

STATUTORY FUNDING FORMULA COSTS

A majority of General Fund expenditures are determined by statutory funding formulas. These formula items are those that would require a change in permanent statute in order to spend at a level other than determined by current law.

The attachment displays all of the major programs that have their funding determined by some type of statutory funding formula. The majority of this spending consists of the Medicaid State Match in the AHCCCS, Department of Health Services and Department of Economic Security budgets, K-12 Education formula funding, and School Facilities Board funding. In total, funding formula spending makes up approximately \$5.7 billion of the state budget in FY 2012. This represents about 68% of total General Fund spending and leaves \$2.6 billion in non-formula spending in FY 2012. In comparison, statutory formulas made up 67.0% of spending in FY 2011.

Laws 1995, Chapter 196 added language to many formula programs to clarify that the Legislature is under no obligation to fund the programs beyond the original appropriation. Specifically, Chapter 196 added a general provision (A.R.S. § 1-254) that no statute construes a requirement for the expenditure of state monies in excess of a specific legislative appropriation. It then added this same language to a number of specific programs, such as AHCCCS, Community Colleges operating state aid, Foster Care and a number of other programs within the Department of Economic Security, K-12 funding formulas, and Behavioral Health within the Department of Health Services. The Chapter 196 language has yet to be used in an attempt to cap any spending program at its appropriated level.

**Statutory Funding Formula
General Fund Expenditures**

<u>Agency</u>	<u>FY 2012</u>	<u>Comments</u>
AHCCCS		
- Traditional Medicaid State Match	936,988,700	Excludes Administration, Dispro Share, Critical Access, Hospital Loan, Rural Hospital Reimbursement and Board of Nursing funding.
- Proposition 204 State Match	129,893,400	
- Title 21 (KidsCare) State Match	7,524,800	
- Children's Rehabilitative Services	36,410,600	
- ALTCS	172,812,200	
Community Colleges	71,089,000	District Operating and Equalization Aid received statutory formula growth and Operating Aid was then reduced by \$(72.9) million. Capital Aid continued to be suspended for FY 2012.
Economic Security, Dept. of		
- Medicaid Long-Term Care State Match	315,860,700	Excludes Administration
- TANF Cash Benefits	0	No longer funded from General Fund.
- Tuberculosis Control	12,200	
- Child Care - Day Care Subsidy	0	No longer funded from General Fund.
Education, Dept. of		
- Basic State Aid	3,015,201,100	Assumes rollover all comes from Basic State Aid
- Additional State Aid	351,525,000	
- Special Education Vouchers	33,242,100	
- English Language Learner	12,749,600	ELL Admin. and SEI Fund
- Other State Aid to Districts	983,900	
Environmental Quality, Dept. of	7,000,000	WQARF Deposit in FY 2012. Deposit was reduced from statutory \$15 M to \$7 M for FY 2012.
Emergency & Military Affairs, Dept. of		
- Governor's Emergency Fund	2,900,000	Statute requires \$4 M, but was decreased to \$2.9 M in FY 2012.
Forester, State	3,000,000	Wildfire Suppression Statutory Appropriation.
Health Services, Dept. of		
- Traditional Medicaid State Match	348,759,200	Behavioral Health and Premium Tax. Excludes Administration.
- Proposition 204 State Match	9,537,500	
Judiciary		
- Judges' Salaries	14,398,500	State pays Supreme Court, Court of Appeals and 50% of Non-Maricopa Superior Court salaries. Maricopa County pays the full cost of Maricopa Superior Court judges. Includes benefits (ERE).
- Juvenile Probation	13,761,700	Probation officers ratio in statute.
- Adult Probation	24,259,200	Probation officers ratio in statute.
School Facilities Board		
- Building Renewal	0	Formula generated \$241.6 M for FY 2012, but was suspended and replaced with discretionary \$2.7 M grant program.
- New Schools Facilities Fund	164,105,700	Debt service payment
Secretary of State		
- Elections Funding	4,437,200	
Tourism	0	Formula was suspended.
State Treasurer	1,115,100	Justice of the Peace salaries - Permanent law now requires State to pay 19.25% of non-Maricopa JP's salaries.
Universities - Board of Regents	10,041,200	Financial Assistance
Constitutional Officer Salaries	3,248,800	Includes Benefits (ERE).
TOTAL GF FUNDING FORMULA EXPENDITURES	5,690,857,400	
TOTAL GF EXPENDITURES	8,317,568,200	
PERCENT FORMULA SPENDING	68.4%	