

Appropriations Committee

Senator Debbie Lesko, Chairman



Carolyn Speroni, Research Analyst

Andrea Lichterman, Intern

APPROPRIATIONS COMMITTEE

LEGISLATION ENACTED

teachers; professional development; pilot program (S.B. 1038) – Chapter 284

SEE THE EDUCATION COMMITTEE.

medical student loans; board; continuation (S.B. 1047) – Chapter 128

Continues the Board of Medical Student Loans for four years until July 1, 2021, retroactive to July 1, 2017.

nuclear emergency appropriations; assessments (S.B. 1091) – Chapter 43 E

An emergency measure, effective March 22, 2017, that appropriates \$2,503,140 in FY 2018 and \$2,526,277 in FY 2019 from the Nuclear Emergency Management Fund (Fund), and provides the biennial appropriation and assessment for the support of the state response plan for commercial nuclear emergencies. Beginning in FY 2018, monies collected from the assessment on commercial nuclear generating stations are required to be deposited into the Fund, rather than the state General Fund.

vendor; payment by warrant; fee (S.B. 1137) – Chapter 239

SEE THE GOVERNMENT COMMITTEE.

appropriations; named claimants (S.B. 1179) – Chapter 17

Retroactive to June 1, 2017, appropriates \$8,816 from the state General Fund and \$10,735.85 from other funds to the Arizona Department of Administration, the Arizona Department of Corrections, the Department of Health Services and the Arizona Department of Transportation for payment for various claims made against state agencies.

felony pretrial intervention programs; appropriation (S.B. 1278) – Chapter 286

SEE THE JUDICIARY COMMITTEE.

technical correction; game; fish; facilities (NOW: G&F; in-lieu fee; trust fund) (S.B. 1285) – Chapter 186

SEE THE NATURAL RESOURCES, ENERGY & WATER COMMITTEE.

mining and mineral museum; transfer (S.B. 1415) – Chapter 221

Retroactive to April 1, 2017, permanently transfers the Mining, Mineral and Natural Resources Educational Museum (Museum) to the University of Arizona (U of A). Requires the

Arizona Department of Administration, for nominal consideration, to convey title and fee ownership to the U of A, the real property currently housing the Museum no later than July 1, 2017, and operate the Museum at such location.

building code moratorium; repeal (NOW: administrative order; enforcement; child support) (H.B. 2139) – Chapter 248

Requires the Department of Economic Security (DES) to establish and operate an insurance industry data match reporting system (reporting system) to identify claimants who are overdue on child support payments. Allows an insurer to: 1) exchange information with DES prior to remitting a payment under an insurance contract to a claimant; and 2) establish and revise the dollar-amount threshold triggering claim reporting. Provides liability protections to an insurer that: 1) uses reporting system information; 2) provides information to DES or its agent; or 3) delays the payment of a claim.

Allows DES to use the collected information for the purpose of administering and enforcing child support obligations. Restricts the use of the collected information to: 1) locating a person to establish paternity; and 2) establishing, modifying and enforcing support obligations. Allows collected information to be disclosed to: 1) agents under contract with DES; 2) state agencies; 3) political subdivisions within Arizona; 4) federal agencies involved in child support; and 5) other states and political subdivisions of other states that are seeking to locate persons to enforce support obligations. Exempts any collected information from statutory provisions relating to disclosure of public records.

Requires DES to post information online for persons who have not made child support payments in at least 12 months.

compact; balanced budget; convention (H.B. 2226) – Chapter 121

Requires Arizona to enact, adopt and agree to be bound by the Compact for a Balanced Budget Amendment (Compact) to the U.S. Constitution. *Balanced budget amendment* is defined as prohibiting the total outlays of the U.S. government from exceeding total receipts and prohibiting outstanding debt from exceeding authorized debt.

Describes the purpose of the Compact, sets Compact membership and withdrawal requirements and establishes the Compact Commission. It includes the resolution for applying to the convention, appoints and instructs delegates who will attend the convention, details the convention agenda and rules and prohibits participation in the convention before Congress first calls the convention.

Contains the resolution for ratifying the balanced budget amendment. It provides enforcement by the state attorney general, describes the proper venue and contains a severability and termination clause.

state veterinarian; animal identification; appropriation (H.B. 2253) – Chapter 280

SEE THE NATURAL RESOURCES, ENERGY & WATER COMMITTEE.

FY 2017-2018 BUDGET PACKAGE

general appropriations act; 2017-2018 (S.B. 1522/H.B. 2537) – Chapter 305

The FY 2018 budget includes spending in the total amount of \$9.82 billion, a cash balance of \$38 million, and a structural balance of \$21 million. The adopted budget includes ongoing revenues of \$9.68 billion and one-time revenues of \$8 million.

The budget includes \$161.8 million in FY 2018 spending as follows:

	General Fund \$ in Millions
Agriculture – Equipment (\$61K) (H.B. 2253)	0.1
Attorney General – Criminal Division (Through FY 2020)	1.5
Counties – Continue \$8 M DJC Offset	8.0
Counties – \$550 Distribution (Pinal/Yavapai/Mohave)	1.7
DES – Additional Prop 206 DD Costs	10.0
DES – DD Room and Board Rate Increase	2.0
ADE – IT Funding	7.3
ADE – Geographic Literacy	0.1
ADE – Teacher Professional Development Pilot (S.B. 1038)	0.3
Forestry – Firefighter Safety Communications	0.1
Forestry – Post Release Firefighting Crew	0.5
Governor – Computer Science Initiative	0.2
Governor – School Leadership Training (\$250k)	0.3
DPS – Sexual Assault Kit Testing – Redirect GF	\$1.2
SFB – Building Renewal Grants	17.2
SFB – New Construction – remove starting in FY 2019	(25.7)
SFB – New Construction Projects (FY 2018 starts)	62.9
SFB – New Construction Projects (FYs 2019 and 2020 Conceptual Approvals)	18.0
SOS – One-time Operating Funding	0.5
Universities – One-time Funding – ASU (w/\$1M Freedom School)	7.6
Universities – One-time Funding – NAU	3.2
Universities – One-time Funding – UA (w/\$1M Freedom School)	4.2
ADWR – Drought Contingency Plan	2.0
Other – ADOA – HITF Employer Contribution	25.0
Capital – ADOA – Projects	5.7

The budget includes ongoing additional spending as follows:

	General Fund \$ in Millions
AHCCCS – Prescription Drug Rebate Shift	(30)
AHCCCS – Prop 206 Costs	9.7

AHCCCS – Occupational Therapy (\$130k)	0.1
Agriculture – Meat and Poultry inspector (\$85k)	0.1
Agriculture – Veterinarian/Inspectors (H.B. 2253)	0.3
DCS – Adoption Services	2.0
DCS – Removal of Ongoing Backlog Privatization	(2.7)
DCS – Family Stipend (Kinship)	1.0
Community Colleges – Gila County Workforce	0.3
ADC – 1,000 Bed Annualization	(4.0)
ADC – Medicaid Savings	(2.5)
ADC – Inmate Health Care Growth	1.5
ADC – Kingman Prison Refinance Savings	(2.1)
ADC – Recidivism Reduction Initiatives	0.5
ADC – Retirement Adjustment	8.4
DES – Prop 206 Costs (\$8.1M in FY 2017)	23.3
DES – DD Early Intervention Program	2.0
SBE – Attorney General ISA from ADE (\$50k)	0.1
ADE – Formula (FY 2018 Baseline Growth - \$79.3M)	(3.4)
ADE – Results Based Funding	37.6
ADE – 1.06% Teacher Salary Increase (additional 1.06% in FY 2019)	34.0
ADE – Early Literacy	8.0
ADE – Move ISA Funding to SBE (\$50k)	(0.1)
ADE – Jobs for Arizona's Graduates	0.1
ADE – JTED Completion Grants	1.0
ADE – School Resource Officers	0.5
DFI – Fund Shift	(1.5)
Forestry – Firefighter Safety Communications	0.03
Forestry – Deputy Fire Marshal	0.1
Forestry – Post Release Firefighting Crew	1.0
DHS – Reduce Operating Budget	(2.8)
DHS – Increase Arizona State Hospital Funding	2.8
DHS – Renal Transplant Drugs (\$183k)	0.2
Independent Redistricting Commission – Work Completed	(1.1)
Judiciary – Court of Appeals – Division 1 staff (\$149k)	0.1
Judiciary – Court of Appeals – Division II staff (\$87k)	0.1
Judiciary – Full-time Water Master	0.031
Judiciary – Probation Caseload	0.5
Judiciary – Court Ordered Removals (FY 2018 \$75k/FY 2019 \$315k)	0.1
ADJC – Spending Reduction	(5.0)
Legislature – Auditor General – Special Investigative Unit	0.6
Postsecondary Ed. – MSSF Teacher Loan Program (\$250k)	0.2
Postsecondary Ed. – College Readiness (\$235k)	0.2
DPS – Retirement Adjustment (Plus HURF)	2.6
Universities – Bonding Proposal	Start payment in FY 2019
DWR – Geographic Information System (GIS) Personnel	0.1

DWR – General Streams Adjudications Personnel	0.5
DWR – Legal Support for Adjudications and CO River	0.5
DWR – Active Area Management Personnel	0.2
DWR – Continue Water Protection Fund Deposit	0.3
Other – Admin Adjustments/Revertments	(20.7)
Other – Executive Reductions/Efficiency Savings	(10.0)

The budget also contains certain changes to other funds as follows:

	Other Fund \$ in Millions	
	One-Time	Ongoing
AHCCCS – Prescription Drug Review Initiative		0.2
AHCCCS – Adult Dental Services		1.5
DES – Adult Protective Services Backfill/New Staff		2.0
ADOA/APF – CHILDS Funding (\$5 M in Baseline)	6.1	
ADOA/APF – DOR IT Funding	11.0	
AHCCCS/DES – Prop 206 Network Adequacy Study	0.2	
Arts – BSF Interest	1.5	
ADE – Broadband for Education Initiative	3.0	
ADE – Small Rural Schools (BSF Interest)	2.6	
ADEQ – WQARF Funding (Baseline - \$7.0 M/\$15.0 M Total)	8.0	
Gaming – Racing Division – Breeders' Award (\$250k)	0.3	
Judiciary – Drug Treatment Alternative to Prison (Pima County)	0.3	
Treasurer – ESA Administration (\$225k)/Management Fund (\$100k)		0.3
Other – Reduce DPS for Local HURF in FY 2020		30

Major Footnote Changes

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

ADOA – Automation Projects Fund

- Adds footnote extending permission to spend FY 2016 appropriations for the Department of Environmental Quality's e-licensing project through the end of FY 2018.
- Adds footnote extending permission to spend FY 2017 appropriations for information technology projects at ADOA, DCS, ADC, DES and ADE through the end of FY 2018.
- Adds footnote making the FY 2015 appropriation for DCS's CHILDS replacement project non-lapsing through FY 2018.
- Adds footnote extending the lapsing date of the FY 2016 appropriation for DES IT security project to June 30, 2018.
- Does not allow ADOA to divert the FYs 2016 and 2017 monies for IT Security for a study of any DES automated information system. By December 2, 2017, ADOA shall submit a

report for review by the Joint Legislative Budget Committee (JLBC) on the status of the Department's IT security system.

- Adds footnote re-purposing \$6,100,000 of the FY 2017 appropriation for Procurement Project for DCS's CHILDS replacement project in FY 2018.

AHCCCS

- Adds footnote requiring AHCCCS to submit a report to the Governor, the President of the Senate, the Speaker of the House of Representatives, OSPB and JLBC by February 1, 2018, on the effects of Proposition 206 on the adequacy of the long term care provider network for the Developmental Disabilities program and the Elderly and Physically Disabled program. The analysis would be delineated by geographic service area, and AHCCCS would be required to make recommendations on how to address any deficiencies in network adequacy identified in the report. Includes a \$200,000 appropriation from the Prescription Drug Rebate Fund to conduct the study.

Attorney General – Department of Law

- Adds footnote prohibiting monies appropriated to the Litigation Expenses line item in DCS's budget from being counted towards the Attorney General's Interagency Service Agreements Fund appropriation in FY 2018.
- Adds footnote appropriating \$1,500,000 from the state General Fund to the Criminal Division in FYs 2019 and 2020.

DCS

- Modifies footnote to reduce DCS's benchmark for open reports to 8,000. States that the benchmark is based on the average number of incoming reports from March 1, 2016, through February 28, 2017.
- Modifies footnote to establish an out-of-home population benchmark of 15,191 children to be met by June 30, 2018. This is the same 11.4 percent reduction requirement from FY 2017 budget.
- Modifies footnote to extend eligibility for the grandparent stipend to non-grandparent relatives and non-relative caretakers. Requires JLBC review prior to any change in the subsidy or income eligibility.

ADE

- Adds footnote for a 1.06 percent teacher pay raise in FY 2018 that will supplement and not supplant other salary adjustments provided by school districts and charter schools. States that it is the intent of the Legislature and the Governor that the monies be used to increase teacher compensation and that funding for an additional 1.06 percent teacher pay raise shall be included in the FY 2019 budget, for a cumulative increase of 2.12 percent compared to FY 2017. Teachers must have taught in an Arizona public school in FY 2017 to qualify for funding in FY 2018. A school district or charter school governing board shall take a separate vote on the use of the pay raise monies. ADE shall publicize the scheduling of the vote to teachers on its website at least 10 days before the vote. If the school district or charter school maintains a website, the school district or charter school must also publicize the vote on its website. Members of the school district or charter school governing body must attest that the pay raise will be implemented as part of the signed FY 2018 budget

document for each school district or charter school. Adds pay raise monies to a district or charter's Base Support Level (BSL), which will cause non-state aid districts to use local monies to pay for the salary adjustment. Each school district and charter school will calculate the cost of the salary adjustment, which is subject to an independent annual audit.

- Adds footnote establishing a grant program to allow students who have completed at least 50 percent of a Joint Technical Education District (JTED) program, but have graduated high school, to complete their JTED program.
- Adds footnote requiring JLBC review before ADE can expend an additional \$400,000 from the Empowerment Scholarship Account Administration Fund for operating expenses.
- Adds footnote delineating the distribution of \$2,600,000 for rural assistance. Funding will be provided on a pro rata basis to school districts in counties with populations of fewer than 500,000 according to the 2010 U.S. Census, except that a school district or charter school that primarily serves homeless or special needs pupils may qualify for assistance regardless of its location.

SOS

- Adds footnote requiring that any funds used for a statewide voter registration system shall include all data required to be sent by counties in a manner prescribed by the Secretary of State pursuant to A.R.S. § 16-168.

Universities

- Adds footnote specifying the allocation of the one-time funding of \$7,369,500 to Arizona State University (ASU) and \$4,157,700 to the University of Arizona (U of A). The sum of \$1,000,000 is dedicated to the School of Civic and Economic Thought at ASU and \$1,000,000 is dedicated to the Center for the Philosophy of Freedom at the U of A. These amounts shall supplement and not supplant funding for each of the freedom schools.
- Adds footnote prohibiting the universities from expending their state General Fund appropriations for contracted lobbyists.

For additional information on the FY 2017-2018 budget, see:
<http://www.azleg.gov/jlbc/house-senateplanasengrossed050517rev.pdf>

capital outlay; appropriations; 2017-2018 (S.B. 1523/H.B. 2538) – Chapter 306

Makes the following necessary statutory changes relating to capital outlay to reconcile the FY 2018 state budget:

Building Renewal – Appropriates the following amounts in FY 2018 to the following agencies from the specified funds for major maintenance, repair and renewal of state buildings:

Agency	Fund Sources	Amount
Arizona Department of Administration	State General Fund	\$5,700,000
	Capital Outlay Stabilization Fund	\$2,600,000
Arizona Department of Corrections (ADC)	ADC Building Renewal Fund (BRF)	\$5,464,300
Arizona Game & Fish Department	Game and Fish Fund	\$530,000

Arizona State Lottery Commission	State Lottery Fund	\$122,200
Arizona Department of Transportation (ADOT)	State Highway Fund (SHF) State Aviation Fund (SAF)	\$4,500,000 \$232,300

Capital Projects – Appropriates the following amounts in FY 18 to the following agencies from the specified funds for capital projects:

Agency	Purpose	Fund	Amount
ADOT	Deicer Construction	SHF	\$1,100,000
ADOT	Construction of a New Equipment Service Shop – Safford	SHF	\$4,000,000
ADOT	Capital Improvements – Tempe	SHF	\$240,000
ADOT	Planning and Construction of State Highways	SHF	\$315,286,000
ADOT	Planning and Construction of State Airports	SAF	\$24,555,200
Arizona Exposition and State Fair Board (AESFB)	Capital Improvements	AESFB Fund	\$1,000,000
Arizona State Parks Board (ASPB)	Rockin' River Ranch State Park Project	State Parks Revenue Fund	\$4,000,000
ASPB	Capital Improvements	State Parks Revenue Fund	\$1,300,000
ADC	State Prison Facility Maintenance	ADC BRF	\$1,450,000
ASPB	Maintenance and Repairs	State Parks Revenue Fund	\$1,500,000
Arizona State Legislature	Maintenance and Repairs for State Buildings	State General Fund	\$5,700,000

ADOT – The bill also appropriates a total of \$5,530,000 from the SHF to ADOT. \$2,344,800 is for the construction of six vehicle wash systems and the remaining \$3,318,200 is distributed as follows: 1) 33.231 percent to the counties; 2) 48.097 percent to the incorporated cities and towns; 3) 5.247 percent to the incorporated cities with a population of 300,000 persons or more; and 4) 13.425 percent to counties with a population of more than 800,000 persons. The bill limits spending of the SHF appropriation to constructing, reconstructing, maintaining or repairing public highways, streets or bridges and rights-of-way acquisitions. The Joint Committee on Capital Review is directed to review the scope, purpose and estimated cost of new capital projects with an estimated cost of more than \$250,000.

Makes the following necessary session law changes related to budget procedures to reconcile the FY 2018 budget:

Arizona Department of Administration (ADOA) – Exempts ADOA from rulemaking requirements through July 1, 2018, to modify the risk management deductible for state agencies with an annual budget greater than \$1,000,000. Adds the Mining, Mineral and Natural Resources Education Museum to the list of buildings for which ADOA is not required to provide for the allocation of space, operation, alteration, renovation and security.

Miscellaneous – Reestablishes, retroactive to January 1, 2017, the Arizona Job Training Fund (Fund), grants the Arizona Commerce Authority permission to administer the Fund and specifies how monies in the Fund may be expended.

Requires the Department of Emergency and Military Affairs to submit a report to the Joint Committee on Capital Review for evaluation prior to awarding monies from the Military Installation Fund.

Establishes the Highway Damage Recovery Account as a separate account within the State Highway Fund.

Continues the Capital Outlay Stabilization Fund rental rates for state-owned buildings in FY 2018 at \$13.08 per square foot for office space and \$4.74 per square foot for storage space.

Removes Budget Stabilization Fund requirements for deposits and withdrawals in FYs 2018 through 2020.

Stipulates that the executive budget, which must be submitted no more than five days after the regular session of the Legislature convenes in 2018, only address the next fiscal year. Directs the head of each budget unit to submit a budget estimate in calendar year 2017 that only addresses the next fiscal year.

environment; budget reconciliation; 2017-2018 (S.B. 1526/H.B. 2541) – Chapter 308

Makes the following necessary statutory and session law changes relating to environment to implement the FY 2018 state budget:

Arizona Department of Environmental Quality (ADEQ) – Suspends the statutory uses of Underground Storage Tank (UST) Revolving Fund monies and allows ADEQ to transfer up to \$6,531,000 from the UST Revolving Fund for administrative costs in FY 2018. Appropriates the following to the Water Quality Assurance Revolving Fund (WQARF) in FY 2018: 1) up to \$2,823,600 from the state General Fund; 2) \$4,000,000 from the Emissions Inspection Fund; 3) \$2,000,000 from the Air Quality Fund; 4) \$3,713,300 from the Permit Administration Fund; and 5) \$1,000,000 from the Recycling Fund. The intent of the Legislature is that the amounts appropriated to the WQARF be supplemented by \$1,500,000 of monies directly deposited in the WQARF. Allows monies in the Water Quality Fee Fund to be used for water quality monitoring.

Requires the Director of ADEQ to charge the same fees in FY 2018 that were charged in FY 2017 for emissions tests in Area A.

Safe Drinking Water Program Fund (SDWPF) – Establishes the SDWPF to be administered by the Director of ADEQ. Requires monies in the SDWPF to be used to pay for the costs of potable water system programs, subject to legislative appropriation. Requires the net revenues collected from the tax on water use to be deposited as follows: 1) the first \$1,800,000 of net revenues collected in the SDWPF; and 2) the remaining net revenues in the WQARF.

Arizona Department of Water Resources (ADWR) – Continues to allow up to \$336,000 from the Water Protection Fund to be used for ADWR administrative costs, and continues to allow the ADWR Director to increase fees up to \$100,200 in FY 2018.

Arizona State Parks Board (ASPB) – Continues to allow ASPB to spend up to \$692,100 from the ASPB portion of the Off-Highway Vehicle Recreation Fund for operating expenses in FY 2018.

Arizona Navigable Stream Adjudication Commission (ANSAC) – Allows monies appropriated to ANSAC from the Arizona Water Banking Fund to be used to pay legal fees in FY 2018.

health; budget reconciliation; 2017-2018 (S.B. 1527/H.B. 2542) – Chapter 309

Makes the following necessary statutory and session law changes relating to health and welfare to reconcile the FY 2018 state budget:

Arizona Health Care Cost Containment System (AHCCCS) – Makes outpatient occupational therapy a covered service. Adds emergency dental care and extractions for persons who are at least 21 years of age in an annual amount up to \$1,000 per member.

Freezes enrollment in the KidsCare Program if the federal match rate falls below 100 percent.

Allows AHCCCS to continue risk contingency rate settings for all managed care organizations (MCOs) and funding for all MCOs' administrative funding levels imposed in contract year 2010-2011 for the contract year beginning October 1, 2017, and ending September 30, 2018. Continues to allow AHCCCS to participate in any special disability workload 1115 Demonstration Waiver offered by the Centers for Medicare and Medicaid Services as outlined.

Extends the Safety Net Care Pool for qualifying hospitals to FY 2020.

Continues to require AHCCCS to report by December 1, 2017, on the use of the emergency department for nonemergency purposes by AHCCCS enrollees, and requires a joint AHCCCS and DHS report on hospital charge master transparency. Continues to require AHCCCS to report by January 2, 2018, on the availability of inpatient psychiatric treatment both for adults and for children and adolescents who receive services from the regional behavioral health authorities.

Disproportionate Share Hospital (DSH) Payments – Establishes FY 2018 DSH distributions to the Maricopa Special Healthcare District (MIHS), the Arizona State Hospital (State Hospital), private qualifying disproportionate share hospitals and the Yuma Regional Medical Center. Requires MIHS and the State Hospital to each provide a Certified Public Expense form for the amount of qualifying DSH expenditures to AHCCCS within specified timelines.

County Contributions – Modifies the distribution and payment of county contributions in FY 2018. Requires AHCCCS to transfer any excess monies back to the counties by December 31, 2017, if the county's proportion of state match exceeds the proportion allowed in order to comply with the Affordable Care Act. Excludes certain costs from county expenditure limitations.

Department of Health Services (DHS) – Requires counties to reimburse DHS 31 percent of State Hospital costs for committed sexually violent persons. Requires cities and counties to reimburse DHS 100 percent of defendants' inpatient competency restoration treatment.

Continues to allow DHS to use monies in the Health Research Account for Alzheimer's disease research. Allows monies in the Health Services Lottery Monies Fund to be used for purposes specified in the FY 2018 General Appropriations Act.

Establishes the Public Health Emergencies Fund (Fund) consisting of legislative appropriations, and requires the DHS Director to administer the Fund. DHS is required to report any expenditures from the Fund to the Joint Legislative Budget Committee (JLBC) by September 1 of each year.

Requires DHS to submit a grant application to receive monies for Title X family planning services. Outlines the distribution priority for any monies received from the grant.

Department of Economic Security (DES) – Prohibits the amount of monies from the Arizona Long Term Care System (ALTCS) Fund that are reverted to the state General Fund from being adjusted to pay non-Medicaid claims incurred by the Division of Developmental Disabilities. Allows DES, retroactive to July 1, 2017, to use unexpended and unencumbered monies from capitation payments in the DES Long Term Care System Fund for state-only program expenses within the Division of Developmental Disabilities, and requires DES to submit an expenditure plan for review by JLBC before making any expenditures.

higher education; budget reconciliation; 2017-2018 (S.B. 1528/H.B. 2543) – Chapter 310

Makes the following statutory and session law changes relating to higher education to reconcile the FY 2018 state budget:

Community Colleges – Enables community college districts located in Maricopa and Pima counties to receive state aid for science, technology, engineering and mathematics (STEM) and workforce programs. Funds community college district operating expenses and STEM programs for FY 2018 as specified in the General Appropriation Act.

Universities – Requires the Arizona Board of Regents (ABOR) to complete, by December 15, 2017, and every five years thereafter, a student cost study detailing the costs associated with educating a full-time resident undergraduate student at each public university in Arizona. Requires ABOR to complete an annual cost containment report detailing actions taken by universities to contain the cost of attending a public university in Arizona. Both the report and the study must be submitted to the Legislature.

Continues, for FY 2018, to allow the Legislature to appropriate less than a 2:1 match for student registration surcharges deposited into the Financial Aid Trust.

Arizona Teacher Academy – Requires each public university in Arizona to establish, by the beginning of the 2018 academic year, an Arizona Teacher Academy (Academy). Each resident student enrolled in an Academy shall be offered an annual waiver for all tuition and fees associated with the student's program of study, provided that the student agrees to teach in an Arizona public school for one year for every year that the student accepted a waiver. If a student does not teach in an Arizona public school for the agreed upon number of years, or does not complete an academic year in good academic standing, then the total amount, or an appropriate corresponding amount of the waiver, must be reimbursed to the university. Directs universities to develop multiple teacher preparation programs, including accelerated programs for STEM fields, and develop formalized partnerships with public schools. Requires ABOR, by July 1, 2018, to report to the Legislature on the enrollment and success of each Academy.

human services; budget reconciliation; 2017-2018 (S.B. 1529/H.B. 2544) – Chapter 311

Makes the following necessary session law changes related to human services to reconcile the FY 2018 budget:

Department of Economic Security (DES) – Continues DES's authority in FY 2018 to reduce maximum income eligibility levels for child care assistance. Continues to require DES to screen and test recipients of Cash Assistance for illegal drug use, and renders recipients who test positive ineligible for benefits for one year.

Department of Child Safety (DCS) – Continues to require DCS and the Early Childhood Development and Health Board (First Things First) to jointly report to the Joint Legislative Budget Committee by February 1, 2018, on collaborative efforts to address child welfare.

Auditor General – Requires the Auditor General to provide the following reports concerning DCS: 1) a report on caseworker caseload standards, due by December 31, 2018; and 2) a report that addresses practices for recruiting, licensing, using and retaining foster parents, due by September 30, 2019.

revenues; budget reconciliation; 2017-2018 (S.B. 1531/H.B. 2546) – Chapter 312

Makes the following statutory and session law changes relating to general revenues to reconcile the FY 2018 state budget:

Department of Liquor Licenses and Control (DLLC) – Continues to allow DLLC to spend \$626,700 of its FY 2015 appropriation and \$400,000 of its FY 2016 appropriation on a licensing replacement system through June 30, 2018.

Department of Gaming – Sets the Department of Gaming racing wagering assessment to 0.5 percent of the amounts wagered in FY 2018.

Arizona Department of Transportation (ADOT)/Department of Public Safety (DPS) – Changes the distribution of jet fuel tax revenues from the state General Fund (GF) to the state Aviation Fund. Distributes a portion of aircraft license tax revenues as follows to make the distribution change revenue neutral: 1) 50 percent to the GF; 2) 35 percent to the state Aviation Fund for use in airport construction, development and improvement; 3) 9.5 percent to counties proportionally based on population; and 4) 5.5 percent to incorporated cities and towns proportionally based on population.

Appropriates \$30,000,000 on a one-time basis from the Highway Expansion and Extension Loan Program Fund in FY 2018 and FY 2019 to ADOT for distribution as follows: 1) 33.231 percent to counties; 2) 48.097 percent to incorporated cities and towns; 3) 5.247 percent to incorporated cities with a population of 300,000 or more persons; and 4) 13.425 percent to counties with a population of more than 800,000 persons. Requires ADOT to allocate and the State Treasurer to distribute \$30,000,000 in FY 2019 and \$60,000,000 in FY 2020 from the Arizona Highway User Revenue Fund (HURF) under the same distribution. Restricts the appropriated amounts to the following uses: 1) direct costs of constructing, reconstructing, maintaining or repairing public highways, streets or bridges; and 2) direct costs of rights-of-way acquisitions and related expenses.

Declares the intent of the Legislature as follows: 1) that the FY 2020 HURF distribution be matched by a \$30,000,000 reduction to the HURF appropriation to DPS; and 2) that the GF appropriation to DPS be increased by \$30,000,000 in FY 2020 so as to not allow the shift to impact agency operations.

Department of Insurance (DOI) – Continues to suspend the requirement that fees collected by DOI must comprise between 95 percent and 110 percent of DOI's appropriation.

Radiation Regulatory Agency (ARRA) – Continues to allow the Director of ARRA to increase fees in FY 2018. Continues to limit the increased fee revenue to \$561,000. Requires increased fee revenue to be deposited in the Radiation Regulatory Fee Fund. Continues to exempt ARRA from rulemaking requirements for the purpose of increasing fees until July 1, 2018.

Arizona Department of Agriculture (ADA) – Allows ADA to continue existing fees from FY 2017 in FY 2018. Limits additional revenues generated by the fees as follows: 1) \$218,000 to the GF; 2) \$113,000 to the Pesticide Trust Fund; and 3) \$26,000 to the Dangerous Plants, Pests and Diseases Trust Fund. Exempts ADA from rulemaking requirements for the purpose of establishing fees until July 1, 2018.

Department of Financial Institutions (DFI) – Continues to allow the Superintendent of DFI to spend up to \$850,000 from the Department Receivership Revolving Fund to develop and implement a new electronic licensing system through FY 2018. Continues to allow DFI to use the Financial Services Fund for general operating expenditures.

Counties – Continues to allow counties with a population of fewer than 250,000 persons to use any source of county revenue, up to \$1,250,000, to meet any county fiscal obligation in FY 2018. Requires a county that uses this authority to report by October 1, 2017, the following to the Director of the Joint Legislative Budget Committee: 1) whether the county used a revenue source for purposes other than the purposes of the revenue source to meet a county fiscal obligation; and 2) the specific source and amount of revenues that the county intends to use in FY 2018.

Department of Revenue (DOR) – Continues the legislative intent statement that local fees to fund DOR are not to exceed \$20,755,835 in any fiscal year and should be allocated between cities and towns, counties, the Maricopa Association of Governments and the Pima Association of Governments based on the prorated share of all revenues distributed to them, excluding HURF funds.

criminal justice; budget reconciliation; 2017-2018. (H.B. 2540/S.B. 1525) – Chapter 303

Makes the following necessary statutory and session law changes relating to criminal justice to reconcile the FY 2018 state budget:

Judiciary – For the purpose of enhancing courthouse security, increases the distribution of court fees from the superior courts and justices of the peace for deposit into the Judicial Collection Enhancement Fund (JCEF). In FY 2018, appropriates \$750,000 from JCEF to the Administrative Office of the Courts to provide assistance, training and grants to courts to meet security standards adopted by the Arizona Supreme Court. Adjusts distributions to other court funds to maintain funding levels.

Department of Public Safety (DPS) – Removes annual allocation of the first \$1,600,000 in available Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) funds to the Maricopa County Sheriff's Office (MCSO) and prohibits monies in the GIITEM Mission Fund from being used for agreements or contracts with MCSO. Allocates \$400,000 in FY 2018 to the Pima County Sheriff's Office from the GIITEM Mission Fund.

Beginning July 1, 2018, combines four different DPS funds into one fund designated as the *DPS Forensics Fund* for purposes including operating and administering the Arizona Automated Fingerprint Identification System and remote terminals, enhancing crime laboratory operations and administering the Arizona Deoxyribonucleic Acid Identification System. DPS must distribute remaining monies to political subdivisions with a crime laboratory as outlined.

Additionally, appropriates the Fingerprint Clearance Card Fund for DPS crime laboratory expenses and stipulates excess monies are continuously appropriated each fiscal year for the DPS Fingerprinting Division. Finally, after an initial deposit of \$1,200,000 into the Public Safety

Equipment Fund (PSE Fund), the State Treasurer must deposit excess monies directly into the state General Fund, instead of first through the PSE Fund.

Continues session law provisions related to DPS in FY 2018 as follows: 1) suspends the \$10,000,000 statutory cap and transfer of Highway User Revenue Fund monies for highway patrol costs; 2) allows DPS to use monies in the State Aid to Indigent Defense Fund for operating expenses; and 3) requires the Joint Legislative Budget Committee to review the GIITEM Border Security and Law Enforcement Subaccount's (GIITEM Subaccount) expenditure plan before any monies are spent by DPS. Continues to allow DPS to utilize up to \$137,700 from the GIITEM Subaccount in FY 2018 for costs related to an increase in the Public Safety Personnel Retirement System employer contribution rate.

Arizona Department of Corrections (ADC) – Continues to require ADC to report actual FY 2017, estimated FY 2018 and requested FY 2019 expenditures as delineated in the prior year's submission when submitting its FY 2019 budget request.

Miscellaneous – Increases the maximum compensation from \$75,000 to \$100,000 for the Executive Director of the Automobile Theft Authority. Expresses the Legislature's intent that each county pay a proportional share, based upon population, of \$11,260,000 for the annual committed-youth-confinement cost-sharing fee, which is partially offset by an \$8,000,000 appropriation to counties.

K-12 education; budget reconciliation; 2017-2018. (H.B. 2545/S.B. 1530) – Chapter 304

Makes the following necessary statutory and session law changes relating to K-12 education to reconcile the FY 2018 state budget:

Basic State Aid – Increases the Base Level Amount by 1.31 percent to account for standard inflation by increasing the per-pupil amount from \$3,635.64 to \$3,683.27. Continues to reduce District Additional Assistance (DAA) by \$352,442,700 and requires district budget limitations to be reduced accordingly. Caps the reduction in DAA for school districts with a student count of fewer than 1,100 at \$5,000,000. Increases Charter Additional Assistance (CAA) by 1.31 percent to account for standard inflation and continues to reduce CAA by \$18,656,000.

Joint Technical Education Districts (JTEDs) – Continues to fund state aid for JTEDs with more than 2,000 students at 95.5 percent and computes the reduction based on prior-year Average Daily Membership (ADM) rather than current-year ADM.

School Facilities Board (SFB) – Retroactive to July 1, 2017, moves the application deadline for new school construction from September 1 to July 1 and moves the date for SFB to approve or revise enrollment projections from March 1 to December 1. Additionally, the legislation utilizes the most recent 40th day ADM counts rather than the approved projections when determining if a school district is eligible for new construction. In FY 2018, allows SFB to use up to \$200,000 from the Building Renewal Grant Fund for testing lead in school water systems.

Results-Based Funding – Establishes a Results-Based Funding Fund that provides extra per-pupil monies to schools that score in the top 10 percent of the state in language arts and math on the statewide assessment during the Spring of 2016. The monies are distributed based on the number of students that qualify for free and reduced-price lunches. Schools with 60 percent or more students that qualify for free and reduced-price lunch receive \$400 per pupil while all other schools receive \$225 per pupil. For FY 2019 and thereafter, the fund distributes monies to schools that receive an A letter grade as determined by the A-F accountability system, rather than based on students' statewide assessment scores.

Broadband Expansion Fund – Establishes the Broadband Expansion Fund to provide state matching funds for certified broadband connectivity construction projects in schools, school districts and libraries. Eligible projects must be approved by the federal administrator of the E-Rate Program.

Early Literacy Grant Program – Establishes the Early Literacy Grant Program to provide additional support to improve K-3 reading at public schools with at least 90 percent of students eligible for free and reduced-price lunches.

Nationally Recognized College-Readiness Examinations – Appropriates \$235,000 to the Commission for Postsecondary Education to establish a one-year pilot program for nationally recognized college readiness examinations. The pilot program issues grants to school districts and charter schools to administer nationally recognized college-readiness examinations for the 2017-2018 school year to 11th grade students.

Cave Creek Unified School District – Increases the budget limit for the Cave Creek Unified School District by \$1.5 million in FY 2018.

Miscellaneous – Allows Duncan Unified School District to incur liabilities in excess of the school district budget in FY 2018 without first applying to SFB for funding from the Emergency Deficiencies Correction Fund or petitioning the county school superintendent or county board of supervisors. Continues the School Emergency Readiness Pilot Program until January 1, 2019.

university infrastructure capital financing; appropriations. (H.B. 2547/S.B. 1532) – Chapter 328

Establishes a capital infrastructure fund (Fund) for each state university. A total of \$27 million is appropriated in FY 2019 for deposit in each university's Fund as follows: 1) \$11,927,400 for Arizona State University; 2) \$10,551,700 for the University of Arizona; and 3) \$4,520,900 for Northern Arizona University.

Those amounts are similarly appropriated in FYs 20 through 43, adjusted by a growth rate of either two percent or the change in gross domestic product, whichever is less. The bill requires universities to match, one for one, those funds.

Requires these funds to be used exclusively for either cash costs of, or debt service on long-term financing for capital projects. Prohibits monies from being used for supplanting funding of

existing projects, construction or maintenance of a professional sports franchise, operating expenditures, or issuing total debt financing for which debt service exceeds \$1 billion.

Before expenditure of monies in the Fund, for any capital project *not* subject to debt financing, the Joint Committee on Capital Review (JCCR) must hear and *review* the scope, purpose and estimated cost. For projects that *are* subject to debt financing, projects shall be submitted for *approval* by JCCR.

The bill also requires each university that has entered into a licensure or royalty agreement, for the first three years, to deposit in the state General Fund 20 percent of net income from these payments. After the first three years, that number becomes 20 percent of gross income. The bill also requires a 25 percent deposit of gross revenues from the sale or transfer of intellectual property developed by the university. These provisions are for agreements entered from and after April 30, 2017.

The bill requires each university to calculate amounts received in the prior fiscal year and not include cumulative losses from other fiscal years. Prohibits each university from reducing its required deposits from any agreements due to net income associated with other projects.