indicating when early ballots are received and when the ballots have been verified and sent for tabulation or if the ballot was rejected. The tracking requirement has an effective date of January 1, 2024.

Election Services

The budget includes \$8,000,000 from the General Fund in FY 2023 for the Election Services line item. FY 2023 adjustments are as follows:

Election Year Funding

The budget includes an increase of \$8,000,000 from the General Fund in FY 2023 for funding of election costs. This line item received no funding in FY 2022, as there were no primary or general elections scheduled between July 2021 and June 2022.

In FY 2023, this line item includes funding for the Primary Election held on August 2, 2022 and the General Election on November 8, 2022.

For traditional state elections, statute requires the Secretary of State (SOS) to: 1) reimburse counties for the costs of printing, labeling, and postage for sample ballots; 2) pay the cost of any recount of votes; 3) reimburse the County Recorder for the costs of certifying petition and referendum signatures; 4) print and mail a publicity pamphlet to every household with a registered voter for any initiative or referendum; 5) review and process initiative and referendum signatures; and 6) process challenges to candidate eligibility.

Ongoing annual elections services costs are funded out of the agency's operating budget. This line item is intended only to cover variable election costs in an election year.

The Presidential Preference Election is funded in a separate line item.

HAVA - Other Help America Vote Act (HAVA) Projects

The budget includes no funding from the Election Systems Improvement Fund in FY 2023 for this line item. This amount is unchanged from FY 2022.

HAVA is federal election reform legislation from 2002 that imposes several requirements on the states with respect to the conduct of federal elections. Arizona received \$7,463,700 from the federal government in FY 2018 to

fulfill projects that further the goals of HAVA or improve election security. Of the \$7,463,700, the FY 2019 budget allocated \$5,400,400 to this line item. The other \$2,063,300 from the allocation is discussed in the next line item. The appropriation of these monies lapsed at the end of FY 2022.

This line item only contains funding from the March 2018 HAVA allocation from the federal government and does not include any additional HAVA monies from subsequent federal legislation.

HAVA - December 2019 Grant - County Allocation

The budget includes no funding from the Election Systems Improvement Fund in FY 2023 for the HAVA - December 2019 Grant - County Allocation line item. This amount is unchanged from FY 2022.

The FY 2021 enacted budget included an FY 2020 supplemental that allocated \$5,352,200 of HAVA funding to the counties for election systems improvements. Each county received a base amount of \$50,000, with remaining monies allocated based on population according to the 2010 decennial census. Pursuant to a General Appropriation Act footnote, these monies are scheduled to lapse on June 30, 2023.

HAVA - December 2019 Grant - SOS Allocation

The budget includes no funding from the Election Systems Improvement Fund in FY 2023 for the HAVA - December 2019 Grant - SOS Allocation line item. This amount is unchanged from FY 2022.

The FY 2021 enacted budget included an FY 2020 supplemental that allocated \$1,338,100 of HAVA funding to SOS for election systems improvements. The appropriation of these monies lapsed at the end of FY 2022.

After the enactment of the FY 2021 budget, SOS reported that in-kind spending from Maricopa County allowed Arizona to meet the 20% match requirement for the December 2019 grant, giving the state access to the entire grant amount. Given that \$6,690,300 was appropriated as an FY 2020 supplemental (between the County Allocation and SOS Allocation line items), there is \$1,707,000 of unallocated funding from the December 2019 HAVA grant.

Uniform State Laws Commission

The budget includes \$99,000 from the General Fund in FY 2023 for costs associated with the state's participation in the Uniform State Laws Commission. This amount is unchanged from FY 2022.

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.

Library Grants-in-Aid

The budget includes \$651,400 from the General Fund in FY 2023 for Library Grants-in-Aid. This amount is unchanged from FY 2022.

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.

Statewide Radio Reading Service for the Blind

The budget includes \$97,000 from the General Fund in FY 2023 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2022.

These monies are used to provide information access services for blind and visually impaired individuals. Services include radio information broadcasts, a telephone and web-based news reading service, and internet radio broadcasting for individuals who are outside the range of the radio broadcast.

Other Issues

Statutory Changes

The Procurement Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, the procurement exemption for the Library, Archives, and Public Records Division is capped at \$150,000.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, SOS's General Fund costs would have a net decrease of \$(4,180,000) in FY 2024 below FY 2023 and no change in FY 2025 above FY 2024:

These estimates are based on:

- A \$(4,000,000) decrease for removal of one-time funding associated with the Election Services line, which would leave \$4,000,000 of funding in FY 2024 for the 2024 PPE.
- A decrease of \$(250,000) associated with removal of one-time funding for the early ballot tracking system.
- A \$70,000 increase for a previously enacted appropriation related to the establishment of an electronic repository of state archives and documents.
- The SOS funding level would be unchanged for FY 2025, as the \$4,000,000 of election funding would be retained for the 2024 Primary/General elections, and the \$70,000 electronic records appropriation is ongoing.

In addition, prior budget legislation has delayed the implementation of the Professional Employer Organization program until June 30, 2023, meaning the program would become active in FY 2024. Since the fund receives revenues from registration and renewal fees, the program is not currently expected to have a General Fund budget impact.

State Board of Tax Appeals

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	180,700	179,000	196,600
Employee Related Expenditures	68,900	58,700	72,300
Travel - In State	100	400	400
Other Operating Expenditures	42,000	45,100	48,300
Equipment	0	100	100
AGENCY TOTAL	291,700	283,300	317,700^{1/}
FUND SOURCES			
General Fund	291,700	283,300	317,700
SUBTOTAL - Appropriated Funds	291,700	283,300	317,700
TOTAL - ALL SOURCES	291,700	283,300	317,700

AGENCY DESCRIPTION — The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.

FOOTNOTES

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

Operating Budget

The budget includes \$317,700 and 4 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$21,700 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section).*

Statewide Adjustments

The budget includes an increase of \$12,700 from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section).*

State Board of Technical Registration

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	988,900	1,106,400	1,227,200
Employee Related Expenditures	410,500	465,200	569,900
Professional and Outside Services	73,900	191,600	191,600
Travel - In State	1,000	5,000	5,000
Travel - Out of State	(400)	17,200	17,200
Other Operating Expenditures	339,900	567,500	462,400
Equipment	20,300	0	167,700
AGENCY TOTAL	1,834,100	2,352,900	2,641,000^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Technical Registration Fund	1,834,100	2,352,900	2,641,000
SUBTOTAL - Other Appropriated Funds	1,834,100	2,352,900	2,641,000
SUBTOTAL - Appropriated Funds	1,834,100	2,352,900	2,641,000
Other Non-Appropriated Funds	51,500	0	0
TOTAL - ALL SOURCES	1,885,600	2,352,900	2,641,000

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, engineers, geologists, home inspectors, land surveyors, and landscape architects.

FOOTNOTES

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

Operating Budget

The budget includes \$2,641,000 and 25 FTE Positions from the Technical Registration Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

E-licensing Upgrade

The budget includes an increase of \$167,700 from the Technical Registration Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application. Of this amount \$20,400 is one-time.

Remove One-Time Funding

The budget includes a decrease of \$(145,200) from the Technical Registration Fund in FY 2023 for the elimination of one-time funding for record digitization.

Salary Increase

The budget includes an increase of \$148,600 from the Technical Registration Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$117,000 from the Technical Registration Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Office of Tourism

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	28.0	28.0	28.0
Personal Services	1,878,800	1,903,600	2,093,900
Employee Related Expenditures	689,800	564,000	694,800
Professional and Outside Services	1,748,900	2,249,100	2,249,100
Travel - In State	7,000	20,000	20,000
Travel - Out of State	1,700	114,700	114,700
Other Operating Expenditures	1,657,700	2,249,600	2,249,600
Equipment	61,300	30,500	30,500
OPERATING SUBTOTAL	6,045,200	7,131,500	7,452,600
SPECIAL LINE ITEMS			
Arizona Promotion	1,000,000	1,000,000	1,000,000
Southern Arizona Study Committee	0	250,000	0
Southern Arizona Sports, Tourism, and Film Authority	0	0	750,000 ^{1/}
Wine Promotion	100,000	100,000	1,100,000 ^{2/3/}
AGENCY TOTAL	7,145,200	8,481,500	10,302,600 ^{4/}
FUND SOURCES			
General Fund	7,145,200	8,481,500	10,302,600
SUBTOTAL - Appropriated Funds	7,145,200	8,481,500	10,302,600
Other Non-Appropriated Funds	12,310,400	14,626,400	14,626,400
Federal Funds	3,993,500	0	0
TOTAL - ALL SOURCES	23,449,100	23,107,900	24,929,000

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/ Laws 2022, Chapter 364 appropriated \$750,000 from the General Fund for the administration of a new Southern Arizona Study Committee.
- 2/ This appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 3/ On or before July 31, 2023, July 31, 2024 and July 31, 2025, the director of the office of tourism shall submit a report to the joint legislative budget committee detailing the uses of the monies in the wine promotion line item during the previous fiscal year. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$7,452,600 and 28 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

FY 2023 Salary Increase

The budget includes \$234,100 from the General Fund in FY 2023 for a statewide employee salary increase. This

amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes \$87,000 in FY 2023 from the General Fund for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Promotion

The budget includes \$1,000,000 from the General Fund in FY 2023 for Arizona Promotion. This amount is unchanged from FY 2022.

Monies in this line item are used to fund the marketing, advertisement, and promotion of the tourism industry and tourism efforts in the state.

Southern Arizona Study Committee

The budget includes no funding in FY 2023 for the Southern Arizona Study Committee line item. FY 2023 adjustments are as follows:

Remove One-Time Study Committee Funding

The budget includes a decrease of \$(250,000) from the General Fund in FY 2023 for removal of one-time funding for a study committee evaluating the impact of creating a Southern Arizona regional sports authority.

Monies in this line item are to fund the costs of a study committee researching and analyzing the fiscal, economic development and other impacts of the formation of a Southern Arizona regional sports authority.

Southern Arizona Sports, Tourism, and Film Authority

Laws 2022, Chapter 364 appropriates \$750,000 from the General Fund in FY 2023 for the new Southern Arizona Sports, Tourism, and Film Authority line item.

Add Authority Funding

The budget includes an increase of \$750,000 from the General Fund in FY 2023 for the administration of a new Southern Arizona Sports, Tourism, and Film Authority.

Monies in this line item fund the new Southern Arizona Sports, Tourism, and Film Authority, which consists of Greenlee, Graham, Cochise, Santa Cruz, Pima, and Pinal Counties. The authority has the power to issue revenue bonds to finance projects which promote sports, tourism, and film activity in the member counties. Within 3 months after the end of each fiscal year, the authority must report to the Joint Legislative Budget Committee on its activities from the previous fiscal year.

Wine Promotion

The budget includes \$1,100,000 from the General Fund in FY 2023 for Wine Promotion. FY 2023 adjustments are as follows:

Increase Wine Promotion Budget

The budget includes an increase of \$1,000,000 from the General Fund in FY 2023 for the Wine Promotion line item.

Monies in this line item will fund the marketing and promotion of the Arizona wine industry. The appropriation is non-lapsing.

Other Issues

Funding Sources

The Office of Tourism 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 2019, the most recent fiscal year not impacted by the COVID-19 pandemic, AOT's overall funding amount totaled \$23,183,500. From FY 2019 to FY 2021, AOT's funding level increased by 3.6% to \$24,027,900, and the agency projects overall FY 2022 funding to be \$23,432,900, representing a (2.5)% decrease from the previous year. AOT projects overall funding to increase to a level of \$31,650,400 in FY 2023, representing a 35.1% increase over FY 2022 and a projected economic recovery for Arizona's tourism industry. The COVID-19 pandemic has significantly reduced agency revenues from bed tax and car rental tax allocations, but this has been about equally offset by a significant increase in tribal gaming revenues. (See Table 1 for additional details on agency revenue.)

Table 1

Office of Tourism Revenues ^{1/}

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$8,335,100	\$8,481,500	\$10,302,600
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	4,885,400	5,676,300 ^{2/}	9,847,800 ^{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>10,807,400</u>	<u>9,275,100 ^{2/}</u>	<u>11,500,000 ^{2/}</u>
Total		\$24,027,900	\$23,432,900	\$31,650,400

^{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 2022 and FY 2023 are estimates provided by the Office of Tourism in September 2021.

Department of Transportation

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,554.0	4,554.0	4,554.0 ^{1/}
Personal Services	111,173,700	115,664,700	120,553,400
Employee Related Expenditures	48,653,800	52,551,300	62,567,100
Professional and Outside Services	10,724,800	12,327,300	12,327,300
Travel - In State	265,700	497,300	497,300
Travel - Out of State	1,500	158,900	158,900
Other Operating Expenditures	24,079,800	28,916,000	34,935,200
Equipment	4,802,200	3,686,500	3,686,500
OPERATING SUBTOTAL	199,701,500	213,802,000	234,725,700
SPECIAL LINE ITEMS			
Attorney General Legal Services	3,623,700	3,623,700	3,623,700 ^{2/}
Authorized Third Parties	1,802,100	2,104,400	2,223,800
Driver License Security Software	0	0	2,260,000
Driver Safety and Livestock Control	740,100	800,000	800,000
FY 2023 Salary Increase	0	0	21,349,600
Highway Damage Recovery Account	5,392,300	8,000,000	8,000,600
Highway Maintenance	122,816,600	150,220,100	205,885,900 ^{3/4/}
Preventive Surface Treatments	33,282,800	36,142,000	36,142,000 ^{5/}
State Fleet Operations	0	13,767,700	25,267,100
State Fleet Vehicle Replacement	0	4,500,000	10,715,800
Vehicle License Tax Deposit	0	3,300,000	0
Vehicles and Heavy Equipment Maintenance	18,583,700	19,285,200	26,041,600
Vehicles and Heavy Equipment Replacement	13,770,000	15,300,000	22,400,000 ^{6/}
AGENCY TOTAL	399,712,800	470,845,100	599,435,800 ^{7/-12/}
FUND SOURCES			
General Fund	0	3,300,000	0
<u>Other Appropriated Funds</u>			
Air Quality Fund	229,600	324,500	326,600
Department Fleet Operations Fund	18,583,700	19,285,200	27,110,500
Highway Damage Recovery Account	5,392,300	8,000,000	8,000,600
Highway User Revenue Fund	650,200	701,600	906,500
Ignition Interlock Device Fund	296,900	351,100	363,600
Motor Vehicle Liability Insurance Enforcement Fund	1,692,800	1,772,200	5,383,600
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	596,700	0	0
State Aviation Fund	1,768,400	2,014,200	2,163,600
State Fleet Operations Fund	0	13,767,700	25,267,100
State Highway Fund	369,132,400	414,734,000	516,951,300
State Vehicle Replacement Fund	0	4,500,000	10,715,800
Vehicle Inspection and Certificate of Title Enforcement Fund	1,369,800	2,094,600	2,246,600
SUBTOTAL - Other Appropriated Funds	399,712,800	467,545,100	599,435,800
SUBTOTAL - Appropriated Funds	399,712,800	470,845,100	599,435,800
Other Non-Appropriated Funds	34,606,600	25,825,400	25,825,400
Federal Funds	34,821,300	28,934,400	29,305,900
TOTAL - ALL SOURCES	469,140,700	525,604,900	654,567,100

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

FOOTNOTES

- 1/ Includes 1,152 OF FTE Positions funded from Special Line Items in FY 2023.
- 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 Appropriation Act footnote)
- 3/ Of the total amount appropriated, \$205,885,900 in fiscal year 2022-2023 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, 2023. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 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 Appropriation 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, 2023. (General Appropriation Act footnote)
- 6/ Expenditures made by the department of transportation for vehicle and heavy equipment replacement shall be funded only from the 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 vehicle and heavy equipment replacement line item before expenditure. (General Appropriation Act footnote)
- 7/ Of the total amount appropriated, the department of transportation shall pay \$15,981,300 in fiscal year 2022-2023 from all funds to the department of administration for its risk management payment. (General Appropriation Act footnote)
- 8/ The department shall submit an annual report to the joint legislative budget committee on progress in improving motor vehicle division wait times and vehicle registration renewal by mail turnaround times in a format similar to prior years. The report is due on or before July 31, 2023 for fiscal year 2022-2023. (General Appropriation Act footnote)
- 9/ On or before February 1, 2023, 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 2022-2023, including any amounts for stabilization, maintenance, ongoing operations, support and enhancements for the motor vehicle modernization solution, maintenance of legacy mainframe processing and support capability, and other system projects outside the scope of the motor vehicle modernization project. (General Appropriation Act footnote)
- 10/ On or before August 1, 2022, the department 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 Appropriation Act footnote)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 12/ The department may use \$37,954.04 from the fiscal year 2022-2023 state highway fund appropriation to pay a fiscal year 2016-2017 invoice. (General Appropriation Act footnote)

Operating Budget

The budget includes \$234,725,700 and 3,402 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
Air Quality Fund	\$326,600
Highway User Revenue Fund	601,700
Ignition Interlock Device Fund	363,600

Motor Vehicle Liability Insurance	3,031,500
Enforcement Fund	
State Aviation Fund	2,078,600
State Highway Fund	226,322,300
Vehicle Inspection and Certificate of Title Enforcement Fund	2,001,400

FY 2023 adjustments are as follows:

Driver License and License Plate Production Funding

The budget includes an increase of \$1,035,700 from the State Highway Fund in FY 2023 for increased driver license and license plate production. Due to population growth, the department expects to increase driver license production from 1.88 million to 1.94 million annually and to increase license plate production from 1.84 million to 2.11 million annually.

Named Claimants

The budget includes a decrease of \$(29,885.72) from the State Highway Fund in FY 2023 for the elimination of one-time funding for prior year unpaid claims. *(Please see the Named Claimants discussion in ADOA Other Issues.)*

One-Time Building System Management Upgrade

The budget includes an increase of \$1,175,300 from the State Highway Fund in FY 2023 to upgrade the department's building management system. The system is used by the department to track the operation and maintenance of their facilities.

One-Time Construction Management System

The budget includes an increase of \$300,000 from the State Highway Fund in FY 2023 to upgrade the department's construction management system. The funding will cover the 1st phase of a 3 phase project. The new system will be used by the department to manage highway construction projects.

One-Time MVD Security System

The budget includes an increase of \$931,900 from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2023 to replace the security systems at 11 MVD offices throughout the state. The funding will cover the 1st phase of a 5 phase project intended to replace the security systems at all 42 offices.

One-Time Travel Identification Card Funding

The budget includes an increase of \$6,013,200 from the State Highway Fund in FY 2023 to address an increase in Travel identification (ID) cards issued before the REAL ID deadline of May 3, 2023. Of this amount, approximately \$5.1 million will go toward staffing costs. The remaining amounts will be allocated for marketing and a mobile unit deployed in remote areas to issue Travel ID cards.

One-Time Vehicle Inspection and Certificate of Title Enforcement Fund Deposit

The budget includes an increase of \$350,000 from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2023 to be deposited into the Vehicle Inspection and Certificate of Title Enforcement Fund. The Vehicle Inspection and Certificate of Title Enforcement Fund has experienced declining revenues consequent to the COVID-

19 pandemic. The funding is intended to offset the decline in revenues.

Statewide Adjustments

The budget includes an increase of \$11,147,500 in FY 2023 for statewide adjustments. This amount consists of:

Air Quality Fund	2,100
Highway User Revenue Fund	109,700
Ignition Interlock Device Fund	12,500
Motor Vehicle Liability Insurance Enforcement Fund	77,300
State Aviation Fund	64,400
State Highway Fund	10,881,500

(Please see the Agency Detail and Allocations section.)

Attorney General Legal Services

The budget includes \$3,623,700 from the State Highway Fund in FY 2023 for Attorney General Legal Services. This amount is unchanged from FY 2022.

This line item funds the department's interagency services agreement with the Attorney General for costs of providing legal services to the department, such as litigating cases, reviewing legal documents and proposed administrative rules, and issuing legal opinions.

Authorized Third Parties

The budget includes \$2,223,800 and 20 FTE Positions in FY 2023 for Authorized Third Parties. These amounts consist of:

Highway User Revenue Fund	252,100
Motor Vehicle Liability Insurance Enforcement Fund	103,000
State Highway Fund	1,775,500
Vehicle Inspection and Certificate of Title Enforcement Fund	93,200

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$119,400 in FY 2023 for statewide adjustments. This amount consists of:

Highway User Revenue Fund	42,500
Motor Vehicle Liability Insurance Enforcement Fund	3,100
State Highway Fund	73,800

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 160 brick-and-mortar locations or through the online ServiceArizona portal.

While this line item funds oversight of the department's ATP program, it is not representative of the program's full cost to the state. Pursuant to statute, ATPs retain a portion of each fee for its transactions. In FY 2021, ATPs retained \$28,094,000 in fees that otherwise would have been deposited to the Highway User Revenue Fund (HURF) and \$43,873,000 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.)*

Driver License Security Software

The budget includes \$2,260,000 in FY 2023 for Driver License Security Software. These amounts consist of:

Motor Vehicle Liability Insurance Enforcement Fund	2,100,000
State Highway Fund	160,000

FY 2023 adjustments are as follows:

Driver License Security Software Upgrade

The budget includes an increase of \$160,000 from the State Highway Fund in FY 2023 for a driver license security software upgrade. This amount will fund the ongoing maintenance costs to upgrade the department's driver license security software.

One-Time Driver License Security Software Upgrade

The budget includes an increase of \$2,100,000 from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2023 for a driver license security software upgrade. This amount will fund the one-time costs to upgrade the department's driver license security software.

This line item funds a driver license security software upgrade. The upgrade is intended to protect the department from driver license identity fraud and theft.

Driver Safety and Livestock Control

The budget includes \$800,000 from the State Highway Fund in FY 2023 for Driver Safety and Livestock Control. This amount is unchanged from FY 2022.

This line item funds the annual maintenance and repair of statewide cattle guard grills. To prevent livestock movement from harming drivers and bicyclists, ADOT has

installed over 12,800 cattle guard grills across the state. The grills are designed to discourage livestock passage while not impeding road users.

FY 2023 Salary Increase

The budget includes \$21,349,600 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

Department Fleet Operations Fund	1,068,900
Highway User Revenue Fund	52,700
Motor Vehicle Liability Insurance Enforcement Fund	149,100
State Aviation Fund	85,000
State Highway Fund	19,841,900
Vehicle Inspection and Certificate of Title Enforcement Fund	152,000

These amounts fund a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

Highway Damage Recovery Account

The budget includes \$8,000,600 from the Highway Damage Recovery Account in FY 2023 for the Highway Damage Recovery Account. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$600 from the Highway Damage Recovery Account in FY 2023 for statewide adjustments.

This line item funds the maintenance of the state highway system beyond that which is provided by the Highway Maintenance line item. The Highway Damage Recovery Account collects all monies received as reimbursements for highway damage caused by liable third parties; those monies are used for highway maintenance that would otherwise have been deferred.

Highway Maintenance

The budget includes \$205,885,900 and 932 FTE Positions from the State Highway Fund in FY 2023 for Highway Maintenance. FY 2023 adjustments are as follows:

Highway Maintenance Additional Lane Miles

The budget includes an increase of \$1,399,900 from the State Highway Fund in FY 2023 for maintenance of new lane miles across the state. This funding will cover the cost of 93 new lane miles added in FY 2022.

One-Time Highway Maintenance Inflation Funding

The budget includes an increase of \$51,000,000 from the State Highway Fund in FY 2023 for inflationary costs. This funding will cover the increased cost to maintain highways throughout the state in FY 2023 due to inflation.

South Mountain Loop 202 Maintenance Costs

The budget includes an increase of \$16,900 from the State Highway Fund in FY 2023 for maintenance of new lane miles for the new South Mountain Loop 202 freeway that was opened in December 2019. This funding covers the full cost of maintenance by adjusting for inflation.

Statewide Adjustments

The budget includes an increase of \$3,249,000 from the State Highway Fund in FY 2023 for statewide adjustments.

This line item funds the maintenance of the state highway system, including pavements, bridges, landscaping, drainage, signals, lights, fences, signs, striping, and snow removal. The monies also fund the freeway management system and the traffic operations center.

In addition to the \$205,885,900 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$12,860,000 available in FY 2023 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Preventive Surface Treatments

The budget includes \$36,142,000 from the State Highway Fund in FY 2023 for Preventive Surface Treatments. This amount is unchanged from FY 2022.

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 \$16,000,000 in Federal Funds available for treatments.

State Fleet Operations

The budget includes \$25,267,100 from the State Fleet Operations Fund in FY 2023 for State Fleet Operations. FY 2023 adjustments are as follows:

One-Time Gas Inflation Funding

The budget includes an increase of \$8,600,000 from the State Fleet Operations Fund in FY 2023 for inflationary costs. This funding will cover the increased cost of gas for the state fleet in FY 2023.

New Vehicle Maintenance Funding

The budget includes an increase of \$667,100 from the State Fleet Operations Fund in FY 2023 for new vehicle maintenance costs. The FY 2023 budget includes additional new vehicles for the Department of Forestry and Fire Management (76 vehicles), Department of Liquor Licenses and Control (7 vehicles), Attorney General's Office (6 vehicles), and the State Mine Inspector (5 vehicles) that will be serviced under the state fleet. The amount funds the cost to maintain these new vehicles.

Non-Managed Fleet Maintenance Funding

The budget includes an increase of \$987,500 from the State Fleet Operations Fund in FY 2023 for non-managed state fleet maintenance costs. A group of 296 existing vehicles belonging to agencies within the state fleet are not currently being managed by ADOT. This funding will address the maintenance cost to onboard these 296 vehicles into the state fleet.

Exempt Fleet Additional Maintenance Funding

The budget includes an increase of \$1,244,800 from the State Fleet Operations Fund in FY 2023 for exempt fleet maintenance costs. Some agencies in the state are exempt from the state fleet. Upon request of any of these agencies, ADOT may service and maintain the exempt agency's fleet. Currently, the following exempt agencies have requested and received maintenance services from ADOT: Judicial branch, Auditor General, Department of Corrections, Department of Economic Security, Department of Child Safety, Department of Public Safety, and the Arizona State Schools for the Deaf and the Blind. This funding will address the anticipated changes in fleet services charges for these agencies. 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 budget includes \$10,715,800 from the State Vehicle Replacement Fund in FY 2023 for State Fleet Vehicle Replacement. FY 2023 adjustments are as follows:

One-Time New Vehicle Purchase Funding

The budget includes an increase of \$4,381,000 from the State Vehicle Replacement Fund in FY 2023 for new vehicle purchase costs. The FY 2023 budget includes additional new vehicles for the Department of Forestry and Fire Management (76 vehicles), Department of Liquor Licenses and Control (7 vehicles), Attorney General's Office (6 vehicles), and the State Mine Inspector (5 vehicles) that will be serviced under the state fleet. The amount funds the cost to purchase these new vehicles.

Non-Managed Fleet Vehicle Replacement Funding

The budget includes an increase of \$1,834,800 from the State Vehicle Replacement Fund in FY 2023 for non-managed state fleet vehicle replacement costs. A group of 296 vehicles belonging to agencies within the state fleet are not currently being managed by ADOT. This ongoing funding will address the vehicle replacement costs to onboard these 296 vehicles into the state fleet.

The line item funds the replacement of daily and long-term vehicle rentals to state agencies that do not operate their own vehicle fleets.

Vehicle License Tax Deposit

The budget includes no funding in FY 2023 for the Vehicle License Tax Deposit line item. FY 2023 adjustments are as follows:

Remove One-Time Vehicle License Tax Deposit

The budget includes a decrease of \$(3,300,000) from the General Fund in FY 2023 to remove funding for a one-time Vehicle License Tax deposit.

A provision in the FY 2022 Transportation Budget Reconciliation Bill permits any business engaged in renting vehicles to use monies collected from their 2021 rental vehicle surcharge to reimburse the amount of vehicle license tax imposed on rental vehicles in 2020 and 2021. The line item funds the deposit of General Fund monies into the special distribution of Vehicle License Tax revenues to offset the loss of 2021 excess rental surcharge revenues as a result of the new provision.

Vehicles and Heavy Equipment Maintenance

The budget includes \$26,041,600 and 200 FTE Positions from the Department Fleet Operations Fund in FY 2023

for Vehicles and Heavy Equipment Maintenance. FY 2023 adjustments are as follows:

One-Time Gas Inflation Funding

The budget includes an increase of \$6,000,000 from the Department Fleet Operations Fund in FY 2023 for inflationary costs. This funding will cover the increased cost of gas for ADOT's internal fleet in FY 2023.

Statewide Adjustments

The budget includes an increase of \$756,400 from the Department Fleet Operations Fund in FY 2023 for statewide adjustments

This line item funds the maintenance and repair of the department's vehicle and equipment fleet.

Vehicle and Heavy Equipment Replacement

The budget includes \$22,400,000 from the State Highway Fund in FY 2023 for Vehicle and Heavy Equipment Replacement. FY 2023 adjustments are as follows:

Internal Fleet Replacement Funding

The budget includes an increase of \$7,100,000 from the State Highway Fund in FY 2023 for additional internal fleet replacement funding. This amount will allow the department to replace their approximate 4,650 fleet units every 11 years.

This line item funds the financing of replacements for the department's Vehicle and Heavy Equipment fleet through 5-year third-party lease agreements. A General Appropriation Act footnote requires vehicle and heavy equipment replacement to be funded only from this line item.

In addition to the amount in this line item, of the \$56,600,000 in the state's Volkswagen Settlement monies, ADOT will use \$12,523,500 to finance purchases of efficient diesel fuel vehicles over a multi-year period. Through FY 2021, ADOT has expended the entire \$12,523,500 of these funds.

Other Issues

FY 2022 Supplemental

The FY 2023 budget includes an FY 2022 supplemental appropriation of \$29,885.72 from the State Highway Fund for a one-time named claimants appropriation. *(Please see the operating budget for further details.)*

Statutory Changes

The Transportation Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, establish the State Match Advantage for Rural Transportation (SMART) Fund consisting of monies appropriated to the fund by the Legislature for the purposes of assisting political subdivisions outside of Maricopa and Pima Counties and the Arizona Department of Transportation with costs associated with applying for and securing federal transportation grants for projects outside of Maricopa and Pima Counties. *(Please see the ADOT Capital budget for further details.)*
- As permanent law, the ADOT "Transportation Department Equipment Fund" is renamed "Department Fleet Operations Fund" in alignment with the State Fleet's modernization efforts.
- As permanent law, exempt ADOT from the statewide State Fleet.

Special Plates

For more information, please see the Special License Plates program summary on the JLBC website.

State Treasurer

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	31.4	35.4	35.4
Personal Services	2,284,600	2,398,900	2,638,500
Employee Related Expenditures	784,600	839,600	990,000
Professional and Outside Services	48,000	150,000	150,000
Travel - In State	900	5,000	5,000
Travel - Out of State	0	10,000	10,000
Other Operating Expenditures	310,600	465,300	494,200
Equipment	13,300	20,000	20,000
OPERATING SUBTOTAL	3,442,000	3,888,800	4,307,700
SPECIAL LINE ITEMS			
Arizona Health Innovation Trust Fund Deposit	0	0	100,000
Justice of the Peace Salaries	801,000	1,205,100	2,818,200
Law Enforcement Crime Victim Notification Fund Deposit	0	0	3,800,000 ^{1/}
Law Enforcement/ Boating Safety Fund Grants	0	2,183,800	2,183,800
Rural County Interoperability Communication System	0	1,500,000	0
School Safety Program	0	2,500,000	0
Special Sporting Event	0	1,500,000	1,500,000 ^{2/}
AGENCY TOTAL	4,243,000	12,777,700	14,709,700 ^{3/4/}
FUND SOURCES			
General Fund	1,144,700	3,010,200	8,560,800
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	0	2,500,000	0
Law Enforcement and Boating Safety Fund	0	2,183,800	2,183,800
School Safety Interoperability Fund	0	1,500,000	0
State Treasurer's Operating Fund	3,098,300	3,583,700	3,965,100
SUBTOTAL - Other Appropriated Funds	3,098,300	9,767,500	6,148,900
SUBTOTAL - Appropriated Funds	4,243,000	12,777,700	14,709,700
Other Non-Appropriated Funds	3,795,200	4,386,500	4,386,500
TOTAL - ALL SOURCES	8,038,200	17,164,200	19,096,200

AGENCY DESCRIPTION — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

FOOTNOTES

- ^{1/} Laws 2022, Chapter 333 appropriated \$3,800,000 from the General Fund for a deposit into the Law Enforcement Crime Victim Notification Fund.
- ^{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 Appropriation Act.
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{4/} On or before June 30, 2023, 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 Appropriation Act footnote)

Operating Budget

The budget includes \$4,307,700 and 35.4 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$342,600
State Treasurer's Operating Fund	3,965,100

FY 2023 adjustments are as follows:

Salary Increase

The budget includes an increase of \$294,700 in FY 2023 for a statewide employee salary increase. This amount consists of:

General Fund	37,700
State Treasurer's Operating Fund	257,000

This amount funds a 10% staff salary increase. *(Please see the Agency Detail and Allocations section.)*

Statewide Adjustments

The budget includes an increase of \$124,200 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	(200)
State Treasurer's Operating Fund	124,400

(Please see the Agency Detail and Allocations section.)

Arizona Health Innovation Trust Fund Deposit

The budget includes \$100,000 from the General Fund in FY 2023 for Arizona Health Innovation Trust Fund Deposit. FY 2023 adjustments are as follow:

One-Time Deposit

The budget includes a one-time increase of \$100,000 from the General Fund in FY 2023 for a deposit into the Arizona Health Innovation Trust Fund.

The fund was created in the FY 2023 Health Care Budget Reconciliation Bill (BRB). Monies in this line item go toward administrating the Arizona Health Innovation Trust Fund. Each year, 4% of the monies in the fund shall go to a 501(c)(3) organization which provides entrepreneurial education, mentoring, and support to people working in healthcare innovation. The organization must also provide programs that support the development and commercialization of health innovation of health innovation by businesses based in Arizona and with fewer than 100 employees.

To receive monies from this fund, an organization must enter into an endowment agreement with the State

Treasurer which specifies investment procedures, maturity timelines, use of monies, and the social and economic impact of the monies.

Justice of the Peace Salaries

The budget includes \$2,818,200 from the General Fund in FY 2023 for Justice of the Peace (JP) salaries. FY 2023 adjustments are as follows:

Increase State Share of JP Salaries

The budget includes an increase of \$1,409,100 from the General Fund in FY 2023 for the cost of increasing the state's share of JP salaries from 19.25% to 40%.

Salary Increase

The budget includes an increase of \$204,000 from the General Fund in FY 2023 to pay for JP salary increases as a result of a Superior Court judge salary increase.

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 or not the Justice receives clerical help. An annual average JPC total is compared against the salary ranges in statute to determine an individual Justice's compensation.

Law Enforcement Crime Victim Notification Fund Deposit

Laws 2022, Chapter 333 appropriates \$3,800,000 from the General Fund in FY 2023 for a Law Enforcement Crime Victim Notification Fund Deposit. FY 2023 adjustment are as follows:

One-Time Deposit

The budget includes a one-time increase of \$3,800,000 from the General Fund in FY 2023 for a deposit into the Law Enforcement Crime Victim Notification Fund.

Laws 2022, Chapter 333 establishes the Law Enforcement Crime Victim Notification Fund. The fund is subject to appropriation. Monies in the fund may be used to reimburse local law enforcement agencies on a first come, first served basis for the cost to purchase software that meets certain requirements, such as automatically

notifying a crime victim of investigation updates and interfacing with a law enforcement agency's records.

Law Enforcement/Boating Safety Fund Grants

The budget includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2023 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2022.

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 2021 and year-to-date FY 2022 allocations are included in *Table 1*. The FY 2021 distributions exceed the appropriated amount due to late distributions from FY 2020.

Table 1

Allocation of LEBSF Grants

<u>County</u>	<u>FY 2021</u>	<u>FY 2022 Thru Oct 26th</u>
Apache	\$ 112,400	\$ 31,400
Coconino	286,800	80,200
Gila	205,300	57,400
La Paz	414,800	116,100
Maricopa	480,200	134,400
Mohave	611,900	171,200
Navajo	36,900	10,300
Yuma	203,300	56,900
Total	\$2,351,600 ^{1/}	\$657,900

^{1/} Exceeds the FY 2021 appropriation due to late distributions from FY 2020

Rural County Interoperability Communication System

The budget includes no funding in FY 2023 for the Rural County Interoperability Communication System line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,500,000) from the School Safety Interoperability Fund in FY 2023 for the elimination of one-time funding for the Rural County Interoperability Communication System.

Monies in this line item are used for rural county interoperability communication systems that meet certain requirements, including using multiple forms of real-time

communications and video sharing during a public safety incident.

School Safety Program

The budget includes no funding in FY 2023 for the School Safety Program line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,500,000) from the Arizona Highway Patrol Fund in FY 2023 for the elimination of a one-time funding for a School Safety Program.

Monies in this line item are distributed to county sheriffs to be used for school safety programs which enable the deployment of a secure, multimedia data communications system to a user base consisting of public safety agencies and public schools. Among other requirements, the communications system must provide for the sharing of text messaging, images, voice audio, full-motion video, files, maps and building floor plans.

Special Sporting Event

The budget includes \$1,500,000 from the General Fund in FY 2023 for Special Sporting Event funding. This amount is unchanged from FY 2022.

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 Appropriation Act.

Prior to the release of any monies, statute required an eligible auto racing sporting event to spend at least \$100,000,000 on land acquisitions, construction, improvements, or renovations of their facilities between calendar years 2017-2020.

In November 2016, the parent company of Phoenix International Raceway (PIR), International Speedway Corporation, announced plans to make \$178,000,000 in renovations to the raceway. PIR was renamed ISM Raceway in January 2018.

Located in Avondale, ISM Raceway hosts 2 annual NASCAR events in addition to various other auto-racing competitions. Renovations to ISM Raceway began in February 2017 and were completed in October 2018.

Once these investments were made, statute required the JLBC to certify that the eligible auto racing sporting event spent at least the \$100,000,000 required amount. JLBC certified the spending level at its June 2019 meeting. Under statute, the Treasurer is then authorized to distribute the \$1.5 million annually starting in FY 2022.

Act appropriates these funds for this purpose. These monies are non-lapsing and are to be distributed to all county recorders proportionately by county population. ADOA also received \$1,500,000 in FY 2023 for this purpose.

Other Issues

Statutory Changes

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

- As permanent law, amends ARS § 22-117 to raise the portion of justice of the peace compensation and Employee Related Expenditures paid by the state to 40% from 19.25%.

The Health Care BRB makes the following statutory changes:

- As permanent law, establishes the non-appropriated Arizona Health Innovation Trust Fund and requires the State Treasurer to annually allocate 4% of the monies in the fund to a qualified 501(c)(3) organization which meets specified requirements.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, State Treasurer General Fund costs are expected to increase by \$7,100,000 in FY 2024 above FY 2023 and decrease by \$(5,000,000) in FY 2025 below FY 2024. These estimates are based on:

- A decrease of \$(3,800,000) in FY 2024 below FY 2023 for removal of one-time monies for crime victim public safety notifications.
- A decrease of \$(100,000) in FY 2024 below FY 2023 for removal of a one-time deposit to the Arizona Health Innovation Trust Fund.
- A one-time increase of \$6,000,000 in FY 2024 above FY 2023 for voter roll accuracy review. Section 129 of the FY 2023 General Appropriations Act appropriates these funds for this purpose. These monies are to be distributed to the 6 most populous counties proportionately by population.
- A one-time increase of \$5,000,000 in FY 2024 above FY 2023 and a one-time increase of \$1,000,000 in FY 2025 above FY 2024 (for a total of \$6,000,000) for purchasing ballot paper with security features. Section 130 of the FY 2023 General Appropriations

Governor's Office on Tribal Relations

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	36,500	33,300	36,600
Employee Related Expenditures	12,400	13,600	16,200
Professional and Outside Services	1,000	0	0
Travel - In State	0	500	500
Other Operating Expenditures	14,800	16,100	16,600
AGENCY TOTAL	64,700	63,500	69,900^{1/}
FUND SOURCES			
General Fund	64,700	63,500	69,900
SUBTOTAL - Appropriated Funds	64,700	63,500	69,900
Other Non-Appropriated Funds	15,600	8,500	8,500
TOTAL - ALL SOURCES	80,300	72,000	78,400

AGENCY DESCRIPTION — The agency assists and supports tribal nations and communities and enhances government-to-government relations between the 22 tribal nations in this state.

FOOTNOTES

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

Operating Budget

The budget includes \$69,900 and 3 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Salary Increases

The budget includes an increase of \$4,100 from the General Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase (Please see the Agency Detail and Allocations section.)

Statewide Adjustments

The budget includes an increase of \$2,300 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Board of Regents

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	30.9
Personal Services	1,608,700	1,438,400	1,438,400
Employee Related Expenditures	669,400	560,300	601,300
Professional and Outside Services	58,300	60,500	60,500
Other Operating Expenditures	129,100	360,700	394,900
Equipment	19,800	1,400	1,400
OPERATING SUBTOTAL	2,485,300	2,421,300	2,496,500
SPECIAL LINE ITEMS			
Adaptive Athletics	160,000	160,000	160,000 ^{1/}
Camp Verde Meat Processing Facility	0	0	9,700,000 ^{2/}
Enclosed Feed Facility	0	0	9,500,000 ^{3/}
Food Product and Safety Laboratory	0	0	10,900,000 ^{4/}
Arizona Promise Program	0	7,500,000	20,000,000
Spouses of Military Veterans Tuition Scholarships	0	0	10,000,000
Arizona Teachers Academy	14,485,200	15,000,000	15,000,000
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Teacher Student Loan Program	0	0	426,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Leveraging Education Assistance Partnership Program	0	0	1,220,800 ^{5/}
Veterinary Loan Assistance Program	0	0	6,000,000
Washington D.C. Internships	300,000	300,000	300,000 ^{6/}
Western Interstate Commission Office	153,000	153,000	153,000
WICHE Student Subsidies	4,072,000	4,078,000	4,078,000
AGENCY TOTAL	21,959,200	29,916,000	90,238,000 ^{7/8/}
FUND SOURCES			
General Fund	21,959,200	29,916,000	90,238,000
SUBTOTAL - Appropriated Funds	21,959,200	29,916,000	90,238,000
Other Non-Appropriated Funds	10,219,100	44,542,600	44,542,600
Federal Funds	0	0	186,200
TOTAL - ALL SOURCES	32,178,300	74,458,600	134,966,800

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 Appropriation Act footnote)
- 2/ The Arizona board of regents shall distribute the monies appropriated in the Camp Verde meat processing facility line item to the university of Arizona for distribution to an entity for construction of a meat processing facility and truck handling facilities in Camp Verde. The entity receiving the monies shall provide an education component as part of its

operations. If the entity receiving the monies sells the meat processing facility, the proceeds from the sale shall be transferred to this state for deposit in the state general fund. These monies may not be used for administrative costs. (General Appropriation Act footnote)

- 3/ The Arizona board of regents shall distribute monies appropriated in the enclosed feeding facility line item to the university of Arizona to construct an enclosed feeding facility at the campus agricultural center. These monies may not be used for administrative costs. (General Appropriation Act footnote)
- 4/ The Arizona board of regents shall distribute monies appropriated in the food product and safety laboratory line item to the university of Arizona for capital improvements to the food product and safety laboratory at the campus agricultural center. These monies may not be used for administrative costs. (General Appropriation Act footnote)
- 5/ 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 in fiscal year 2022-2023. (General Appropriation Act footnote)
- 6/ The Arizona board of regents shall distribute monies appropriated for Washington, D.C. internships in equal amounts to each of the three universities under the jurisdiction of the board for the purpose of providing student internships in Washington, D.C. in partnership with a third-party organization. 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.
 2. Have the ability to place as many students in internships 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 Appropriation Act footnote)
- 7/ 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 Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,496,500 and 30.9 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Agency Transfer

The budget includes an increase of \$34,100 and 5 FTE Positions from the General Fund in FY 2023 for the transfer of agency responsibilities from the Commission for Postsecondary Education (CPSE) to the Arizona Board of Regents (ABOR).

Statewide Adjustments

The budget includes an increase of \$41,100 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Laws 2021, Chapter 410 transfers the responsibilities of CPSE to ABOR effective January 1, 2022. The amount transferred to the ABOR operating budget reflects CPSE's FY 2022 appropriations for its operating budget, the Arizona College and Career Guide line item, Arizona Minority Educational Policy Analysis Center line item, and the Twelve Plus Partnership line item. (Please see the Commission for Postsecondary Education section and ABOR – Other Issues section for additional information.)

Adaptive Athletics

The budget includes \$160,000 from the General Fund in FY 2023 for Adaptive Athletics. This amount is unchanged from FY 2022.

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 distributed monies in this line item to the University of Arizona in FY 2021.

Camp Verde Meat Processing Facility

The budget includes \$9,700,000 from the General Fund in FY 2023 for a Camp Verde Meat Processing Facility. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$9,700,000 from the General Fund in FY 2023 for a meat processing facility and truck handling facilities in Camp Verde. ABOR is required to distribute the monies to UA for distribution to an entity to construct and operate the facilities. The entity receiving the monies is required to provide an education component as part of its operations. The budget also stipulates that if the entity sells the facility, the proceeds from the sale shall be transferred to the state for deposit to the General Fund. The monies are appropriated one-time and may not be used for administrative costs.

Enclosed Feeding Facility

The budget includes \$9,500,000 from the General Fund in FY 2023 for an Enclosed Feeding Facility. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$9,500,000 from the General Fund in FY 2023 for an Enclosed Feeding Facility. ABOR is required to distribute the monies to UA to construct the facility at the campus agricultural center. The monies are appropriated one-time and may not be used for administrative costs.

Food Product and Safety Laboratory

The budget includes \$10,900,000 from the General Fund in FY 2023 for a Food Product and Safety Laboratory. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$10,900,000 from the General Fund in FY 2023 for the Food Product and Safety Lab located on the UA campus agricultural center. ABOR is required to distribute the monies to UA for capital improvements. The monies are appropriated one-time and may not be used for administrative costs.

Arizona Promise Program

The budget includes \$20,000,000 from the General Fund in FY 2023 for the Arizona Promise Program. FY 2023 adjustments are as follows:

Program Increase

The budget includes an increase of \$12,500,000 from the General Fund in FY 2023 to increase funding for the Arizona Promise Program.

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. 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.

The FY 2022 appropriation of \$7,500,000 funded approximately 1,677 students, for an average award of \$4,471 per student. The FY 2023 appropriation of \$20,000,000 is expected to fund an additional 2,796 students, or 4,473 total students. The universities are required to guarantee the award for any additional students who meet the program's eligibility requirements.

Spouses of Military Veterans Tuition Scholarships

The budget includes \$10,000,000 from the General Fund in FY 2023 for Spouses of Military Veterans Tuition Scholarships. FY 2023 adjustments are as follows:

New Program

The budget includes an increase of \$10,000,000 from the General Fund in FY 2023 for deposit in the newly-created Spouses for Military Veterans Tuition Scholarship Fund. The FY 2023 Higher Education BRB requires ABOR to distribute monies in the fund to university and community college students who are spouses of an honorably discharged veteran, qualify for in-state tuition, and currently an Arizona resident. The scholarships are provided as last dollar aid on a first-come, first-served basis for up to 4 years.

Arizona Teachers Academy

The budget includes \$15,000,000 from the General Fund in FY 2023 for the Arizona Teachers Academy. This amount is unchanged from FY 2022.

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.

The academy also receives monies from the Student Support Safety Fund established by Proposition 208. After monies in the fund are used by state agencies for administrative costs of the initiative, ABOR receives a distribution of 3% from the fund.

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.

Proposition 208 allows awards up to the actual cost of tuition and fees after all other aid is received for both resident and non-resident students.

ABOR is required to submit a report to JLBC by March 1 of each year, which includes current academy enrollment and estimated monies committed from the appropriation. In FY 2021, 3,051 students were enrolled in the academy, of which 1,934 are undergraduate students, 545 are graduate students, 407 are community college post-baccalaureate students, 165 are teachers seeking a national board certification.

Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund in FY 2023 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2022.

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 budget includes \$426,000 from the General Fund in FY 2023 for the Arizona Teacher Student Loan Program (ATSLP). FY 2023 adjustments are as follows:

Agency Transfer

The budget includes an increase of \$426,000 from the General Fund in FY 2023 for the transfer of agency responsibilities from CPSE to ABOR. *(Please see the*

Commission for Postsecondary Education section and ABOR – Other Issues section for additional information.)

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 budget includes \$213,700 from the General Fund in FY 2023 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2022.

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.

Leveraging Education Assistance Partnership Program

The budget includes an increase of \$1,220,800 from the General Fund in FY 2023 for the Leveraging Education Assistance Partnership (LEAP) Program. FY 2023 adjustments are as follows:

Agency Transfer

The budget includes an increase of \$1,220,800 from the General Fund in FY 2023 for the transfer of agency responsibilities from CPSE to ABOR. *(Please see the Commission for Postsecondary Education section and ABOR – Other Issues section for additional information.)*

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).

Veterinary Loan Assistance Program

The budget includes \$6,000,000 from the General Fund in FY 2023 for the Veterinary Loan Assistance Program. FY 2023 adjustments are as follows:

One-Time Funding

The budget includes \$6,000,000 from the General Fund in FY 2023 for a one-time deposit to the newly-created Arizona Veterinary Loan Assistance Program Fund. The Higher Education BRB requires ABOR to distribute monies in the fund to applicants who graduated with a veterinary medicine degree after January 1, 2023 for loan repayment assistance. To qualify for an award, recipients agree to work as a full-time veterinarian in Arizona for at least 4 years. For at least 2 of the 4 years, recipients must work in an agricultural practice in an area designated by the U.S. Department of Agriculture as having a shortage or in a nonprofit, county or municipal shelter. Once the service commitment is complete, ABOR distributes an amount equal to the veterinarian's outstanding loan balance or \$100,000, whichever is less. Monies are distributed on a first-come, first-served basis.

Washington, D.C. Internships

The budget includes \$300,000 from the General Fund in FY 2023 for Washington, D.C. Internships. This amount is unchanged from FY 2022.

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.

Western Interstate Commission Office

The budget includes \$153,000 from the General Fund in FY 2023 for the Western Interstate Commission Office. This amount is unchanged from FY 2022.

Monies in this line item pay the state's share of administrative expenditures for the Western Interstate Commission on Higher Education (WICHE), in accordance with A.R.S. § 15-1742. The WICHE central office sets the administrative fee.

WICHE Student Subsidies

The budget includes \$4,078,000 from the General Fund in FY 2023 for WICHE student subsidies. This amount is unchanged from FY 2022.

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
- Commission for Postsecondary Education Transfer
- Arizona Financial Aid Trust
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- Tuition Distribution
- American Rescue Plan Act - Maintenance of Effort
- American Rescue Plan Act Allocation
- Auditor General Report
- University System Summary Tables

Statutory Changes

The FY 2023 Higher Education BRB makes the following statutory 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).
- As permanent law, establish the Spouses for Military Veterans Tuition Scholarship Fund administered by the Arizona Board of Regents to provide scholarships to resident students who are spouses of honorably discharged veterans on a first-come first-serve basis for up to 4 academic years/8 semesters.
- As permanent law, establishes the non-appropriated Veterinary Loan Assistance Program Fund for costs associated with a Veterinary Loan Assistance Program. Allows up to 3% of monies in the fund to be used for administrative expenses.
- As session law, re-directs ADOA to convey the Mining, Mineral and Natural Resources Museum to the

University of Arizona. As directed by Laws 2017, Chapter 221, ADOA previously conveyed the museum to UA. However, the deed stipulated that the museum revert back to ADOA if the museum did not open to the public by June 15, 2022. The museum did not open to the public by this date. Following the conveyance and reversion of the museum, the FY 2023 Higher Education BRB re-directs ADOA to convey the museum to UA.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, universitywide General Fund costs are projected to decrease by \$(121,960,900) in FY 2024 below FY 2023, and increase by \$156,100 in FY 2025 above FY 2024. These estimates are based on:

- A \$(6,000,000) decrease in FY 2024 to remove one-time funding for the Arizona Veterinary Loan Assistance Program.
- A \$(9,700,000) decrease in FY 2024 to remove one-time funding for a Camp Verde Meat Processing Facility.
- A \$(9,500,000) decrease in FY 2024 to remove one-time funding for an Enclosed Feeding Facility.
- A \$(10,900,000) decrease in FY 2024 to remove one-time funding for a Food Product and Safety Lab.
- A \$(80,000,000) decrease in FY 2024 to remove one-time operating and capital funding for ASU and NAU.
- A \$(3,000,000) decrease in FY 2024 to remove one-time funding for wind tunnel upgrades.
- A \$(450,000) decrease in FY 2024 to remove one-time funding for the endangered species study.
- A \$(2,500,000) decrease in FY 2024 to remove one-time funding for the Veterinary Diagnostic Lab.
- A \$(500,000) decrease in FY 2024 to remove one-time funding for the UA Agriculture Workforce Development Program.
- Increases of \$10,300 in FY 2024 and decreases of \$(434,300) in FY 2025 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$578,800 and \$590,400 in FY 2024 and FY 2025, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation. *(Please see the 2017 University Infrastructure Funding section for more information.)*

Commission for Postsecondary Education Transfer

Laws 2021, Chapter 410 repeals CPSE and transfers its responsibilities to ABOR beginning January 1, 2022. While

the FY 2022 General Appropriation Act appropriated monies to CPSE separately, Chapter 410 transfers all duties and unexpended monies to ABOR on the effective date. To simplify the budget display, the FY 2022 column of this budget does not reflect the transfer. *(Please see the Commission for Postsecondary Education section for more 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 \$84-\$112 in FY 2023 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 2023 Higher Education BRB continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2023. The budget also maintains each university's FY 2023 allocation of General Fund AFAT appropriations at their FY 2022 level, which appears in the individual university budgets.

Based on student fees contributed to AFAT in FY 2021, the state's match would be \$45,316,000, or an increase of \$35,274,800 over the \$10,041,200 appropriation in FY 2023.

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 2021, AFAT disbursed \$28,285,400. *(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

Table 1

University Research Infrastructure Appropriations ^{1/}

<u>Fiscal Year</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
2023	13,462,100	5,301,500	14,252,500	33,016,100
2024	13,468,200	5,302,900	14,255,300	33,026,400
2025	13,459,300	4,885,500	14,247,300	32,592,100
2026	13,453,900	4,884,500	14,248,400	32,586,800
2027	13,450,100	4,884,300	14,251,300	32,585,700
2028	13,436,200	4,894,000	14,254,100	32,584,300
2029	13,430,800	4,888,400	14,251,500	32,570,700
2030	13,423,500	4,892,000	14,252,500	32,568,000
2031	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.

universities have issued \$482,500,000 in COPs for research infrastructure projects.

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 2021 tuition revenue report projected FY 2022 gross tuition and fees to be \$3.58 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 July 2021, the universities projected \$981.2 million in tuition waivers and awards in FY 2022, for a total net tuition of \$2.59 billion. Please see the July 15, 2021 Joint Legislative Budget Committee agenda for additional information on university tuition revenue projections.

American Rescue Plan Act – Maintenance of Effort

The American Rescue Plan (ARP) Act distributed \$341,098,371 from the Higher Education Emergency Relief Fund to the state's public universities and requires that 50% of the monies received be distributed to students as emergency financial aid grants. ARP also sets FY 2023 maintenance of effort (MOE) requirements for the state's receipt of Federal Funds from the Elementary and Secondary School Emergency Relief Fund (ESSER). Specifically, ARP requires states to maintain a proportional level of higher education support relative to the state's average overall spending for FY 2017, FY 2018, and FY 2019. If the MOE requirement is not met, the U.S. Department of Education states that it may recover the distributed funds or withhold additional distributions. The Executive is ultimately responsible for submitting the calculation to the federal government.

American Rescue Plan Act Allocation

Laws 2022, Chapter 332 establishes the On-Farm Irrigation Efficiency Fund in the UA Cooperative Extension to provide grants for systems intended to reduce on-farm use of groundwater, surface water, mainstream Colorado River water, or water delivered through the Central Arizona Project. The 3-year budget plan includes a \$30,000,000 deposit to the fund in FY 2023 from monies received by the state through the American Rescue Plan Act. These monies were not appropriated in the FY 2023 General Appropriation Act, as the Executive is responsible for distributing these funds.

Auditor General Report

In June 2021, the Auditor General published an ABOR performance audit that included recommendations to improve oversight of agreements between the universities and university-affiliated organizations such as their foundations.

Based on findings that the universities lacked current agreements with affiliated organizations and did not consistently document transactions, the audit recommended ABOR revise its policies to require written agreements and documented exchanges between the universities and affiliated organizations, and that the board implement a process for ensuring the universities comply with transparency requirements.

In addition, the audit recommended that ABOR revise its policies to set expectations for information the universities should receive from affiliated organizations and implement a process to regularly obtain information from the universities on the activities of affiliated organizations and associated risks and liabilities.

University System Summary Tables

The University System Summary Tables address the following:

- Total Spending Authority
- Financial Aid
- Enrollment

Total Spending Authority

In total, the universities' total projected spending authority in FY 2023 is \$8.0 billion, including \$1.1 billion from the General Fund and \$3.58 billion of tuition/fee collections. *Table 2* summarizes the FY 2023 expenditure authority amounts for the Arizona University System.

Financial Aid

The Arizona University System distributed \$3.1 billion in financial aid in FY 2021. Of the total financial aid distributions, the federal government financed \$1.2 billion and university institutional sources provided \$1.3 billion. The latter includes \$1.0 billion of foregone tuition collections in the form of waivers and awards. (*Please see Table 3 for details.*)

Enrollment

Between fall 2020 and fall 2021, university enrollment increased from 192,079 FTE to 197,120, or 2.6%, as displayed in *Table 4*. ASU and UA enrollment increased 3.9% and 3.1%, respectively. This growth was largely due to increased enrollment in online programs. NAU enrollment decreased (3.5)%, which included declines across nearly all geographic sites.

Table 2

FY 2023 Summary of Spending Authority

	Appropriated Funds		Non-Appropriated Funds		Total ^{2/}
	General Fund	Collections Fund ^{1/}	Federal Funds	Other Funds ^{1/}	
ABOR	\$ 90,238,000	\$ 0	\$ 186,200	\$ 44,542,600	\$ 134,966,800
ASU	465,044,700	597,483,500	534,638,800	2,543,695,900	4,140,862,900
NAU	164,151,500	134,964,500	136,247,600	353,401,000	788,764,600
UA-Main	299,423,000	304,407,700	225,133,800	1,431,692,100	2,260,656,600
UA-Health Sciences	<u>76,897,700</u>	<u>56,863,400</u>	<u>191,643,000</u>	<u>373,452,800</u>	<u>698,356,800</u>
Total	\$1,095,754,900	\$1,093,219,000	\$1,087,849,400	\$4,746,784,400	\$8,023,607,700

^{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 \$2,486,230,900 based on FY 2022 amounts. This amount excludes FY 2023 enrollment growth and tuition rate changes.

^{2/} Total universitywide funding includes gross tuition revenues.

Table 3

FY 2021 Financial Aid Distribution by Source
(\$ in Thousands) ^{1/}

	<u>Federal</u>	<u>State</u> ^{2/}	<u>Institutional</u> ^{3/}	<u>Private/Other</u> ^{4/}	<u>Total</u>
Grants	\$369,431.2	15,060.0	\$1,037,767.1	\$265,287.3	\$1,687,545.6
Loans	856,085.9	166.9	0.0	339,589.4	1,195,842.2
Employment	<u>13,940.2</u>	<u>0.0</u>	<u>210,311.2</u>	<u>0.0</u>	<u>224,251.4</u>
Total	\$1,239,457.3	\$15,226.9	\$1,248,078.3	\$604,876.7	\$3,107,639.2

^{1/} Information from ABOR FY 2021 Financial Aid Report.

^{2/} State sources of aid include revenues from the Commission for Postsecondary Education.

^{3/} Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

^{4/} Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

Table 4

Arizona University System 45th Day Enrollment ^{1/}

	<u>Fall 2020</u>	<u>Fall 2021</u>	<u>Fall 2020 to Fall 2021</u>
ASU-Tempe	55,804	57,835	3.6%
ASU-DPC	12,414	12,765	2.8%
ASU-East	5,227	5,497	5.2%
ASU-West	5,716	5,477	(4.2)%
ASU-Online ^{2/}	37,796	39,929	5.6%
ASU-Other	<u>535</u>	<u>575</u>	<u>7.5%</u>
<i>Subtotal</i>	<i>117,492</i>	<i>122,078</i>	<i>3.9%</i>
NAU-Flagstaff	21,610	21,028	(2.7)%
NAU-Online ^{2/}	3,213	2,973	(7.5)%
NAU-Other	<u>3,162</u>	<u>2,995</u>	<u>(5.3)%</u>
<i>Subtotal</i>	<i>27,985</i>	<i>26,996</i>	<i>(3.5)%</i>
UA-Tucson	40,034	40,579	1.4%
UA-PHX Biomedical	1,239	1,418	14.4%
UA-Online ^{2/}	4,176	4,847	16.1%
UA-Other	<u>1,153</u>	<u>1,202</u>	<u>4.2%</u>
<i>Subtotal</i>	<i>46,602</i>	<i>48,046</i>	<i>3.1%</i>
Total	192,079	197,120	2.6%

^{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.

Arizona State University

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7,727.6	8,171.0	8,171.0 ^{1/}
Personal Services	528,723,700	546,217,600	546,217,600
Employee Related Expenditures	145,914,600	151,998,100	170,627,100
Professional and Outside Services	40,314,900	26,156,900	26,156,900
Travel - In State	11,300	70,000	70,000
Travel - Out of State	65,400	533,900	533,900
Other Operating Expenditures	67,627,700	110,041,200	112,409,900
Equipment	1,715,600	1,188,600	1,188,600
OPERATING SUBTOTAL	784,373,200	836,206,300	857,204,000 ^{2/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	13,458,700	13,451,900	13,462,100 ^{3/}
2017 Capital Infrastructure Funding	12,381,200	12,533,500	12,784,200 ^{4/}
Arizona Financial Aid Trust	5,985,800	5,985,800	5,985,800
Biomedical Informatics	3,731,700	3,723,500	3,884,300
Eastern Europe Cultural Collaborative	0	250,000	250,000 ^{5/}
Political History and Leadership Program	0	250,000	0
Downtown Phoenix Campus	104,874,100	104,815,500	108,951,300
One-Time Funding	0	0	54,000,000 ^{6/}
School of Civic and Economic Thought and Leadership	3,024,700	5,764,200	6,006,500 ^{7/}
TRIF - Lease Purchase Payment	3,459,200	0	0
AGENCY TOTAL	931,288,600	982,980,700	1,062,528,200 ^{8/9/10/}
FUND SOURCES			
General Fund	324,717,400	385,261,900	465,044,700 ^{11/12/13/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	3,459,200	0	0
University Collections Fund	603,112,000	597,718,800	597,483,500 ^{14/}
SUBTOTAL - Other Appropriated Funds	606,571,200	597,718,800	597,483,500
SUBTOTAL - Appropriated Funds	931,288,600	982,980,700 ^{15/}	1,062,528,200
Other Non-Appropriated Funds	2,192,958,800	2,394,541,500	2,543,695,900
Federal Funds	580,777,200	534,638,800	534,638,800
TOTAL - ALL SOURCES	3,705,024,600	3,912,161,000	4,140,862,900

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/} Includes 580.1 GF and 598 OF FTE Positions funded from Special Line Items in FY 2023.
- ^{2/} Of the amount appropriated to the Arizona state university operating budget, \$21,200,000 is onetime funding. On or before September 1, 2022, Arizona state university shall provide a detailed expenditure plan to the joint legislative budget committee that includes a description of the intended purposes and the estimated costs of each expenditure. (General Appropriation Act)
- ^{3/} A.R.S. § 15-1670 appropriates \$13,462,100 to ASU from the General Fund in FY 2023 to finance lease-purchase payments for research infrastructure projects.
- ^{4/} A.R.S. § 15-1671 appropriates \$12,784,200 to ASU from the General Fund in FY 2023 for capital infrastructure projects.
- ^{5/} 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 Appropriation Act)

- 6/ A. The sum of \$80,000,000 is appropriated from the state general fund in fiscal year 2022-2023 to Arizona state university and northern Arizona university for capital improvements and operating expenditures as follows:
1. Arizona state university: \$54,000,000
 2. Northern Arizona university: \$26,000,000
- B. Of the amount appropriated for northern Arizona university in subsection A of this section, \$5,000,000 shall be used to expand program offerings on the northern Arizona university campus located in Yuma.
- C. On or before August 1, 2022, each university shall report the intended use of the monies to the joint legislative budget committee.
- D. Before spending the monies appropriated in subsection A of this section for capital improvements, each university shall submit the scope, purpose and estimated cost of the capital improvements for review by the joint committee on capital review pursuant to section 41 1252, Arizona Revised Statutes. (General Appropriation Act footnote)
- 7/ The appropriated amount for the school of civic and economic thought and leadership line item shall be used to operate a single stand-alone academic entity within Arizona state university. The appropriated amount may not supplant any existing state funding or private or external donations to the existing centers or to the school. The appropriated monies and all private and external donations to the school, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the school and may not be used for indirect costs of the university. On or before October 1, 2022, the school shall submit a report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education committee and the house of representatives education committee and the director of the joint legislative budget committee that includes at least the following information for the school:
1. The total amount of funding received from all sources.
 2. A description of faculty positions and courses offered.
 3. The total undergraduate and graduate student enrollment.
 4. Significant community events, initiatives or publications.
- The chairpersons of the senate education committee and the house of representatives education committee may request the director of the school to appear before the committees to report on the school's annual achievements. (General Appropriation Act footnote)
- 8/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 9/ The appropriated monies may not be used by the Arizona state university college of law legal clinic for any lawsuits involving inmates of the state department of corrections in which this state is the adverse party. (General Appropriation Act footnote)
- 10/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 11/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 12/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 13/ The FY 2023 General Fund budget is \$465,044,700. This amount includes \$361,449,300 in ASU's individual section of the FY 2023 General Appropriation Act, \$54,000,000 in section 117 of the General Appropriation Act for one-time operating and capital funding, \$13,462,100 in A.R.S. § 15-1670 lease-purchase appropriations, \$12,784,200 in A.R.S. § 15-1671 capital infrastructure appropriations, and \$23,349,100 for statewide adjustments.
- 14/ Any unencumbered balances remaining in the university collections fund on June 30, 2022 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 Appropriation Act footnote)
- 15/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$28,386,400 in FY 2022 for the occurrence of a 27th pay period. Of this amount, \$9,115,000 is from the General Fund and \$19,271,400 is from the University Collections Fund.
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Operating Budget

The budget includes \$857,204,000 and 6,992.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$315,863,100
University Collections Fund	541,340,900

FY 2023 adjustments are as follows:

Remove FY 2022 One-Time Operating Funding

The budget includes a decrease of \$(18,831,300) from the General Fund in FY 2023 to remove one-time operating funding.

FY 2023 One-Time Operating Funding

The budget includes an increase of \$21,200,000 from the General Fund in FY 2023 for one-time operating funding. The budget requires ASU to submit a detailed expenditure plan to JLBC by September 1, 2022 that includes a description of the intended purposes and the estimated costs of each expenditure. The 3-year budget plan also includes \$21,200,000 in one-time funding in FY 2024 and FY 2025.

Statewide Adjustments

The budget includes an increase of \$18,629,000 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	18,841,700
University Collections Fund	(212,700)

(Please see the Agency Detail and Allocations section.)

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 budget includes \$13,462,100 from the General Fund in FY 2023 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2023 adjustments are as follows:

Refinance Adjustment

The budget includes an increase of \$10,200 from the General Fund in FY 2023 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 2023 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, ASU has issued \$206,200,000 in COPs. *(Please see the ABOR section for more information.)*

2017 Capital Infrastructure Funding

The budget includes \$12,784,200 from the General Fund in FY 2023 for the 2017 Capital Infrastructure Funding line item. FY 2023 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$250,700 from the General Fund in FY 2023 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 2023 General Appropriation 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 2023, from the second quarter of CY 2020 to the second quarter of CY 2021). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Arizona Financial Aid Trust

The budget includes \$5,985,800 from the General Fund in FY 2023 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2022. *(Please see the ABOR section for more information.)*

Biomedical Informatics

The budget includes \$3,884,300 and 20.4 FTE Positions in FY 2023 for the Biomedical Informatics Department. These amounts consist of:

General Fund	2,040,700
University Collections Fund	1,843,600

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$160,800 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	161,600
University Collections Fund	(800)

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data.

Eastern Europe Cultural Collaborative

The budget includes \$250,000 from the General Fund in FY 2023 for the Eastern Europe Cultural Collaborative. FY 2023 adjustments are as follows:

Ongoing Funding

The budget includes an increase of \$250,000 from the General Fund in FY 2023 to provide ongoing support for the Eastern Cultural Collaborative.

Remove One-Time Funding

The budget includes a decrease of \$(250,000) from the General Fund in FY 2023 to remove one-time funding for the Eastern Europe Cultural Collaborative.

The budget requires these monies to be used to facilitate cultural and academic exchanges between university faculty and students and academic institutions in eastern Europe.

Political History and Leadership Program

The budget includes no funding from the General Fund in FY 2023 for the Political History and Leadership Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(250,000) from the General Fund in FY 2023 to remove one-time funding for expansion of the Political History and Leadership Program within the ASU School of Historical, Philosophical and Religious Studies. The FY 2022 budget required that the monies be used at the sole discretion and approval of the program's lead.

Downtown Phoenix Campus

The budget includes \$108,951,300 and 1,134.4 FTE Positions in FY 2023 for programs headquartered at the Downtown Phoenix Campus. These amounts consist of:

General Fund	54,652,300
University Collections Fund	54,299,000

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$4,135,800 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	4,157,600
University Collections Fund	(21,800)

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.

One-Time Funding

The budget includes \$54,000,000 from the General Fund in FY 2023 for one-time funding. FY 2023 adjustments are as follows:

One-Time Operating and Capital Funding

The budget includes an increase of \$54,000,000 from the General Fund in FY 2023 for one-time operating and capital funding. ASU is required to report the intended use of the monies to JLBC by August 1, 2022. Before spending any monies for capital improvements, ASU is required to submit the scope, purpose and estimated cost to JCCR for review.

School of Civic and Economic Thought and Leadership

The budget includes \$6,006,500 and 23.3 FTE Positions from the General Fund in FY 2023 for the School of Civic and Economic Thought and Leadership (SCETL) line item. FY 2023 adjustments are as follows:

Ongoing Funding

The budget includes an increase of \$2,804,100 from the General Fund in FY 2023 to provide ongoing support for SCETL.

Remove One-Time Funding

The budget includes a decrease of \$(2,750,000) from the General Fund in FY 2023 to remove one-time funding for SCETL.

Statewide Adjustments

The budget includes an increase of \$188,200 from the General Fund in FY 2023 for statewide adjustments.

SCETL began matriculating students in fall 2017. The school currently offers a bachelors and minor program with coursework focused in 4 areas: history of moral and political thought, political economy and the history of economic thought, American political and economic thought, and the theory and practice of leadership and statesmanship. In 2020, the school began enrolling for a Master of Arts in classical liberal education and leadership program. The school also hosts community lecture series and events related to public affairs.

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 2023 General Fund budget is \$465,044,700. Of this amount:

- \$361,449,300 is included in ASU's individual section of the FY 2023 General Appropriation Act.
- \$54,000,000 is a one-time appropriation in section 117 of the FY 2023 General Appropriation Act for capital improvements and operating expenditures.
- \$13,462,100 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$12,784,200 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- \$23,349,100 is for statewide adjustments.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ASU's General Fund costs are projected to decrease by \$(53,738,200) in FY 2024 below FY 2023, and increase by \$251,900 in FY 2025 above FY 2024.

These estimates are based on:

- A \$(54,000,000) decrease in FY 2024 to remove one-time operating and capital funding.
- A \$6,100 increase in FY 2024 and \$(8,900) decrease in FY 2025 to adjust for university debt service costs.

- Increases of \$255,700 in FY 2024 and \$260,800 in FY 2025 to increase the university's annual Capital Infrastructure Funding appropriation.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2022 General Appropriation Act appropriated \$599,978,900 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 Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2022 to the Joint Legislative Budget Committee in June 2021, and ASU incorporated the adjusted FY 2022 amounts as part of their FY 2023 budget submission. Accordingly, the estimated FY 2022 amount has been adjusted by \$(2,260,100) to \$597,718,800.

The FY 2022 FTE Position count has also been adjusted. The FY 2022 General Appropriation Act originally appropriated 7,727.6 FTE Positions in FY 2022 for ASU. The General Fund accounted for 2,550 FTE Positions and the University Collections Fund accounted for the remaining 5,177.6 FTE Positions. The estimated number of FY 2022 FTE Positions has been adjusted by 443.4 to 8,171. The General Fund accounts for 3,044.2 FTE Positions and the University Collections Fund accounts for the remaining 5,126.8 FTE Positions.

Northern Arizona University

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,325.7	2,619.3	2,619.3 ^{1/}
Personal Services	143,432,700	147,524,600	147,524,600
Employee Related Expenditures	47,949,500	49,027,000	50,097,600
Professional and Outside Services	9,810,800	14,841,400	14,841,400
Travel - In State	28,800	398,000	398,000
Travel - Out of State	9,200	600	600
Other Operating Expenditures	27,571,100	38,326,100	39,419,900
Equipment	155,500	83,000	83,000
OPERATING SUBTOTAL	228,957,600	250,200,700	252,365,100 ^{2/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	4,879,500	5,039,800	5,301,500 ^{3/}
2017 Capital Infrastructure Funding	4,692,900	4,750,600	4,845,600 ^{4/}
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 ^{5/}
Economic Policy Institute	500,300	750,300	865,300 ^{6/}
One-Time Funding	0	0	26,000,000 ^{7/}
NAU - Yuma	3,076,600	3,075,600	3,119,800
Teacher Training	2,293,000	2,292,700	2,292,700 ^{8/}
AGENCY TOTAL	248,725,900	270,435,700	299,116,000 ^{9/10/}
FUND SOURCES			
General Fund	109,804,600	135,452,400	164,151,500 ^{11/12/13/}
<u>Other Appropriated Funds</u>			
University Collections Fund	138,921,300	134,983,300	134,964,500 ^{14/}
SUBTOTAL - Other Appropriated Funds	138,921,300	134,983,300	134,964,500
SUBTOTAL - Appropriated Funds	248,725,900	270,435,700 ^{15/}	299,116,000
Other Non-Appropriated Funds	304,132,400	324,920,700	353,401,000
Federal Funds	129,194,200	134,986,900	136,247,600
TOTAL - ALL SOURCES	682,052,500	730,343,300	788,764,600

AGENCY DESCRIPTION — Established in 1899, Northern Arizona University (NAU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). The university's primary focus is undergraduate residential education.

FOOTNOTES

- 1/ Includes 37.8 GF FTE Positions funded from Special Line Items in FY 2023.
- 2/ Of the amount appropriated to the northern Arizona university operating budget, \$10,100,000 is onetime funding. On or before September 1, 2022, northern Arizona university shall provide a detailed expenditure plan to the joint legislative budget committee that includes a description of the intended purposes and the estimated costs of each expenditure. (General Appropriation Act footnote)
- 3/ A.R.S. § 15-1670 appropriates \$5,301,500 to NAU from the General Fund in FY 2023 to finance lease-purchase payments for research infrastructure projects.
- 4/ A.R.S. § 15-1671 appropriates \$4,845,600 to NAU from the General Fund in FY 2023 for capital infrastructure projects.
- 5/ 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, 2023. 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 Appropriation Act footnote)
- 6/ The appropriated amount for the economic policy institute line item may not supplant any existing state funding or private or external donations to the institute or to the university. The appropriated monies and all private and external donations to the institute, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the institute and may not be used for indirect costs of the university. On or before October 1, 2022, 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. (General Appropriation Act footnote)
- 7/ A. The sum of \$80,000,000 is appropriated from the state general fund in fiscal year 2022-2023 to Arizona state university and northern Arizona university for capital improvements and operating expenditures as follows:
1. Arizona state university \$54,000,000
 2. Northern Arizona university \$26,000,000
- B. Of the amount appropriated for northern Arizona university in subsection A of this section, \$5,000,000 shall be used to expand program offerings on the northern Arizona university campus located in Yuma.
- C. On or before August 1, 2022, each university shall report the intended use of the monies to the joint legislative budget committee.
- D. Before spending the monies appropriated in subsection A of this section for capital improvements, each university shall submit the scope, purpose and estimated cost of the capital improvements for review by the joint committee on capital review pursuant to section 41-1252, Arizona Revised Statutes. (General Appropriation Act footnote)
- 8/ The appropriated amount for the teacher training line item shall be distributed to the Arizona K-12 center for program implementation and mentor training for the Arizona mentor teacher program prescribed by the state board of education. (General Appropriation Act footnote)
- 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 Appropriation Act footnote)
- 10/ General Appropriation 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 Appropriation Act footnote)
- 12/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 13/ The FY 2023 General Fund budget is \$164,151,500. This amount would include \$126,870,700 in NAU's individual section of the FY 2023 General Appropriation Act, \$26,000,000 in section 117 of the FY 2023 General Appropriation Act for one-time operating and capital funding, \$5,301,500 in A.R.S. § 15-1670 lease-purchase appropriations, \$4,845,600 in A.R.S. § 15-1671 capital infrastructure appropriations, and \$1,133,700 for statewide adjustments.
- 14/ Any unencumbered balances remaining in the university collections fund on June 30, 2022 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 Appropriation Act footnote)

15/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$7,798,100 in FY 2022 for the occurrence of a 27th pay period. Of this amount, \$2,939,500 is from the General Fund and \$4,858,600 is from the University Collections Fund.

Operating Budget

The budget includes \$252,365,100 and 2,581.5 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<u>FY 2023</u>
General Fund	\$117,400,600
University Collections Fund	134,964,500

FY 2023 adjustments are as follows:

Remove FY 2022 One-Time Operating Funding

The budget includes a decrease of \$(9,006,300) from the General Fund in FY 2023 to remove one-time operating funding.

FY 2023 One-Time Operating Funding

The budget includes an increase of \$10,100,000 from the General Fund in FY 2023 for one-time operating funding. The budget requires NAU to submit a detailed expenditure plan to JLBC by September 1, 2022 that includes a description of the intended purposes and the estimated costs of each expenditure. The 3-year budget plan also includes \$10,100,000 in one-time funding in FY 2024 and FY 2025.

Statewide Adjustments

The budget includes an increase of \$1,070,700 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	1,089,500
University Collections Fund	(18,800)

(Please see the Agency Detail and Allocations section.)

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 and ABOR for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The budget includes \$5,301,500 from the General Fund in FY 2023 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2023 adjustments are as follows:

Refinance Adjustment

The budget includes an increase of \$261,700 from the General Fund in FY 2023 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 2023 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, NAU has issued \$42,210,000 in COPs.

(Please see the ABOR section for more information.)

2017 Capital Infrastructure Funding

The budget includes \$4,845,600 from the General Fund in FY 2023 for the 2017 Capital Infrastructure Funding line item. FY 2023 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$95,000 from the General Fund in FY 2023 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 2023 General Appropriation 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 2023, from the second quarter of CY 2020 to the second quarter of CY 2021). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Arizona Financial Aid Trust

The budget includes \$1,326,000 from the General Fund in FY 2023 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2022. *(Please see the ABOR section for more information.)*

Biomedical Research Funding

The budget includes \$3,000,000 from the General Fund in FY 2023 for the Biomedical Research Funding line item. This amount is unchanged from FY 2022.

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).*

Economic Policy Institute

The budget includes \$865,300 from the General Fund in FY 2023 for the Economic Policy Institute line item. FY 2023 adjustments are as follows:

Ongoing Funding

The budget includes an increase of \$365,000 from the General Fund in FY 2023 to provide ongoing support for the Economic Policy Institute.

Remove One-Time Funding

The budget includes a decrease of \$(250,000) from the General Fund in FY 2023 to remove one-time funding for the Economic Policy Institute.

The funding for the Economic Policy Institute is used to support the institute's mission of rural economic development, financial literacy, and entrepreneurialism.

One-Time Funding

The budget includes \$26,000,000 from the General Fund in FY 2023 for one-time funding. FY 2023 adjustments are as follows:

One-Time Operating and Capital Funding

The budget includes an increase of \$26,000,000 from the General Fund in FY 2023 for one-time operating and capital funding. Of this amount, at least \$5,000,000 must be used to expand NAU-Yuma programs.

The budget requires NAU to submit a report on the intended use of the monies to JLBC on or before August 1, 2022. Before spending any monies for capital improvements, NAU is required to submit the scope, purpose and estimated cost to JCCR for review.

NAU - Yuma

The budget includes \$3,119,800 and 37.8 FTE Positions from the General Fund in FY 2023 for NAU-Yuma. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$44,200 from the General Fund in FY 2023 for statewide adjustments.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

Teacher Training

The budget includes \$2,292,700 from the General Fund in FY 2023 for Teacher Training. This amount is unchanged from FY 2022.

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 2023 General Fund budget is \$164,151,500. Of this amount:

- \$126,870,700 is included in NAU's individual section of the FY 2023 General Appropriation Act.
- \$26,000,000 is a one-time appropriation in section 117 of the FY 2023 General Appropriation Act for capital improvements and operating expenditures.
- \$5,301,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$4,845,600 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

- \$1,133,700 is for statewide adjustments.

FTE Positions and the University Collections Fund accounts for the remaining 1,392.7 FTE Positions.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, NAU's General Fund costs are projected to decrease by \$(25,901,700) in FY 2024 below FY 2023 and decrease by \$(318,500) in FY 2025 below FY 2024.

These estimates are based on:

- A decrease of \$(26,000,000) in FY 2024 to remove one-time operating and capital funding.
- An increase of \$1,400 in FY 2024 and a decrease of \$(417,400) in FY 2025 to adjust for university debt service costs.
- Increases of \$96,900 in FY 2024 and \$98,900 in FY 2025 to increase the university's annual Capital Infrastructure Funding appropriation.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2022 General Appropriation Act appropriated \$139,466,800 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 Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2022 to the Joint Legislative Budget Committee in June 2021, and NAU incorporated the adjusted FY 2022 amounts as part of their FY 2023 budget submission. Accordingly, the estimated FY 2022 amount has been adjusted downward by \$(4,483,500) to \$134,983,300.

The FY 2022 FTE Position count has also been adjusted. The FY 2022 General Appropriation Act originally appropriated 2,653.5 FTE Positions in FY 2022 for NAU. The General Fund accounted for 1,064.1 FTE Positions and the University Collections Fund accounted for the remaining 1,589.4 FTE Positions. The estimated number of FY 2022 FTE Positions has been adjusted downward by (34.2) to 2,619.3. The General Fund accounts for 1,226.6

University of Arizona - Main Campus

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,767.2	5,975.5	5,975.5 ^{1/}
Personal Services	307,463,100	303,304,400	303,304,400
Employee Related Expenditures	102,783,100	101,288,000	122,525,400
Professional and Outside Services	9,671,600	10,089,800	10,089,800
Travel - In State	11,200	39,900	39,900
Travel - Out of State	39,500	438,000	438,000
Other Operating Expenditures	61,056,800	43,331,900	47,932,000
Equipment	2,762,900	7,000	7,000
OPERATING SUBTOTAL	483,788,200	458,499,000	484,336,500 ^{2/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	14,251,500	14,248,900	14,252,500 ^{3/}
2017 Capital Infrastructure Funding	10,953,200	11,087,900	11,309,700 ^{4/}
Agriculture	41,325,300	37,317,700	41,281,700
Arizona Cooperative Extension	14,676,400	15,077,000	17,119,900
Arizona Financial Aid Trust	2,729,400	2,729,400	2,729,400
Arizona Geological Survey	948,500	1,148,500	1,148,500 ^{5/}
Center for the Philosophy of Freedom	2,556,800	3,763,700	4,840,000 ^{6/}
College of Veterinary Medicine	0	0	8,000,000 ^{7/}
Kazakhstan Studies Program	0	250,000	250,000 ^{8/}
Mining, Mineral and Natural Resources Educational Museum	428,800	428,800	438,700
Natural Resource Users Law and Policy Center	0	500,000	2,009,500 ^{9/}
School of Mining	0	4,000,000	4,476,000
Sierra Vista Campus	4,361,500	6,277,200	6,638,300
Veterinary Diagnostic Laboratory	0	0	5,000,000 ^{10/}
AGENCY TOTAL	576,019,600	555,328,100	603,830,700 ^{11/12/}
FUND SOURCES			
General Fund	207,722,200	250,739,100	299,423,000 ^{13/14/15/}
<u>Other Appropriated Funds</u>			
University Collections Fund	368,297,400	304,589,000	304,407,700 ^{16/}
SUBTOTAL - Other Appropriated Funds	368,297,400	304,589,000 ^{17/}	304,407,700
SUBTOTAL - Appropriated Funds	576,019,600	555,328,100	603,830,700
Other Non-Appropriated Funds	1,202,283,400	1,431,692,100	1,431,692,100
Federal Funds	219,410,400	225,133,800	225,133,800
TOTAL - ALL SOURCES	1,997,713,400	2,212,154,000	2,260,656,600

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/} Includes 1,297.8 GF and 302.9 OF FTE Positions funded from Special Line Items in FY 2023.
- ^{2/} Of the amount appropriated to the university of Arizona operating budget, \$14,700,000 is onetime funding. On or before September 1, 2022, the university of Arizona shall provide a detailed expenditure plan to the joint legislative budget committee that includes a description of the intended purposes and the estimated costs of each expenditure. (General Appropriation Act footnote)
- ^{3/} A.R.S. § 15-1670 appropriates \$14,252,500 to UA-Main from the General Fund in FY 2023 to finance lease-purchase payments for research infrastructure projects.

- 4/ A.R.S. § 15-1671 appropriates \$11,309,700 to UA-Main from the General Fund in FY 2023 for capital infrastructure projects.
- 5/ 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 Appropriation Act footnote)
- 6/ The appropriated amount for the center for the philosophy of freedom line item may not supplant any existing state funding or private or external donations to the center or the philosophy department of the university of Arizona. The appropriated monies and all private and external donations to the center, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the center and may not be used for indirect costs of the university. On or before October 1, 2022, the center shall submit a report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education committee and the house of representatives education committee and the director of the joint legislative budget committee that includes at least the following information for the center:
1. The total amount of funding received from all sources.
 2. A description of faculty positions and courses offered.
 3. The total undergraduate and graduate student participation.
 4. Significant community events, initiatives or publications.
- The chairpersons of the senate education committee and the house of representatives education committee may request the director of the center to appear before the committees to report on the center's annual achievements. (General Appropriation Act footnote)
- 7/ 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.
 3. With these monies, the proposed number of students who are residents of this state.
 4. With these monies, the proposed number of students who are not residents of this state. (General Appropriation Act footnote)
- 8/ 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 Appropriation Act footnote)
- 9/ 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, with \$500,000 to assist claimants in the general stream adjudication of water rights pursuant to section 15-1647, Arizona Revised Statutes, \$1,000,000 for operational costs of the natural resource users law and policy center and \$450,000 to conduct a statewide survey of species in this state. (General Appropriation Act footnote)
- 10/ The amount appropriated to the veterinary diagnostic laboratory line item shall be used for operating expenditures or capital improvements for the veterinary diagnostic laboratory. Before spending these monies, the university of Arizona shall report to the joint legislative budget committee the intended use of the monies for operating expenditures and to the joint committee on capital review the scope, purpose and estimated cost of the capital improvements. (General Appropriation Act footnote)
- 11/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 12/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 13/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 14/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 15/ The FY 2023 General Fund budget is \$299,423,000. This amount includes \$245,033,200 in UA - Main's individual section of the FY 2023 General Appropriation Act, \$14,252,500 in A.R.S. § 15-1670 lease-purchase appropriations, \$11,309,700 in A.R.S. § 15-1671 capital infrastructure appropriations, and \$28,827,600 is for statewide adjustments.
- 16/ Any unencumbered balances remaining in the university collections fund on June 30, 2022 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 Appropriation Act footnote)

17/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$16,483,100 in FY 2022 for the occurrence of a 27th pay period. Of this amount, \$5,540,800 is from the General Fund and \$10,942,300 is from the University Collections Fund.

Operating Budget

The budget includes \$484,336,500 and 4,374.8 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$192,110,400
University Collections Fund	292,226,100

FY 2023 adjustments are as follows:

Remove FY 2022 One-Time Operating Funding

The budget includes a decrease of \$(9,600,000) from the General Fund in FY 2023 to remove one-time operating funding.

FY 2023 One-Time Operating Funding

The budget includes an increase of \$14,700,000 from the General Fund in FY 2023 for one-time operating funding. The budget requires UA to submit a detailed expenditure plan to JLBC by September 1, 2022 that includes a description of the intended purposes and the estimated costs of each expenditure. The 3-year budget plan also includes \$14,700,000 in one-time funding in FY 2024 and FY 2025.

Remove FY 2022 One-Time Wind Tunnel Funding

The budget includes a decrease of \$(3,500,000) from the General Fund in FY 2023 to remove one-time funding for materials, labor and installation costs related to the research, development and infrastructure upgrades of a hypersonic wind tunnel.

FY 2023 One-Time Wind Tunnel Funding

The budget includes a one-time increase of \$3,000,000 from the General Fund in FY 2023 for materials related to the infrastructure upgrades of a hypersonic wind tunnel.

Statewide Adjustments

The budget includes an increase of \$21,237,500 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	21,411,100
University Collections Fund	(173,600)

(Please see the Agency Detail and Allocations section.)

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 budget includes \$14,252,500 from the General Fund in FY 2023 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2023 adjustments are as follows:

Refinance Adjustment

The budget includes an increase of \$3,600 from the General Fund in FY 2023 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 2023 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, UA has issued \$201,300,000 in COPs.

(Please see the ABOR section for more information.)

2017 Capital Infrastructure Funding

The budget includes \$11,309,700 from the General Fund in FY 2023 for the 2017 Capital Infrastructure Funding line item. FY 2023 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$221,800 from the General Fund in FY 2023 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 2023 General Appropriation 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 2023, from the second quarter of CY 2020 to the second quarter of CY 2021). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Agriculture

The budget includes \$41,281,700 and 1,100.6 FTE Positions in FY 2023 for the Agriculture Programs. These amounts consist of:

General Fund	32,611,900
University Collections Fund	8,669,800

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,964,000 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	3,969,600
University Collections Fund	(5,600)

This line item supports agricultural academic programs in Animal Systems; Environment and Natural Resources; Family, Youth, and Community; Human Nutrition, Food Safety and Health; Marketing, Trade, and Economics; and Plant Systems.

Arizona Cooperative Extension

The budget includes \$17,119,900 and 350.4 FTE Positions from the General Fund in FY 2023 for the Arizona Cooperative Extension. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,042,900 from the General Fund in FY 2023 for statewide adjustments.

The FY 2022 budget included a one-time increase of \$500,000 from the General Fund in FY 2022 to provide funding for the Agriculture Workforce Development Program. The 3-year budget plan also included \$500,000 in one-time funding in FY 2023. This funding will be removed in FY 2024.

Laws 2021, Chapter 410 established the program to provide reimbursement to food-producing organizations for the costs of hiring apprentices. UA is required to submit a report to the Governor, Speaker of the House of Representatives, and the Senate President on December 1 of each year regarding the effectiveness of the program.

This line item supports Agriculture Experiment Stations and Cooperative Extension services that provide non-credit community outreach seminars and youth programs throughout the state.

Arizona Financial Aid Trust

The budget includes \$2,729,400 from the General Fund in FY 2023 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2022. *(Please see the ABOR section for more information).*

Arizona Geological Survey

The budget includes \$1,148,500 from the General Fund in FY 2023 for the Arizona Geological Survey. These amounts are unchanged from FY 2022.

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.

Center for the Philosophy of Freedom

The budget includes \$4,840,000 and 41.2 FTE Positions from the General Fund in FY 2023 for the Center for the Philosophy of Freedom (CPF). FY 2023 adjustments are as follows:

Ongoing Funding

The budget includes an increase of \$1,830,900 from the General Fund in FY 2023 for ongoing funding for the CPF.

Remove One-Time Funding

The budget includes a decrease of \$(1,250,000) from the General Fund in FY 2023 to remove one-time CPF funding.

Statewide Adjustments

The budget includes an increase of \$495,400 from the General Fund in FY 2023 for statewide adjustments.

This line item supports the CPF, which is within the UA Department of Political Economy and Moral Science. The CPF's functions include publishing research, undergraduate education, graduate education, and community outreach.

College of Veterinary Medicine

The budget includes \$8,000,000 from the General Fund in FY 2023 for the College of Veterinary Medicine. FY 2023 adjustments are as follows:

Ongoing Funding

The budget includes an increase of \$8,000,000 from the General Fund in FY 2023 for the College of Veterinary Medicine. The funding is intended to increase the number of students that are Arizona residents enrolled in the college. The budget requires UA to submit a report to JLBC before spending the monies that includes the current split between resident and non-resident students and the proposed split using this appropriation.

Kazakhstan Studies Program

The budget includes \$250,000 from the General Fund in FY 2023 for the Kazakhstan Studies Program. FY 2023 adjustments are as follows:

Ongoing Funding

The budget includes an increase of \$250,000 from the General Fund in FY 2023 to provide ongoing support for the Kazakhstan Studies Program.

Remove One-Time Funding

The budget includes a decrease of \$(250,000) from the General Fund in FY 2023 to remove one-time funding for the Kazakhstan Studies Program.

The budget requires monies in this line item to be used to facilitate academic exchanges between university students and academic institutions in Kazakhstan.

Mining, Mineral and Natural Resources Educational Museum

The budget includes \$438,700 and 1 FTE Position from the General Fund in FY 2023 for the Mining, Mineral, and Natural Resources Educational Museum. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$9,900 from the General Fund in FY 2023 for statewide adjustments.

This line item funds a curator and monies that will be used by the University to pay for repairs to the building.

As session law, the FY 2023 Higher Education BRB re-directs ADOA to convey the Mining, Mineral and Natural Resources Museum to the University of Arizona. As directed by Laws 2017, Chapter 221, ADOA previously

conveyed the museum to UA. However, the deed stipulated that the museum revert back to ADOA if the museum did not open to the public by June 15, 2022. The museum did not open to the public by this date. Following the conveyance and reversion of the museum, the FY 2023 Higher Education BRB re-directs ADOA to convey the museum to UA.

In addition to monies in this line item, the FY 2023 Capital Outlay Bill appropriates \$12,000,000 from the General Fund in FY 2023 to ABOR for one-time capital improvements to the museum. The bill requires ABOR to distribute these monies to UA. *(Please see the Capital Outlay – ABOR section additional information.)*

Natural Resource Users Law and Policy Center

The budget includes \$2,009,500 and 5.4 FTE Positions from the General Fund in FY 2023 for the Natural Resource Users Law and Policy Center. FY 2023 adjustments are as follows:

Ongoing Funding

The budget includes an increase of \$1,000,000 from the General Fund in FY 2023 for operational costs of the natural resource users law and policy center.

One-Time Endangered Species Study Funding

The budget includes an increase of \$450,000 from the General Fund in FY 2023 to conduct a statewide survey of species.

Statewide Adjustments

The budget includes an increase of \$59,500 from the General Fund in FY 2023 for statewide adjustments.

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 budget includes \$4,476,000 and 18.2 FTE Positions from the General Fund in FY 2023 for the School of Mining. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$476,000 from the General Fund in FY 2023 for statewide adjustments.

This line item provides operating funding for the UA School of Mining.

Sierra Vista Campus

The budget includes \$6,638,300 and 83.9 FTE Positions in FY 2023 for the Sierra Vista Campus. These amounts consist of:

General Fund	3,126,500
University Collections Fund	3,511,800

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$361,100 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	363,200
University Collections Fund	(2,100)

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 budget includes \$5,000,000 from the General Fund in FY 2023 for the Veterinary Diagnostic Laboratory. FY 2023 adjustments are as follows:

Veterinary Diagnostic Laboratory Funding

The budget includes an increase of \$5,000,000 from the General Fund in FY 2023 for operating expenditures or capital improvements for the Veterinary Diagnostic Laboratory. Of this amount, \$2,500,000 is ongoing and \$2,500,000 is one-time funding. The budget requires UA to submit a report to JLBC before spending the monies on the intended use of the monies for operating expenditures. Before spending any monies on capital improvements, UA is required to submit the scope, purpose and estimated cost to JCCR for review.

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 2023 General Fund budget is \$299,423,000. Of this amount:

- \$245,033,200 would be included in UA - Main's individual section of the FY 2023 General Appropriation Act.
- \$14,252,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$11,309,700 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- \$28,827,600 is for statewide adjustments.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, UA - Main's General Fund costs are projected to decrease by \$(6,221,000) in FY 2024 below FY 2023, and increase by \$222,700 in FY 2025 above FY 2024.

These estimates are based on:

- A \$(500,000) decrease in FY 2024 to remove one-time funding for the Agriculture Workforce Development Program.
- A \$(3,000,000) decrease in FY 2024 to remove one-time funding for wind tunnel upgrades.
- A \$(450,000) decrease in FY 2024 to remove one-time funding for the endangered species study.
- A \$(2,500,000) decrease in FY 2024 to remove one-time funding for the Veterinary Diagnostic Laboratory.
- A \$2,800 increase in FY 2024 and a \$(8,000) decrease in FY 2025 to adjust for university debt service costs.
- Increases of \$226,200 in FY 2024 and \$230,700 in FY 2025 to increase the university's annual Capital Infrastructure Funding.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2022 General Appropriation Act appropriated \$317,757,200 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 Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2022 to the Joint Legislative Budget Committee in June 2021, and UA incorporated the adjusted FY 2022 amounts as part of their FY 2023 budget

submission. Accordingly, the estimated FY 2022 amount has been adjusted downward by \$(13,168,200) to \$304,589,000.

The FY 2022 FTE Position count has also been adjusted. The FY 2022 General Appropriation Act originally appropriated 5,769.2 FTE Positions in FY 2022 for UA - Main. The General Fund accounted for 2,619.8 FTE Positions and the University Collections Fund accounted for the remaining 3,149.4 FTE Positions. The estimated number of FY 2022 FTE Positions has been adjusted by 206.3 to 5,975.5. The General Fund accounts for 2,884.4 FTE Positions and the University Collections Fund accounts for the remaining 3,091.1 FTE Positions.

University of Arizona - Health Sciences Center

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,308.8	1,268.7	1,268.7 ^{1/}
Personal Services	47,011,600	56,320,500	56,320,500
Employee Related Expenditures	14,784,700	17,707,500	17,707,500
Professional and Outside Services	675,100	568,500	568,500
Travel - In State	2,800	21,000	21,000
Travel - Out of State	3,400	67,400	67,400
Other Operating Expenditures	4,556,300	11,770,800	11,770,800
Equipment	243,200	0	0
OPERATING SUBTOTAL	67,277,100	86,455,700	86,455,700 ^{2/}
SPECIAL LINE ITEMS			
Clinical Rural Rotation	353,600	353,600	353,600
Clinical Teaching Support	8,587,000	8,587,000	8,587,000
Liver Research Institute	440,400	440,400	440,400
Phoenix Medical Campus	35,343,300	35,754,300	35,754,300
Telemedicine Network	1,670,000	1,670,000	1,670,000
AGENCY TOTAL	113,671,400	133,261,000	133,261,000 ^{3/4/}
FUND SOURCES			
General Fund	76,897,700	76,897,700	76,897,700 ^{5/6/}
<u>Other Appropriated Funds</u>			
University Collections Fund	36,773,700	56,363,300	56,363,300 ^{7/}
SUBTOTAL - Other Appropriated Funds	36,773,700	56,363,300	56,363,300
SUBTOTAL - Appropriated Funds	113,671,400	133,261,000 ^{3/}	133,261,000
Other Non-Appropriated Funds	328,851,500	373,452,800	373,452,800
Federal Funds	187,494,600	191,643,000	191,643,000
TOTAL - ALL SOURCES	630,017,500	698,356,800	698,356,800

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/} Includes 409.4 GF and 95.1 OF FTE Positions funded from Special Line Items in FY 2023.
- ^{2/} 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 Appropriation Act footnote)
- ^{3/} Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- ^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{5/} The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- ^{6/} The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- ^{7/} Any unencumbered balances remaining in the university collections fund on June 30, 2022 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 Appropriation Act footnote)

8/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$4,271,800 in FY 2022 for the occurrence of a 27th pay period. Of this amount, \$2,456,800 is from the General Fund and \$1,815,000 is from the University Collections Fund.

Operating Budget

The budget includes \$86,455,700 and 764.2 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<u>FY 2023</u>
General Fund	\$42,576,900
University Collections Fund	43,878,800

These amounts are unchanged from FY 2022.

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 budget includes \$353,600 and 5.9 FTE Positions from the General Fund in FY 2023 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2022.

This line item funds the Rural Health Professions Program, which enables nurse practitioner, medical, and pharmacy students to plan and complete clinical practice rotations in rural and medically under-served sites throughout the state.

Clinical Teaching Support

The budget includes \$8,587,000 and 205.2 FTE Positions from the General Fund in FY 2023 for Clinical Teaching Support. These amounts are unchanged from FY 2022.

Clinical Teaching Support provides hospital training, through internships and residencies, for medical, nursing, clinical, and other health students in a wide variety of specialty areas. Students fill all the above-mentioned FTE Positions.

Liver Research Institute

The budget includes \$440,400 and 6.3 FTE Positions from the General Fund in FY 2023 for the Liver Research Institute. These amounts are unchanged from FY 2022.

The Liver Research Institute conducts clinical studies on all liver diseases, focusing on chemical and natural agents that may offer a cure for such ailments. The line item also supports a research development program that actively pursues outside grants and donations.

Phoenix Medical Campus

The budget includes \$35,754,300 and 272.4 FTE Positions in FY 2023 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	23,269,800
University Collections Fund	12,484,500

These amounts are unchanged from FY 2022.

Telemedicine Network

The budget includes \$1,670,000 and 14.7 FTE Positions from the General Fund in FY 2023 for the Telemedicine Network. These amounts are unchanged from FY 2022.

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 2022 General Appropriation Act appropriated \$56,863,400 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 Appropriation Act includes a footnote permitting the universities to

expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2022 to the Joint Legislative Budget Committee in June 2021, and UA incorporated the adjusted FY 2022 amounts as part of their FY 2023 budget submission. Accordingly, the estimated FY 2022 amount has been adjusted downward by \$(500,100) to \$56,363,300.

The FY 2022 FTE Position count has also been adjusted. The FY 2022 General Appropriations Act originally appropriated 1,308.8 FTE Positions in FY 2022 for the UA - HSC. The General Fund accounted for 784.1 FTE Positions and the University Collections Fund accounted for the remaining 524.7 FTE Positions. The estimated number of FY 2022 FTE Positions has been adjusted by (40.1) to 1,268.7. The General Fund accounts for 785.7 FTE Positions and the University Collections Fund accounts for the remaining 483 FTE Positions.

Department of Veterans' Services

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	760.3	772.3	792.3 ^{1/}
Personal Services	1,415,000	1,197,500	1,197,500
Employee Related Expenditures	500,900	459,300	504,600
Professional and Outside Services	6,000	5,900	5,900
Travel - In State	14,600	14,400	14,400
Travel - Out of State	1,100	1,100	1,100
Other Operating Expenditures	391,000	629,200	661,500
Equipment	72,700	56,600	56,600
OPERATING SUBTOTAL	2,401,300	2,364,000	2,441,600
SPECIAL LINE ITEMS			
Arizona State Veterans' Cemeteries	955,900	941,600	962,500
Arizona State Veterans' Homes	35,994,700	50,519,000	58,148,700
Hyperbaric Oxygen Therapy for Military Veterans Fund Deposit	0	0	0 ^{2/}
Hyperbaric Oxygen Therapy Reimbursement	0	0	25,000 ^{3/}
Veterans' Benefit Counseling	2,542,600	3,643,800	3,685,700
Veterans' Support Services	931,400	1,226,100	1,226,100 ^{4/}
Veterans' Suicide Prevention	0	0	0 ^{5/}
Veterans' Trauma Treatment Services	0	450,000	450,000 ^{6/}
Veteran Service Officers	0	0	2,200,000 ^{7/}
Tribal Ceremonies	0	0	1,000,000 ^{8/}
FY 2023 Salary Increase	0	0	2,894,100
AGENCY TOTAL	42,825,900	59,144,500	73,033,700 ^{9/}
FUND SOURCES			
General Fund	6,831,200	8,625,500	12,449,200
<u>Other Appropriated Funds</u>			
Hyperbaric Oxygen Therapy for Military Veterans Fund	0	0	25,000
State Homes for Veterans' Trust Fund	35,994,700	50,519,000	60,559,500
SUBTOTAL - Other Appropriated Funds	35,994,700	50,519,000	60,584,500
SUBTOTAL - Appropriated Funds	42,825,900	59,144,500	73,033,700
Other Non-Appropriated Funds	4,391,700	2,950,400	2,950,400
Federal Funds	12,732,700	21,641,800	21,641,800
TOTAL - ALL SOURCES	59,950,300	83,736,700	97,625,900

AGENCY DESCRIPTION — The agency supervises and operates 2 skilled nursing homes for Arizona veterans in Phoenix and Tucson, assists veterans in developing and filing claims for federal entitlements, and operates 3 veterans' memorial cemeteries in Sierra Vista, Marana, and Flagstaff.

FOOTNOTES

- ^{1/} Includes 101.5 GF and 644 OF FTE Positions funded from Special Line Items in FY 2023.
- ^{2/} The General Appropriation Act, as originally passed, included \$3,640,000 from the General Fund in FY 2023 for the Hyperbaric Oxygen Therapy for Military Veterans Fund Deposit Special Line Item. This amount was line item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.
- ^{3/} Laws 2018, Chapter 98 established the Hyperbaric Oxygen Therapy for Military Veterans Fund and made an initial deposit of \$25,000 from the General Fund. Chapter 98 advanced appropriated \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund to the General Fund in FY 2023 for reimbursement.
- ^{4/} 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 Appropriation Act footnote)

- 5/ Laws 2021, Chapter 408 appropriated \$100,000 from the Veterans' Income Tax Settlement Fund in FY 2021 for veteran suicide prevention. The appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. At the time of this publication, the appropriation had not been spent.
- 6/ 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 Appropriation Act footnote)
- 7/ A. The sum of \$2,200,000 and 20 FTE positions are appropriated from the state general fund in fiscal year 2022-2023 to the department of veterans' services to hire veteran service 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.
B. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. (General Appropriation Act footnote)
- 8/ A. The sum of \$1,000,000 is appropriated from the state general fund in fiscal year 2022-2023 to the department of veterans' services to distribute to Indian tribes located in this state to conduct tribal ceremonies for tribal members who are discharged from the military, including those diagnosed with post-traumatic stress disorder.
B. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. (General Appropriation Act footnote)
- 9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,441,600 and 46.8 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$77,600 from the General Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section).

Arizona State Veterans' Cemeteries

The budget includes \$962,500 and 12.5 FTE Positions from the General Fund in FY 2023 for the Arizona State Veterans' Cemeteries. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$20,900 from the General Fund in FY 2023 for statewide adjustments.

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 Bellmont. The department also receives interment fees from the federal government, which are deposited into the non-appropriated Arizona State Veterans' Cemetery Trust Fund.

Arizona State Veterans' Homes

The budget includes \$58,148,700 and 644 FTE Positions from the State Homes for Veterans' Trust Fund in FY 2023 for the Arizona State Veterans' Homes. FY 2023 adjustments are as follows:

Nurse Hiring Incentives

The budget includes an increase of \$731,300 from the State Homes for Veterans' Trust Fund in FY 2023 for nurse hiring incentives. This consists of a \$5,000 hiring bonus paid in increments throughout the first year of employment, and a \$6,000 retention bonus paid in increments through the end of FY 2023 for continuous employment.

Operating Costs for New Veterans' Homes

The budget includes an increase of \$5,761,600 from the State Homes for Veterans' Trust Fund in FY 2023 to further annualize the operating costs of newly constructed homes in Yuma and Flagstaff. The FY 2021 and FY 2022 budgets previously appropriated \$13,264,200 in initial operating costs, for total operating costs of \$19,025,800. Construction of these homes is scheduled for completion in the second half of 2022.

Statewide Adjustments

The budget includes an increase of \$1,136,800 from the State Homes for Veterans' Trust Fund in FY 2023 for statewide adjustments.

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 Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.

ADVS operates the Phoenix Veterans' Home, a 200-bed facility currently serving 80 individuals. The Tucson Veterans' Home currently serves 85 individuals and has a 120-bed capacity. Additional homes in Flagstaff and Yuma are currently under construction.

In addition to monies in this line item, the 3-year budget plan includes a one-time allocation of \$19,600,000 from monies received by the state through the American Rescue Plan Act (ARPA) to address a shortfall in the State Homes for Veterans' Trust Fund. The department reports that occupancy rates in the Phoenix and Tucson homes have declined during the COVID-19 pandemic, and construction of the Flagstaff and Yuma homes experienced delays. This resulted in expenditures that exceed available revenues in the fund. The \$19,600,000 ARPA allocation was not appropriated in the FY 2023 General Appropriation Act, as the Executive is responsible for distributing these funds.

Hyperbaric Oxygen Therapy for Military Veterans Fund Deposit

The General Appropriation Act, as originally passed, included \$3,640,000 from the General Fund for a Hyperbaric Oxygen Therapy for Military Veterans Fund Deposit in FY 2023. This amount was line item vetoed by the Governor.

The monies in this line item would have been used to provide financial assistance to veterans for hyperbaric oxygen therapy treatment.

Hyperbaric Oxygen Therapy Reimbursement

The budget includes \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund in FY 2023 for Hyperbaric Oxygen Therapy Reimbursement. FY 2023 adjustments are as follows:

General Fund Reimbursement

The budget includes an increase of \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund in FY 2023 for deposit to the General Fund.

Laws 2018, Chapter 98 created the Hyperbaric Oxygen Therapy for Military Veterans Fund and made an initial deposit of \$25,000 from the General Fund. The bill required an advisory committee to provide financial assistance from the fund to veterans for hyperbaric oxygen therapy. The Department of Veterans' Services may seek reimbursement to the fund if the therapy is fully or partially covered by private insurance.

Chapter 98 advanced appropriated \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund to the General Fund in FY 2023. As a result, this funding does not appear in the FY 2023 General Appropriation Act.

Veterans' Benefit Counseling

The budget includes \$3,685,700 and 69 FTE Positions from the General Fund in FY 2023 for Veterans' Benefit Counseling. FY 2023 adjustments are as follows:

Remove One-Time Equipment Funding

The budget includes a decrease of \$(42,000) from the General Fund in FY 2023 to remove one-time equipment funding associated with hiring additional benefit counselors.

Statewide Adjustments

The budget includes an increase of \$83,900 from the General Fund in FY 2023 for statewide adjustments.

The monies in this line item are used to assist Arizona veterans with questions about benefit eligibility, completion and filing of U.S. Department of Veterans Affairs claims, and in obtaining earned benefits.

Veterans' Support Services

The budget includes \$1,226,100 from the General Fund in FY 2023 for Veterans' Support Services. These amounts are unchanged from FY 2022.

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 budget includes \$450,000 from the General Fund in FY 2023 for Veterans' Trauma Treatment Services. This amount is unchanged from FY 2022.

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 Service Officers

The budget includes \$2,200,000 and 20 FTE Positions from the General Fund in FY 2023 for Veteran Service Officers. FY 2023 adjustments are as follows:

New Program

The budget includes an increase of \$2,200,000 and 20 FTE Positions from the General Fund in FY 2023 to fund new Veteran Service Officers. The budget requires the department to hire the officers to provide services for tribal nation communities located 100 miles or more from the nearest U.S. Department of Veterans' Affairs service center. The monies are appropriated as non-lapsing.

Tribal Ceremonies

The budget includes \$1,000,000 from the General Fund in FY 2023 for Tribal Ceremonies. FY 2023 adjustments are as follows:

New Program

The budget includes an increase of \$1,000,000 from the General Fund in FY 2023 for one-time funding for tribal ceremonies. The budget requires the department to distribute the monies to Indian tribes to conduct ceremonies for tribal members who are discharged from the military, including members diagnosed with PTSD. The monies are appropriated as non-lapsing.

FY 2023 Salary Increase

The budget includes an increase of \$2,894,100 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

	FY 2023
General Fund	\$483,300
State Homes for Veterans' Trust Fund	2,410,800

These amounts fund a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section).*

Other Issues

Northwestern Veterans' Home

The FY 2022 budget included \$25,000,000 from the General Fund for the construction and establishment of a veterans' home facility in the Northwestern portion of Arizona.

The Department of Veterans' Services is required to submit the proposed site location to the Arizona Veterans' Service Advisory Commission for approval. As of the quarterly meeting in October 2021, the department has not selected a location.

Auditor General Report

In August 2021, the Auditor General published a Department of Veterans' Services and Veterans Services Advisory Commission performance audit and sunset review that included recommendations for improving the department's policies and procedures.

Based on findings that the department did not comply with statutory requirements for awarding and monitoring grants from the Veterans' Donations Fund, the audit recommended that the department work to ensure

grantees provide required deliverables and return unexpended monies at the end of grant projects.

The audit also found that ADVS did not collect \$45,000 in owed revenue from a contractor for veterans' benefits services. The Auditor General recommends that ADVS collect their owed revenue, review the ongoing need for the contract, and establish a process for collecting future payments.

In addition, the audit found that the department had not spent \$43,000 in Gold Start Family license plate fee revenues for maintenance of the Enduring Freedom Memorial pursuant to A.R.S. § 41-1363 and made other recommendations for compliance with requirements for IT security procedures, open meeting laws, conflict-of-interest procedures, and resolving Veterans' Homes resident grievances.

In its response to the audit, ADVS agreed with the findings and plans to implement all recommendations.

Arizona State Veterinary Medical Examining Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	7.0
Personal Services	269,800	360,200	466,900
Employee Related Expenditures	81,500	114,400	148,500
Professional and Outside Services	42,900	32,200	32,200
Travel - In State	800	6,500	6,500
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	122,100	84,000	111,900
Equipment	8,700	3,000	3,000
AGENCY TOTAL	525,800	601,800	770,500^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Veterinary Medical Examining Board Fund	525,800	601,800	770,500
SUBTOTAL - Other Appropriated Funds	525,800	601,800	770,500
SUBTOTAL - Appropriated Funds	525,800	601,800	770,500
TOTAL - ALL SOURCES	525,800	601,800	770,500

AGENCY DESCRIPTION — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$770,500 and 7 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Compliance Inspector

The budget includes an increase of \$88,000 and 1 FTE Position from the Veterinary Medical Examining Board Fund in FY 2023 for an additional compliance inspector to assist the board in addressing a backlog of premise inspections.

E-licensing

The budget includes an increase of \$24,800 from the Veterinary Medical Examining Board Fund in FY 2023 for the costs associated with migrating to and maintaining an e-licensing application.

Salary Increase

The budget includes an increase of \$44,600 from the Veterinary Medical Examining Board Fund in FY 2023 for a statewide employee salary increase. This amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section).

Statewide Adjustments

The budget includes an increase of \$11,300 from the Veterinary Medical Examining Board Fund in FY 2023 for statewide adjustments. (Please see the Agency Detail and Allocations section).

Water Infrastructure Finance Authority

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
SPECIAL LINE ITEMS			
Eastern Arizona Water Projects Assistance Grants	0	5,000,000	10,000,000 ^{1/2/3/}
Long-Term Water Augmentation Fund Deposit	0	0	0 ^{4/}
Small Drinking Water Systems Fund Deposit	0	1,000,000	0
Water Supply Development Revolving Fund Deposit	40,000,000	6,000,000	0
AGENCY TOTAL	40,000,000	12,000,000	10,000,000 ^{5/}
FUND SOURCES			
General Fund	40,000,000	12,000,000	10,000,000
SUBTOTAL - Appropriated Funds	40,000,000	12,000,000	10,000,000
Other Non-Appropriated Funds	190,894,400	107,272,900	107,248,100
Federal Funds	30,650,000	32,039,500	32,039,500
TOTAL - ALL SOURCES	261,544,400	151,312,400	149,287,600

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, Long-Term Water Augmentation Committee. Prior to FY 2023, WIFA was operationally located within the Office of Economic Opportunity.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Of the amount appropriated to the eastern Arizona water projects assistance grants line item, \$6,000,000 is allocated to provide financial assistance to cities and towns that provide water in Navajo and Apache counties to contract for services of outside advisors, attorneys, consultants and aides that are reasonably necessary or desirable to enable the cities and towns to adequately perform their duties. The water infrastructure finance authority of Arizona shall develop a separate grant program to distribute these monies to qualified entities on or before June 30, 2023. (General Appropriation Act footnote)
- 3/ Of the amount appropriated to the eastern Arizona water projects assistance grants line item, \$4,000,000 is allocated to provide financial assistance to irrigation districts in Cochise and Graham counties to contract for services of outside advisors, attorneys, consultants and aides that are reasonably necessary or desirable to enable the irrigation districts to adequately perform their duties. Each county shall receive a \$2,000,000 allocation. The water infrastructure finance authority of Arizona shall develop a separate grant program to distribute these monies to qualified entities on or before June 30, 2023. (General Appropriation Act footnote)
- 4/ In addition to the appropriated amounts, Laws 2022, Chapter 366 transferred \$334,000,000 from a diversion of the state's share of Transition Privileges Tax for deposit to the Long-Term Water Augmentation Fund.
- 5/ General Appropriation Act funds are appropriated by Special Line Items by Agency.

Eastern Arizona Water Projects Assistance Grants

The budget includes \$10,000,000 from the General Fund in FY 2023 for Eastern Arizona Water Projects Assistance Grants. FY 2023 adjustments are as follows:

Fund One-Time Water Projects Assistance Grants

The budget includes an increase of \$10,000,000 from the General Fund in FY 2023 for one-time funding for Eastern

Arizona water project assistance grants. These monies are to be allocated as follows: 1) \$6,000,000 to cities and towns in Navajo and Apache Counties; 2) \$4,000,000 to irrigation districts in Cochise and Graham Counties with \$2,000,000 allocated for each county.

Remove One-Time Water Projects Assistance Grants

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2023 to remove funding for one-time grants to support water projects included in the FY 2022

budget. These monies were to be allocated as follows: 1) \$3,000,000 to cities and towns in Navajo and Apache Counties; 2) \$2,000,000 to irrigation districts in Cochise and Graham Counties with \$1,000,000 allocated for each county.

Monies in this line item are for grants to be used to contract for services of outside advisors, attorneys, consultants and aides that are reasonably necessary or desirable to enable the relevant entity to adequately perform their duties. For the FY 2022 budget, this line item was named Water Projects Assistance Grants.

Long-Term Water Augmentation Fund Deposit

Laws 2022, Chapter 366 includes \$334,000,000 from a diversion from the state's General Fund portion of the Transaction Privilege Tax (TPT) revenue in FY 2023 for a one-time deposit in the newly-created non-appropriated Long-Term Water Augmentation Fund (LTWAF).

The \$334,000,000 TPT diversion in FY 2023 is the first year of a 3-year commitment for total deposits of \$1,000,000,000 to the LTWAF for the purposes of augmenting Arizona's long-term water supply. Laws 2022, Chapter 366 includes advance appropriations directly from the General Fund of \$333,000,000 in FY 2024 and \$333,000,000 in FY 2025 for deposit into the fund. For these monies deposited in FY 2023, FY 2024, and FY 2025, 75% is reserved for 1 or more projects that import water from outside of Arizona.

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 under statute for this fund is a water provider or any city, town, county, district, commission, authority or other public entity organized under the state's statutes or under a voter-approved charter or initiative. The fund may be used for administrative costs, but expenditures are limited to funding no more than 10 FTE Positions for the Authority. The Water Infrastructure Finance Authority Board will approve funding requests from this fund and will receive recommendations regarding funding applications from a newly created WIFA subcommittee, the Long-Term Water Augmentation Committee. Awards of more than \$50,000,000 from the fund are required to be reviewed by the Joint Legislative Water Committee.

Small Drinking Water Systems Fund Deposit

The budget includes no funding from the General Fund in FY 2023 for the Small Drinking Water Systems Fund Deposit line item. FY 2023 adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2023 to remove funding for the one-time deposit to the Small Drinking Water Systems Fund. The fund provides grants to small drinking water systems to repair, replace, or upgrade water infrastructure. Eligible infrastructure projects must be used to deliver drinking water to 10,000 or fewer people. An FY 2022 General Appropriation Act footnote requires WIFA to report the previous fiscal year's Small Drinking Water Systems Fund expenditures to JLBC by December 31 of 2021, 2022, and 2023.

Water Supply Development Revolving Fund Deposit

The budget includes no funding from the General Fund in FY 2023 for the Water Supply Development Revolving Fund Deposit line item. FY 2023 adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of \$(6,000,000) from the General Fund in FY 2023 to remove funding for the one-time deposit to the Water Supply Development Revolving Fund.

The fund is used for providing financial assistance to eligible entities in Arizona, particularly in rural areas, lacking enough water supplies to meet their long-term water demands. Monies are to be used for loans and grants for water supply development projects as well as conducting water supply studies, refinancing of debt of water providers at or below market rate and providing financial assistance to water providers with bonding authority. Laws 2022, Chapter 366 changed the fund's eligible applicants for grants and loans from "water providers" to "eligible entities". As defined for the Water Supply Development Fund statutes, an eligible entity includes a water provider that distributes or sells water outside of the AMAs in Maricopa, Pima and Pinal Counties, or any city, town, county, district, commission, authority or other public entity organized under the state's statutes or under a voter-approved charter or initiative outside of the AMAs in Maricopa, Pima and Pinal Counties. The Water Infrastructure Finance Authority Board will approve funding requests from this fund and will receive recommendations from a newly created WIFA subcommittee, the Water Supply Development Committee.

The FY 2022 budget included a General Fund deposit of \$40,000,000 to the Water Supply Development Revolving Fund as a FY 2021 supplemental. Prior to the FY 2021 and FY 2022 deposits, the fund has received appropriations, but those funding allocations were ultimately rescinded, and no monies were expended from the fund. An FY 2022 General Appropriation Act footnote for the FY 2021 deposit requires the monies to be used for projects that are allocated throughout all regions of this state and outside of Active Management Areas, and limits the amount allocated to each project at \$1,000,000. Laws 2022, Chapter 366 repealed these budget footnote requirements regarding expenditures from the \$40,000,000 and made these funds subject to the fund's regular statutory requirements. Laws 2022, Chapter 63 established the maximum single grant under the fund's statutory requirements at \$250,000. Laws 2022, Chapter 366 increases the maximum for a single grant from \$250,000 to \$2,000,000, and also adds a provision that a loan for a project shall not exceed \$3,000,000.

Other Issues

Laws 2022, Chapter 366

Prior to the 2022 session, WIFA was operationally located within the Office of Economic Opportunity (OEO). Laws 2016, Chapter 372 established the Office of Economic Opportunity and the Arizona Finance Authority (AFA). The AFA board served as the WIFA board for the state's water infrastructure programs (Arizona's federal Safe Drinking Water State Revolving Fund Program and Clean Water State Revolving Fund Program). The AFA board was supported by an appointed WIFA advisory board. *(For additional information on the history of WIFA and associated funds, please see the Water Infrastructure Finance Authority narrative in the FY 2022 Appropriations Report and the Office of Economic Opportunity narrative in the FY 2017 Appropriations Report.)*

Laws 2022, Chapter 366 transfers the powers and duties for the state's water infrastructure programs from the AFA board to a new WIFA Board of Directors. The board will be comprised of 9 appointed voting members and an additional 9 non-voting members that are legislative leaders and agency heads designated in statute. The legislation establishes 2 new WIFA subcommittees, named the Long-Term Water Augmentation Committee and the Water Supply Development Revolving Fund Committee, to make recommendations to the full WIFA Board of Directors on applications for financial assistance from the associated funds. Chapter 366 also creates 2 Advisory Committees: the Water Conservation Grant Fund Committee will provide recommendations regarding a

new fund of the same name and the Federal Waters Programs Committee will advise the WIFA Board regarding applications related to the Safe Drinking Water Revolving Fund Program, the Clean Water State Revolving Fund Program and the Hardship Grant Fund Program.

Beyond the governance changes, Laws 2022, Chapter 366 made additional changes to the board's funds and authorities. These changes include:

- Establishes 2 new funds: the Long-Term Water Augmentation Fund and the Water Conservation Grant Fund.
- Includes \$1,000,000,000 in deposits to the Long-Term Water Augmentation Fund over 3-years as discussed in the Long-Term Water Augmentation line item.
- Establishes a 9-member Joint Legislative Water Committee to review awards of \$50,000,000 or more from the Long-Term Water Augmentation Fund.
- Expands the board's authorities to include developing strategies to conserve water, improve the efficiency and reuse of current water resources, and augment existing water resources with renewable supplies and taking a security interest in, planning, constructing, and acquiring water-related facilities.
- Makes additional statutory changes relating to the processes for evaluating applications for financial assistance and loans from WIFA's existing and newly created funds, and the terms of bonds or public-private agreements.

Laws 2022, Chapter 366 made additional changes to the state's water funding allocations:

- Repeals the Drought Mitigation Board and Drought Mitigation Fund. The FY 2022 Environment BRB created the Drought Mitigation Board and Drought Mitigation Fund. The Board did not meet in FY 2022.
- Transfers the remaining funds from the Drought Mitigation Fund as follows: 1) \$10,000,000 to the DWR Arizona System Conservation Fund; and 2) any remaining monies from the Drought Mitigation Fund to the Water Supply Development Revolving Fund. The FY 2022 General Appropriation Act included a FY 2021 supplemental of \$160,000,000 from the General Fund that was deposited to the Drought Mitigation Fund to support water projects. Given that the Drought Mitigation Board did not award grants or loans, we expect a substantial portion of this \$160,000,000 deposit will be transferred to the Water Supply Development Revolving Fund.
- Appropriates \$3,500,000 of ongoing funding to the Department of Water Resources for an annual water supply and demand assessment of at least 6 groundwater basins each year.

Department of Water Resources

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	145.0	145.0	149.0 ^{1/}
Personal Services	6,030,400	7,389,700	7,454,700
Employee Related Expenditures	2,254,400	2,998,100	3,315,800
Professional and Outside Services	116,700	172,500	172,500
Travel - In State	53,800	88,000	88,000
Travel - Out of State	1,700	5,200	5,200
Other Operating Expenditures	1,863,400	2,283,500	3,081,300
Equipment	76,000	136,000	136,000
OPERATING SUBTOTAL	10,396,400	13,073,000	14,253,500
SPECIAL LINE ITEMS			
Agua Fria Flood Insurance Study	0	350,000	0
Adjudication Support	1,811,900	1,757,300	1,806,600 ^{2/}
Assured and Adequate Water Supply Administration	2,011,100	2,006,400	2,378,400 ^{3/}
Automated Groundwater Monitoring	301,200	410,400	418,600
Arizona Water Protection Fund Deposit	250,000	1,250,000	1,250,000
Colorado River Legal Expenses	215,500	500,000	500,000 ^{4/5/}
Conservation and Drought Program	412,100	414,600	425,300
New River Flood Insurance Study	0	0	350,000 ^{6/}
Rural Water Studies	1,163,100	1,169,300	1,193,500 ^{7/}
Water Supply and Demand Assessment	0	0	3,500,000 ^{8/}
FY 2023 Salary Increase	0	0	1,306,300
AGENCY TOTAL	16,561,300	20,931,000	27,382,200 ^{9/}
FUND SOURCES			
General Fund	14,467,700	18,424,400	25,364,500
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	1,120,800	1,219,100	0
Assured and Adequate Water Supply Administration Fund	213,100	268,100	291,200
Water Resources Fund	759,700	1,019,400	1,726,500
SUBTOTAL - Other Appropriated Funds	2,093,600	2,506,600	2,017,700
SUBTOTAL - Appropriated Funds	16,561,300	20,931,000	27,382,200
Other Non-Appropriated Funds	10,469,600	11,166,700	8,597,100
Federal Funds	379,200	379,500	379,500
TOTAL - ALL SOURCES	27,410,100	32,477,200	36,358,800

AGENCY DESCRIPTION — The Department of Water Resources administers and enforces Arizona's groundwater and surface water law, as well as legally representing the state's water rights. The department also participates in surveying water level and quality and planning flood control.

FOOTNOTES

- 1/ Includes 63 GF FTE Positions funded from Special Line Items in FY 2023.
- 2/ 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 Appropriation Act footnote)
- 3/ Monies in the assured and adequate water supply administration line item may be used only for the exclusive purposes prescribed in 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 Appropriation Act footnote)

- 4/ The department of water resources may not transfer any monies from the Colorado River legal expenses line item without prior review by the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 6/ The department of water resources shall use the monies in the New River flood insurance study line item to complete a study of and report on the hydrology and hydraulics of the New River from the New River Dam to the confluence with the Agua Fria River. The department may contract with an engineering firm that has not contracted with or otherwise associated with a county flood control district located in a county in this state with a population of more than one million five hundred thousand persons. On or before March 31, 2024, the department shall complete the report. (General Appropriation Act footnote)
- 7/ 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 Appropriation Act footnote)
- 8/ Laws 2022, Chapter 366 appropriated \$3,500,000 from the General Fund for an annual water supply and demand assessment of at least 6 groundwater basins each year.
- 9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$14,253,500 and 86 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<u>FY 2023</u>
General Fund	\$13,058,100
Water Resources Fund	1,195,400

FY 2023 adjustments are as follows:

Software Licensing Fees

The budget includes an increase of \$526,000 from the Water Resources Fund in FY 2023 licensing costs related to the modernization of the department's business applications and the development of an online portal for customers.

Storage Area Network Replacement

The budget includes an increase of \$150,000 from the Water Resources Fund in FY 2023 for replacement of the agency's storage area network with a cloud-based system.

Staffing Increases

The budget includes an increase of \$91,600 and 1 FTE Position from the General Fund in FY 2023 for an additional position to support work on the state's flood warning system. This unit assists local flood control and floodplain management efforts.

Funding Shift

The budget includes a decrease of \$(1,219,100) from the Arizona Water Banking Fund and a corresponding increase from the General Fund in FY 2023 to shift current agency operating funding paid by the Arizona Water Banking Fund to the General Fund. The Arizona Water Banking Authority (AWBA) oversees a system of storing excess

water to be recovered for use at a later date. This shift will increase the amount of Water Banking Fund monies available for use by the AWBA to purchase water to meet the state's water storage obligations.

Statewide Adjustments

The budget includes an increase of \$412,900 from the General Fund in FY 2023 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Agua Fria Flood Insurance Study

The budget includes no funding from the General Fund in FY 2023 for an Agua Fria Flood Insurance Study. FY 2023 adjustments are as follows:

Remove One-Time Study Funding

The budget includes a decrease of \$(350,000) from the General Fund in FY 2023 to remove one-time funding for a flood insurance study of the hydrology and hydraulics of the Agua Fria River by March 31, 2023.

The monies in this line item are for a flood insurance study of the Agua Fria from New Waddell Dam to the confluence with the Gila River. As required by a General Appropriation Act footnote, the department may contract with an engineering firm that has not contracted with or otherwise associated with the Maricopa County Flood District.

Adjudication Support

The budget includes \$1,806,600 and 21 FTE Positions from the General Fund in FY 2023 for Adjudication Support. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$49,300 from the General Fund in FY 2023 for statewide adjustments.

A.R.S. § 45-256 requires the Department of Water Resources to provide technical and administrative support to judicial proceedings involving water rights claims in the Gila River and Little Colorado River watersheds, which include approximately two-thirds of the land within the state.

Assured and Adequate Water Supply Administration

The budget includes \$2,378,400 and 24 FTE Positions in FY 2023 for the Assured and Adequate Water Supply (AAWS) Administration Program. These amounts consist of:

General Fund	2,110,100
AAWS Administration Fund	268,300

FY 2023 adjustments are as follows:

Staffing

The budget includes an increase of \$317,200 and 3 FTE Positions from the General Fund in FY 2023 for additional staff to support the Assured and Adequate Water Supply unit. This funds 1 Water Resources Manager and 2 FTE Positions for hydrologists to improve the department's processing of applications for a certificate or determination of water supply.

Statewide Adjustments

The budget includes an increase of \$54,800 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	54,600
AAWS Administration Fund	200

Within the state's 5 Active Management Areas (AMAs), all new subdivisions must either obtain a Certificate of Assured Water Supply from the Department of Water Resources or obtain a commitment of water service from a municipal provider designated as having an Assured Water Supply. An applicant for a Certificate of Assured Water Supply or a Designation of Assured Water Supply must demonstrate the availability of water for the next 100 years.

New developers outside the 5 AMAs may obtain a commitment of water service from a municipal water provider designated as having an Adequate Water Supply or developers must obtain from the department a report of the water available to the new subdivision for 100 years before any lots may be sold. In most areas outside the AMAs, if the water supply report determined the

water supply to be inadequate, lots may still be sold, but buyers must be notified of the determination. In certain areas outside the AMAs, lots may not be sold unless the water supply is determined to be adequate for 100 years.

Automated Groundwater Monitoring

The budget includes \$418,600 and 2 FTE Positions from the General Fund in FY 2023 for Automated Groundwater Monitoring. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$8,200 from the General Fund in FY 2023 for statewide adjustments.

This line item funds automated measuring instruments, which provide daily measurements of groundwater levels. This information is used to support the administration of all the department's water management programs.

Arizona Water Protection Fund Deposit

The budget includes \$1,250,000 from the General Fund in FY 2023 for the Arizona Water Protection Fund Deposit line item. FY 2023 adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of \$(1,000,000) from the General Fund to remove a deposit to the Arizona Water Protection Fund labeled as one-time in the FY 2022 budget.

Add Ongoing Deposit

The budget includes an increase of \$1,000,000 from the General Fund for an ongoing funding increase to the annual deposit to the Arizona Water Protection Fund. With this change, the entire \$1,250,000 line-item amount is ongoing funding.

The Water Protection Fund provides grants for projects that protect water quality and quantity, as well as to maintain, enhance and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grants and determines annual recipients.

Colorado River Legal Expenses

The budget includes \$500,000 from the Water Resources Fund in FY 2023 for Colorado River Legal Expenses. This amount is unchanged from FY 2022.

This line item is for the Department of Water Resources to use for legal expenses related to the Colorado River. For

example, there is current litigation involving the Navajo Nation's claims to water from the Lower Colorado River. (See the FY 2022 Appropriations Report for more historical information).

Conservation and Drought Program

The budget includes \$425,300 and 5 FTE Positions from the General Fund in FY 2023 for the Conservation and Drought Program. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$10,700 from the General Fund in FY 2023 for statewide adjustments.

This line item funds assistance to local communities to assess conservation needs and assists rural communities in the development of conservation programs.

The line item also funds 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.

New River Flood Insurance Study

The budget includes \$350,000 from the General Fund in FY 2023 for a New River Flood Insurance Study. FY 2023 adjustments are as follows:

One-Time Study Funding

The budget includes an increase of \$350,000 from the General Fund in FY 2023 for a flood insurance study of the hydrology and hydraulics of the New River by March 31, 2024.

The monies in this line item are for a flood insurance study of the New River from the New River Dam to the confluence with the Agua Fria River. As required by a General Appropriation Act footnote, the department may contract with an engineering firm that has not contracted with or otherwise associated with the Maricopa County Flood District.

Rural Water Studies

The budget includes \$1,193,500 and 11 FTE Positions from the General Fund in FY 2023 for Rural Water Studies. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$24,200 from the General Fund in FY 2023 for statewide adjustments. This line item funds the department's administration, data collection, and evaluation of rural water studies. The monies are also used to provide assistance to local communities to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs.

These studies are administered, in most cases, through partnerships with local resource agency officials and stakeholders. The studies are primarily conducted by local and federal partners, with the department providing technical support as needed or financial assistance. The department is currently involved in the following 5 studies, listed by the entity Department of Water Resources (DWR) is assisting and the topic of study: Upper San Pedro Partnership (Web-Based Hydrologic Data Portal) and the United States Geological Survey (Arizona Water Use Program, Middle Verde Groundwater Monitoring program, C-Aquifer Groundwater Monitoring program, and groundwater monitoring for Santa Cruz model).

Water Supply and Demand Assessment

Laws 2022, Chapter 366 appropriates \$3,500,000 from the General Fund in FY 2023 for an annual water supply and demand assessment. FY 2023 adjustments are as follows:

Ongoing Study Funding

The budget includes an increase of \$3,500,000 from the General Fund in FY 2023 for an annual water supply and demand assessment of at least 6 groundwater districts each year. The monies in this line item are ongoing.

The monies in this line item are for funding to support the DWR to prepare, issue and submit no later than December 1, 2023 and on or before of December 1 of each following year a water supply and demand assessment for at least 6 of the 46 groundwater basins established in statute. The director is also to ensure that an assessment is completed for all of the groundwater at least once every 5 years. The Director may contract with outside entities to perform some or all of the assessments.

FY 2023 Salary Increase

The budget includes \$1,306,300 for a FY 2023 Salary increase. This amount consists of:

General Fund	1,252,300
AAWS Administration Fund	22,900

Water Resources Fund 31,100

These amounts fund a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

- As session law, 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 2023.

Application Modernization

The budget includes an FY 2023 transfer of \$1,700,000 from the Water Resources Fund to the Automation Projects Fund for the modernization of the department's business applications and creation of an online portal. *(Please see the Department of Administration - Automation Projects Fund narrative for details regarding this information technology project.)*

Drought Contingency Plan

The Colorado River system supplies water to 7 states and to Mexico. The use of water from the river was established by a compact between the states signed in 1922 and subsequent agreements about the delivery, storage, and use of water. A 2007 agreement mandated a series of reductions to the state's allocation as the water levels decrease in the Colorado River system, measured by the water level in Lake Mead. 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, as well as including incentives for additional water conservation by the parties. The DCP agreement expires in 2026. Under the DCP, Arizona agreed to reduce their water deliveries by 512,000 acre feet if the water level in Lake Mead is less than 1,075 feet (Tier 1 shortage), 592,000 acre feet if less than 1,050 feet (Tier 2 shortage), 640,000

acre feet if less than 1,045 feet (Tier 2b shortage), and 720,000 acre feet if less than 1,025 feet (Tier 3 shortage).

In August 2021, the Department of the Interior announced that the January 1 projected level of Lake Mead is at 1,065.85 feet above sea level and declared the first-ever Tier 1 shortage. For Arizona, the Tier 1 shortage reduced the Arizona supply of water by 512,000 acre feet in 2022. This reduces the Central Arizona Project water supply by 30%, and Arizona's Colorado River water supply by 18%, and the state's total water supply by 8%.

In the fall of 2021, the state participated in the 500+ Plan with other states that kept an additional 500,000 acre feet of water in Lake Mead for FY 2022 and FY 2023. Due to the current levels of water in both Lake Mead and Lake Powell, the Commissioner of the federal Bureau of Reclamation announced there is a need to conserve an additional 2 to 4 million acre-feet of Colorado River now on top of the current amounts being conserved. *(For further details on the Drought Contingency Plan, please see the Other Issues section in the ADWR narrative in the FY 2018, FY 2020, and FY 2022 Appropriations reports and the FY 2023 Baseline).*

Laws 2022, Chapter 366

Laws 2022, Chapter 366 expanded the authority of the Water Infrastructure Financing Authority and appropriated monies for the improvement of Arizona's water supply and conservation efforts. In addition to the \$3,500,000 appropriated for water supply and demand assessments to DWR, the legislation transfers \$10,000,000 to DWR's Arizona System Conservation Fund that was previously appropriated for forbearance within the now eliminated Drought Mitigation Fund. *(For more details on the water legislation, please see the Water Infrastructure Finance Authority narrative.)*

CAPITAL OUTLAY

Capital Outlay Summary

	FY 2022 SUPPLEMENTAL	FY 2023 APPROVED
BUILDING RENEWAL		
ADOA Building System		91,645,600
ADOT Building System		18,607,200
ABOR Building System		0
SUBTOTAL		110,252,800
INDIVIDUAL PROJECTS		
ADOA Building System		192,254,633
ADOT Building System		1,494,936,900 ^{1/2/}
ABOR Building System		12,000,000
SUBTOTAL		1,669,191,533
DEBT AND LEASE-PURCHASE FINANCING		
Debt Payoff	93,500,000	0 ^{3/}
LOCAL ASSISTANCE		
Phoenix Convention Center		24,999,400 ^{4/}
Rio Nuevo District		16,000,000 ^{5/}
SUBTOTAL		40,999,400
TOTALS		
ADOA Building System		283,900,233
ADOT Building System		1,513,544,100
ABOR Building System		12,000,000
Other Funding (Lease-Purchase/Local Assistance)	93,500,000	40,999,400
TOTAL - ALL PROJECTS	93,500,000	1,850,443,733^{6/}
FUND SOURCES		
General Fund	93,500,000	362,256,800
<u>Other Appropriated Funds</u>		
Capital Outlay Stabilization Fund		16,000,000
Capitol Mall Consolidation Fund		5,000,000
Department of Corrections Building Renewal Fund		5,864,300
Arizona Exposition and State Fair Fund		1,000,000
Game and Fish Fund		1,459,600
Game and Fish Capital Improvement Fund		450,000
Liquor License Fund		3,500,000
State Lottery Fund		176,400
State Parks Revenue Fund		23,796,333
Pioneers' State Charitable Fund		396,500
State Aviation Fund		48,167,800
State Highway Fund		1,382,376,300
SUBTOTAL - Other Appropriated Funds	0	1,488,186,933
SUBTOTAL - Appropriated Funds	93,500,000	1,850,443,733
Other Non-Appropriated Funds		
Federal Funds		509,377,000
TOTAL - ALL SOURCES	93,500,000	3,485,068,733

DESCRIPTION — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, enhance, or make a lease-purchase payment for the state's capital assets, which includes buildings, state parks, prisons, highways, and other facilities. For the purposes of capital management and planning, the state is divided into 3 building systems: the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System,

and the Arizona Board of Regents (ABOR) Building System. In addition, the state makes annual payments for the 2010 Leaseback agreement which was used for operating financing, along with local distributions for the Phoenix Convention Center and the Rio Nuevo District. Capital appropriations are typically made through the Capital Outlay Bill but may be made through other bills as well.

FOOTNOTES

- 1/ Includes \$33,000,000 appropriated from the General Fund in FY 2023 by Laws 2022, Chapter 331.
- 2/ Includes \$400,000,000- appropriated from the State Highway Fund in FY 2023 by Laws 2022, Chapter 218, as amended by Laws 2022, Chapter 309.
- 3/ This amount was appropriated or allocated by the FY 2023 General Appropriation Act (Laws 2022, Chapter 313, Section 99).
- 4/ This amount was appropriated or allocated by the FY 2023 General Appropriation Act (Laws 2022, Chapter 313, Section 112).
- 5/ This amount was appropriated or allocated by the FY 2023 General Appropriation Act (Laws 2022, Chapter 313, Section 113)
- 6/ Unless otherwise noted, amounts were appropriated by the FY 2023 Capital Outlay Bill (Laws 2022, Chapter 309).

The following amounts are one-time appropriations:

Summary

The budget includes a total of \$1,850,443,733 from Appropriated Funds in FY 2022. Of the total, \$362,256,800 is from the General Fund and \$1,488,186,933 is from Other Appropriated Funds. The budget consists of 4 main categories: 1) Building Renewal, 2) Individual Projects, 3) Debt and Lease-Purchase Financing, and 4) Local Assistance.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review. The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by ADOA (or individual agencies within the ADOA Building System that have their own funding source for building renewal), ADOT, and ABOR.

The budget includes total funding of \$110,252,800 in FY 2023 for Building Renewal, which consists of \$68,145,300 from the General Fund and \$42,107,500 from Other Appropriated Funds. These amounts include:

	FY 2023
Arizona Department of Administration Capital Outlay Stabilization Fund and General Fund @ 100% (excludes ADC, Game and Fish, Lottery buildings)	\$53,594,200
Department of Corrections ADC Building Renewal Fund and General Fund @ 100%	36,415,400
Game and Fish Department Game and Fish Fund @ 100%	1,459,600
State Lottery Commission State Lottery Fund @ 100%	<u>176,400</u>
Subtotal - ADOA	<u>\$91,645,600</u>

Arizona Department of Transportation State Highway Fund @ 100%	\$18,139,400
State Aviation Fund @ 100%	<u>467,800</u>
Subtotal - ADOT	<u>\$18,607,200</u>

(See the individual building systems' section for more information.)

Individual Projects

The budget includes total funding of \$1,669,191,533 in FY 2023 for individual capital projects, which consists of \$253,112,100 General Fund and \$1,446,079,433 from Other Appropriated Funds.

(See the individual building systems' sections for more information.)

Debt and Lease-Purchase Financing

The budget includes no funding in FY 2023 for payments related to lease-purchase financing debt payoff.

The budget includes \$93,500,000 from the General Fund for various debt payoff appropriations that were allocated as non-lapsing FY 2022 supplementals.

(See the Debt and Lease-Purchase Financing section for more information.)

Local Assistance

The budget includes \$40,999,400 from the General Fund in FY 2023 for the state's share of the long term financing for the Phoenix Convention Center and the Rio Nuevo Multipurpose Facilities District. *(See the Local Assistance section for more information.)*

Capital Outlay

Arizona Department of Administration Building System

FY 2023
APPROVED

BUILDING RENEWAL

Department of Administration	53,594,200 ^{1/2/}
Department of Corrections	36,415,400 ^{3/}
Game and Fish Department	1,459,600
Arizona State Lottery Commission	176,400
SUBTOTAL	91,645,600

INDIVIDUAL PROJECTS

Arizona Department of Administration (ADOA)

Building Demolition	1,568,000
West Adams Building Renovations	52,274,000

Arizona Department of Corrections

Replace Evaporative Cooling Statewide with HVAC	47,600,000
Statewide Door, Lock, and Fire Alarm System Replacement	20,400,000

Arizona State Schools for the Deaf and the Blind

Classroom Notification System	96,000
Security Upgrades	420,000
Food Service Equipment Replacement	350,000

Department of Emergency and Military Affairs

Tucson Readiness Center	1,800,000
Fire Suppression Projects	1,151,100

Arizona Exposition and State Fair

Capital Improvements	1,000,000
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Game and Fish Department

Dam Maintenance	150,000
Property Maintenance	300,000

Judiciary

Air Handler and Sewer Replacement	3,200,000
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Arizona Department of Juvenile Corrections

Water and Waste Chase Closet Replumbing	400,000
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Legislative Council

Capitol Improvements	5,700,000 ^{4/}
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Department of Liquor License and Control

Space Reconfiguration	3,500,000 ^{5/6/}
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Arizona State Parks Board

Capital Improvements	2,742,800
Dead Horse Ranch Amphitheater	210,000
Rockin' River Park Construction	336,800
Jerome Fire Suppression System	1,540,000
Southern Construction Services Relocation	2,000,000
Tonto Natural Bridge Historic Building Renovation	3,500,000
Tombstone Courthouse Renovation	2,008,500
Rockin' River Ranch Renovation	1,750,000
Catalina Main Entrance Bridge	1,500,000
Statewide Campground Improvements	4,100,000
Statewide Sunshade Structures	2,233,333
Statewide Water Conservation	1,339,000
Smart Phone Application	535,600 ^{7/}

Arizona Pioneers' Home

Capital Improvements	396,500
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Arizona Department of Public Safety

Remote Officer Housing	9,750,000 ^{8/}
Evidentiary Vehicle Storage	1,016,400

ADOA- Local Distributions

Dark Sky Discovery Center	2,500,000 ^{4/}
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	FY 2023 APPROVED
Northern Arizona Observatory	5,000,000 ^{4/}
Homeless Veterans Housing	2,386,600 ^{4/}
ADOA – Tribal Distributions	
Lukachukai Veterans' Multipurpose Complex	500,000 ^{4/}
Little Colorado River Visitor Center	1,000,000 ^{4/}
Teesto Multipurpose Community Center	1,000,000 ^{4/}
Dilkon Center Improvements	3,000,000 ^{4/}
Kayenta Judicial Complex	2,000,000 ^{4/}
SUBTOTAL	192,254,633
TOTAL – ALL PROJECTS	283,900,233

FUND SOURCES	226,257,400
General Fund	
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	16,000,000
Capitol Mall Consolidation Fund	5,000,000
Department of Corrections Building Renewal Fund	5,864,300
Arizona Exposition and State Fair Fund	1,000,000
Game and Fish Fund	1,459,600
Game and Fish Capital Improvement Fund	450,000
Liquor License Fund	3,500,000
State Lottery Fund	176,400
State Parks Revenue Fund	23,796,333
Pioneers' State Charitable Fund	396,500
SUBTOTAL - Other Appropriated Funds	57,643,133
SUBTOTAL - Appropriated Funds	283,900,533
TOTAL - ALL SOURCES	283,900,533^{9/-13/}

DESCRIPTION — The Arizona Department of Administration (ADOA) Building System is comprised of all state agencies except the Arizona Board of Regents (ABOR) and the Arizona Department of Transportation. Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system. The following amounts for FY 2023 are for projects within the ADOA Building System. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

FOOTNOTES

- 1/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2022-2023 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 Appropriation 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 2022-2023 for building projects related to retrofitting facilities for space consolidation initiatives. (Capital Outlay Appropriation Act footnote)
- 3/ 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 Appropriation Act footnote)
- 4/ Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriation made in this subsection is not subject to review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 5/ The Arizona state parks board shall report promptly to the joint committee on capital review and the governor's office of strategic planning and budgeting if the board revises the plan for any project for which monies are appropriated by this

subsection because the board receives land and water conservation grant funding. (Capital Outlay Appropriation Act footnote)

- 6/ The Arizona state parks board may use up to ten percent of the monies from any project listed in subsection A of this section to pay for costs associated with another project listed in subsection A of this section. After review by the joint committee on capital review, the Arizona state parks board may use more than ten percent of the monies appropriated for a project in subsection A of this section to pay for costs associated with another project listed in subsection A of this section. (Capital Outlay Appropriation Act footnote)
- 7/ Before the Arizona state parks board spends any monies in the smartphone application line item, the Arizona strategic enterprise technology office shall submit, on behalf of the Arizona state parks board, an expenditure plan to the joint legislative budget committee for review. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with the department's prior reports for its appropriation from the automation projects fund pursuant to section 41-714, Arizona Revised Statutes. (Capital Outlay Appropriation Act footnote)
- 8/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation for the department of public safety remote officer housing that is unexpended on June 30, 2025 reverts to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 9/ 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 Appropriation Act footnote)
- 10/ Except as provided in subsection A of this section, the monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- 11/ Notwithstanding section 35-190, Arizona Revised Statutes, the \$16,000,000 appropriated to the department of administration by Laws 2020, chapter 57, section 1 in fiscal year 2020-2021 for building renewal at the department of administration is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. (Capital Outlay Appropriation Act footnote)
- 12/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency. (Capital Outlay Appropriation Act footnote)
- 13/ Unless otherwise indicated, pursuant to A.R.S § 35-190D, these appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, unless the appropriation is available during the entire fiscal year without an expenditure from or encumbrance on the appropriation

Unless otherwise specified, funding for capital projects is appropriated by Laws 2022, Chapter 309 (FY 2023 Capital Outlay Bill).

Building Renewal

The budget includes \$91,645,600 from the General Fund and Other Appropriated Funds in FY 2023 for Building Renewal within the ADOA Building System. These amounts consist of:

- \$53,594,200 to ADOA, which consists of \$37,594,200 from the General Fund and \$16,000,000 from the Capital Outlay Stabilization Fund (COSF). This amount funds 100% of the ADOA building renewal formula. The FY 2022 appropriation of \$18,000,000 from COSF and \$6,200,000 from the General Fund represented 49.2% of the ADOA formula.
- \$36,415,400 to the Arizona Department of Corrections (ADC), which consists of \$30,551,400

from the General Fund and 5,864,300 from the ADC Building Renewal Fund. This amount funds 100% of the ADC building renewal formula. The FY 2022 appropriation of \$28,070,200 which consisted of \$22,205,800 from the General Fund and \$5,864,300 from the ADC Building Renewal Fund represented 100% of the ADC formula.

- \$1,459,600 to Arizona Game and Fish Department from the Game and Fish Fund which funds 100% of the Game and Fish building renewal formula. The FY 2022 appropriation of \$1,215,800 from the Game and Fish Fund also represented 100% of the Game and Fish formula.
- \$176,400 to the Arizona State Lottery Commission from the State Lottery Fund, which funds 100% of the Lottery building renewal formula. The FY 2022 appropriation of \$152,800 from the State Lottery Fund also represented 100% of the Lottery building renewal formula.

Building renewal appropriations to the Department of Administration are used for major maintenance and repair activities for state buildings.

The budget includes a footnote allowing ADOA to use monies appropriated for building renewal to retrofit facilities for space consolidation initiatives.

The budget includes a footnote allowing ADOA to use up to 5% of all capital outlay appropriations to the department for project management-related expenses. This footnote does not apply to appropriations for distribution to nonstate entities.

The FY 2023 Management of State Buildings Budget Reconciliation Bill (BRB) as permanent law requires all agencies with capital appropriations to report quarterly to the JLBC Staff and OSPB on the status of all capital projects and expenditures through the life of the project. The provision supersedes prior year semiannual capital reports.

Individual Projects

STATE AGENCIES

Arizona Department of Administration Building Demolition

The budget includes \$1,568,000 from the General Fund in FY 2023 to demolish the following buildings:

- 1818 W Adams (Department of Health Services Vital Records)
- 1850 W Jackson (Vacant Department of Economic Security Data Center)
- 1720 W Madison (Vacant ADOA Maintenance)

ADOA West Adams Building Renovation

The budget includes \$52,274,000 in FY 2023 renovate buildings on West Adams Street. This amount consists of:

General Fund	\$47,274,000
Capitol Mall Consolidation Fund	5,000,000

ADOA plans to renovate the 1616 West Adams (Land Department) and 1688 West Adams (Department of Agriculture). In addition, ADOA plans to demolish 1624 W Adam (Department of Juvenile Corrections) which sits between the renovated buildings and to construction a plaza. Agencies located in these buildings have consolidated space and been relocated to other buildings.

The FY 2023 Management of State Buildings BRB as session law directs the proceeds from the sale of 519

Beale Street in Kingman and 1919 West Jefferson in Phoenix to the Capitol Mall Consolidation Fund.

Arizona Department of Corrections Replace Evaporative Cooling Statewide with HVAC

The budget includes \$47,600,000 from the General Fund in FY 2023 to replace evaporative cooling with HVAC at ADC prisons statewide.

The enacted budget's 3-year spending projections include \$31,422,000 in FY 2024 and \$29,832,000 in FY 2025 for additional statewide HVAC projects at ADC.

Arizona Department of Corrections Statewide Door, Lock, and Fire Systems Replacement

The budget includes \$20,400,000 from the General Fund in FY 2023 to replace doors, locks, and fire alarm systems at ADC prisons statewide.

Arizona Schools for the Deaf and the Blind Classroom Notification Replacement

The budget includes \$96,000 from the General Fund in FY 2023 to replace the classroom notification system at the at Arizona State Schools for the Deaf and the Blind (ASDB) Phoenix campus.

Arizona Schools for the Deaf and the Blind Security Upgrades

The budget includes \$420,000 from the General Fund in FY 2023 campus security upgrades at ASDB Schools.

Arizona Schools for the Deaf and the Blind Food Service Equipment

The budget includes \$350,000 from the General Fund in FY 2023 to replace food service equipment at ASDB Schools.

Department of Emergency and Military Affairs Tucson Readiness Center

The budget includes \$1,800,000 from the General Fund in FY 2023 to fund additional construction costs at the Department of Emergency and Military Affairs (DEMA) Tucson Readiness Center.

The FY 2019 budget included \$3,759,000 from the General Fund for the state's portion of the cost associated with the construction of a Readiness Center in Tucson.

Readiness Centers serve as the home base and training center for units in the Arizona National Guard. These facilities house soldiers during drills and provide storage for equipment and weapons between exercises.

**Department of Emergency and Military Affairs
Fire Suppression Projects**

The budget includes \$1,151,100 from the General Fund in FY 2023 for fire suppression systems projects at DEMA readiness centers. This amount funds a 50% match for federal funds for the project.

Arizona Exposition and State Fair Board Capital Improvements

The budget includes \$1,000,000 from the Arizona Exposition and State Fair Fund in FY 2023 to the State Fair Board for capital improvements.

Game and Fish Dam Maintenance

The budget includes \$150,000 from the Game and Fish Capital Improvement Fund in FY 2023 to the Arizona Game and Fish Department (AGFD) for dam maintenance.

The department owns and operates 38 dams throughout the state. The department plans to use the funds for vegetation removal, flood warning system maintenance, dam safety regulation compliance, and structural repairs.

Game and Fish Property Maintenance

The budget includes \$300,000 from the Game and Fish Capital Improvement Fund in FY 2023 to the AGFD for property maintenance.

The department owns 60 properties throughout the state. This funding will be used to supplement base funding for operation and maintenance projects.

Judiciary Air Handler and Sewer Replacement

The budget includes \$3,200,000 from the General Fund in FY 2023 to replace air handlers and sewers at the Arizona Supreme Court.

**Department of Juvenile Corrections
Replumbing**

The budget includes \$400,000 from the General Fund in FY 2023 for replumbing-at the Department of Juvenile Corrections (DJC) Adobe Mountain School facility.

Legislative Council Historic Capitol Improvements

The budget includes \$5,700,000 from the General Fund in FY 2023 for capital projects at the Historic Capitol building at 1700 West Washington Street.

A budget footnote exempts this appropriation from JCCR review.

The FY 2022 budget included \$11,900,000 for addition capital improvements to the Historic Capitol. This amount included \$11,500,000 from the General Fund and

\$400,000 from the Legislative, Executive, and Judicial Public Buildings Land Fund.

**Department of Liquor Licenses and Control
Space Reconfiguration**

The budget include \$3,500,000 from the Liquor Licenses Fund in FY 2023 for space reconfiguration at the department's headquarters at 800 West Washington Street.

Arizona State Parks Board Capital Improvements

The budget includes \$2,742,800 from the State Parks Revenue Fund in FY 2023 to the State Parks Board (ASPB) for capital improvements. This amount funds 100% of the ASPB agency specific building renewal formula.

Statewide capital improvements may include new capital projects such as camping sites, restroom buildings, shop buildings, or outdoor areas (ramadas, tables and grills). In addition, ASPB may use the funding for major maintenance and building renewal which could include projects for water/wastewater facilities, leach fields, septic tanks, roofing repairs and structural stabilization.

In addition, the budget adds a new footnote requiring the Arizona State Parks Board to report to the JCCR and OSPB if the board revises the plan for any building renewal project because it receives Land and Water Conservation Grant funding.

Arizona State Parks Board Dead Horse Amphitheater

The budget includes \$210,000 from the State Parks Revenue Fund in FY 2023 to the ASPB to continue construction of a new Amphitheater at Dead Horse Ranch State Park. This amount funds cost increases for work already begun at the park and will go toward completing a project initially started in FY 2022 when ASPB was appropriated \$150,000 for the project.

ASPB Rockin' River Ranch

The budget includes \$336,800 from the State Parks Revenue Fund in FY 2023 to ASPB for the further development of the new Rockin' River Ranch State Park in Camp Verde. This amount funds cost increases for work initiated in FY 2022 when the ASPB was appropriated \$750,000 to construct a primitive day use area.

ASPB Jerome Fire Suppression

The budget includes \$1,540,000 from the State Parks Revenue Fund in FY 2023 to ASPB to replace the fire suppression system at Jerome State Park.

ASPB Southern Construction Services Relocation

The budget includes \$2,000,000 from the State Parks Revenue Fund in FY 2023 to ASPB for the relocation of

Southern Construction Services to Catalina State Park from Roper Lake State Park. Southern Construction Services serves as ASPB main construction and equipment location for the parks in Southern Arizona.

ASPB Tonto Natural Bridge Historic Building Renovation

The budget includes \$3,500,000 from the State Parks Revenue Fund in FY 2023 to ASPB to renovate the lodge at Tonto Natural Bridge State Park.

ASPB Tombstone Courthouse Renovation

The budget includes \$2,008,500 from the State Parks Revenue Fund in FY 2023 to ASPB to renovate Tombstone Courthouse.

ASPB Rockin' River Ranch

The budget includes \$1,750,000 from the State Parks Revenue Fund in FY 2023 to ASPB for electrical and plumbing renovations at the new Rockin' River Ranch State Park in Camp Verde.

ASPB Catalina Entrance Bridge

The budget includes \$1,500,000 from the State Parks Revenue Fund in FY 2023 to ASPB for the construction of a bridge in Catalina State Park. ASPB will work with ADOT on the project.

The FY 2023 budget also appropriates \$5,813,000 in FY 2024 for this project (*please see the ASPB 3-year Capital Spending Plan section*).

ASPB Statewide Campground Improvements

The budget includes \$4,100,000 from the State Parks Revenue Fund in FY 2023 to ASPB for statewide campground improvements.

The FY 2023 budget also appropriates \$4,100,000 in both FY 2024 and FY 2025 for this project (*please see the ASPB 3-year Capital Spending Plan section*).

ASPB Statewide Sunshade Structures

The budget includes \$2,233,333 from the State Parks Revenue Fund in FY 2023 to ASPB for the construction of shade structures statewide. These structures will provide shade to park visitors and electricity to the parks.

The FY 2023 budget also appropriates \$2,233,333 in both FY 2024 and FY 2025 for this project (*please see the ASPB 3-year Capital Spending Plan section*).

ASPB Statewide Water Conservation

The budget includes \$1,339,000 from the State Parks Revenue Fund in FY 2023 to ASPB for the statewide

installation of low-flow fixtures and other water conservation efforts.

The FY 2023 budget also appropriates \$1,339,000 in both FY 2024 and FY 2025 for this project (*please see the ASPB 3-year Capital Spending Plan section*).

ASPB Smartphone Application

The budget includes \$535,600 from the State Parks Revenue Fund in FY 2023 to ASPB for the development of a smartphone app for use by state park visitors.

The budget includes a footnote requiring ASPB, prior to the expenditures of monies for the smartphone application, to have the ADOA Arizona Strategic Enterprise Technology (ASET) Office to submit an expenditure plan for review by the JLBC. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with ASET's prior reports to the JLBC for Automation Project Fund projects.

Arizona Pioneers' Home Capital Improvements

The budget includes \$396,500 from the from the Pioneers' State Charitable Fund in FY 2023 to the Arizona Pioneers' Home for capital improvement projects.

The Pioneers' home was built in 1911 and has continued capital improvement needs including replacing aging windows and equipment.

Department of Public Safety Remote Officer Housing

The budget includes \$9,750,000 from the from the General Fund in FY 2023 to the Department of Public Safety (DPS) for remote officer housing statewide. The amount will replace 25 housing units and purchase 5 additional housing units.

A budget footnote makes this appropriation non-lapsing through FY 2025.

Department of Public Safety Evidentiary Vehicle Storage

The budget includes \$1,016,400 from the General Fund in FY 2023 to DPS to construct a new evidentiary vehicle storage facility.

ADOA PASSTHROUGH TO LOCAL

ADOA Dark Sky Discovery Center

The budget includes \$2,500,000 from the General Fund in FY 2023 to ADOA to distribute to a nonprofit organization that is designated as an international dark sky discovery center and that is focused on dark sky preservation in Arizona.

ADOA Northern Arizona Observatory

The budget includes \$5,000,000 from the General Fund in FY 2023 to ADOA to distribute to a nonprofit organization that operates an astronomy center and observatory that is open to the public in northern Arizona.

ADOA Homeless Veterans Housing

The budget includes \$2,386,600 from the General Fund in FY 2023 to ADOA to distribute to a nonprofit organization in northern Arizona that partners with the US Department of Veterans Affairs to provide affordable housing units to homeless and at-risk veterans on a historical military campus.

ADOA PASSTHROUGH TO TRIBES

ADOA Lukachukai Veterans' Multipurpose Complex

The budget includes \$500,000 from the General Fund in FY 2023 to ADOA to distribute to the Navajo Nation for costs associated with planning, designing and constructing the Lukachukai Veterans' Multipurpose Complex.

ADOA Little Colorado River Visitor Center

The budget includes \$1,000,000 from the General Fund in FY 2023 to ADOA to distribute to Navajo County to construct a Little Colorado River visitor center.

ADOA Teesto Multipurpose Community Center

The budget includes \$1,000,000 from the General Fund in FY 2023 to ADOA to distribute to Navajo Nation for costs associated with site preparation for the Teesto multipurpose community center.

ADOA Dilkon Center Improvements

The budget includes \$3,000,000 from the General Fund in FY 2023 to ADOA to distribute to Navajo Nation for costs associated with improvements to the Dilkon center.

ADOA Kayenta Judicial Complex

The budget includes \$2,000,000 from the General Fund in FY 2023 to ADOA to distribute to the Navajo Nation for costs associated with improvements to the Kayenta judicial complex.

Other Issues

Statutory Changes

The Management of State Buildings BRB makes the following statutory changes:

- As session law, continues to set the FY 2022 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration (ADOA)

at \$17.87/square foot for rentable office space and \$6.43/square foot for rentable storage space.

- As permanent law, allow ADOA to approve whole or partial rent exemptions without recommendation from the Joint Committee on Capital Review. ADOA is required to report each proposed rent exemption to the Joint Legislative Budget Committee Staff before approval.
- As permanent law, require all agencies to provide quarterly reports to the Joint Legislative Budget Committee Staff and the Governor's Office of Strategic Planning and Budgeting on the status of all capital projects and capital expenditures through the life of a project. Reports are based on spending of appropriated funding.
- As session law, deposit direct sale proceeds from the properties at 519 Beale Street in Kingman and 1919 West Jefferson in Phoenix, into the Capitol Mall Consolidation Fund.
- As permanent law, amend A.R.S. § 41-791.01 to provide the Department of Administration the authority for the management of buildings within the Capitol Mall complex once the certificates of participation are retired and the buildings released as collateral. This excludes the following certificates related to State prisons which are not within the Capitol Mall complex: COP2016 (Kingman Prison) and COP2017 (4,000 Prison Beds, Prison Wastewater). Requires ADOA submit in its annual budget request any costs to COSF associated with the retirement of certificates of participation.

Appropriations Non-Lapsing Status

The budget extends the non-lapsing status of the following appropriations:

- Extends the lapsing date of the \$16,000,000 FY 2021 appropriation to ADOA for Building Renewal to June 30, 2023.

Footnote Changes

The budget deletes a standard Capital Outlay Bill footnote requiring that unused building renewal or capital appropriations revert after 2 fiscal years (which allowed expenditures for the budget year and one additional year). As a result, building renewal and capital appropriations would be subject to A.R.S § 35-190D which states these appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, unless the appropriation is available during the entire fiscal year without an expenditure from or encumbrance on the appropriation.

In addition, the budget deletes a standard Capital Outlay Bill footnote requiring the JCCR to review the scope, purpose and estimated cost of a new capital project that has an estimated cost of more than \$250,000. A.R.S § 41-1252 already requires review of all building renewal appropriations, capital appropriations and capital projects that have an estimated total cost of more than \$250,000.

Arizona State Parks Board 3-Year Capital Spending Plan

As part of the FY 2023 Capital Outlay Bill, \$19.1 million was appropriated from the State Parks Revenue Fund to the Arizona State Parks Board (ASPB) in FY 2024 for 7 capital projects, and \$19.1 million was appropriated from the State Parks Revenue Fund to ASPB in FY 2025 for 6 capital projects. *Table 1* shows a list of ASPB's planned capital projects through FY 2025.

A budget footnote requires that prior to ASPB using more than 10% of a specific project's budget for another project, ASPB shall submit the proposed expenditure plan and funding reallocation to JCCR for review.

	<u>FY 24</u>	<u>FY 25</u>
Catalina State Park Main Entrance Bridge	5,813,000	
Statewide Campground Improvements	4,100,000	4,100,000
Statewide Sunshade Structures	2,233,300	2,233,300
Statewide Water Conservation	1,339,000	1,339,000
Yuma Territorial Prison Park Historic Building Renovation	750,000	5,945,000
Riordan Mansion Park Historic Building Renovation	2,900,000	
Oracle State Park Historic Building Renovation	2,008,500	
Red Rock State Park Historic Building Renovation		4,000,000
San Rafael State Park Historic Building Renovation		1,500,000
Total	\$19,143,800	\$19,117,300

Rent Adjustments

In FY 2023, state building rent payments total \$31,186,000 which is estimated to be paid from the following fund sources: \$16,933,000 from the General Fund, \$9,437,900 from Other Appropriated Funds, and \$3,816,000 from Non-Appropriated Funds. In FY 2023, state building rent payments will decrease by \$(1,698,900) in total, which consists of the following fund sources: \$(1,882,700) from the General Fund, \$(43,900)

from Other Appropriated Funds, and \$227,700 from Non-Appropriated Funds.

The change in rent payments is primarily due to agencies moving within the Capitol Mall.

The budget includes a Summary of Rent Charges as of July 2022, which reflects updated space utilization amounts when applying the current rental rates of state building space (Office - \$17.87 per sq. ft./Storage - \$6.43 per sq. ft.) *(Please see Summary of Rent Charges for additional information.)*

The FY 2023 Management of State Buildings BRB as permanent law allows ADOA to approve agency rent exemptions without JCCR review upon report to the JLBC Staff. In addition, the BRB requires ADOA to report in its annual budget request any COSF cost associated with adding retired Capitol Mall Certificate of Participation buildings to COSF.

SUMMARY OF RENT CHARGES 1/ 2/3/

	Fiscal Year 2022 Appropriations Report				Fiscal Year 2023 Appropriations Report				Difference FY 2023 - FY 2022			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Acupuncture Board of Examiners												
1740 W Adams		13,100		13,100		12,900		12,900		(200)		(200)
Administration, AZ Department of												
1400 W Washington		95,100		95,100		273,000		273,000		177,900		177,900
1537 W Jackson		118,200		118,200		116,200		116,200		(2,000)		(2,000)
1616 W Adams		105,600		105,600						(105,600)		(105,600)
1802 W Jackson		24,000	59,500	83,500		24,000	59,600	83,600			100	100
1840 W Jackson		95,600		95,600		95,600		95,600				
1850 W Jackson		60,600		60,600		60,600		60,600				
1700 W Washington		159,000		159,000		256,200		256,200		97,200		97,200
1740 W Adams		43,700		43,700		36,200		36,200		(7,500)		(7,500)
1919 W Jefferson		18,300		18,300						(18,300)		(18,300)
1801 W Madison		29,300		29,300		29,200		29,200		(100)		(100)
1805 W Madison		33,800		33,800		33,800		33,800				
400 W Congress, Tucson		65,100		65,100		65,100		65,100				
402 W Congress, Tucson		77,300		77,300		77,300		77,300				
416 W Congress, Tucson		3,800		3,800		3,800		3,800				
Subtotal - AZ Dept of Administration		929,400	59,500	988,900		1,071,000	59,600	1,130,600		141,600	100	141,700
Administrative Hearings, Office of												
1740 W Adams	86,400		110,000	196,400	86,300		109,900	196,200	(100)		(100)	(200)
African American Affairs, AZ Commission of												
1700 W Washington	8,100			8,100	9,600			9,600	1,500			1,500
Agriculture, AZ Department of												
1688 W Adams	299,700		337,900	637,600					(299,700)		(337,900)	(637,600)
400 W Congress, Tucson	48,400		7,200	55,600	48,400		7,200	55,600				
Subtotal - AZ Dept of Agriculture	348,100		345,100	693,200	48,400		7,200	55,600	(299,700)		(337,900)	(637,600)
AZ Health Care Cost Containment System												
801 E Jefferson					687,100		687,200	1,374,300	687,100		687,200	1,374,300
Arts, AZ Commission on the												
417 W Roosevelt			67,900	67,900			68,000	68,000			100	100
Attorney General - Department of Law												
400 W Congress, Tucson			131,500	131,500			131,500	131,500				
402 W Congress, Tucson	170,500	55,400	200,300	426,200	176,800	57,500	207,800	442,100	6,300	2,100	7,500	15,900
416 W Congress, Tucson			157,700	157,700			157,700	157,700				
Capitol Center	641,000	1,135,300	54,900	1,831,200	641,000	1,135,400	54,900	1,831,300		100		100
Subtotal - Attorney General - Dept of Law	811,500	1,190,700	544,400	2,546,600	817,800	1,192,900	551,900	2,562,600	6,300	2,200	7,500	16,000
Barbers, Board of												
1740 W Adams		25,100		25,100		117,100		117,100		92,000		92,000
Behavioral Health Examiners, Board of												
1740 W Adams		72,400		72,400		77,000		77,000		4,600		4,600
Charter Schools, State Board for												
1616 W Adams	96,300			96,300					(96,300)			(96,300)
1700 W Washington					100,900			100,900	100,900			100,900
Child Safety, Department of												
400 W Congress, Tucson	28,900			28,900	28,900			28,900				
Capitol Center	291,300			291,300	291,300			291,300				
Subtotal - Department of Child Safety	320,200			320,200	320,200			320,200				
Chiropractic Examiners, State Board of												
1740 W Adams		26,900		26,900		25,800		25,800		(1,100)		(1,100)
Citizens Clean Elections Commission												
1616 W Adams			74,200	74,200							(74,200)	(74,200)

	Fiscal Year 2022 Appropriations Report				Fiscal Year 2023 Appropriations Report				Difference FY 2023 - FY 2022			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Contractors, Registrar of												
400 W Congress, Tucson	-	49,300	2,600	51,900	-	-	-	-	-	(49,300)	(2,600)	(51,900)
1700 W Washington	-	367,300	19,300	386,600	-	373,800	19,700	393,500	-	6,500	400	6,900
Subtotal - Registrar of Contractors	-	416,600	21,900	438,500	-	373,800	19,700	393,500	-	(42,800)	(2,200)	(45,000)
Corporation Commission												
1200 W Washington	-	721,600	-	721,600	-	721,600	-	721,600	-	-	-	-
1300 W Washington	-	962,900	-	962,900	-	963,000	-	963,000	-	100	-	100
400 W Congress, Tucson	4,600	68,000	4,600	77,200	4,600	68,000	4,600	77,200	-	-	-	-
Subtotal - Corporation Commission	4,600	1,752,500	4,600	1,761,700	4,600	1,752,600	4,600	1,761,800	-	100	-	100
Corrections, State Department of												
1601 W Jefferson	1,024,600	-	-	1,024,600	-	-	-	-	(1,024,600)	-	-	(1,024,600)
1645 W Jefferson	913,100	-	-	913,100	-	-	-	-	(913,100)	-	-	(913,100)
1831 W Jefferson	363,700	-	-	363,700	363,600	-	-	363,600	(100)	-	-	(100)
701 E Jefferson	-	-	-	-	1,362,200	-	-	1,362,200	1,362,200	-	-	1,362,200
Subtotal - State Dept of Corrections	2,301,400	-	-	2,301,400	1,725,800	-	-	1,725,800	(575,600)	-	-	(575,600)
Cosmetology, Board of												
1740 W Adams	-	116,200	-	116,200	-	-	-	-	-	(116,200)	-	(116,200)
Dental Examiners, State Board of												
1740 W Adams	-	56,100	-	56,100	-	56,000	-	56,000	-	(100)	-	(100)
Economic Security, Department of												
1400 W Washington	164,300	328,400	164,300	657,000	154,500	308,800	154,500	617,800	(9,800)	(19,600)	(9,800)	(39,200)
1700 W Washington	6,500	-	19,500	26,000	4,000	-	12,200	16,200	(2,500)	-	(7,300)	(9,800)
1789 W Jefferson (DES West)	1,888,300	464,400	742,900	3,095,600	1,888,300	464,400	742,900	3,095,600	-	-	-	-
400 W Congress, Tucson	129,900	311,800	207,800	649,500	129,900	311,800	207,800	649,500	-	-	-	-
DES Group Homes	190,100	273,300	-	463,400	190,100	273,300	-	463,400	-	-	-	-
Capitol Center	144,900	32,600	26,500	204,000	144,800	32,600	26,500	203,900	(100)	-	-	(100)
Subtotal - Department of Economic Security	2,524,000	1,410,500	1,161,000	5,095,500	2,511,600	1,390,900	1,143,900	5,046,400	(12,400)	(19,600)	(17,100)	(49,100)
Education, Department of												
1535 W Jefferson	474,400	131,800	711,700	1,317,900	489,900	136,100	734,900	1,360,900	15,500	4,300	23,200	43,000
416 W Congress, Tucson	-	10,400	105,700	116,100	-	10,400	105,600	116,000	-	-	(100)	(100)
Subtotal - Department of Education	474,400	142,200	817,400	1,434,000	489,900	146,500	840,500	1,476,900	15,500	4,300	23,100	42,900
Education, State Board of												
1535 W Jefferson	42,900	-	-	42,900	-	-	-	-	(42,900)	-	-	(42,900)
1700 W Washington	74,100	-	-	74,100	74,100	-	-	74,100	-	-	-	-
Subtotal - State Board of Education	117,000	-	-	117,000	74,100	-	-	74,100	(42,900)	-	-	(42,900)
Emergency and Military Affairs, Department of												
400 W Congress St	8,000	-	-	8,000	8,000	-	-	8,000	-	-	-	-
Environmental Quality, Department of												
400 W Congress, Tucson	-	162,000	-	162,000	-	162,000	-	162,000	-	-	-	-
416 W Congress, Tucson	-	7,200	-	7,200	-	7,200	-	7,200	-	-	-	-
Subtotal - Dept. of Environmental Quality	-	169,200	-	169,200	-	169,200	-	169,200	-	-	-	-
Equalization, State Board of												
400 W Congress, Tucson	27,100	-	-	27,100	27,100	-	-	27,100	-	-	-	-
416 W Congress, Tucson	2,000	-	-	2,000	2,000	-	-	2,000	-	-	-	-
Subtotal - Board of Equalization	29,100	-	-	29,100	29,100	-	-	29,100	-	-	-	-
Executive Clemency, Board of												
1645 W Jefferson	117,700	-	-	117,700	-	-	-	-	(117,700)	-	-	(117,700)
Funeral Directors & Embalmers, State Board of												
1740 W Adams	-	19,700	-	19,700	-	19,400	-	19,400	-	(300)	-	(300)
Gaming, Department of												
400 W Congress, Tucson	-	4,300	-	4,300	-	4,300	-	4,300	-	-	-	-
Governor, Office of the												
1700 W Washington	855,100	-	-	855,100	812,700	-	-	812,700	(42,400)	-	-	(42,400)
1700 W Washington (Office of Highway Safety)	-	-	104,300	104,300	-	-	103,700	103,700	-	-	(600)	(600)
400 W Congress, Tucson	41,000	-	-	41,000	41,000	-	-	41,000	-	-	-	-

	Fiscal Year 2022 Appropriations Report				Fiscal Year 2023 Appropriations Report				Difference FY 2023 - FY 2022			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Subtotal - Office of the Governor	896,100	-	104,300	1,000,400	853,700	-	103,700	957,400	(42,400)	-	(600)	(43,000)
Gov's Ofc of Strategic Planning & Budgeting												
1700 W Washington	178,500	-	-	178,500	177,300	-	-	177,300	(1,200)	-	-	(1,200)
Health Services, Department of												
1740 W Adams	4,800	-	-	4,800	4,800	-	-	4,800	-	-	-	-
1818 W Adams	286,400	-	-	286,400	-	-	-	-	(286,400)	-	-	(286,400)
400 W Congress, Tucson	183,600	-	-	183,600	183,700	-	-	183,700	100	-	-	100
402 W Congress, Tucson	4,500	-	-	4,500	4,500	-	-	4,500	-	-	-	-
Subtotal - Department of Health Services	479,300	-	-	479,300	193,000	-	-	193,000	(286,300)	-	-	(286,300)
Homeland Security, AZ Dept of												
1700 W Washington	-	-	181,900	181,900	-	-	180,700	180,700	-	-	(1,200)	(1,200)
Homeopathic & Integrated Medicine Examiners, Board of												
1740 W Adams	-	3,800	-	3,800	-	3,800	-	3,800	-	-	-	-
Insurance and Financial Institutions, Department of												
1919 W Jefferson	-	-	5,400	5,400	-	-	-	-	-	-	(5,400)	(5,400)
Judiciary - Court of Appeals												
400 W Congress, Tucson	520,100	-	-	520,100	520,200	-	-	520,200	100	-	-	100
Judiciary - Supreme Court												
1501 W Washington	3,906,900	-	-	3,906,900	3,907,000	-	-	3,907,000	100	-	-	100
400 W Congress, Tucson	114,500	-	-	114,500	114,500	-	-	114,500	-	-	-	-
Subtotal - Supreme Court	4,021,400	-	-	4,021,400	4,021,500	-	-	4,021,500	100	-	-	100
Subtotal - Judiciary	4,541,500	-	-	4,541,500	4,541,700	-	-	4,541,700	200	-	-	200
Juvenile Corrections, Department of												
400 W Congress, Tucson	19,200	-	-	19,200	19,200	-	-	19,200	-	-	-	-
1624 W Adams	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal - Department of Juvenile Corrections	19,200	-	-	19,200	19,200	-	-	19,200	-	-	-	-
Land Department, State												
1616 W Adams	1,065,100	-	-	1,065,100	-	-	-	-	(1,065,100)	-	-	(1,065,100)
Liquor Licenses and Control, Department of												
402 W Congress, Tucson	-	16,000	-	16,000	-	-	-	-	-	(16,000)	-	(16,000)
400 W Congress	-	-	-	-	-	51,900	-	51,900	-	51,900	-	51,900
Massage Therapy, Board of												
1740 W Adams	-	29,100	-	29,100	-	28,700	-	28,700	-	(400)	-	(400)
Medical Board, AZ												
1740 W Adams	-	211,400	-	211,400	-	212,300	-	212,300	-	900	-	900
Mine Inspector, State												
1700 W Washington	102,600	-	-	102,600	101,900	-	-	101,900	(700)	-	-	(700)
Naturopathic Physicians Medical Board												
1740 W Adams	-	11,000	-	11,000	-	10,900	-	10,900	-	(100)	-	(100)
Navigable Stream Adjudication Commission, AZ												
1700 W Washington	13,700	-	-	13,700	13,700	-	-	13,700	-	-	-	-
Nursing, State Board of												
1740 W Adams	-	190,800	-	190,800	-	190,500	-	190,500	-	(300)	-	(300)
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.												
1740 W Adams	-	24,000	-	24,000	-	23,900	-	23,900	-	(100)	-	(100)
Occupational Therapy Examiners, State Board of												
1740 W Adams	-	13,100	-	13,100	-	12,900	-	12,900	-	(200)	-	(200)
Opticians, State Board of Dispensing												
1740 W Adams	-	12,100	-	12,100	-	12,000	-	12,000	-	(100)	-	(100)
Optometry, State Board of												
1740 W Adams	-	14,000	-	14,000	-	13,800	-	13,800	-	(200)	-	(200)
Osteopathic Examiners in Medicine and Surgery, AZ Board of												
1740 W Adams	-	39,600	-	39,600	-	39,600	-	39,600	-	-	-	-
Parks Board, AZ State												

	Fiscal Year 2022 Appropriations Report				Fiscal Year 2023 Appropriations Report				Difference FY 2023 - FY 2022			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1100 W Washington	-	-	65,200	65,200	-	-	-	-	-	-	(65,200)	(65,200)
Personnel Board												
1740 W Adams	-	13,000	-	13,000	-	12,800	-	12,800	-	(200)	-	(200)
Pharmacy, AZ State Board of												
1616 W Adams	-	161,000	-	161,000	-	-	-	-	-	(161,000)	-	(161,000)
Physical Therapy, Board of												
1740 W Adams	-	22,500	-	22,500	-	22,400	-	22,400	-	(100)	-	(100)
Podiatry Examiners, State Board of												
1740 W Adams	-	11,000	-	11,000	-	10,900	-	10,900	-	(100)	-	(100)
Postsecondary Education, Commission												
1740 W Adams	-	13,900	-	13,900	-	-	-	-	-	(13,900)	-	(13,900)
Private Postsecondary Education, State Board for												
1740 W Adams	-	10,300	2,800	13,100	-	10,300	2,700	13,000	-	-	(100)	(100)
Psychologist Examiners, State Board of												
1740 W Adams	-	22,600	-	22,600	-	22,300	-	22,300	-	(300)	-	(300)
Public Safety, Department of												
14 N 18th Avenue	-	42,400	-	42,400	-	42,400	-	42,400	-	-	-	-
1700 W Washington	67,600	17,600	18,600	103,800	67,100	17,500	18,500	103,100	(500)	(100)	(100)	(700)
1740 W Adams St	-	-	-	-	-	30,600	-	30,600	-	30,600	-	30,600
400 W Congress, Tucson	14,800	3,800	4,100	22,700	14,800	3,800	4,100	22,700	-	-	-	-
Subtotal - Department of Public Safety	82,400	63,800	22,700	168,900	81,900	94,300	22,600	198,800	(500)	30,500	(100)	29,900
Regents, Board of												
1740 W Adams	-	-	-	-	-	-	13,800	13,800	-	-	13,800	13,800
Respiratory Care Examiners, Board of												
1740 W Adams	-	17,600	-	17,600	-	17,400	-	17,400	-	(200)	-	(200)
Revenue, Department of												
402 W Congress, Tucson	97,000	145,600	-	242,600	97,000	145,600	-	242,600	-	-	-	-
1600 W Monroe	1,242,500	1,863,700	-	3,106,200	1,241,400	1,862,100	-	3,103,500	(1,100)	(1,600)	-	(2,700)
Subtotal - Department of Revenue	1,339,500	2,009,300	-	3,348,800	1,338,400	2,007,700	-	3,346,100	(1,100)	(1,600)	-	(2,700)
School Facilities Board												
1700 W Washington	148,600	-	-	148,600	-	-	-	-	(148,600)	-	-	(148,600)
Secretary of State - Dept of State												
1700 W Washington	502,700	-	-	502,700	499,400	-	-	499,400	(3,300)	-	-	(3,300)
400 W Congress, Tucson	8,300	-	-	8,300	8,200	-	-	8,200	(100)	-	-	(100)
Polly Rosenbaum Building	2,139,600	-	-	2,139,600	2,139,500	-	-	2,139,500	(100)	-	-	(100)
Subtotal - Secretary of State - Dept of State	2,650,600	-	-	2,650,600	2,647,100	-	-	2,647,100	(3,500)	-	-	(3,500)
Treasurer, State												
1700 W Washington	-	193,000	-	193,000	-	196,100	-	196,100	-	3,100	-	3,100
Tribal Relations, Governor's Office on												
1700 W Washington	18,000	-	-	18,000	17,900	-	-	17,900	(100)	-	-	(100)
Veterinary Medical Examining Board, AZ State												
1740 W Adams	-	34,000	-	34,000	-	34,000	-	34,000	-	-	-	-
Water Resources, Department of												
1802 W Jackson	33,800	-	-	33,800	33,800	-	-	33,800	-	-	-	-
GRAND TOTAL	18,815,700	9,481,800	3,588,300	31,885,800	16,933,000	9,437,900	3,816,000	30,186,900	(1,882,700)	(43,900)	227,700	(1,698,900)

1/ Reflects rental charges to agencies as of July 2022 with rental rates enacted by Laws 2022, Chapter 319, Section 4, with an office square footage rental rate of \$17.87 and storage square footage rental rate of \$6.43.

2/ Pursuant to A.R.S. § 41-792.01, agencies occupying state-owned buildings shall pay the higher of the amount reported [herein] by the Joint Legislative Budget Committee or the pro rata share based on actual occupancy.

3/ The Department of Administration may approve whole or partial rent exemptions in FY 2023 without recommendation from the Joint Committee on Capital Review. The department shall report to the Joint Legislative Budget Committee Staff on each proposed agency rent exemption before approving the exemption.

Capital Outlay

Arizona Department of Transportation Building System

FY 2023
APPROVED

BUILDING RENEWAL

ADOT Building Renewal ^{3/}	18,607,200
SUBTOTAL	18,607,200

INDIVIDUAL PROJECTS ^{2/}

Aviation Fund Projects

Airport Planning and Development ^{3/4/5/}	27,100,000
Flight Education Complex ^{6/}	600,000
Airport Improvement Projects ^{6/}	20,000,000

State Highway Fund Projects

Statewide Highway Improvements

Controlled Access Highways ^{3/7/8/9/10/11/}	137,671,000
Debt Service ^{3/7/8/9/10/11/}	138,482,000
Statewide Highway Construction ^{3/7/8/9/10/11/}	194,220,000

ADOT Facilities

206 Annex Building	9,309,300
Liquid Brine Tanks Inflation	400,000
Vehicle Fueling Facilities	3,026,900
Vehicle Fueling Facilities Inflation	371,200
Superior De-Icer Storage Barn	1,200,000
Tucson Signal Equipment Repair Shop	2,124,000
Wickenburg Maintenance Facilities Inflation	2,985,000

Individual Transportation Projects

Flagstaff Downtown Connection Center ^{3/8/12/13/}	6,000,000
Former SR 279 Improvements ^{3/8/12/13/}	6,142,800
Gila Bend Sentinel Exit Lighting ^{3/8/12/13/}	568,000
I-10 Widening, Phoenix to Casa Grande ^{7/14/}	400,000,000
I-10 Widening, SR 85 to Citrus Road ^{3/8/12/13/15/}	64,200,000
Jackrabbit Trail Improvements ^{3/8/12/13/16/}	20,080,000
Lake Havasu City Bridge Study ^{3/8/12/13/}	200,000
Loop 101 Screen Wall at 16 th Street ^{3/8/12/13/}	7,250,000
Loop 101 Screen Wall at 51 st /59 th Avenue ^{3/8/12/13/}	9,514,000
Loop 303 Design (I-17 Interchange) ^{3/8/12/13/}	19,000,000
Loop 303 Design (I-17 to Lake Pleasant Parkway) ^{3/8/12/13/}	4,000,000
Pavement Rehabilitation, Greater Arizona ^{3/13/}	31,500,000
SMART Fund Deposit ^{6/}	50,000,000
SR 24 Right-of-Way ^{3/8/12/13/}	15,000,000
SR 69 Repavement, Prescott Valley ^{3/13/}	1,645,000
SR 69 and SR 169 Roundabout ^{3/8/12/13/}	1,500,000
SR 74 and Lake Pleasant Parkway Traffic Interchange ^{3/8/12/13/}	5,000,000
SR 79 and Hunt Highway Intersection Assessment ^{3/8/12/13/}	100,000
SR 87 and Skousen Road Intersection Assessment ^{3/8/12/13/}	100,000
SR 89 and SR 89A Traffic Interchange ^{3/8/12/13/}	3,000,000
SR 90 Improvements, near Fort Huachuca ^{3/13/}	3,710,000
SR 90 Pavement Rehabilitation ^{3/8/12/13/}	39,200,000
SR 95 Repavement, Mohave County ^{3/13/}	19,534,600
SR 186/State Business Route 10, Willcox ^{3/13/}	1,464,100
SR 238 Design ^{4/10/11/12/}	800,000
SR 347 and Riggs Road Design, Study, and Construction ^{3/13/}	11,375,000
SR 347 Design ^{3/8/12/13/}	19,000,000
SR 389 and Arizona Avenue Intersection Assessment ^{3/8/12/13/}	100,000
Tier 2 Study for I-11 ^{3/8/12/13/}	25,000,000
Tier 2 Study for North-South Corridor ^{3/8/12/13/}	15,000,000
Tier 2 Study for Sonoran Corridor ^{3/8/12/13/}	14,000,000
US 60 Pavement Rehabilitation ^{3/8/12/13/}	38,482,000

	FY 2023 APPROVED
US 95 Improvement, near Yuma Proving Grounds ^{3/13/}	3,500,000
US 191 Pavement Rehabilitation (Armory Road to East Safford) ^{3/8/12/13/}	16,330,000
US 191 Pavement Rehabilitation (MP 163 to MP 173) ^{3/8/12/13/}	22,152,000
General Fund Projects	
Cesar Chavez Boulevard ^{17/}	33,000,000
Ganado School Loop Road ^{8/}	1,000,000
Loop 101 Slip Ramp, Tolleson ^{8/}	25,000,000
N35 Road ^{8/}	6,000,000
N9402 Road ^{8/}	10,000,000
Ruby Road Bridge, near Nogales ^{8/}	3,000,000
US 89 Traffic Circle ^{8/}	5,000,000
SUBTOTAL	1,494,936,900
TOTAL - ALL PROJECTS ^{18/19/}	1,513,544,100

FUND SOURCES

General Fund	83,000,000
<u>Other Appropriated Funds</u>	
State Aviation Fund	48,167,800
State Highway Fund	1,382,376,300
SUBTOTAL - Other Appropriated Funds	1,430,544,100
SUBTOTAL - Appropriated Funds	1,513,544,100
Other Non-Appropriated Funds	509,377,000
Federal Funds	1,125,248,000
TOTAL - ALL SOURCES	3,148,169,100

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 2022-2023 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 Appropriation Act footnote)
- 2/ Notwithstanding section 35-190, Arizona Revised Statutes, and Laws 2021, chapter 406, section 35, the \$50,000,000 appropriated to the department of transportation by Laws 2021, chapter 406, section 35 in fiscal year 2020-2021 to widen Interstate 10 between Phoenix and Casa Grande is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (Capital Outlay Appropriation Act footnote)
- 3/ The appropriation made in subsection A of this section does not lapse until the purpose for which the appropriation was made has been accomplished or abandoned or the appropriations stand for a full fiscal year without an expenditure or encumbrance. (Capital Outlay Appropriation Act footnote)
- 4/ The sum of \$27,100,000 is appropriated from the state aviation fund established by section 28-8202, Arizona Revised Statutes, in fiscal year 2022-2023 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 2022-2023 for the purposes provided in this subsection. (Capital Outlay Appropriation Act footnote)
- 5/ On or before December 31, 2022, 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 Appropriation Act footnote)
- 6/ 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. (Capital Outlay Appropriation Act footnote)

- 7/ The sum of \$470,373,000 is appropriated from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2022-2023 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 Appropriation Act footnote)
- 8/ Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriations made in subsection A of this section are not subject to review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 9/ On or before November 1, 2022, 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 Appropriation Act footnote)
- 10/ On or before November 1, 2022, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2023-2024 and the estimated debt service payment amount for each of fiscal years 2023-2024, 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 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 2021-2022 appropriations report. (Capital Outlay Appropriation Act footnote)
- 11/ On or before November 1, 2022, the department of transportation shall report capital outlay information for fiscal years 2021-2022, 2022-2023 and 2023-2024 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 two, three and six, as found in the fiscal year 2021-2022 appropriations report. (Capital Outlay Appropriation Act footnote)
- 12/ Within thirty days after the last day of each calendar quarter, the department shall report to the joint legislative budget committee staff the projected cost and status of the projects for the appropriations made in subsection A of this section. The report shall include any impacts to the projects due to the increase in the cost of concrete. (Capital Outlay Appropriation Act footnote)
- 13/ Before transferring monies between the projects described in subsection A of this section, the department shall submit a report for review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 14/ Laws 2022, Chapter 218 as amended by Laws 2022, Chapter 309 appropriated \$400,000,000 from the State Highway Fund to widen Interstate 10 between Chandler to Casa Grande.
- 15/ The legislature intends that:
 - (a) Not more than one hundred twenty days after the effective date of this section, the city of Buckeye contribute \$3,000,000 to the project described in this paragraph.
 - (b) The Maricopa association of governments collect and contribute at least \$10,000,000 from sources other than this state for the project described in this paragraph.
 - (c) The department use any federal discretionary monies awarded for the project described in this paragraph before spending the monies appropriated in this paragraph. (Capital Outlay Appropriation Act footnote)
- 16/ The legislature intends that the city of Buckeye contribute \$5,020,000 to the project described in this paragraph. (Capital Outlay Appropriation Act footnote)
- 17/ Laws 2022, Chapter 331 appropriated \$33,000,000 from the General Fund to distribute to Yuma county to construct, widen, repair and upgrade Cesar Chavez Boulevard in the city of San Luis.
- 18/ Unless otherwise specified, the monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- 19/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Unless otherwise specified, funding for capital projects is appropriated by Laws 2022, Chapter 309 (FY 2023 Capital Outlay Bill).

Building Renewal

Building Renewal

The budget includes \$18,607,200 in FY 2023 for Building Renewal within ADOT's Building System. This amount consists of \$18,139,400 from the State Highway Fund (SHF) and \$467,800 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 100% funding of the FY 2023 highway building renewal formula and 100% funding of the FY 2023 aviation building renewal formula. The FY 2022 budget appropriated \$15,400,000 from the SHF and \$310,400 from the SAF, which represented 99.9% funding of the FY 2022 highway building renewal formula and 100% funding of the FY 2022 aviation building renewal formula.

A footnote in the Capital Outlay Bill requires ADOT to biannually report on the status of all nonhighway construction capital projects, including building renewal projects and any individual projects such as maintenance facility upgrades described in the Individual Projects section.

Aviation Fund Projects

Airport Planning and Development

The budget includes \$27,100,000 from the State Aviation Fund (SAF) in FY 2023 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 2022-2026 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.

Flight Education Complex

The budget includes \$600,000 from SAF in FY 2023 to distribute to the Prescott regional airport for an academic flight education complex. The monies will be distributed contingent upon a local matching commitment from the Prescott airport. Laws 2022, Chapter 321 diverts

\$600,000 from the state General Fund share of TPT revenues to the State Aviation Fund for this project.

Airport Improvement Projects

The budget includes \$20,000,000 from SAF in FY 2023 for planning, development, land acquisition and facility improvements for local public airport facilities. Laws 2022, Chapter 321 diverts \$20,000,000 from the state General Fund share of TPT revenues to the State Aviation Fund for this project.

State Highway Fund Projects

Statewide Highway Improvements

Controlled Access Highways

The budget includes an estimated urban freeway controlled access funding level of \$137,671,000 from SHF in FY 2023. 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 budget includes \$138,482,000 from SHF in FY 2023 for the appropriated portion of the debt service on bonds. ADOT has approximately \$1,353,110,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2023 debt service payments. *(Please see Table 5 for more information on debt service.)*

Statewide Highway Construction

The budget includes \$194,220,000 from SHF in FY 2023 for controlled access, debt service on bonds, and new construction. Only a small portion of the state's total \$1,993,200,000 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 2023 budget 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 \$343,796,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2023. The Statewide Transportation Acceleration Account (STAN) is estimated to have a depleted balance.

State Highway Fund FY 2023 Highway Construction & Debt Service	
	Capital Outlay Bill
Controlled Access	\$137,671,000
Debt Service	138,482,000
Highway Construction	194,220,000
Total	\$470,373,000

ADOT Facilities

206 Annex Building

The budget includes \$9,309,300 from SHF in FY 2023 for the renovation of the department's 206 annex building in Phoenix. The renovation will go towards structural remediation of the 2nd and 3rd floors which are currently structurally compromised. ADOT will also use \$7.5 million from SHF building renewal in FY 2022 to initiate the project.

Liquid Brine Tanks Inflation

The budget includes \$400,000 from SHF in FY 2023 for the increased cost of the construction of new liquid brine tanks and production facilities. The FY 2022 budget included \$2.0 million for the construction of new liquid brine tanks. The department has requested additional funding due to inflation. Located in Globe, Show Low, Prescott Valley, and Keams Canyon, these new 10,000-gallon storage tanks will provide salt brine for the department to de-ice highways in these areas.

Vehicle Fueling Facilities

The budget includes \$3,026,900 from SHF in FY 2023 for the replacement of vehicle fueling facilities in Tucson, St. David, Willcox, and Three Points. The existing fuel systems have reached the end of their lifecycle. These facilities provide fuel for the department's operation throughout the state.

Vehicle Fueling Facilities Inflation

The budget includes \$371,200 from SHF in FY 2023 for the increased cost of replacement of vehicle fueling facilities in Flagstaff, Holbrook, and Kingman. The FY 2022 budget included \$1.8 million for the replacement of vehicle fueling facilities. The department has requested additional funding due to inflation. The existing fuel systems have reached the end of their lifecycle. These facilities provide fuel for the department's operation throughout the state.

Superior De-Icer Storage Barn

The budget includes \$1,200,000 from SHF in FY 2023 for the replacement of a de-icer storage barn in Superior. The funding will construct a new 30 feet by 60 feet storage building for the storage of sand, cinders, and premixed chemical materials which are used during winter months for highway de-icing operations.

Tucson Signal Equipment Repair Shop

The budget includes \$2,124,000 from SHF in FY 2023 to relocate the signal equipment repair shop in Tucson. The funding will construct a new 4,500 square foot office, crew area, workshop, restroom and support spaces within an existing warehouse. The facility is used by the department for the maintenance and repair of various pieces of equipment, primarily signals and lighting.

Wickenburg Maintenance Facilities Inflation

The budget includes \$2,985,000 from SHF in FY 2023 for the increased cost of maintenance facility replacements in Wickenburg. The FY 2022 Capital Outlay Bill included \$3.2 million and extended the \$4.6 million FY 2020 appropriation for the Wickenburg maintenance facility through the end of FY 2023. The department has requested additional funding due to inflation. The Wickenburg maintenance yard includes a maintenance office, a small Department of Public Safety outpost office, an equipment shop, and 3 storage buildings. ADOT states the yard is small, outdated, susceptible to flooding, and inefficient for coordination between the supervisor and crew. The department plans to demolish and replace the structures with a 5,200 square foot office building, a 4,800 square foot 4-bay truck barn, and a 4,000 square foot 5-bay maintenance building. ADOT also plans to construct an on-site fuel facility.

Individual Transportation Projects

All of the projects listed in this section are funded from a diversion of \$925,447,500 from the state General Fund share of TPT revenues to the State Highway Fund.

Flagstaff Downtown Connection Center

The budget includes \$6,000,000 from SHF in FY 2023 to distribute to the northern Arizona intergovernmental

public transportation authority for capital costs of the Flagstaff Downtown Connection Center.

Former SR 279 Improvements

The budget includes \$6,142,800 from SHF in FY 2023 to distribute to Cottonwood to construct and improve the former State Route 279.

Gila Bend Sentinel Exit Lighting

The budget includes \$568,000 from SHF in FY 2023 to install lighting on the Sentinel exit ramp in Gila Bend.

I-10 Widening, Phoenix to Casa Grande

Laws 2022, Chapter 218 appropriated \$400,000,000 from the General Fund in FY 2023 to widen Interstate 10 between Phoenix and Casa Grande. Laws 2022, Chapter 309 subsequently revised this appropriation to be from the State Highway Fund. A footnote makes the \$50.0 million FY 2022 appropriation to widen Interstate 10 between Phoenix and Casa Grande non-lapsing. The department intends to use the FY 2023 appropriation to secure additional federal funding for the project.

I-10 Widening, SR 85 to Citrus Road

The budget includes \$64,200,000 from SHF in FY 2023 to design and construct additional vehicle lanes, separated by a lighted median, on Interstate 10 between SR 85 and Citrus Road. A footnote contains intent language that the City of Buckeye contribute \$3.0 million and MAG contribute at least \$10.0 million to the project. The footnote further requires ADOT to use any discretionary federal monies awarded for the project before spending any of the appropriated monies.

Jackrabbit Trail Improvements

The budget includes \$20,080,000 from SHF in FY 2023 to improve Jackrabbit Trail between Thomas Road and McDowell Road. A footnote contains intent language that the City of Buckeye contribute \$5,020,000 to the project.

Lake Havasu City Bridge Study

The budget includes \$200,000 from SHF in FY 2023 to study the construction of an emergency evacuation bridge in Lake Havasu City.

Loop 101 Screen Wall at 16th Street

The budget includes \$7,250,000 from SHF in FY 2023 to design and construct a screen wall along the east side of Loop 101 near 16th Street.

Loop 101 Screen Wall at 51st/59th Avenue

The budget includes \$9,514,000 from SHF in FY 2023 to design and construct a screen wall along Loop 101 between 51st Avenue and 59th Avenue.

Loop 303 Design (I-17 Interchange)

The budget includes \$19,000,000 from SHF in FY 2023 to design an interchange at Loop 303 and Interstate 17.

Loop 303 Design (I-17 to Lake Pleasant Parkway)

The budget includes \$4,000,000 from SHF in FY 2023 to design improvements along Loop 303 from I-17 to Lake Pleasant Parkway.

Pavement Rehabilitation Inflation, Greater Arizona

The budget includes \$31,500,000 from SHF in FY 2023 for increased costs of pavement rehabilitation. The FY 2022 Capital Outlay Bill appropriated \$90.0 million for pavement rehabilitation projects that meet the following criteria: 1) Located outside of Maricopa and Pima Counties; 2) On roads that are graded as being in fair or poor condition by ADOT; and 3) Are not contained in ADOT's FY 2021 – FY 2025 5-Year Construction Program.

SMART Fund Deposit

The budget includes \$50,000,000 from SHF in FY 2023 to deposit into the State Match Advantage for Rural Transportation (SMART) Fund. The department may use the SMART Fund to help apply for a secure federal grant funding for road projects outside of Maricopa and Pima counties.

SR 24 Right-of-Way

The budget includes \$15,000,000 from SHF in FY 2023 to acquire right of way to extend State Route 24 on a different alignment and develop a connector route that extends from State Route 24 along the central Arizona project canal alignment.

SR 69 Repavement Inflation, Prescott Valley

The budget includes \$1,645,000 from SHF in FY 2023 for increased costs of the repavement of State Route 69. The FY 2022 Capital Outlay Bill appropriated \$4.7 million for the repavement of a 3-mile stretch of road along State Route 69 in the town of Prescott Valley.

SR 69 and SR 169 Roundabout

The budget includes \$1,500,000 from SHF in FY 2023 to transition a current traffic light interchange into a roundabout.

SR 74 and Lake Pleasant Parkway Traffic Interchange

The budget includes \$5,000,000 from SHF in FY 2023 to study and design a traffic interchange on State Route 74 and Lake Pleasant Parkway.

SR 79 and Hunt Highway Intersection Assessment

The budget includes \$100,000 from SHF in FY 2023 to assess the intersection of State Route 79 and Hunt Highway to identify any issues and determine intersection improvements.

SR 87 and Skousen Road Intersection Assessment

The budget includes \$100,000 from SHF in FY 2023 to assess the intersection of State Route 87 and Skousen Road to identify any issues and determine intersection improvements.

SR 89 and SR 89A Traffic Interchange

The budget includes \$3,000,000 from SHF in FY 2023 to design a traffic interchange on State Route 89 and State Route 89A.

SR 90 Improvements Inflation, near Fort Huachuca

The budget includes \$3,710,000 from SHF in FY 2023 for increased costs to improve State Route 90. The FY 2022 Capital Outlay Bill appropriated \$10.6 million to improve State Route 90 near Fort Huachuca.

SR 90 Pavement Rehabilitation

The budget includes \$39,200,000 from SHF in FY 2023 to rehabilitate pavement along State Route 90 between Campus Drive and the U.S. Border Patrol Station in Huachuca City.

SR 95 Repavement Inflation, Mohave County

The budget includes \$19,534,600 from SHF in FY 2023 for increased costs to repave State Route 95. The FY 2022 Capital Outlay Bill appropriated \$46.7 million for the repavement of State Route 95 between Interstate 40 and Sara Park and between Parkway Intersection in Bullhead City and Courtwright Road in Mohave Valley.

SR 186/State Business Route 10 Inflation, Willcox

The budget includes \$1,464,100 from SHF in FY 2023 for increased costs to repair State Route 95 and State Business Route 10. The FY 2022 Capital Outlay Bill appropriated \$3.5 million to repair State Route 186 and State Business Route 10 in Willcox.

SR 238 Design

The budget includes \$800,000 from SHF in FY 2023 to design the improvement of State Route 238 between State Route 347 and Green Road.

SR 347 and Riggs Road Design, Study, and Construction Inflation

The budget includes \$11,375,000 from SHF in FY 2023 for increased costs for the design, right-of-way, easement, environmental study, and the construction of an overpass at Riggs Road and State Route 347. The FY 2022 Capital Outlay Bill appropriated \$35.0 million for this project to be allocated as follows: 1) \$2.5 million for study costs; 2) \$7.5 million for final design plans, right-of-way and easement costs; and 3) \$25.0 million for construction costs.

SR 347 Design

The budget includes \$19,000,000 from SHF in FY 2023 to design to widen lanes along State Route 347 between Interstate 10 and the City of Maricopa.

SR 389 and Arizona Avenue Intersection Assessment

The budget includes \$100,000 from SHF in FY 2023 to assess the intersection of State Route 389 and Arizona Avenue to identify any issues and determine intersection improvements.

Tier 2 Study for I-11

The budget includes \$25,000,000 from SHF in FY 2023 for a tier 2 study of Interstate 11 in Maricopa County. A tier 2 study further refines the analysis completed in tier 1 by identifying recommended freeway alignments and the location of design features (e.g. bridges, interchanges, signage).

Tier 2 Study for North-South Corridor

The budget includes \$15,000,000 from SHF in FY 2023 for a tier 2 study of the North-South Corridor in Pinal County.

Tier 2 Study for Sonoran Corridor

The budget includes \$14,000,000 from SHF in FY 2023 for a tier 2 study of the Sonoran Corridor in Pima County.

US 60 Pavement Rehabilitation

The budget includes \$38,482,000 from SHF in FY 2023 to rehabilitate pavement along United State Route 60 between Loop 101 and Loop 202.

US 95 Improvement Inflation, near Yuma Proving Grounds

The budget includes \$3,500,000 from SHF in FY 2023 for increased costs to improve United States Route 95. The FY 2022 Capital Outlay Bill appropriated \$10.0 million for the improvement of United States Route 95 near Yuma Proving Grounds.

US 191 Pavement Rehabilitation (Armory Road to East Safford)

The budget includes \$16,330,000 from SHF in FY 2023 for pavement rehabilitation along United States Route 191 between Armory Road and East Safford.

US 191 Pavement Rehabilitation (MP 163 to MP 173)

The budget includes \$22,152,000 from SHF in FY 2023 for pavement rehabilitation along United States Route 191 between Mile Post 163 and Mile Post 173.

General Fund Projects

Cesar Chavez Boulevard

Laws 2022, Chapter 331 appropriates \$33,000,000 from the General Fund in FY 2023 to distribute to Yuma county to construct, widen, repair and upgrade Cesar Chavez Boulevard in the City of San Luis.

Ganado School Loop Road

The budget includes \$1,000,000 from the General Fund in FY 2023 to distribute to Apache County for the construction, repairs and upgrades of County Road C- 420 Ganado School Loop Road.

Loop 101 Slip Ramp, Tolleson

The budget includes \$25,000,000 from the General Fund in FY 2023 for the Loop 101 slip ramp access project in Tolleson.

N35 Road

The budget includes \$6,000,000 from the General Fund in FY 2023 to distribute the monies to the Navajo Nation for the improvements to the N35 Road.

N9402 Road

The budget includes \$10,000,000 from the General Fund in FY 2023 to distribute the monies to the Navajo Nation for the improvements to the N9402 Road near Lupton and Houck Arizona.

Ruby Road Bridge, near Nogales

The budget includes \$3,000,000 from the General Fund in FY 2023 to improve the Ruby Road bridge near Nogales.

US 89 Traffic Circle

The budget includes \$5,000,000 from the General Fund in FY 2023 to construct a traffic circle at the intersection of North Lake Powell Boulevard and U.S. Route 89 in Page, Arizona and to install traffic control devices at the intersection of U.S. Route 89 and the road to the Horseshoe Bend parking lot.

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 \$1,082,672,000 in FY 2021 to \$1,477,802,000 in FY 2022 and \$1,634,625,000 in FY 2023.

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2023 Baseline Book*. The

ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 2.

Table 2

Non-Appropriated Capital Fund Expenditures (\$ in Thousands)			
	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Aviation Federal Funds	\$5,288	\$8,352	\$11,524
Highway Federal Grants	<u>733,962</u>	<u>855,644</u>	<u>1,113,724</u>
Subtotal - Federal Funds	\$739,250	\$863,996	\$1,125,248
Bond Proceeds	\$7,598	\$3,601	\$0
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	3,063	3,970	4,327
Maricopa Regional Area Road Fund	331,761	605,235	504,050
Subtotal - Other Non- Appropriated Funds	\$343,422	\$613,806	\$509,377
Total	\$1,082,672	\$1,477,802	\$1,634,625

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, 2021 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 \$1,004,407,000 for FY 2023. (Please see Table 3 for additional details.)

Table 3

State Highway Fund Highway Construction Projects Beginning in FY 2023 (\$ in Thousands)	
	FY 2023 ^{1/}
Construction	\$11,300
Urban Controlled Access ^{2/}	439,430
Pavement Preservation Maintenance	462,264
Other ^{3/}	<u>91,413</u>
Total	\$1,004,407

^{1/} Data from ADOT's 2022-2026 5-Year Transportation Facilities Construction Program, representing the total cost of multi-year projects beginning in FY 2023.

^{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 2023 budget includes \$470,373,000 for highway construction, including \$194,220,000 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 2021 through FY 2023 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 2023 by category of construction. Table 5 also includes monies from the Local Agency Deposits Fund, while Table 3 does not.

For FY 2021, Table 5 shows that total cash highway construction expenditures were \$1,027,700,000 while \$313,200,000 was spent on debt service. In FY 2022, total estimated cash highway construction expenditures are \$1,496,100,000 with total debt service of \$312,700,000. In FY 2023, total estimated cash highway construction expenditures are \$1,681,300,000 with total debt service of \$311,900,000.

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 \$122,816,600 in FY 2021, \$150,220,100 in FY 2022, and \$205,885,900 in FY 2023. Of the \$311,900,000 total FY 2023 debt service amount in Table 5, only \$138,500,000 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 2021 through FY 2023. The line in Table 6 showing net SHF Available for Statewide Highway Construction, which totals \$194,220,000 for FY 2023, 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 2021 HURF collections of \$1,627,170,000 were 9.9% above FY 2020 collections. As of June 2022, FY 2022 HURF year-to-date collections were 6.3% higher than the prior year collections.

VLT is the largest source of HURF collections, accounting for 34% of HURF revenue in FY 2021, a percentage which has been increasing in recent years. From FY 2017 to FY 2021, the gas tax share of total collections has decreased by (5.3)% while VLT’s share has increased by 4.1%.

The gas tax comprises the second largest source of HURF collections at 31%. The average price per gallon of regular gasoline in Arizona is \$5.15 in July 2022, or \$2.03 per gallon higher than a year ago, according to the American Automobile Association.

ADOT forecasts HURF collections 10 years out each summer using a model based on the state’s nominal personal income, population, non-farm employment, fleet fuel efficiency and nominal gas price.

Table 4

Percentage Distribution of HURF Monies

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	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.

Long-Term Budget Impacts

FY 2024 SR 97 Improvements near Bagdad

The FY 2023 Capital Outlay Bill advance appropriates \$10,000,000 from the General Fund in FY 2024 to improve State Route 97 near Bagdad. A footnote reverts the appropriation on June 30, 2025 if the department does not secure federal funding for the project on or before June 30, 2025.

Statutory Changes

The Tax Omnibus bill makes the following statutory changes:

- As session law, during FY 2023 divert \$946,047,500 of General Fund transaction privilege tax (TPT) revenues to various General Fund agency funds. The distributions may be made in even monthly installments. Includes legislative intent that the distributions will not impact TPT revenues shared with cities and counties. In the case of ADOT, the diverted amount will be allocated as follows:
 - ADOT State Highway Fund: \$925,447,500
 - ADOT State Aviation Fund: \$20,600,000

The Transportation BRB makes the following statutory changes:

- As permanent law, establish the State Match Advantage for Rural Transportation (SMART) Fund consisting of monies appropriated to the fund by the Legislature for the purposes of assisting political subdivisions outside of Maricopa and Pima Counties and the Arizona Department of Transportation with costs associated with applying for and securing federal transportation grants for projects outside of Maricopa and Pima Counties. The fund will allocate the available monies as follows:
 - 40% to counties, with half going to counties larger than 100,000 persons, half to smaller
 - 40% to municipalities, with half going to municipalities larger than 10,000 persons, half to smaller
 - 20% to ADOT for projects on the system outside of Maricopa and Pima CountiesADOT may utilize 1% of the total funding from the ADOT portion for administrative costs to manage the grant program. These grants can be utilized for one of the following:
 - Shovel ready costs for a project that meets federal requirements
 - Application fee to apply for the competitive grant, and
 - The matching portion to draw down the competitive federal funding.

Laws 2022, Chapter 33 makes the following statutory changes:

- As permanent law, modifies the FY 2021 \$560,000 appropriation from the General Fund to improve Main Street in Jerome to be read "to improve Center Avenue in Jerome".

Table 5

Highway Construction and Debt Service Expenditures by Fund Source
(\$ in Millions)

<u>Sources</u>	<u>FY 2021</u> <u>Actual</u>	<u>FY 2022</u> <u>Estimate</u>	<u>FY 2023</u> <u>Estimate</u>
State Highway Fund (SHF)			
Appropriated			
HURF - Statewide Debt Service	\$ 109.5	\$ 108.9	\$ 119.0
HURF - MAG Debt Service	30.5	30.9	19.5
MAG/PAG 15.2% Controlled Access - Construction	13.9	103.0	103.3
Net SHF Funds Available for Statewide Highway	170.0	168.7	194.2
Total SHF - Appropriated ^{1/}	<u>\$ 323.9</u>	<u>\$ 411.5</u>	<u>\$ 436.0</u>
Non-Appropriated			
SHF Highway Construction ^{2/}	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total SHF - Non-Appropriated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total SHF Highway Construction Expenditures	\$ 323.9	\$ 411.5	\$ 436.0
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 734.0	\$ 855.6	\$ 1,113.7
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 129.0	\$ 391.2	\$ 295.8
MRARF Debt Service	143.3	142.9	143.4
Total Maricopa Regional Area Road Fund Highway	\$ 272.3	\$ 534.1	\$ 439.2
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 0	\$ 0.1	\$ 0
MRARF - Highway Construction Expenditures	0	0	0
GAN - Highway Construction Expenditures	7.6	3.5	0
Total Bond Proceeds Highway Construction Expenditures	\$ 7.6	\$ 3.6	\$ 0
Local Agency Deposits Fund			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	3.1	4.0	4.3
Total Local Agency Deposits Fund Highway Construction	\$ 3.1	\$ 4.0	\$ 4.3
Total Highway Construction Expenditures	\$ 1,340.9	\$ 1,808.8	\$ 1,993.2
Total Debt Service			
SHF	\$ 139.9	\$ 139.8	\$ 138.5
Federal Aid	30.0	30.0	30.0
MRARF	143.3	142.9	143.4
Total Debt Service	\$ 313.2	\$ 312.7	\$ 311.9 ^{3/}
Total Cash Highway Construction Expenditures			
SHF	\$ 184.0	\$ 271.6	\$ 297.5
Federal Aid	704.0	825.7	1,083.7
MRARF	129.0	391.2	295.8
Bond Proceeds	7.6	3.6	0
Local Agency Deposits Fund	3.1	4.0	4.3
Total Cash Highway Construction Expenditures	\$ 1,027.7	\$ 1,496.1	\$ 1,681.3
Total Highway Construction Expenditures	\$ 1,340.9	\$ 1,808.8	\$ 1,993.2

^{1/} Excludes any new individual project funding included in the FY 2023 budget.

^{2/} Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

^{3/} Information provided by the department. Includes \$138,482,000 for HURF bonds (\$118,974,000 for statewide program and \$19,508,000 MAG program); \$29,985,000 for Grant Anticipation Notes; and \$143,389,000 for MRARF bonds.

Table 6

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2021 <u>Actual</u>	FY 2022 <u>Estimate</u>	FY 2023 <u>Estimate</u>
Total HURF Collections Before Authorized Third-Party (ATP) Expenses	\$1,655,264	\$1,804,032	\$1,866,161
Less: ServiceArizona ATP Fee Retention	8,520	8,903	9,304
Brick and Mortar ATP Fee Retention	5,508	5,756	6,015
ServiceArizona ATP Credit Card Fee Reimbursements	12,323	12,693	13,328
Brick and Mortar ATP Credit Card Fee Reimbursements	<u>1,743</u>	<u>1,830</u>	<u>1,922</u>
Total HURF Collections	\$1,627,170	\$1,774,850	\$1,835,592
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	680	702	702
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	<u>10,862</u>	<u>11,603</u>	<u>11,936</u>
Net HURF Collections	\$1,614,628	\$1,761,545	\$1,821,954
Less: Cities ^{2/}	492,462	537,271	555,697
Counties ^{2/}	306,779	334,694	346,171
VLT Transfer to General Fund ^{3/}	23,343	0	0
VLT Transfer to Parity Compensation Fund ^{4/}	4,126	4,328	4,555
VLT Transfer to General Fund (5-Year VLT) ^{5/}	3,948	3,400	3,550
VLT Transfer to General Fund (Abandoned Vehicle) ^{6/}	5,990	6,100	6,250
Controlled Access ^{7/}	<u>121,801</u>	<u>133,114</u>	<u>137,671</u>
Net SHF (Discretionary)	\$ 656,179	\$ 742,638	\$ 768,060
Plus: Other Income ^{8/}	84,837	70,876	65,051
Less: Operating Budget	369,132	414,734	516,951
Dept of Public Safety Transfer from Highway Fund	318	8,167	8,167
Capital Outlay	0	6,900	19,416
Building Renewal	13,000	15,400	18,139
ServiceArizona ATP VLT Retention ^{9/}	22,420	21,917	23,066
Brick and Mortar ATP VLT Retention ^{9/}	21,453	20,971	22,072
HURF Exchange Program ^{10/}	4,748	17,000	17,000
Debt Service ^{11/}	139,921	139,787	138,482
Other	<u>0</u>	<u>-30</u>	<u>-124,402</u>
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{12/}	\$ 170,024	\$ 168,668	\$ 194,220
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	298,718	343,155	343,796
STAN Account Beginning Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total SHF Available for Statewide Highway Construction	\$ 468,742	\$ 511,823	\$ 538,016

^{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/} Due to the Highway Safety Fee, the FY 2020 General Appropriation Act transferred \$23,343,200 from the SHF share of VLT to the state General Fund due to the "excess" Highway Safety Fee amount and monies freed up from the reduced use of SHF in the DPS budget. The FY 2021 General Appropriation Act continued that policy with the transfer of \$23,343,200 from the SHF share of VLT to the state General Fund. The FY 2022 budget discontinued this policy due to the repeal of the Highway Safety Fee at the end of FY 2021.

^{4/} A.R.S § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

^{5/} 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.

^{6/} 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.

^{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, abandoned vehicle fees, and an FY 2021 budget transfer from the Arizona Highway Patrol Fund to the SHF. This excludes the \$925,447,500 of TPT General Fund collections that were deposited into the State Highway Fund to fund individual transportation projects.

^{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.

Capital Outlay

Arizona Board of Regents Building Systems

FY 2023
APPROVED

BUILDING RENEWAL

Arizona Board of Regents

0

INDIVIDUAL PROJECTS

Mining, Mineral and Natural Resources Educational Museum

12,000,000^{1/}

TOTAL - ALL PROJECTS

12,000,000^{2/3/}

FUND SOURCES

General Fund

12,000,000

TOTAL - ALL SOURCES

12,000,000

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by ABOR on behalf of the universities.

FOOTNOTES

- 1/ A. The sum of \$12,000,000 is appropriated from the state general fund in fiscal year 2022-2023 to the Arizona board of regents to distribute to the university of Arizona for capital improvements to the mining, mineral and natural resources educational museum.
B. Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation made in this section that is unexpended on June 30, 2024 reverts to the fund from which the monies were appropriated.
- 2/ A.R.S. § 15-1670 appropriates \$33,016,100 to the universities from the General Fund in FY 2023 to finance lease-purchase payments for research infrastructure projects.
- 3/ A.R.S. § 15-1671 appropriates \$28,939,500 to the universities from the General Fund in FY 2023 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 2023, ABOR reports funding 100% of the building renewal formula would be \$201,446,500. The budget includes no funding for Building Renewal in the ABOR Building System.

The FY 2023 Higher Education Budget Reconciliation Bill (BRB), as session law, re-directs ADOA to convey the museum to UA. As directed by Laws 2017, Chapter 221, ADOA previously conveyed the museum to UA. However, the deed stipulated that the museum revert back to ADOA if the museum did not open to the public by June 15, 2022. The museum did not open to the public by this date. Following the conveyance and revertment of the museum, the FY 2023 Higher Education BRB re-directs ADOA to convey the museum to UA.

Summary of University Debt

ABOR estimates that as of the end of FY 2023, the universities' outstanding principal balances for bonds and lease-purchase agreements will total \$3,954,078,800, of which \$3,584,195,000 is for outstanding bonds and \$369,883,800 is for lease-purchase projects. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$2,107,818,000
NAU	417,960,000
UA (all campuses)	<u>1,428,300,800</u>
Total	\$3,954,078,800

Individual Projects

Mining, Mineral and Natural Resources Educational Museum

The budget includes \$12,000,000 from the General Fund in FY 2023 for the Mining, Mineral and Natural Resources Educational Museum. ABOR is required to distribute the monies to UA for capital improvements. The monies are appropriated as non-lapsing through June 30, 2024.

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2023 will be \$354,031,300. The debt service payments made by each of the universities would be as follows:

ASU (all campuses)	\$179,707,800
NAU	39,367,900
UA (all campuses)	<u>134,955,600</u>
Total	\$354,031,300

In addition to University system revenues being allocated for FY 2023 debt service payments, \$37,798,800 would be paid by Lottery monies, \$33,016,100 would be paid by the General Fund for 2003 research infrastructure projects, and \$13,531,400 would be paid by the General Fund for 2017 Capital Infrastructure Funding projects.

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 \$3,584,195,000 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 \$47,248,500 in FY 2023, of which 80% will be paid by Lottery monies and 20% with university system revenues.

2017 Capital Infrastructure Appropriations

Another component of the \$3,584,195,000 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 law appropriated \$27,000,000 to the universities in FY 2019 and increases the appropriation each year thereafter by 2.0% or the rate of inflation, whichever is less. The FY 2023 budget assumes a 2.0% increase from FY 2022, resulting in a total FY 2023 appropriation of \$28,939,500. Debt service payments will total \$27,062,700 in FY 2023, of which 50% will be paid by the General Fund and 50% will be paid with university system revenues.

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 2025. 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% (5.5% with SPEED) in FY 2024
- NAU: 5.3% (7.0% with SPEED) in FY 2025
- UA: 5.6% (6.7% with SPEED) in FY 2024

These ratios incorporate the debt service impact of planned construction projects. The universities estimate that they have the capacity to issue \$2,723,500,000 in additional debt beyond the planned projects based on these debt service ratios.

Other Issues

Statutory Changes

The Higher Education BRB makes the following statutory changes:

- As session law, directs ADOA to convey the Mining, Mineral and Natural Resources Museum to the University. The prior conveyance expires in June 2022.

Capital Outlay
Debt and Lease-Purchase Financing

FY 2022
 SUPPLEMENTAL

DEBT PAYOFF APPROPRIATIONS* 1/2/

2015/2017 Refinance Payoff – ASH Forensic Unit and ADC Prison Beds/Water Supply Projects	93,500,000
TOTAL - ALL PROJECTS	93,500,000

* These amounts represent a General Fund debt payoff included in the FY 2023 budget, which was appropriated as a non-lapsing FY 2022 supplemental. This display only includes the FY 2022 supplemental appropriation and does not represent total FY 2022 debt service and lease-purchase payments. FY 2023 will include no debt service payments for the Series 2015/2017 issuance. All other debt service and lease-purchase payments are reflected in individual agency budgets (Please see Table 1).

FUND SOURCES

General Fund	93,500,000
TOTAL - ALL SOURCES	93,500,000

DESCRIPTION — This section summarizes the state’s debt and lease-purchase obligations.

FOOTNOTES

- 1/ General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.
- 2/ A. In addition to any other appropriations made in fiscal year 2021-2022, the sum of \$93,500,000 is appropriated from the state general fund in fiscal year 2021-2022 to the department of administration to pay for the retirement or defeasance of the financing agreements entered into pursuant to Laws 2007, chapter 257, section 8 and Laws 2007, chapter 261, section 9.
- B. The director of the department of administration shall notify the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting not more than ten days after each retirement or defeasance is executed as required in subsection A of this section. Each notification shall include the date and final cost of each retirement or defeasance.
- C. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. Any amounts remaining after the retirements or defeasances are executed as required by subsection A of this section revert to the state general fund. (General Appropriation Act footnote)

2015/2017 Refinance Payoff – ASH Forensic Unit and ADC Prison Beds/Water Supply Projects

The budget includes \$93,500,000 from the General Fund in FY 2022 to ADOA to retire the financing agreements entered into pursuant to Laws 2007, Chapter 257, Section 8 and Laws 2007, Chapter 261, Section 9.

Beginning in FY 2023, the debt service payments for these issuances will be eliminated. After accounting for the debt payoff appropriation of \$93.5 million (which includes transaction costs) and multi-year debt service savings of \$94.8 million from eliminating the remaining payments, the state will realize cumulative net General Fund savings of approximately \$1.3 million through FY 2028.

Other Issues

Long-Term Financing Summary

The state’s long-term financing consists of 2 different types of transactions.

Lease-Purchase Facilities

Under a traditional lease-purchase agreement, the state issues Certificates of Participation (COPs) to generate proceeds to finance capital projects. ADOA and the Universities have entered into lease-purchase agreements for the acquisition and construction of state facilities. The School Facilities Board (SFB) also entered into lease-purchase agreements for the construction of new schools prior to FY 2012.

At the end of FY 2023, the outstanding balance of lease-purchase agreements is expected to be \$781.6 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 2023, the outstanding balance of bond financing is expected to be \$4.67 billion.

Table 1 provides information related to current outstanding 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.

While the January 31, 2022 debt report would typically provide debt information on the prior fiscal year (FY 2021), the FY 2022 budget included \$977.1 million of funding for debt payoff, which is not reflected in the FY 2021 data. To provide a more accurate display of the

state's current outstanding debt, the January 31, 2022 report included information from *Table 1*, which shows debt payments and year-end balances for the upcoming fiscal year (FY 2023). The January 2022 debt report presented this FY 2023 information prior to the FY 2023 enacted budget implementing the payoff of the Series 2015/2017 refinance issuances.

Table 1

Lease-Purchase and Bonding Summary

	Overall Balance	^{1/}	GF Balance	^{1/}	Overall FY 23 Payment	^{2/}	FY 23 GF Payment	^{2/}	Retirement FY
Lease-Purchase Summary									
<u>ADOA Building System</u>									
2013 A Issuance									
PLTO Refinance - DHS Building	\$	12,215,000	\$	7,329,000	\$	2,329,500	\$	1,397,700	FY 29
2013 B Issuance									
Refinance - 2002A Health Lab	\$	-	\$	-	\$	2,049,900	\$	-	FY 23
2015 Issuance									
Refinance - 2008A ADC and DHS ^{3/}	\$	-	\$	-	\$	-	\$	-	FY 23
2015 A Issuance									
PLTO Refinance - Capitol Mall	\$	24,755,000	\$	9,902,000	\$	6,217,600	\$	2,487,000	FY 28
2017 Issuance									
ADC 4000 Prison Beds, Wastewater and DHS ASH Forensic Unit ^{3/}	\$	-	\$	-	\$	-	\$	-	FY 23
<i>Subtotal - ADOA</i>	\$	36,970,000	\$	17,231,000	\$	10,597,000	\$	3,884,700	
<u>School Facilities Board</u>									
Federal Bonds	\$	25,144,400	\$	25,144,400	\$	9,938,100 ^{4/}	\$	9,938,100 ^{4/}	FY 28
<u>ABOR Building System</u>									
Arizona State University	\$	188,688,000	\$	94,170,000	\$	26,059,900	\$	13,462,100	FY 39
Northern Arizona University		33,070,000		33,070,000		5,301,500		5,301,500	FY 31
University of Arizona		148,125,800		93,085,000		31,529,600		14,252,500	FY 72
<i>Subtotal - ABOR</i>	\$	369,883,800	\$	220,325,000	\$	62,891,000	\$	33,016,100	
Phoenix Convention Center ^{5/}	\$	349,610,000	\$	349,610,000	\$	24,999,400	\$	24,999,400	FY 44
<i>TOTAL - Lease-Purchase</i>	\$	781,608,200	\$	612,310,400	\$	108,425,500	\$	71,838,300	
<u>Bonding Summary</u>									
Department of Transportation ^{6/}	\$	1,085,355,000	\$	-	\$	168,467,000	\$	-	FY 14 - 38
<u>ABOR Building System</u>									
Arizona State University	\$	1,429,300,000	\$	-	\$	124,367,400	\$	-	FY 55
Northern Arizona University		289,590,000		-		24,012,300		-	FY 44
University of Arizona		785,215,000		-		68,449,400		-	FY 48
University Lottery Bond (SPEED)		485,075,000 ^{7/}		-		47,248,500		-	FY 48
University Infrastructure (2017) ^{8/}		595,015,000		-		27,062,700		13,531,400	FY 44
<i>Subtotal - ABOR</i>	\$	3,584,195,000	\$	-	\$	291,140,300	\$	13,531,400	
<i>TOTAL - Bonding</i>	\$	4,669,550,000	\$	-	\$	459,607,300	\$	13,531,400	
TOTAL - Lease-Purchase & Bonding	\$	5,451,158,200	\$	612,310,400	\$	568,032,800	\$	85,369,700	

^{1/} Represents principal balances as of June 30, 2023. 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 23 GF Payment" column.

^{3/} The FY 2023 budget appropriated General Fund monies to pay off the remaining debt for the ADOA 2015 and 2017 Issuances.

^{4/} 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 2023 this subsidy is expected to be \$3,729,900 of the \$9,938,100 payment.

^{5/} The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000. Monies are given to the city to pay this portion of the lease-purchase payment. Laws 2015, Chapter 10 made a technical change to conform the debt service distribution in A.R.S. § 42-5030 to the distributions contained in A.R.S. § 9-602, which were modified by Laws 2011, Chapter 28 to conform to the actual debt service payments.

^{6/} Includes \$943,450,000 for Highway User Revenue Fund bonds and \$141,905,000 for Grant Anticipation Notes.

^{7/} Represents outstanding balance as of the end of FY 2023 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.*)

^{8/} The universities will receive \$28,939,500 from the General Fund in FY 2023 for the 2017 Capital Infrastructure Funding program. As of December 2021, JCCR has reviewed a total of 16 projects for the program, of which 9 are funded by system revenue bonds and 7 are cash-funded. The General Fund is expected to pay \$13,531,400 in FY 2023 for debt service.

LEASE-PURCHASE APPROPRIATIONS ^{1/} Department of Administration Building System

	Fiscal Year 2022 - Appropriations Report				Fiscal Year 2023 - Appropriations Report				Difference FY 2023 - FY 2022			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Arizona Department of Administration Buildings												
Accountancy, State Board of		\$121,800		\$121,800		\$125,900		\$125,900		\$4,100		\$4,100
Administration, Arizona Department of	\$628,600	1,619,800	\$169,200	2,417,600	\$223,500	575,900	\$60,200	859,600	(\$405,100)	(1,043,900)	(\$109,000)	(1,558,000)
Deaf and the Hard of Hearing, Commission for the		233,700		233,700		241,600		241,600		7,900		7,900
Education, Department of					406,700	113,000	610,000	1,129,700	406,700	113,000	610,000	1,129,700
Equalization, State Board of	95,300			95,300	98,500			98,500	3,200			3,200
Gaming, Department of						421,000		421,000		421,000		421,000
Insurance & Financial Institutions, Department of	588,200	112,000		700,200	359,400	68,500		427,900	(228,800)	(43,500)		(272,300)
Juvenile Corrections, Department of					297,700			297,700	297,700			297,700
Real Estate Department, State	189,300			189,300	195,400			195,400	6,100			6,100
Tax Appeals, State Board of	36,700			36,700	37,900			37,900	1,200			1,200
Subtotal - ADOA Building	\$1,538,100	\$2,087,300	\$169,200	\$3,794,600	\$1,619,100	\$1,545,900	\$670,200	\$3,835,200	\$81,000	(\$541,400)	\$501,000	\$40,600
Corrections, Arizona Department of												
4,000 Public Prison Beds	\$15,339,900			\$15,339,900	\$0				(\$15,339,900)			(\$15,339,900)
Water and Wastewater Projects	628,100			628,100	\$0				(628,100)			(628,100)
Subtotal - AZ Department of Corrections	\$15,968,000	\$0	\$0	\$15,968,000	\$0	\$0	\$0	\$0	(\$15,968,000)	\$0	\$0	(\$15,968,000)
Department of Environmental Quality Building												
Agriculture, Department of					\$308,500		\$273,600	\$582,100	\$308,500		\$273,600	\$582,100
Automobile Theft Authority		\$48,900		\$48,900						(\$48,900)		(48,900)
Citizens Clean Elections Commission							95,900	95,900			95,900	95,900
Criminal Justice Commission, Arizona		11,400	\$178,800	190,200		\$11,900	186,000	197,900		500	7,200	7,700
Environmental Quality, Department of		3,405,100		3,405,100		1,942,000		1,942,000		(1,463,100)		(1,463,100)
Forestry and Fire Management, AZ Department of	\$235,200		35,100	270,300	240,600		35,900	276,500	5,400		800	6,200
Gaming, Department of		591,200		591,200						(591,200)		(591,200)
Housing, AZ Department of	69,900	23,300	372,900	466,100	35,300	11,800	188,500	235,600	(34,600)	(11,500)	(184,400)	(230,500)
Independent Redistricting Commission					40,900			40,900	40,900			40,900
State Land Department					899,800			899,800	899,800			899,800
Arizona State Parks Board							328,000	328,000			328,000	328,000
Pharmacy, Arizona State Board of						130,900		130,900		130,900		130,900
Residential Utility Consumer Office		113,900		113,900		118,600		118,600		4,700		4,700
Technical Registration, State Board of		186,000		186,000		214,800		214,800		28,800		28,800
Tourism, Office of					224,700			224,700	224,700			224,700
Water Resources, Department of	1,032,800			1,032,800	1,084,000			1,084,000	\$51,200			51,200
Subtotal - ADEQ Building	\$1,337,900	\$4,379,800	\$586,800	\$6,304,500	\$2,833,800	\$2,430,000	\$1,107,900	\$6,371,700	\$1,495,900	(\$1,949,800)	\$521,100	\$67,200
Health Services, Department of												
Health Services Building - Refinance	\$2,283,600	\$1,522,400		\$3,806,000	\$2,364,400	\$1,576,300		\$3,940,700	\$80,800	\$53,900		\$134,700
Health Lab - Refinance		2,057,400		2,057,400		2,049,900		2,049,900		(7,500)		(7,500)
Arizona State Hospital Forensic Unit	2,971,000			2,971,000					(2,971,000)			(2,971,000)
Subtotal - Department of Health Services	\$5,254,600	\$3,579,800	\$0	\$8,834,400	\$2,364,400	\$3,626,200	\$0	\$5,990,600	(\$2,890,200)	\$46,400	\$0	(\$2,843,800)
GRAND TOTAL	\$24,098,600	\$10,046,900	\$756,000	\$34,901,500	\$6,817,300	\$7,602,100	\$1,778,100	\$16,197,500	(\$17,281,300)	(\$2,444,800)	\$1,022,100	(\$18,704,000)

^{1/} Pursuant to A.R.S. § 41-792.01, state agencies occupying buildings being lease-purchased by the Arizona Department of Administration (ADOA) shall pay the higher of the billed amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share of the lease-purchase based on actual occupancy.

Capital Outlay
Local Assistance

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
DISTRIBUTIONS			
Phoenix Convention Center	23,997,900	24,498,500	24,999,400 ^{1/}
Rio Nuevo District	9,525,700	16,000,000	16,000,000 ^{2/}
TOTAL - ALL DISTRIBUTIONS	33,523,600	40,498,500	40,999,400 ^{3/}
FUND SOURCES			
General Fund	33,523,600	40,498,500	40,999,400
TOTAL - ALL SOURCES	33,523,600	40,498,500	40,999,400

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, \$24,999,400 of state general fund revenue is allocated in fiscal year 2022-2023 to the Arizona convention center development fund established by section 9-601, Arizona Revised Statutes. (General Appropriation 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 \$16,000,000 in fiscal year 2022-2023. The actual amount of the distribution will be made pursuant to section 42-5031, Arizona Revised Statutes. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Phoenix Convention Center

The budget includes \$24,999,400 from the General Fund in FY 2023 for state participation in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. FY 2023 adjustments are as follows:

Distribution Increase

The budget includes an increase of \$500,900 from the General Fund in FY 2023 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

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Fiscal Year</u>	<u>Debt Service</u>
FY 2023	24,999,400	FY 2035	29,995,775
FY 2024	25,498,550	FY 2036	29,999,975
FY 2025	25,998,700	FY 2037	29,995,825
FY 2026	26,497,375	FY 2038	29,995,850
FY 2027	26,997,100	FY 2039	29,996,750
FY 2028	27,495,125	FY 2040	29,995,225
FY 2029	27,998,700	FY 2041	29,997,975
FY 2030	28,499,525	FY 2042	29,996,150
FY 2031	28,999,575	FY 2043	29,996,175
FY 2032	29,495,550	FY 2044	29,998,925
FY 2033	29,999,150		

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 \$30,693,900 through CY 2020 (see Table 2). As a result, the state has not reduced payments to the City of Phoenix during this time.

Table 2
Project Revenue and Debt Service Payments
(\$ in Millions)

Calendar Year ^{1/}	Project Revenue	Debt Service	Annual Net Revenues ^{2/}	Cumulative Net Revenues
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.

Source: Auditor General report, *An Economic and Fiscal Impact Analysis Update, Phoenix Convention Center (2020)*

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 "base scenario" assumed the facility would become functionally obsolete and generate minimal revenues by 2021.

Rio Nuevo District

The budget includes \$16,000,000 from the General Fund in FY 2023 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 2022.

The FY 2022 General Appropriation Act displays a \$16,000,000 estimated distribution in FY 2022. This amount was effectively based on the FY 2020 actual distribution, which was the most recent information available at the time the FY 2022 budget was enacted. While the General Appropriation Act displays a projected amount for information purposes, the actual amount distributed to the district will reflect allocations required by A.R.S. § 42-5031.

Subsequent to the passage of the FY 2022 General Appropriation Act, actual FY 2021 information became available, and the FY 2021 actual distribution was \$9,525,700. Given the recent trends of overall Sales Tax growth, the original FY 2022 estimate of \$16,000,000 has been retained for both FY 2022 and FY 2023 in the budget.

Background – Tucson voters approved Proposition 400 in November 1999, establishing the Rio Nuevo Multipurpose Facilities District from 1999 to 2009. The district receives a diversion of state Transaction Privilege Tax (TPT) revenue to finance the development of a multipurpose facility and supporting projects. The district stretches east from Downtown Tucson along the retail-intensive Broadway Corridor. (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 2021	\$9,525,698
FY 2020	14,478,796
FY 2019	15,958,879
FY 2018	13,562,702
FY 2017	13,988,471
FY 2016	13,088,813
FY 2015	6,958,022
FY 2014	9,486,100
FY 2013	9,755,752
FY 2012	11,957,943
FY 2011	14,099,949
FY 2010	8,727,318
FY 2009	10,399,336
FY 2008	15,456,187
FY 2007	14,974,923
FY 2006	10,968,178
FY 2005	7,469,632
FY 2004	5,081,197
Total	\$205,937,896

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 reviewed by the Joint Committee on Capital Review (JCCR).

At the April 2019 JCCR meeting, the Committee gave a favorable review of 3 projects that were approved by the Rio Nuevo Board of Directors and have executed development agreements in place. The board agreed to spend up to a total of \$12,400,000 on these projects. Since the April 2019 meeting, there have been no additional projects submitted for JCCR review.

ECONOMIC AND REVENUE FORECAST

GENERAL FUND REVENUE

Summary of General Fund Forecast

The enacted FY 2023 budget assumes total net General Fund revenues of \$16.83 billion. This amount is a decrease of (2.8)% compared to enacted FY 2022 General Fund revenues.

Excluding the beginning balance, one-time revenues, Urban Revenue Sharing, and the impact of enacted tax legislation, base revenue under the enacted budget forecast is projected to decline by (0.6)% in FY 2023.

General Fund Revenue Forecast

FY 2022

The original FY 2022 budget enacted in June 2021 was based on total General Fund revenues of \$13.03 billion. The January 2022 Baseline forecast, which is based on the 4-sector consensus process described below, increased the FY 2022 General Fund revenue forecast to \$15.57 billion, or \$2.54 billion above the amount projected in the June 2021 enacted budget. The large forecast revision under the January Baseline was due to a significant improvement in the revenue outlook during the first two quarters of FY 2022.

In its 2022 Regular Session revisions to the FY 2022 budget, the Legislature adopted a projected ongoing growth rate of 15.1%. (Adjusted for the impact on FY 2022 growth of the income tax deferral from April to July 2020, the growth rate is an estimated 19.5%.) In terms of total revenue, the revised FY 2022 budgeted amount is \$17.31 billion, or 19.5% above FY 2021. This is a General Fund revenue increase of \$1.75 billion relative to the January Baseline forecast and this revision is attributable to:

- Significantly higher-than-projected revenue collections in the period from January through May. As a result, the enacted budget added \$1.04 billion to the January Baseline forecast.
- Court ruling that invalidated Proposition 208 in the spring of 2022. Absent this ruling, Proposition 208 would have imposed a 3.5% surcharge on taxable income above \$250,000/\$500,000, beginning in TY 2021. Certain income tax provisions enacted in 2021 intended to mitigate the impact of Proposition 208 on taxpayers would have cost the General Fund an estimated \$(705) million in lost revenues in FY 2022. The invalidation of Proposition 208 meant that the General Fund would not incur such loss in FY 2022.

(For more information, see pages 461 – 462 of the FY 2023 Baseline Book.)

FY 2023

The enacted FY 2023 budget forecasts total General Fund revenues of \$16.83 billion, or a (2.8)% reduction from FY 2022. Excluding one-time revenues and Urban Revenue Sharing, ongoing revenues are projected to be \$15.77 billion, or a (8.1)% decrease relative to FY 2022.

Table 1 below summarizes the changing revenue picture in FY 2022 to FY 2025 through the phases of budget development. The growth rates in the table reflect ongoing revenues after the impact of tax law changes. The table includes the impact on FY 2022 growth of the calendar year 2020 income tax deferral as well as tax legislation enacted during the 2021 and 2022 Regular Sessions.

Table 1	
Ongoing Revenue Change Over Prior Year	
	% Change
<u>FY 2022</u>	
January Baseline ^{1/3/}	8.1%
April Update ^{1/2/3/}	10.9%
June Enacted Budget ^{1/3/}	15.1%
<u>FY 2023</u>	
January Baseline ^{3/}	(4.8)%
April Update ^{3/}	(4.6)%
June Enacted Budget ^{3/4/}	(8.1)%
<u>FY 2024</u>	
January Baseline ^{3/}	2.5%
April Update ^{3/}	2.6%
June Enacted Budget ^{3/4/}	2.8%
<u>FY 2025</u>	
January Baseline ^{3/}	0.2%
April Update ^{3/}	0.4%
June Enacted Budget ^{3/4/}	2.4%
^{1/} Includes the impact on FY 2022 growth of deferring the income tax filing due date from April 15 to July 15 of calendar year 2020. ^{2/} Forecast provided by the JLBC Staff. ^{3/} Includes impact of tax legislation enacted in the 2021 Regular Session. For more details, see Table 4. ^{4/} Includes impact of tax legislation enacted in the 2022 Regular Session. For more details, see Table 4.	

Table 2 provides an overview of ongoing and total revenue growth for FY 2022 and FY 2023.

Long-Term Projections

The enacted budget also incorporates revenue planning estimates for FY 2024 and FY 2025, which are shown in Table 6. The ongoing revenue growth rates included in

Table 2

**FY 2022 and FY 2023 General Fund Revenue
(\$ in Millions)**

	<u>FY 2022</u>	<u>%</u>	<u>FY 2023</u>	<u>%</u>
Ongoing Revenue ^{1/2/}	\$17,155.6	19.5%	\$15,771.3	(8.1)%
Urban Revenue Sharing	(756.4)		(1,107.0)	
One-Time Financing Sources:				
Balance Forward	894.6		4,508.9	
Water Infrastructure Repayment	20.0		0.0	
TPT Diversions	0.0		(2,287.5)	
Newly Enacted Tax Reductions	0.0		(50.0)	
Other One-Time Revenue Changes	<u>0.0</u>		<u>(3.5)</u>	
Subtotal	914.6		2,167.9	
Total Revenue	<u>\$17,313.9</u>	19.5%	<u>\$16,832.3</u>	(2.8)%

- ^{1/} Ongoing revenue represents net General Fund revenue, including the impact of previously and newly enacted tax law changes. It excludes Urban Revenue Sharing and one-time financing sources.
- ^{2/} Includes the impact on FY 2022 growth of adjusting for the deferral of the income tax filing due date from April 15 to July 15 of 2020. Without this adjustment, the FY 2022 growth rate is 15.1%.

the FY 2024 and FY 2025 revenue planning estimates under the June adopted budget are 2.8% in FY 2024 and 2.4% in FY 2025. Without tax law changes enacted in the 2021 and 2022 Regular Sessions, the growth rate would be an estimated 4.8% in FY 2024 and 4.7% in FY 2025.

4-Sector Forecast

The projected growth rates for the "Big 4" revenue categories of sales, individual income, corporate income, and insurance premium taxes are initially developed and revised using a 4-sector consensus process. This process is based on averaging the results of the following 4 forecasts:

- Finance Advisory Committee panel forecast. Consisting of 12 public and private sector economists, this independent panel normally meets 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.
- The University of Arizona Economic and Business Research (EBR) General Fund Baseline model. The model is a simultaneous-equation model consisting of more than 100 equations that are updated on a regular basis to reflect changes in the economy. The model uses more than 200 variables related to Arizona's economy and is updated quarterly.

- EBR's conservative forecast model, and
- JLBC Staff projections.

The estimates for the remaining revenue categories, which constitute about 5% of the total, were based on JLBC Staff projections.

Table 3 shows the result of the 4-sector base revenue forecast updates in January and April of 2022. Base revenue excludes the impact of enacted tax legislation. The January Baseline as well as the April update are typically based on the 4-sector consensus forecast. However, based on actual FY 2022 year-to-date revenue collections through March, the JLBC Staff determined that the April 4-sector consensus forecast for FY 2022 was unrealistically low. For this reason, the April forecast update for FY 2022 was solely based on the JLBC Staff sector. For FY 2023 through FY 2025, the April forecast update used the same revenue growth rates as under the January Baseline.

Budget Legislation

Each year there are statutory tax law and other revenue changes that affect the state's net revenue collections. These may include tax rate or tax exemption changes, conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

The next section provides a detailed description of previously and newly enacted budget legislation with an ongoing revenue impact in FY 2022 through FY 2025. (See Table 4 for a complete list of all statutory changes affecting revenue collections in FY 2022 through FY 2025.)

Previously (Pre-2022) Enacted Budget Legislation

1) Tax Omnibus – Laws 2021, Chapter 412 (Tax Omnibus) reduced the individual income tax rates to 2.55% for taxable income up to \$27,272/\$54,544 and 2.98% for taxable income above \$27,272/\$54,544 in TY 2022/FY 2023. Further rate reductions are contingent upon the state receiving more than forecast as determined in September of each year. Excluding the beginning balance, the "trigger" target is set at \$12.8 billion in FY 2022 and \$13.0 billion in FY 2023 and each year thereafter. Laws 2022, Chapter 321 requires that a total of \$2.29 billion in TPT distributions to various non-General Fund agencies in FY 2023 be added to the actual amount of General Fund revenue reported for FY 2023, excluding the beginning balance, for the purpose of determining whether the \$13.0 billion trigger level has been met. (For more details on the TPT diversions, see page 431 in the *One-Time Financing* section)

If the state receives more than the FY 2022 trigger level, the rates will be reduced to 2.53%/2.75% starting in TY 2023/FY 2024. If the state receives more than \$13.0 billion in FY 2023 or any subsequent year, the rate will be reduced to a single rate of 2.5% in the following Tax Year. Since the enacted budget forecast is estimated to exceed the FY 2022 and FY 2023 trigger levels, the lower tax rates are expected to go into effect. The reduction of the individual income tax rates is estimated to reduce General Fund revenues by \$(1.27) billion in FY 2023, \$(1.64) billion in FY 2024, and \$(2.08) billion in FY 2025.

2) 4.5% Maximum Income Tax Rate – Pursuant to Laws 2021, Chapter 411, beginning in TY 2021, the total individual income tax rate for taxable income above \$250,000/\$500,000, including the Proposition 208 surcharge, cannot exceed 4.5%.

As a result of a court decision in the spring of 2022, Proposition 208 was ruled invalid. This also had the effect of eliminating the cost of the 4.5% Maximum Tax Rate provision under Chapter 411. (For a more detailed discussion, see page 462 in the *FY 2023 Baseline Book*.)

3) Alternative Income Tax Rate (SB 1783) – Laws 2021, Chapter 436 (SB 1783) provides an option for individuals with certain types of income, such as interest and dividends, business profits, and capital gains from the sale of certain capital assets, to be taxed under either the regular individual income tax or an alternative income tax established by SB 1783. An individual who elects to be taxed under SB 1783's alternative income tax would not be subject to the 3.5% surcharge under Proposition 208. Instead, SB 1783 alternative income tax collections would be deposited into the General Fund.

The SB 1783 alternative tax rate is 3.5% in TY 2021 and 3.0% in TY 2022. The rate will be further reduced to 2.8% in TY 2023 and TY 2024 and 2.5% in TY 2025.

Due to the invalidation of Proposition 208, this provision will no longer have an effect. (For a more detailed discussion, see page 462 in the *FY 2023 Baseline Book*.)

4) Other Tax Omnibus Provisions – Besides the rate reduction described under *item 1*, Laws 2021, Chapter 412 made other changes to Arizona tax statutes, including the following:

- Provides a full individual income tax exemption for benefits, annuities, and pensions received by military retirees, beginning in TY 2021. This provision is estimated to reduce General Fund revenues by \$(48.3) million in FY 2022, \$(37.9) million in FY 2023, \$(36.8) million in FY 2024, and \$(35.7) million in FY 2025.

- Adjusts for inflation the percentage of charitable contributions that standard deduction filers can claim over and above the regular standard deduction, beginning in TY 2022. This provision is estimated to reduce General Fund revenues by \$(2.0) million in FY 2023, \$(3.9) million in FY 2024, and \$(5.8) million in FY 2025.
 - Increases the credit cap for contributions by corporations and insurers to School Tuition Organizations (STO) for displaced/disabled students from \$5 million to \$6 million, beginning in FY 2022. This provision is expected to have an annual revenue impact of \$(1.0) million, starting in FY 2022.
 - Creates a new nonrefundable income tax credit for the processing of qualified forest products, beginning in TY 2021. The credit, which has an annual cap of \$0.5 million per taxpayer and \$2 million in the aggregate, is estimated to reduce General Fund revenues by \$(395,800) annually, beginning in FY 2022.
 - Expands the eligibility for students receiving "switcher" individual or low-income corporate STO scholarships to include those who were homeschooled, moved from out of state, or held an Empowerment Scholarship Account (ESA), beginning in TY 2021. The provision is expected to result in an annual revenue reduction of \$(0.4) million, beginning in FY 2022.
 - Allows public service corporations to deduct for income tax purposes any amount of monies or other property contributed to them to expand, improve, or replace their water system or sewage disposal facilities, beginning in TY 2021. This provision is estimated to reduce General Fund revenues by \$(0.4) million annually, beginning in FY 2022.
 - Phases down the Class 1 (commercial) property assessment ratio from 18% to 16% over 4 years, beginning in TY 2022. This provision is estimated to increase K-12 school funding formula costs by \$4.4 million in FY 2023 and \$9.0 million in FY 2024. Since the state does not levy a property tax, there is no General Fund revenue impact.
 - Increases the Homeowner's Rebate on primary school district property taxes levied on Class 3 (residential) property from 47.19% to 50.0%, beginning in TY 2022. This provision is estimated to increase K-12 school funding formula costs by \$30.0 million in FY 2023 and \$30.8 million in FY 2024. Since the state does not levy a property tax, there is no General Fund revenue impact.
- 5) Affordable Housing Tax Credit – Laws 2021, Chapter 430 creates a new nonrefundable affordable housing tax credit that is equal to at least 50% of the amount of the federal low-income housing credit for qualified projects placed in service after June 30, 2022. The Arizona Department of Housing is authorized to allocate a total of \$4 million in tax credits per year from TY 2022 to TY 2025. Each of these 4 award cycles is available for 10 years. The

Table 3

4-Sector Estimates
Forecast Percentages (FY 2022 - FY 2025)
Ongoing Base Revenue Growth ^{1/}

	FY 2022					FY 2023				
	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>
<u>Sales Tax</u>										
January	11.7%	11.5%	12.8%	11.8%	11.8%	3.5%	2.2%	4.3%	6.0%	4.0%
April	13.5%	13.8%	14.6%	13.4%	13.8%	3.5%	2.2%	4.3%	6.0%	4.0%
<u>Individual Income Tax ^{2/}</u>										
January	3.0%	0.3%	2.1%	5.3%	2.7%	3.5%	3.3%	4.4%	5.6%	4.2%
April	5.3%	1.4%	2.1%	1.0%	2.5%	3.5%	3.3%	4.4%	5.6%	4.2%
<u>Corporate Income Tax</u>										
January	18.0%	16.8%	17.5%	15.8%	17.0%	3.0%	0.6%	3.5%	2.2%	2.3%
April	31.5%	31.7%	32.6%	25.4%	30.3%	3.0%	0.6%	3.5%	2.2%	2.3%
<u>Insurance Premium Tax</u>										
January	7.0%	5.8%	6.3%	7.0%	6.5%	2.6%	2.5%	3.1%	3.9%	3.0%
April	10.0%	10.2%	11.0%	9.6%	10.2%	2.6%	2.5%	3.1%	3.9%	3.0%
<u>Overall ^{3/}</u>										
January	8.6%	7.2%	8.6%	9.3%	8.4%	2.6%	1.8%	3.4%	4.6%	3.1%
April ^{4/}	11.3%	9.6%	10.5%	8.8%	10.1%	2.6%	1.8%	3.4%	4.6%	3.1%
	FY 2024					FY 2025				
	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>
<u>Sales Tax</u>										
January	4.0%	3.9%	5.0%	5.8%	4.7%	4.0%	4.1%	4.8%	5.5%	4.6%
April	4.0%	3.9%	5.0%	5.8%	4.7%	4.0%	4.1%	4.8%	5.5%	4.6%
<u>Individual Income Tax</u>										
January	4.3%	4.4%	5.4%	5.4%	4.9%	4.2%	4.6%	5.3%	5.1%	4.8%
April	4.3%	4.4%	5.4%	5.4%	4.9%	4.2%	4.6%	5.3%	5.1%	4.8%
<u>Corporate Income Tax</u>										
January	3.4%	3.3%	4.3%	3.7%	3.7%	4.5%	6.2%	7.0%	4.9%	5.7%
April	3.4%	3.3%	4.3%	3.7%	3.7%	4.5%	6.2%	7.0%	4.9%	5.7%
<u>Insurance Premium Tax</u>										
January	3.3%	1.4%	1.9%	4.4%	2.7%	3.6%	2.8%	3.1%	3.5%	3.3%
April	3.3%	1.4%	1.9%	4.4%	2.7%	3.6%	2.8%	3.1%	3.5%	3.3%
<u>Overall ^{3/}</u>										
January	4.1%	4.0%	5.0%	5.4%	4.6%	4.1%	4.4%	5.0%	5.1%	4.7%
April	4.1%	4.0%	5.0%	5.4%	4.6%	4.1%	4.4%	5.0%	5.1%	4.7%

^{1/} Base revenue growth excludes the impact of enacted tax legislation.

^{2/} The FY 2022 individual income tax growth rates reflect the impact of income tax deferral from April 15 to July 15 of 2020.

^{3/} The growth rates for each sector represent the weighted average of Big-4 revenue estimates plus JLBC Staff estimates of other revenue.

^{4/} April revenue forecast update used the JLBC sector forecast for FY 2022 and the January Baseline growth rates for FY 2023 through FY 2025.

credit is estimated to have a revenue impact of \$(4.0) million in FY 2024 and \$(8.0) million in FY 2025.

6) Reduction of State Treasurer Transfer – Pursuant to A.R.S. § 35-316, the State Treasurer is required to deposit any management fees on investment earnings in excess of its Operating Fund appropriation to the General Fund. The FY 2022 General Appropriation Act (Laws 2021, Chapter 408) increased the State Treasurer’s Operating Fund appropriation by \$224,200. Since the increased appropriation reduces the excess fund balance by the same amount, General Fund revenue is reduced by \$(224,200) annually, beginning in FY 2022.

7) Reduction of DHS Transfer – Laws 2021, Chapter 409 eliminates the requirement that the first \$300,000 in radiation regulatory fees collected be deposited in the General Fund, beginning in FY 2022.

Newly (2022) Enacted Budget Legislation

8) Increased Depreciation of Business Personal Property – Laws 2022, Chapter 103 sets the full cash value of business and agricultural personal property initially classified in TY 2022 or later to 2.5% of the property’s acquisition cost. Under the valuation tables in place prior to Chapter 103, it generally took between 3 and 30 years for such property to depreciate to 2.5% of its acquisition cost. Laws 2022, Chapter 103 was not scored as part of the 3-year budget plan. Under a separate fiscal analysis by the JLBC Staff, Chapter 103 was estimated to increase General Fund K-12 funding formula costs by \$9.2 million in FY 2023, \$19.2 million in FY 2024, and \$29.6 million in FY 2025. Since the state does not levy a property tax, there is no General Fund revenue impact.

9) Reduction of Class 1 (Commercial) Property Assessment – Laws 2022, Chapter 171 reduces the Class 1 (commercial) property assessment ratio from 16.0% in TY 2025 to 15.5% in TY 2026 and 15.0%, beginning in TY 2027. The JLBC Fiscal Note estimated that the Class 1 assessment ratio reduction will increase General Fund K-12 funding formula costs by \$3.8 million in FY 2027 and \$6.9 million, beginning in FY 2028. Since the state does not levy a property tax, there is no General Fund revenue impact.

10) Reduction of Department of Real Estate Transfer – Laws 2022, Chapter 298 eliminates the statutory minimum fees for real estate licenses. The elimination of the minimum fees under Chapter 298 is expected to reduce the transfer of excess revenue to the General Fund by \$(708,000) annually, beginning in FY 2023.

11) Reduction of Liquor Licenses Fund Transfer – Pursuant to A.R.S. § 4-120, any monies remaining in the

Liquor Licenses Fund in excess of \$700,000 at the end of each fiscal year must be deposited in the General Fund. The FY 2023 General Appropriation Act (Laws 2022, Chapter 313) provides changes to the Department of Liquor Licenses and Control’s operating budget, which resulted in the appropriation from the Liquor Licenses Fund to the department being increased by \$2.4 million in FY 2023. Since these changes reduce the excess fund balance by the same amount, General Fund revenue is reduced by \$(2.4) million annually, beginning in FY 2023.

12) Change of Reimbursements from Apache/Greenlee – Laws 2022, Chapter 315 (Higher Education BRB) reduces the out-of-county reimbursement amounts due from Apache and Greenlee counties to the community college districts and requires the difference to be paid by the General Fund. This change has the effect of reducing General Fund revenue by \$(2,293,500) annually, beginning in FY 2023.

13) TPT Exemption for Used Agricultural Machinery – Laws 2022, Chapter 321 (Tax Omnibus) expands an existing Transaction Privilege tax (TPT) and Use Tax exemption to include the purchase of used (as opposed to only new) agricultural machinery and equipment and short-term rentals of agricultural machinery and equipment (leases for less than 2 years). This provision is estimated to reduce General Fund revenue by \$(583,000) annually, beginning in FY 2023.

14) Change to Aircraft License Tax – Laws 2022, Chapter 321 (Tax Omnibus) limits the annual increase of the average fair market value of aircraft for the purpose of assessing the aircraft license tax to the annual change of the U.S. Consumer Price Index. In addition, Chapter 321 benchmarks the FY 2022 value of aircraft to the 2019 average fair market value. These changes to the aircraft license tax are estimated to reduce General Fund revenue by \$(1.9) million in FY 2023, and \$(950,000) annually, beginning in FY 2024.

15) Veterans’ Property Tax Exemption – Laws 2022, Chapter 341 provides a property tax exemption for veterans with service- or nonservice-connected disabilities in direct proportion to the percentage rating of the veteran’s disability. If approved by voters in the November 2022 General Election, the veterans’ exemption is estimated to result in a General Fund K-12 funding formula savings of \$1.0 million, beginning in FY 2024. The savings is due to a property tax shift from homes owned by veterans to owners of other types of property. Since the state does not levy a property tax, there is no General Fund revenue impact. Chapter 341 is contingent on voter approval of Proposition 130 at the November 2022 General Election.

16) Adjusting QCO/QFCO Credit Caps for Inflation – Laws 2022, Chapter 385 annually adjusts for inflation the income tax credit limit for donations to Qualifying Charitable Organizations (QCO) and Qualifying Foster Care Charitable Organizations (QFCO). The current cap for the QCO credit is \$400 for single filers and \$800 for married filers whereas the cap for the QFCO credit is \$500 for single filers and \$1,000 for married filers. The change to the QCO and QFCO credit caps is estimated to reduce General Fund revenue by \$(1.0) million in FY 2023, \$(2.0) million in FY 2024, and \$(4.0) million in FY 2025.

17) Motion Picture Production Tax Credit – Laws 2022, Chapter 387 creates a motion picture production income tax credit, beginning in TY 2023. The credit program will be implemented and administered by the Arizona Commerce Authority (ACA). Chapter 387 authorizes ACA to pre-approve up to \$75 million in refundable credits in Calendar Year (CY) 2023, \$100 million in CY 2024, and \$125 million, beginning in CY 2025. Laws 2022, Chapter 387 was not scored as part of the 3-year budget plan. The JLBC Fiscal Note estimated that during the first 3 years of the credit program, Chapter 387 would reduce General Fund revenues by less than half of the credit cap. The JLBC analysis did not attempt to quantify the indirect impacts of any additional economic activity associated with the bill.

Urban Revenue Sharing

The Urban Revenue Sharing (URS) program provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and towns within the state. The amount that is currently distributed to cities and towns is 15% of net income tax collections from 2 years prior. Laws 2021, Chapter 412 increases the URS distribution from 15% to 18%, beginning in FY 2024.

As indicated in *Table 5*, total URS distributions will increase from \$756 million in FY 2022 to \$1.11 billion in FY 2023. This URS increase will result in General Fund revenue loss of \$(351) million in FY 2023 relative to FY 2022.

One-Time Financing

As shown in *Table 5*, the budget adopted in June 2022 includes the following one-time financing sources:

FY 2022

DWR Infrastructure Repayment

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) appropriated \$20.0 million from the General Fund to the Department of Water Resources' (DWR) Temporary Groundwater and Irrigation Efficiency Projects Fund to construct, rehabilitate and lease wells and infrastructure related to the withdrawal and efficient

delivery of groundwater by qualified irrigation districts. The appropriated monies were reimbursed to the General Fund in December 2021.

Balance Forward

The FY 2021 General Fund ending balance carried forward into FY 2022 was \$894.6 million.

ARPA Transfer

The enacted budget assumed a one-time transfer of \$635 million from American Rescue Plan Act (ARPA) funds to the General Fund in FY 2022. Due to federal requirements, the Executive later decided to achieve a comparable level of General Fund savings through spending offsets in certain agencies. For this reason, the \$635 million transfer is not included in the FY 2022 revenue forecast in *Table 5*. Instead, a comparable amount will be reflected as a General Fund expenditure decrease in the *FY 2023 Appropriations Report*.

FY 2023

Transaction Privilege Tax (TPT) Diversion

The enacted budget diverts a total of \$2.29 billion of General Fund TPT revenues to various non-General Fund agency funds in FY 2023. The diverted amount will be allocated as follows:

- ADOT State Highway Fund: \$925.4 million
- ADOT State Aviation Fund: \$20.6 million
- DEMA Border Security Fund: \$209.2 million
- Park Board State Parks Revenue Fund: \$38.2 million
- Budget Stabilization Fund: \$425.0 million
- DEMA Border Security Fund (Border Fencing): \$335.0 million
- DWR Long-Term Water Augmentation Fund: \$334.0 million

TPT Distribution for Public Infrastructure

Under current law, the State Treasurer is authorized to distribute prime contracting TPT revenue generated from qualifying projects to a municipality or county to fund up to 80% of the costs of public infrastructure improvements (such as roads, water, and wastewater facilities) needed to support the activities of a qualifying manufacturing facility located in that municipality or county. The amount of state tax dollars paid to cities and counties statewide is currently capped at \$50 million through September 30, 2033. Laws 2022, Chapter 321 increases the cap from \$50 million to \$100 million, which is expected to result in a one-time revenue reduction of \$(50) million in FY 2023.

Liquor Licenses Fund Transfer Reduction

Laws 2022, Chapter 309 (Capital Outlay) appropriates \$3.5 million one-time from the Liquor Licenses Fund in FY 2023 to the Department of Liquor Licenses and Control for the cost of remodeling and expanding their existing office space. As explained under *Item 11* in the *Budget*

Legislation section, this has the effect of reducing the transfer of excess revenue from the Liquor Licenses Fund to the General Fund by \$(3.5) million in FY 2023.

Balance Forward

The FY 2022 General Fund ending balance carried into FY 2023 is projected to be \$4.5 billion.

FY 2024

Balance Forward

The FY 2023 General Fund ending balance carried into FY 2024 is projected to be \$1.1 billion.

FY 2025

Balance Forward

The FY 2024 General Fund ending balance carried into FY 2025 is projected to be \$678.8 million.

Table 4				
Budget Legislation with Ongoing General Fund Revenue Impact in FY 2022 through FY 2025				
(\$ in Millions)				
<u>2021 Legislation / Description of Provision</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<u>(1) Laws 2021, Ch. 412 – Income Tax Rate Reduction</u>				
- Reduces rates to 2.55%/2.98%		\$(1,273.7)	\$(1,336.0)	\$(1,400.3)
- Reduces rates to 2.53%/2.75%			(308.8)	(323.7)
- Reduces to single rate of 2.50%				(360.0)
- Total Rate Reduction		(1,273.7)	(1,644.8)	(2,084.0)
<u>(2) Laws 2021, Ch. 411 – 4.5% Maximum IIT Rate</u>				
Imposes a maximum combined (regular plus Prop. 208) individual income tax rate of 4.5% on taxable income above \$250K/\$500K ^{1/}	--	--	--	--
<u>(3) Laws 2021, Ch. 436 – Alternative Tax Rate (SB 1783)</u>				
Imposes alternative tax rate phased down from 3.5% in TY 2021 to 2.5% in TY 2025 on income as defined in SB 1783 ^{2/}	--	--	--	--
<u>(4) Laws 2021, Ch. 412 – Other Tax Omnibus Provisions</u>				
- Phases down Class 1 Assessment Ratio from 18% to 16%	0.0	3/	3/	3/
- Increases the Homeowner's Rebate from 47.2% to 50%	0.0	4/	4/	4/
- Provides full military pension exemption	(48.3)	(37.9)	(36.8)	(35.7)
- Increases std. deduction for charitable contributions	0.0	(2.0)	(3.9)	(5.8)
- Increases corporate displaced/disabled STO credit cap	(1.0)	(1.0)	(1.0)	(1.0)
- Creates new healthy forest production tax credit	(0.4)	(0.4)	(0.4)	(0.4)
- Expands eligibility for students receiving STO scholarships	(0.4)	(0.4)	(0.4)	(0.4)
- Allows deduction for "Contribution in Aid of Construction"	(0.4)	(0.4)	(0.4)	(0.4)
- Total – Other Tax Omnibus Provisions	(50.5)	(42.1)	(42.9)	(43.7)
<u>(5) Laws 2021, Ch. 430</u>				
Creates a new affordable housing tax credit			(4.0)	(8.0)
<u>(6) Laws 2021, Ch. 408</u>				
Reduces State Treasurer transfer to General Fund	(0.2)	(0.2)	(0.2)	(0.2)
<u>(7) Laws 2021, Ch. 409</u>				
Reduces DHS transfer to General Fund	(0.3)	(0.3)	(0.3)	(0.3)
Total – 2021 Enacted Legislation	\$(51.0)	\$(1,316.3)	\$(1,692.3)	\$(2,136.2)

<u>2022 Legislation / Description of Provision</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<u>(8) Laws 2022, Ch. 103</u> Increases depreciation of business personal property ^{5/}	--	--	--	--
<u>(9) Laws 2022, Ch. 171</u> Reduces Class 1 (Commercial) Property Assessment ^{6/}	0.0	0.0	0.0	0.0
<u>(10) Laws 2022, Ch. 298</u> Reduces Department of Real Estate transfer to General Fund	0.0	(0.7)	(0.7)	(0.7)
<u>(11) Laws 2022, Ch. 313</u> Reduces Liquor Licenses Fund transfer to General Fund	0.0	(2.4)	(2.4)	(2.4)
<u>(12) Laws 2022, Ch. 315</u> Changes to reimbursements for Apache and Greenlee Counties	0.0	(2.3)	(2.3)	(2.3)
<u>(13) Laws 2022, Ch. 321</u> Expands TPT exemption for used agricultural machinery	0.0	(0.6)	(0.6)	(0.6)
<u>(14) Laws 2022, Ch. 321</u> Change to Aircraft License Tax	0.0	(1.9)	(0.9)	(0.9)
<u>(15) Laws 2022, Ch. 341</u> Veterans' Property Tax Exemption	0.0	0.0	7/	7/
<u>(16) Laws 2022, Ch. 385</u> Adjusts QCO/QFCO credit caps annually for inflation	0.0	(1.0)	(2.0)	(4.0)
<u>(17) Laws 2022, Ch. 387</u> Creates a motion picture production tax credit ^{8/}	--	--	--	--
Total – 2022 Enacted Legislation	\$(0.0)	\$(8.9)	\$(8.9)	\$(10.9)
Grand Total – 2021 & 2022 Enacted Legislation	\$(51.0)	\$(1,325.2)	\$(1,701.2)	\$(2,147.1)

^{1/} Due to the invalidation of Proposition 208, this provision will no longer have a General Fund impact.

^{2/} Due to the invalidation of Proposition 208, this provision will no longer have a General Fund impact.

^{3/} Increases the General Fund K-12 funding formula cost by \$4.4 million in FY 2023 and \$9.0 million annually, beginning in FY 2024.

^{4/} Increases the General Fund K-12 funding formula cost by \$30.0 million in FY 2023 and \$30.8 million annually, beginning in FY 2024.

^{5/} Chapter 103 was not scored as part of the 3-year budget plan. JLBC Staff Analysis estimated the General Fund K-12 funding formula cost to be \$9.2 million in FY 2023, \$19.2 million in FY 2024, and \$29.6 million in FY 2025.

^{6/} JLBC Fiscal Note estimated the General Fund K-12 funding formula cost to be \$3.8 million in FY 2027 and \$6.9 million annually, beginning in FY 2028.

^{7/} JLBC Staff Analysis estimated the General Fund K-12 funding formula savings to be \$(1.0) million, beginning in FY 2024.

^{8/} Chapter 387 was not scored as part of the 3-year budget plan. The bill has a credit cap of \$75 million in 2023, \$100 million in 2024 and \$125 million in 2025. Based on a JLBC Fiscal Note of an earlier version of the bill, we estimate that less than half of the credit cap will be used by the third year. The JLBC analysis did not attempt to estimate the indirect impacts of the credit.

Table 5

GENERAL FUND REVENUE - FY 2021 - FY 2023

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2021	% CHANGE PRIOR YR	FORECAST FY 2022	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2023	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	6,244,726.0	15.8%	7,139,888.3	14.3%	895,162.4	7,291,314.0	2.1%	151,425.7
Income - Individual	6,532,702.9	44.2%	7,400,636.2	13.3%	867,933.3	5,946,047.0	-19.7%	(1,454,589.2)
- Corporate	847,020.8	65.5%	1,111,636.5	31.2%	264,615.8	1,132,583.8	1.9%	20,947.2
Property	22,380.0	-7.3%	25,647.9	14.6%	3,267.8	24,552.5	-4.3%	(1,095.3)
Luxury - Tobacco	22,581.1	8.2%	22,306.0	-1.2%	(275.1)	22,085.4	-1.0%	(220.5)
- Liquor	44,938.5	23.9%	45,231.4	0.7%	292.8	46,755.3	3.4%	1,523.9
Insurance Premium	616,251.4	15.2%	677,876.6	10.0%	61,625.1	690,388.0	1.8%	12,511.4
Other Taxes	15,304.9	6.2%	15,534.4	1.5%	229.6	16,000.5	3.0%	466.0
Subtotal - Taxes	14,345,905.7	29.6%	16,438,757.3	14.6%	2,092,851.6	15,169,726.6	-7.7%	(1,269,030.7)
Other Non-Tax Revenues:								
Lottery	104,740.4	1.1%	222,410.2	112.3%	117,669.8	175,241.5	-21.2%	(47,168.7)
Gaming Revenue	0.0	N/A	26,101.3	N/A	26,101.3	18,467.0	-29.2%	(7,634.3)
Licenses, Fees and Permits	39,411.1	13.3%	39,010.5	-1.0%	(400.6)	40,050.0	2.7%	1,039.5
Interest	888.9	-97.7%	39,414.5	4334.3%	38,525.6	25,000.0	-36.6%	(14,414.5)
Sales and Services	26,049.0	16.2%	27,038.9	3.8%	989.9	27,985.3	3.5%	946.4
Other Miscellaneous	147,902.4	17.4%	152,554.8	3.1%	4,652.4	148,359.4	-2.8%	(4,195.4)
Transfers and Reimbursements	131,146.9	12.6%	111,827.5	-14.7%	(19,319.4)	74,851.4	-33.1%	(36,976.1)
Public Safety Transfers	23,343.2	0.0%	0.0	-100.0%	(23,343.2)	0.0	N/A	0.0
Disproportionate Share Revenue	84,858.6	-0.1%	98,514.8	16.1%	13,656.2	91,649.6	-7.0%	(6,865.2)
Subtotal - Other Non-Tax	558,340.5	1.3%	716,872.4	28.4%	158,531.9	601,604	-16.1%	(115,268.3)
Net Ongoing Revenue	14,904,246.2	28.3%	17,155,629.7	15.1%	2,251,383.5	15,771,330.6	-8.1%	(1,384,299.1)
Urban Revenue Sharing (URS)	(828,492.9)	N/A	(756,388.3)	N/A	72,104.6	(1,106,958.6)	N/A	(350,570.3)
Net Ongoing Revenue w/ URS	14,075,753.3	29.4%	16,399,241.4	16.5%	2,323,488.1	14,664,372.0	-10.6%	(1,734,869.4)
One-Time Financing Sources:								
Prescription Drug Rebate Fund Transfer	16,700.0	-75.8%	0.0	-100.0%	(16,700.0)	0.0	N/A	0.0
DPS Highway Patrol Fund Transfer	24,205.7	N/A	0.0	-100.0%	(24,205.7)	0.0	N/A	0.0
Water Infrastructure Repayment	0.0	N/A	20,000.0	N/A	20,000.0	0.0	-100.0%	(20,000.0)
TPT Diversions	0.0	N/A	0.0	N/A	0.0	(2,287,489.6)	N/A	(2,287,489.6)
Newly Enacted Tax Reductions	0.0	N/A	0.0	N/A	0.0	(50,000.0)	N/A	(50,000.0)
Other One-Time Revenue Changes	0.0	N/A	0.0	N/A	0.0	(3,500.0)	N/A	(3,500.0)
Subtotal - One-Time Financing Sources	40,905.7	-55.0%	20,000.0	-51.1%	(20,905.7)	(2,340,989.6)	N/A	(2,360,989.6)
Subtotal - Revenues	14,116,659.0	28.7%	16,419,241.4	16.3%	2,302,582.4	12,323,382.4	-24.9%	(4,095,859.0)
Balance Forward	372,457.0	-61.1%	894,636.0	140.2%	522,179.0	4,508,935.4	404.0%	3,614,299.4
Total - Resources	14,489,116.0	21.5%	17,313,877.4	19.5%	2,824,761.4	16,832,317.8	-2.8%	(481,559.6)

Table 6

GENERAL FUND REVENUE - FY 2024 - FY 2025

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2024	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2025	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	7,650,750.9	4.9%	359,436.8	8,026,505.7	4.9%	375,754.8
Income - Individual	5,932,208.9	-0.2%	(13,838.1)	5,846,707.3	-1.4%	(85,501.6)
- Corporate	1,178,415.2	4.0%	45,831.4	1,226,298.7	4.1%	47,883.5
Property	24,156.7	-1.6%	(395.8)	23,858.5	-1.2%	(298.2)
Luxury - Tobacco	22,097.8	0.1%	12.4	22,386.1	1.3%	288.3
- Liquor	48,268.9	3.2%	1,513.6	49,739.7	3.0%	1,470.8
Insurance Premium	717,539.8	3.9%	27,151.8	740,955.7	3.3%	23,415.9
Other Taxes	16,544.5	3.4%	544.0	17,123.5	3.5%	579.1
Subtotal - Taxes	15,589,982.6	2.8%	420,256.1	15,953,575.1	2.3%	363,592.4
Other Non-Tax Revenues:						
Lottery	185,177.4	5.7%	9,935.9	195,754.6	5.7%	10,577.2
Gaming Revenue	20,110.2	8.9%	1,643.2	21,421.2	6.5%	1,311.0
Licenses, Fees and Permits	41,512.9	3.7%	1,463.0	43,071.1	3.8%	1,558.1
Interest	27,500.0	10.0%	2,500.0	30,000.0	9.1%	2,500.0
Sales and Services	28,964.7	3.5%	979.5	29,978.5	3.5%	1,013.8
Other Miscellaneous	153,801.8	3.7%	5,442.4	158,458.2	3.0%	4,656.4
Transfers and Reimbursements	78,090.0	4.3%	3,238.6	81,545.1	4.4%	3,455.1
Public Safety Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Disproportionate Share Revenue	95,474.3	4.2%	3,824.7	95,644.9	0.2%	170.6
Subtotal - Other Non-Tax	630,631.4	4.8%	29,027.3	655,873.5	4.0%	25,242.1
Net Ongoing Revenue	16,220,614.0	2.8%	449,283.4	16,609,448.6	2.4%	388,834.6
Urban Revenue Sharing (URS)	(1,429,609.1)	N/A	(322,650.5)	(1,258,493.5)	N/A	171,115.5
Net Ongoing Revenue w/ URS	14,791,005.0	0.9%	126,632.9	15,350,955.0	3.8%	559,950.1
One-Time Financing Sources:						
Prescription Drug Rebate Fund Transfer	0.0	N/A	0.0	0.0	N/A	0.0
DPS Highway Patrol Fund Transfer	0.0	N/A	0.0	0.0	N/A	0.0
Water Infrastructure Repayment	0.0	N/A	0.0	0.0	N/A	0.0
TPT Diversions	0.0	N/A	2,287,489.6	0.0	N/A	0.0
Newly Enacted Tax Reductions	0.0	N/A	50,000.0	0.0	N/A	0.0
Other One-Time Revenue Changes	0.0	N/A	3,500.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	0.0	N/A	2,340,989.6	0.0	N/A	0.0
Subtotal - Revenues	14,791,005.0	20.0%	2,467,622.5	15,350,955.0	3.8%	559,950.1
Balance Forward	1,077,036.7	-76.1%	(3,431,898.7)	678,790.3	-37.0%	(398,246.4)
Total - Resources	15,868,041.7	-5.7%	(964,276.2)	16,029,745.3	1.0%	161,703.7

BUDGET STABILIZATION FUND

Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The BSF is also known as the “Rainy Day Fund.”

The Formula

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The formula is based on total annual Arizona personal income (excluding transfer payments) adjusted for inflation.

The January budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of real adjusted state personal income, its trend growth rate over the past 7 years, and the calculated appropriation to or transfer from the BSF. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. In practice, the formula has only served as a general guideline and has rarely been used to determine the actual deposit or withdrawal.

Key features of the BSF can be summarized as follows:

- The deposit into or withdrawal from the BSF for a given fiscal year is determined by comparing the annual growth rate of real adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to its 7-year trend growth rate.
- Real adjusted personal income in the BSF formula is defined as Arizona personal income less transfer payments, adjusted by the gross domestic product price deflator index.
- Trend growth rate is defined as the average annual growth rate of real adjusted personal income for the most recent 7 calendar years.

- If the annual growth rate exceeds the trend growth rate, the “excess” percent multiplied by General Fund revenue of the prior fiscal year would equal the amount to be deposited into the BSF.
- If the annual growth rate of real adjusted personal income is both less than 2% and less than the trend growth rate, the deficiency when multiplied by the General Fund revenue of the prior year would equal the amount to be withdrawn from the BSF. This 2% floor avoids withdrawing monies from the BSF when economic conditions are slowing but there is not a recession.
- By a two-thirds majority, the Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.
- Beginning in FY 2020, the BSF's total balance cannot be larger than 10.0% of the current year's General Fund revenues, excluding the beginning balance. Prior to Laws 2019, Chapter 54, the percentage was set at 7.0%.
- Laws 2022, Chapter 308 (Budget Implementation Budget Reconciliation Bill (BRB) is notwithstanding the 10% BSF cap for FY 2023.
- 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 2021

In CY 2020, Arizona adjusted personal income increased by 1.19%, with a trend growth rate of 3.54%. Since this was (2.35)% below the trend growth rate of 3.54% and below 2.0%, the formula recommended a withdrawal from the BSF of \$(255.7) million in FY 2021. The Legislature, however, did not authorize the withdrawal.

In FY 2021, the State Forester borrowed \$11.3 million from the BSF for wildfire suppression claims.

Laws 2020, Chapter 58 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 2021. Chapter 58 required the BSF to be fully reimbursed by September 1, 2021. DES withdrew these monies and reimbursed them prior to September 1, 2021.

FY 2022

In CY 2021, Arizona adjusted personal income increased by 2.57%, with a trend growth rate of 3.46%. Since this was (0.89)% below the trend growth rate of 3.46% but 0.57% above the 2.0% floor, the formula recommended no BSF deposit or withdrawal in FY 2022.

In FY 2022, the State Forester reimbursed \$4.6 million to the BSF for wildfire suppression claims.

Laws 2021, Chapter 408 authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2022. Chapter 408 requires the BSF to be fully reimbursed by September 1, 2022.

FY 2023

The University of Arizona's Economic and Business Research Center (EBR) currently projects that Arizona real adjusted personal income will increase by 0.59% in CY 2022. Since this is (2.30)% below the estimated trend growth rate of 2.89% and below the 2% floor, the BSF formula is projected to recommend a withdrawal of \$(377.2) million in FY 2023. *(For more details, see Table 1.)*

Laws 2022, Chapter 321 diverts \$425.0 million of General Fund Transaction Privilege Tax (TPT) revenues to the BSF in even monthly installments during FY 2023.

STATUTORY CHANGES

The Budget Implementation BRB (Laws 2022, Chapter 308), as session law, continues to notwithstanding the requirements for any deposit to or withdrawal from the Budget Stabilization Fund through FY 2025.

As noted above, the Budget Implementation BRB is also notwithstanding the 10% BSF cap for FY 2023.

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

<u>General Fund Revenues</u>	Actual FY 2021	Estimate FY 2022	Estimate FY 2023
Adjusted Revenues	\$14,099,595.1	\$16,399,241.4	\$14,664,372.0
Statutory Limit of Revenues	10.0%	10.0%	10.0%
Maximum Balance ^{2/}	1,409,959.5	1,639,924.1	1,466,437.2
 <u>Arizona Personal Income in Prior CY</u>			
Real Adjusted Annual Income Growth	1.19%	2.57%	0.59%
7-Year Average Income Growth	<u>3.54%</u>	<u>3.46%</u>	<u>2.89%</u>
Annual Difference	(2.35)%	(0.89)%	(2.30)%
 <u>BSF Transactions</u>			
Beginning BSF Balance	978,531.3	974,736.2	982,163.7
BSF Formula Recommendation	(255,670.3)	0.0	(377,182.6)
 <u>Actual Transfer In</u>			
General Fund Appropriation ^{3/}	0.0	0.0	425,000.0
 <u>Actual Transfer Out</u>			
State Forester Claims ^{4/}	(11,269.1)	4,596.8	0.0
DES Reimbursement Grants ^{5/6/}	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	(11,269.1)	4,596.8	0.0
Balance	967,262.2	979,333.0	1,407,163.7
Interest Earnings & Equity Gains/Losses ^{7/}	7,474.1	2,830.7	10,000.0
Ending BSF Balance	\$974,736.2	\$982,163.7	\$1,417,163.7
Percent of Revenues	6.9%	6.0%	9.7%

^{1/} BSF history prior to FY 2021 can be found on the JLBC website.

^{2/} Laws 2022, Chapter 308 is notwithstanding the 10% BSF cap for FY 2023.

^{3/} Laws 2022, Chapter 321 diverts \$425 million from General Fund Transaction Privilege Tax (TPT) revenues to the BSF in FY 2023.

^{4/} Laws 2019, Chapter 269 authorizes BSF monies to be used by the State Forester to pay certain wildland fire suppression claims, not to exceed \$20.0 million. The monies must be reimbursed to the State Treasurer within 45 days of a federal agency's payment on the claim.

^{5/} Laws 2020, Chapter 58 authorized DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2021. Chapter 58 required the BSF to be fully reimbursed by September 1, 2021. These monies were spent and repaid by September 1, 2021.

^{6/} Laws 2021, Chapter 408 authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2022. Chapter 408 requires the BSF to be fully reimbursed by September 1, 2022.

^{7/} Net earnings for FY 2023 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 dispatcher positions.
- The Elected Officials' Retirement Plan (EORP), which provides similar benefits to elected officials. The population of elected officials includes state officials, county/city officials and judges. EORP is now closed to new enrollees. Elected officials who are elected after January 1, 2014 will be enrolled in the Elected Officials' Defined Contribution Retirement System (EODCRS), which provides a defined contribution retirement benefit.

- The University Optional Retirement Plan (UORP). Some university employees are eligible to choose between ASRS or UORP. Unlike ASRS, UORP is a defined contribution plan where the employee and employer each contribute 7% of gross earnings.

The PSPRS Board of Trustees manages the PSPRS, CORP and EORP plans. The Arizona Board of Regents (ABOR) separately oversees the UORP plan.

FY 2023 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 retirement systems in FY 2023 is estimated to be \$268.2 million and the Total State Funds cost is \$663.5 million. *(Please see Table 1 for the total costs.)*

Employer contribution rate for the retirement systems change each year depending on the latest actuarial valuation. Some of the retirement costs may be covered by agencies’ non-appropriated funding sources.

ASRS

The General Fund cost associated with ASRS in FY 2023 is estimated to be \$85.6 million and the Total State Funds cost is \$390.2 million.

Table 1			
Arizona Public Retirement FY 2023 System Employer Cost			
	<u>FY 2023 Total Cost 1/</u>		
	<u>General Fund</u>	<u>All Other Funds 2/</u>	<u>Total</u>
Arizona State Retirement System	\$ 85,607,400	\$ 304,599,300	\$390,206,700
Public Safety Personnel Retirement System	59,709,700	35,551,300	95,261,000
Corrections Officer Retirement Plan	85,719,200	4,069,400	89,788,600
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	16,297,900	329,200	16,627,100
University Optional Retirement Plan	20,902,300	50,710,300	71,612,600
Grand Total	\$ 268,236,500	\$ 395,259,500	\$663,496,000

1/ Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2023 Baseline change in Personal Services costs. These estimates are based on Tier 1 and Tier 2 employer contribution rates, and do not include the impact of Tier 3 employer contribution rates.

2/ Includes both Other Appropriated Funds and Non-Appropriated Funds (including Federal Funds).

At its November 2021 meeting, the ASRS Board of Trustees decreased the pension contribution rate to 12.03% of Personal Services in FY 2023. (See Table 2). The FY 2022 rate was 12.22%.

The employer contribution rate for disability insurance decreased from 0.19% to 0.14%, for a total overall employer contribution rate of 12.17% (compared to 12.41% last year).

PSPRS

The PSPRS system consists of numerous state and local employer groups, each with its own contribution rate. (See Table 3 for state employer group contribution rates).

The General Fund cost associated with PSPRS in FY 2023 is estimated to be \$59.7 million and the Total State Funds cost is \$95.3 million.

CORP

The CORP system consists of numerous state and local employer groups, each with its own contribution rate. (See Table 3 for state employer group contribution rates).

The General Fund cost associated with CORP is \$85.7 million in FY 2023 and the Total State Funds cost is \$89.8 million.

EORP and EODCRS System

The General Fund cost associated with EORP and the EODCRS in FY 2023 is estimated to be \$16.3 million and the Total State Funds cost is \$16.6 million. These amounts exclude court fees used to offset the cost of the system, as those fees are deposited directly into the EORP Fund.

For EODCRS members, the total employer contribution rate is the same as EORP, with 6.0% of the employer contribution rate is deposited into the individual employees’ retirement investment account and the remainder being deposited into the EORP Fund.

UORP

The General Fund cost associated with UORP in FY 2023 is estimated to be \$20.9 million and the Total State Funds cost is \$71.6 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% 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 2023.

<u>Fiscal Year</u>	<u>Rate 1/</u>	<u>Fiscal Year</u>	<u>Rate 1/</u>
FY 1983	7.00	FY 2004	5.20
FY 1984	7.00	FY 2005	5.20
FY 1985	6.27	FY 2006	6.90
FY 1986	5.67	FY 2007	8.60
FY 1987	5.53	FY 2008	9.10
FY 1988	4.00	FY 2009	8.95
FY 1989	<u>2/</u> 4.78	FY 2010	9.00
FY 1990	<u>2/</u> 1.29	FY 2011	9.60
FY 1991	<u>2/</u> 3.37	FY 2012	10.50
FY 1992	<u>2/</u> 3.17	FY 2013	10.90
FY 1993	<u>2/</u> 3.10	FY 2014	11.30
FY 1994	<u>2/</u> 2.65	FY 2015	11.48
FY 1995	<u>2/</u> 3.26	FY 2016	11.35
FY 1996	3.36	FY 2017	11.34
FY 1997	3.20	FY 2018	11.34
FY 1998	3.05	FY 2019	11.64
FY 1999	2.85	FY 2020	11.94
FY 2000	2.17	FY 2021	12.04
FY 2001	2.17	FY 2022	12.22
FY 2002	2.00	FY 2023	12.03
FY 2003	2.00		

1/ As a percent of salary, employee and employer each pay this rate except for FY 2012, when employers paid 9.87% and employees 11.13%. This non-50/50 split was repealed by Laws 2012, Chapter 304, which refunded excess contributions to employees.

2/ Long Term Disability not broken out of the contribution rate from FY 1989 - FY 1995. Rates for these years reflect amounts estimated to be attributable solely to retirement component.

2021 Session Legislation

The retirement systems were affected by legislation relating to the following issues in the 2021 Regular Session:

PSPRS Deposit

The FY 2022 budget included FY 2021 supplemental funding of \$1,000,000,000 from the General Fund to PSPRS to reduce unfunded pension liability in retirement plans managed by the PSPRS Board of Trustees. Of the \$1,000,000,000 funding amount, \$500,000,000 was allocated to the Department of Public Safety PSPRS Employer Group and \$500,000,000 was allocated to the Department of Corrections CORP Employer Group.

The FY 2023 enacted budget includes savings of \$98,119,900 from the General Fund in FY 2023 as a result of reducing the unfunded accrued liabilities for PSPRS retirement plans, which consist of \$52,037,300 allocated to ADC and \$46,082,600 to DPS

2022 Session Legislation

The retirement systems were affected by legislation relating to the following issues in the 2022 Regular Session:

PSPRS Deposit

The FY 2023 budget includes FY 2022 supplemental funding of \$1,139,086,400 from the General Fund and \$15,000,000 from the Game and Fish Fund to PSPRS to eliminate unfunded pension liabilities in certain retirement plans managed by the PSPRS Board of Trustees. Of the \$1,154,086,400 funding, the following amounts were allocated to the employer groups listed below:

Employer Group	Unfunded Liability (Pension + Health)
PSPRS - State Agencies	
DPS	420,559,600
Game & Fish	97,243,000
ASU Police	23,565,000
U of A Police	15,645,900
NAU Police	7,725,600
DEMA	8,542,800
Attorney General	9,117,700
Dept. of Liquor Licenses	7,628,900
State Parks Board	8,820,600
Total	598,849,100
CORP - State Agencies	
Dept. of Corrections	474,635,300
Dept. of Juvenile Corrections	73,940,800
DPS - Dispatch	6,352,000
DPS - Detention	309,200
Total	555,237,300

The enacted budget's 3-year spending plan assumes that ongoing General Fund spending will be reduced by \$99,840,200 in total beginning in FY 2024 due to lower employer contributions. Of the \$99,840,200 in savings, \$41,671,800 is allocated to the PSPRS employer groups and \$58,168,400 is allocated to the CORP employer groups.

ASRS Prepayment

Laws 2022, Chapter 324 allows an ASRS employer to prepay the employer's pension contributions directly to ASRS to reduce the employer's future pension contributions.

PSPRS/CORP Reemployment

Laws 2022, Chapter 24 modifies the time restriction from 12 to 6 months in which a PSPRS or CORP member can retire and become reemployed by the same employer and continue to receive pension payments. After returning to work for the employer after 6 months, the employee would still be subject to current procedures (such as the employer paying the required "alternate contribution rate").

PSPRS Deferred Retirement Option Plan

Laws 2022, Chapter 351 modifies the participation period for the PSPRS Deferred Retirement Option Plan (DROP) for eligible participants. Currently, employees hired before January 1, 2012 may participate in DROP for up to 60 months. For these members who are also at least 51 years old and have at least 24.5 years of service, Chapter 351 increases the maximum DROP participation period from 60 to 84 months.

EORP Early Retirement

Laws 2022, Chapter 323 allows an elected official who is a member of EORP and has either (a) attained 55 years of age with 10 years of credited service or (b) has attained 59.5 years of age with five years of credited service, to make an irrevocable notice of resignation by July 29, 2022, with a date of retirement no later than September 30, 2022, to receive pension payments for normal retirement. Additionally, it appropriates \$60,000,000 from the General Fund in FY 2023 for deposit into the EORP Fund. This amount is intended to offset the increased actuarial liability from the early retirement benefit.

PSPRS Asset Transfers

Laws 2022, Chapter 221 modifies the actuarial funding requirements for PSPRS in certain circumstance where an employer's group funded status is above 100%. In the case where an employer group's funded status reached 100%, Chapter 221 would reduce the level of required employer contributions. Additionally, if a PSPRS group has no liabilities or beneficiaries, Chapter 221 allows that employer to request the PSPRS Board of Trustees to transfer those excess assets to another PSPRS-managed group under the employer.

PSPRS Advisory Committee

Under current law, the Speaker of the House and President of the Senate each have one appointment to the PSPRS advisory committee. Laws 2022, Chapter 72

removes the requirement that these appointments be a legislator or legislative staff member.

Funded Status

To calculate the unfunded liability of each plan, actuaries use a modified amount for asset values to reflect certain plan assumptions. The funded status, or the amount of market value of assets relative to the amount of liabilities, of each plan is:

- 80.0% for ASRS;
- 59.3% for PSPRS;
- 73.9% for CORP; and
- 36.2% for EORP.

The above percentages exclude the retiree health portion of the pension plan and the impact of the FY 2022 supplemental pension contribution.

Table 3

**PSPRS/CORP State Employer Group Retirement Rates
(Excludes Health and Disability Program)**

<u>Retirement System</u>	<u>Employer</u>				<u>Employee</u>		
	<u>FY 2022</u>		<u>FY 2023</u>		<u>FY 2023</u>		
	<u>Tier 1 and 2</u>	<u>Tier 3_{1/}</u>	<u>Tier 1 and 2</u>	<u>Tier 3_{1/}</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3_{1/}</u>
<u>Public Safety Personnel Ret. System</u>							
Liquor License Investigators	108.44	103.00	115.93	110.35	7.65	11.65	9.94
Department of Public Safety <u>2/</u>	106.95	104.22	66.73	63.74	2.65	6.65	5.55
Northern Arizona University Police	48.68	48.57	57.37	57.26	7.65	11.65	9.94
University of Arizona Police	49.16	45.87	50.23	46.72	7.65	11.65	9.94
Arizona State University Police	46.67	42.74	50.71	47.02	7.65	11.65	9.94
Game and Fish Department	131.05	127.47	136.73	133.44	7.65	11.65	9.94
Attorney General Investigators	59.29	51.87	50.30	42.83	7.65	11.65	9.94
DEMA Firefighters	46.90	43.26	45.56	41.74	7.65	11.65	9.94
Parks Police	118.02	111.62	122.19	116.59	7.65	11.65	9.94
<u>Corrections Officer Ret. Plan</u>							
Corrections Officer - ADC	30.88	31.22	18.79	19.43	8.41	8.41	7.49
Corrections Officer - DJC	46.55	47.42	52.69	53.67	8.41	8.41	7.49
DPS Dispatchers <u>3/</u>	71.44	73.13	79.64	81.86	7.96	7.96	7.49
Probation Officers	35.97	36.66	37.06	37.97	8.41	8.41	7.49

1/ FY 2022 and FY 2023 rates for Tier 3 for PSPRS based on Defined Benefit Plan and based on Defined Contribution for CORP.

2/ The displayed rates reflect that 5% of the DPS member contribution is paid by the state.

3/ Dispatchers hired after November 24, 2009 are ASRS members.

Table 4

Reasons for Change in the Employer Contribution Rate 1/

	<u>ASRS</u>	<u>PSPRS</u>	<u>CORP</u>	<u>EORP</u>
FY 2022 Contribution Rate	12.41%	56.20%	31.43%	61.31%
Asset (Gain)/Loss	-0.19%	-0.14%	-0.31%	-0.13%
Payroll	0.00%	0.75%	1.63%	5.60%
Liability Experience	N/A	0.21%	-0.65%	-1.19%
Disability Rate Change	-0.05%	0.00%	0.00%	0.00%
Assumption Changes	N/A	1.43%	0.52%	3.17%
Additional Contributions	0.00%	-4.65%	-7.80%	0.00%
Amortization Change	N/A	0.00%	0.00%	0.00%
Other	<u>0.00%</u>	<u>0.34%</u>	<u>0.65%</u>	<u>1.66%</u>
FY 2023 Contribution Rate	12.17%	54.14%	25.47%	70.42%
Net Change	-0.24%	-2.06%	-5.96%	9.11%

1/ EORP data is displayed as calculated in the actuarial valuation, the actual FY 2022 EORP contribution rate approved by the PSPRS Board was 61.43%.

Table 5

Arizona Public Retirement System Valuation Data as of June 30, 2021

	ASRS		PSPRS		CORP		EORP	
Membership								
	FY 2022				FY 2022			
Active (working and contributing)	210,135	207,913	18,667	18,366	10,936	9,863	457	373
State Active Members	27,400	N/A	1,404	1,353	5,063	4,534	N/A	N/A
Other Active Members ¹	182,735	N/A	17,263	17,013	4,997	5,329	N/A	N/A
Inactive	244,592	253,152	2,366	2,612	3,604	3,726	175	177
Retired Members, Disabled and Survivor Beneficiaries	155,924	160,215	15,869	14,564	6,049	6,417	1,254	1,315
Deferred Retirement Option Plan	N/A				N/A			
Total	610,651	621,280	36,902	35,542	20,589	20,006	1,886	1,865
Funding Status (dollar values in millions) ²								
	June 30, 2020				June 30, 2020			
Market Value of Assets	\$40,872	\$50,300	\$8,058	\$11,445	\$2,071	\$3,216	\$287	\$346
Total Actuarial Liability	\$58,266	\$62,860	\$18,512	\$19,306	\$4,225	\$4,351	\$961	\$955
Unfunded Actuarial Liability ³				\$7,861	\$2,154	\$1,135	\$674	\$609
Funded Status ³					49.0%	73.9%	29.9%	36.2%

N/A=Not Available

¹ Includes city, county, political subdivision, higher education and other education active members.² Represents aggregate information for PSPRS and CORP Tier 1 and 2 pension benefits. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the funded status may vary for each employer group.³ Calculated on market, not actuarial, value of assets. Excludes the funded status of the retiree health portion of the plan.

Table 6											
State Retirement Plan Summary											
	PSPRS			CORP			EORP			ASRS	
	Tier 1	Tier 2	Tier 3/DC	Tier 1	Tier 2	Tier 3/DC 1					
Hire Date	Before 1/1/12	1/1/12 thru 7/1/17	After 7/1/17	Before 1/1/12	1/1/12 thru 7/1/18	After 7/1/18	Before 1/1/12	1/1/12 thru 1/1/14	After 1/1/14	Present	
Normal Retirement Age	None	52.5	55; 52.5 with reduced pension	25 years of Service with no age or; years of Service and Age must equal 80	52.5	Not Applicable	None	62	Not Applicable	Years of Service and Age must equal 80	
Minimum Years of Service	20 years; 15 years if aged 62 or older	15 years	15 years	25 years	25 years		20 years	10 years			
Multiplier	50%+ <20 years: -4.00% 20 to <25 years: 2.00% 25+ years: 2.50%	62.5%+ <25 years: -4.00% 25+ years: 2.50% May use Tier 3 multiplier if better	15 to <17 years: 1.50% 17 to <19 years: 1.75% 19 to <22 years: 2.00% 22 to <25 years: 2.25% 25+ years: 2.50%	50%+ 20+ years: 2.50% If 80 point rule is used for hires prior to 8/9/2001: Average Salary X years of service X 2.5%	62.5%+ 25+ years: 2.50% (Max 7 years) If less than 25 years: Avg. Salary X Yrs of svc 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%		COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%		COLA based on Phoenix CPI, not to exceed 2%	PBI if fund exceeds growth estimate for 10 years, only for members hired before 9/13/13.
Benefit Cap	Adjusted by IRS	Adjusted by IRS	\$110,000	Adjusted by IRS	Adjusted by IRS		Adjusted by IRS	Adjusted by IRS		Adjusted by IRS	Adjusted by IRS
Normal Cost Split	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)	50/50; Employer Pays Legacy Cost Balance	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)		Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)		Set Employee Rate (Employers pay remaining)	50/50
Assumed Rate of Return	7.40%	7.40%	7.40%	7.40%	7.40%		7.40%	7.40%		7.40%	7.50%
Employee Rate	7.65%	11.65%	9.85% DC: 9.00%	8.41%	8.41%	7.00%	7.00%	13.00%	8.00%	12.11%	
Aggregate Employer Rate	52.47%	52.47%	DB 47.75% (Normal+Legacy Costs) DC: 9.00%+Legacy Costs	27.59%	27.59%	5%+Legacy Cost	61.43%	61.43%	61.43% (6.00% to employer account)	12.11%	

1/ CORP includes a Tier 3 Defined Benefit plan, however essentially all state workers in CORP would only be eligible for the Defined Contribution Plan.

**GENERAL PROVISIONS OF THE
GENERAL APPROPRIATION ACT
AND OTHER OVERALL ISSUES**

GENERAL APPROPRIATION ACT BUDGET GENERAL PROVISIONS

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GENERAL PROVISIONS OF THE GENERAL APPROPRIATION ACT AND OTHER OVERALL ISSUES

In addition to the specific appropriations to agencies, departments and institutions, the FY 2023 General Appropriation Act provides direction regarding several general provisions.

General Provisions

Statewide Adjustments — Each individual agency narrative refers to the allocation of statewide adjustments. The *Agency Detail and Allocations* section includes the specific adjustments for each agency.

Section 123 of the General Appropriation Act makes statewide adjustment net increases totaling \$32,269,100 from the General Fund and \$42,450,000 from Other Appropriated Funds in FY 2023 for changes in 9 areas:

- **Employer Health Insurance Contribution Increase:** \$63,244,800 General Fund and \$40,000,000 Other Appropriated Funds for a one-time increase in the employer contribution rates for employee health insurance. *(Please see Health Insurance discussion below for more details.)*
- **University Health Insurance Backfill:** \$40,033,000 General Fund a one-time increase to backfill university tuition for the employer contribution rate increase for employee health insurance. *(Please see Health Insurance discussion below for more details.)*
- **Retirement Adjustments:** \$17,218,500 General Fund and \$(2,100,000) Other Appropriated Funds for retirement contribution rate adjustments. *(Please see State Retirement Systems below for more details.)*
- **Retirement Payoff Adjustments:** \$(98,119,900) General Fund for retirement contribution rate adjustments as a result of pension liability debt payoff from the FY 2022 budget. *(Please see State Retirement Systems below for more details.)*
- **Information Technology (IT) Pro Rata Adjustments:** \$1,618,000 General Fund and \$1,000,000 Other Appropriated Funds for adjustments to IT pro rata adjustments. *(Please see Information Technology Planning below for more details.)*
- **Arizona Financial Information System Adjustment:** \$330,900 General Fund and \$400,000 Other Appropriated Funds for adjustments to agency Arizona Financial Information System (AFIS) charges. *(Please see the Arizona Department of Administration (ADOA) narrative for more details on AFIS charges.)*
- **Human Resources Information System Adjustment:** \$8,011,400 General Fund and \$5,000,000 Other Appropriated Funds for adjustments for a charge to agencies to replace the Human Resource Information

System (HRIS). *(Please see the Arizona Department of Administration (ADOA) – Automation Projects Fund narrative for more details on HRIS charges.)*

- **Agency Rent Adjustments:** \$(695,600) General Fund and \$(2,300,000) Other Appropriated Funds for adjustments associated with relocation to and within state-owned and lease-purchase buildings. *(Please see Building Payments below for more details.)*
- **State Fleet Rate Adjustments:** \$628,000 General Fund and \$450,000 Other Appropriated Funds for adjustments operating the state motor pool fleet in ADOT.

Employee Salary Increase — Section 124 of the General Appropriation Act appropriates a total of \$210,372,800 General Fund and \$62,572,600 Other Appropriated Funds in FY 2023 for state employee salary increases. The pay raise is effective July 9, 2022 as follows:

- A 10% increase for state employees (excluding universities, elected officials, or otherwise noted below)
- A 20% increase for all ADC staff.
- A 15% increase for all DPS staff.
- A 20% increase for all DJC staff.
- Additional market rate adjustments above 10% for specified agencies.

The budget requires OSPB to report to JLBC on or before September 30, 2022, on the actual raises given by agency and classification. It also requires agencies to allocate this pay raise by fund and line item in their FY 2024 budget request as an adjustment for FY 2024.

Please see the *General Fund Salary Adjustments for State Employees Since FY 2013* section for other salary adjustments appropriated in agency sections.

Expenditure Reporting — Section 132 continues to state that it is the intent of the Legislature that all budget units receiving appropriations continue to report actual, estimated and requested expenditures by budget programs and classes in a format similar to the one used for budgetary purposes in prior years. The purpose of this section is to ensure stability and consistency in the expenditure reporting regardless of yearly changes in appropriation formats. A different format may be used if agreed to by the Director of the JLBC and incorporated into the budget instructions issued by the Governor's Office of Strategic Planning and Budgeting.

FTE Position Reporting — Section 133 continues to state that the Full-Time Equivalent (FTE) Positions contained in the General Appropriation Act sections are subject to appropriation. The section directs the Director of the Arizona Department of Administration (ADOA) to account for the utilization of all appropriated and non-appropriated FTE Positions, excluding FTE Positions in the Universities. The Director shall submit the FY 2023 report by October 1, 2023 to the Director of the JLBC.

The reports shall compare the level of FTE Position usage in each fiscal year to the appropriated level. This section defines FTE Positions as total number of hours worked, including both regular and overtime hours as well as hours taken as leave, divided by the number of hours in a work year. The ADOA Director shall notify the director of each budget unit if the budget unit has exceeded its number of appropriated FTE Positions. The Universities shall report to the JLBC Director in a manner comparable to the ADOA report.

Filled FTE Position Reporting — Section 134 continues to state that by October 1, 2022 each agency, including the Judiciary and the Universities, shall submit a report to the JLBC Director on the number of filled, appropriated and non-appropriated FTE Positions by fund source. The report shall reflect the number of filled, appropriated FTE Positions as of September 1, 2022.

Transfer Authority — Section 135 continues to require ADOA to provide a monthly report to the JLBC Staff on any agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements — Section 136 continues to require the Executive Branch to provide to the JLBC a preliminary estimate of the FY 2022 General Fund ending balance by September 15, 2022. Based on this information, JLBC Staff shall report to JLBC by October 15, 2022 as to whether FY 2023's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections. Section 136 states the revenues are forecasted to be \$17,948,800,000 for FY 2022 and \$16,830,400,000 for FY 2023. As a result of certain bills not being passed and technical re-estimates, these figures are now \$17,948,877,400 for FY 2022 and \$16,832,370,200 for FY 2023.

Section 136 also provides revenue and expenditure estimates for FY 2024 and FY 2025 pursuant to A.R.S. § 35-125, which requires the General Appropriation Act to delineate the revenue and expenditure estimates for the budget year and the following 2 years based on existing statutory funding requirements. *(Please see the Budget Highlights section for more details on FY 2024 and FY 2025 estimates.)*

Expenditure Authority — Section 138 continues to state that for purposes of the General Appropriation Act, "expenditure authority" means that the fund sources are continuously appropriated monies that are included in the individual line items of appropriations.

JLBC Review — Section 139 continues to state that for purposes of the General Appropriation Act, "review by the Joint Legislative Budget Committee" means a review by a vote of a majority of a quorum of the members.

Statewide Standard Changes

In addition to the adjustments to agency budgets and general provisions outlined previously, the FY 2023 budget reflects the adoption of technical assumptions. These technical assumptions are incorporated into each agency's individual appropriation in the FY 2023 General Appropriation Act. Statewide adjustment amounts are mentioned in any relevant agency narrative, but do not have additional discussion.

Employee Related Expenditures

Health Insurance — The state continues to self-insure state employee health benefits. Under self-insurance, the state assumes the risk of providing health coverage to state employees and pays the health claims directly. Therefore, if the costs of employee health coverage exceed estimates, the state will be responsible for those losses. Similarly, if the costs are less than estimated, the state will retain the savings.

Employees have a choice between a Triple Choice Plan (TCP) which has one premium incorporating 3 tiers of providers with different coverage, deductible, and out-of-pocket maximum levels, or a Health Savings Account (HSA). An HSA allows for pre-tax contributions and healthcare-related withdrawals, combined with a high-deductible coinsurance plan.

Employee and employer premiums for PY 2023 are shown in *Table 1*.

Dental Insurance — Employees have a choice between one Dental PPO plan and one Dental HMO plan. At the time of publication, PY 2023 Dental premium rates had not yet been set. Employee and employer premiums for PY 2022 are shown in *Table 2*.

(Please see the Health Insurance Trust Fund section in the ADOA narrative for more details on overall HITF balances.)

Table 1		
Health Insurance		
State Employee and Employer Monthly Contributions ^{1/}		
PY 2023		
	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<u>Triple Option Plan</u>		
Employee	\$ 56.70	\$ 762.56
Employee Plus One Adult	154.90	1,570.44
Employee Plus One Child	124.15	1,021.37
Family	263.49	1,778.21
<u>Health Spending Account (HSA) Option</u>		
Employee	22.00	574.93 ^{2/}
Employee Plus One Adult	66.00	1,187.275 ^{2/}
Employee Plus One Child	56.10	817.65 ^{2/}
Family	122.10	1,311.23 ^{2/}
^{1/} PY 2023 employer rates are effective July 2022 to June 2023. PY employee rates are effective January 2023 to December 2023.		
^{2/} Includes deposit of \$60 into Single Employee account and \$120 into all other Employee accounts.		

In addition to health and dental insurance, the following items are components of an agency's Employee Related Expenditures.

Employer Contribution Rates — *Table 3* provides a list of budgeted state employer contribution rates for state employee benefits during FY 2023. These rates may be different from actual funded charges (e.g., the Social Security FICA maximum may increase.) Except for life insurance, these rates are calculated as a percent of Personal Services. Except as noted, the budget does not include funding for the changes in rates.

Life Insurance - \$7.28 per employee per year, unchanged from the FY 2022 rate set by ADOA.

Unemployment Insurance - 0.10% of Personal Services for each agency, unchanged from the FY 2022 rate set by ADOA.

Personnel Division Pro Rata - 0.86% of Personal Services for each agency in the State Personnel System, unchanged from the FY 2022 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)

Table 2		
Dental Insurance		
State Employee and Employer Monthly Contributions		
PY 2022		
	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<u>DHMO</u>		
Employee	\$3.56	\$4.96
Employee + 1 Adult	7.12	9.92
Employee + 1 Child	6.67	9.92
Family	11.84	13.70
<u>PPO</u>		
Employee	30.98	4.96
Employee + 1 Adult	65.71	9.92
Employee + 1 Child	50.56	9.92
Family	104.56	13.70

- Judiciary (Supreme Court, Court of Appeals, Superior Court)
- Department of Public Safety
- Universities (including Arizona Board of Regents)

Disability Insurance - For Arizona State Retirement System (ASRS) employees, the employer pays 0.14% of Personal Services for disability insurance, a (0.05)% decrease from the FY 2022 rate. The employee rate will also decrease to 0.14%.

Employer rates in the Public Safety Personnel Retirement System (PSPRS) and the Corrections Officer Retirement Plan (CORP) vary depending on whether the employee is participating in the defined benefit plan or defined contribution plans. For PSPRS defined-benefit employees, the employer-only disability insurance rate will be 2.41%

in FY 2023, unchanged from FY 2022; the rate for defined-contribution employees will be 1.66 % (an increase from 0.88%). For CORP defined-benefit employees, the employer-only rate is 0.32%; the rate for defined-contribution employees will be 0.44% (a decrease from 0.49%). The rate for participants in the Elected Officials' Defined Contribution Retirement System is 0.165% (an increase from 0.125%).

Information Technology Planning - 0.61% of Personal Services for each agency, an increase of 0.18% from the FY 2022 rate as authorized in the FY 2023 Automation Budget Reconciliation Bill (BRB). Statewide cyber security controls and the government information technology review function in ADOA's budget is funded from an assessment on the payroll of all state agencies except the Universities. (Please refer to *Statewide Adjustments above and the Arizona Department of Administration narrative for more details.*)

Retiree Accumulated Sick Leave - 0.40% of Personal Services for each agency, unchanged from the FY 2022 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.

Workers' Compensation - The rates calculated by ADOA vary by individual agency and are unchanged from the FY

2022 workers' compensation rates. ADOA estimates the average statewide rate is 0.96% in FY 2023. Monies are deposited into the Risk Management Fund for payment of costs associated with Workers' Compensation losses. (Please see the ADOA narrative for more details.)

Federal Insurance Contributions Act (FICA) – Effective Social Security taxes are paid at a rate of 6.20% up to \$147,000 of an employee's salary, an increase from the previous maximum of \$142,800. The rate is unchanged from FY 2022. The FY 2023 budget 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 2022. 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.

State Retirement Systems - There are 5 state employee retirement systems -- ASRS, PSPRS, CORP, the Elected Officials' Retirement Plan (EORP), and the Elected Officials' Defined Contribution (EODC) System. In addition, the Universities operate their own defined contribution plan. FY 2023 rates as determined by the state's retirement systems have changed from the FY 2022 rates. (Please see the *Consolidated Retirement Report for more details on retirement contribution rates, enrollment and funded status, and litigation impacts.*)

Other Operating Expenditures

The following items are included in agencies' Other Operating Expenditures.

Risk Management — Individual agency budgets' Other Operating Expenditures include funding to pay the Risk Management charges billed to agencies by the ADOA Risk Management Program. The billings vary by individual agency and are unchanged from the budgeted FY 2022 rates. FY 2023 rates are set based on ADOA's actuarial assessment of each agency's risk. (Please see the *Risk Management Charges table following this section for more details on overall charges.*)

Monies are deposited into an ADOA fund for payment of costs associated with Risk Management losses. The state self-insures for Risk Management services by assessing agencies charges based on actuarial projections and paying claims against the state.

Attorney General — Section 125 outlines \$1,798,500 in charges to selected state agencies for Attorney General

Category	Rate
Life Insurance (per FTE Position)	\$7.28
Unemployment Insurance	0.10%
Personnel Division Pro Rata	0.86%
Disability (ASRS)	0.19%
Disability (PSPRS Defined Benefit)	2.41%
Disability (PSPRS Defined Contribution)	1.66%
Disability (CORP Defined Benefit)	0.32%
Disability (CORP Defined Contribution)	0.44%
Disability (Elected Officials' Defined Contribution)	0.165%
Information Technology Planning and Security	0.61%
Retiree Accumulated Sick Leave	0.40%
Workers' Compensation	Varies
Federal Insurance Contributions Act (FICA)	
Social Security (salary max \$147,000)	6.20%
Medicare (no salary cap)	1.45%
Retirement System	<u>1/</u>
<u>1/</u> See Consolidated Retirement Report section for contribution rates.	

services, unchanged from the FY 2022 amount. *(Please see the Attorney General narrative for details.)*

Building Payments — The Other Operating Expenditures line of individual agency budgets includes rental charges for both state-owned and privately-owned space, lease-purchase payments, and privatized lease-to-own (PLTO) payments for certain buildings.

Rent charges in state-owned office space will remain at \$17.87/square foot, with the charge for state-owned storage space remaining at \$6.43/square foot. These rates are set in statute and are based upon usable square feet. *(Please see the ADOA Capital Outlay section for more details.)*

Funding is also included in budgets for all agencies housed in buildings acquired by lease-purchase or PLTO, including changes to those payments. *(Please refer PLTO schedules in the Capital Outlay section for more details.)*

Other Budget Issues

Administrative Adjustments — The budget assumes that state agencies will expend \$170,000,000 in FY 2023 for FY 2022 obligations. Agencies are permitted to make “administrative adjustments” for expenditures obligated in FY 2022 but for which the state was unbilled until FY 2023. An agency’s administrative adjustments cannot exceed its prior year reversionment, or unused appropriation authority.

The enacted FY 2023 budget assumed FY 2022 administrative adjustments of \$160,000,000, which was an increase from the original estimate in the FY 2022 budget of \$120,000,000.

Reversionments — The budget assumes that state agencies will revert \$(215,000,000) of FY 2023 appropriations back to the General Fund because the agencies will not spend their entire appropriation. In comparison, the enacted FY 2023 budget assumed FY 2022 reversionments of \$(257,000,000).

Budget Format — The format governs how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are the following:

Lump Sum - The appropriation for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review.

Lump Sum with Special Line Items - The appropriation for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include FTE Positions. Agencies are typically permitted to transfer funding between line items with Executive Branch approval but without further Legislative Branch review. Footnotes may require JLBC review, however, prior to transfers between certain line items.

90/10 Agencies — The following 27 regulatory agencies are called “90/10” agencies for the fact that these agencies retain 90% of their revenues and deposit the other 10% into the General Fund:

- Arizona State Board of Accountancy
- Acupuncture Board of Examiners
- Board of Athletic Training
- Board of Barbering and Cosmetology
- Board of Behavioral Health Examiners
- State Board of Chiropractic Examiners
- Registrar of Contractors
- State Board of Dental Examiners
- State Board of Funeral Directors and Embalmers
- Board of Homeopathic and Integrated Medicine Examiners
- Board of Massage Therapy
- Arizona Medical Board
- Naturopathic Physicians Medical Board
- State Board of Nursing
- Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers
- Board of Occupational Therapy Examiners
- State Board of Dispensing Opticians
- State Board of Optometry
- Arizona Board of Osteopathic Examiners in Medicine and Surgery
- Arizona State Board of Pharmacy
- Board of Physical Therapy
- State Board of Podiatry Examiners
- State Board for Private Postsecondary Education
- State Board of Psychologist Examiners
- Board of Respiratory Care Examiners
- State Board of Technical Registration
- Arizona State Veterinary Medical Examining Board

**SALARY ADJUSTMENTS FOR STATE EMPLOYEES SINCE FY 2013
(Shown in Nominal Dollars)**

Fiscal Year	General Fund							Other Appropriated Funds	
	General Salary Adjustments				Additional Increases for Selected Classes			All Salary Adjustments	
	Dollars Appropriated	Effective Date	Annual Cost	% Salary Adjustment	Dollars Appropriated	Effective Date	Annual Cost	Dollars Appropriated	Annual Cost
FY 2013	\$16,633,400 ^{1/}	Sept 29	\$23,500,000	5.00% ^{1/}	\$0	NA	\$0	\$11,695,200	\$16,500,000 ^{1/}
FY 2014	\$0	NA	\$0	0.00%	\$0	NA	\$0	\$0	\$0
FY 2015	\$0	NA	\$0	0.00%	\$3,300,000	July 1	\$3,300,000 ^{2/}	\$479,200	\$479,200 ^{3/}
FY 2016	\$0	NA	\$0	0.00%	\$0	NA	\$0	\$0	\$0
FY 2017	\$0	NA	\$0	0.00%	\$4,696,400	Varies	\$4,791,700 ^{4/5/}	\$1,041,700	\$1,041,700 ^{6/}
FY 2018	\$0	NA	\$0	0.00%	\$97,700	January 1	\$195,300 ^{7/}	\$1,201,400	\$1,201,400 ^{8/}
FY 2019	\$0	NA	\$0	0.00%	\$223,500	January 1	\$0 ^{9/}	\$0	\$0
FY 2020	\$0	NA	\$0	0.00%	\$69,735,100	July 1	\$69,735,100 ^{10/}	\$2,291,600	\$2,291,600 ^{10/}
FY 2021	\$0	NA	\$0	0.00%	\$0	NA	\$0	\$0	\$0
FY 2022	\$0	NA	\$0	0.00%	\$64,698,000	July 1	\$64,698,000 ^{11/}	\$12,375,300	\$12,375,300 ^{12/}
FY 2023	\$126,365,000 ^{13/}	July 9	\$126,365,000	10.00% ^{13/}	\$86,051,800	Varies	\$90,367,800 ^{14/}	\$62,572,600	\$62,572,600 ^{15/}

- ^{1/} Originally represented a one-time critical retention payment to state employees in FY 2013. The payments were made to non-university state employees who were uncovered on the effective date of September 29, 2012, and were equal to 5% of an employee's annual salary level prorated for the remainder of the fiscal year, increasing an employee's annual salary by an effective rate of 3.75%. This adjustment included payments to employees who converted from covered to uncovered status as a result of the 2012 omnibus personnel bill (Laws 2012, Chapter 321). The FY 2014 budget subsequently made the 5% adjustment permanent.
- ^{2/} Funds a 2.0% pay increase for all employees at the Arizona Department of Public Safety (DPS).
- ^{3/} Funds a \$5,000 salary increase for surveyors and program managers in the Department of Health Services' (DHS) Division of Licensing Services.
- ^{4/} Funds a 3.0% pay increase for all sworn officers and civilian staff within the DPS Highway Patrol Division, effective July 1, 2016.
- ^{5/} Funds the first half-year of a 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The pay raise became effective on January 1, 2017 and will be followed by another 1.5% increase effective on January 1, 2018.
- ^{6/} Funds the OF cost of FY 2017 DPS salary increases and a salary increase for Wildlife Rangers in the Game and Fish Department.
- ^{7/} Funds the first half-year of a second 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The second year pay raise becomes effective January 1, 2018.
- ^{8/} Funds a 3.0% pay increase for non-Highway Patrol civilian staff in DPS.
- ^{9/} Funds the annualization of the second-year 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The second year pay raise became effective January 1, 2018. Annual cost of \$195,300 reflected in FY 2018. Also funds a salary increase for the Board of Executive Clemency members, including a 17% increase for the chairman and a 39% increase for the other 4 board members.
- ^{10/} Funds salary increases for select state employees in the Department of Agriculture, Attorney General, Department of Child Safety (DCS), Corporation Commission, Department of Corrections (ADC), Game and Fish Department, DHS, Department of Insurance, Judiciary, Department of Juvenile Corrections (DJC), Department of Liquor Licenses and Control (DLLC), Arizona State Parks Board, DPS and the Department of Transportation (ADOT). See General Provisions section in FY 2020 Appropriations Report for more information.
- ^{11/} Funds salary increase for select state employees in the Department of Agriculture, DCS, ADC, Department of Economic Security (DES), DJC, DPS and Department of Water Resources.
- ^{12/} Funds the OF cost of salary increases for select employees in the Parks Board, ADOT, Board of Dispensing Opticians, and Game and Fish Department.
- ^{13/} Funds General Fund cost of a 10% salary increase for all state employees excluding the Universities, judges, and elected officials.
- ^{14/} Funds the General Fund cost of an additional 10% increase for ADC staff (20% total), 10% for DJC (20% total) and 5% for DPS (15% total). Also includes the cost to increase the Supreme Court Chief Justice's salary to \$212,000, other Supreme Court Justices to \$205,000 and Court of Appeals Judges salaries to \$190,000 effective January 1, 2023. Also funds the state's share of the cost to increase Superior Court Judges salaries to \$164,700 effective January 1, 2023 and to \$180,000 effective January 1, 2024. Also includes salary increases above 10% for selected employees in the Department of Agriculture, AHCCCS, DCS, DES, Board of Executive Clemency, DHS, Judiciary, Land Department and the Auditor General. See General Provisions section in the FY 2023 Appropriations Report for more information.
- ^{15/} Funds the OF cost of a 10% minimum statewide salary increase and increases above 10% for selected employees at the Pioneers' Home, Corporation Commission, Department of Insurance and Financial Institutions, DLLC and the State Board of Funeral Directors and Embalmers. See General Provisions section in the FY 2023 Appropriations Report for more information.

SALARY ADJUSTMENTS FOR ELECTED OFFICIALS

	Jan. 1, 2007 ^{1/}	Jan. 1, 2009 ^{1/}	Jan. 1, 2018 ^{1/}	Jan. 1, 2023
Governor	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000
Secretary of State	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Treasurer	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Attorney General	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000
Superintendent of Public Instruction	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
Corporation Commissioners	\$ 79,500	\$ 79,500	\$ 79,500	\$ 79,500
Mine Inspector	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Supreme Court Chief Justice	\$ 145,294	\$ 160,000	\$ 164,800	\$ 212,000
Other Supreme Court Justices	\$ 142,341	\$ 155,000	\$ 159,650	\$ 205,000
Appellate Judges	\$ 139,388	\$ 150,000	\$ 154,500	\$ 190,000
Superior Court Judges	\$ 135,844	\$ 145,000	\$ 149,400	\$ 164,700 ^{2/}
Legislators	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000

^{1/} There were no changes in elected officials' salaries between January 1, 2007 and January 1, 2009, January 1, 2009 and January 1, 2018, and between January 1, 2018 and January 1, 2023.

^{2/} The FY 2023 budget increases the Superior Court Judges salaries to \$180,000 on January 1, 2024.

AGENCY DETAIL AND ALLOCATIONS

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2022 GF JLBC Baseline	FY 2022 Changes	FY 2022 GF Revised	FY 23 Baseline 1/ Above FY 22	FY 2023 Changes	FY 2023 GF Enacted Budget
OPERATING SPENDING CHANGES						
DOA - Arizona Department of Administration	18,255,000		18,292,500			68,950,900
1 DOA - Statewide Adjustments					137,300	
2 DOA - Salary Adjustments					858,600	
3 DOA - Remove One-Time Permitting Dashboard Funding				(100,000)		
4 DOA - Increase K-12 Transportation Grants (\$10 M to \$20 M)				10,000,000		
5 DOA - Healthcare Interoperability Grants					12,000,000	
6 DOA - Credit Lending Report					200,000	
7 DOA - Ballot Paper Testing					1,000,000	
8 DOA - Secure Ballot Boxes					500,000	
9 DOA - Fire Incident Management System Grants					6,100,000	
10 DOA - County Sheriff Interoperability					20,000,000	
11 DOA - Named Claimants (Laws 2022, Ch. 38)		37,500		(37,500)		
12 APF - Automation Projects Fund/ADDA	3,614,100		3,614,100			28,747,000
13 APF - Charter Schools - IT Platform Modernization (\$3 M to \$1.5 M)				(1,500,000)		
14 APF - ADDA - K12 Financial Transparency (Remove One-Time Funding)				(614,100)		
15 APF - Business One Stop Phase 2					15,614,300	
16 APF - Agriculture - IT Projects/Cloud Migration					2,000,000	
17 APF - DOR - Tax System					9,632,700	
18 SFD - School Facilities Division/ADDA	290,809,500		383,926,500			324,672,200
19 SFB - Statewide Adjustments					(179,000)	
20 SFB - Salary Adjustments					108,700	
21 SFD - Remove New School Funding Completion (FY 21 Starts)				(11,730,900)		
22 SFD - Continue New School Construction Projects (FY 22 Starts)				(28,931,700)		
23 SFD - Begin New School Construction Projects (FY 23 Starts)				48,253,900		
24 SFD - Remove One-Time Building Renewal Funding				(90,832,100)		
25 SFD - Remove One-Time Funding for Retroactive Formula Increase				(63,526,200)		
26 SFD - New Construction - Kirkland (Remove One-Time Funding)				(3,000,000)		
27 SFB - Building Renewal Grants		93,117,000		(93,117,000)	183,300,000	
28 SFB - Kirkland Site Conditions					400,000	
29 OAH - Office of Administrative Hearings	891,800		891,800			998,900
30 OAH - Statewide Adjustments					38,200	
31 OAH - Salary Adjustments					68,900	
32 AAM - Commission of African-American Affairs	128,800		128,800			146,600
33 AAM - Statewide Adjustments					7,500	
34 AAM - Salary Adjustments					10,300	
35 AGR - Department of Agriculture	16,915,700		16,915,700			24,954,600
36 AGR - Statewide Adjustments					601,400	
37 AGR - Salary Adjustments					1,937,500	
38 AGR - Remove One-Time Cloud Migration Funding				(2,000,000)		
39 AGR - Remove One-Time State Agriculture Lab Equipment Funding				(2,500,000)		
40 AGR - Livestock Operator Infrastructure Grants					10,000,000	
41 AXS - AHCCCS	1,915,630,200		1,915,630,200			2,321,039,900
42 AXS - Statewide Adjustments					1,569,000	
43 AXS - Salary Adjustments					2,364,900	
44 AXS - Formula Changes				253,951,000	65,361,500	
45 AXS - Graduate Medical Education				3,000,000		
46 AXS - Newborn Screening Fee Increase				140,100		
47 AXS - American Indian Health Program SMI Integration					178,600	
48 AXS - Federal IT Regulation Compliance					270,000	
49 AXS - Management Information System Replacement (IT Oversight)					500,000	
50 AXS - Transfer Suicide Prevention Coordinator to DHS					(100,000)	
51 AXS - Increased Eligibility Determination Costs (DES Integrated System)					4,500,000	
52 AXS - Eligibility Determinations for Older Foster Care Youth					200,000	
53 AXS - Chiropractic Care					2,600,000	
54 AXS - Postpartum Care					2,700,000	
55 AXS - Diabetes Management					700,000	
56 AXS - Secure Behavioral Health Residential Facilities					25,000,000	
57 AXS - Allow CHIP Members to Remain Eligible for 12 Months					630,000	
58 AXS - EPD Provider Rate Increases (11%)					24,200,000	
59 AXS - Pediatric Skilled Nursing Facilities Rate Increase					144,600	
60 AXS - Pregnancy Care Provider Rate Increase					10,000,000	
61 AXS - Behavioral Health Provider Rate Increase (2.5%)					7,500,000	
62 ART - Arizona Commission on the Arts	0		0			5,000,000
63 ART - Arts Trust Fund Deposit					5,000,000	
64 ATT - Attorney General	24,739,800		24,739,800			29,522,900
65 ATT - Statewide Adjustments					850,100	
66 ATT - Salary Adjustments					1,734,600	
67 ATT - Additional Office of Victims Services Staff (2 FTE)					198,400	
68 ATT - Missing and Murdered Indigenous Persons Investigations					2,000,000	
69 CHA - State Board for Charter Schools	2,103,000		2,103,000			3,328,200
70 CHA - Statewide Adjustments					50,800	

	FY 2022 GF JLBC Baseline	FY 2022 Changes	FY 2022 GF Revised	FY 23 Baseline 1/ Above FY 22	FY 2023 Changes	FY 2023 GF Enacted Budget
71	CHA - Salary Adjustments				101,400	
72	CHA - Attorney General Legal Services (Fund 1 FTE)				106,100	
73	CHA - Additional Staff (4 FTE) and Selected Salary Increases Above 10%				462,000	
74	CHA - Ongoing Costs from '22 IT Upgrade				504,900	
75	DCS - Department of Child Safety	405,728,800	405,728,800			472,867,200
76	DCS - Statewide Adjustments				781,300	
77	DCS - Salary Adjustments				12,161,900	
78	DCS - Backfill FY 2022 Higher Federal Match Rate Savings			10,000,000		
79	DCS - Increase Monthly Kinship Stipend from \$75 to \$300 (L 2022, Ch. 329)				19,811,200	
80	DCS - Increase Foster Child Daily Stipend from \$1.41 to \$2.82				4,784,000	
81	DCS - Healthy Families Expansion				10,000,000	
82	DCS - Independent Living Stipend				2,600,000	
83	DCS - Qualified Residential Treatment Program Rate Increase (10%)				7,000,000	
84	ACA - Arizona Commerce Authority	78,925,000	78,925,000			41,050,000
85	ACA - Remove One-Time Competes Fund Deposit			(50,000,000)		
86	ACA - Remove One-Time Blockchain/Wearables Funding			(5,000,000)		
87	ACA - Continue Germany Trade Office Funding			(250,000)	500,000	
88	ACA - Israel Trade Office				125,000	
89	ACA - Asia Trade Offices				750,000	
90	ACA - Economic Development Marketing and Attraction				1,000,000	
91	ACA - Business Water Infrastructure (Pinal County)				15,000,000	
92	CCO - Arizona Community Colleges	108,904,700	108,904,700			102,781,400
93	CCO - Formula Changes			(743,200)		
94	CCO - Continue One-Time Rural Community College Aid			(14,000,000)	7,000,000	
95	CCO - Remove One-Time Urban Community College Aid			(13,000,000)		
96	CCO - Remove One-Time Out of County Reimbursement Aid			(500,000)		
97	CCO - Maricopa/Pima/Pinal STEM Funding Restoration			(2,000,000)	10,816,100	
98	CCO - Out-of-County Reimbursement Technical Change				(190,900)	
99	CCO - Southern AZ First Responder Academy				6,250,000	
100	CCO - Rural County Allocation Adjustment				244,700	
101	COR - Corporation Commission	623,100	623,100			807,200
102	COR - Statewide Adjustments				40,500	
103	COR - Salary Adjustments				50,800	
104	COR - Hazardous Materials Railroad Inspector				92,800	
105	ADC - Department of Corrections	1,284,302,300	1,284,309,400			1,437,963,200
106	ADC - Statewide Adjustments				(10,123,500)	
107	ADC - Salary Adjustments				116,656,800	
108	ADC - Remove One-Time Braille Transcription Costs			(50,000)		
109	ADC - Florence Bed Closure/Shift			2,444,700		
110	ADC - Rent Savings			(600,000)		
111	ADC - Remove One-Time Radio Replacement Funding			(17,329,500)		
112	ADC - Remove One-Time Ballistic & Stab Vest Replacement Funding			(3,851,900)		
113	ADC - Remove One-Time Medical Staffing Augmentation Funding			(15,000,000)		
114	ADC - Private Prison Contract Increase				17,505,300	
115	ADC - One-Time Vehicle Purchases				7,488,400	
116	ADC - Continue Substance Abuse Treatment Funding (3 FTE)			(5,000,600)	5,445,400	
117	ADC - Inmate Health Care Contract Services Increase				70,046,800	
118	ADC - Community Treatment for Imprisoned Women				2,000,000	
119	ADC - Debt Payoff Savings				(15,971,000)	
120	ADC - Named Claimants (Laws 2022, Ch. 38)		7,100	(7,100)		
121	CF - County Funding	20,650,700	20,650,700			17,650,700
122	CF - Reduce Re-Entry Planning Services Funding From \$10 M to \$7 M			(3,000,000)		
123	JUS - Arizona Criminal Justice Commission	1,000,000	1,000,000			14,600,000
124	JUS - Remove One-Time Reentry Planning Services Funding			(1,000,000)		
125	JUS - Victims' Compensation Fund (+\$10 M ARPA)				2,000,000	
126	JUS - State Aid for Juvenile Dependency Proceedings Fund				2,000,000	
127	JUS - Major Incident Regional Law Enforcement Task Forces				600,000	
128	JUS - Rural County Attorney Diversion Program Grants				10,000,000	
129	SDB - Arizona State Schools for the Deaf and the Blind	23,255,700	23,255,700			26,677,900
130	SDB - Statewide Adjustments				892,500	
131	SDB - Salary Adjustments				1,423,500	
132	SDB - Increase Bus Transportation Capacity				1,106,200	
133	OEC - Office of Economic Opportunity	470,300	470,300			525,800
134	OEC - Statewide Adjustments				16,400	
135	OEC - Salary Adjustments				39,100	
136	DES - Department of Economic Security	850,052,500	850,052,500			1,079,053,000
137	DES - Statewide Adjustments				3,169,900	
138	DES - Salary Adjustments				15,738,400	
139	DES - Formula Adjustments			114,279,800	15,930,000	
140	DES - Remove One-Time Adult and Aging Services Funding			(1,474,000)		
141	DES - Remove One-Time After School/Summer Youth Funding			(500,000)		
142	DES - Remove One-Time Return to Work Program Funding			(7,500,000)		
143	DES - Recidivism/Re-Entry Programs (Second Chance Centers)				1,352,300	
144	DES - Additional Food Bank Funding (Friends of the Farm)				500,000	
145	DES - Building System Management Upgrade				419,800	

	FY 2022 GF JLBC Baseline	FY 2022 Changes	FY 2022 GF Revised	FY 23 Baseline 1/ Above FY 22	FY 2023 Changes	FY 2023 GF Enacted Budget
146	DES - IT Infrastructure/Security Upgrades				3,884,300	
147	DES - Additional Adult Protective Services Staff (95 FTE)				11,200,000	
148	DES - DD Group Home Monitoring				1,200,000	
149	DES - DD Provider Rate Increases (9.7%)				56,700,000	
150	DES - DD State Only Provider Rate Increases				500,000	
151	DES - AZEIP Provider Rate Increases				3,400,000	
152	DES - Cost Effectiveness Study Base Adjustment				3,000,000	
153	DES - Cost Effectiveness Study Provider Rate Increase				4,200,000	
154	DES - Area Agencies on Aging Provider Rate Increases				1,000,000	
155	DES - Area Agencies on Aging Provider Rate Increases (One-Time)				2,000,000	
156	BOE - State Board of Education	2,340,000	2,340,000			3,407,600
157	BOE - Statewide Adjustments				17,800	
158	BOE - Salary Adjustments				179,700	
159	BOE - Misconduct Caseload/AG Legal Services (1 FTE)				536,100	
160	BOE - ESA Appeals Process Implementation				74,200	
161	BOE - Additional Policy Development Staff (1 FTE)				109,800	
162	BOE - Open Enrollment Promotion/Constituent Services (1 FTE)				150,000	
163	ADE - Arizona Department of Education	5,910,547,300	5,910,547,300			6,923,894,300
164	ADE - Statewide Adjustments				434,100	
165	ADE - Salary Adjustments				984,900	
166	ADE - Formula Adjustments			92,348,700	(85,290,100)	
167	ADE - Remove One-Time Funding to Reduce K-12 Rollover			(65,000,000)		
168	ADE - Remove One-Time Statewide Assessments Funding			(5,000,000)		
169	ADE - Remove One-Time High Quality Teacher Scholarship Funding			(400,000)		
170	ADE - Remove One-Time CTED Incentive Program Funding			(5,000,000)		
171	ADE - Remove One-Time Extraordinary Special Needs Fund Deposit			(5,000,000)		
172	ADE - ESA Administration (Laws 2022, Ch. 388)				2,200,000	
173	ADE - Eliminate State Equalization Tax Rate				330,535,400	
174	ADE - Assessment Funding				4,000,000	
175	ADE - Code Writers Initiative Program				1,000,000	
176	ADE - Invest in Postsecondary Success Program				1,000,000	
177	ADE - Foster Youth Transitional Housing				10,000,000	
178	ADE - Electronic Incident Prevention Programs				150,000	
179	ADE - Adult Education				16,620,000	
180	ADE - Adult Education Administrative Costs				250,000	
181	ADE - Education Programs in Jails				114,000	
182	ADE - Special Education Weight Increase				100,000,000	
183	ADE - Opportunity Weight Increase				50,000,000	
184	ADE - 2.5% Base Level Increase; Teacher Comp				99,300,000	
185	ADE - Additional 4.3% Base Level Increase				290,000,000	
186	ADE - Additional Assistance Increase (\$48 M DAA/\$12M CAA)				60,000,000	
187	ADE - Procure Statewide Gifted Assessment			(850,000)	850,000	
188	ADE - School Safety Funding Increase (SROs/Counselors)				50,000,000	
189	ADE - Childhood Trauma Awareness/Prevention Grants				100,000	
190	ADE - Office of Indian Education				5,000,000	
191	ADE - Eliminate K-12 Rollover for Districts up to 4,000 ADM				65,000,000	
192	EMA - Department of Emergency & Military Affairs	13,367,100	13,367,800			29,607,200
193	EMA - Statewide Adjustments				577,200	
194	EMA - Salary Adjustments				455,300	
195	EMA - Remove One-Time Aircraft Communication Equipment			(220,500)		
196	EMA - Remove One-Time National Guard Cyber Response Funding			(300,000)		
197	EMA - Readiness Center Maintenance Backlog				13,300,000	
198	EMA - Fully Fund State Match for Readiness Center Maintenance				1,668,900	
199	EMA - Reimburse Federal Government for Facilities Maint. Overpayment				759,200	
200	EMA - Named Claimants (Laws 2022, Ch. 38)		700	(700)		
201	DEQ - Department of Environmental Quality	15,000,000	15,000,000			22,900,000
202	DEQ - Water Quality Fee Fund Deposit				6,400,000	
203	DEQ - Direct Potable Reuse of Treated Wastewater (2 Years)				1,500,000	
204	EQU - State Board of Equalization	663,900	670,700			787,900
205	EQU - Statewide Adjustments				15,500	
206	EQU - Salary Adjustments				33,500	
207	EQU - Appeals Application IT Costs				75,000	
208	EQU - Named Claimants (Laws 2022, Ch. 38)		6,800	(6,800)		
209	EXE - Board of Executive Clemency	1,153,300	1,153,600			1,336,800
210	EXE - Statewide Adjustments				28,400	
211	EXE - Salary Adjustments				122,700	
212	EXE - Chief Operating Officer Positions				32,400	
213	EXE - Named Claimants (Laws 2022, Ch. 38)		300	(300)		
214	FOR - Department of Forestry and Fire Management	16,727,600	16,727,600			129,473,400
215	FOR - Statewide Adjustments				444,400	
216	FOR - Salary Adjustments				885,900	
217	FOR - Remove One-Time Fire Marshal Personnel Equipment			(116,700)		
218	FOR - Wildfire Mitigation Funding (Adjust Vehicle Costs)			38,211,200		
219	FOR - Remove One-Time Rural Fire District Reimbursement			(2,500,000)		
220	FOR - Additional Fire Marshal Staff (5.5 FTE)				491,400	
221	FOR - US Forest Service Land Thinning (17 FTE)				1,466,500	
222	FOR - Wildfire Expenses				65,000,000	

	FY 2022 GF JLBC Baseline	FY 2022 Changes	FY 2022 GF Revised	FY 23 Baseline 1/ Above FY 22	FY 2023 Changes	FY 2023 GF Enacted Budget
223	FOR - Mount Lemmon Fire District Renovations				2,230,900	
224	FOR - Gila River Nonnative Species Eradication				5,000,000	
225	FOR - Healthy Forest New Vehicle Purchases				320,000	
226	FOR - Healthy Forest Annual State Fleet Operation/Replacement Charge				306,100	
227	FOR - Good Neighbor/Fire Marshall New Vehicle Purchases				730,000	
228	FOR - Good Neighbor/Fire Marshall State Fleet Operation/Replacement Charge				276,100	
229	GAM - Department of Gaming	15,759,500	16,156,400			16,956,500
230	GAM - Increase Ongoing County Fair Racing Funding			1,000,000		
231	GAM - Remove One-Time County Fair Racing Funding			(2,000,000)		
232	GAM - Remove One-Time County Fair Racing Funding			(730,000)		
233	GAM - County Fair Racing				2,000,000	
234	GAM - Contract Veterinarian/Pre-Race Inspections				175,000	
235	GAM - Horse Racing Integrity Act Assessment				355,100	
236	GAM - Racetrack Maintenance and Operations		396,900	(396,900)	396,900	
237	GOV - Office of the Governor	9,813,600	9,813,600			9,276,100
238	GOV - Statewide Adjustments				129,300	
239	GOV - Salary Adjustments				333,200	
240	GOV - Remove One-Time AZ Civics Corps Funding			(1,000,000)		
241	OSP - Gov's Office of Strategic Planning & Budgeting	2,688,700	2,688,700			2,961,400
242	OSP - Statewide Adjustments				78,500	
243	OSP - Salary Adjustments				194,200	
244	DHS - Department of Health Services	103,419,200	103,419,200			194,834,300
245	DHS - Statewide Adjustments				2,954,900	
246	DHS - Salary Adjustments				7,833,800	
247	DHS - Remove Rural Hospital Prenatal Equipment Funding			(500,000)		
248	DHS - Remove One-Time Board of Medical Student Loans Funding			(2,000,000)		
249	DHS - Remove One-Time Cognitive Decline/Caregiver Modules			(160,000)		
250	DHS - Remove One-Time IT Funding for Adoption Records Release			(1,000,000)		
251	DHS - Accelerated Nursing - (\$6M Creighton/\$44M All U's)				50,000,000	
252	DHS - ASH Increased Staffing and Operating Costs				6,927,400	
253	DHS - ASH Surveillance System Upgrade				7,100,000	
254	DHS - ASH Hiring Bonuses				705,000	
255	DHS - Shift Suicide Prevention Coordinator to DHS from AHCCCS				100,000	
256	DHS - Alzheimer's Disease Research				2,500,000	
257	DHS - Family Health Pilot Program				1,500,000	
258	DHS - Homeless Pregnant Women Services				300,000	
259	DHS - Arizona Nurse Education Investment Pilot Program				15,000,000	
260	DHS - Preceptor Grant Program for Graduate Students				500,000	
261	DHS - Certificates of Necessity Procedures (5 FTE)				627,000	
262	DHS - Behavioral Health Care Provider Loan Repayment Program				2,000,000	
263	DHS - Debt Payoff Savings				(2,973,000)	
264	AZH - Arizona Historical Society	2,906,000	2,906,000			3,214,700
265	AZH - Statewide Adjustments				110,100	
266	AZH - Salary Adjustments				198,600	
267	PAZ - Prescott Historical Society	900,600	900,600			1,016,100
268	PAZ - Statewide Adjustments				43,200	
269	PAZ - Salary Adjustments				72,300	
270	HOM - Department of Homeland Security	0	0			12,000,000
271	HOM - Cyber Security Grants to Locals and Schools Districts (2 FTE)				10,000,000	
272	HOM - State Cyber Security Controls				2,000,000	
273	DOH - Department of Housing	0	0			70,000,000
274	DOH - Housing Trust Fund Deposit (Grants - \$20M Rural/\$4M Tribal)				60,000,000	
275	DOH - Homeless Services Grant Pilot (50% Local Match)				10,000,000	
276	IND - Independent Redistricting Commission	7,900,000	7,900,000			0
277	IND - Remove One-Time Commission Funding (Non-Lapsing)			(7,900,000)		
278	ICA - Industrial Commission	95,000	95,000			84,600
279	ICA - Salary Adjustments				4,600	
280	ICA - Remove One-Time Municipal Firefighter Reimbursement Costs			(15,000)		
281	DIF - Department of Insurance and Financial Institutions	7,663,400	7,663,400			8,213,000
282	DIF - Statewide Adjustments				34,800	
283	DIF - Salary Adjustments				514,800	
284	SPA - Judiciary - Supreme Court	22,234,700	22,234,700			29,047,400
285	SPA - Statewide Adjustments				1,030,300	
286	SPA - Salary Adjustments				2,249,800	
287	SPA - Appellate CMS Operating Costs			59,100		
288	SPA - One-Time Records Sealing Funding			500,000		
289	SPA - Digital Evidence Storage (Increase From \$400k to \$490k)			90,000		
290	SPA - Justices Salary Increases				263,500	
291	SPA - Automation Revenue Shortfall				1,000,000	
292	SPA - Juror Day 1 Wage Compensation				1,620,000	
293	COA - Judiciary - Court of Appeals	16,790,800	16,790,800			22,523,200

	FY 2022 GF JLBC Baseline	FY 2022 Changes	FY 2022 GF Revised	FY 23 Baseline 1/ Above FY 22	FY 2023 Changes	FY 2023 GF Enacted Budget
294	COA - Statewide Adjustments				675,200	
295	COA - Salary Adjustments				1,282,000	
296	COA - Judges Salary Increases				644,400	
297	COA - Add 6 Judges				2,230,800	
298	COA - New Judge One-Time Costs				900,000	
299	SUP - Judiciary - Superior Court	106,655,000	106,655,000			110,359,700
300	SUP - Statewide Adjustments				909,400	
301	SUP - Salary Adjustments				619,400	
302	SUP - Remove One-Time Vehicle Purchase Funding			(187,500)		
303	SUP - Judges Salary Increases (half in FY 23 and half in FY 24)				1,136,100	
304	SUP - County Probation Salary Increases				1,227,300	
305	DJC - Department of Juvenile Corrections	30,696,600	30,696,600			38,607,700
306	DJC - Statewide Adjustments				2,757,000	
307	DJC - Salary Adjustments				5,154,100	
308	LAN - State Land Department	13,315,100	13,315,100			14,659,300
309	LAN - Statewide Adjustments				265,900	
310	LAN - Salary Adjustments				853,300	
311	LAN - CAP Rate Adjustment			(96,200)	96,200	
312	LAN - Land Management System (2 FTE)				225,000	
313	Legislature					
314	AUD - Auditor General	20,723,500	20,723,500			26,991,600
315	AUD - Statewide Adjustments				630,300	
316	AUD - Salary Adjustments				2,252,800	
317	AUD - K-12 Fed Funds Oversight (Reduce From \$250k to \$200k)			(50,000)		
318	AUD - Remove One-Time Audit Expenses (Non-Gov't Election Funding)			(165,000)		
319	AUD - Adult Protective Services Audit				300,000	
320	AUD - Ongoing Audit Capacity				3,300,000	
321	HOU - House of Representatives	21,429,300	21,429,300			27,020,300
322	HOU - Statewide Adjustments				591,000	
323	HOU - Salary Adjustments				1,043,500	
324	HOU - Remove One-Time Funding			(5,000,000)		
325	HOU - Ongoing Operating Funding				3,956,500	
326	HOU - One-Time Operating Funding				5,000,000	
327	JLBC - Joint Legislative Budget Committee	2,841,900	2,841,900			3,144,500
328	JLBC - Statewide Adjustments				68,900	
329	JLBC - Salary Adjustments				233,700	
330	LEG - Legislative Council	10,090,400	10,090,400			9,546,500
331	LEG - Statewide Adjustments				156,900	
332	LEG - Salary Adjustments				414,600	
333	LEG - Remove One-Time IT Improvement Funding			(1,000,000)		
334	LEG - Ongoing Operating Funding				1,000,000	
335	LEG - Move Ombudsman to Separate Budget Unit				(1,115,400)	
336	LEG - Ombudsman-Citizens Aide	0	0			1,516,200
337	LEG - Statewide Adjustments				27,400	
338	LEG - Salary Adjustments				98,400	
339	LEG - Move Ombudsman to Separate Budget Unit				1,115,400	
340	LEG - Ongoing Operating Funding				275,000	
341	SEN - Senate	17,969,100	17,969,100			23,385,300
342	SEN - Statewide Adjustments				416,200	
343	SEN - Salary Adjustments				824,100	
344	SEN - Remove One-Time Funding			(5,000,000)		
345	SEN - Ongoing Operating Funding				4,175,900	
346	SEN - One-Time Operating Funding				5,000,000	
347	MIN - State Mine Inspector	1,558,200	1,558,200			2,819,000
348	MIN - Statewide Adjustments				50,000	
349	MIN - Salary Adjustments				88,800	
350	MIN - Additional Abandoned Mines Program Staff (6 FTE)				600,000	
351	MIN - One-Time Abandoned Mines Program Equipment				522,000	
352	NAV - Arizona Navigable Steam Adjudication Comm.	129,300	129,300			144,200
353	NAV - Statewide Adjustments				5,800	
354	NAV - Salary Adjustments				9,100	
355	SPB - Arizona State Parks Board	9,000,000	9,000,000			6,500,000
356	SPB - Remove One-Time Heritage Fund Deposit			(5,000,000)		
357	SPB - New Heritage Fund Deposit				2,500,000	
358	POS - Commission for Postsecondary Education	1,680,900	1,680,900			0
359	POS - ABOR Consolidation			(1,680,900)		
360	DPS - Department of Public Safety	291,650,400	291,650,400			364,162,500
361	DPS - Statewide Adjustments				(33,370,000)	
362	DPS - Salary Adjustments				24,478,800	
363	DPS - Remove One-Time New K-9 Dog Training			(250,000)		

	FY 2022 GF JLBC Baseline	FY 2022 Changes	FY 2022 GF Revised	FY 23 Baseline 1/ Above FY 22	FY 2023 Changes	FY 2023 GF Enacted Budget
364	DPS - Remove One-Time Civil Asset Forfeiture Offset			(3,500,000)		
365	DPS - Remove One-Time Rapid DNA Testing Equipment Funding			(600,000)		
366	DPS - Helicopter Replacement				10,900,000	
367	DPS - Helicopter Upgrade				2,559,600	
368	DPS - Replace 276 Vehicles				11,709,300	
369	DPS - Pay Cadet Housing Costs In Training				476,000	
370	DPS - Public Services Portal				3,000,000	
371	DPS - DNA Testing Enhancements (2 FTE)				400,000	
372	DPS - Building System Management Upgrade				419,200	
373	DPS - Commercial Vehicle Enforcement Consolidation				978,400	
374	DPS - 400 Patrol Vehicle Bumper Tethers				1,800,000	
375	DPS - Border Strike Task Force Staff (21 FTE + Local Support)				20,000,000	
376	DPS - Fill 69 Vacant FTE Positions				10,510,800	
377	DPS - Move Peace Officers Training from CJEF to GF				6,100,000	
378	DPS - K-9 Facility Improvement and Vehicles				1,900,000	
379	DPS - Major Incident Division				10,000,000	
380	DPS - Civil Air Patrol Infrastructure				5,000,000	
381	PSP - Public Safety Personnel Retirement System	6,000,000		1,145,086,400		66,000,000
382	PSP - Pension Payoff (ADC/DJC/DPS/Game and Fish)		1,051,378,700		(1,051,378,700)	
383	PSP - Pension Payoff (Other PSPRS and CORP) (Laws 2022, Ch. 325)		87,707,700		(87,707,700)	
384	PSP - Pension Payoff (EORP) (Laws 2022, Ch. 323)					60,000,000
385	REA - State Real Estate Department	2,922,100		2,922,100		3,221,000
386	REA - Statewide Adjustments				99,700	
387	REA - Salary Adjustments				199,200	
388	REV - Department of Revenue	53,542,400		53,542,400		59,863,300
389	REV - Statewide Adjustments				653,400	
390	REV - Salary Adjustments				2,620,800	
391	REV - Remove One-Time IT Funding (Business Tax Changes)				(466,300)	
392	REV - Information Technology Staffing				3,513,000	
393	SOS - Secretary of State	12,907,700		12,907,700		22,237,100
394	SOS - Statewide Adjustments				384,600	
395	SOS - Salary Adjustments				694,800	
396	SOS - Election Funding (2022 Primary/General Elections)				4,000,000	
397	SOS - Early Ballot Tracking System (Laws 2022, Ch. 358)				250,000	
398	SOS - Election Funding				4,000,000	
399	TAX - State Board of Tax Appeals	283,300		283,300		317,700
400	TAX - Statewide Adjustments				12,700	
401	TAX - Salary Adjustments				21,700	
402	TOU - Office of Tourism	8,481,500		8,481,500		10,068,500
403	TOU - Statewide Adjustments				87,000	
404	TOU - Remove One-Time Southern AZ Study Committee Funding				(250,000)	
405	TOU - Southern AZ Sports, Tourism and Film Authority (Laws 2022, Ch. 364)				750,000	
406	TOU - Wine Promotion				1,000,000	
407	DOT - Department of Transportation	3,300,000		3,300,000		0
408	DOT - Remove Hold Harmless Funding (Rental Vehicle Surcharge)				(3,300,000)	
409	TRE - State Treasurer	3,010,200		3,010,200		8,560,800
410	TRE - Statewide Adjustments				(200)	
411	TRE - Salary Adjustments				37,700	
412	TRE - Justice of the Peace Salary Increases				1,613,100	
413	TRE - Crime Victim Public Safety Notifications (Laws 2022, Ch. 333)				3,800,000	
414	TRE - Arizona Health Innovation Trust Fund				100,000	
415	OTR - Governor's Office on Tribal Relations	63,500		63,500		69,900
416	OTR - Statewide Adjustments				2,300	
417	OTR - Salary Adjustments				4,100	
418	UNI - Universities					
419	UNI - Arizona Board of Regents	29,916,000		29,916,000		90,238,000
420	UNI - Statewide Adjustments				41,100	
421	UNI - Commission for Postsecondary Education Consolidation				1,680,900	
422	UNI - Arizona Promise Program				12,500,000	
423	UNI - Spouses of Military Veterans Tuition Scholarships				10,000,000	
424	UNI - Veterinary Loan Assistance Program				6,000,000	
425	UNI - Food Product and Safety Lab				10,900,000	
426	UNI - Enclosed Feeding Facility				9,500,000	
427	UNI - Camp Verde Meat Processing Facility				9,700,000	
428	UNI - ASU	385,261,900		385,261,900		465,044,700
429	UNI - Statewide Adjustments				23,349,100	
430	UNI - Lease-Purchase Adjustment				10,200	
431	UNI - Inflation Adjustment (2017 Capital Infrastructure)				250,700	
432	UNI - Continue Eastern Europe Cultural Collaborative Funding				(250,000)	250,000
433	UNI - School of Civic and Economic Thought and Leadership				(2,750,000)	2,804,100
434	UNI - Remove One-Time Political History/Leadership Funding				(250,000)	
435	UNI - One-Time Operating Funding				(18,831,300)	21,200,000
436	UNI - One-Time Operating/Capital Funding					54,000,000

	FY 2022 GF JLBC Baseline	FY 2022 Changes	FY 2022 GF Revised	FY 23 Baseline 1/ Above FY 22	FY 2023 Changes	FY 2023 GF Enacted Budget
437	UNI - Northern Arizona University	135,452,400		135,452,400		164,151,500
438	UNI - Statewide Adjustments				1,133,700	
439	UNI - Lease-Purchase Adjustment			261,700		
440	UNI - Inflation Adjustment (2017 Capital Infrastructure)			95,000		
441	UNI - Economic Policy Institute Funding			(250,000)	365,000	
442	UNI - One-Time Operating Funding			(9,006,300)	10,100,000	
443	UNI - One-Time Operating/Capital Funding (\$5 M Set Aside for NAU-Yuma)				26,000,000	
444	UNI - UA - Main Campus	250,739,100		250,739,100		299,423,000
445	UNI - Statewide Adjustments				28,827,600	
446	UNI - Lease-Purchase Adjustment			3,600		
447	UNI - Inflation Adjustment (2017 Capital Infrastructure)			221,800		
448	UNI - Remove One-Time Wind Tunnel Funding			(3,500,000)		
449	UNI - Center for the Philosophy of Freedom			(1,250,000)	1,830,900	
450	UNI - One-Time Operating Funding			(9,600,000)	14,700,000	
451	UNI - Continue Kazakhstan Studies Program Funding			(250,000)	250,000	
452	UNI - College of Veterinary Medicine				8,000,000	
453	UNI - Natural Resource Users Law and Policy Center				1,000,000	
454	UNI - Natural Resource Law/Policy Center Endangered Species Study				450,000	
455	UNI - Veterinary Diagnostic Lab				5,000,000	
456	UNI - Wind Tunnel Upgrades				3,000,000	
457	UNI - UA - Health Sciences Center	76,897,700		76,897,700		76,897,700
458	VSC - Department of Veterans' Services	8,625,500		8,625,500		12,449,200
459	VSC - Statewide Adjustments				182,400	
460	VSC - Salary Adjustments				483,300	
461	VSC - Remove One-Time Veterans' Benefits Counselors Equipment			(42,000)		
462	VSC - Officers for Rural Tribal Nation Communities (20 FTE)				2,200,000	
463	VSC - Tribal Ceremonies for Members Discharged From Military				1,000,000	
464	WIFA - Water Infrastructure Finance Authority	12,000,000		12,000,000		10,000,000
465	WIF - Remove One-Time Water Project Assistance Grants			(5,000,000)		
466	WIF - Remove One-Time Small Water Systems Fund Deposit			(1,000,000)		
467	WIF - Remove One-Time Water Supply Development Fund Deposit			(6,000,000)		
468	WIF - Eastern AZ Water Assistance				10,000,000	
469	WAT - Department of Water Resources	18,424,400		18,424,400		25,364,500
470	WAT - Statewide Adjustments				559,900	
471	WAT - Salary Adjustments				1,252,300	
472	WAT - Remove One-Time Water Protection Fund Deposit			(1,000,000)		
473	WAT - Remove One-Time Agua Fria Insurance Study			(350,000)		
474	WAT - Water Protection Fund Deposit				1,000,000	
475	WAT - Staffing Increase (4 FTE)				408,800	
476	WAT - Shift Water Banking Fund Spending Back to General Fund				1,219,100	
477	WAT - Annual Water Supply and Demand Assessment (Laws 2022, Ch. 366)				3,500,000	
478	WAT - New River Flood Insurance Study				350,000	
479	OTH - Other					
480	OTH - One-Time Debt Payoff (Series 2015/2017 - ADC and DHS)	0	93,500,000	93,500,000	(93,500,000)	0
481	OTH - Medicaid Federal Match Rate Reversion	(152,844,400)	(133,000,000)	(285,844,400)	285,844,400	0
482	OTH - ADE Enrollment Reversion	(285,000,000)	(104,100,000)	(389,100,000)	389,100,000	0
483	OTH - Federal Funds Offset	0	(635,000,000)	(635,000,000)	635,000,000	0
484	OTH - Universities 27th Pay Period	20,052,100		20,052,100	(20,052,100)	0
485	OTH - Phoenix Convention Center Debt Service	24,498,500		24,498,500	500,900	24,999,400
486	OTH - Rio Nuevo District	16,000,000		16,000,000		16,000,000
487	OTH - Unallocated FY 2022 AFIS Transaction Fee Increase	4,700		4,700	(4,700)	0
488	OTH - Unallocated FY 2022 Risk Management Funding Adjustment	6,400		6,400	(6,400)	0
489	OTH - Unallocated FY 2023 Rent Adjustments	0		0	(1,200)	(1,200)
490	OTH - Unallocated FY 2023 HRIS Fee Adjustment	0		0	2,100	2,100
491	OTH - Unallocated FY 2023 Salary Adjustments	0		0	387,600	387,600
492	OTH - Administrative Adjustments	225,000,000	(65,000,000)	160,000,000	25,000,000	(15,000,000)
493	OTH - Revertments	(150,000,000)	(107,000,000)	(257,000,000)	72,000,000	(30,000,000)
494	TOTAL - OPERATING SPENDING CHANGES	12,430,256,400	282,052,700	12,712,309,100	110,929,900	2,598,784,700
495	CAPITAL SPENDING					
496	ADOA - Building Renewal	6,200,000		6,200,000	(6,200,000)	37,594,200
497	ADC - Building Renewal	22,205,800		22,205,800	(22,205,800)	30,551,100
498	COL - Building Renewal	1,000,000		1,000,000	(1,000,000)	0
499	ADOA - Historic State Capitol Building Restoration	11,500,000		11,500,000	(11,500,000)	0
500	ADOA - Building Demolition and Physical Plant Conversion	2,800,000		2,800,000	(2,800,000)	0
501	ADOA Replacement of Air Handler Units Phase 2	3,500,000		3,500,000	(3,500,000)	0
502	ADOA - Taylor Rodeo Arena	1,000,000		1,000,000	(1,000,000)	0
503	ADOA - Fountain Hills Discovery Center/Observatory	2,500,000		2,500,000	(2,500,000)	0
504	ADOA - 1616 and 1688 W. Adams Renovation (Demolish 1624 W. Adams)	0		0		47,274,000
505	ADOA - Demolition (1818 W. Adams/1850 W. Jackson/1720 W. Madlson)	0		0		1,568,000
506	ADOA - Homeless Veterans Housing (Fort Whipple)	0		0		2,386,600
507	ADOA - Astronomy Centers	0		0		7,500,000
508	ADOA - Navajo Nation Lukachukai Veterans Multipurpose Complex	0		0		500,000
509	ADOA - Kayenta Judicial Complex	0		0		2,000,000
510	ADOA - Little Colorado River Visitor Center (Navajo County)	0		0		1,000,000
511	ADOA - Navajo Technical University Environmental Testing Lab	0		0		4,000,000
512	ADOA - Dine College Student Center Construction	0		0		8,000,000

	FY 2022 GF JLBC Baseline	FY 2022 Changes	FY 2022 GF Revised	FY 23 Baseline 1/ Above FY 22	FY 2023 Changes	FY 2023 GF Enacted Budget
513	ADOA - Navajo Nation Teesto Multipurpose Community Center Site	0	0		1,000,000	1,000,000
514	ADOA - Navajo Nation Dilkon Center Improvements	0	0		3,000,000	3,000,000
515	ADC - Eyman Fire & Life Safety Projects	10,000,000	10,000,000	(10,000,000)		0
516	ADC - Replace Evaporative Cooling with AC Systemwide	0	0		47,600,000	47,600,000
517	ADC - Doors/Locks/Fire Systems	0	0		20,400,000	20,400,000
518	ASDB - Food Service Equipment	0	0		350,000	350,000
519	ASDB - Security Upgrades (Electronic Locks)	0	0		420,000	420,000
520	ASDB - Classroom Notification Replacement	0	0		96,000	96,000
521	EMA - Fire Suppression	927,100	927,100	(927,100)	1,151,100	1,151,100
522	EMA - Tucson Readiness Center Construction Cost Increases	0	0		1,800,000	1,800,000
523	COL - Coliseum Fire Alarm	1,000,000	1,000,000	(1,000,000)		0
524	Judiciary - Supreme Court - Air Handler and Sewer Replacement	0	0		3,200,000	3,200,000
525	DJC - Replumbing	0	0		400,000	400,000
526	Legislative Council - Capitol Renovations/Building Renewal	0	0		5,700,000	5,700,000
527	DPS - Purchase Building and Property and Evidence Vehicle Storage	0	0		1,016,400	1,016,400
528	DPS - Replace 25 Remote Officer Housing Units and Adds 5 Units	0	0		9,750,000	9,750,000
529	ADOT - Ruby Road Bridge Improvements	0	0		3,000,000	3,000,000
530	ADOT - Loop 101 Slip Ramp	0	0		25,000,000	25,000,000
531	ADOT - Cesar Chavez Blvd Widening/Improvements (Laws 2022, Ch. 331)	0	0		33,000,000	33,000,000
532	ADOT - US-89 & N. Lake Powell Blvd Traffic Circle/Control Device	0	0		5,000,000	5,000,000
533	ADOT - Ganado School Loop Road (County Road 420)	0	0		1,000,000	1,000,000
534	ADOT - N-9402 Improvements	0	0		10,000,000	10,000,000
535	ADOT - N-35 Improvements	0	0		6,000,000	6,000,000
536	Universities - ABOR - Mining, Mineral and Natural Resources Museum	0	0		12,000,000	12,000,000
537	Veterans' Services - Northwest Veterans' Home	25,000,000	25,000,000	(25,000,000)		0
538	Yuma Fairgrounds Relocation	5,000,000	5,000,000	(5,000,000)		0
539	TOTAL - CAPITAL SPENDING	92,632,900	0	92,632,900	(92,632,900)	333,257,400
540	TOTAL - ALL SPENDING	12,522,889,300	282,052,700	12,804,942,000	18,297,000	2,932,042,100
541	REVENUE CHANGES					
542	Ongoing Revenue					
543	REV - Ongoing Revenue (Including Urban Revenue Sharing)	15,406,561,400	1,043,700,000	16,450,261,400	(896,325,100)	435,667,000
544	REV - Enacted Tax Reductions (Ongoing)	(51,020,000)		(51,020,000)	(1,265,326,000)	(1,316,346,000)
545	REV - Liquor Dept. Operating Increase - GF Impact	0			(2,400,000)	(2,400,000)
546	REV - Eliminate Lower End of Real Estate Fee Ranges (Ch. 298)	0			(708,800)	(708,800)
547	REV - Expand Vets Property Tax Exemption to all Disability Levels (Ch. 341)	0			Savings in '24	0
548	REV - Eliminate State Equalization Tax Rate	0			See ADE	0
549	REV - Annually Adjust QCO/QFCO Contrib. Cap for Inflation (Ch. 385)	0			(1,000,000)	(1,000,000)
550	REV - Expand TPT Exemption for Used Agricultural Machinery	0			(583,000)	(583,000)
551	REV - Limit Aircraft License Tax Assessment to CPI/Use Fair Market Value	0			(1,900,000)	(1,900,000)
552	REV - Reduce Apache/Greenlee College Out-of-County Reimbursement	0			(2,293,500)	(2,293,500)
553	One-Time Revenue					
554	REV - Beginning Balance	894,636,000		894,636,000	1,208,597,600	2,405,701,800
555	REV - Water Infrastructure Repayment	20,000,000		20,000,000	(20,000,000)	0
556	REV - Enacted Tax Reductions (One-Time)	(704,978,100)	704,978,100	0	261,777,600	443,200,500
557	REV - TPT Transfer for Transportation Projects (Highway/Aviation Fund)	0		0		(946,047,500)
558	REV - TPT Transfer to Border Security Fund	0		0		(209,205,000)
559	REV - TPT Transfer to Border Security Fund - Border Fencing (Ch. 334)	0		0		(335,000,000)
560	REV - TPT Transfer for FY 2023 Water Initiative Funding (Ch. 366)	0		0		(334,000,000)
561	REV - Manufacturing TPT Distribution for Public Infrastructure	0		0		(50,000,000)
562	REV - TPT Transfer to State Parks Revenue Fund	0		0		(38,237,100)
563	REV - TPT Transfer to Budget Stabilization Fund	0		0		(425,000,000)
564	REV - Liquor Space Reconfiguration - GF Impact	0		0		(3,500,000)
565	TOTAL - REVENUE CHANGES 2/	15,565,199,300	1,748,678,100	17,313,877,400	(711,275,900)	934,694,400
566	PROPOSITION 208 RESERVE	939,076,400	(939,076,400)	0	(939,076,400)	0
567	ENDING BALANCE 2/	2,103,233,600	1,466,625,400	4,508,935,400	209,503,500	(1,997,347,700)

1/ This column does not represent original FY 2023 Baseline changes. This column displays an agency's FY 2023 Baseline funding compared to the final enacted FY 2022 General Fund spending amount displayed in "FY 2022 GF Revised".

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2022 OF 1/ JLBC Baseline	FY 2022 Changes	FY 2022 OF Revised	FY 23 Baseline 2/ Above FY 22	FY 2023 Changes	FY 2023 OF Enacted Budget
OPERATING SPENDING CHANGES						
1	SBA - State Board of Accountancy	2,051,800		2,051,800		2,236,600
2	SBA - Statewide Adjustments				67,300	
3	SBA - Salary Adjustments				117,500	
4	ACU - Acupuncture Board of Examiners	176,800		176,800		196,800
5	ACU - Statewide Adjustments				1,800	
6	ACU - Salary Adjustments				12,700	
7	ACU - eLicensing Upgrade				5,500	
8	DOA - Arizona Department of Administration	199,005,900		200,123,800		215,998,200
9	DOA - Statewide Adjustments				828,700	
10	DOA - Salary Adjustments				3,252,500	
11	DOA - Remove One-Time Monument/Memorial Repair Funding				(21,500)	
12	DOA - Remove One-Time Hoteling Project Funding				(375,900)	
13	DOA - AZ Financial Info System -2nd of 3 Year Plan (\$760 K GF Cost)				1,500,000	
14	DOA - Create Statewide Cybersecurity Risk Insurance Deductible					20,000,000
15	DOA - Cybersecurity Insurance Premiums (18 months)					1,450,000
16	DOA - Cybersecurity Risk Insurance 1 FTE (2 years)					137,200
17	DOA - Risk Management - Worker Compensation Claims					(2,918,600)
18	DOA - Risk Management - Admln/Legal Expenses					(696,500)
19	DOA - Statewide Info Security to Homeland Security					(6,366,700)
20	DOA - Pharmacy Specialist/Medical and Pharmacy Consulting Services					203,100
21	DOA - Federal Reimbursement		1,110,600		(1,110,600)	
22	DOA - Named Claimants (Laws 2022, Ch. 38)		7,300		(7,300)	
23	APF - Automation Projects Fund/ADOA	32,060,700		32,060,700		59,331,900
24	APF - Reduce K-12 Financial Project from \$3 M in '22 to \$1.5 M in '23				(1,500,000)	
25	APF - Remove State Data Center				(2,000,000)	
26	APF - Remove Charter School Board Online Platform				(614,100)	
27	APF - Remove Child Care Management System				(9,000,000)	
28	APF - Remove ADE ELAS				(7,200,000)	
29	APF - Remove Tribal Gaming Certification e-Licensing				(850,000)	
30	APF - Remove IT Upgrades				(1,067,700)	
31	APF - Remove Psychologist Examiners e-Licensing				(20,000)	
32	APF - Remove DPS Concealed Weapons Tracking				(550,000)	
33	APF - Remove Business One-Stop				(7,758,900)	
34	APF - ADOA Personnel System Replacement - HRIS (+ \$8M GF)					22,397,800
35	APF - DOR Integrated Tax System					15,819,800
36	APF - Secretary of State Electronic Record Storage Study					300,000
37	APF - DWR Application Modernization/Integration					1,700,000
38	APF - Business One-Stop Phase 2					15,614,300
39	APF - Agriculture - IT Projects/Cloud Migration					2,000,000
40	AGR - Department of Agriculture	1,734,600		1,734,600		1,878,300
41	AGR - Statewide Adjustments					68,000
42	AGR - Salary Adjustments					75,700
43	AXS - AHCCCS	386,347,600		416,468,700		380,182,300
44	AXS - Statewide Adjustments					54,900
45	AXS - Salary Adjustments					110,600
46	AXS - Formula Changes				(21,333,600)	22,710,800
47	AXS - Remove One-Time PMMIS Roadmap Funding				(78,000)	
48	AXS - Remove One-Time Health Care Investment Fund Increase				(4,000,000)	
49	AXS - Remove One-Time Substance Use Disorder Services Fund Deposit				(6,000,000)	
50	AXS - Allow CHIP Members to Remain Eligible for 12 Months					2,370,000
51	AXS - ARPA Home and Community Based Services (Laws 2022, Ch. 2)		30,121,100		(30,121,100)	
52	BAT - Board of Athletic Training	127,000		127,000		157,300
53	BAT - Statewide Adjustments					5,900
54	BAT - Salary Adjustments					7,700
55	BAT - eLicensing Upgrade					9,700
56	BAT - Executive Director Salary Increase (+\$7k from Occup Therapy Fund)					7,000
57	ATT - Attorney General	60,389,300		60,389,300		75,781,500
58	ATT - Statewide Adjustments					1,275,400
59	ATT - Salary Adjustments					3,743,100
60	ATT - Remove One-Time Antitrust Enforcement				(1,000,000)	
61	ATT - Remove One-Time Fleet Initiative				(156,300)	
62	ATT - Remove One-Time Election Litigation Funding				(500,000)	
63	ATT - Remove One-Time Attorney Stipends and Retention Bonuses				(2,000,000)	
64	ATT - Remove One-Time Child and Family Advocacy Centers (CPCF)				(500,000)	
65	ATT - Remove One-Time Expert Witnesses and Outside Counsel Funding				(1,200,000)	
66	ATT - Remove One-Time Missing and Murdered Indigenous People Cmte				(40,000)	
67	ATT - Consumer Protection Settlement Backfill (3 FTEs)					331,000
68	ATT - Medical Fraud (8 FTEs) - 25% State Match					333,700
69	ATT - Medicaid Fraud Staff - Purchase 6 Vehicles (thru ADOT State Fleet)					63,000
70	ATT - Medicaid Fraud New Vehicles - Operating Cost					10,800
71	ATT - Medicaid Fraud New Vehicles - Replacement Cost					10,900
72	ATT - 17 State Liability Attorneys to Replace Outside Counsel					2,604,200
73	ATT - 1 FTE to Increase Attendees at Human Trafficking Ed Events					116,400
74	ATT - Victims' Right Fund (CPRF) (Laws 2022, Ch. 333)					1,400,000
75	ATT - Outside Council/Expert Witness (One-Time CPRF)					2,000,000
76	ATT - Continue One-Time Child and Family Advocacy Centers (CPRF)					500,000
77	ATT - Employee Stipend/Retention Bonuses (One-Time CPRF)					3,000,000
78	ATT - Opioid Abatement (One-Time CRRRF)					5,000,000
79	ATT - Colorado City Radio Dispatch					400,000

	FY 2022 OF 1/ JLBC Baseline	FY 2022 Changes	FY 2022 OF Revised	FY 23 Baseline 2/ Above FY 22	FY 2023 Changes	FY 2023 OF Enacted Budget
80	BAR - Board of Barbers	408,900		408,900		0
81	BAR - Agency Consolidation			(408,900)		
82	BCB - Barbering and Cosmetology Board	0		0		2,864,800
83	BCB - Statewide Adjustments				76,700	
84	BCB - Salary Adjustments				125,300	
85	BCB - Agency Consolidation			2,258,800		
86	BCB - eLicensing Upgrade				354,400	
87	BCB - Customer Representative (1 FTE)				49,600	
88	BHE - Board of Behavioral Health Examiners	1,776,100		1,776,100		2,179,700
89	BHE - Statewide Adjustments				55,200	
90	BHE - Salary Adjustments				116,400	
91	BHE - Administrative Assistants (2 FTEs) and Investigator (1 FTE)				166,300	
92	BHE - eLicensing Upgrade				65,700	
93	DCS - Department of Child Safety	290,993,200		290,993,200		204,286,300
94	DCS - Statewide Adjustments				(73,900)	
95	DCS - Salary Adjustments				3,767,000	
96	DCS - Remove One-Time Child Care Development Funding			(90,400,000)		
97	BCE - State Board of Chiropractic Examiners	437,000		437,000		488,700
98	BCE - Statewide Adjustments				14,600	
99	BCE - Salary Adjustments				26,000	
100	BCE - eLicensing Upgrade				11,100	
101	ACA - Arizona Commerce Authority	0		0		5,000,000
102	ACA - Blockchain/Wearables/Other (Web Portal Fund)				5,000,000	
103	ROC - Registrar of Contractors	12,590,300		12,590,300		13,754,600
104	ROC - Statewide Adjustments				441,200	
105	ROC - Salary Adjustments				723,100	
106	COR - Corporation Commission	27,326,600		27,326,600		30,278,300
107	COR - Statewide Adjustments				978,200	
108	COR - Salary Adjustments				1,973,500	
109	ADC - Department of Corrections	53,339,000		53,347,900		58,149,800
110	ADC - Statewide Adjustments				(47,200)	
111	ADC - Field Officer Vehicle Purchases (Inmate Store Proceeds Fund)				1,560,000	
112	ADC - Therapeutic Community Unit (Corrections Fund)				655,300	
113	ADC - Body Scanner Purchases (Inmate Store Fund)				2,642,700	
114	ADC - Named Claimants (Laws 2022, Ch. 38)		8,900		(8,900)	
115	COS - Board of Cosmetology	1,856,700		1,856,700		0
116	COS - Agency Consolidation			(1,856,700)		
117	JUS - Arizona Criminal Justice Commission	7,174,600		7,174,600		7,280,400
118	JUS - Statewide Adjustments				38,700	
119	JUS - Salary Adjustments				67,100	
120	SDB - AZ State Schools for the Deaf and the Blind	32,063,800		32,063,800		35,468,600
121	SDB - Statewide Adjustments				1,190,200	
122	SDB - Salary Adjustments				2,214,600	
123	HEA - Comm for the Deaf & the Hard of Hearing	4,631,900		4,631,900		4,966,000
124	HEA - Statewide Adjustments				71,600	
125	HEA - Salary Adjustments				132,500	
126	HEA - 4 FTES - Finance, Engagement Coordinator, Media, ASL Interpreter					Yes
127	HEA - Deaf, Hard of Hearing, and DeafBlind Aging Research (\$115K)				115,000	
128	HEA - ASL User Support Group for Alzheimer's Caregivers (\$15K)				15,000	
129	DEN - Board of Dental Examiners	1,815,800		1,815,800		1,937,500
130	DEN - Statewide Adjustments				44,000	
131	DEN - Salary Adjustments				86,100	
132	DEN - Remove One-Time File Imaging Costs				(60,700)	
133	DEN - eLicensing Upgrade				52,300	
134	DES - Department of Economic Security	1,491,838,200		1,491,838,200		386,329,800
135	DES - Statewide Adjustments				4,300	
136	DES - Salary Adjustments				2,825,700	
137	DES - DDD State Funded Long Term Care Costs				820,900	
138	DES - Remove One-Time Federal Child Care Funding				(1,086,612,800)	
139	DES - Remove One-Time Sexual Violence Service Fund Deposit				(8,000,000)	
140	DES - Remove One-Time Emergency Grants				(14,546,500)	
141	ADE - Arizona Department of Education	322,567,600		322,567,600		339,106,400
142	ADE - Statewide Adjustments				77,200	
143	ADE - Salary Adjustments				99,500	
144	ADE - Endowment Earnings Growth				9,384,100	9,679,100
145	ADE - Remove Unused Program \$ (Online Professional Development)				(2,701,100)	
146	EMA - Department of Emergency & Military Affairs	1,930,400		1,930,400		211,192,400
147	EMA - NEMF Assessment Alignment				57,000	
148	EMA - Border Security Funding				209,205,000	
149	DEQ - Department of Environmental Quality	75,619,400		75,619,400		90,248,500
150	DEQ - Statewide Adjustments				(548,000)	

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151	DEQ - Salary Adjustments				2,450,600	
152	DEQ - Remove One-Time Waste Program Funding			(604,000)		
153	DEQ - Remove One-Time Surface Water Program Funding			(1,160,000)		
154	DEQ - Coal Combustion Residual Program (4 FTEs) (Solid Waste Fund)				743,000	
155	DEQ - Delete \$ for Repealed UST Policy Comm and Tech Appeals Panel				(148,800)	
156	DEQ - Surface Water/Groundwater/Drinking Water Programs				6,780,100	
157	DEQ - Transfer to Forestry for Biomass Recovery (Recycling Fund)				1,000,000	
158	DEQ - Eliminate Aqueous Film Forming Foam Stockpile (Emergency Fund)				395,500	
159	DEQ - Appropriate Indirect Fund Balance				5,720,700	
160	OEO - Governor's Office of Equal Opportunity	191,300	191,300			211,400
161	OEO - Statewide Adjustments				4,300	
162	OEO - Salary Adjustments				15,800	
163	COL - Arizona Exposition and State Fair Board	13,297,500	13,297,500			19,056,800
164	COL - Statewide Adjustments				190,000	
165	COL - Salary Adjustments				569,300	
166	COL - Operating Costs				5,000,000	
167	EMB - Board of Funeral Directors and Embalmers	402,800	402,800			494,800
168	EMB - Statewide Adjustments				18,000	
169	EMB - Salary Adjustments				38,700	
170	EMB - Remove One-Time Technology Update			(9,600)		
171	EMB - eLicensing Upgrade				18,000	
172	EMB - Establish Attorney General Interagency Agreement (.25 FTE)				26,900	
173	FIS - Arizona Game and Fish Department	46,791,700	46,791,700			51,987,000
174	FIS - Statewide Adjustments				1,279,100	
175	FIS - Salary Adjustments				2,425,800	
176	FIS - Mitigate Drought Conditions Affecting Wildlife/Sportsfish				1,490,400	
177	GAM - Department of Gaming	17,073,100	17,073,100			22,050,000
178	GAM - Statewide Adjustments				104,200	
179	GAM - Salary Adjustments				274,800	
180	GAM - Align Admin Funding w/ 9% Statutory Minimum			4,597,900		
181	DHS - Department of Health Services	58,939,000	58,939,000			58,241,500
182	DHS - Statewide Adjustments				1,172,100	
183	DHS - Salary Adjustments				2,076,200	
184	DHS - Remove One-Time Newborn Screening Equipment			(942,600)		
185	DHS - Remove One-Time Child Care Licensing System Costs			(1,000,000)		
186	DHS - State Hospital IT Projects				262,100	
187	DHS - Shift Alzheimer's Research Funding From PDRF to GF				(2,500,000)	
188	DHS - Nursing Care Institution Protection Fund - Increase in Ongoing \$				100,000	
189	DHS - Lease-Purchase Payment Increase				134,700	
190	HLS - Arizona Department of Homeland Security	0	0			11,930,300
191	HLS - Statewide Adjustments				7,800	
192	HLS - Salary Adjustments				165,300	
193	HLS - Cyber Security Software/4 FTE (Info Tech Fund) (\$1.6M GF Cost)				4,200,000	
194	HLS - Move Statewide Info Security from ADOA				6,366,700	
195	HLS - Cyber Security Mitigation/Telework (Info Tech Fund)				1,190,500	
196	HOM - Board of Homeopathic & Integrated Medicine Examiners	46,000	46,000			51,900
197	HOM - Statewide Adjustments				800	
198	HOM - Salary Adjustments				2,700	
199	HOM - eLicensing Upgrade				2,400	
200	DOH - Department of Housing	322,700	322,700			367,400
201	DOH - Statewide Adjustments				19,800	
202	DOH - Salary Adjustments				24,900	
203	IND - Industrial Commission	20,122,000	20,125,200			21,976,700
204	IND - Statewide Adjustments				642,400	
205	IND - Salary Adjustments				1,212,300	
206	IND - Named Claimants (Laws 2022, Ch. 38)				(3,200)	
207	DIF - Department of Insurance and Financial Institutions	10,067,500	10,067,500			12,181,600
208	DIF - Statewide Adjustments				201,800	
209	DIF - Salary Adjustments				491,400	
210	DIF - Shift Operating Costs from General Fund to Financial Services Fund				626,900	
211	DIF - Financial Institutions Examiner for State-Chartered Banks (1 FTE)				94,000	
212	DIF - Licensing IT System Upgrade				700,000	
213	SPA - Judiciary - Supreme Court	31,044,800	31,044,800			33,310,900
214	SPA - Statewide Adjustments				537,900	
215	SPA - Salary Adjustments				469,200	
216	SPA - Court Appointed Special Advocate Volunteer Retention (15 FTEs)				959,000	
217	SPA - Dependent Children Automated Tracking System (CASA Fund)				300,000	
218	SUP - Judiciary - Superior Court	11,975,600	11,975,600			12,014,000
219	SUP - Statewide Adjustments				(800)	
220	SUP - Salary Adjustments				39,200	
221	DJC - Department of Juvenile Corrections	14,921,900	14,921,900			15,070,000
222	DJC - Statewide Adjustments				148,100	
223	LAN - State Land Department	12,588,700	12,588,700			13,289,400
224	LAN - Statewide Adjustments				700	

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225 LAN - No Longer Require Land Dept Contribution for Fire Costs					(800,000)	
226 LAN - Continue to Digitize Paper Flow (Trust Land Management Fund)					1,500,000	
227 LIQ - Department of Liquor Licenses & Control	4,456,300		4,456,300			7,112,500
228 LIQ - Statewide Adjustments					132,700	
229 LIQ - Salary Adjustments					637,000	
230 LIQ - Remove One-Time Cocktails-To-Go Automation Costs				(200,000)		
231 LIQ - 14 Radios For Sworn Personnel					126,000	
232 LIQ - Ammunition, \$2.5k; Training, \$15k; 0.6 Per Week Overtime, \$93.5k					111,000	
233 LIQ - Add 7 Investigation FTEs to Reduce Investigator to Licensee Ratio					1,282,500	
234 LIQ - IT Improvements					102,500	
235 LIQ - State Fleet Operation Charge					52,100	
236 LIQ - State Fleet Replacement Charge					50,800	
237 LIQ - Purchase 7 New Vehicles					294,000	
238 LIQ - Increase the Department's Administrative Budget					67,600	
239 LOT - Arizona State Lottery Commission	164,067,900		164,067,900			170,261,900
240 LOT - Statewide Adjustments					311,500	
241 LOT - Salary Adjustments					499,700	
242 LOT - Tab Tickets				60,000		
243 LOT - Instant Ticket Sales				1,491,500	41,900	
244 LOT - On-Line Vendor Fees				486,800		
245 LOT - Retailer Commissions				3,545,400	(522,600)	
246 LOT - Keno-Vendor Contract for New Game/3 Compliance Staff					279,800	
247 BMT - Board of Massage Therapy	473,700		473,700			603,800
248 BMT - Statewide Adjustments					20,900	
249 BMT - Salary Adjustments					29,000	
250 MAS - Increase Attorney General FTE from 0.15 to 0.30					15,500	
251 MAS - eLicensing Upgrade					60,300	
252 MAS - Contract for Translation Services During Administrative Hearings					4,400	
253 MED - Arizona Medical Board	7,507,100		7,507,100			8,291,700
254 MED - Statewide Adjustments					192,900	
255 MED - Salary Adjustments					418,100	
256 MED - eLicensing					173,600	
257 MIN - State Mine Inspector	112,900		112,900			112,900
258 NAT - Naturopathic Physicians Medical Board	193,200		193,200			212,000
259 NAT - Statewide Adjustments					6,000	
260 NAT - Salary Adjustments					7,600	
261 NAT - eLicensing Upgrade					5,200	
262 NAV - Navigable Stream Adjudication Commission	200,000		200,000			200,000
263 NUR - State Board of Nursing	5,275,100		5,275,100			5,885,000
264 NUR - Statewide Adjustments					189,200	
265 NUR - Salary Adjustments					414,000	
266 NUR - Remove One-Time Equipment Purchases				(14,300)		
267 NUR - Education Program Administrator (0.75 FTE to 1 FTE)					21,000	
268 NCI - Nursing Care Inst. Administrators Board	526,100		526,100			627,400
269 NCI - Statewide Adjustments					20,600	
270 NCI - Salary Adjustments					35,600	
271 NCI - eLicensing Upgrade					45,100	
272 OCC - Board of Occupational Therapy Examiners	199,900		199,900			266,400
273 OCC - Statewide Adjustments					9,200	
274 OCC - Salary Adjustments					11,900	
275 OCC - eLicensing Upgrade					34,100	
276 OCC - Exec Director Salary Increase (+\$7k from Athletic Training Fund)					7,000	
277 OCC - Replace 5 Board Member Laptops					4,300	
278 DIS - State Board of Dispensing Opticians	162,600		162,600			193,100
279 DIS - Statewide Adjustments					3,300	
280 DIS - Salary Adjustments					10,900	
281 DIS - eLicensing Upgrades					16,300	
282 OPT - State Board of Optometry	241,900		241,900			298,800
283 OPT - Statewide Adjustments					13,300	
284 OPT - Salary Adjustments					10,000	
285 OPT - eLicensing Upgrade					7,500	
286 OPT - Establish Attorney General Intergovernmental Agreement					15,300	
287 OPT - Cloud Migration					10,800	
288 OST - AZ Board of Osteopathic Examiners in Medicine/Surgery	1,067,600		1,067,600			1,384,500
289 OST - Statewide Adjustments					27,100	
290 OST - Salary Adjustments					63,700	
291 OST - Annual and Sick Leave Payout					11,000	
292 OST - Increased Cloud Enterprise and Managed Services Costs					123,000	
293 OST - Complaint/Malpractice Investigations (1 Legal Secretary FTE)					60,300	
294 OST - Outside Medical Consultant Services					14,000	
295 OST - eLicensing Upgrades					17,800	
296 SPB - Arizona State Parks Board	20,839,500		20,839,500			19,547,400
297 SPB - Statewide Adjustments					507,800	
298 SPB - Salary Adjustments					844,500	
299 SPB - Remove One-Time Wastewater Funding				(1,116,000)		

	FY 2022 OF 1/ JLBC Baseline	FY 2022 Changes	FY 2022 OF Revised	FY 23 Baseline 2/ Above FY 22	FY 2023 Changes	FY 2023 OF Enacted Budget
300	SPB - Remove One-Time Cabin Debt Payoff			(528,400)		
301	SPB - Remove One-Time State Parks Store Fund Deposit			(1,000,000)		
302	SPB - Remove One-Time Maintenance Funding			(250,000)		
303	SPB - Arizona Trail (SPRF)				250,000	
304	PER - Personnel Board	326,400	326,400			345,000
305	PER - Statewide Adjustments				5,700	
306	PER - Salary Adjustments				12,900	
307	PHA - Arizona State Board of Pharmacy	3,083,900	3,083,900			3,537,000
308	PHA - Statewide Adjustments				48,500	
309	PHA - Salary Adjustments				214,100	
310	PHA - eLicensing Upgrade				190,500	
311	PHY - Board of Physical Therapy Examiners	504,100	504,100			630,900
312	PHY - Statewide Adjustments				14,200	
313	PHY - Salary Adjustments				24,600	
314	PHY - eLicensing Upgrade				53,600	
315	PHY - License Issuance and Complaint Reviews				34,400	
316	PIO - Arizona Pioneers' Home	7,043,200	7,043,200			8,343,300
317	PIO - Statewide Adjustments				361,300	
318	PIO - Salary Adjustments				843,700	
319	PIO - 23 Computer Replacements				32,000	
320	PIO - Building Maintenance Tech (1 FTE)/Medical Director Increase				63,100	
321	POD - State Board of Podiatry Examiners	168,200	168,200			185,800
322	POD - Statewide Adjustments				2,600	
323	POD - Salary Adjustments				10,500	
324	POD - eLicensing Upgrade				4,500	
325	POS - Commission for Postsecondary Education	1,537,100	1,537,100			0
326	POS - Agency Transfer to ABOR (Enacted in '22 Budget)			(1,537,100)		
327	PRI - Board for Private Postsecondary Education	413,500	413,500			453,800
328	PRI - Statewide Adjustments				13,600	
329	PRI - Salary Adjustments				24,200	
330	PRI - eLicensing Upgrade				2,500	
331	PSY - State Board of Psychologist Examiners	550,800	550,800			650,500
332	PSY - Statewide Adjustments				19,200	
333	PSY - Salary Adjustments				35,300	
334	PSY - eLicensing Upgrade				18,000	
335	PSY - Increase Attorney General Legal Services ISA				27,200	
336	DPS - Department of Public Safety	136,328,100	136,328,100			82,444,000
337	DPS - Statewide Adjustments				5,029,500	
338	DPS - Remove Microwave Backbone Replacement			(48,200,000)		
339	DPS - Remove One-Time Body Camera Equipment Funding			(6,904,400)		
340	DPS - Remove One-Time Active Shooter Funding			(2,912,900)		
341	DPS - Remove One-Time AZPOST Funding			(1,196,300)		
342	DPS - CCW Notifications				300,000	
343	PSP - Public Safety Personnel Retirement System	0	15,000,000			0
344	PSP - Game and Fish Unfunded Pension Liabilities		15,000,000	(15,000,000)		
345	RUC - Residential Utility Consumer Office	1,352,200	1,352,200			1,578,900
346	RUC - Statewide Adjustments				42,300	
347	RUC - Salary Adjustments				84,400	
348	RUC - Add 2nd Staff Attorney (1 FTE)				100,000	
349	RES - Board of Respiratory Care Examiners	324,100	324,100			406,800
350	RES - Statewide Adjustments				14,800	
351	RES - Salary Adjustments				22,000	
352	RES - eLicensing Upgrade				45,900	
353	RET - Arizona State Retirement System	25,048,400	25,048,400			28,135,600
354	RET - Statewide Adjustments				954,200	
355	RET - Salary Adjustments				1,582,000	
356	RET - Annualize Cloud Migration Funding				285,000	
357	RET - IT Staff Workload (2 FTEs)				266,000	
358	REV - Department of Revenue	27,161,200	27,161,200			30,223,500
359	REV - Statewide Adjustments				1,502,800	
360	REV - Salary Adjustments				1,559,500	
361	SOS - Secretary of State	1,479,300	1,479,300			1,818,400
362	SOS - Statewide Adjustments				31,300	
363	SOS - Salary Adjustments				16,800	
364	SOS - Access Voter Information Database (HAVA)				291,000	
365	TEC - State Board of Technical Registration	2,352,900	2,352,900			2,641,000
366	TEC - Statewide Adjustments				117,000	
367	TEC - Salary Adjustments				148,600	
368	TEC - Remove One-Time Record Digitization Funding			(145,200)		
369	TEC - eLicensing Upgrade				167,700	
370	DOT - Department of Transportation	467,515,200	467,545,100			599,435,800
371	DOT - Statewide Adjustments				15,272,900	

	FY 2022 OF 1/ JLBC Baseline	FY 2022 Changes	FY 2022 OF Revised	FY 23 Baseline 2/ Above FY 22	FY 2023 Changes	FY 2023 OF Enacted Budget
372	DOT - Salary Adjustments				21,349,600	
373	DOT - Increase ADOT Internal Vehicle Replacement Funding to \$22.4 M				7,100,000	
374	DOT - State Fleet: Ongoing Operations (Exempt Vehicles)				1,244,800	
375	DOT - State Fleet: Ongoing Operations (296)				987,500	
376	DOT - State Fleet: Ongoing Vehicle Replacement (296)				1,834,800	
377	DOT - State Fleet: One-Time Vehicle Purchases (AG, DFFM, Liquor)				1,276,000	
378	DOT - State Fleet: One-Time Vehicle Purchases (Healthy Forest)				2,870,000	
379	DOT - State Fleet: One-Time Vehicle Purchases (Mine Inspector)				235,000	
380	DOT - State Fleet: New Vehicle Ongoing Operations (AG, DFFM, Liquor)				244,000	
381	DOT - State Fleet: New Vehicle Ongoing Operations (Healthy Forest)				379,400	
382	DOT - State Fleet: New Vehicle Ongoing Operations (Mine Inspector)				43,700	
383	DOT - State Fleet: Fuel Inflation Adjustment				8,600,000	
384	DOT - ADOT Fleet: Fuel Inflation Adjustment				6,000,000	
385	DOT - Building System Management Upgrade				1,175,300	
386	DOT - MVD Security Modernization				931,900	
387	DOT - Construction Mgmt System Replacement				300,000	
388	DOT - Driver License Security Software Upgrade (Facial Recognition)				2,260,000	
389	DOT - Travel ID Implementation				6,013,200	
390	DOT - Transfer from MVLIE to Vehicle Inspection Fund				350,000	
391	DOT - New Highway Lanes-Miles Maintenance				1,399,900	
392	DOT - Inflation Adjustments for Highway Maintenance				51,000,000	
393	DOT - South Mountain Freeway Maintenance				16,900	
394	DOT - Driver License and License Plate Volume Increase				1,035,700	
395	DOT - Named Claimants (Laws, 2022, Ch. 38)		29,900		(29,900)	
396	TRE - State Treasurer	9,767,500		9,767,500		6,148,900
397	TRE - Statewide Adjustments				124,400	
398	TRE - Salary Adjustments				257,000	
399	TRE - Remove One-Time Interoperability Funding				(1,500,000)	
400	TRE - Remove One-Time School Safety Program Funding				(2,500,000)	
401	UNI - Universities					
402	UNI - Arizona Board of Regents	0	0			0
403	UNI - ABOR - Commission for Postsecondary Ed. Agency Transfer			1,537,100		
404	UNI - ABOR - CPSE Shift to Non-Appropriated (Laws 2022, Ch. 21)				(1,537,100)	
405	UNI - ASU	597,718,800		597,718,800		597,483,500
406	UNI - Statewide Adjustments				(235,300)	
407	UNI - Northern Arizona University	134,983,300		134,983,300		134,964,500
408	UNI - Statewide Adjustments				(18,800)	
409	UNI - UA - Main Campus	304,589,000		304,589,000		304,407,700
410	UNI - Statewide Adjustments				(181,300)	
411	UNI - UA - Health Sciences Center	56,363,300		56,363,300		56,363,300
412	VSC - Department of Veterans' Services	50,519,000		50,519,000		60,584,500
413	VSC - Statewide Adjustments				1,136,800	
414	VSC - Salary Adjustments				2,410,800	
415	VSC - Hyperbaric Oxygen Therapy GF Reimbursement				25,000	
416	VSC - Nurse Hiring Incentives				731,300	
417	VSC - Operating Costs for New Veterans' Homes				5,761,600	
418	VME - Veterinary Medical Examining Board	601,800		601,800		770,500
419	VME - Statewide Adjustments				11,300	
420	VME - Salary Adjustments				44,600	
421	VME - Compliance Inspector (1 FTE)				88,000	
422	VME - eLicensing Upgrade				24,800	
423	WAT - Department of Water Resources	2,506,600		2,506,600		2,017,700
424	WAT - Statewide Adjustments				200	
425	WAT - Salary Adjustments				54,000	
426	WAT - Software Licensing Fees				526,000	
427	WAT - Shift Arizona Water Bank Costs to General Fund				(1,219,100)	
428	WAT - Storage Area Network Replacement				150,000	
429	OTH - Other					
430	OTH - Unallocated FY 2022 HITF Employer Premium Increase	7,986,500		7,986,500	(7,986,500)	0
431	OTH - Unallocated FY 2022 Retirement Adjustments	1,987,400		1,987,400	(1,987,400)	0
432	OTH - Unallocated FY 2022 Risk Management Adjustments	(70,900)		(70,900)	70,900	0
433	OTH - Unallocated FY 2022 AFIS Transaction Fee	472,900		472,900	(472,900)	0
434	OTH - Unallocated FY 2022 Rent Adjustments	100,700		100,700	(100,700)	0
435	OTH - Unallocated FY 2022 Fleet Adjustments	704,700		704,700	(704,700)	0
436	OTH - Universities 27th Pay Period (Enacted)	36,887,300		36,887,300	(36,887,300)	0
437	OTH - Unallocated Salary Adjustments	0		0	1,163,200	1,163,200
438	OTH - Unallocated FY 2023 HITF Employer Premium Increase	0		0	7,775,800	7,775,800
439	OTH - Unallocated FY 2023 Retirement Adjustments	0		0	(440,800)	(440,800)
440	OTH - Unallocated FY 2023 AFIS Transaction Fee	0		0	18,900	18,900
441	OTH - Unallocated FY 2023 Rent Adjustments	0		0	(165,800)	(165,800)
442	OTH - Unallocated FY 2023 Fleet Adjustments	0		0	113,600	113,600
443	OTH - Unallocated FY 2023 HRIS Fee Adjustments	0		0	355,300	355,300
444	OTH - Unallocated FY 2023 IT Pro Rata Adjustments	0		0	140,300	140,300
445	TOTAL - OPERATING SPENDING CHANGES	\$5,331,678,100	\$46,281,000	\$5,377,959,100	(\$1,523,320,500)	\$583,756,700
446	CAPITAL SPENDING CHANGES					
447	Building Renewal					

	FY 2022 OF 1/ JLBC Baseline	FY 2022 Changes	FY 2022 OF Revised	FY 23 Baseline 2/ Above FY 22	FY 2023 Changes	FY 2023 OF Enacted Budget
448	Arizona Department of Administration (+\$37.6 M GF)	18,000,000		18,000,000		16,000,000
449	Arizona Exposition and State Fair Board	0		0	1,000,000	1,000,000
450	Arizona Department of Corrections (+\$30.5 M GF)	5,864,300		5,864,300		5,864,300
451	Game & Fish Department	1,215,800		1,215,800	243,800	1,459,600
452	Arizona Lottery Commission	152,800		152,800	23,600	176,400
453	State Parks Board	2,396,700		2,396,700	(2,396,700)	2,742,800
454	Pioneers' Home	353,100		353,100	(353,100)	396,500
455	Arizona Department of Transportation	15,710,400		15,710,400	2,896,800	18,607,200
456	New Projects					
457	ADOA - 1616/1688 W. Adams Renovations (+\$39.3 M GF)	0		0	5,000,000	5,000,000
458	AG - Deferred Maintenance at 15 S. 15th Ave	4,000,000		4,000,000	(4,000,000)	0
459	ADC - Eymann Fire/Life Safety	15,564,400		15,564,400	(15,564,400)	0
460	ASDB - Classroom Notification System Replacement	150,000		150,000	(150,000)	0
461	DEMA - Fire Suppression	191,000		191,000	(191,000)	0
462	G&F - Dam Maintenance	150,000		150,000	(150,000)	150,000
463	G&F - Hatchery Capital Projects	2,600,000		2,600,000	(2,600,000)	0
464	G&F - Hatchery Maintenance Projects	400,000		400,000	(400,000)	0
465	G&F - Property Maintenance	300,000		300,000	(300,000)	300,000
466	DHS - Building Demolition	2,000,000		2,000,000	(2,000,000)	0
467	DJC - Door Replacement	2,500,000		2,500,000	(2,500,000)	0
468	Leg Council - Historic Capitol Building Restoration	400,000		400,000	(400,000)	0
469	Liquor - Space Reconfiguration	0		0	3,500,000	3,500,000
470	Parks - Dead Horse Amphitheater	150,000		150,000	(150,000)	0
471	Parks - Kartchner Caverns Roof Replacement	450,000		450,000	(450,000)	0
472	Parks - Red Rock Fire Suppression	126,000		126,000	(126,000)	0
473	Parks - Red Rock Maintenance Building	435,200		435,200	(435,200)	0
474	Parks - Rockin' River Ranch	750,000		750,000	(750,000)	0
475	Parks - Jerome Mansion and Carriage House Fire Suppression Project	0		0	1,540,000	1,540,000
476	Parks - Relocate Southern Region Construction Services	0		0	2,000,000	2,000,000
477	Parks - Tonto Natural Bridge Historic Building Renovation	0		0	3,500,000	3,500,000
478	Parks - Tombstone Courthouse State Historic Park Renovations	0		0	2,008,500	2,008,500
479	Parks - Rockin' River Ranch State Park Renovations	0		0	1,750,000	1,750,000
480	Parks - Catalina State Park Bridge Construction	0		0	1,500,000	1,500,000
481	Parks - Statewide Campground Improvements	0		0	4,100,000	4,100,000
482	Parks - Statewide Solar Shade Structures	0		0	2,233,300	2,233,300
483	Parks - Statewide Water Conservation Projects	0		0	1,339,000	1,339,000
484	Parks - Smart Phone Application	0		0	535,600	535,600
485	Parks - Rockin' River Ranch Park Inflation Adjustment	0		0	336,800	336,800
486	Parks - Dead Horse State Park Amphitheater Inflation Adjustment	0		0	210,000	210,000
487	DPS - Training Academy	3,000,000		3,000,000	(3,000,000)	0
488	ADOT - Statewide Highway Construction	95,042,000		95,042,000	99,178,000	194,220,000
489	ADOT - Controlled Access	117,168,000		117,168,000	20,503,000	137,671,000
490	ADOT - Debt Service	148,900,000		148,900,000	(10,418,000)	138,482,000
491	ADOT - Airport Planning	26,000,000		26,000,000	1,100,000	27,100,000
492	ADOT - Liquid Brine Tanks Statewide	1,950,000		1,950,000	(1,950,000)	0
493	ADOT - Replace Vehicle Fueling Facilities	1,800,000		1,800,000	(1,800,000)	0
494	ADOT - Interstate 17 Expansion (Enacted)	45,000,000		45,000,000	(45,000,000)	0
495	ADOT - Higher Wickenburg Maintenance Office Construction Cost	3,150,000		3,150,000	(3,150,000)	0
496	ADOT - 206 Annex Building Renovation	0		0	9,309,300	9,309,300
497	ADOT - Relocate Tucson Signal Equipment Repair Shop	0		0	2,124,000	2,124,000
498	ADOT - Replace 4 Vehicle Fueling Facilities	0		0	3,026,900	3,026,900
499	ADOT - Replace Superior De-Icer Storage Barn	0		0	1,200,000	1,200,000
500	ADOT - Wickenburg Maintenance Facility Inflation Adjustment	0		0	2,985,000	2,985,000
501	ADOT - 3 Vehicle Facilities Inflation Adjustment	0		0	371,200	371,200
502	ADOT - 4 Liquid Brine Tanks Inflation Adjustment	0		0	400,000	400,000
503	ADOT - Convert I-10 Funding to TPT Diversion (Phoenix to Casa Grande)	0		0	400,000,000	400,000,000
504	ADOT - Additional I-10 Lanes (SR-85 to Citrus Road)	0		0	64,200,000	64,200,000
505	ADOT - Jackrabbit Trail Improvements	0		0	20,080,000	20,080,000
506	ADOT - SR-24 Acquisition and Pinal County Connector	0		0	15,000,000	15,000,000
507	ADOT - US-60 Pavement Rehabilitation (Loop 101 to Loop 202)	0		0	38,482,000	38,482,000
508	ADOT - SR-69/SR-169 Roundabout Construction	0		0	1,500,000	1,500,000
509	ADOT - SR-74/Lake Pleasant Pkwy Study and Design	0		0	5,000,000	5,000,000
510	ADOT - SR-79/Hunt Highway Intersection Assessment Cost	0		0	100,000	100,000
511	ADOT - SR-87/Skousen Road Intersection Assessment Cost	0		0	100,000	100,000
512	ADOT - SR-89/SR-89A Interchange Improvements	0		0	3,000,000	3,000,000
513	ADOT - SR-90 Pavement Rehabilitation (Campus Dr to Border Patrol)	0		0	39,200,000	39,200,000
514	ADOT - US-191 Pavement Rehabilitation (MP 163 to MP 173)	0		0	22,152,000	22,152,000
515	ADOT - Loop 101 Screen Wall (Near 16th Street)	0		0	7,250,000	7,250,000
516	ADOT - Loop 101 Screen Wall 51st Ave to 59th Ave	0		0	9,514,000	9,514,000
517	ADOT - US-191 Pavement Rehabilitation (Armory Rd to East Safford)	0		0	16,330,000	16,330,000
518	ADOT - SR-238 Improvements (SR-347 to Green Rd) (Design)	0		0	800,000	800,000
519	ADOT - SR-279 Old State Highway Repairs (Cottonwood)	0		0	6,142,800	6,142,800
520	ADOT - Design for Loop 303 Improvements (I-17 to Lake Pleasant Pkwy)	0		0	4,000,000	4,000,000
521	ADOT - Design for Loop 303/I-17 Interchange	0		0	19,000,000	19,000,000
522	ADOT - SR-347 Widening (SR-347 to Maricopa)	0		0	19,000,000	19,000,000
523	ADOT - SR-389/Arizona Avenue Intersection Assessment Cost	0		0	100,000	100,000
524	ADOT - Lake Havasu Bridge Impact Study	0		0	200,000	200,000
525	ADOT - Prescott Airport Education Complex	0		0	600,000	600,000
526	ADOT - Flagstaff Downtown Connection Center	0		0	6,000,000	6,000,000
527	ADOT - Gila Bend Sentinel Exit Lighting	0		0	568,000	568,000
528	ADOT - Airport Improvement Projects (Aviation Fund)	0		0	20,000,000	20,000,000
529	ADOT - Tier II Study (North-South Corridor in Pinal)	0		0	15,000,000	15,000,000
530	ADOT - Tier II Study (Sonoran Corridor in Pima)	0		0	14,000,000	14,000,000
531	ADOT - Tier II Study (I-II in Maricopa)	0		0	25,000,000	25,000,000
532	ADOT - State Match Advantage for Rural Transportation Fund	0		0	50,000,000	50,000,000
533	ADOT - FY 2022 Inflation - SR-69 Repaving (Prescott Valley)	0		0	1,645,000	1,645,000
534	ADOT - FY 2022 Inflation - US-95 Improvements (Yuma Proving Ground)	0		0	3,500,000	3,500,000
535	ADOT - FY 2022 Inflation - SR-95 Repaving/Improvements (Bullhead/Lake)	0		0	19,534,600	19,534,600
536	ADOT - FY 2022 Inflation - SR-347/Riggs Rd Overpass (Design/Easements)	0		0	2,625,000	2,625,000

	FY 2022 OF 1/ JLBC Baseline	FY 2022 Changes	FY 2022 OF Revised	FY 23 Baseline 2/ Above FY 22	FY 2023 Changes	FY 2023 OF Enacted Budget
537	ADOT - FY 2022 Inflation - SR-347/Riggs Rd Overpass (Construction)	0	0	0	8,750,000	8,750,000
538	ADOT - FY 2022 Inflation - Wilcox SR-186 Funding	0	0	0	1,464,100	1,464,100
539	ADOT - FY 2022 Inflation - SR-90 Improvements	0	0	0	3,710,000	3,710,000
540	ADOT - FY 2022 Inflation - Pavement Rehabilitation	0	0	0	31,500,000	31,500,000
541	TOTAL - CAPITAL SPENDING CHANGES	\$515,869,700	\$0	\$515,869,700	22,623,000	\$949,503,200
542	TOTAL - OPERATING & CAPITAL SPENDING	\$5,847,547,800	\$46,281,000	\$5,893,828,800	(1,500,697,500)	\$1,533,259,900
543	FUND TRANSFERS					
544	APF/DOA - Automation Projects Fund - All For IT Projects					
545	APF/DOA - ADOA Automation Operations	4,758,900	4,758,900	(4,758,900)		0
546	APF/DOA - ADOA State Web Portal	3,000,000	3,000,000	(3,000,000)		0
547	APF/DOA - DES CCDF Transfer - Child Care Management System	9,000,000	9,000,000	(9,000,000)		0
548	APF/DOA - ADE ESA Account Fund	4,448,900	4,448,900	(4,448,900)		0
549	APF/DOA - Treasurer ESA Program	2,751,100	2,751,100	(2,751,100)		0
550	APF/DOA - Gaming Arizona Benefits Fund	850,000	850,000	(850,000)		0
551	APF/DOA - Industrial Commission Admin Fund	1,067,700	1,067,700	(1,067,700)		0
552	APF/DOA - DPS Concealed Weapons Permit Fund	550,000	550,000	(550,000)		0
553	APF/DOA - Board of Psychologist Examiners Fund	20,000	20,000	(20,000)		0
554	APF/DOA - DOR Integrated Tax System	0	0		6,187,100	6,187,100
555	APF/DOA - Secretary of State Born Digital Record Preservation Study	0	0		300,000	300,000
556	APF/DOA - DWR Application Modernization/Integration	0	0		1,700,000	1,700,000
557	Other Transfers					
558	ADOA - Risk Management to Cyber Risk Insurance Fund	0	0		24,624,400	24,624,400
559	TOTAL - FUND TRANSFERS	\$26,446,600	\$0	\$26,446,600	(\$26,446,600)	\$32,811,500
560	EXPENDITURE AUTHORITY CHANGES					
561	AXS - Long Term Care Caseload	0	0		63,336,300	63,336,300
562	AXS - Acute Caseload	0	0		358,336,500	358,336,500
563	AXS - EPD Provider Rate Increase	0	0		119,445,600	119,445,600
564	AXS - Pregnancy Care Provider Rate Increase	0	0		22,851,500	22,851,500
565	AXS - Behavioral Health Provider Rate Increase	0	0		25,191,300	25,191,300
566	AXS - Chiropractic Care	0	0		10,150,000	10,150,000
567	AXS - Postpartum Care	0	0		6,200,000	6,200,000
568	AXS - Diabetes Management	0	0		2,798,300	2,798,300
569	AXS - Increased Eligibility Determination Costs	0	0		3,300,000	3,300,000
570	AXS - American Indian Health Program SMI Intergration	0	0		412,900	412,900
571	AXS - Pediatric Skilled Nursing Facilities Increase	0	0		330,300	330,300
572	AXS - MMIS Replacement	0	0		9,000,000	9,000,000
573	AXS - Federal IT Regulation Compliance	0	0		1,980,000	1,980,000
574	AXS - Eligibility Determinations for Older Foster Care Youth	0	0		200,000	200,000
575	AXS - Expand Health Care Investment Fund Assessment	0	0		400,000,000	400,000,000
576	AXS - ARP Home and Community Based Services (FY 2022 in Ch. 2)	0	1,078,032,800	1,078,032,800	(1,078,032,800)	237,200,000
577	DCS - Daily Stipend Increase to \$2.82	0	0	0	1,800,000	\$1,800,000
578	DCS - Visitation Aide Expansion (176 FTE Positions)	0	0		Yes	0
579	DCS - Align Expenditure Authority w/ Federal Revenue (FY 2022 in Ch. 2)	0	15,100,000	15,100,000	(15,100,000)	14,900,000
580	DCS - FY 2022 Enhanced FMAP Extension [3rd Quarter]	0	5,105,000	5,105,000	(5,105,000)	0
581	DCS - Adoption Services Growth	0	3,300,000	3,300,000	(3,300,000)	0
582	DCS - 4th Quarter FMAP Extension	0	5,000,000	5,000,000	(5,000,000)	0
583	DCS - Qualified Residential Treatment Program Rate Increase	0	0		3,920,100	3,920,100
584	DES - ARP Home and Community Based Services (FY 2022 in Ch. 2)	0	362,700,000	362,700,000	(362,700,000)	280,000,000
585	DES - DD Caseload and Capitation Growth	0	0	0	29,862,600	29,862,600
586	DES - 3rd and 4th Quarter FMAP Extension	0	139,824,000	139,824,000	(139,824,000)	0
587	DES - State Match Transfer from AHCCCS	0	0	0	821,118,700	821,118,700
588	DES - DD Provider Rate Increase	0	0	0	130,220,800	130,220,800
589	ADE - CSF Re-Calculation	0	0	0	(30,500,800)	(30,500,800)
590	TOTAL - EXPENDITURE AUTHORITY CHANGES	\$0	\$1,609,061,800	\$1,609,061,800	(\$1,609,061,800)	\$2,512,054,100

1/ Represents original FY 2022 appropriations adjusted for revisions in Lottery Commission and the Universities.

2/ This column does not represent original FY 2023 Baseline changes. This column displays an agency's FY 2023 Baseline funding compared to the final enacted FY 2022 Other Fund spending amount displayed in "FY 2022 OF Revised".

SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2022 Budget	FY 2023 Budget	FY 2024 Budget	FY 2025 Budget
Operating				
Acupuncture - eLicensing Upgrade		5,500		
ADOA - Memorial Repair	21,500			
ADOA - Hoteling Project	375,900			
ADOA - Accounting System Upgrade	2,000,000	3,500,000	4,000,000	
ADOA - Accounting System Upgrade Agency Charges	527,100	1,110,000	1,181,400	
ADOA - Federal Reimbursement	1,110,600			
ADOA - Named Claimants (Laws 2022, Ch. 38)	7,300			
APF - Agriculture IT Projects/Cloud Migration		2,000,000		
APF - ADE K-12 Financial Transparency	3,000,000	1,500,000		
APF - ADOA State Data Center	2,000,000			
APF - ADOA Business One-Stop	7,758,900	15,614,300		
APF - ADOA Personnel System Replacement		22,397,800		
APF - Charter School Board Online Platform	614,100			
APF - DES Child Care Management System	9,000,000			
APF - ADE ELAS	7,200,000			
APF - Tribal Gaming Certification e-Licensing	850,000			
APF - Industrial Commission IT Upgrades	1,067,700			
APF - Psychologist Examiners e-Licensing	20,000			
APF - DPS Concealed Weapons Tracking	550,000			
APF - DOR Integrated Tax System		15,819,800		
APF - SOS Electronic Record Storage Study		300,000		
APF - DWR Application Modernization/Integration		1,700,000		
AXS - PMMIS Roadmap Funding	78,000			
AXS - Health Care Investment Fund Increase	4,000,000			
AXS - Substance Use Disorder Services Fund Deposit	6,000,000			
AXS - ARPA Home/Community Services (Laws 2022, Ch. 3)	30,121,100			
Athletic Training - eLicensing Upgrade		7,300		
Attorney General - Antitrust Enforcement	1,000,000			
Attorney General - Attorney Stipend/Retention Bonus	2,000,000	3,000,000		
Attorney General - Child and Family Advocacy Centers	500,000	500,000		
Attorney General - Election Litigation	500,000			
Attorney General - Expert Witness and Outside Counsel	1,200,000	2,000,000		
Attorney General - State Fleet Initiative	156,300			
Attorney General - Missing and Murdered Indigenous Peoples	40,000			
Attorney General - Medical Fraud Staff		13,000		
Attorney General - Medical Fraud Staff Vehicle Purchases		63,000		
Attorney General - State Liability Attorneys		110,500		
Attorney General - Opioid Abatement		5,000,000		
Attorney General - Colorado City Radio Dispatch		400,000		
Attorney General - Victims' Rights Fund (Laws 2022, Ch. 333)		1,400,000		
Barbering/Cosmetology - eLicensing Upgrade		149,300		
Behavioral Health Examiners - eLicensing Upgrade		56,700		
DCS - Child Care Development Funding	90,400,000			
Chiropractic Examiners - eLicensing Upgrade		2,800		
ACA - Applied Research Centers		5,000,000		
ADC - Named Claimants (Laws 2022, Ch. 38)	8,900			
ADC - Field Officer Vehicle Purchases		1,560,000		
ADC - Therapeutic Community Unit		655,300		
ADC - Body Scanner Purchases		2,642,700		
Cosmetology - Mobile Cellular Inspection Devices	6,800			
Deaf & Hard of Hearing Comm. - DeafBlind Aging Research		115,000		
Deaf & Hard of Hearing Comm. - ASL User Support Group		15,000		
Dental Examiners - File Imaging	60,700			
Dental Examiners - eLicensing Upgrade		34,200		
DES - Federal Child Care Funding	1,086,612,800			
DES - Sexual Violence Service Fund Deposit	8,000,000			
DES - Pandemic Emergency Assistance	14,456,500			
DEMA - Nuclear Emergency Management (Laws 2021, Ch. 71)	1,930,400	1,987,400		
DEMA - Border Security Funding		209,205,000		
DEQ - Waste Program Funding	604,000			
DEQ - Surface Water Program Funding	1,160,000			

SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2022 Budget	FY 2023 Budget	FY 2024 Budget	FY 2025 Budget
DEQ - Coal Combustion Residual Program		85,000		
DEQ - Forestry Biomass Recovery		1,000,000		
DEQ - Eliminate Aqueous Film Forming Foam Stockpile		395,500		
State Fair - Enhanced State Fair Operations		3,000,000		
Funeral Directors - Technology Update	9,600			
Funeral Directors - eLicensing Upgrade		18,000		
Game and Fish - Mitigate Drought Conditions		1,490,400		
DHS - Alzheimer's Disease Research	2,500,000			
DHS - Homeless Pregnant Women Services	100,000	100,000		
DHS - Child Care Licensing System	1,000,000			
DHS - Newborn Screening Equipment	942,600			
Homeland Security - Cybersecurity Mitigation/Telework		1,190,500		
Industrial Commission - Named Claimants (Laws 2022, Ch. 38)	3,200			
DIFI - Licensing System IT Upgrade		700,000		
Supreme Court - Dependent Children Automated Tracking System		183,000		
Land - Continue to Digitize Paper Flow		1,500,000		
Liquor - Cocktails-To-Go Automation Costs	200,000			
Liquor - Sworn Personnel Radio Purchases		126,000		
Liquor - Additional Investigators		159,600		
Liquor - IT Improvements		20,300		
Massage Therapy - eLicensing Upgrade		30,000		
Medical Board - eLicensing Upgrade		102,500		
Nursing - Equipment Costs	14,300			
Nursing Care Inst. Administrators - eLicensing Upgrade		31,800		
Occupational Therapy - eLicensing Upgrade		18,900		
Occupational Therapy - Laptop Replacements		4,300		
Dispensing Opticians - eLicensing Upgrade		6,200		
Optometry - eLicensing Upgrade		7,500		
Osteopathic Examiners - Annual Leave Payout		11,000		
Parks - Wastewater Funding	1,116,000			
Parks - Cabin Debt Payoff	528,400			
Parks - Parks Store Fund Deposit	1,000,000			
Parks - Arizona Trail Maintenance	250,000	250,000		
Pharmacy - eLicensing Upgrade		102,000		
Physical Therapy - eLicensing Upgrade		43,400		
Pioneers' Home - Computer Replacements		32,000		
Podiatry - eLicensing Upgrade		4,500		
Private Postsecondary - eLicensing Upgrade		2,500		
Psychologist Examiners - eLicensing Upgrade		15,200		
DPS - Microwave Backbone Replacement	48,200,000			
DPS - Body Camera Equipment Funding	6,904,400			
DPS - Active Shooter Funding	2,912,900			
DPS - AZPOST Funding	1,196,300			
PSPRS - Game and Fish Unfunded Pension Liabilities	15,000,000			
Respiratory Care Examiners - eLicensing Upgrade		21,700		
ASRS - Cloud Migration Funding		65,200		
SOS - Access Voter Information Database (HAVA)		291,000		
Technical Registration - Record Digitization	145,200			
Technical Registration - eLicensing Upgrade		20,400		
ADOT - Named Claimants (Laws 2022, Ch. 38)	29,900			
ADOT - One-Time Vehicle Purchases		4,381,000		
ADOT - State Fleet Fuel Inflation Adjustment		8,600,000		
ADOT - ADOT Fleet Fuel Inflation Adjustment		6,000,000		
ADOT - Building System Management Upgrade		1,028,300		
ADOT - MVD Security Modernization		931,900		
ADOT - Construction Mgmt System Replacement		300,000		
ADOT - Driver License Security Software Upgrade		2,100,000		
ADOT - Travel ID Implementation		6,013,200		
ADOT - Transfer from MVLIE to Vehicle Inspection Fund		350,000		
ADOT - Inflation Adjustments for Highway Maintenance		51,000,000		
State Treasurer - Interoperability Funding	1,500,000			
State Treasurer - School Safety Program	2,500,000			

SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2022 Budget	FY 2023 Budget	FY 2024 Budget	FY 2025 Budget
Veterans - Hyperbaric Oxygen Therapy GF Reimbursement		25,000		
Subtotal - Operating Funding	1,370,991,400	389,622,400	5,181,400	-
27th Pay Period - Universities	36,887,300			
Capital Outlay				
ADOA - Building Renewal	18,000,000	16,000,000		
State Fair - Building Renewal		1,000,000		
ADC - Building Renewal	5,864,300	5,864,300		
Game and Fish - Building Renewal	1,215,800	1,459,600		
Lottery - Building Renewal	152,800	176,400		
Parks - Building Renewal	2,396,700	2,742,800		
Pioneers' Home - Building Renewal	353,100	396,500		
ADOT - Building Renewal	15,710,400	18,607,200		
ADOA - 1616/1688 W. Adams Renovations		5,000,000		
Attorney General - Deferred Maintenance	4,000,000			
ADC - Eyman Fire and Life Safety	15,564,400			
ASDB - Classroom Notification System	150,000			
DEMA - Fire Suppression and Roof Replacement	191,000			
Game and Fish - Dam Maintenance	150,000	150,000		
Game and Fish - Property Maintenance	300,000	300,000		
Game and Fish - Hatchery Maintenance	400,000			
Game and Fish - Hatchery Capital Renewal	2,600,000			
DHS - Building Demolition	2,000,000			
DJC - Door Replacement	2,500,000			
Leg Council - Historic Capitol Renovations	400,000			
Liquor - Space Reconfiguration		3,500,000		
Parks - Dead Horse Amphitheater	150,000			
Parks - Dead Horse Amphitheater - FY 2022 Inflation Adjustment		210,000		
Parks - Kartchner Cavern Discovery Center Roof Replacement	450,000			
Parks - Red Rock Fire Suppression	126,000			
Parks - Red Rock Maintenance Building	435,200			
Parks - Red Rock Historic Building Renovations				4,000,000
Parks - Rockin' River Ranch	750,000	1,750,000		
Parks - Rockin' River Ranch - FY 2022 Inflation Adjustment		336,800		
Parks - Jerome Mansion and Carriage House Fire Suppression Project		1,540,000		
Parks - Relocate Southern Region Construction Services		2,000,000		
Parks - Tonto Natural Bridge Historic Building Renovation		3,500,000		
Parks - Tombstone Courthouse State Historic Park Renovations		2,008,500		
Parks - Catalina State Park Bridge Construction		1,500,000	5,813,000	
Parks - Statewide Campground Improvements		4,100,000	4,100,000	4,100,000
Parks - Statewide Solar Shade Structures		2,233,300	2,233,300	2,233,300
Parks - Statewide Water Conservation Projects		1,339,000	1,339,000	1,339,000
Parks - Smart Phone Application		535,600		
Parks - Riordan Mansion Historic Building Renovations			2,900,000	
Parks - Oracle Historic Building Renovations			2,008,500	
Parks - Yuma Territorial Prison Historic Renovations			750,000	5,945,000
Parks - San Rafael Historic Building Renovations				1,500,000
DPS - Wellness Center	3,000,000			
ADOT - Statewide Highway Construction	95,042,000	194,220,000		
ADOT - Controlled Access	117,168,000	137,671,000		
ADOT - Debt Service	148,900,000	138,482,000		
ADOT - Airport Planning	26,000,000	27,100,000		
ADOT - Liquid Brine Tanks	1,950,000			
ADOT - Replace Vehicle Fueling Facilities	1,800,000			
ADOT - Interstate 17 Expansion	45,000,000			
ADOT - Higher Wickenburg Maintenance Office Construction	3,150,000			
ADOT - 206 Annex Building Renovation		9,309,300		
ADOT - Relocate Tucson Signal Equipment Repair Shop		2,124,000		
ADOT - Replace 4 Vehicle Fueling Facilities		3,026,900		
ADOT - Replace Superior De-Icer Storage Barn		1,200,000		
ADOT - Wickenburg Maintenance Facility Inflation Adjustment		2,985,000		

SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2022 Budget	FY 2023 Budget	FY 2024 Budget	FY 2025 Budget
ADOT - 3 Vehicle Facilities Inflation Adjustment		371,200		
ADOT - 4 Liquid Brine Tanks Inflation Adjustment		400,000		
ADOT - Convert I-10 Funding to TPT Diversion (Phx to Casa Grande)		400,000,000		
ADOT - Additional I-10 Lanes (SR-85 to Citrus Road)		64,200,000		
ADOT - Jackrabbit Trail Improvements		20,080,000		
ADOT - SR-24 Acquisition and Pinal County Connector		15,000,000		
ADOT - US-60 Pavement Rehabilitation (Loop 101 to Loop 202)		38,482,000		
ADOT - SR-69/SR-169 Roundabout Construction		1,500,000		
ADOT - SR-74/Lake Pleasant Pkwy Study and Design		5,000,000		
ADOT - SR-79/Hunt Highway Intersection Assessment Cost		100,000		
ADOT - SR-87/Skousen Road Intersection Assessment Cost		100,000		
ADOT - SR-89/SR-89A Interchange Improvements		3,000,000		
ADOT - SR-90 Pavement Rehabilitation (Campus Dr to Border Patrol)		39,200,000		
ADOT - US-191 Pavement Rehabilitation (MP 163 to MP 173)		22,152,000		
ADOT - Loop 101 Screen Wall (Near 16th Street)		7,250,000		
ADOT - Loop 101 Screen 51st Ave to 59th Ave		9,514,000		
ADOT - US-191 Pavement Rehabilitation (Armory Rd to East Safford)		16,330,000		
ADOT - SR-238 Improvements (SR-347 to Green Rd) (Design)		800,000		
ADOT - SR-279 Old State Highway Repairs (Cottonwood)		6,142,800		
ADOT - Design for Loop 303 Improvements (I-17 to Lake Pleasant Pkwy)		4,000,000		
ADOT - Design for Loop 303/I-17 Interchange		19,000,000		
ADOT - SR-347 Widening (SR-347 to Maricopa)		19,000,000		
ADOT - SR-389/Arizona Avenue Intersection Assessment Cost		100,000		
ADOT - Lake Havasu Bridge Impact Study		200,000		
ADOT - Prescott Airport Education Complex		600,000		
ADOT - Flagstaff Downtown Connection Center		6,000,000		
ADOT - Gila Bend Sentinel Exit Lighting		568,000		
ADOT - Airport Improvement Projects (Aviation Fund)		20,000,000		
ADOT - Tier II Study (North-South Corridor in Pinal)		15,000,000		
ADOT - Tier II Study (Sonoran Corridor in Pima)		14,000,000		
ADOT - Tier II Study (I-II in Maricopa)		25,000,000		
ADOT - State Match Advantage for Rural Transportation Fund		50,000,000		
ADOT - FY 22 Inflation - SR-69 Repaving (Prescott Valley)		1,645,000		
ADOT - FY 22 Inflation - US-95 Improvements (Yuma Proving Ground)		3,500,000		
ADOT - FY 22 Inflation - SR-95 Repaving/Improvements (Bullhead/Lake Havasu)		19,534,600		
ADOT - FY 22 Inflation - SR-347/Riggs Rd Overpass (Design/Easements)		2,625,000		
ADOT - FY 22 Inflation - SR-347/Riggs Rd Overpass (Construction)		8,750,000		
ADOT - FY 22 Inflation - Wilcox SR-186 Funding		1,464,100		
ADOT - FY 22 Inflation - SR-90 Improvements		3,710,000		
ADOT - FY 22 Inflation - Pavement Rehabilitation		31,500,000		
Subtotal - Capital Outlay Funding	515,869,700	1,488,186,900	19,143,800	19,117,300
Total - One-Time Spending	1,923,748,400	1,877,809,300	24,325,200	19,117,300

**CROSSWALK OF FY 2023 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
GENERAL FUND 1/**

	GF General Appropriation Act - Individual Agency 2/	GF AFIS Transaction Fee 3/	GF Rent Adjustments 3/	GF Retirement Adjustments 3/	GF HITF Premium Increase 3/	GF HRIS Fee Adjustments 3/	GF IT Pro Rata Adjustments 3/	GF Fleet Adjustments 3/	GF Salary Adjustments 4/	GF Pension Payoff Savings 3/	GF FY 2023 Additional Appropriations 5/	GF Prior Year/ Statutory Appropriations 6/	GF FY 2023 Approps Rpt Total
Universities													
Board of Regents	90,196,900	100	0	(3,100)	44,100	0	0	0	0				90,238,000
Arizona State University	415,449,300	0	0	(108,000)	23,457,100	0	0	0	0			26,246,300	465,044,700
Northern Arizona University	152,870,700	100	0	(58,400)	1,192,000	0	0	0	0			10,147,100	164,151,500
University of Arizona - Main Campus	245,033,200	100	0	(161,300)	28,988,800	0	0	0	0			25,562,200	299,423,000
University of Arizona - Health Sciences Center	76,897,700	0	0	0	0	0	0	0	0			0	76,897,700
SUBTOTAL - Universities	980,447,800	300	0	(330,800)	53,682,000	0	0	0	0	0	0	61,955,600	1,095,754,900
Veterans' Services, Department of	11,783,500	1,300	0	(10,600)	153,500	40,400	7,200	(9,400)	483,300				12,449,200
Water Infrastructure Finance Authority	10,000,000	0	0	0	0	0	0	0	0				10,000,000
Water Resources, Department of	20,052,300	1,500	18,400	(25,500)	445,200	101,900	18,400	0	1,252,300		3,500,000		25,364,500
OPERATING BUDGET TOTAL	\$13,985,650,900	\$330,900	(\$694,400)	\$17,218,500	\$103,277,800	\$8,009,300	\$1,618,000	\$628,000	\$210,219,300	(\$98,119,900)	\$102,311,200	\$1,107,420,300	\$15,437,869,900
Accounting System Update (Statewide AFIS Charge)	330,900	(330,900)	0	0	0	0	0	0	0	0	0	0	0
'23 Rent Adjustments	(695,600)	0	694,400	0	0	0	0	0	0	0	0	0	(1,200)
Pension Payoff Savings	(98,119,900)	0	0	0	0	0	0	0	98,119,900	0	0	0	0
'23 Non-Payoff Retirement Adjustments	17,218,500	0	0	(17,218,500)	0	0	0	0	0	0	0	0	0
'23 HITF Employer Premium Increase	103,277,800	0	0	0	(103,277,800)	0	0	0	0	0	0	0	0
'23 HRIS Fee Adjustments/Statewide Personnel IT System	8,011,400	0	0	0	0	(8,009,300)	0	0	0	0	0	0	2,100
'23 IT Pro Rata Adjustments	1,618,000	0	0	0	0	0	(1,618,000)	0	0	0	0	0	0
'23 Fleet Adjustments	628,000	0	0	0	0	0	0	(628,000)	0	0	0	0	0
'23 Salary Adjustments	210,372,800	0	0	0	0	0	0	0	(210,219,300)	0	0	0	153,500
Capital Outlay - Phoenix Convention Center Debt Service	24,999,400	0	0	0	0	0	0	0	0	0	0	0	24,999,400
Capital Outlay - Rio Nuevo District 3/	16,000,000	0	0	0	0	0	0	0	0	0	0	0	16,000,000
Capital Outlay	288,257,400	0	0	0	0	0	0	0	0	33,000,000	0	0	321,257,400
Administrative Adjustments	170,000,000	0	0	0	0	0	0	0	0	0	0	0	170,000,000
Reversions	(215,000,000)	0	0	0	0	0	0	0	0	0	0	0	(215,000,000)
GRAND TOTAL	\$14,512,549,600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	135,311,200	\$1,107,420,300	\$15,755,281,100

1/ This chart provides a crosswalk between an agency's appropriation in the FY 2023 General Appropriation Act (Laws 2022, Chapter 313) and the individual agency amount as it appears in the FY 2023 Appropriations Report.

2/ Represents individual agency section of the FY 2023 General Appropriation Act and other direct appropriations in the General Appropriation Act.

3/ Section 123 of the FY 2023 General Appropriation Act appropriates statewide adjustments from the General Fund for Arizona Financial Information System Adjustment, Agency Rent Adjustments, Retirement Payoff Adjustments, Agency Retirement Adjustments, Employer Health Insurance Contribution Increases, University Health Insurance Backfill, Human Resources Information System Replacement Charges, Information Technology Pro Rata Adjustments and State Fleet Rate Adjustments. Section 123 requires JLBC Staff to determine the agency-by-agency distribution of these funds, which are reflected below.

4/ Section 124 of the FY 2023 General Appropriation Act appropriates statewide adjustments from the General Fund for Salary Adjustments. Section 124 requires JLBC Staff to determine the agency-by-agency distribution of these funds, which are reflected below.

5/ Appropriations separate from the FY 2023 General Appropriation Act enacted in the 55th Legislature, 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

6/ Represents ongoing statutory appropriations or appropriations enacted prior to the 55th Legislature, 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

**CROSSWALK OF FY 2023 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
OTHER FUNDS 1/**

OF General Appropriation Act - Individual Agency	2/ OF AFIS Transaction Fee	3/ OF Rent Adjustments	3/ OF Retirement Adjustments	3/ OF HHTF Premium Increase	3/ OF HRIS Fee Adjustments	3/ OF IT Pro Rata Adjustments	3/ OF Fleet Adjustments	3/ OF Salary Adjustments	4/ OF FY 2023 Additional Appropriations	5/ OF Prior Year/ Statutory Appropriations	6/ OF FY 2023 Approps Rpt Total
BUDGET UNITS											
Accountancy, State Board of											
Board of Accountancy Fund	\$2,051,800	\$300	\$4,100	(\$2,100)	\$55,000	\$8,500	\$1,500	\$0	\$117,500		\$2,236,600
Acupuncture Board of Examiners											
Acupuncture Board of Examiners Fund	182,300	100	0	(200)	600	1,100	200	0	12,700		196,800
Administration, Arizona Department of											
Air Quality Fund	928,200	100	0	0	0	0	(300)	0	0		928,200
Arizona Financial Information System Collections Fund	12,923,800	100	0	(6,500)	110,000	25,800	4,600	0	327,300		13,385,100
Automation Operations Fund	31,127,700	21,700	(329,300)	(10,200)	207,500	44,500	7,900	(15,400)	513,900		31,568,300
Capital Outlay Stabilization Fund	18,395,100	7,500	115,200	(8,200)	235,400	41,500	7,500	(6,600)	412,800		19,200,200
Corrections Fund	575,000	100	0	(1,000)	7,300	3,900	700	0	48,600		634,600
Cyber Risk Management Fund	21,587,200	0	0	0	0	0	0	0	0		21,587,200
Federal Surplus Materials Revolving Fund	466,900	0	0	0	2,200	0	0	(600)	0		468,500
Information Technology Fund	2,101,200	100	(2,100)	(3,100)	25,800	10,300	1,800	(100)	158,100		2,292,000
Personnel Division Fund	12,764,900	400	(2,800)	(14,600)	228,100	65,600	11,700	(6,800)	733,000		13,779,500
Risk Management Revolving Fund	93,099,400	7,900	(180,200)	(8,100)	146,400	28,300	5,000	(4,400)	406,400		93,500,700
Special Employee Health Insurance											
Trust Fund	5,533,200	15,100	(218,100)	(8,400)	103,300	23,500	4,200	(3,000)	270,100		5,719,900
Special Services Revolving Fund	1,170,700	500	(2,100)	(1,100)	29,500	3,400	0	0	55,800		1,257,300
State Surplus Materials Revolving Fund	2,979,800	300	(1,900)	(1,100)	26,100	3,800	700	0	56,900		3,064,600
State Web Portal Fund	6,612,200	400	(46,700)	(3,500)	46,500	14,900	2,700	(3,000)	174,800		6,798,300
Telecommunications Fund	1,651,700	100	23,500	(1,900)	38,600	6,900	1,200	(900)	94,800		1,814,000
Total - Arizona Department of Administration	211,917,000	54,300	(644,500)	(67,700)	1,206,700	272,400	48,600	(41,100)	3,252,500	0	215,998,200
Administration, Arizona Department of - Automation Projects Fund											
Automation Projects Fund	\$57,831,900	0	0	0	0	0	0	0	0	1,500,000	59,331,900
Agriculture, Arizona Department of											
Air Quality Fund	1,454,100	100	0	(1,500)	61,300	6,900	1,200	0	75,700		1,597,800
Nuclear Emergency Management Fund	0	0	0	0	0	0	0	0	0	280,500	280,500
Total - Arizona Department of Agriculture	1,454,100	100	0	(1,500)	61,300	6,900	1,200	0	75,700	0	1,878,300
AHCCCS											
Budget Neutrality Compliance Fund	4,303,100	0	0	0	0	0	0	0	0		4,303,100
Children's Health Insurance Program Fund	123,476,900	5,500	0	(1,800)	40,400	8,300	1,500	0	92,100		123,622,900
Prescription Drug Rebate Fund - State	165,158,600	100	0	0	1,200	100	0	0	800		165,160,800
Seriously Mentally Ill Housing Trust Fund	200,000	0	0	(400)	0	0	0	0	17,700		217,300
Substance Abuse Services Fund	2,250,200	0	0	0	0	0	0	0	0		2,250,200
Tobacco Products Tax Fund											
Emergency Health Services Account	17,448,300	0	0	0	0	0	0	0	0		17,448,300
Tobacco Tax and Health Care Fund											
Medically Needy Account	67,179,700	0	0	0	0	0	0	0	0		67,179,700
Total - AHCCCS	380,016,800	5,600	0	(2,200)	41,600	8,400	1,500	0	110,600	0	380,182,300
Athletic Training, Board of											
Athletic Training Fund	143,700	100	0	(200)	5,100	800	100	0	7,700		157,300
Attorney General - Department of Law											
Antitrust Enforcement Revolving Fund	148,700	0	0	(200)	3,400	800	100	0	8,600		161,400
Attorney General Legal Services Cost Allocation Fund	2,110,300	100	0	(2,900)	61,300	10,700	1,900	0	144,800		2,326,200
Collection Enforcement Revolving Fund	6,925,700	1,800	0	(53,700)	237,200	39,700	7,100	0	441,500		7,599,300
Consumer Protection-Consumer Fraud Rev. Fund	19,463,100	700	0	(94,700)	130,000	54,000	9,600	(15,800)	1,177,600	1,400,000	24,474,500
Consumer Restitution and Remediation Revolving Fund - Consumer Remediation Subaccount	5,000,000	0	0	0	0	0	0	0	0		5,000,000
Interagency Service Agreements Fund	16,474,900	2,200	0	(40,200)	433,400	108,000	19,200	0	1,201,800		18,199,300
Internet Crimes Against Children Enforcement Fund	900,000	0	0	0	0	0	0	0	0		900,000
Risk Management Revolving Fund	12,221,500	300	0	(13,700)	290,400	65,800	11,700	0	732,100		13,308,100
Victims' Rights Fund	3,768,800	200	0	(700)	6,300	1,200	200	0	36,700		3,812,700
Total - Attorney General - Department of Law	67,013,000	5,300	0	(206,100)	1,162,000	280,200	49,800	(15,800)	3,743,100	1,400,000	75,781,500
Barbering and Cosmetology Board											
Barbering and Cosmetology Fund	2,662,800	900	(25,100)	(2,400)	90,800	10,600	1,900	0	125,300		2,864,800
Barbers, Board of											
Board of Barbers Fund	0	0	0	0	0	0	0	0	0		0
Behavioral Health Examiners, Board of											
Board of Behavioral Health Examiners Fund	2,008,100	500	0	(2,300)	44,300	10,800	1,900	0	116,400		2,179,700
Child Safety, Department of											
Child Abuse Prevention Fund	1,459,300	0	0	0	0	0	0	0	0		1,459,300
Child Welfare Licensing Fee Fund	941,900	0	0	(1,600)	0	0	0	0	80,500		1,020,800
Children and Family Services Training Program Fund	207,900	100	0	0	0	0	0	0	0		208,000
Federal Child Care and Development Fund											

**CROSSWALK OF FY 2023 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
OTHER FUNDS 1/**

	OF General Appropriation Act - Individual Agency <u>2/</u>	OF AFIS Transaction Fee <u>3/</u>	OF Rent Adjustments <u>3/</u>	OF Retirement Adjustments <u>3/</u>	OF HITF Premium Increase <u>3/</u>	OF HRIS Fee Adjustments <u>3/</u>	OF IT Pro Rata Adjustments <u>3/</u>	OF Fleet Adjustments <u>3/</u>	OF Salary Adjustments <u>4/</u>	OF FY 2023 Additional Appropriations <u>5/</u>	OF Prior Year/ Statutory Appropriations <u>6/</u>	OF FY 2023 Approps Rpt Total
Block Grant	40,516,000	0	0	0	0	0	0	0	0			40,516,000
Federal Temporary Assistance for Needy Families Block Grant	157,468,100	0	0	(72,400)	0	0	0	0	3,686,500			161,082,200
Total - Department of Child Safety	200,593,200	100	0	(74,000)	0	0	0	0	3,767,000	0	0	204,286,300
Chiropractic Examiners, State Board of Board of Chiropractic Examiners Fund	448,100	100	0	(500)	11,900	2,600	500	0	26,000			488,700
Commerce Authority, Arizona State Web Portal Fund	5,000,000	0	0	0	0	0	0	0	0			5,000,000
Contractors, Registrar of Registrar of Contractors Fund	12,590,300	0	38,600	(14,200)	318,700	66,800	11,900	19,400	723,100			13,754,600
Corporation Commission Arizona Arts Trust Fund	51,200	100	0	(100)	4,000	200	0	0	3,400			58,800
Investment Management Regulatory and Enforcement Fund	721,600	100	0	(1,100)	27,900	5,600	1,000	0	56,900			812,000
Public Access Fund	6,799,400	500	0	(8,700)	196,800	37,000	6,600	0	432,900			7,464,500
Securities Regulatory and Enforcement Fund	5,135,300	500	0	(7,900)	162,800	32,100	5,700	0	378,400			5,706,900
Utility Regulation Revolving Fund	14,619,100	1,200	0	14,900	384,000	89,500	15,900	9,600	1,101,900			16,236,100
Total - Corporation Commission	27,326,600	2,400	0	(2,900)	775,500	164,400	29,200	9,600	1,973,500	0	0	30,278,300
Corrections, State Department of Alcohol Abuse Treatment Fund	555,700	100	0	0	0	0	0	0	0			555,800
Corrections Fund	30,967,700	100	0	0	0	0	0	0	0			30,967,800
Inmate Store Proceeds Fund	5,575,700	9,900	0	(51,700)	5,700	3,900	700	0	0			5,544,200
Penitentiary Land Fund	2,790,700	100	0	(25,500)	9,700	2,200	400	0	0			2,777,600
Prison Construction and Operations Fund	12,500,000	100	0	0	0	0	0	0	0			12,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	2,663,700	1,400	0	0	0	0	0	0	0			2,665,100
State Education Fund for Correctional Education	743,300	100	0	(34,200)	23,700	5,100	900	0	0			738,900
Transition Program Fund	2,400,200	100	0	0	0	0	0	0	0			2,400,300
Total - State Department of Corrections	58,197,000	11,900	0	(111,400)	39,100	11,200	2,000	0	0	0	0	58,149,800
Cosmetology, Board of Board of Cosmetology Fund	0	0	0	0	0	0	0	0	0			0
Criminal Justice Commission, Arizona Criminal Justice Enhancement Fund	658,800	100	7,700	(1,100)	14,800	3,400	600	0	24,600			708,900
Drug and Gang Prevention Resource Center Fund	617,500	0	0	0	0	0	0	0	29,600			647,100
State Aid to County Attorneys Fund	973,700	0	0	0	0	0	0	0	0			973,700
State Aid to Indigent Defense Fund	700,000	0	0	0	0	0	0	0	0			700,000
Victim Compensation and Assistance Fund	4,224,600	300	0	(300)	11,900	1,100	200	0	12,900			4,250,700
Total - Arizona Criminal Justice Commission	7,174,600	400	7,700	(1,400)	26,700	4,500	800	0	67,100	0	0	7,280,400
Deaf and the Blind, Arizona Schools for the Schools for the Deaf and the Blind Fund	13,955,200	400	0	(18,200)	466,800	0	15,300	0	923,200			15,342,700
Cooperative Services Fund	18,108,600	900	0	(25,500)	732,300	0	18,200	0	1,291,400			20,125,900
Total - Arizona State Schools for the Deaf and the Blind	32,063,800	1,300	0	(43,700)	1,199,100	0	33,500	0	2,214,600	0	0	35,468,600
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	4,761,900	600	7,900	(2,800)	50,400	13,200	2,300	0	132,500			4,966,000
Dental Examiners, State Board of Dental Board Fund	1,807,400	400	0	(1,600)	38,000	6,100	1,100	0	86,100			1,937,500
Economic Security, Department of Child Support Enforcement Administration Fund	17,204,700	0	0	0	0	0	0	0	478,600			17,683,300
Domestic Violence Services Fund	4,000,200	100	0	0	0	0	0	0	0			4,000,300
Federal Child Care and Development Fund Block Grant	199,267,200	0	(200)	(15,000)	0	0	0	0	758,200			200,010,200
Federal Temporary Assistance for Needy Families Block Grant	65,405,800	0	(2,400)	(24,000)	0	0	0	0	1,211,800			66,591,200
Long Term Care System Fund	33,280,500	0	0	0	0	0	0	0	9,000			33,289,500
Public Assistance Collections Fund	423,700	0	(200)	(100)	0	0	0	0	7,000			430,400
Special Administration Fund	4,512,600	1,500	0	(2,000)	28,900	0	0	0	102,200			4,643,200
Spinal and Head Injuries Trust Fund	2,336,000	4,300	(400)	(600)	17,000	1,600	300	0	30,000			2,388,200
Statewide Cost Allocation Plan Fund	1,000,000	0	0	0	0	0	0	0	0			1,000,000
Workforce Investment Act Grant	55,069,100	0	0	(4,500)	0	0	0	0	228,900			56,293,500
Total - Department of Economic Security	383,499,800	5,900	(3,200)	(46,200)	45,900	1,600	300	0	2,825,700	0	0	386,329,800
Education, Department of Department of Education Empowerment Scholarship Account Fund	350,000	0	0	0	0	0	0	0	7,900			357,900
Permanent State School Fund	328,895,600	0	0	0	0	0	0	0	0			328,895,600
Education Sales Tax Fund	7,000,000	0	0	0	0	0	0	0	0			7,000,000

**CROSSWALK OF FY 2023 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
OTHER FUNDS 1/**

	OF General Appropriation Act - Individual Agency	OF AFIS Transaction Fee	OF Rent Adjustments	OF Retirement Adjustments	OF HITF Premium Increase	OF HRIS Fee Adjustments	OF IT Pro Rata Adjustments	OF Fleet Adjustments	OF Salary Adjustments	OF FY 2023 Additional Appropriations	OF Prior Year/ Statutory Appropriations	OF FY 2023 Approps Rpt Total
Examiners' Fund	48,400	100	0	(100)	600	200	0	0	2,700			51,900
Housing, Department of												
Housing Trust Fund	322,700	200	(9,200)	0	11,500	2,200	400	14,700	24,900			367,400
Industrial Commission of Arizona												
Administrative Fund	20,122,000	4,000	0	(23,800)	537,100	105,700	18,800	600	1,212,300			21,976,700
Insurance and Financial Institutions, Department of												
Automobile Theft Authority Fund	6,010,500	100	600	(400)	16,400	1,900	300	0	130,300			6,159,700
Financial Services Fund	5,427,600	300	0	(7,000)	150,300	33,000	6,300	0	361,100			5,971,600
Department Revolving Fund	50,300	0	0	0	0	0	0	0	0			50,300
Total - Department of Insurance and Financial Institutions	11,488,400	400	600	(7,400)	166,700	34,900	6,600	0	491,400	0	0	12,181,600
Judiciary - Supreme Court												
Confidential Intermediary and Fiduciary Fund	494,300	100	0	(800)	12,500	0	400	0	40,000			546,500
Court Appointed Special Advocate Fund	5,327,000	100	0	(1,700)	27,900	0	900	0	61,800			5,416,000
Criminal Justice Enhancement Fund	4,407,800	400	0	(4,700)	115,100	0	3,700	0	200,500			4,722,800
Defensive Driving School Fund	4,233,500	400	0	(3,500)	89,600	0	3,000	0	164,700			4,487,700
Judicial Collection Enhancement Fund	14,895,800	800	0	(15,700)	296,700	0	11,600	0	2,200			15,191,400
State Aid to the Courts Fund	2,945,400	0	0	(100)	1,200	0	0	0	0			2,946,500
Total - Judiciary - Supreme Court	32,303,800	1,800	0	(26,500)	543,000	0	19,600	0	469,200	0	0	33,310,900
Judiciary - Superior Court												
Criminal Justice Enhancement Fund	5,456,200	0	0	(800)	0	0	0	0	39,000			5,494,400
Judicial Collection Enhancement Fund	6,015,200	0	0	0	0	0	0	0	200			6,015,400
Drug Treatment and Education Fund	504,200	0	0	0	0	0	0	0	0			504,200
Total - Judiciary - Superior Court	11,975,600	0	0	(800)	0	0	0	0	39,200	0	0	12,014,000
SUBTOTAL - Judiciary	44,279,400	1,800	0	(27,300)	543,000	0	19,600	0	508,400	0	0	45,324,900
Juvenile Corrections, Department of												
Criminal Justice Enhancement Fund	533,200	0	0	5,300	0	0	0	0	0			538,500
Department of Juvenile Corrections												
Local Cost Sharing Fund	8,450,900	0	0	0	0	0	0	0	0			8,450,900
State Charitable, Penal and Reformatory Institutions Land Fund	4,044,100	200	0	62,200	14,800	3,500	600	0	0			4,125,400
State Education Fund for Committed Youth	1,893,700	0	0	0	46,500	12,700	2,300	0	0			1,955,200
Total - Department of Juvenile Corrections	14,921,900	200	0	67,500	61,300	16,200	2,900	0	0	0	0	15,070,000
Land Department, State												
Due Diligence Fund	5,000,000	0	0	0	0	0	0	0	0			5,000,000
Environmental Special Plate Fund	260,600	0	0	0	0	0	0	0	0			260,600
Trust Land Management Fund	8,028,100	900	0	0	0	0	0	(200)	0			8,028,800
Total - State Land Department	13,288,700	900	0	0	0	0	0	(200)	0	0	0	13,289,400
Liquor Licenses and Control, Department of												
Liquor Licenses Fund	6,342,800	300	0	32,100	90,200	15,600	2,800	(8,300)	637,000			7,112,500
Lottery Commission, Arizona State												
State Lottery Fund	169,450,700	1,300	0	(11,500)	285,200	52,500	9,300	(25,300)	499,700			170,261,900
Massage Therapy, Board of												
Board of Massage Therapy Fund	553,900	100	0	(600)	18,200	2,700	500	0	29,000			603,800
Medical Board, Arizona												
Arizona Medical Board Fund	7,680,700	2,900	0	(8,000)	157,700	34,200	6,100	0	418,100			8,291,700
Mine Inspector, State												
Aggregate Mining Reclamation Fund	112,900	0	0	0	0	0	0	0	0			112,900
Naturopathic Physicians Medical Board												
Naturopathic Physicians Medical Board Fund	198,400	100	0	(100)	5,100	800	100	0	7,600			212,000
Navigable Stream Adjudication Commission												
Arizona Water Banking Fund	200,000	0	0	0	0	0	0	0	0			200,000
Nursing, State Board of												
Board of Nursing Fund	5,281,800	1,000	0	(8,100)	157,100	33,300	5,900	0	414,000			5,885,000
Nursing Care Institution Administrators Board												
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	571,200	200	0	(700)	17,600	3,000	500	0	35,600			627,400
Occupational Therapy Examiners, Board of												
Occupational Therapy Fund	245,300	200	0	(200)	7,900	1,100	200	0	11,900			266,400
Opticians, State Board of Dispensing												
Board of Dispensing Opticians Fund	178,900	100	0	(200)	2,200	1,000	200	0	10,900			193,100
Optometry, State Board of												
Board of Optometry Fund	275,500	100	0	(200)	11,900	1,300	200	0	10,000			298,800
Osteopathic Examiner in Medicine and Surgery, Arizona Board of												
Board of Osteopathic Examiners in Medicine												

**CROSSWALK OF FY 2023 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
OTHER FUNDS 1/**

	OF General Appropriation Act - Individual Agency 2/	OF AFIS Transaction Fee 3/	OF Rent Adjustments 3/	OF Retirement Adjustments 3/	OF HTTF Premium Increase 3/	OF HRIS Fee Adjustments 3/	OF IT Pro Rata Adjustments 3/	OF Fleet Adjustments 3/	OF Salary Adjustments 4/	OF FY 2023 Additional Appropriations 5/	OF Prior Year/ Statutory Appropriations 5/	OF FY 2023 Approps Rpt Total
and Surgery Fund	1,293,700	200	0	(1,200)	21,600	5,500	1,000	0	63,700			1,384,500
Parks Board, Arizona State												
Off-Highway Vehicle Recreation Fund	16,700	0	0	0	0	0	0	0	0			16,700
State Parks Store Fund	1,000,000	0	0	(200)	0	0	0	0	11,500			1,011,300
State Parks Revenue Fund	17,178,400	4,000	0	(317,000)	389,700	70,300	12,500	348,500	833,000			18,519,400
Total - Arizona State Parks Board	18,195,100	4,000	0	(317,200)	389,700	70,300	12,500	348,500	844,500	0	0	19,547,400
Personnel Board, State												
Personnel Board Subaccount of the Personnel Division Fund	326,400	100	0	(300)	5,100	700	100	0	12,900			345,000
Pharmacy, Arizona State Board of												
Arizona State Board of Pharmacy Fund	3,274,400	1,000	(30,100)	(4,200)	64,700	15,300	2,700	(900)	214,100			3,537,000
Physical Therapy, Board of												
Board of Physical Therapy Fund	592,100	200	0	(500)	11,300	2,700	500	0	24,600			630,900
Pioneers' Home, Arizona												
Miners' Hospital for Miners with Disabilities Land Fund	2,074,100	300	0	(2,400)	119,100	14,100	2,500	(3,300)	114,200			2,318,600
State Charitable Fund	5,064,200	300	0	(6,800)	199,600	32,200	5,700	0	729,500			6,024,700
Total - Arizona Pioneers' Home	7,138,300	600	0	(9,200)	318,700	46,300	8,200	(3,300)	843,700	0	0	8,343,300
Podiatry Examiners, State Board of												
Podiatry Fund	172,700	100	0	(200)	1,800	800	100	0	10,500			185,800
Private Postsecondary Education, Board for												
Board for Private Postsecondary Education Fund	416,000	100	0	(500)	11,300	2,300	400	0	24,200			453,800
Psychologist Examiners, State Board of												
Board of Psychologist Examiners Fund	596,000	200	0	(700)	14,800	4,400	500	0	35,300			650,500
Public Safety, Department of												
Arizona Highway Patrol Fund	27,004,300	400	0	(6,900)	4,295,500	0	0	0	0			31,293,300
Concealed Weapons Permit Fund	3,107,300	0	0	1,300	62,300	0	1,300	0	0			3,172,200
Criminal Justice Enhancement Fund	2,931,500	0	0	(3,700)	61,300	0	0	0	0			2,989,100
DPS Forensics Fund	22,528,600	200	0	(30,100)	486,600	0	0	0	0			22,985,300
Fingerprint Clearance Card Fund	1,581,100	0	0	0	0	0	0	0	0			1,581,100
GIITEM Border Security and Law Enforcement Subaccount	2,396,400	0	0	0	0	0	0	0	0			2,396,400
Motor Vehicle Liability Insurance Enforcement Fund	1,254,100	0	0	0	27,900	0	0	0	0			1,282,000
Motorcycle Safety Fund	198,900	0	0	0	0	0	0	0	0			198,900
Parity Compensation Fund	4,000,300	0	0	0	87,800	0	0	0	0			4,088,100
Public Safety Equipment Fund	2,894,000	0	0	0	0	0	0	0	0			2,894,000
Risk Management Revolving Fund	1,351,000	0	(100)	(200)	44,900	0	1,300	0	0			1,396,900
State Highway Fund	8,167,000	0	0	(300)	0	0	0	0	0			8,166,700
Total - Department of Public Safety	77,414,500	600	(100)	(39,900)	5,066,300	0	2,600	0	0	0	0	82,444,000
Residential Utility Consumer Office												
Residential Utility Consumer Office Revolving Fund	1,452,200	100	4,700	(1,800)	31,300	6,800	1,200	0	84,400			1,578,900
Respiratory Care Examiners, Board of												
Board of Respiratory Care Examiners Fund	370,000	200	0	(400)	12,500	2,100	400	0	22,000			406,800
Retirement System, Arizona State												
Long-Term Disability Trust Fund Administration Account	1,800,000	0	0	0	0	0	0	0	0			1,800,000
Arizona State Retirement System Administration Account	23,799,400	2,600	0	(38,700)	803,700	161,800	29,900	(5,100)	1,582,000			26,335,600
Total - Arizona State Retirement System	25,599,400	2,600	0	(38,700)	803,700	161,800	29,900	(5,100)	1,582,000	0	0	28,135,500
Revenue, Department of												
Department of Revenue Administrative Fund	25,669,800	5,000	0	(29,400)	1,212,200	240,100	42,700	(7,000)	1,469,700			28,603,100
Liability Setoff Program Revolving Fund	806,900	200	0	(1,200)	19,800	3,900	700	0	62,200			892,500
Tobacco Tax and Health Care Fund	684,500	100	0	(500)	13,100	2,700	400	0	27,600			727,900
Total - Department of Revenue	27,161,200	5,300	0	(31,100)	1,245,100	246,700	43,800	(7,000)	1,559,500	0	0	30,223,500
Secretary of State												
Election Systems Improvement Fund	483,500	0	0	0	0	0	0	0	0			483,500
Records Services Fund	1,286,800	400	0	(400)	21,800	1,200	200	8,100	16,800			1,334,900
Total - Secretary of State	1,770,300	400	0	(400)	21,800	1,200	200	8,100	16,800	0	0	1,818,400
Technical Registration, State Board of												
Technical Registration Fund	2,375,400	600	28,800	(2,700)	77,700	10,700	1,900	0	148,600			2,641,000
Transportation, Department of												
Air Quality Fund	324,500	100	0	0	1,800	200	0	0	0			326,600
Department Fleet Operations Fund	25,285,200	6,800	0	(22,000)	654,000	99,800	17,800	0	1,068,900			27,110,500
Highway User Revenue Fund	701,600	11,700	0	(800)	136,100	4,400	800	0	52,700			906,500
Highway Damage Recovery Account	8,000,000	600	0	0	0	0	0	0	0			8,000,600

**CROSSWALK OF FY 2023 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
OTHER FUNDS 1/**

	OF General Appropriation Act - Individual Agency 2/	OF AFIS Transaction Fee 3/	OF Rent Adjustments 3/	OF Retirement Adjustments 3/	OF HITF Premium Increase 3/	OF HRIS Fee Adjustments 3/	OF IT Pro Rata Adjustments 3/	OF Fleet Adjustments 3/	OF Salary Adjustments 4/	OF FY 2023 Additional Appropriations 5/	OF Prior Year/ Statutory Appropriations 6/	OF FY 2023 Approps Rpt Total
Ignition Interlock Device Fund	351,100	0	0	(600)	10,700	2,000	400	0	0			363,600
Motor Vehicle Liability Insurance												
Enforcement Fund	5,154,100	400	0	(2,000)	69,800	10,400	1,800	0	149,100			5,383,600
State Aviation Fund	2,014,200	1,000	0	(1,900)	53,400	10,100	1,800	0	85,000			2,163,600
State Fleet Operations Fund	25,267,100	0	0	0	0	0	0	0	0			25,267,100
State Highway Fund	482,905,100	218,900	0	(366,400)	11,999,600	1,997,000	355,200	0	19,841,900			516,951,300
State Vehicle Replacement Fund	10,715,800	0	0	0	0	0	0	0	0			10,715,800
Vehicle Inspection and Certificate of Title												
Enforcement Fund	2,094,600	0	0	0	0	0	0	0	152,000			2,246,600
Total - Department of Transportation	562,813,300	239,500	0	(393,700)	12,925,400	2,123,900	377,800	0	21,349,600	0	0	599,435,800
Treasurer, State												
Law Enforcement and Boating Safety Fund	2,183,800	0	0	0	0	0	0	0	0			2,183,800
State Treasurer's Operating Fund	3,583,700	1,000	3,200	(5,200)	96,300	24,700	4,400	0	257,000			3,965,100
Total - State Treasurer	5,767,500	1,000	3,200	(5,200)	96,300	24,700	4,400	0	257,000	0	0	6,148,900
Universities												
Arizona State University												
University Collections Fund	597,718,800	0	0	(235,300)	0	0	0	0	0			597,483,500
Total - Arizona State University	597,718,800	0	0	(235,300)	0	0	0	0	0	0	0	597,483,500
Northern Arizona University												
University Collections Fund	134,983,300	0	0	(18,800)	0	0	0	0	0			134,964,500
University of Arizona - Main Campus												
University Collections Fund	304,589,000	0	0	(181,300)	0	0	0	0	0			304,407,700
University of Arizona - Health Sciences Center												
University Collections Fund	56,363,300	0	0	0	0	0	0	0	0			56,363,300
SUBTOTAL - Universities	1,093,654,400	0	0	(435,400)	0	0	0	0	0	0	0	1,093,219,000
Veterans' Services, Department of												
Hyperbaric Oxygen Therapy for Military Veterans Fund	0	0	0	0	0	0	0	0	0		25,000	25,000
State Homes for Veterans' Trust Fund	57,011,900	3,900	0	(48,200)	993,000	159,700	28,400	0	2,410,800			60,559,500
Total - Department of Veterans' Services	57,011,900	3,900	0	(48,200)	993,000	159,700	28,400	0	2,410,800	0	25,000	60,584,500
Veterinary Medical Examining Board												
Veterinary Medical Examining Board Fund	714,600	200	0	(800)	8,500	2,900	500	0	44,600			770,500
Water Resources, Department of												
Assured and Adequate Water Supply Admin Fund	268,100	0	0	(500)	0	600	100	0	22,900			291,200
Water Resources Fund	1,695,400	0	0	0	0	0	0	0	31,100			1,726,500
Total - Department of Water Resources	1,963,500	0	0	(500)	0	600	100	0	54,000	0	0	2,017,700
OPERATING BUDGET TOTAL	\$4,436,491,700	\$381,100	(\$2,134,200)	(\$1,659,200)	\$32,224,200	\$4,644,700	\$859,700	\$336,400	\$61,409,400	\$1,400,000	\$6,142,900	\$4,540,096,700
Accounting System Update (Statewide AFIS Charge)	400,000	(381,100)	0	0	0	0	0	0	0			18,900
'23 Rent Adjustments	(2,300,000)	0	2,134,200	0	0	0	0	0	0			(165,800)
'23 Retirement Adjustments	(2,100,000)	0	0	1,659,200	0	0	0	0	0			(440,800)
'23 HITF Employer Premium Increase	40,000,000	0	0	0	(32,224,200)	0	0	0	0			7,775,800
'23 HRIS Fee Adjustments	5,000,000	0	0	0	0	(4,644,700)	0	0	0			355,300
'23 IT Pro Rata Adjustments	1,000,000	0	0	0	0	0	(859,700)	0	0			140,300
'23 Fleet Adjustments	450,000	0	0	0	0	0	0	(336,400)	0			113,600
'23 Salary Adjustments	62,572,600	0	0	0	0	0	0	0	(61,409,400)			1,163,200
Capital Outlay - Building Renewal/Projects	1,088,186,900	0	0	0	0	0	0	0	0	400,000,000		1,488,186,900
GRAND TOTAL	5,629,701,200	50	50	50	50	50	50	50	50	\$401,400,000	\$6,142,900	\$6,037,244,100

**CROSSWALK OF FY 2023 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
EXPENDITURE AUTHORITY**

	EA General Appropriation Act - Individual Agency	EA AFIS Transaction Fee	EA Rent Adjustments	EA Retirement Adjustments	EA HITF Premium Increase	EA HRIS Fee Adjustments	EA IT Pro Rata Adjustments	EA Fleet Adjustments	EA Salary Adjustments 4/	EA FY 2023 Additional Appropriations 5/	EA Prior Year/ Statutory Appropriations 6/	EA FY 2023 Approps Rpt Total
AHCCS	\$15,782,051,500	\$122,700	\$0	(\$72,100)	2,390,200	\$395,000	\$70,200	\$0	\$5,404,200	\$0	\$0	\$15,790,361,700
Child Safety, Department of	646,215,800	0	0	(85,400)	0	1,255,900	223,400	0	474,800	0	0	648,084,500
Economic Security, Department of	3,207,565,200	30,700	(2,700)	(249,300)	2,817,200	494,900	88,000	0	0	0	0	3,210,744,000
Education, Department of	1,160,831,000	0	0	0	0	0	0	0	0	0	0	1,160,831,000
GRAND TOTAL	\$20,796,663,500	\$153,400	(\$2,700)	(\$406,800)	\$5,207,400	\$2,145,800	\$381,600	\$0	\$5,879,000	\$0	\$0	\$20,810,021,200

CROSSWALK OF FY 2023 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS OTHER FUNDS ^{1/}

OF General Appropriation Act - Individual Agency	OF AFIS Transaction Fee	OF Rent Adjustments	OF Retirement Adjustments	OF HITF Premium Increase	OF HRIS Fee Adjustments	OF IT Pro Rata Adjustments	OF Fleet Adjustments	OF Salary Adjustments	OF FY 2023 Additional Appropriations	OF Prior Year/ Statutory Appropriations	OF FY 2023 Approps Rpt Total
^{2/}	^{3/}	^{3/}	^{3/}	^{3/}	^{3/}	^{3/}	^{3/}	^{4/}	^{5/}	^{6/}	

- ^{1/} This chart provides a crosswalk between an agency's appropriation in the FY 2023 General Appropriation Act (Laws 2022, Chapter 313) and the individual agency amount as it appears in the *FY 2023 Appropriations Report*.
- ^{2/} Represents individual agency section of FY 2023 General Appropriation Act and other direct appropriations in the General Appropriation Act.
- ^{3/} Section 123 of the FY 2023 General Appropriation Act appropriates statewide adjustments from the General Fund for Arizona Financial Information System Adjustments, Agency Rent Adjustments, Agency Retirement Adjustments, Employer Health Insurance Contribution Increases, Human Resources Information System Replacement Charges, Information Technology Pro Rata Adjustments and State Fleet Rate Adjustments. Section 123 requires JLBC Staff to determine the agency-by-agency distribution of these funds, which are reflected below.
- ^{4/} Section 124 of the FY 2023 General Appropriation Act appropriates statewide adjustments from the General Fund for Salary Adjustments. Section 124 requires JLBC Staff to determine the agency-by-agency distribution of these funds, which are reflected below.
- ^{5/} Appropriations separate from the FY 2023 General Appropriation Act enacted in the 55th Legislature, 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section. *See individual agency narrative for detail.*
- ^{6/} Represents ongoing statutory appropriations or appropriations enacted prior to the 55th Legislature, 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section. *See individual agency narrative for detail.*

SUMMARY OF RISK MANAGEMENT CHARGES 1/

<u>Agency</u>	<u>FY 2023 Charge</u>
Accountancy, Arizona State Board of	\$5,400
Acupuncture Board of Examiners	1,700
Administration, Arizona Department of (ADOA)	1,388,300
ADOA - School Facilities Division	6,000
Administrative Hearings, Office of	4,600
Agriculture, Arizona Department of	109,000
AHCCCS	340,800
African-American Affairs, Arizona Commission of	1,000
Arts, Arizona Commission on the	7,400
Athletic Training, Board of	1,100
Attorney General - Department of Law	595,600
Barbering and Cosmetology Board	10,400
Behavioral Health Examiners, Board of	12,300
Charter Schools, State Board for	107,000
Child Safety, Department of	5,567,100
Chiropractic Examiners, State Board of	1,900
Citizens Clean Election Commission	2,900
Commerce Authority, Arizona	30,400
Constable Ethics Standards and Training Board	1,700
Contractors, Registrar of	38,700
Corporation Commission	125,900
Corrections, State Department of	7,053,400
Criminal Justice Commission, Arizona	11,500
Deaf and the Blind, Arizona State Schools for the	423,500
Deaf and the Hard of Hearing, Commission for the	7,100
Dental Examiners, State Board of	15,900
Early Childhood Development and Health Board, Arizona	111,200
Economic Opportunity, Office of	13,400
Economic Security, Department of	2,515,200
Education, Board of	1,300
Education, Department of	171,200
Emergency and Military Affairs, Department of	1,156,100
Environmental Quality, Department of	250,200
Equal Opportunity, Governor's Office of	1,100
Equalization, State Board of	8,400
Executive Clemency, Board of	4,300
Exposition and State Fair Board, Arizona	293,500
Forestry and Fire Management, Arizona Department of	42,700
Funeral Directors and Embalmers, State Board of	16,200
Game and Fish Department, Arizona	725,400
Gaming, Department of	58,800
Governor, Office of the	220,900
Governor's Office of Strategic Planning and Budgeting	5,700
Health Services, Department of	1,085,800
Historical Society, Arizona	237,600
Historical Society of Arizona, Prescott	20,100
Homeland Security, Arizona Department of	19,500
Homeopathic and Integrated Medical Examiners, Board of	1,400
Housing, Arizona Department of	22,900
Independent Redistricting Commission,	1,000
Industrial Commission of Arizona	110,300
Insurance and Financial Institutions, Department of	56,400
Judiciary - Court of Appeals, Division I	29,300
Judiciary - Court of Appeals, Division II	11,700
Judiciary - Superior Court	1,750,900
Judiciary - Supreme Court	221,700
Juvenile Corrections, Department of	302,500
Land Department, State	80,600

<u>Agency</u>	<u>FY 2023 Charge</u>
Legislature - Legislative Council	37,900
Legislature - Auditor General	70,100
Legislature - House of Representatives	96,500
Legislature - Joint Legislative Budget Committee	10,700
Legislature - Senate	83,500
Liquor Licenses and Control, Department of	14,900
Lottery Commission, Arizona State	47,800
Massage Therapy, Board of	2,200
Medical Board, Arizona	20,200
Mine Inspector, State	7,100
Naturopathic Physicians Medical Board	1,700
Navigable Stream Adjudication Commission, Arizona	1,100
Nursing, State Board of	28,700
Nursing Care Institution of Administrators and Assisted Living Facility Managers, Board of Examiners of	3,300
Occupational Therapy Examiners, Board of	1,100
Opticians, State Board of Dispensing	1,400
Optometry, State Board of	1,700
Osteopathic Examiners in Medicine and Surgery, Arizona Board of	3,300
Park Board, Arizona State	347,700
Personnel Board, State	1,700
Pharmacy, Arizona State Board of	11,700
Physical Therapy, Board of	2,500
Pioneers' Home, Arizona	55,300
Podiatry Examiners, State Board of	1,400
Power Authority, Arizona	19,500
Private Postsecondary Education, State Board for	2,800
Psychologist Examiners, State Board of	2,500
Public Safety, Department of	4,875,600
Public Safety Personnel Retirement System	22,600
Real Estate Department, State	15,100
Residential Utility Consumer Office	2,900
Respiratory Care Examiners, Board of	2,200
Retirement System, Arizona State	215,400
Revenue, Department of	475,000
Secretary of State, Department of State	92,700
Tax Appeals, State Board of	1,700
Technical Registration, State Board of	9,300
Tourism, Office of	11,800
Transportation, Department of <u>2/</u>	15,981,300
Treasurer, State	9,300
Tribal Relations, Governor's Office on	1,700
Universities - Arizona State University	11,054,200
Universities - Northern Arizona University	3,349,400
Universities - Regents, Arizona Board of	70,700
Universities - University of Arizona	8,928,200
Veterans' Services, Department of	450,200
Veterinary Medical Examining Board, Arizona State	3,000
Water Infrastructure Financing Agency	7,100
Water Resources, Department of	50,900
<i>Other Agencies</i>	
Boyce-Thompson Arboretum	13,100
Central Arizona Water Conservation District	2,500
GRAND TOTAL	<u>71,942,100</u>

1/ Total charges reflect Arizona Department of Administration billed amounts with the exception of the Arizona Department of Transportation (ADOT).

2/ A General Appropriation Act footnote requires ADOT to pay Risk Management charges of \$15,981,300.

**BUDGET RECONCILIATION BILLS
AND MAJOR FOOTNOTE CHANGES**

FY 2023 BUDGET RECONCILIATION BILLS (BRBs) AND MAJOR FOOTNOTE CHANGES*

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*Chapter numbers refer to Laws 2022, 2nd Regular Session.

FY 2023 BUDGET RECONCILIATION BILL PROVISIONS

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

AMUSEMENTS – CHAPTER 306 (HB 2855)

	<u>Section</u>
Department of Gaming	
1. As session law, continues to set the Racing Wagering Assessment at 0.5% in FY 2023 only.	AMUS 5
2. As permanent law, amend A.R.S. § 5-1318 to transfer 90% of the monies deposited into the Event Wagering Fund from the prior month to the State General Fund.	AMUS 3,4
3. As permanent law, amend A.R.S. § 5-1212 to specify that any revenues in excess of the amount appropriated from the Fantasy Sports Fund be transferred to the General Fund at the end of each fiscal year.	AMUS 2
4. As permanent law, limit the Department of Gaming privilege fees applied to fantasy sports contest operator revenue and event wagering operator revenue to 10%. Currently, the department assesses the following privilege fees: 5% for fantasy sports contest operator revenue, 8% for event wagering operator revenue (retail wagers), and 10% for event wagering operator revenue (mobile wagers).	AMUS 1,4

AUTOMATION – CHAPTER 307 (HB 2856)

	<u>Section</u>
Arizona Department of Administration	
5. As permanent law, amend A.R.S. § 18-401 to increase the information technology pro rata from 0.43% to 0.61% for increased Cybersecurity costs.	AUT 1
6. As permanent law, transfer unexpended and unencumbered monies remaining in an agency's Automation Projects Fund subaccount to their fund of origin upon completion of a project. Require ADOA to report on each Automation Project Fund reversion made in the prior fiscal year to the JLBC Staff and OSPB. Also repeals comparable FY 2022 Procedures BRB provision.	AUT 2,3
7. As permanent law, transfer the existing School Safety Interoperability Fund from the Treasurer to the Department of Administration, make the fund non-appropriated, and require ADOA to distribute funding as grants to county sheriffs or cities implementing eligible systems that include remote lockdown capabilities (in addition to retaining the existing requirements).	AUT 4

BUDGET IMPLEMENTATION – CHAPTER 308 (HB 2857)

	<u>Section</u>
Statewide	
8. As session law, continues to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.	BI 6
9. As session law, continues to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund through FY 2025. Also notwithstanding the 10% BSF cap for FY 2023.	BI 7
Arizona Department of Administration	
10. As permanent law, establish the appropriated Cyber Risk Insurance Fund for costs associated with a Cybersecurity Risk Management program.	BI 1,2
Arizona Commerce Authority	
11. As permanent law, establish the Major Events Fund consisting of monies appropriated by the Legislature for a special event promotion and attraction pilot program. Monies are non-lapsing and can be used for planning and operations of competitively bid major events, grants to local organizing committees for infrastructure and operations costs of major events, and other	BI 4,5

economic development activities associated with major event operations. Require ACA to report semi-annually on expenditures. Also repeals comparable FY 2022 Procedures BRB provision.

Legislative Council/Ombudsman-Citizens Aide

12. As permanent law, remove the requirement that Legislative Council request funding for the Ombudsman-Citizens Aide budget. BI 3

COURTS – CHAPTER 310 (HB 2859)

- | | <u>Section</u> |
|---|-----------------|
| Judiciary | |
| 13. As session law, amend Laws 2018, Chapter 278, Section 17 as amended by Laws 2021, Chapter 403, Section 24 to allow the Supreme Court to spend money on a new appellate case management system in FY 2023. | CRTS 6 |
| 14. As permanent law, allow a petit juror in the Superior Court to be eligible for replacement and supplemental earnings after one day of service. | CRTS 4 |
| 15. As permanent law, change the name of the Arizona Lengthy Trial and Digital Evidence Fund to the "Arizona Trial and Digital Evidence Fund." | CRTS 1 |
| 16. As permanent law, add new 3-judge Court of Appeals panels to Division I and Division II of the Arizona Court of Appeals, makes 4 judges in Division I and 3 judges in Division II "at-large" judges who can reside in any county in the judges' division, and allows cases to be transferred between divisions. As session law, allow the Chief Judge of each division to designate specialized departments to process different types of cases and requires the Administrative Office of the Courts to evaluate the distribution of cases between divisions and submit a report on the findings to JLBC and OSPB by January 1, 2025. | CRTS
2,3,7,8 |

State Treasurer

17. As permanent law, amend A.R.S. § 22-117 to raise the portion of justice of the peace compensation and Employee Related Expenditures paid by the state to 40% from 19.25%. CRTS 5

CRIMINAL JUSTICE – CHAPTER 311 (HB 2860)

- | | <u>Section</u> |
|---|----------------|
| Attorney General | |
| 18. As session law, notwithstanding the \$50 per hour fixed fee in A.R.S. § 41-191(D) for counsel appointed in suits to enforce state or federal statutes pertaining to antitrust, restraint of trade, or price-fixing activities or conspiracies pursuant to A.R.S. § 41-4801 through 41-4804. | CJ 8 |
| Arizona Criminal Justice Commission | |
| 19. As permanent law, establish the State Aid for Juvenile Dependency Proceedings Fund consisting of legislative appropriations. The fund is continuously appropriated and administered by the Arizona Criminal Justice Commission. Monies are non-lapsing and can be used to provide state aid to county public defenders, legal defenders, and contract indigent defense counsel for the processing of juvenile dependency cases. | CJ 6,7 |
| Arizona Department of Corrections | |
| 20. As permanent law, require ADC to establish the Community Treatment Program for Imprisoned Women by contracting with a non-profit organization to provide a facility for imprisoned women that have given birth while incarcerated. The program must provide additional treatment and services including substance abuse treatment, parenting skills, education and employments skills, and workforce training. To be eligible for the program, imprisoned women must give birth in prison and be scheduled for release within 5 years. Subject to available monies, the department is required to place up to 20 women in the program in the first year, and up to 50 women in the program beginning in year 2. | CJ 2 |

Department of Emergency and Military Affairs

21. As permanent law, create the Antihuman Trafficking Grant Fund. The fund is continuously appropriated and administered by the Department of Emergency and Military Affairs. Monies in the fund can be distributed to organizations to reduce human trafficking in the state. CJ 1

Department of Public Safety

22. As permanent law, create a Major Incident Division (MID) with the department to conduct independent investigations of critical force incidents. Requires each law enforcement agency in Arizona to require the MID, a regional law enforcement task force, or another law enforcement agency to perform the investigation of any critical force incidents in the state. CJ 3,4,9
23. As permanent law, remove the Peace Officers’ Training Fund as a recipient of the Criminal Justice Enhancement Fund (CJEF) distribution and reallocates the monies to all other CJEF recipients. CJ 3,5

ENVIRONMENT – CHAPTER 312 (HB 2861)

Section

Arizona Department of Agriculture

24. As session law, continues fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2023, including legislative intent that limits additional revenues to \$357,000. ENV 9

Arizona Commerce Authority

25. As permanent law, establish the non-appropriated Water Infrastructure and Commerce Grant Fund consisting of legislative appropriations, donations, and federal monies to provide water infrastructure grants to public service corporations acting on behalf of an employer with at least 250 employees and is located in a county with a population of more than 400,000 and less than 1,000,000. Up to 1% of monies in the fund may be used for annual administration costs. Requires the authority to submit a report to JLBC on December 15 of each year that includes actual expenditures from the fund by project and an expenditure plan for any remaining monies. ENV 1

Department of Environmental Quality

26. As session law, continues to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2023 for department administrative expenses and for sewage remediation. ENV 5
27. As session law, continues to 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. ENV 7
28. As session law, continues to charge fees that are not greater than the FY 2022 level of vehicle emissions inspection fees in FY 2023. ENV 8
29. As permanent law, establish a direct potable reuse of treated wastewater program in the Department of Environmental Quality by December 31, 2024. Monies collected by the program are to be deposited in the Water Quality Fee Fund. ENV 2-3

Arizona Navigable Stream Adjudication Commission

30. As session law, continues to allow use of the Water Banking Fund for the commission’s legal obligations. ENV 6

Department of Water Resources

31. 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 2023. ENV 4

HEALTH CARE – CHAPTER 314 (HB 2863)

	<u>Section</u>
Arizona Department of Administration	
32. As permanent law, establish a health care interoperability grant program in ADOA with the purpose of providing grant for an interoperability software technology solution to support rural hospitals, health care providers and urban trauma centers to reducing public and private health care costs and unnecessary transportation costs. Requires the grantees to demonstrate proof of veteran employment and report on cost savings and effectiveness of interpretability system and requires the department to submit a consolidated report on grantees annually. Defines rural counties as having a population of less than 900,000.	HLTH 5,6
AHCCCS	
<i>Rates and Services</i>	
33. As session law, continues the FY 2010 risk contingency rate reduction for all managed care organizations. Continues to impose a reduction on funding for all managed care organizations administrative funding levels.	HLTH 21
34. As permanent law, require AHCCCS to cover medically necessary chiropractic services ordered by a primary care physician and submit a report documenting chiropractic service utilization and cost savings by January 21, 2027.	HLTH 3,24
35. As permanent law, expand AHCCCS eligibility to women less than one year postpartum with a family income not exceeding 150% FPL.	HLTH 2,27
<i>Counties</i>	
36. As session law, set the FY 2023 county Arizona Long Term Care System (ALTCS) contributions at \$352.7 million.	HLTH 14
37. As session law, set the County Acute Care contribution at \$44,917,500.	HLTH 17
38. As session law, continues to exclude Proposition 204 administration costs from county expenditure limitations.	HLTH 19
39. As session law, continues to require AHCCCS to transfer any excess monies back to the counties by December 31, 2023, if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.	HLTH 16
<i>Hospitals</i>	
40. As session law, continues to establish FY 2023 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (MIHS), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. Keep the MIHS distribution of \$113,818,500 in FY 2023.	HLTH 15
41. As session law, continues to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow MIHS to be eligible for Pool 5 allocations. Permit local jurisdictions to provide additional local match for Pool 5 distributions.	HLTH 15
42. As session law, modify distribution of FY 2021, FY 2022 and FY 2023 private disproportionate share hospital payments to reflect new 2020 census figures. Places certain Pinal County hospitals below other rural hospitals but above urban hospitals.	HLTH 7,13
43. As session law, provide a rulemaking exemption for the expanded Health Care Investment Fund assessment.	HLTH 23
<i>Available Funding</i>	
44. As session law, continues to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.	HLTH 26
Department of Health Services	
45. As session law, continues to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.	HLTH 20
46. As session law, continues to notwithstanding A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services.	HLTH 22
47. As permanent law, establish the Behavioral Health Care Provider Loan Repayment Program to provide loan repayment assistance to behavioral health technicians, nurses, physicians,	HLTH 1

- psychiatrists, psychologists, and other behavioral health providers who agree to work in a behavioral health hospitals or behavioral health residential facility for at least 2 years. Awards are limited to the amount of principal, interest and related expenses of educational loans and are capped at \$50,000 in the first 2 years of service and \$25,000 for subsequent years.
48. As session law, require DHS to distribute monies appropriated for accelerated nursing programs as follows: HLTH 18
- \$6,000,000 to a private university with a health sciences campus located in Phoenix for capital costs associated with adding a new cohort of accelerating nursing students.
 - \$44,000,000 to public and private universities and community colleges for the purpose of expanding accelerated nursing programs. Requires at least 80% of the monies to be used for scholarship costs and no more than 20% to be used for faculty and equipment costs. Requires scholarship recipients to practice nursing in Arizona for at least 4 years after graduation. States that priority will be given to 12-month programs, but programs up to 18 months in length are also eligible. Requires students to reimburse universities if the service commitment is not fulfilled. States that the monies do not supplant other institutional aid sources and may only be used for newly added program seats. Requires recipients to report annually on the number of students awarded a scholarship, number of students completing a service commitment, and the number of students required to provide reimbursement.
49. As session law, accelerate the transfer of the Psychiatric Security Review Board to the Superior Court from June 30, 2023 to January 1, 2023. HLTH 8-12
50. As session law, provide a rulemaking exemption for air ambulance service medical staffing. HLTH 25

State Treasurer

51. As permanent law, establish the non-appropriated Arizona Health Innovation Trust Fund. Requires the State Treasurer to annually allocate 4% of the monies in the fund to a qualified 501(c)(3) organization which meets specified requirements. HLTH 4

HIGHER EDUCATION – CHAPTER 315 (HB 2864)

Section

Arizona Community Colleges

52. 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 2023 for only Maricopa and Pima Counties. HEd 9
53. 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 2023. HEd 8
54. As permanent law, reduce the out-of-county reimbursement amounts due from Apache and Greenlee Counties to the community college districts and require the difference to be paid by the General Fund. HEd 1,4,6

Universities

55. 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). HEd 7
56. As permanent law, establish the Spouses for Military Veterans Tuition Scholarship Fund administered by the Arizona Board of Regents to provide scholarships to resident students who are spouses of honorably discharged veterans on a first-come first-serve basis for up to 4 academic years/8 semesters. HEd 3
57. As permanent law, establish the non-appropriated Veterinary Loan Assistance Program Fund for costs associated with a Veterinary Loan Assistance Program. Allows up to 3% of monies in the fund to be used for administrative expenses. HEd 2
58. As session law, direct ADOA to convey the Mining, Mineral and Natural Resources Museum to the University of Arizona. The prior conveyance expires in June 2022. HEd 5

HUMAN SERVICES – CHAPTER 316 (HB 2865)

	<u>Section</u>
Department of Child Safety	
59. As permanent law, set the minimum monthly stipend for foster youth enrolled in the Independent Living Program shall be no less than \$1,200.	HS 1
Department of Economic Security	
60. 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.	HS 5
61. As permanent law, establish the Developmental Disabilities Group Home Monitoring Pilot Program.	HS 2,3,4

K-12 EDUCATION – CHAPTER 317 (HB 2866)

	<u>Section</u>
Department of Education	
<i>Formula Requirements</i>	
62. As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school “Additional Assistance” amounts (A.R.S. § 15-185B4) by 2.0% for standard inflation. Provides an additional 5.88% increase to the Base Level over and above the regular inflation adjustment in FY 2023 for a total adjustment of 8.76%. Results in an FY 2023 Base Level of \$4,775.27.	K12 1,5,9
63. As permanent law, increase the Group B weight for children with developmental delays, emotional disabilities, mild intellectual disabilities, a specific learning disability, a speech language impairment, or other health impairments from 0.093 to 0.292 (increase of \$950 per pupil).	K12 8
64. As permanent law, establish new Group B weight in Basic State Aid formula of 0.018 (approximately \$86 per pupil) for children eligible for the federal Free-and Reduced Price Lunch (FRPL) program.	
65. As permanent law, eliminate the 1.25% increase to the Base Level for school districts associated with Additional Monies for Teacher Compensation established in A.R.S. 15-952.	K12 4,5,6,10, 11,15,16
66. As permanent law, allocate \$47,900,000 to increase District Additional Assistance (DAA) per pupil formula allocations by an average of \$55 per pupil. The adjustment will increase the General Fund the DAA per pupil formula amounts by 11.44% in FY 2023.	K12 12
67. As permanent law, allocate \$12,100,000 to increase Charter Additional Assistance (CAA) per pupil formula allocations by an average of \$55 per pupil. The adjustment will result in a 2.62% increase above regular inflation (for total increase of 4.62%) in FY 2023.	K12 1
68. As permanent law, allow county jail education programs to receive state aid for inmates ages 18-21 who do not have a disability and do not have a high school diploma or general equivalency diploma.	K12 7
<i>Results-Based Funding</i>	
69. As session law, continue to notwithstanding A.R.S. § 15-249.08 to fund Results-Based Funding in FY 2023 as follows: <ul style="list-style-type: none"> – \$225 per pupil to schools with statewide assessment scores in the top 13% statewide – \$225 per pupil to schools with statewide assessment scores between the top 13% and 27% among schools with at least 60% FRPL-eligibility – \$400 per pupil to schools with statewide assessment scores in the top 13% among schools with at least 60% FRPL-eligibility – \$400 per pupil for alternative schools in the top 27% among schools with at least 60% FRPL-eligibility. 	K12 22

Other

70. As session law, continues to state 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. K12 24
71. 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 2023. K12 19
72. As permanent law, eliminate the State Equalization Tax Rate. K12 4,13, 14,18,19,21
73. As permanent law, establish the Code Writers Initiative Program within ADE to provide competitive grants to be used for computer code writing instruction for Native American students. Requires grantees to report to the President of the Senate, the Speaker of the House, the Indian Advisory Council, and the Department of Education on their use of the grants by September 1 annually. K12 3
74. As permanent law, require SBE, in cooperation with ADE, to adopt performance measures for adult education and workforce development programs in Arizona by July 1, 2024. K12 2
75. As permanent law, establish the Continuing High School and Workforce Training Program within the State Board of Education to provide adults with alternative study services that lead to the issuance of a high school diploma and industry-recognized credentials. ADE shall administer the program. SBE shall authorize eligible service providers that have established a partnership with a school district or charter school that is not otherwise receiving Basic State Aid funding for participating adult students. Participating schools shall receive \$7,700 per student. Total participation is capped at 600 students in FY 2023, 1,000 students in FY 2024, and 1,400 students in FY 2025. If the number of program students exceeds the participation thresholds, ADE shall prioritize funding for programs demonstrating the highest performance. K12 2
76. As permanent law, require ADE to submit a report to the Governor, the President of the Senate, and the Speaker of the House, and SBE by December 15, 2025 and each year thereafter evaluating the effectiveness of the Continuing High School and Workforce Training Program. K12 2
77. As permanent law, establish the Adult Workforce Diploma Program within the State Board of Education (SBE) to individuals 21 years or older to earn a high school diploma and employment skills. ADE shall administer the program. Providers may furnish services in a campus-based, online, or blended format. K12 2
78. As permanent law, establish the Adult Workforce Diploma Program Fund to be administered by ADE. The fund shall consist of legislative appropriations, gifts, grants, and other donations and is non-lapsing. Monies in the fund shall be used to make payments to approved providers in the Adult Workforce Diploma Program of \$1,000 per recipient that earns a high school diploma and lower awards for other specified program milestones. ADE shall distribute the full award amounts on a first-come-first-serve basis. K12 2
79. As permanent law, require SBE, in consultation with ADE, to approve qualified program providers in the Adult Workforce Diploma Program by October 15 annually. Establishes reporting requirements for approved program providers and stipulates that SBE shall revoke an approved provider's authorization after 2 years if the provider that does not achieve a graduation rate of at least 50% or has an average cost per student that exceeds \$7,000. K12 2
80. As permanent law, establish the Community College Adult Education Workforce Development Program within SBE, to be administered by ADE. The program shall provide adult learners with education programs and support services to adult learners that lead to both a high school diploma and an industry-recognized credential or community college degree. Support services may include transportation assistance, child care, college and career counseling, and job placement assistance. K12 2
81. As permanent law, establish the Community College Adult Education Workforce Development Program Fund to be administered by ADE. The fund shall consist of legislative appropriations, gifts, grants, and other donations and is non-lapsing. Monies in the fund shall be used to make payments to Community Colleges that offer a high school diploma and that provide workforce training leading to industry recognized credentials. Stipulates that payments shall be up to \$3,000 per full-time program participant and may be distributed proportionally among program providers based on their number of enrolled adult students. K12 2

- 82. As permanent law, require community colleges participating in the Community College Adult Education Workforce Development Program to submit a report by October 30 annually to ADE that details the number of participants, the completion rate and average progress toward a high school degree, the number of industry-recognized credentials and community college credits earned, and other specified information. ADE shall compile and submit the reports to the Governor, the Speaker of the House, the President of the Senate, and SBE by December 15 annually. K12 2
- 83. As permanent law, establish the Arizona Empowerment Scholarship Accounts Parent Oversight Committee. The committee would consist of 6 parents of children participating in the ESA program. The President of the Senate, the Speaker of the House, the Senate Minority leader, and the House Minority leader would each have 1 appointment to the Committee. The Governor would have 2 appointments to the committee. The committee shall review ADE's administration of the ESA program. K12 17
- 84. As permanent law, establish the Invest in Postsecondary Success Program within ADE. Requires the department to contract with a nonprofit vendor that provides college match savings accounts for students that match each dollar saved by the student with \$8 and that meets other eligibility criteria. Establishes the Invest in Postsecondary Success Program Fund consisting of legislative appropriations. ADE may use monies in the fund for administrative costs and distributions to the contracted vendor. Monies in the fund are non-appropriated and non-lapsing. K12 3
- 85. As session law, allow schools districts to revise their FY 2023 primary and secondary property tax rates prior to August 1, 2022 to allow school districts to account for legislatively-enacted K-12 funding changes that occur after June 20, 2022. K12 23

Arizona Department of Administration – School Facilities Division

- 86. As permanent law, require ADOA to report any unobligated funding in the Building Renewal Grant Fund to OSPB and JLBC Staff by June 30th of each year. K12 20

LOCAL GOVERNMENT – CHAPTER 318 (HB 2867)

Section

Counties and Cities & Towns

- 87. 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 2023, up to \$1,250,000 of county revenue for each county. Continues to require counties using this authority to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2022. LG 1

MANAGEMENT OF STATE BUILDINGS – CHAPTER 319 (HB 2868)

Section

Statewide

- 88. As session law, continues to set the FY 2022 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration (ADOA) at \$17.87/square foot for rentable office space and \$6.43/square foot for rentable storage space. MSB 4
- 89. As permanent law, allow ADOA to approve whole or partial rent exemptions without recommendation from the Joint Committee on Capital Review. ADOA is required to report each proposed rent exemption to the Joint Legislative Budget Committee staff before approval. MSB 1
- 90. As permanent law, require all agencies to provide quarterly reports to the Joint Legislative Budget Committee staff and the Governor's Office of Strategic Planning and Budgeting on the status of all capital projects and capital expenditures through the life of a project. Reports are bases on spending of appropriated funding. MSB 3

Arizona Department of Administration

91. As session law, deposit direct sale proceeds from the properties at 519 Beale Street in Kingman and 1919 West Jefferson in Phoenix, into the Capitol Mall Consolidation Fund. MSB 5
92. As permanent law, amend A.R.S. §41-791.01 to provide the Department of Administration the authority for the management of buildings within the capitol mall complex once the certificates of participation are retired and the buildings released as collateral. This excludes the following certificates related to State prisons which are not within the capitol mall complex: COP2016 (Kingman Prison) and COP2017 (4,000 Prison Beds, Prison Wastewater). Require ADOA to submit in its annual budget request any costs to COSF associated with the retirement of certificates of participation. MSB 1

Legislative Council/Ombudsman-Citizens Aide

93. As permanent law, remove the requirement that the Ombudsman-Citizens Aide Office not be located within a state office building complex or adjacent to another a state agency. MSB 3

PROCUREMENT – CHAPTER 320 (HB 2869)

Section

Department of Revenue

94. As session law, require DOR to review any bid from a vendor who has developed, in whole or in part, of similar size and complexity of the DOR tax system. In soliciting bids, DOR may not include any mandatory minimum qualifications. PROC 2

Secretary of State

95. As permanent law, cap the procurement exemption for the Library, Archives and Public Records Division at \$150,000. Also repeals comparable FY 2022 Procedures BRB provision. PROC 1

TRANSPORTATION – CHAPTER 322 (HB 2872)

Section

Game and Fish Department

96. As permanent law, establish two separate non-appropriated funds : a) the AGFD Fleet Vehicle Replacement Fund consisting of monies deposited pursuant to the AGFD fee schedule for replacing and purchasing vehicles and equipment and b) the AGFD Fleet Operations Fund consisting of monies deposited pursuant to the AGFD fee schedule for vehicle maintenance and operations. TR 2

Judiciary

97. As permanent law, establish a separate non-appropriated State Court Fleet Operations and Replacement Fund consisting of proceeds from the sale of the Court's surplus motor vehicles for Court motor vehicle replacements and vehicle replacement fees. TR 1,7

Department of Transportation

98. As permanent law, establish the State Match Advantage for Rural Transportation Fund consisting of monies appropriated to the fund by the Legislature for the purposes of assisting political subdivisions outside of Maricopa and Pima Counties and the Arizona Department of Transportation with costs associated with applying for and securing federal transportation grants for projects outside of Maricopa and Pima Counties. The fund will allocate available monies as follows: TR 3,5
- 40% to counties, with half going to counties larger than 100,000 persons, half to smaller
 - 40% to municipalities, with half going to municipalities larger than 10,000 persons, half to smaller
 - 20% to ADOT for projects on the system outside of Maricopa and Pima Counties
- ADOT may utilize 1% of the total funding from the ADOT portion for administrative costs to manage the grant program. These grants can be utilized for one of the following:

- Shovel ready costs for a project that meets federal requirements
 - Application fee to apply for the competitive grant, and
 - The matching portion to draw down the competitive federal funding.
99. As permanent law, the ADOT “Transportation Department Equipment Fund” is renamed “ADOT Fleet Operations Fund”. TR 6
100. As permanent law, exempt ADOT from the statewide State Fleet. TR 4

TAX OMNIBUS – CHAPTER 321 (HB 2871)

	<u>Section</u>
Department of Revenue	
101. As permanent law, require the Department of Revenue to charge a fee to local governments from FY 2023 through FY 2028 to recover a portion of administrative, development and other operating costs incurred in implementing the integrated tax system modernization project at the department. The monies would be deposited into the Department of Revenue Integrated Tax System Project Fund. Permits local governments to meet their obligations from any source of revenue. Requires that a portion of revenues from the 0.6% education sales tax as well as the 16% recreational marijuana excise tax be transferred to the department’s Integrated Tax System Project Fund.	TO 6
102. As session law, stipulate legislative intent that fees charged to local governments not exceed \$5,388,200 in FY 2023 and be allocated among counties, cities and towns, councils of governments and regional transportation authorities located in a county with a population of more than 800,000 based on the proportionate share of revenues distributed to them two fiscal years prior to the current fiscal year. Provides that population is the basis for determining the apportioning of the fees among counties as well as among cities and towns.	TO 18
103. As session law, stipulate legislative intent that the amount transferred from the 0.6% education sales tax and the 16% recreational marijuana excise tax to the department to cover a portion of the costs of implementing the integrated tax system modernization project not exceed \$653,400 and \$145,500, respectively, in FY 2023.	TO 18
104. As permanent law, establish the Department of Revenue Integrated Tax System Project Fund consisting of monies deposited into the fund from the fees assessed to local governments and revenues transferred from the 0.6% education sales tax and 16% recreational marijuana excise tax. The fund is subject to legislative appropriation and the monies in the fund shall be used solely for the administrative, development and other operating costs incurred in implementing the integrated tax system modernization project at the department.	TO 6
105. As permanent law, amend A.R.S. § 42-5029.02 to authorize monies from the 0.6% education sales tax to be transferred to the Department of Revenue Integrated Tax System Project Fund. The amounts transferred would cover the department’s tax system upgrade costs related to collecting the 0.6% education sales tax.	TO 4
106. As permanent law, establish the Department of Revenue tax system modernization project advisory committee which shall serve as a liaison between the department and users of the tax system. The Director of DOR shall serve as chairperson of the committee, which sunsets December 31, 2029. The committee shall consist of the following members: <ul style="list-style-type: none"> – One member appointed by the President of the Senate – One member appointed by the Speaker of the House of Representatives – The Auditor General, or the Auditor General's designee (non-voting member) – The JLBC Director, or the Director's designee (non-voting member) – The OSPB Director, or the Director's designee – The Director of the Department of Revenue, or the Director's designee – The Director of the Department of Administration, or the Director's designee – A representative from a city or town in this state, appointed by the DOR director – A representative from a county in this state, appointed by the DOR director – A representative from the business community, appointed by the DOR director 	TO 2,3
107. As permanent law, require DOR to maintain an individual income tax model that estimates the fiscal impact of proposed individual income tax legislation. Require that the staff of DOR, JLBC,	TO 14

and OSPB have access to the model when the Integrated Tax System Modernization Project developed pursuant to A.R.S. § 42-5041 is completed.

Tax Provisions

- 108. As permanent law, expand an existing sales tax exemption to include the purchase of used (as opposed to only new) agricultural machinery and equipment and short-term rentals of agricultural machinery and equipment (leases for less than 2 years). Provide a new sales tax exemption for “Off-Highway Vehicles” that have been modified to be used for agricultural purposes. TO 7-9,
11,22,24
- 109. As permanent law, limit the annual increase of the average fair market value of aircraft for the purpose of assessing the aircraft license tax to the annual percentage change of the U.S. Consumer Price Index. Benchmark the FY 2022 value of aircraft to the 2019 average fair market value. As session law, require a credit to be applied in FY 2023 to any aircraft that was assessed and paid an aircraft license tax in FY 2022 that exceeds the benchmark. TO 1,19,23
- 110. As permanent law, add clarifying language retroactively from January 1, 2015 with respect to transaction privilege tax and use tax exemption for containment structures enacted by Laws 2021, Chapter 412. TO 7,8,
10-13,
16,17,24
- 111. As permanent law, increase the aggregate cap, from \$50 million to \$100 million, for the total amount of state Transaction Privilege Tax (TPT) that the state is allowed to distribute to cities or counties to fund up to 80% of the costs of public infrastructure improvements needed to support manufacturing facilities. TO 5
- 112. As permanent law, retroactive to TY 2022, provide that the income tax rate paid by the partners or shareholders of a business organized as a pass-through-entity and elected to be taxed at the entity-level, is the same as that paid by other individual income taxpayers. TO 15

Transaction Privilege Tax (TPT) Diversion

- 113. As session law, during FY 2023 divert \$1,618,489,600 of General Fund transaction privilege tax (TPT) revenues to various non-General Fund agency funds. The distributions may be made in even monthly installments. Includes legislative intent that the distributions will not impact TPT revenues shared with cities and counties. The diverted amount will be allocated as follows: TO 20
 - ADOT State Highway Fund: \$925,447,500
 - ADOT State Aviation Fund: \$20,600,000
 - DEMA Border Security Fund: \$209,205,000
 - Budget Stabilization Fund: \$425,000,000
 - Parks Board State Parks Revenue Fund: \$38,237,100
- 114. As session law, require the Directors of JLBC and OSPB to add the total amount of TPT distributions to various non-General Fund agencies in FY 2023 to the actual amount of General Fund revenue reported for FY 2023, excluding the beginning balance, for the purposes of determining the TY 2024 income tax rate under the previously enacted “revenue triggers” (enacted by Laws 2021, Chapter 412). TO 21

FY 2023 GENERAL APPROPRIATION ACT PROVISIONS – CHAPTER 313 (HB 2862)/CAPITAL OUTLAY – CHAPTER 309 (HB 2858)

The budget 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.

	<u>Section</u>
Department of Education	
1. As session law, reduce deferral of FY 2023 Basic State Aid payments from \$865,727,700 in FY 2022 to \$800,727,700 in FY 2023. Eliminate deferral for districts with more than 2,000 but less than 4,000 students. Continue to exempt districts with less than 4,000 students from the deferral, an increase from 2,000 students in FY 2022. Appropriate \$800,727,700 in FY 2024 for these deferred Basic State Aid payments. Allow ADE to make the rollover payment no later than July 12, 2023	122
2. As session law, continue to require school districts to include in the FY 2023 revenue estimates that they use for computing their FY 2023 tax rates the rollover monies that they will receive for FY 2023 in July 2023.	122
Revenues	
3. As session law, continue to specify revenue and expenditure estimates for FY 2022, FY 2023, FY 2024, and FY 2025.	136
4. As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2022 ending balances by September 15, 2022. Require the Joint Legislative Budget Committee (JLBC) Staff to report to JLBC by October 15, 2022, as to whether FY 2023 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections.	136
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.	132
6. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2023 in all agencies and provide it to the Director by October 1, 2023. The Universities are exempt from the report but are required to report separately.	133
7. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2022, on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2022.	134
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.	135
9. As session law, require the following entities to report quarterly on all expenditures through the end of FY 2025 to the Senate President, Speaker of the House of Representatives, Appropriations Committee chairmen, and the JLBC Director on the use of monies received from the American Rescue Plan Act (ARPA):	131
– The Governor's Office would report on the ARPA Coronavirus State Fiscal Recovery Fund and the Coronavirus Capital Projects Fund under ARPA. Would also require reporting prior to spending more than \$10,000,000.	
– The Superintendent of Public Instruction would report on the Elementary and Secondary School Emergency Relief Fund. Would also require reporting prior to spending more than \$10,000,000.	
– The Arizona Board of Regents 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 2023.	
General	
10. As session law, continue to define "*" as designating an appropriation exempt from lapsing.	137

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| 11. | As session law, continue to define "expenditure authority" as continuously appropriated monies included in individual line items of appropriations. | 138 |
| 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. | 139 |

FY 2023 MAJOR FOOTNOTE CHANGES – CHAPTER 313 (HB 2862)

The Budget 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.

		<u>Section</u>
Arizona Department of Administration		
13.	Deletes footnote requiring the department to charge state agencies not more than \$10.42 per user per month for the statewide email and calendar service.	5
14.	Modifies a footnote to no longer require Joint Legislative Budget Committee (JLBC) review of a report on travel reduction pilot programs but continues to require the report.	5
15.	Adds footnote lapsing the Health Care Interoperability Grant funding at the end of FY 2025.	5
16.	Adds footnote specifying \$1,000,000 of the Election Security Grants line item shall be distributed to county recorders to test ballot paper in tabulation systems with specific security features including watermarks and/or a unique ballot identifier. The testing cannot make the ballot identifiable to a particular elector. The department shall distribute funding such that ballot security features and paper shall be tested in at least one county for each ballot tabulation company currently used in the state of Arizona. The department shall report on the recommended ballot security features shall be submitted to the President of the Senate, Speaker of the House, and Secretary of State no later than May 1, 2023.	5
17.	Adds footnote specifying \$500,000 of the Election Security Grants line item shall be distributed to counties for the cost to procure, install and maintain 24/7 smart and secure ballot boxes as follows: 6 ballot boxes in Cochise County, 7 ballot boxes in Yuma County, and 3 ballot boxes in Pinal County.	5
18.	Adds footnote delineating that the Fire Incident Management line item shall be used for grants to local fire districts for fire incident management hardware and software. The appropriation is nonlapsing.	5
19.	Adds footnote requiring the department to report to the JLBC and OSPB within 10 days of executing the debt retirement or defeasance of financing agreements paid off in this budget on the date and final cost of each retirement or defeasance. Reverts any amounts remaining after the payments to the General Fund.	99
20.	Adds footnote allocating monies from the School Safety Interoperability Fund to county sheriffs and city police.	5
21.	Adds footnote extending the lapsing date of the FY 2022 appropriation for the repair of the Enduring Freedom Memorial through FY 2023.	5
22.	Adds footnote to extend by one fiscal year the \$7.2 million FY 2022 appropriation from the Department of Education Automation Projects Fund subaccount for the replacement of the school finance system.	1
Arizona Department of Agriculture		
23.	Adds footnote to extend by one fiscal year any unexpended monies from the \$2.0 million appropriation to the Department of Agriculture made by Laws 2021, Chapter 408, Section 8.	9
AHCCCS		
24.	Adds footnote requiring the Arizona Strategic Enterprise Technology (ASET) Office to submit an expenditure plan on behalf of the Department to the JLBC for review prior to the expenditure of any monies for the replacement of prepaid Medicaid management information system. The expenditure plan shall include the project cost, deliverables, and timeline for completion and method of procurement consistent with the Department's prior reports for its appropriations from the Automation Projects Fund (APF).	10

25.	Adds footnote stating that the \$8.9 million appropriation for services to eligible women who are less than one year postpartum is contingent on CMS approval by July 1, 2023.	10
26.	Adds footnote stating that the ALTCS line item appropriation includes \$24.2 million from the General Fund, \$19.4 million from county funds, and \$100.1 million from expenditure authority to fund an 11% increase to HCBS and SNF provider rates.	10
27.	Adds footnote stipulating that, subject to approval by the Centers for Medicare and Medicaid Services, AHCCCS shall distribute a differential adjusted payment of \$1,250 per day to a 24-bed pediatric skilled nursing facility.	10
28.	Adds footnote allocating \$5 million each for the construction of 5 secure behavioral health residential facilities (SBHRF), with priority given to providers that can open in 12 months. Requires 3 SBHRFs be located in the central region, 1 SBHRF in the south region, and 1 SBHRF in the north region.	10
29.	Adds footnote increasing the physician fee schedule rates associated with the AHCCCS global obstetrical package by 88%.	10
30.	Adds footnote indicating that the Health Care Investment Fund assessment includes \$400 million expenditure authority for expanded directed payments.	10
31.	Modifies footnote to increase threshold for JLBC review of policy changes from \$500,000 to \$1,000,000.	10
32.	Modifies footnote to remove language requiring AHCCCS to prioritize hospitals in counties with a higher percentage of people residing in health professional shortage areas. Applies to the urban portion of the graduate medical education pool.	10
33.	Adds footnote stating that the appropriated amount includes \$7.5 million GF and \$25.2 million EA for a 2.5% increase to outpatient behavioral health fee schedule. Includes reporting requirement.	10
34.	Continues footnote requiring AHCCCS to provide quarterly reports to the JLBC reflecting changes to the administration's ARPA HCBS spending plan. States that the ALTCS services line item includes \$237.2 million from expenditure authority to implement AHCCCS's ARPA HCBS spending plan in FY 2023. Specifies that the appropriation may not be used for marketing purposes, directs AHCCCS to include notification that monies direct payments/grants are one-time, and exempts the appropriation from lapsing.	10
Attorney General		
35.	Adds footnote stipulating that the FY 2022 appropriation of \$500,000 from the Risk Management Revolving Fund for one-time election litigation expenses is non-lapsing through FY 2023.	13
Department of Child Safety		
36.	Modifies footnote regarding reporting benchmarks by eliminating the out-of-home caseload benchmark and adding a requirement for a benchmark based on the number of out of home placements lasting at least 18 months. That benchmark would be based upon the caseload reported on February 28, 2023, for December 2022.	17
37.	Adds footnote requiring DCS to report to the JLBC on or before March 31, 2023 on the number of children in the kinship stipend program who are placed with a person who is not related to the child.	17
38.	Adds footnote outlining distribution of Qualified Residential Treatment Program provider rate increase.	17
Arizona Commerce Authority		
39.	Adds footnote outlining guidelines for the distribution of the monies in the Blockchain/Wearable Research line item. Exempts the appropriation from lapsing through FY 2026.	19
40.	Adds footnote extending the lapsing date of the FY 2022 deposit into the Major Events Fund through FY 2023.	
Department of Corrections		
41.	Modifies FY 2022 footnote requiring ADC to continue submitting semi-annual report to JLBC on the inmate health care performance measures tracked by the department for contract monitoring purposes.	23

- 42. Modifies footnote requiring JLBC review of capacity changes only if the department opens or closes 100 or more state-operated or private prison beds. 23
- 43. Adds footnote requiring the department to submit actual FY 2022, estimated FY 2023, and requested FY 2024 expenditures when the department submits its FY 2024 budget request. (Previously included in the Criminal Justice Budget Reconciliation Bill) 23
- 44. Adds footnote specifying that the appropriation includes \$17,505,300 from the General Fund to provide a 20% salary adjustment at private prisons beginning and after July 8, 2022. 23
- 45. Adds footnote allowing the private prisons to utilize vacancy savings to pay overtime costs. Also allows ADC to transfer department vacancy savings to the private prison per diem SLI to pay for stipends for private prison staff commensurate with stipends given to ADC staff. ADC is required to submit an expenditure plan to JLBC, but it is not subject to JLBC review. 23
- 46. Adds footnote exempting the one-time vehicle replacement funding from lapsing through FY 2024. 23

Arizona Criminal Justice Commission

- 47. Adds footnote requiring ACJC to allocate diversion funding to rural county attorneys for the purpose of establishing and operating an alternative prosecution and diversion program. Requires that the monies not supplant county funding for these programs. Requires ACJC to submit a report to the JLBC on the use of the monies and outcomes of the program. 24

Department of Economic Security

- 48. Deletes footnote requiring DES to submit an expenditure plan report to the JLBC on any new Division of Developmental Disabilities salary adjustments not previously reviewed by the Committee. 29
- 49. Deletes footnote requiring report on the number of filled positions for case managers and non-case managers in the Division of Developmental Disabilities. 29
- 50. Adds footnote specifying how the \$65.8 million from the General Fund and \$130.2 million appropriated for provider rate increases is allocated among line items. 29
- 51. Adds footnote requiring the department to submit report to JLBC on or before November 30, 2022, and November 30, 2023, on Cost Effectiveness Study-related expenditures including number of clients and total amount spent. 29
- 52. Adds footnote requiring DES to engage with community stakeholders prior to implementing provider rate increases for FY 2023. Requires DES to report to JLBC on its stakeholder engagement efforts and plans to increase provider rates by September 1, 2022. 29
- 53. Adds footnote requiring DES to provide quarterly reports to the JLBC reflecting changes to the department's ARPA HCBS spending plan. States that the Home and Community Based Services - Medicaid line item includes \$280.0 million from expenditure authority to implement the department's ARPA HCBS spending plan in FY 2023. Specifies that the appropriation may not be used for marketing purposes, directs DES to include notification that monies direct payments/grants are one-time, and exempts the appropriation from lapsing. 29
- 54. Adds a footnote exempting the FY 2022 Sexual Violence Services line item from lapsing. 29

Department of Education

- 55. Adds footnote stipulating that ADE distribute \$10,000,000 appropriated for foster youth transitional housing to the East Valley Institute of Technology (EVIT) for construction and furnishing of a 64-bed transitional housing unit for foster youths ages 17 to 21 in a high school diploma or high school equivalency program and are earning an industry certification program offered by EVIT. Requires EVIT to report by September 15th of 2025, 2026, and 2027 to the Governor, the President of the Senate, the Speaker of the House, JLBC, and OSPB on the number of foster youths served by the unit and their academic progress. 31
- 56. Adds footnote stipulating that that ADE distribute \$150,000 appropriated for one-time electronic incident prevention programs to public schools to procure and implement an electronic incident prevention program. 31
- 57. Adds footnote stipulating the ADE distribute \$4,620,000 of its appropriation for Adult Education to the Continuing High School and Workforce Training Program, \$6,000,000 for deposit in the 31

- Adult Workforce Diploma Program Fund, and \$6,000,000 for deposit in the Community College Adult Education Workforce Development Program Fund.
58. Adds footnote stipulating that in allocating the \$50,000,000 increase for the School Safety program, ADE 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. If the cost of funding all schools on the waiting list is less than \$50,000,000, ADE may allocate the remaining grant monies to schools for the costs of placing school counselors and social workers on school campuses 31
59. Adds footnote stipulating that the \$100,000 appropriation to ADE for onetime childhood trauma awareness and prevention grants be distributed to a nonprofit organization that provides childhood trauma awareness and prevention training to certificated teachers and public school administrators in this state. 116

Department of Emergency and Military Affairs

60. Adds footnote specifying the distribution of the \$209,205,000 DEMA Border Security Fund appropriation. Of the appropriation: 110
- \$15,000,000 shall be used to reimburse a county or local law enforcement for costs incurred by the agency for participating in a program with the U.S. ICE.
 - \$10,000,000 shall be deposited in the Antihuman Trafficking Grant Fund. Of this amount \$2,000,000 shall be distributed to the DPS ACTIC and \$8,000,000 shall be distributed as grants to local law enforcement agencies.
 - \$30,000,000 will be distributed to cities and counties for prosecution of border-related crimes.
 - \$10,000,000 is allocated for Arizona National Guard costs in the southern border region.
 - \$10,000,000 is allocated for emergency health care and testing for immigrants along the southern border.
 - \$15,000,000 is allocated for transportation of individuals seeking asylum to other states in the U.S.
 - \$53,405,000 is allocated for Deputy Sheriff compensation, including a \$10,000 retention bonus paid over 2 years and a \$5,000 signing bonus paid over 1 year.
 - \$800,000 is allocated for the chain of command in the Arizona State Guard.
 - \$30,000,000 is allocated for construction costs of a state emergency operations center.
 - \$15,000,000 is distributed to DPS for the construction costs of a southern border coordinated response center.
 - \$20,000,000 is distributed to for the Cochise County Jail for up to a 20% match in project costs. The state share shall not exceed \$20 million. Any unspent funding shall be returned to the Border Security Fund.
 - Adds footnote permitting DEMA to transfer monies between the FY 2023 Border Security Fund project allocations upon review of JLBC by a majority vote.
 - Adds footnote requiring DEMA to report quarterly on the status of the project allocations and monies expended from the Border Security Fund.

Department of Environmental Quality

61. Adds footnote that mandates that the DEQ establish an interagency service agreement with the Department of Forestry and Fire Management to transfer \$1.0 million from the Recycling Fund to the Department of Forestry and Fire Management to administer grants to businesses for the purpose of recovering and processing biomass waste. 33
62. Modifies footnote on the availability of indirect cost fund monies to include the beginning balance. 33

Department of Forestry and Fire Management

63. Adds footnote specifying that the funding in the Wildfire Emergency Response line item shall be used for the purposes and subject to the restrictions outlined in Laws 2021, 1st Special Session, Chapter 1. The FY 2023 appropriation would also be exempt from lapsing through FY 2025. 38

- 64. Adds footnote specifying that \$3,000,000 of the amount appropriated for the Wildfire Emergency Response line item shall be used for purposes related to the Woodbury fire. 38
- 65. Adds footnote to Gila River Nonnative Species Eradication establishes geographical area to eradicate salt cedar along the Gila River and requires the department to submit a report annually on for before September 1 to the JLBC on the progress in removing the nonnative plants and the effectiveness on long-term eradication in previously treated areas. The appropriation is nonlapsing through FY 2025. 38

Department of Gaming

- 66. Adds footnote requiring the department to report to the JLBC and OSPB by October 1, 2022, on the expected amount and purpose of expenditures from the Additional Operating Expenses line item for FY 2023. 41
- 67. Adds footnote requiring the department to report to the JLBC and OSPB by August 1, 2022, on the expected amount and purpose of expenditures from the Event Wagering Fund for FY 2023. 41
- 68. Adds footnote requiring the department to report on a quarterly basis 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 also include the number of pre-race inspections performed by a veterinarian employed by or contracting with the state. 41
- 69. Adds footnote specifying how the appropriation for the FY 2023 Racetrack Purse and Maintenance and Operations Fund is to be allocated. The amounts of \$4,231,800 is to be distributed to Turf Paradise, \$815,600 to Arizona Downs, and \$339,500 to Rillito Park. 41
- 70. Adds footnote specifying the allocations from the FY 2022 supplemental appropriation for Racetrack Purse and Maintenance. 103
- 71. Adds footnote specifying how the appropriation to pay the Horse Racing Integrity and Safety Authority's 2022 assessment is to be allocated. Of the \$355,100, \$309,300 is to be distributed to Turf Paradise and \$45,800 is to be distributed to Arizona Downs. 41

Department of Health Services

- 72. Moves the reporting footnote on the Suicide Prevention program to assist school districts and charter schools from AHCCCS to DHS. 44
- 73. Adds footnote to allow a one year extension for the Department to utilize a \$1.0 million General Fund appropriation to upgrade its Vital Records Electronic System to comply with requirements outlined in Laws 2021, Ch. 384. 44
- 74. Adds footnote specifying that monies appropriated for replacing the Arizona State Hospital surveillance system be used for a system that includes both video and audio capability. 44
- 75. Adds footnote requiring any unused monies appropriated for the Preceptor Grant Program for Graduate Students to revert to the General Fund on July 1, 2026. 44
- 76. Adds footnote extending the lapsing date of the Accelerated Nursing Program line item through FY 2024. 44

Arizona Department of Homeland Security

- 77. Adds footnote allowing the department to spend up to \$310,000 of the \$10 million appropriated for the Cyber Security Grant line item to administer the statewide the grant program. 47
- 78. Adds footnote specifying for the \$2.0 million in Cybersecurity Software line item, the department shall acquire through a competitive procurement process security software that detects security threats by using at least 2 specified testing mechanisms. 47

Department of Housing

- 79. Adds footnote establishing requirements for a grant program to municipalities and counties for a homeless support program. Requires participating local governments to provide a 50% match for any grant. 49
- 80. Adds footnote requiring all monies in the \$60 million Housing Trust Fund deposit to be distributed as grants not loans for projects in cities, towns and counties in the state. Requires \$20 million of \$60 million Housing Trust Fund deposit to be distributed to projects in counties other than Maricopa and Pima Counties and requires an additional \$4 million of the total deposit to be distributed to Navajo and Hopi tribal nations. 49

Judiciary – Superior Court	
81.	Modifies footnote to no longer require JLBC review of a report on county-approved salary adjustments provided to probation officers but continues to require the report. 52
82.	Adds footnote stating that \$1,136,100 in the Judges’ Compensation line item is for the first year cost to increase the annual salary of a Superior Court judge to \$164,700 as of January 1, 2023 and to \$180,000 as of January 1, 2024. 52
83.	Adds footnote stipulating that the FY 2022 appropriation of \$187,500 from the General Fund for the purchase of six vehicles for Adult Intensive Probation officers is non-lapsing through FY 2023. 52
Judiciary – Court of Appeals	
84.	Adds footnote stating that \$468,600 in the operating lump sum for Division I is to increase the annual salary of Court of Appeals justices. States that the annual salary of a Court of Appeals judge is \$190,000 as of January 1, 2023. 52
85.	Adds footnote stating that \$1,115,400 in the operating lump sum for Division I is for the implementation of a new 3-judge Court of Appeals panel and 10 support staff, effective January 1, 2023. 52
86.	Adds footnote stating that \$175,800 in the operating lump sum for Division II is for is to increase the annual salary of Court of Appeals justices. States that the annual salary of a Court of Appeals judge is \$190,000 as of January 1, 2023. 52
87.	Adds footnote stating that \$1,115,400 in the operating lump sum for Division II is for the implementation of a new 3-judge Court of Appeals panel and 10 support staff, effective January 1, 2023. 52
Judiciary – Supreme Court	
88.	Adds footnote stating that \$263,500 in the Supreme Court’s operating lump sum is to increase the annual salary of Supreme Court justices. States that the annual salary of the Chief Justice of the Supreme Court shall be \$212,000 and that the annual salary for other justices of the Supreme Court is \$205,000 as of January 1, 2023. 52
Legislature- House of Representatives and Senate	
89.	Modifies footnote to increase the amount of monies permitted to be used for the purchase of mementos and items for visiting officials from \$1,000 to \$5,000. 55
Legislature - Auditor General	
90.	Adds footnote specifying that of the amount appropriated for the operating lump sum, the Auditor General shall use \$3.3 million for additional agency performance audits and school district audits. 55
91.	Adds footnote that the Auditor General hire an independent consultant to examine the current Adult Protective Services and best practices for delivery of such services in the state. The consultant is to submit a report on or before October 1, 2023. 55
Legislature – Legislative Council	
92.	Adds footnote earmarking \$50,000 for planning and operational costs for Arizona's participation in an Article V convention. 55
Legislature - Ombudsman	
93.	Adds footnote that requires 1 new FTE Position to address complaints relating to the administration of ESA accounts. 55
State Parks Board	
94.	Adds footnote specifying that the agency may distribute the monies in the State Parks Heritage Fund Deposit line item to grantees for local, regional, and state historic preservation projects; local, regional, and state non-motorized trails; and outdoor and environmental education. 69
95.	Adds footnote stipulating that the monies appropriated for the Arizona Trail is for the department to manage and may be distributed to a non-profit entity. 69

Department of Public Safety

- 96. Adds footnote requiring the department to use the \$11,709,300 appropriated for one-time vehicle replacement to replace up to 276 vehicles and makes the funding nonlapsing through FY 2024. 77
- 97. Adds footnote requiring an annual report on the distribution of funds from the Civil Air Patrol Infrastructure line item and the intended purpose of the distributed funds. 77
- 98. Adds footnote specifying that of the \$13,459,600 appropriated for one-time helicopter replacement, \$2,559,600 shall be used to cover the cost of upfitting a previously purchased helicopter. 77
- 99. Adds footnote requiring DPS to report an operational and expenditure plan to JLBC for review prior to expending any monies appropriated to the commercial vehicle enforcement consolidation line item. 77
- 100. Adds footnote requiring the department to submit an expenditure plan to JLBC for review prior to expending the specified monies for personal services and employee-related appropriations on other expenditures. 77

Department of Revenue

- 101. Adds footnote to the appropriation for the DOR integrated tax system modernization project to include the following system requirements: 107
 - Capturing data fields from electronically-filed individual and corporate income tax returns and make the data available for querying and reporting purposes.
 - For electronic corporate income tax returns, capture 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.
 - Include an integrated income tax model within the project and provide DOR as well as JLBC Staff and OSPB Staff with direct access to the model. At a minimum, the model shall allow either DOR, JLBC Staff, or OSPB Staff to adjust tax law parameters against an anonymized sample of income tax returns to estimate the fiscal impact of proposed tax legislation. The model shall include procedures to protect taxpayer confidentiality.
 - The system shall make individual and corporate income tax data available for querying, modeling, and reporting within 24 months following the end of a tax year.
 - Require DOR to submit a report on meeting the project specifications to JLBC for review prior to completing the procurement process.

Secretary of State

- 102. Adds footnote extending by one fiscal year the \$5.4 million FY 2020 appropriation from the Election Systems Improvement Fund for the county allocation of the 2020 Help America Vote Act Election Security Grant. 83
- 103. Adds footnote stipulating that monies in the access voter information database line item only be used for the voter registration database. Specifies that no monies can be transferred in or out of the line item. 83

Public Safety Personnel Retirement System

- 104. Adds footnote requiring PSPRS within 12 months of the deposit to evaluate the PSPRS and CORP actuarial assumptions and submit a report to OSPB and the JLBC. 105
- 105. Adds footnote requiring PSPRS to incorporate the FY 2022 public safety pension payoff appropriations in the June 30, 2022, PSPRS and CORP valuations, and account for the appropriations in calculating FY 2024 ADC employee and employer contribution rates. 105

Office of Tourism

- 106. Adds footnote exempting the Wine Promotion line item from lapsing. 86
- 107. Adds footnote requiring the agency to submit an annual report beginning in FY 2023 to the JLBC on expenditures from the Wine Promotion line item from the previous fiscal year on or before July 31. 86

Department of Transportation

108. Adds footnote allowing ADOT to use \$37,954.04 from their FY 2023 State Highway Fund appropriation to pay an FY 2017 invoice. 87

State Treasurer

109. Adds footnote stipulating that the FY 2024 appropriation for election security funding shall be distributed to county recorders of the 6 largest counties proportionately by population to review the accuracy of the voter registration rolls, including whether any registrations should be cancelled pursuant to A.R.S. §16-165. 129
110. Adds footnote stipulating that the FY 2024 and FY 2025 appropriations for ballot paper shall be distributed proportionately to county recorders to purchase secure ballot paper. The appropriations are nonlapsing. 130

Universities

111. Adds footnote requiring the University of Arizona to report to JLBC the number of resident and non-resident students in the College of Veterinary Medicine. 93
112. Adds footnote requiring the University of Arizona to report on Veterinary Diagnostic Lab operating expenditures to JLBC and capital expenditures to JCCR. 93
113. Modifies footnote to eliminate the requirement that ABOR redistribute unspent monies for Washington D.C. internships, remove the requirement that the third-party organization provide at least one academic course and fully furnished housing, and makes the appropriation non-lapsing. 90
114. Adds footnote requiring the universities to submit a detailed expenditure plan for one-time operating funding to JLBC by September 1, 2022. 91, 92, 93
115. Adds footnote requiring ABOR to distribute the food product and safety lab appropriation to the University of Arizona for expansion of their programs and prohibits the use of the appropriation for administrative costs. 90
116. Adds footnote requiring ABOR to distribute the enclosed feeding facility appropriation to the University of Arizona for expansion of their programs and prohibits the use of the appropriation for administrative costs. 90
117. Adds footnote requiring ABOR to distribute the Camp Verde meat processing facility appropriation to the University of Arizona and prohibiting the use of the appropriation for administrative costs. Requires the entity receiving funds to provide an educational component as part of its operations. Requires the entity to transfer any sale proceeds back to the state. 90
118. Modifies footnote stipulating that, of the Natural Resource Users Law and Policy Center line item, \$500,000 shall be used for general stream adjudication of water rights, \$1,000,000 for the center's operational costs, and \$450,000 for an endangered species study. 93
119. Adds footnote requiring ASU and NAU to report to JLBC on the intended use of one-time operating and capital funding. Requires NAU to use \$5 million for expanding the NAU-Yuma campus. Requires the universities to submit any capital expenditures for JCCR review. 117

Department of Veterans' Services

120. Adds footnote stipulating that the \$2.2 million is appropriated to hire 20 additional FTE Positions for veteran services officers to provide services in rural tribal nations that have communities further than 100 miles from a US Veterans' Affairs service centers. The appropriation is nonlapsing. 118
121. Adds footnote stipulating that \$1.0 million is appropriated to the department to distribute to Indian tribes to conduct tribal ceremonies for tribal members who are discharged from the military including those diagnosed with PTSD. The appropriation is nonlapsing.

Water Infrastructure Financing Authority

122. Adds footnote designating \$6,000,000 to be distributed for Eastern Arizona water projects assistance grants to cities and towns in Navajo and Apache Counties. 96
123. Adds footnote designating \$2,000,000 each for Cochise and Graham Counties distributed for Eastern Arizona water projects assistance grants to political irrigation districts. 96

Department of Water Resources

124. Adds a footnote requiring the department to use monies appropriated for the New River Flood Insurance Study to complete a study of the hydrology and hydraulics of the New River by March 31, 2024. DWR may contract with an engineering firm that has not contracted with or otherwise associated with the Maricopa County Flood Control District. 97

Statewide

125. Adds footnote requiring JLBC Staff, in consultation with OSPB, to determine and ADOA to allocate statewide salary increases, effective July 11, 2022, as follows: 124
- A 10% increase for state employees (excluding universities, elected officials, or otherwise noted below)
 - A 20% increase for all ADC staff.
 - A 15% increase for all DPS staff.
 - A 20% increase for all DJC staff.
 - Additional market rate adjustments above 10% for specified agencies.

Requires OSPB to report to JLBC on or before September 30, 2022, on the actual raises given by agency and classification. Requires agencies to allocate this pay raise by fund and line item in their FY 2024 budget request as an adjustment for FY 2024.

Specifies that ADC and DPS shall submit an expenditure plan to the JLBC for review prior to spending monies appropriated for pay raises for any purpose other than personal services or employee related expenditures.

126. Adds footnotes allowing the JLBC, in consultation with OSPB, to determine and ADOA to allocate General Fund and Other Fund statewide adjustments for adjustments to state agencies for: 123
- Relocating to and within state-owned and lease-purchase buildings
 - CORP, EORP, and state agency retirement adjustments.
 - One-time employer health insurance contribution adjustments including a University tuition backfill. Adds footnote that any future employer health insurance premium increases continue to be allocated using the overall allocation of General Fund and appropriated tuition monies.
 - The Arizona Financial Information System upgrade agency charges.
 - The Information Technology pro-rata.
 - State fleet charges.
 - Replacing the Human Resources Information System. The HRIS statewide adjustment shall be based on each fund's proportional share of payments to the Personal Division Fund.

CAPITAL – CHAPTER 309 (HB 2858)

Arizona Department of Administration

127. Adds footnote extending the lapsing date of the FY 2021 building renewal appropriation through FY 2023. 21
128. Adds footnote allowing the Department of Administration to use monies appropriated for building renewal to retrofit facilities for space consolidation initiatives. 2

Arizona State Parks Board

129. Adds footnote requiring Arizona State Parks Board to notify the JCCR and OSPB of revised expenditure plans should ASPB receive any Land and Water Conservation Fund grant funding for the respective capital projects included in the budget 3
130. Adds footnote allowing ASPB to shift up to 10% of the funds from a project to another project without JCCR review, but any larger shift shall be subject to JCCR review. 6, 19, 20
131. Adds footnote requiring the ASET Office to submit an expenditure plan on behalf of ASPB to the JLBC for review prior to the expenditure of any monies for the smart phone application. The expenditure plan shall include the project cost, deliverables, and timeline for completion and 6

method of procurement consistent with the Department's prior reports for its appropriations from the Automation Projects Fund.

Department of Public Safety

132. Adds footnote making the appropriation for remote officer housing lapse at the end of FY 2025. 3

Department of Transportation

133. Adds footnote making the FY 2022 appropriation of \$50.0 million to widen Interstate 10 between Phoenix and Casa Grande nonlapsing. 21
134. Adds footnote requiring ADOT to report quarterly on the projected cost and status of the appropriated highway projects. ADOT's report shall include any impacts of increases costs of concrete. 8
135. Adds footnote requiring ADOT to submit a report to JCCR for review prior to transferring monies between the FY 2023 appropriated projects. 8
136. Adds footnote requiring ADOT to submit a report to JCCR for review prior to transferring monies between the additional appropriations for projects from the FY 2022 budget. 12
137. Changes the fund source of the \$400 million I 10-widening appropriation in Laws 2022, Chapter 218 from the General Fund to the State Highway Fund. (The Highway Fund will be reimbursed with General Fund monies through a TPT diversion.) 1
138. Adds footnote stating legislative intent that the City of Buckeye contribute \$3 million, and MAG contribute at least \$10 million to the I-10 west project. The footnote further requires ADOT to use any federal discretionary monies awarded for the project prior to expending appropriated monies for the project. 8
139. Adds footnote stating legislative intent that the City of Buckeye contribute \$5 million to the Jackrabbit Trail project. 8
140. Adds footnote reverting the monies appropriated in FY 2024 to improve SR 97 near Bagdad if the department does not secure federal funding for the project before the end of FY 2025. 17

Universities

141. Adds footnote requiring ABOR to distribute Mining, Mineral and Natural Resources Museum appropriation to the University of Arizona and reverting any unexpended monies at the end of FY 2024. 7

Statewide

142. Deletes footnote reverting unexpended capital monies after 2 years. This deletion will return the lapsing policy to the existing permanent law provision.
143. Deletes redundant footnote requiring JCCR review of capital appropriations. Statute already requires JCCR review.

**FY 2022
GENERAL FUND ADJUSTMENTS**

FY 2022 GENERAL FUND ADJUSTMENTS

	FY 2021 Actual	FY 2022 Original 1/	Baseline Adjustments 2/	FY 2022 JLBC Baseline	Session Changes 3/	FY 2022 Enacted
REVENUES						
Ongoing Revenues	\$14,904,246,200	14,143,074,500	2,019,875,200	\$16,162,949,700	1,043,700,000	\$17,206,649,700
Previously Enacted Tax Reductions			(51,020,000)	(51,020,000)		(51,020,000)
Newly Enacted Tax Changes		16,603,500	(16,603,500)			
Urban Revenue Sharing	(828,492,900)	(756,391,100)	2,800	(756,388,300)		(756,388,300)
Net Ongoing Revenues	\$14,075,753,300	\$13,403,286,900	\$1,952,254,500	\$15,355,541,400	\$1,043,700,000	\$16,399,241,400
One-Time Revenues						
Balance Forward	\$372,457,000	\$441,739,700	\$452,896,300	\$894,636,000	\$0	\$894,636,000
Enacted Tax Reductions (Max Rate/SB 1783)			(704,978,100)	(704,978,100)	704,978,100	
4.5% Maximum Tax Rate		(836,000,000)	836,000,000			
Water Infrastructure Repayment		20,000,000		20,000,000		20,000,000
Other Fund Transfers	40,905,700					
Subtotal One-Time Revenues	\$413,362,700	(\$374,260,300)	\$583,918,200	\$209,657,900	\$704,978,100	\$914,636,000
Total Revenues	\$14,489,116,000	\$13,029,026,600	\$2,536,172,700	\$15,565,199,300	\$1,748,678,100	\$17,313,877,400
EXPENDITURES						
Ongoing Operating Appropriations	\$11,358,715,400	\$12,321,812,800	(\$268,000,000)	\$12,053,812,800	\$0	\$12,053,812,800
Administrative Adjustments		120,000,000	105,000,000	225,000,000	(65,000,000)	160,000,000
Reversions		(192,000,000)	42,000,000	(150,000,000)	(107,000,000)	(257,000,000)
Subtotal Ongoing Expenditures	\$11,358,715,400	\$12,249,812,800	(\$121,000,000)	\$12,128,812,800	(\$172,000,000)	\$11,956,812,800
One-Time Expenditures						
Capital Outlay	\$11,000,000	\$92,632,900	\$0	\$92,632,900	\$0	\$92,632,900
Transportation Funding	321,001,500					
Reduce K-12 Rollover		65,000,000		65,000,000		65,000,000
FY 2022 Supplementals					93,566,300	93,566,300
Debt Payoff	977,100,000				93,500,000	93,500,000
Pension Payoff	1,000,000,000				1,139,086,400	1,139,086,400
Operating One-Time Spending	275,373,600	666,235,900	(12,000,000)	654,235,900		654,235,900
FY 2021 Supplementals	276,266,500					
Water Supply Funding	200,000,000					
New Medicaid Federal Match Reversion 4/	(431,940,800)	(267,000,000)	114,155,600	(152,844,400)	(133,000,000)	(285,844,400)
New ADE Formula Funding Reversion 4/	(436,114,800)		(285,000,000)	(285,000,000)	(104,100,000)	(389,100,000)
Federal Funds Offset 5/					(635,000,000)	(635,000,000)
University 27th Pay Period	43,078,600	20,052,100		20,052,100		20,052,100
Subtotal One-Time Expenditures	\$2,235,764,600	\$576,920,900	(\$182,844,400)	\$394,076,500	\$454,052,700	\$848,129,200
Total Expenditures	\$13,594,480,000	\$12,826,733,700	(\$303,844,400)	\$12,522,889,300	\$282,052,700	\$12,804,942,000
Proposition 208 Reserve 6/			\$939,076,400	\$939,076,400	(\$939,076,400)	
Ending Balance 7/	\$894,636,000	\$202,292,900	\$1,900,940,700	\$2,103,233,600	\$2,405,701,800	\$4,508,935,400
Ongoing Balance 8/	\$2,717,037,900	\$1,153,474,100	\$2,073,254,500	\$3,226,728,600	\$1,215,700,000	\$4,442,428,600

1/ Reflects FY 2022 Budget as published in the FY 2022 Appropriations Report.

2/ Reflects forecast adjustments to revenue, including updating the cost of FY 2022 tax law changes to include SB 1783. Also reflects spending adjustments, including shifting existing Medicaid federal match savings to base ongoing spending, then accounting for any additional federal match savings in one-time spending.

3/ Reflects revenue forecast adjustments and spending adjustments made in the 2022 Second Regular Session.

4/ Reflects reversion of savings for a higher federal Medicaid match rate and lower K-12 formula costs.

5/ Reflects higher reversion associated with American Rescue Plan Act funding offsets.

6/ Reflected Proposition 208 uncertainty. Under a "maximum commitment" scenario, the January JLBC Baseline assumed that \$939 million was held in reserve pending the results of litigation.

7/ Reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

8/ Reflects the difference between ongoing revenues and ongoing expenditures. The 3-year spending plan makes the ongoing/one-time classifications.

FY 2022 GENERAL FUND ADJUSTMENTS

FY 2022 Budget Revision — The preceding chart illustrates the changes to the FY 2022 budget from the August 2021 publication of the *FY 2022 Appropriations Report* (including changes through the 55th Legislature, 1st Regular Session and 1st Special Session) to the current estimate in this *FY 2023 Appropriations Report*. The chart includes the changes from the passage of bills in the 2nd Regular Session of the 55th Legislature addressing the FY 2022 budget.

Original Budget Estimate — When the *FY 2022 Appropriations Report* was published in August 2021, the FY 2022 budget was anticipated to have a \$202 million balance.

Mid-Year Balance — As estimated in the January 2022 JLBC Baseline, higher-than-expected revenues together with other changes led to the state’s projected FY 2022 ending balance increasing to a balance of \$2.1 billion. The components of this \$1.9 billion shift compared to the August 2021 figures were as follows:

	(\$ in M)
• Increased FY 2021 Carry-Forward	453
• Increase in Net FY 2022 Revenues	2,083
• Set-Aside for Proposition 208 Reserve	(939)
• Decreased FY 2022 Expenditures	<u>304</u>
Total	\$1,901

The original FY 2022 budget assumed an FY 2021 carry-forward balance of \$442 million. Subsequent to the publication of the *FY 2022 Appropriations Report*, final FY 2021 revenues were stronger than anticipated and as a result, the FY 2021 ending balance was \$895 million, or \$453 million above the original estimate.

Base FY 2022 revenues were estimated to increase at a relatively low rate compared to FY 2021. The negative revenue impact of the withdrawal of federal COVID 19 relief did not materialize, however, and net revenue growth was significantly stronger than originally projected, estimated to increase nearly \$2.1 billion.

Some of this projected revenue, was assumed to potentially be needed to address the requirements of Proposition 208, either to redirect funding to the recipients or to be refunded to taxpayers in the event Proposition 208 was not upheld. The January 2022 JLBC Baseline assumed that \$939 million was held in reserve for these purposes.

Finally, the January 2022 JLBC Baseline assumed that spending would be \$(304) million less than the enacted budget. This was primarily the result of \$(285) million in estimated lower K-12 enrollment expenditures and \$(153)

million due to an extension of a temporary higher federal Medicaid match rate through March 31, 2022. These savings were offset in part by higher spending of prior-year appropriations.

2022 Legislative Session — Laws 2022, Chapter 313, the General Appropriations Act, and other budget bills were signed by the Governor on June 28, 2022. The bills made changes totaling \$(438) million to the FY 2022 budget as outlined in the January Baseline, plus the assumption of higher spending of prior-year appropriations. In addition to these changes, the budget included \$1.1 billion to pay down pension debt primarily for Arizona Department of Corrections (ADC) and Department of Public Safety (DPS), \$94 million to pay off debt for Department of Health Services and ADC facilities, \$93 million for additional School Facilities Division Building Renewal Grants, and \$396,900 for the Department of Gaming. These appropriations were partially offset by \$(172) million in estimated lower savings of prior-year appropriations, an additional \$(133) million in additional federal Medicaid match rate savings and an additional \$(104) million in additional K-12 enrollment savings.

In addition to these spending adjustments and revenue adjustments in the January Baseline, the revised FY 2022 budget assumed an additional \$2.4 billion of revenues, including \$1.04 billion of ongoing revenue associated with strong revenue performance compared to the Baseline, \$705 million from the result of an Arizona Supreme Court ruling invalidating Proposition 208, and \$635 million of higher revertments associated with American Rescue Plan Act funding offsets. (At the time of passage, this \$635 million was envisioned as a deposit to the General Fund for the costs of federal tax conformity, but the Executive subsequently revised its approach based on federal guidance.) In addition, the \$939 million Proposition 208 reserve was no longer needed as most returns appeared to be filed without the surcharge. Combined with the total new post-Baseline spending of \$917 million, the FY 2022 budget as passed in June is estimated to have an ending balance of \$4.51 billion.

Other Fund Adjustments — The FY 2022 revisions included \$46 million in Other Fund supplementals. The General Appropriation Act includes \$15 million for pension debt payoff at the Game and Fish Department and \$1.1 million to the Arizona Department of Administration for federal repayments. In addition, Laws 2022, Chapter 2 appropriated \$30 million to AHCCCS for Home and Community Based services.

FY 2022 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	GF FY 2022 Approp Rpt August 2021	GF Adjustments	GF FY 2022 Supplementals 2/	GF Enacted FY 2022
<u>BUDGET UNITS</u>				
Administration, Arizona Department of	\$18,255,000		37,500	\$18,292,500
Administration, Arizona Department of Automation Projects Fund	3,614,100			3,614,100
Administration, Arizona Department of - School Facilities Division	290,809,500		93,117,000	383,926,500
Administrative Hearings, Office of	891,800			891,800
African-American Affairs, Arizona Commission of	128,800			128,800
Agriculture, Arizona Department of	16,915,700			16,915,700
AHCCCS	1,915,630,200			1,915,630,200
Attorney General - Department of Law	24,739,800			24,739,800
Charter Schools, State Board for	2,103,000			2,103,000
Child Safety, Department of	405,728,800			405,728,800
Commerce Authority, Arizona	78,925,000			78,925,000
Community Colleges, Arizona	108,904,700			108,904,700
Corporation Commission	623,100			623,100
Corrections, State Department of	1,284,302,300		7,100	1,284,309,400
County Funding	20,650,700			20,650,700
Criminal Justice Commission, Arizona	1,000,000			1,000,000
Deaf and the Blind, Schools for the	23,255,700			23,255,700
Economic Opportunity, Office of	470,300			470,300
Economic Security, Department of	850,052,500			850,052,500
Education, State Board of	2,340,000			2,340,000
Education, Department of	5,910,547,300			5,910,547,300
Emergency and Military Affairs, Department of	13,367,100		700	13,367,800
Environmental Quality, Department of	15,000,000			15,000,000
Equalization, State Board of	663,900		6,800	670,700
Executive Clemency, Board of	1,153,300		300	1,153,600
Forestry and Fire Management, Arizona Department of	16,727,600			16,727,600
Gaming, Department of	15,759,500		396,900	16,156,400
Governor, Office of the	9,813,600			9,813,600
Governor's Office of Strategic Planning and Budgeting	2,688,700			2,688,700
Health Services, Department of	103,419,200			103,419,200
Historical Society, Arizona	2,906,000			2,906,000
Historical Society, Prescott	900,600			900,600
Independent Redistricting Commission	7,900,000			7,900,000
Industrial Commission of AZ	95,000			95,000
Insurance and Financial Institutions, Department of	7,663,400			7,663,400
Judiciary				
Supreme Court	22,234,700			22,234,700
Court of Appeals	16,790,800			16,790,800
Superior Court	106,655,000			106,655,000

FY 2022 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	GF FY 2022 Approp Rpt August 2021	GF Adjustments	GF FY 2022 Supplementals <u>2/</u>	GF Enacted FY 2022
SUBTOTAL - Judiciary	145,680,500	0	0	145,680,500
Juvenile Corrections, Department of	30,696,600			30,696,600
Land Department, State	13,315,100			13,315,100
Legislature				
Auditor General	20,723,500			20,723,500
House of Representatives	21,429,300			21,429,300
Joint Legislative Budget Committee	2,841,900			2,841,900
Legislative Council	10,090,400			10,090,400
Senate	17,969,100			17,969,100
SUBTOTAL - Legislature	73,054,200	0	0	73,054,200
Mine Inspector, State	1,558,200			1,558,200
Navigable Stream Adjudication Commission	129,300			129,300
Parks Board, Arizona State	9,000,000			9,000,000
Postsecondary Education, Commission for	1,680,900			1,680,900
Public Safety, Department of	291,650,400			291,650,400
Public Safety Personnel Retirement System	6,000,000		1,139,086,400	1,145,086,400
Real Estate Department, State	2,922,100			2,922,100
Revenue, Department of	53,542,400			53,542,400
Secretary of State	12,907,700			12,907,700
Tax Appeals, State Board of	283,300			283,300
Tourism, Office of	8,481,500			8,481,500
Transportation, Department of	3,300,000			3,300,000
Treasurer, State	3,010,200			3,010,200
Tribal Relations, Governor's Office on	63,500			63,500
Universities				
Board of Regents	29,916,000			29,916,000
Arizona State University	385,261,900			385,261,900
Northern Arizona University	135,452,400			135,452,400
University of Arizona - Main Campus	250,739,100			250,739,100
University of Arizona - Health Sciences Center	76,897,700			76,897,700
SUBTOTAL - Universities	878,267,100	0	0	878,267,100
Veterans' Services, Department of	8,625,500			8,625,500
Water Infrastructure Finance Authority	12,000,000			12,000,000
Water Resources, Department of	18,424,400			18,424,400
OPERATING BUDGET TOTAL	\$12,732,539,100	\$0	\$1,232,652,700	\$13,965,191,800
New ADE Enrollment Reversion	0	(389,100,000)		(389,100,000)
New Medicaid Federal Match Reversion	0	(285,844,400)		(285,844,400)
Federal Funds Offset	0	(635,000,000)		(635,000,000)
University (27th) Pay Period	20,052,100			20,052,100
Unallocated '22 Risk Management Adjustments	6,400			6,400
Unallocated '22 AFIS Transaction Fee	4,700			4,700

FY 2022 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	GF FY 2022 Approp Rpt August 2021	GF Adjustments	GF FY 2022 Supplementals <u>2/</u>	GF Enacted FY 2022
Capital Outlay - Debt Payoff (DHS/ADC State Buildings)	0		93,500,000	93,500,000
Capital Outlay - Phoenix Convention Center Debt Service	24,498,500			24,498,500
Capital Outlay - Rio Nuevo District <u>3/</u>	16,000,000			16,000,000
Capital Outlay	92,632,900			92,632,900
Administrative Adjustments	120,000,000	40,000,000		160,000,000
Revertments	(192,000,000)	(65,000,000)		(257,000,000)
GRAND TOTAL	\$12,813,733,700	(\$1,334,944,400)	\$1,326,152,700	\$12,804,942,000

FY 2022 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2022 Approp Rpt August 2021	OF Adjustments	OF FY 2022 Supplementals 2/	OF Enacted FY 2022
<u>BUDGET UNITS</u>				
Accountancy, State Board of				
Board of Accountancy Fund	\$2,051,800			\$2,051,800
Acupuncture Board of Examiners				
Acupuncture Board of Examiners Fund	176,800			176,800
Administration, Arizona Department of				
Air Quality Fund	928,200			928,200
Arizona Financial Information System Collections Fund	11,423,800			11,423,800
Automation Operations Fund	31,127,700			31,127,700
Capitol Mall Consolidation Fund	375,900			375,900
Capital Outlay Stabilization Fund	18,395,100			18,395,100
Corrections Fund	575,000			575,000
Federal Surplus Materials Revolving Fund	466,900			466,900
Information Technology Fund	8,467,900			8,467,900
Personnel Division Fund	12,764,900			12,764,900
Risk Management Revolving Fund	96,714,500		1,117,900	97,832,400
Special Employee Health Insurance Trust Fund	5,330,100			5,330,100
Special Services Revolving Fund	1,170,700			1,170,700
State Monument and Memorial Repair Fund	21,500			21,500
State Surplus Materials Revolving Fund	2,979,800			2,979,800
State Web Portal Fund	6,612,200			6,612,200
Telecommunications Fund	1,651,700			1,651,700
Total - Arizona Department of Administration	199,005,900	0	1,117,900	200,123,800
Administration, Arizona Department of - Automation Projects Fund				
Automation Projects Fund	32,060,700			32,060,700
Agriculture, Arizona Department of				
Air Quality Fund	1,454,100			1,454,100
Nuclear Emergency Management Fund	280,500			280,500
Total - Arizona Department of Agriculture	1,734,600	0	0	1,734,600
AHCCCS				
Budget Neutrality Compliance Fund	4,076,200			4,076,200
Children's Health Insurance Program Fund	117,660,900		30,121,100	147,782,000
Prescription Drug Rebate Fund - State	175,236,600			175,236,600
Seriously Mentally Ill Housing Trust Fund	200,000			200,000
Substance Abuse Services Fund	2,250,200			2,250,200
Tobacco Products Tax Fund Emergency Health Services Account	17,921,600			17,921,600
Tobacco Tax and Health Care Fund Medically Needy Account	69,002,100			69,002,100
Total - AHCCCS	386,347,600	0	30,121,100	416,468,700
Athletic Training, Board of				

FY 2022 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2022 Approp Rpt August 2021	OF Adjustments	OF FY 2022 Supplementals 2/	OF Enacted FY 2022
Athletic Training Fund	127,000			127,000
Attorney General - Department of Law				
Antitrust Enforcement Revolving Fund	1,148,700			1,148,700
Attorney General Legal Services Cost Allocation Fund	2,110,300			2,110,300
Collection Enforcement Revolving Fund	6,925,700			6,925,700
Consumer Protection-Consumer Fraud Rev. Fund	18,943,600			18,943,600
Interagency Service Agreements Fund	16,474,900			16,474,900
Internet Crimes Against Children Enforcement Fund	900,000			900,000
Risk Management Revolving Fund	10,117,300			10,117,300
Victims' Rights Fund	3,768,800			3,768,800
Total - Attorney General - Department of Law	<u>60,389,300</u>	<u>0</u>	<u>0</u>	<u>60,389,300</u>
Barbering and Cosmetology Board				
Barbering and Cosmetology Fund	0			0
Barbers, Board of				
Board of Barbers Fund	408,900			408,900
Behavioral Health Examiners, Board of				
Board of Behavioral Health Examiners Fund	1,776,100			1,776,100
Child Safety, Department of				
Child Abuse Prevention Fund	1,459,300			1,459,300
Child Welfare Licensing Fee Fund	941,900			941,900
Children and Family Services Training Program Fund	207,900			207,900
Federal Child Care and Development Fund Block Grant	130,916,000			130,916,000
Federal Temporary Assistance for Needy Families Block Grant	157,468,100			157,468,100
Total - Department of Child Safety	<u>290,993,200</u>	<u>0</u>	<u>0</u>	<u>290,993,200</u>
Chiropractic Examiners, State Board of				
Board of Chiropractic Examiners Fund	437,000			437,000
Contractors, Registrar of				
Registrar of Contractors Fund	12,590,300			12,590,300
Corporation Commission				
Arizona Arts Trust Fund	51,200			51,200
Investment Management Regulatory and Enforcement Fund	721,600			721,600
Public Access Fund	6,799,400			6,799,400
Securities Regulatory and Enforcement Fund	5,135,300			5,135,300
Utility Regulation Revolving Fund	14,619,100			14,619,100
Total - Corporation Commission	<u>27,326,600</u>	<u>0</u>	<u>0</u>	<u>27,326,600</u>
Corrections, State Department of				
Alcohol Abuse Treatment Fund	555,700			555,700
Corrections Fund	30,312,400			30,312,400

FY 2022 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2022 Approp Rpt August 2021	OF Adjustments	OF FY 2022 Supplementals ^{2/}	OF Enacted FY 2022
Inmate Store Proceeds Fund	1,373,000		6,800	1,379,800
Penitentiary Land Fund	2,790,700			2,790,700
Prison Construction and Operations Fund	12,500,000			12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,663,700		2,100	2,665,800
State Education Fund for Correctional Education	743,300			743,300
Transition Program Fund	2,400,200			2,400,200
Total - State Department of Corrections Cosmetology, Board of Board of Cosmetology Fund	53,339,000	0	8,900	53,347,900
Criminal Justice Commission, Arizona				
Criminal Justice Enhancement Fund	658,800			658,800
Drug and Gang Prevention Resource Center Fund	617,500			617,500
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	4,224,600			4,224,600
Total - Arizona Criminal Justice Commission	7,174,600	0	0	7,174,600
Deaf and the Blind, Arizona Schools for the Schools for the Deaf and the Blind Fund Cooperative Services Fund	13,955,200			13,955,200
Total - Arizona State Schools for the Deaf and the Blind	32,063,800	0	0	32,063,800
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	4,631,900			4,631,900
Dental Examiners, State Board of Dental Board Fund	1,815,800			1,815,800
Economic Security, Department of Child Support Enforcement Administration Fund	17,204,700			17,204,700
Domestic Violence Services Fund	4,000,200			4,000,200
Federal Child Care and Development Fund Block Grant	1,285,880,000			1,285,880,000
Federal Pandemic Emergency Assistance Fund	14,546,500			14,546,500
Federal Temporary Assistance for Needy Families Block Grant	65,405,800			65,405,800
Long Term Care System Fund	32,459,600			32,459,600
Public Assistance Collections Fund	423,700			423,700
Sexual Violence Service Fund	8,000,000			8,000,000
Special Administration Fund	4,512,600			4,512,600
Spinal and Head Injuries Trust Fund	2,336,000			2,336,000
Statewide Cost Allocation Plan Fund	1,000,000			1,000,000
Workforce Investment Act Grant	56,069,100			56,069,100
Total - Department of Economic Security	1,491,838,200	0	0	1,491,838,200

FY 2022 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2022 Approp Rpt August 2021	OF Adjustments	OF FY 2022 Supplementals 2/	OF Enacted FY 2022
Education, Department of				
Department of Education Empowerment				
Scholarship Account Fund	350,000			350,000
Department of Education Professional				
Development Revolving Fund	2,701,100			2,701,100
Permanent State School Fund	309,832,400			309,832,400
Education Sales Tax Fund	7,000,000			7,000,000
Teacher Certification Fund	2,359,100			2,359,100
Tribal College Dual Enrollment Program Fund	325,000			325,000
Total - Department of Education	<u>322,567,600</u>	<u>0</u>	<u>0</u>	<u>322,567,600</u>
Emergency and Military Affairs, Department of				
Nuclear Emergency Management Fund	1,930,400			1,930,400
Total - Department of Emergency & Military Affairs	<u>1,930,400</u>	<u>0</u>	<u>0</u>	<u>1,930,400</u>
Environmental Quality, Department of				
Air Quality Fund	5,382,800			5,382,800
Emergency Response Fund	132,800			132,800
Emissions Inspection Fund	30,293,600			30,293,600
Hazardous Waste Management Fund	1,748,300			1,748,300
Indirect Cost Fund	13,962,600			13,962,600
Permit Administration Fund	7,166,500			7,166,500
Recycling Fund	1,565,100			1,565,100
Safe Drinking Water Program Fund	2,214,300			2,214,300
Solid Waste Fee Fund	1,853,900			1,853,900
Underground Storage Tank Fund Revolving Fund	148,800			148,800
Voluntary Vehicle Repair and Retrofit Program Fund	560,000			560,000
Water Quality Fee Fund	10,590,700			10,590,700
Total - Department of Environmental Quality	<u>75,619,400</u>	<u>0</u>	<u>0</u>	<u>75,619,400</u>
Equal Opportunity, Governor's Office of				
Personnel Division Fund	191,300			191,300
Exposition and State Fair Board, Arizona				
Arizona Exposition and State Fair Fund	13,297,500			13,297,500
Funeral Directors and Embalmers, Board of				
Board of Funeral Directors' and Embalmers' Fund	402,800			402,800
Game and Fish Department, Arizona				
Capital Improvement Fund	1,001,200			1,001,200
Game and Fish Fund	40,461,500			40,461,500
Game, Nongame, Fish and Endangered				
Species Fund	357,600			357,600
Watercraft Licensing Fund	4,955,200			4,955,200
Wildlife Endowment Fund	16,200			16,200
Total - Arizona Game and Fish Department	<u>46,791,700</u>	<u>0</u>	<u>0</u>	<u>46,791,700</u>
Gaming, Department of				

FY 2022 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2022 Approp Rpt August 2021	OF Adjustments	OF FY 2022 Supplementals <u>2/</u>	OF Enacted FY 2022
Fantasy Sports Contest Fund	145,000			145,000
Tribal-State Compact Fund	2,104,900			2,104,900
Racing Regulation Fund	2,411,500			2,411,500
Racing Regulation Fund - Uarmed Combat Subaccount	99,600			99,600
State Lottery Fund	300,000			300,000
Arizona Benefits Fund	12,012,100			12,012,100
Total - Department of Gaming	17,073,100	0	0	17,073,100
Health Services, Department of				
Arizona State Hospital Fund	2,883,600			2,883,600
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	3,831,300			3,831,300
Environmental Laboratory Licensure Revolving Fund	933,300			933,300
Federal Child Care and Development Fund Block Grant	1,884,100			1,884,100
Health Services Licensing Fund	15,570,600			15,570,600
Health Services Lottery Monies Fund	200,000			200,000
Indirect Cost Fund	11,302,100			11,302,100
Newborn Screening Program Fund	13,507,700			13,507,700
Nursing Care Institution Resident Protection Revolving Fund	138,200			138,200
Prescription Drug Rebate Fund - State	2,500,000			2,500,000
Tobacco Tax and Health Care Fund Medically Needy Account	700,000			700,000
Vital Records Electronic Systems Fund	3,641,600			3,641,600
Total - Department of Health Services	58,939,000	0	0	58,939,000
Homeopathic and Integrated Medicine Examiners, Board of Board of Homeopathic and Integrated Medicine Examiners' Fund	46,000			46,000
Housing, Department of Housing Trust Fund	322,700			322,700
Industrial Commission of Arizona Administrative Fund	20,122,000		3,200	20,125,200
Insurance and Financial Institutions, Department of Automobile Theft Authority Fund	6,010,500			6,010,500
Financial Services Fund	4,006,700			4,006,700
Department Revolving Fund	50,300			50,300
Total - Department of Insurance and Financial	10,067,500	0	0	10,067,500

FY 2022 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2022 Approp Rpt August 2021	OF Adjustments	OF FY 2022 Supplementals <u>2/</u>	OF Enacted FY 2022
Institutions				
Judiciary - Supreme Court				
Confidential Intermediary and Fiduciary Fund	494,300			494,300
Court Appointed Special Advocate Fund	4,068,000			4,068,000
Criminal Justice Enhancement Fund	4,407,800			4,407,800
Defensive Driving School Fund	4,233,500			4,233,500
Judicial Collection Enhancement Fund	14,895,800			14,895,800
State Aid to the Courts Fund	2,945,400			2,945,400
Total - Judiciary - Supreme Court	31,044,800	0	0	31,044,800
Judiciary - Superior Court				
Criminal Justice Enhancement Fund	5,456,200			5,456,200
Judicial Collection Enhancement Fund	6,015,200			6,015,200
Drug Treatment and Education Fund	504,200			504,200
Total - Judiciary - Superior Court	11,975,600	0	0	11,975,600
SUBTOTAL - Judiciary	43,020,400	0	0	43,020,400
Juvenile Corrections, Department of				
Criminal Justice Enhancement Fund	533,200			533,200
Department of Juvenile Corrections				
Local Cost Sharing Fund	8,450,900			8,450,900
State Charitable, Penal and Reformatory				
Institutions Land Fund	4,044,100			4,044,100
State Education Fund for Committed Youth	1,893,700			1,893,700
Total - Department of Juvenile Corrections	14,921,900	0	0	14,921,900
Land Department, State				
Due Diligence Fund	5,000,000			5,000,000
Environmental Special Plate Fund	260,600			260,600
Trust Land Management Fund	7,328,100			7,328,100
Total - State Land Department	12,588,700	0	0	12,588,700
Liquor Licenses and Control, Department of				
Liquor Licenses Fund	4,456,300			4,456,300
Lottery Commission, Arizona State				
State Lottery Fund	152,075,100	11,992,800		164,067,900
Massage Therapy, Board of				
Board of Massage Therapy Fund	473,700			473,700
Medical Board, Arizona				
Arizona Medical Board Fund	7,507,100			7,507,100
Mine Inspector, State				
Aggregate Mining Reclamation Fund	112,900			112,900
Naturopathic Physicians Medical Board				
Naturopathic Physicians Medical Board Fund	193,200			193,200
Navigable Stream Adjudication Commission				
Arizona Water Banking Fund	200,000			200,000

FY 2022 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2022 Approp Rpt August 2021	OF Adjustments	OF FY 2022 Supplementals <u>2/</u>	OF Enacted FY 2022
Nursing, State Board of Board of Nursing Fund	5,275,100			5,275,100
Nursing Care Institution Administrators Board Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	526,100			526,100
Occupational Therapy Examiners, Board of Occupational Therapy Fund	199,900			199,900
Opticians, State Board of Dispensing Board of Dispensing Opticians Fund	162,600			162,600
Optometry, State Board of Board of Optometry Fund	241,900			241,900
Osteopathic Examiner in Medicine and Surgery, Arizona Board of Board of Osteopathic Examiners in Medicine and Surgery Fund	1,067,600			1,067,600
Parks Board, Arizona State Off-Highway Vehicle Recreation Fund	16,700			16,700
State Parks Store Fund	1,000,000			1,000,000
State Parks Revenue Fund	19,822,800			19,822,800
Total - Arizona State Parks Board	20,839,500	0	0	20,839,500
Personnel Board, State Personnel Board Subaccount of the Personnel Division Fund	326,400			326,400
Pharmacy, Arizona State Board of Arizona State Board of Pharmacy Fund	3,083,900			3,083,900
Physical Therapy, Board of Board of Physical Therapy Fund	504,100			504,100
Pioneers' Home, Arizona Miners' Hospital for Miners with Disabilities Land Fund	2,074,100			2,074,100
State Charitable Fund	4,969,100			4,969,100
Total - Arizona Pioneers' Home	7,043,200	0	0	7,043,200
Podiatry Examiners, State Board of Podiatry Fund	168,200			168,200
Postsecondary Education, Commission for Postsecondary Education Fund	1,537,100			1,537,100
Private Postsecondary Education, Board for Board for Private Postsecondary Education Fund	413,500			413,500
Psychologist Examiners, State Board of Board of Psychologist Examiners Fund	550,800			550,800
Public Safety, Department of Arizona Highway Patrol Fund	86,217,900			86,217,900

FY 2022 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2022 Approp Rpt August 2021	OF Adjustments	OF FY 2022 Supplementals <u>2/</u>	OF Enacted FY 2022
Concealed Weapons Permit Fund	2,807,300			2,807,300
Criminal Justice Enhancement Fund	2,931,500			2,931,500
DPS Forensics Fund	22,528,600			22,528,600
Fingerprint Clearance Card Fund	1,581,100			1,581,100
GIITEM Border Security and Law Enforcement Subaccount	2,396,400			2,396,400
Motor Vehicle Liability Insurance Enforcement Fund	1,254,100			1,254,100
Motorcycle Safety Fund	198,900			198,900
Parity Compensation Fund	4,000,300			4,000,300
Public Safety Equipment Fund	2,894,000			2,894,000
Risk Management Revolving Fund	1,351,000			1,351,000
State Highway Fund	8,167,000			8,167,000
Total - Department of Public Safety	136,328,100	0	0	136,328,100
Public Safety Personnel Retirement System Public Safety Personnel Retirement System Administration Account	0		15,000,000	15,000,000
Residential Utility Consumer Office Residential Utility Consumer Office Revolving Fund	1,352,200			1,352,200
Respiratory Care Examiners, Board of Board of Respiratory Care Examiners Fund	324,100			324,100
Retirement System, Arizona State Long-Term Disability Trust Fund Administration Account	1,800,000			1,800,000
Arizona State Retirement System Administration Account	23,248,400			23,248,400
Total - Arizona State Retirement System	25,048,400	0	0	25,048,400
Revenue, Department of Department of Revenue Administrative Fund	25,669,800			25,669,800
Liability Setoff Program Revolving Fund	806,900			806,900
Tobacco Tax and Health Care Fund	684,500			684,500
Total - Department of Revenue	27,161,200	0	0	27,161,200
Secretary of State Election Systems Improvement Fund	192,500			192,500
Records Services Fund	1,286,800			1,286,800
Total - Secretary of State	1,479,300	0	0	1,479,300
Technical Registration, State Board of Technical Registration Fund	2,352,900			2,352,900
Transportation, Department of Air Quality Fund	324,500			324,500
Department Fleet Operations Fund	19,285,200			19,285,200

FY 2022 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2022 Approp Rpt August 2021	OF Adjustments	OF FY 2022 Supplementals 2/	OF Enacted FY 2022
Highway User Revenue Fund	701,600			701,600
Highway Damage Recovery Account	8,000,000			8,000,000
Ignition Interlock Device Fund	351,100			351,100
Motor Vehicle Liability Insurance Enforcement Fund	1,772,200			1,772,200
State Aviation Fund	2,014,200			2,014,200
State Fleet Operations Fund	13,767,700			13,767,700
State Highway Fund	414,704,100		29,900	414,734,000
State Vehicle Replacement Fund	4,500,000			4,500,000
Vehicle Inspection and Certificate of Title Enforcement Fund	2,094,600			2,094,600
Total - Department of Transportation	467,515,200	0	29,900	467,545,100
Treasurer, State				
Arizona Highway Patrol Fund	2,500,000			2,500,000
School Safety Interoperability Fund	1,500,000			1,500,000
Law Enforcement and Boating Safety Fund	2,183,800			2,183,800
State Treasurer's Operating Fund	3,583,700			3,583,700
Total - State Treasurer	9,767,500	0	0	9,767,500
Universities				
Arizona State University University Collections Fund	599,978,900	(2,260,100)		597,718,800
Total - Arizona State University	599,978,900	(2,260,100)	0	597,718,800
Northern Arizona University University Collections Fund	139,466,800	(4,483,500)		134,983,300
University of Arizona - Main Campus University Collections Fund	317,757,200	(13,168,200)		304,589,000
University of Arizona - Health Sciences Center University Collections Fund	56,863,400	(500,100)		56,363,300
SUBTOTAL - Universities	1,114,066,300	(20,411,900)	0	1,093,654,400
Veterans' Services, Department of				
State Homes for Veterans' Trust Fund	50,519,000			50,519,000
Total - Department of Veterans' Services	50,519,000	0	0	50,519,000
Veterinary Medical Examining Board				
Veterinary Medical Examining Board Fund	601,800			601,800
Water Resources, Department of				
Assured and Adequate Water Supply Admin Fund	268,100			268,100
Water Resources Fund	1,019,400			1,019,400
Water Banking Fund	1,219,100			1,219,100
Total - Department of Water Resources	2,506,600	0	0	2,506,600
OPERATING BUDGET TOTAL	\$5,292,028,600	(\$8,419,100)	\$46,281,000	\$5,329,890,500
University (27th) Pay Period	36,887,300			36,887,300
Unallocated '22 One-Time HITF Employer Premium	7,986,500			7,986,500

FY 2022 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2022 Approp Rpt August 2021	OF Adjustments	OF FY 2022 Supplementals <u>2/</u>	OF Enacted FY 2022
Unallocated '22 Risk Management Adjustments	(70,900)			(70,900)
Unallocated '22 Retirement Adjustments	1,987,400			1,987,400
Unallocated '22 AFIS Transaction Fee	472,900			472,900
Unallocated '22 Rent Adjustments	100,700			100,700
Unallocated '22 Fleet Adjustments	704,700			704,700
Capital Outlay - Building Renewal/Projects	515,869,700			515,869,700
GRAND TOTAL	\$5,855,966,900	(\$8,419,100)	\$46,281,000	\$5,893,828,800

FY 2022 EXPENDITURE AUTHORITY CROSSWALK - ORIGINAL TO FINAL ESTIMATES

	EA FY 2022 Approp Rpt August 2021	EA Adjustments	EA FY 2022 Supplementals <u>2/</u>	EA Enacted FY 2022
AHCCCS	\$15,959,279,000		1,078,032,800	\$17,037,311,800
Child Safety, Department of	630,801,600		28,505,000	659,306,600
Economic Security, Department of	1,938,738,200		502,524,000	2,441,262,200
Education, Department of	1,200,671,500	(9,339,700)		1,191,331,800
GRAND TOTAL	\$19,729,490,300	(\$9,339,700)	\$1,609,061,800	\$21,329,212,400

**JLBC STAFF AND
AGENCY DIRECTORY**

APPROPRIATIONS COMMITTEE MEMBERS
Fifty-fifth Legislature
Second Regular Session

SENATE

David Gowan, Chairman
 Vince Leach, Vice-Chairman
 Lela Alston
 Sonny Borrelli
 Sean Bowie
 Sine Kerr
 David Livingston
 Lisa Otondo
 Raquel Terán
 Kelly Townsend

HOUSE

Regina Cobb, Chairman
 John Kavanagh, Vice-Chairman
 Kelli Butler
 César Chávez
 Gail Griffin
 Jake Hoffman
 Steve Kaiser
 Jennifer Longdon
 Quang Nguyen
 Joanne Osborne
 Judy Schwiebert
 Lorenzo Sierra
 Michelle Udall

STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE

- Director Richard Stavneak
- Office Manager..... Linda Monsanto
- Deputy Directors Stefan Shepherd
- Jack Brown
- Chief Economist..... Hans Olofsson
- Assistant Directors Micaela Larkin
- Patrick Moran
- Rebecca Perrera
- Principal Fiscal Analysts..... Morgan Dorcheus
- Geoff Paulsen
- Senior Fiscal Analysts Steve Grunig
- Jordan Johnston
- Economists Molly Murphy
- Ben Newcomb
- Fiscal Analysts Nate Belcher
- Lydia Chew
- Chandler Coiner
- Ryan Fleischman
- Cameron Mortensen
- Maggie Rocker
- Alexis Sammon
- Senior Administrative Assistant/JLBC & JCCR Clerk Kristy Paddack

JOINT LEGISLATIVE BUDGET COMMITTEE

The Joint Legislative Budget Committee was established in 1966 pursuant to Laws 1966, Chapter 96. The primary powers and duties of the JLBC relate to ascertaining facts and making recommendations to the Legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and functions of state government. The following members served on the Committee during the 55th Legislature, 2nd Regular Session:

Senator David M. Gowan
Chairman
Senator Lela Alston
Senator Sean Bowie
Senator Rick Gray
Senator Sine Kerr
Senator Vince Leach
Senator David Livingston
Senator Lisa Otondo

Representative Regina E. Cobb
Vice-Chairman
Representative Shawna Bolick
Representative Kelli Butler
Representative César Chávez
Representative John Kavanagh
Representative Jennifer Longdon
Representative Joanne Osborne
Representative Ben Toma

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 served on the Committee during the 55th Legislature, 2nd Regular Session:

Representative Regina E. Cobb Chairman	Senator David M. Gowan Vice-Chairman
Representative Reginald Bolding	Senator Lela Alston
Representative John Kavanagh	Senator Sean Bowie
Representative Joanne Osborne	Senator Rick Gray
Representative Judy Schwiebert	Senator Sine Kerr
Representative Lorenzo Sierra	Senator Vince Leach
Representative Ben Toma	Senator Rebecca Rios

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.

**DIRECTORY OF JLBC ANALYSTS
AND AGENCY/DEPARTMENT HEADS
(Analysts During the 2022 Regular Session)**

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of Acupuncture Board of Examiners Administration, Arizona Department of ADOA - School Facilities Division Administrative Hearings, Office of	Molly Murphy Steve Grunig Rebecca Perrera Rebecca Perrera Ben Newcomb	Monica Petersen [Executive Director] David Geriminsky [Executive Director] Andy Tobin [Director] Andy Tobin [Director] Greg Hanchett [Interim Director]	602-364-0870 602-542-3095 602-542-1500 602-542-1500 602-542-9830
African-American Affairs, Arizona Commission of Agriculture, Arizona Department of Arizona Health Care Cost Containment System	Molly Murphy Nate Belcher Maggie Rocker/ Chandler Coiner Morgan Dorcheus Ryan Fleischman	Cloves Campbell [Executive Director] Mark Killian [Director] Jami Snyder [Director]	602-542-5484 602-542-4373 602-417-4111
Arizona State University Arts, Arizona Commission on the	Molly Murphy Alexis Sammon Maggie Rocker Nate Belcher	Michael Crow, Ph.D. [President] Anne L'Ecuyer [Interim Executive Director]	480-965-8972 602-771-6520
Athletic Training, Board of Attorney General - Department of Law Auditor General Barbering and Cosmetology Board Behavioral Health Examiners, Board of	Steve Grunig Ryan Fleischman Micaela Larkin Alexis Sammon Alexis Sammon	Karen Whiteford [Executive Director] Honorable Mark Brnovich [Attorney General] Lindsey Perry [Auditor General] Frank Migali [Interim Director] Tobi Zavala [Executive Director]	602-589-8353 602-542-5025 602-553-0333 480-784-4632 602-542-1617
Charter Schools, State Board for Child Safety, Department of Chiropractic Examiners, State Board of Citizens Clean Elections Commission Commerce Authority, Arizona	Molly Murphy Alexis Sammon Alexis Sammon Maggie Rocker Nate Belcher	Ashley Berg [Executive Director] Mike Faust [Director] Alissa Vander Been [Executive Director] Thomas M. Collins [Executive Director] Sandra Watson [President and CEO]	602-364-3080 602-255-2564 602-542-9101 602-364-3477 602-845-1229
Community Colleges, Arizona Constable Ethics Standards and Training Board Contractors, Registrar of Corporation Commission Corrections, State Department of	Lydia Chew Ryan Fleischman Ben Newcomb Nate Belcher Geoffrey Paulsen	-- Dennis Dowling [Chairman] Jeffrey Fleetham [Director] Honorable Lea Marquez Peterson [Chairwoman] David Shinn [Director]	-- 602-343-6280 602-771-6700 602-542-3625 602-542-5225
Court of Appeals, Division I Court of Appeals, Division II Criminal Justice Commission, Arizona Deaf and the Blind, Arizona State Schools for the Deaf and the Hard of Hearing, Commission for the	Ryan Fleischman Ryan Fleischman Ryan Fleischman Molly Murphy Molly Murphy	Honorable Kent E. Cattani [Chief Judge] Honorable Garye L. Vásquez [Chief Judge] Andrew LeFevre [Executive Director] Annette Reichman [Superintendent] Sherri L. Collins [Executive Director]	602-452-6725 520-628-6949 602-364-1156 520-770-3704 602-542-3383
Dental Examiners, State Board of Drought Mitigation Board Early Childhood Development and Health Board, Arizona Economic Opportunity, Office of Economic Security, Department of	Alexis Sammon Micaela Larkin Alexis Sammon Ben Newcomb Micaela Larkin/ Chandler Coiner	Ryan Edmonson [Executive Director] Thomas Buschatzke [Member/Administrator] Melinda Gulick [Chief Executive Director] Sandra Watson [Director] Michael Wisheart [Director]	602-542-4451 602-771-8426 602-771-5091 602-771-0484 602-542-5757
Education, State Board of Education, Department of	Lydia Chew Patrick Moran/ Lydia Chew	Alicia Williams [Executive Director] Honorable Kathy Hoffman [Superintendent of Public Instruction]	602-542-5057 602-364-1972
Emergency and Military Affairs, Department of Environmental Quality, Department of Equal Opportunity, Governor's Office of	Jordan Johnston Ryan Fleischman Molly Murphy	Kerry L. Muehlenbeck [Adjutant General] Misael Cabrera [Director] Barry Wong [Executive Director]	602-267-2710 602-771-2203 602-542-5732
Equalization, State Board of Executive Clemency, Board of Exposition and State Fair Board, Arizona Forestry and Fire Management, Arizona Department of Funeral Directors and Embalmers, State Board of	Lydia Chew Ryan Fleischman Nate Belcher Nate Belcher Steve Grunig	George R. Shook [Interim Chairman] Gretchen McClellan-Singh [Executive Director] Wanell Costello [Executive Director] David Tenney [State Forester] Natasha Culbertson [Executive Director]	602-364-1611 602-542-5656 602-252-6771 602-771-1400 602-542-8152
Game and Fish Department, Arizona Gaming, Department of Governor, Office of the Governor's Office of Strategic Planning and Budgeting Health Services, Department of	Micaela Larkin Ben Newcomb Steve Grunig Steve Grunig Morgan Dorcheus	Ty Gray [Director] Ted Vogt [Director] Honorable Doug Ducey [Governor] Matthew Gress [Director] Don Herrington [Interim Director]	602-942-3000 602-771-4263 602-542-4331 602-542-5381 602-542-1025

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Historical Society, Arizona	Alexis Sammon	David Breeckner [Executive Director]	520-628-5774
Historical Society of Arizona, Prescott	Alexis Sammon	Lisa Hayes [Executive Director]	928-277-2002
Homeland Security, Arizona Department of	Rebecca Perrera	Tim Roemer [Director]	602-542-7013
Homeopathic and Integrated Medicine Examiners, Board of	Steve Grunig	David Geriminsky [Executive Director]	602-542-3095
House of Representatives	Micaela Larkin	Honorable Rusty Bowers [Speaker of the House]	602-926-3312
Housing, Arizona Department of	Alexis Sammon	Tom Simplot [Director]	602-771-1007
Independent Redistricting Commission	Molly Murphy	Brian Schmitt [Executive Director]	
Industrial Commission of Arizona	Molly Murphy	James Ashley [Director]	602-542-4411
Insurance and Financial Institutions, Department of	Nate Belcher	Evan Daniels [Director]	602-364-3471
Joint Legislative Budget Committee	Micaela Larkin	Richard Stavneak [Director]	602-926-5491
Juvenile Corrections, Department of	Ryan Fleischman	Douglas Sargent [Director]	602-542-4121
Land Department, State	Micaela Larkin	Lisa Atkins [Land Commissioner]	602-542-4621
Legislative Council	Micaela Larkin	Mike E. Braun [Executive Director]	602-926-4236
Liquor Licenses and Control, Department of	Nate Belcher	Tracy Uffelman [Director]	602-542-9020
Lottery Commission, Arizona State	Molly Murphy	Gregory Edgar [Executive Director]	480-921-4505
Massage Therapy, Board of	Steve Grunig	Thomas Aughterton [Interim Executive Director]	602-542-8804
Medical Board, Arizona	Chandler Coiner	Patricia McSorley [Executive Director]	480-551-2700
Mine Inspector, State	Nate Belcher	Honorable Paul Marsh [State Mine Inspector]	602-542-5971
Naturopathic Physicians Medical Board	Steve Grunig	Gail Anthony [Director]	602-542-8242
Navigable Stream Adjudication Commission, Arizona	Nate Belcher	George Mehnert [Executive Director]	602-542-9214
Northern Arizona University	Lydia Chew	José Luis Cruz Rivera, Ph.D. [President]	928-523-3232
Nursing, State Board of	Chandler Coiner	Joey Ridenour [Executive Director]	602-771-7801
Nursing Care Institution Administrators and Assisted Living Facility Managers, Board of Examiners of	Chandler Coiner	Jack Confer [Executive Director]	602-542-8156
Occupational Therapy Examiners, Board of	Steve Grunig	Karen Whiteford [Executive Director]	602-589-8352
Ombudsman-Citizens Aide Office	Micaela Larkin	Joanne MacDonnell [Ombudsman Citizens Aide]	602-277-7292
Opticians, State Board of Dispensing	Steve Grunig	Megan Darian [Executive Director]	602-542-8158
Optometry, State Board of	Steve Grunig	Margaret Whelan [Executive Director]	602-542-8155
Osteopathic Examiners, Arizona Board of	Chandler Coiner	Justin Bohall [Executive Director]	602-771-2522
Parents Commission on Drug Education and Prevention, AZ	Steve Grunig	Maria Fuentes [Director]	602-542-1773
Parks Board, Arizona State	Nate Belcher	Robert Broscheid [Executive Director]	602-542-4174
Personnel Board, State	Molly Murphy	Robin Van Staeyen [Executive Director]	602-542-3888
Pharmacy, Arizona State Board of	Chandler Coiner	Kamlesh Gandhi [Executive Director]	602-771-2740
Physical Therapy, Board of	Steve Grunig	Judy Chepeus [Interim Director]	602-542-8157
Pioneers' Home, Arizona	Chandler Coiner	Jessica Sullivan [Superintendent]	928-277-2763
Podiatry Examiners, State Board of	Steve Grunig	Heather Broaddus [Executive Director]	602-542-8151
Power Authority, Arizona	Ryan Fleischman	Jordy Fuentes [Executive Director]	602-368-4265
Private Postsecondary Education, State Board for	Steve Grunig	Kevin LaMountain [Executive Director]	602-542-5716
Psychologist Examiners, State Board of	Steve Grunig	Heidi Herbst Paakkonen [Director]	602-542-8162
Public Safety, Department of	Jordan Johnston	Colonel Heston Silbert [Director]	602-223-2359
Public Safety Personnel Retirement System	Molly Murphy	Michael Townsend [Administrator]	602-255-5575
Real Estate Department, State	Ben Newcomb	Louis Dettore [Commissioner]	602-771-7799
Regents, Arizona Board of	Morgan Dorcheus	John Arnold [Executive Director]	602-229-2507
Residential Utility Consumer Office	Nate Belcher	Malcolm Hightower [Director]	602-364-4835
Respiratory Care Examiners, Board of	Steve Grunig	Jack Confer [Director]	602-542-5995
Retirement System, Arizona State	Molly Murphy	Paul Matson [Director]	602-240-2000
Revenue, Department of	Micaela Larkin	Rob Woods [Director]	602-716-6090
Secretary of State, Department of State	Maggie Rocker	Honorable Katie Hobbs [Secretary of State]	602-542-4285
Senate	Micaela Larkin	Honorable Karen Fann [President of the Senate]	602-926-4371
Superior Court	Ryan Fleischman	David K. Byers [Director]	602-452-3301
Supreme Court	Ryan Fleischman	Robert Brutinel [Chief Justice]	602-452-3534
Tax Appeals, State Board of	Molly Murphy	Patricia Walker [Chairperson]	602-364-1102
Technical Registration, State Board of	Alexis Sammon	Judith Stapley [Executive Director]	602-364-4930
Tourism, Office of	Nate Belcher	Debbie Johnson [Director]	602-364-3717
Transportation, Department of	Jordan Johnston	John Halikowski [Director]	602-712-7227
Treasurer, State	Nate Belcher	Honorable Kimberly Yee [State Treasurer]	602-542-7800

AGENCY/DEPARTMENT/BUDGET AREA

Tribal Relations, Governor's Office on
University of Arizona
Veterans' Services, Department of
Veterinary Medical Examining Board, Arizona State
Water Infrastructure Finance Authority
Water Resources, Department of

JLBC ANALYST

Molly Murphy
Lydia Chew
Chandler Coiner
Steve Grunig
Micaela Larkin
Micaela Larkin

AGENCY/DEPARTMENT HEADS

Kristine FireThunder [Executive Director]
Robert Robbins, M.D. [President]
Colonel Wanda Wright [Director]
Victoria Whitmore [Executive Director]
Daniel A. Dialessi [Director]
Thomas Buschatzke [Director]

TELEPHONE
NUMBER

602-542-4421
520-621-5511
602-255-3373
602-542-8150
602-364-1310
602-771-8426

OTHER ASSIGNMENTS

Capital Review
Economic and Revenue Forecast
Federal/Non-Appropriated Funds
Fiscal Note Manager

Rebecca Perrera
Hans Olofsson
Stefan Shepherd
Stefan Shepherd

[] Denotes Title for Information Purposes

7/29/22