

# **Appropriations Committee**

Senator David Gowan, Chairperson



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# APPROPRIATIONS COMMITTEE

## LEGISLATION ENACTED

DHS; continuation (S.B. 1051) – Chapter 6 E

[SEE THE HEALTH AND HUMAN SERVICES COMMITTEE.](#)

joint legislative budget committee; continuation (S.B. 1128) – Chapter 34

Continues the Joint Legislative Budget Committee for 10 years, until July 1, 2030, retroactive to July 1, 2020.

~~empowerment scholarships; qualified schools; reservations~~ (NOW: empowerment scholarships; qualifications; administration; appropriations) (S.B. 1224) – Chapter 12

[SEE THE EDUCATION COMMITTEE.](#)

mental health omnibus (S.B. 1523/H.B. 2764) – Chapter 4

[SEE THE HEALTH & HUMAN SERVICES COMMITTEE.](#)

appropriations; named claimants (H.B. 2407) – Chapter 20

Appropriates \$102,261.81 from the state General Fund and \$43,587.72 from other funds to various state agencies in FY 2020 to pay past claims.

## FY 2020-2021 BUDGET PACKAGE

general appropriations act; 2020-2021. (S.B. 1692/H.B. 2909) – Chapter 58

The FY 2021 budget includes spending in the total amount of \$11.75 billion, a cash balance of \$784 million and a structural balance of \$479 million. The adopted budget includes ongoing revenues of \$11.91 billion and one-time revenues of \$629 million.

The budget includes FY 2021 (unless otherwise stated) one-time additional state General Fund (state GF) spending as follows:

|   | State GF \$<br>(in Millions)* |
|---|-------------------------------|
| Arizona Department of Corrections (ADC) – Lewis and Yuma County<br>Locks, Fire and Heating, Ventilation and Air Conditioning (HVAC) | 11.0                          |

|   | State GF \$<br>(in Millions)* |
|---|-------------------------------|
| Arizona Department of Education (ADE) – District/Charter Additional Assistance Acceleration                 | 67.8                          |
| Arizona Department of Environmental Quality (ADEQ) – Water Quality Assurance Revolving Fund (WQARF) Funding | 5.0                           |
| School Facilities Board (SFB) – Building Renewal Funding  | 90.8                          |
| SFB – Building Renewal Funding (supplemental in FY 2020)  | 28.0                          |
| Secretary of State (SOS) – Presidential Preference Election (supplemental in FY 2020)                       | 2.6                           |
| State Employee Health Insurance Funding   | 22.0                          |

*\*Figures are rounded.*

The budget also includes ongoing additional state GF spending as follows:

|  | State GF \$<br>(in Millions)* |
|--|-------------------------------|
| ADE – Formula (truth in taxation adjustment) | (6.6)                         |
| ADEQ – WQARF Funding                         | 10.0                          |
| Retirement Rate Increases                    | 18.8                          |

*\*Figures are rounded.*

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

|   | Other Fund \$<br>(in Millions)* |
|---|---------------------------------|
|   | One-Time                        |
| Department of Child Safety (DCS) – Additional Child Care Funding                          | 1.0                             |
| DCS – Litigation  | 2.6                             |
| ADC – Lewis and Yuma County Locks, Fire and HVAC  | 19.0                            |
| Department of Economic Security (DES) – Child Care 3-5 Star Rate Increases                | 1.5                             |
| DES – Increase Child Care Caseload by 3,000   | 20.8                            |
| Arizona Department of Veterans’ Services (ADVS) – Operating Costs for New Veterans' Homes | 3.4                             |
| Health Insurance Trust Fund – Employer Premium Increase                                   | 21.5                            |
| 27th Pay Period   | 31.5                            |
| Retirement Adjustment   | 3.0                             |

*\*Figures are rounded.*

## Major Footnote Changes

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

### Arizona Department of Revenue (ADOR)

- Requires ADOR to submit a report to the Joint Legislative Budget Committee (JLBC) by March 31, 2021, on the progress of implementing recommendations from the Auditor General's March 2019 transaction privilege tax administration and enforcement report.

### Arizona Health Care Cost Containment System (AHCCCS)

- Modifies the footnote relating to Graduate Medical Education (GME) Programs by allowing AHCCCS to use GME funds to cover indirect costs of participating hospitals.
- Outlines requirements for prioritization for GME Programs.

### Department of Child Safety

- Exempts the FY 2021 \$2.6 million appropriation for litigation expenses from lapsing until June 30, 2022.

### Department of Health Services (DHS)

- Requires DHS to submit a report to JLBC by May 31, 2021, on the progress of implementing recommendations from the Auditor General's September 2019 report on the investigation of long-term care facility complaints and self-reports.

### Department of Insurance and Financial Institutions (DIFI)

- Requires DIFI to assess and set fees that are deposited into the state GF at a level to ensure that the monies deposited will equal or exceed DIFI's expenditure from the state GF.

### Department of Public Safety

- Exempts the FY 2020 appropriation for peace officer training equipment from lapsing until June 30, 2021, and reverts any remaining unexpended monies to the fund from which the monies were appropriated on June 30, 2021.

### Secretary of State (SOS)

- Requires the SOS to use the FY 2020 \$2.6 million appropriation to reimburse counties for FY 2020 Presidential Preference Election expenses based on the number of active registered voters in each county on January 2, 2020.
- Exempts the FY 2019 appropriation for other Help America Vote Act Projects from lapsing until June 30, 2022, and reverts any remaining unexpended monies to the fund from which the monies were appropriated on June 30, 2022.

criminal justice; budget reconciliation; 2020-2021. (S.B. 1683/H.B. 2900) – Chapter 51

Makes the following statutory and session law changes relating to criminal justice necessary to reconcile the FY 2021 state budget:

***Department of Public Safety (DPS)*** – Continues, as permanent law rather than session law, to: 1) allow DPS to use monies from the Concealed Weapons Permit Fund to pay for DPS operating expenses; 2) allow DPS to use monies from the Arizona Highway Patrol Fund for the Pharmaceutical Diversion and Drug Theft Task Force; and 3) require DPS to submit the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount's entire expenditure plan to the Joint Legislative Budget Committee for review before DPS spends any of the legislative appropriation for the fiscal year. Continues to allocate \$400,000 from the GIITEM Fund to the Pima County Sheriff's Office after the initial \$500,000 allocation to the Pinal County Sheriff's Office. Continues to allow DPS to use monies from the State Aid to Indigent Defense Fund for operating expenses.

***Arizona Department of Corrections (ADC)*** – Continues to require ADC to report budget requests in the same structure and detail as the prior fiscal year.

***Department of Emergency and Military Affairs (DEMA)*** – Extends, through FY 2022, authorization for DEMA to use \$1,250,000 from the Military Installation Fund to construct a readiness center and exempts the appropriation from lapsing until June 30, 2022.

revenue; budget reconciliation; 2020-2021. (S.B. 1684/H.B. 2901) – Chapter 52

Makes the following statutory and session law changes relating to general revenues necessary to reconcile the FY 2021 state budget:

***Department of Insurance and Financial Institutions (DIFI)*** – Removes the requirement that the Director of DIFI: 1) revise all fees within the statutory limits in a manner that the revenue derived from the fees during the subsequent fiscal year equals at least 95 percent but not more than 110 percent of the appropriated budget for the current fiscal year, if the revenues collected from fees during the prior fiscal year are less than 95 percent or more than 110 percent of the appropriated budget for the current fiscal year; and 2) annually revise the fee assessed on each insurer authorized to transact business in Arizona to equal at least 95 percent and not more than 110 percent of the annual budget of the DIFI Fraud Unit.

***Arizona Department of Agriculture (AZDA)*** – Allows AZDA to continue, increase or lower existing fees from FY 2019 and FY 2020 in FY 2021. Limits additional revenues generated by the adjustment of AZDA fees as follows: 1) \$218,000 to the state General Fund; 2) \$113,000 to the Pesticide Trust Fund; and 3) \$26,000 to the Dangerous Plants, Pests and Diseases Fund. AZDA is exempt from rulemaking requirements to establish fees until July 1, 2021.

***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 2021. A county using the flexible authority must report to the Director of the Joint Legislative Budget Committee by October 1, 2020: 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 2021.

***Arizona Department of Gaming (ADG)*** – Continues to require the ADG, in FY 2021, to establish and collect, in addition to statutorily authorized deductions, a regulatory assessment from each commercial racing permittee in the amount of 0.5 percent of the amounts wagered, payable from pari-mutuel pools from in-state and out-of-state live and simulcast races.

***Arizona Department of Revenue (ADOR)*** – Continues to express the Legislature's intent that local fees to fund ADOR not exceed \$20,755,835 in any fiscal year and are to be allocated among cities, towns, counties, the Maricopa Association of Governments and the Pima Association of Governments based on the prorated share of all distributed revenues, excluding Highway User Revenue Fund monies.

human services; budget reconciliation; 2020-2021. (S.B. 1687/H.B. 2904) – Chapter 53

Makes the following statutory and session law changes relating to human services necessary to implement the FY 2021 state budget:

***Department of Economic Security (DES)*** – Retroactive to March 11, 2020, directs DES, during the federal state of emergency declaration for the coronavirus disease 2019 (COVID-19) to provide an exemption from prescribed Temporary Assistance for Needy Families (TANF) cash assistance time limitations and a general waiver from prescribed TANF cash assistance work requirements.

***Arizona Health Care Cost Containment System (AHCCCS)*** – Retroactive to March 11, 2020, directs AHCCCS to authorize payments to specified health and human service providers to maintain capacity to continue services during the federal public health emergency for COVID-19. The payments must be implemented in a manner that maintains federal financial participation and that remains within AHCCCS's expenditure authority for FY 2020.

Retroactive to March 11, 2020, allows DES and AHCCCS to temporarily adjust provider reimbursement rates for services for individuals with intellectual and developmental disabilities, if the services are in a member's service plan and within DES's expenditure authority for FY 2020, in order to provide funding for increased overtime expenses and staff loss associated with COVID-19.

Authorizes the use of Special Administration Fund monies to pay for domestic violence prevention and cost-effectiveness study client services. Continues the requirement that DES screen and test individuals who are eligible for TANF benefits and who DES has reasonable cause to believe use controlled substances. Any TANF recipient who tests positive for the use of a controlled substance that was not prescribed is ineligible to receive TANF benefits for one year.

Directs the Auditor General, by September 30, 2021, to provide a report to the Governor, the Legislature and the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting regarding the Department of Child Safety's practices for classifying and locating runaway or missing children.

health; budget reconciliation; 2020-2021. ([S.B. 1688/H.B. 2905](#)) – Chapter 54

Makes the following statutory and session law changes relating to health necessary to implement the FY 2021 state budget:

***Arizona Long Term Care System (ALTCS)*** – Outlines the individual county contributions for ALTCS, totaling \$305,872,000. Directs the State Treasurer to withhold monies as prescribed in order to fulfill county contribution obligations and deposit any paid or withheld county contributions into the ALTCS Fund. Continues to authorize the State Treasurer to collect additional monies from counties if the aggregate cost for ALTCS exceeds the amount specified in the FY 2021 General Appropriations Act. The counties' share of the state's contribution must comply with federal maintenance effort requirements.

Requires the Director of the Arizona Health Care Cost Containment System (AHCCCS) to notify the State Treasurer of the counties' share of the state's contribution and report the amount to the Director of the Joint Legislative Budget Committee (JLBC).

***County Acute Care*** – Outlines the individual county contributions for county acute care. Directs the State Treasurer to withhold monies as prescribed in order to fulfill county contribution obligations for acute care and deposit any paid or withheld county contributions into the AHCCCS Fund and ALTCS Fund. Continues to require that 1/12th of the prescribed county acute care contributions be made to the State Treasurer by the fifth day of each month. The State Treasurer must, upon request of the Director of AHCCCS, require up to three month's payment in advance.

Requires the Director of AHCCCS to instruct the State Treasurer to reduce or return county acute care payment amounts as outlined if the payments exceed the amount required to meet associated costs incurred by AHCCCS.

***Disproportionate Share Hospital (DSH) Payments*** – Outlines the DSH payment amounts for qualifying nonstate-operated public hospitals, private qualifying DSHs and the Arizona State Hospital (ASH). DSH payment monies must be distributed to the Maricopa County Special Health Care District (District) and deposited into the state General Fund as prescribed. Prescribes notification, payment distribution and deposit requirements for AHCCCS after filing claims with the federal government and receiving federal financial participation based on certified amounts.

Requires the District, by May 1, 2021, and ASH, by March 31, 2021, to each provide specified forms for qualifying DSH expenditures to AHCCCS. Continues to require AHCCCS to assist the District and ASH in determining the amount of qualifying DSH expenditures and maintains reporting requirements and distribution procedures of received federal matching funds for FY 2021.

The allocation of DSH payments designated to political subdivisions, tribal governments and universities must be first made available to qualifying private hospitals located outside the Phoenix and Tucson Metropolitan Statistical Areas before being made available to qualifying hospitals within those areas.

***Miscellaneous*** – Continues to exclude county contributions for Proposition 204 administrative costs from county expenditure limitations. County contributions related to the costs

of inpatient, in-custody competency restoration treatment are excluded from county expenditure limitations.

Allows the use of monies in the Health Services Lottery Monies Fund for purposes specified in the FY 2021 General Appropriations Act. Continues to authorize the Director of the Department of Health Services (DHS) to increase Bureau of Radiation Control (BRC) fees in FY 2021 and asserts the intent of the Legislature that revenue generated from BRC fees not exceed \$1,900,000. DHS is exempt from statutory rulemaking requirements until July 1, 2021, to increase BRC fees.

environment; budget reconciliation; 2020-2021. (S.B. 1689/H.B. 2906) – Chapter 55

Makes the following statutory and session law changes relating to the environment necessary to reconcile the FY 2021 state budget:

***Arizona Department of Environmental Quality (ADEQ)*** – Caps the FY 2021 state General Fund appropriation to the Water Quality Assurance Revolving Fund at \$15,000,000. Authorizes ADEQ to use up to \$6,531,000 in FY 2021 from the Underground Storage Tank Revolving Fund for administrative costs and remediating sewage discharge issues in border areas of Arizona. ADEQ must charge the same fees in FY 2021 that were charged in FY 2020 for vehicle emissions tests conducted in the Phoenix metropolitan area. ADEQ is exempt from rulemaking requirements, until July 1, 2021, to set emissions fees.

***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 Director of ADWR to increase water resources fees service up to \$100,200 in FY 2021. ADWR is exempt from rulemaking requirements to set water resources service fees until July 1, 2021.

***Arizona Navigable Stream Adjudication Commission (ANSAC)*** – Continues to allow monies appropriated to ANSAC from the Arizona Water Banking Fund to be used to pay legal fees in FY 2021.

budget procedures; budget reconciliation; 2020-2021. (S.B. 1690/H.B. 2907) – Chapter 56

Makes the following statutory and session law changes to budget procedures necessary to reconcile the FY 2021 state budget:

Establishes the Crisis Contingency and Safety Net Fund (Fund) administered by the Governor and appropriates \$50,000,000 from the state General Fund (state GF) to the Fund in FY 2020. Allows Fund monies to be spent following a state of emergency declaration by the Governor for certain forms of economic assistance during the state of emergency. Before spending Fund monies, the Governor must notify the President of the Senate, the Speaker of the House of Representatives and the Joint Legislative Budget Committee. Reverts any unexpended and unencumbered monies from the \$50,000,000 appropriation to the state GF on June 30, 2021. Expresses the Legislature's intent for cities, towns and counties to review their eviction policies

and procedures during the state of emergency declared by the Governor related to coronavirus disease 2019 to allow individuals and families to remain in their places of residence.

Delays establishment of the Motor Vehicle Pool Consolidation Fund from July 1, 2020, to July 1, 2021. Requires counties to be reimbursed for expenses incurred in administering the 2020 presidential preference election as prescribed in the General Appropriations Act, rather than at the statutory rate of \$1.25 per active registered voter.

capital outlay; appropriations; 2020-2021. ([S.B. 1691/H.B. 2908](#)) – Chapter 57

**Building Renewal** – Appropriates the following amounts in FY 2021 to the following agencies from the specified funds for major maintenance and repair activities for state buildings:

| Agency                                      | Fund Source                       | Amount       |
|---|-----------------------------------|--------------|
| Arizona Department of Administration (ADOA) | Capital Outlay Stabilization Fund | \$16,000,000 |
| Arizona Department of Corrections (ADC)     | ADC Building Renewal Fund         | \$5,464,300  |
| Arizona Game and Fish Department (AZGFD)    | AZGFD Fund                        | \$1,157,900  |
| Arizona State Lottery Commission            | State Lottery Fund                | \$146,700    |
| Arizona Department of Transportation (ADOT) | State Highway Fund (SHF)          | \$13,000,000 |
|   | State Aviation Fund               | \$281,700    |

**ADOA** – Continues to allow ADOA to allocate up to \$275,000 of its appropriation to personal services and employee-related expenditures for up to five full-time equivalent positions each fiscal year until the building renewal projects are completed. Directs ADOA to allocate the building renewal monies to state agencies for necessary building renewal. Prohibits ADOA from spending other appropriated monies for personal services, employee-related expenditures or maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review (JCCR).

**Capital Projects** – Appropriates the following amounts in FY 2021 to the following agencies from the specified funds for capital projects:

| Agency | Purpose   | Fund   | Amount       |
|--------|---|--|--------------|
| ADC    | Replacement of locking, heating, ventilation and air conditioning (HVAC) and fire suppression systems | State General Fund                             | \$11,000,000 |
| ADC    | Replacement of locking, HVAC and fire suppression systems   | Arizona Correctional Industries Revolving Fund | \$7,000,000  |

| Agency | Purpose  | Fund   | Amount        |
|--------|--|--|---------------|
| ADC    | Replacement of locking, HVAC and fire suppression systems          | Corrections Fund   | \$4,000,000   |
| ADC    | Replacement of locking, HVAC and fire suppression systems          | Inmate Store Proceeds Fund                                     | \$2,000,000   |
| ADC    | Replacement of locking, HVAC and fire suppression systems          | Penitentiary Land Fund   | \$2,000,000   |
| ADC    | Replacement of locking, HVAC and fire suppression systems          | State Charitable, Penal and Reformatory Institutions Land Fund | \$2,000,000   |
| ADC    | Replacement of locking, HVAC and fire suppression systems          | Special Services Fund  | \$2,000,000   |
| ADOT   | Planning and construction of state highways                        | SHF  | \$378,733,000 |
| ADOT   | Planning and construction of state, county, city and town airports | State Aviation Fund  | \$30,900,000  |

**ADOT** – Requires ADOT, by November 1, 2020, to report on its actual prior year, estimated current year and upcoming budget year highway expenses from all fund sources to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting.

**Department of Emergency and Military Affairs (DEMA)** – Reverts the following amounts that were appropriated to DEMA for the construction of a readiness center to the funds from which it was appropriated on: 1) June 30, 2022, for the FY 2019 appropriation; and 2) June 30, 2023 for the FY 2020 appropriation.

**Miscellaneous** – Requires the JCCR to review the scope, purpose and estimated cost of new capital projects with an estimated cost of more than \$250,000.

K-12 education; budget reconciliation; 2020-2021 (H.B. 2902/S.B. 1685) – Chapter 49

Makes the following statutory and session law changes relating to K-12 education necessary to reconcile the FY 2021 state budget:

**Basic State Aid** – Increases transportation funding levels and the charter additional assistance (CAA) amount for standard inflation. The base level is increased in FY 2021 from \$4,150.43 to \$4,305.73 per pupil for standard inflation and teacher salary increases. Reduces the \$128,734,900 district additional assistance (DAA) suspension to \$64,367,400 and the \$6,814,400 CAA suspension to \$3,407,200 in FY 2021. Restores DAA and CAA funding in FY 2022.

**Results-Based Funding** – Continues to require the Arizona Department of Education to distribute monies from the Results-Based Funding Fund in FY 2021 to schools performing in the top 13 percent on the spring 2019 statewide assessment at an amount based on the percentage of enrolled pupils eligible for the Free and Reduced-Price Lunch (FRPL) Program at the time of assessment.

Continues to provide results-based funding by awarding \$225 per student count to each district or charter school: 1) in which at least 60 percent of enrolled pupils were eligible for the FRPL Program at the time of the spring 2019 statewide assessment; and 2) that performed within the top 13.1 percent to 27 percent of those schools on the assessment. Awards \$400 per student count for each alternative high school: 1) in which at least 60 percent of enrolled pupils were eligible for the FRPL Program at the time of the spring 2019 statewide assessment; and 2) that performed in the top 27 percent of those schools on the assessment. An alternative high school is eligible for the funding only if it reports the average percentage of pupils who received a passing score on both the math and language arts portions of the spring 2019 statewide assessment.

**Miscellaneous** – Redirects the annual \$64,100,000 distribution to the Classroom Site Fund collected from the 0.6 percent transaction privilege and use tax to the Superintendent of Public Instruction for basic state aid. Updates the tax year 2020 qualifying tax rates and the state equalization assistance property tax rate to reflect annual truth in taxation adjustments. Expresses the intent of the Governor and the Legislature that school districts increase classroom spending in instruction, student support and instructional support as prescribed by the Auditor General.

higher education; budget reconciliation; 2020-2021 (H.B. 2903/S.B. 1686) – Chapter 50

Makes the following statutory and session law changes relating to higher education necessary to reconcile the FY 2021 state budget:

**Universities** – Continues to allow the Legislature to appropriate less than a two-to-one match to student registration surcharges deposited in the Arizona Financial Aid Trust Fund.

**Community Colleges** – Funds FY 2021 community college district science, technology, engineering and mathematics programs and workforce programs as specified in the General Appropriations Act. Funds FY 2021 operating state aid for community college districts as specified in the General Appropriations Act.