

# Appropriations Committee

Senator David Gowan, Chairperson



**Liam Maher, Research Analyst**

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# APPROPRIATIONS COMMITTEE

## LEGISLATION ENACTED

~~technical correction; tax judges; qualifications~~ (NOW: extortion; social media; messages) (S.B. 1001) – Chapter 254

[SEE THE JUDICIARY COMMITTEE.](#)

~~technical correction; double punishment~~ (NOW: EORP; appropriation; resignation; retirement) (S.B. 1002) – Chapter 323 E

[SEE THE FINANCE COMMITTEE.](#)

~~appropriation; unfunded liability; PSPRS; CORP~~ (S.B. 1086) – Chapter 325

Effective June 28, 2022, appropriates a total of \$87,707,700 from the state General Fund in FY 2022 to the Public Safety Personnel Retirement System (PSPRS) to reduce the unfunded liability of specified PSPRS and Corrections Officer Retirement Plan (CORP) employer accounts. The PSPRS Board of Trustees must account for the appropriations in the FY 2022 actuarial valuations of PSPRS and CORP when calculating the FY 2024 contribution rates.

~~fire suppression; assistance; private landowners.~~ (S.B. 1146/H.B. 2127) – Chapter 1

[SEE THE NATURAL RESOURCES, ENERGY & WATER COMMITTEE.](#)

~~state capitol museum; transfer~~ (S.B. 1172) – Chapter 211 W/O

[SEE THE GOVERNMENT COMMITTEE.](#)

~~appropriation; Center Street; Jerome~~ (S.B. 1174) – Chapter 33

Effective March 23, 2022, directs the Arizona Department of Transportation to use the FY 2021 appropriation designated for Main Street in Jerome for Central Avenue in Jerome.

~~technical correction; release of animals~~ (NOW: JLBC; reporting) (NOW: video service; boundary change; definition) (S.B. 1179) – Chapter 212

[SEE THE COMMERCE COMMITTEE.](#)

~~appropriation; widening; I-10~~ (S.B. 1239) – Chapter 218

Appropriates \$400,000,000 from the state General Fund in FY 2023 to the Arizona Department of Transportation to widen Interstate 10 between Chandler and Casa Grande.

appropriations; named claimants (S.B. 1247) – Chapter 38

Effective March 23, 2022, appropriates \$52,404.30 from the state General Fund and \$49,301.24 from other funds in FY 2022 to various state agencies for payment of past claims.

~~false claims; agriculture; technical correction (NOW: vision screening; program)(S.B. 1319) – Chapter 231~~

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

early ballots; tracking system (S.B. 1411) – Chapter 358

[SEE THE GOVERNMENT COMMITTEE.](#)

appropriation; Cesar Chavez Boulevard (S.B. 1490) – Chapter 331

Appropriates \$33,000,000 from the state General Fund in FY 2023 to the Arizona Department of Transportation to distribute to Yuma County to construct, widen, repair and upgrade Cesar Chavez Boulevard in San Luis.

sports; tourism; film authority; appropriation (S.B. 1710) – Chapter 364

[SEE THE COMMERCE COMMITTEE.](#)

~~criminal victim notification fund; appropriation (NOW: victim notification; victims' rights; appropriation) (S.B. 1712) – Chapter 333~~

Appropriates \$1,400,000 from the Consumer Protection-Consumer Fraud Revolving Fund in FY 2023 to the Victims' Rights Fund.

Establishes the Law Enforcement Crime Victim Notification Fund (Victim Notification Fund), administered by the State Treasurer, and appropriates \$3,800,000 from the state General Fund in FY 2023 to the Victim Notification Fund. Victim Notification Fund monies may be used to reimburse law enforcement agencies (LEAs) for the costs of implementing software that: 1) enables county-and-or-city-based deployment of an automated crime victim notification system that interfaces with an LEA's system of record and notifies a victim of specified case updates based on configurable triggers; and 2) provides a Criminal Justice Information Services-compliant automated victim notification platform that ensures that crime victims are automatically notified of any case updates by text or email and that LEAs determine notifications. A notification system must meet additional outlined requirements and a software vendor must have previously deployed a solution for a city police department, sheriff's office and prosecutor's office.

commission on the arts; continuation (H.B. 2051) – Chapter 79

[SEE THE COMMERCE COMMITTEE.](#)

AHCCCS services; diabetes management (H.B. 2083) – Chapter 328

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

pharmacy board; information change requirement (NOW: tax credits; motion picture credits) (H.B. 2156) – Chapter 387 W/S

[SEE THE FINANCE COMMITTEE.](#)

supplemental appropriations; community-based services (H.B. 2157/S.B. 1184) – Chapter 2

Effective March 1, 2022, appropriates \$1,078,032,800 in Medicaid expenditure authority and \$30,121,100 from the Children's Health Insurance Program Fund to the Arizona Health Care Cost Containment System (AHCCCS) and \$362,700,000 in Medicaid expenditure authority to the Department of Economic Security in FY 2022 to implement the American Rescue Plan Act of 2021 home and community-based services spending plan and to adjust funding formula requirements. Prescribes notification and reporting requirements for AHCCCS.

Appropriates \$15,100,000 in Medicaid expenditure authority in FY 2022 to the Department of Child Safety for existing functionality and oversight and to claim federal monies.

emergency; military affairs; national guard (H.B. 2223) – Chapter 151

[SEE THE JUDICIARY COMMITTEE.](#)

fireworks; permissible use; Diwali. (H.B. 2255) – Chapter 372

[SEE THE COMMERCE COMMITTEE.](#)

appropriation; stipend; kinship foster care (H.B. 2274) – Chapter 329

Appropriates \$19,811,200 from the state General Fund in FY 2023 to the Department of Child Safety to provide a kinship foster care parent with a monthly stipend of \$300 for each child placed with the foster care parent.

schools; student promotions (NOW: search; rescue; human remains; canines) (H.B. 2284) – Chapter 374

[SEE THE GOVERNMENT COMMITTEE.](#)

~~appropriation; border fence construction~~ (NOW: revenue distribution; border security) ([H.B. 2317](#)) – Chapter 334

Diverts \$335,000,000 from the state General Fund portion of transaction privilege tax revenues in FY 2023 to the Border Security Fund, distributed in monthly installments beginning October 2023. The Department of Emergency and Military Affairs (DEMA) must use the appropriated monies to construct and maintain a physical border fence, purchase or install border security technologies and pay associated administrative costs. DEMA must report to the Joint Legislative Budget Committee on the use of appropriated monies each calendar quarter and on the use of existing infrastructure and fence materials by June 30, 2023.

~~homeowner's insurance; dogs; nondiscrimination~~ ([H.B. 2323](#)) – Chapter 243

[SEE THE JUDICIARY COMMITTEE.](#)

~~technical correction; bingo license; transfer~~ (NOW: video services providers; enforcement; jurisdiction) ([H.B. 2391](#)) – Chapter 293

[SEE THE COMMERCE COMMITTEE.](#)

~~children's health insurance program; redetermination~~ ([H.B. 2551](#)) – Chapter 338

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

~~DUI information; annual report; ACJC~~ (NOW: DUI; data collection; study committee) ([H.B. 2583](#)) – Chapter 206

[SEE THE JUDICIARY COMMITTEE.](#)

~~border security fund; administration~~ ([H.B. 2591](#)) – Chapter 183 W/O

Authorizes the Department of Emergency and Military Affairs to use up to \$250,000 each fiscal year from the Border Security Fund (Fund) to administer the Fund. The authorized amount may be used for additional full-time equivalent positions to administer the Fund.

~~hospitalizations; family visitation~~ ([H.B. 2633](#)) – Chapter 296

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

~~military and transitional housing; fund~~ (NOW: military transitional housing fund; monies) ([H.B. 2664](#)) – Chapter 382

[SEE THE COMMERCE COMMITTEE.](#)

~~right to jury; parent-child relationship~~ (NOW: antisemitism; reporting) ([H.B. 2675](#)) – Chapter 186

[SEE THE JUDICIARY COMMITTEE.](#)

health care workforce; grant programs ([H.B. 2691](#)) – Chapter 330

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

~~TPT; prime contracting; tax base~~ (NOW: veterans; hunting; licenses) ([H.B. 2701](#)) – Chapter 335

[SEE THE NATURAL RESOURCES, ENERGY & WATER COMMITTEE.](#)

state licensing; fee waiver ([H.B. 2741](#)) – Chapter 336

[SEE THE COMMERCE COMMITTEE.](#)

Arizona empowerment scholarship accounts; appropriation ([H.B. 2853](#)) – Chapter 388

[SEE THE EDUCATION COMMITTEE.](#)

### FY 2022-2023 BUDGET PACKAGE

~~general appropriations act; 2022-2023~~ ([H.B. 2862/S.B. 1729](#)) – Chapter 313 LIVS

Effective June 28, 2022, the FY 2023 budget includes spending in the total amount of \$15.8 billion, a cash balance of \$1 billion and a structural balance of \$506 million. The adopted budget includes ongoing and one-time revenues of \$16.8 billion.

The budget includes FY 2023 (unless otherwise stated) one-time additional state General Fund (state GF) spending as follows:

	State GF \$ (in Millions)*
Arizona Department of Administration (ADOA) – Health Care Interoperability Grants	12.0
ADOA – Election Security Grants	1.5
ADOA – Fire Incident Management System Grants	6.1
ADOA – County Sheriff/Municipal Police Interoperability for School Safety	20.0
ADOA – Automation Projects Fund (APF) – Arizona Department of Agriculture (AZDA) Cloud Migration	2.0
ADOA – APF – Arizona Department of Revenue (ADOR) Tax System	9.6
ADOA – APF – Business One Stop Portal	15.6
ADOA – School Facilities Division (SFD) – Building Renewal	183.3

	State GF \$ (in Millions)*
ADOA – SFD – Kirkland Site Conditions	0.4
AZDA – Livestock Operator Infrastructure Grants	10.0
Arizona Health Care Cost Containment System (AHCCCS) – Management Information System Replacement	0.5
AHCCCS – Secure Behavioral Health Residential Facilities	25.0
Arizona Commission on the Arts – Arts Trust Fund Deposit	5.0
Attorney General (AG) – Missing and Murdered Indigenous Persons Investigations	2.0
Arizona Commerce Authority (ACA) – Water Infrastructure and Commerce Fund	15.0
Community Colleges – Rural Funding	7.0
Community Colleges – Cochise First Responder Academy	6.3
Arizona Department of Corrections, Rehabilitation and Reentry (ADCRR) – Vehicle Purchases	7.5
ADCRR – Community Treatment Program for Imprisoned Women and their Children	2.0
Arizona Criminal Justice Commission (ACJC) – Rural County Diversion Programs	10.0
Arizona State Schools for the Deaf and the Blind – Increase Bus Capacity	1.1
Department of Economic Security (DES) – IT Infrastructure and Security	1.4
DES – Developmental Disabilities (DD) Group Home Monitoring Program	1.2
DES – Area Agencies on Aging (AAA) Provider Rate Increases	2.0
Arizona Department of Education (ADE) – Childhood Trauma Awareness and Prevention Grants	0.1
ADE – Office of Indian Education	5.0
ADE – Eliminate K-12 Rollover for Districts with up to 4,000 ADM	65.0
ADE – Code Writers Initiative Program	1.0
ADE – Foster Youth Transitional Housing	10.0
ADE – Electronic Incident Prevention Programs	0.2
ADE – Postsecondary Success Program	1.0
ADE – Assessment Funding	4.0
Department of Emergency and Military Affairs (DEMA) – Border Security Fund	209.2
DEMA – Readiness Center Maintenance Backfill	13.3
Arizona Department of Environmental Quality (ADEQ) – Water Quality Fee Fund Deposit	6.4
ADEQ – Direct Potable Reuse of Treated Wastewater	1.5
Department of Forestry and Fire Management (DFFM) – Gila River Nonnative Species Eradication	5.0
DFFM – Wildfire Emergency Response Expenses	65.0

	State GF \$ (in Millions)*
DFFM – Renovate Mount Lemmon Fire District Building	2.2
DFFM – Good Neighbor/Fire Marshal New Vehicle Purchase	0.7
Department of Health Services (DHS) – Accelerated Nursing Programs	50.0
DHS – Arizona State Hospital (ASH) Surveillance System Upgrade	7.1
DHS – Nurse Education Investment Pilot Program	15.0
DHS – Preceptor Grant Program for Graduate Students	0.5
DHS – Family Health Pilot Program	1.5
DHS – Homeless Pregnant Women Services	0.3
Arizona Department of Homeland Security (AZDOHS) – State Cybersecurity Controls	2.0
Arizona Department of Housing (ADOH) – Housing Trust Fund Grants	60.0
ADOH – Homeless Services Grant Pilot	10.0
Judiciary – Supreme Court – Automation Revenue Shortfall	1.0
Judiciary – Court of Appeals – 6 Additional Judges – Capital Costs	0.9
Legislature – Auditor General (OAG) – Adult Protective Services Audit	0.3
Legislature – Arizona House of Representatives – Operating Funding	5.0
Legislature – Arizona State Senate – Operating Funding	5.0
Mine Inspector – Equipment and Vehicle Costs	0.5
Arizona State Parks Board – Arizona State Parks Heritage Fund	2.5
Department of Public Safety (DPS) – 400 Patrol Vehicle Bumper Tethers	1.8
DPS – Expand Public Services Portal and Fingerprint Clearance Scope	2.6
DPS – Helicopter Upgrade	2.6
DPS – Helicopter Replacement	10.9
DPS – Replace 276 Vehicles	11.7
DPS – Civil Air Patrol Infrastructure	5.0
DPS – K-9 Support – Facility Improvements and Vehicles	1.9
Secretary of State – Election Funding	4.0
Arizona Office of Tourism – Wine Promotion	1.1
State Treasurer – Health Innovation Trust Fund Deposit	0.1
Universities – Arizona Board of Regents (ABOR) – Arizona Veterinary Loan Assistance Program	6.0
Universities – ABOR – Food Product and Safety Laboratory	10.9
Universities – ABOR – Enclosed Feeding Facility	9.5
Universities – ABOR – Camp Verde Meat Processing Facility	9.7



	State GF \$ (in Millions)*
Universities – Arizona State University (ASU) – Operating Funding	21.2
Universities – ASU – Operating/Capital Funding	54.0
Universities – Northern Arizona University (NAU) – Operating Funding	10.1
Universities – NAU – Operating/Capital Funding	26.0
Universities – University of Arizona (UA) – Operating Funding	14.7
Universities – UA – Arizona Veterinary Diagnostic Laboratory	2.5
Universities – UA – Natural Resource Users Law & Policy Center Endangered Species Study	0.5
Universities – UA – Wind Tunnel Upgrades	3.0
Arizona Department of Veterans' Services (ADVS) – Tribal Ceremonies for Tribal Members Discharged from Military	1.0
Water Infrastructure Finance Authority – Eastern Arizona Water Projects Assistance Grants	10.0
Arizona Department of Water Resources (ADWR) – New River Flood Insurance Study	0.4
Debt Payoff – DHS and ADCRR State Buildings	93.5 (FY 2022)
Debt Payoff – Pension Debt	1,051.4 (FY 2022)
State and University Employer Health Insurance Contribution Increases	103.2

*\*Figures are rounded.*

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

	State GF \$ (in Millions)*
ADOA – Credit Lending Report	0.2
AZDA – Selected Salary Increases Above 10%	1.2
AHCCCS – Formula/Federal Match Change	65.3
AHCCCS – Increased Eligibility Determination Costs	4.5
AHCCCS – Eligibility Determinations for Older Foster Care Youth	0.2
AHCCCS – Transfer Suicide Prevention Coordinator to DHS	(0.1)
AHCCCS – Federal IT Regulation Compliance	0.3
AHCCCS – American Indian Health Program SMI Integration	0.2
AHCCCS – Selected Salary Increases Above 10%	0.3
AHCCCS – Chiropractic Care	2.6
AHCCCS – Postpartum Care	2.7
AHCCCS – 11% Elderly/Physically Disabled Provider Rate Increase	24.2
AHCCCS – Secure Behavioral Health Facility Provider Rate Increase	10.0 (FY 2024)

	State GF \$ (in Millions)*
AHCCCS – Pregnancy Care Provider Rate Increase	10.0
AHCCCS – CHIP Members 12-Month Eligibility After Determination	0.6
AHCCCS – Diabetes Management	0.7
AHCCCS – 2.5% Behavioral Health Provider Rate Increase	7.5
AHCCCS – Pediatric Skilled Nursing Facilities Rate Increase	0.1
AG – Additional Office of Victim Services Staff – 2 FTEs	0.2
Arizona State Board for Charter Schools (ASBCS) – IT Upgrade	0.5
ASBCS – Selected Salary Increases Above 10% and Additional Staff – 4 FTEs	0.5
ASBCS – AG Legal Services – 1 FTE	0.1
Department of Child Safety (DCS) – Healthy Families Expansion	10.0
DCS – Increase Foster Child Daily Stipend – Licensed and Kinship	4.8
DCS – Selected Salary Increases Above 10%	3.4
DCS – Independent Living Stipend	2.6
DCS – 10% Qualified Residential Treatment Program Rate Increase	7.0
ACA – Germany Trade Office Funding	0.5
ACA – Increase Israel Trade Office Funding	0.1
ACA – Two New Asia Trade Offices – Taiwan and South Korea	0.8
ACA – Economic Development Marketing and Attraction	1.0
Community Colleges – Maricopa/Pima/Pinal STEM Funding Restoration	10.8
Arizona Corporation Commission – Hazardous Materials Railroad Inspector	0.1
ADCRR – 20% Salary Increases	116.7
ADCRR – 20% Private Prison Salaries Increases	17.5
ADCRR – Continue Substance Abuse Treatment Funding	5.4
ADCRR – Inmate Health Care Contracted Services Increase	70.0
ACJC – Victims' Compensation and Assistance Fund	2.0
ACJC – State Aid for Juvenile Dependency Proceedings Fund	2.0
ACJC – Major Incident Regional Law Enforcement Task Forces	0.6
DES – Formula/Federal Match Change	15.9
DES – Additional Adult Protective Services Staff – 95 FTEs	11.2
DES – Building System Management Upgrade	0.4
DES – Selected Salary Increases Above 10%	6.1
DES – IT Infrastructure/Security Upgrades	2.5
DES – Additional Food Bank Funding	0.5

	State GF \$ (in Millions)*
DES – Recidivism/Reentry Programs	1.4
DES – Arizona Early Intervention Program Provider Rate Increases	3.4
DES – 9.7% DD Provider Rate Increases	56.7
DES – DD State Only Provider Rate Increases	0.5
DES – Cost Effectiveness Study Provider Rate Increase	7.2
DES – AAA Provider Rate Increases	1.0
State Board of Education (SBE) – Misconduct Caseload/AG Legal Services – 1 FTE	0.5
SBE – Empowerment Scholarship Accounts Appeals Process Implementation	0.1
SBE – Open Enrollment Promotion/Constituent Services – 1 FTE	0.2
SBE – Additional Policy Development Staff – 1 FTE	0.1
ADE – Formula	(85.3)
ADE – Extra 2.5% Base Level Increase and Elimination of Additional Teacher Compensation	99.3
ADE – Additional 4.3% Base Level Increase	290.0
ADE – State Equalization Tax Rate Elimination	330.5
ADE – Special Education Weight Increase	100.0
ADE – FRPL Group B Weight for Low-Income Students	50.0
ADE – District Additional Assistance	48.0
ADE – Charter Additional Assistance	12.0
ADE – School Safety Program Increase	50.0
ADE – Adult Education Administrative Costs	0.3
ADE – Adult Education Programs	16.6
ADE – Education Programs in Jails	0.1
ADE – Procure Statewide Gifted Assessment	0.8
DEMA – Reimburse Federal Government for Facilities Maintenance Overpayment	0.8
DEMA – Fully Fund State Match for Readiness Center Maintenance	1.7
State Board of Equalization – Appeals Application IT Costs	0.1
State Board of Executive Clemency – Chief Operating Officer Position	0.1
State Board of Executive Clemency – Selected Salary Increases	0.1
DFFM – Healthy Forest New Vehicle Purchases	0.3
DFFM – Healthy Forest Annual State Fleet Operation Charge	0.2
DFFM – Healthy Forest Annual State Fleet Vehicle Replacement Charge	0.1
DFFM – Good Neighbor/Fire Marshal Annual State Fleet Operation Charge	0.2

	State GF \$ (in Millions)*
DFFM – Good Neighbor/Fire Marshal Annual State Fleet Replacement Charge	0.1
DFFM – 17 FTEs for U.S. Forest Service Land Thinning	1.5
DFFM – Additional Fire Marshal Staff – 5.5 FTEs	0.5
Arizona Department of Gaming (ADG) – Racing Division – Contract Veterinarian and Pre-Race Inspections	0.2
ADG – Racing Division – Horse Racing Integrity Act Assessment	0.4
ADG – Racing Division – County Fair Promotion	2.0
ADG – Racing Division – Racetrack Maintenance and Operations Adjustment	0.4
DHS – Behavioral Health Student Loan Repayment Program	2.0
DHS – ASH Hiring Bonuses of up to \$5,000	0.7
DHS – ASH Increased Staffing and Operating Costs	6.9
DHS – Selected Salary Increases Above 10%	2.3
DHS – Transfer Suicide Prevention Coordinator from AHCCCS to DHS	0.1
DHS – Alzheimer's Disease Research	2.5
DHS – Certificate of Necessity Procedures – 5 FTEs	0.6
AZDOHS – Statewide Cybersecurity Grants – 2 FTEs	10.0
Judiciary – Supreme Court – Justices Salary Increases	0.3
Judiciary – Supreme Court – Selected Staff Salary Increases Above 10%	0.6
Judiciary – Supreme Court – Juror Day 1 Wage Compensation	1.6
Judiciary – Court of Appeals – Judges Salary Increase	0.7
Judiciary – Court of Appeals – Selected Staff Salary Increases Above 10%	0.4
Judiciary – Court of Appeals – 6 Additional Judges	2.2
Judiciary – Superior Court – Judges Salary Increases	1.1
Judiciary – Superior Court – Selected Staff Salary Increases Above 10%	0.1
Judiciary – Superior Court – County Probation Salary Increases	1.2
Arizona Department of Juvenile Corrections – 20% Salary Increase	5.2
Arizona State Land Department (ASLD) – Central Arizona Project Fees	0.1
ASLD – Management System – 2 FTEs	0.2
Legislature – OAG – Ongoing Audit Capacity	3.3
Legislature – OAG – Selected Salary Increases Above 10%	0.6
Legislature – Arizona House of Representatives – Operating Funding	4.0
Legislature – Arizona State Senate – Operating Funding	4.2
Legislature – Legislative Council – Operating Funding	1.0
Legislature – Ombudsman – Operating Funding	0.3

	State GF \$ (in Millions)*
Mine Inspector – Abandoned Mines Program Staff – 6 FTEs	0.6
DPS – Additional Border Strike Task Force Staff – 21 FTEs and Local Support	20.0
DPS – 15% Salary Increases	24.5
DPS – DPS/Arizona Department of Transportation Commercial Vehicle Enforcement Consolidation	1.0
DPS – Building System Management Upgrade	0.4
DPS – DNA Testing Enhancements – 2 FTEs	0.4
DPS – Public Services Portal – Operating Costs	0.4
DPS – Pay Cadet Housing Costs in Training	0.5
DPS – Fill Vacant Positions – 69 FTEs	10.5
DPS – Major Incident Division	10.0
DPS – Move Peace Officers Training from Criminal Justice Enhancement Fund to State GF	6.1
ADOR – IT Staffing of 12 FTEs and Server and Data Storage Upgrades	3.5
State Treasurer – Justice of the Peace Salary Increases	0.2
State Treasurer – Fund Justice of the Peace Salary at 40% rather than 19%	1.4
ABOR – Promise Scholarships	12.5
ABOR – Free In-State Tuition for Military Spouses	10.0
ASU – School of Civic and Economic Thought and Leadership	2.8
ASU – Continue Eastern Europe Cultural Collaborative Funding	0.3
NAU – Economic Policy Institute	0.4
UA – Center for the Philosophy of Freedom	1.8
UA – College of Veterinary Medicine	8.0
UA – Continue Kazakhstan Studies Program Funding	0.3
UA – Natural Resource Users Law & Policy Center	1.0
UA – Arizona Veterinary Diagnostic Laboratory	2.5
ADVS – Veteran Service Officers for Rural Tribal Nation Communities – 20 FTEs	2.2
ADWR – Staffing Increase – 4 FTEs	0.4
ADWR – Shift Water Banking Fund Spending Back to State GF	1.2
ADWR – Arizona Water Protection Fund Deposit	1.0
Retirement Adjustments	17.2
State Fleet Adjustments	0.6
Statewide Personnel IT System	8.0
IT Pro Rata Charge Adjustments	1.6
10% Pay Increase for State Employees	49.1

\*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 Administration (ADOA)*

- Exempts the appropriation for health care interoperability grants from lapsing until July 1, 2025.
- Requires the appropriation for fire incident management system grants to be used for grants to municipal fire departments and fire districts for hardware and software that enables a secure incident management platform and that meets specified criteria.
- Exempts the FY 2022 appropriation for the Enduring Freedom Memorial repair from lapsing until July 1, 2023.
- Removes the cap of \$10.42 on the amount that ADOA may charge state agencies per user, per month for the statewide email and calendar service.

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

- Requires AHCCCS, by October 1, 2022, to report to the Joint Legislative Budget Committee (JLBC) on the actual distribution of behavioral health provider rate increases by contracted health plans.
- Prohibits AHCCCS from spending monies designated for postpartum care, unless the U.S. Centers for Medicare and Medicaid Services (CMS) authorizes a methodology for AHCCCS to provide coverage to eligible women by July 1, 2023.
- Requires AHCCCS, pending CMS approval, to increase a differential adjustment payment by \$1,250 for 24-bed pediatric skilled nursing facilities offering skilled nursing services in place of intensive care services.
- Requires monies appropriated for secure behavioral health residential facilities to support five facilities licensed to provide secure, on-site supportive treatment to persons who are determined to be seriously mentally ill, are chronically resistant to treatment and are placed in the facility on a court order.
- Requires three secure behavioral health residential facilities to be in the central geographic service area, one to be in the north geographic service area and one to be in the south geographic service area.

### *Department of Child Safety (DCS)*

- Requires DCS, by March 31, 2023, to report to the JLBC the number of children who receive a \$300 kinship care stipend and reside with a nonrelative caretaker of fictive kinship.
- Requires DCS, by February 28, 2023, and August 31, 2023, to present a report to the JLBC on the progress made on meeting the caseload standard and reducing backlog and long-term child welfare cases during specified time frames.

### **Arizona Commerce Authority (ACA)**

- Requires the ACA to distribute the appropriation for blockchain/wearable research to applied research centers in Arizona in increments of up to \$250,000 after the applied research center has received matching monies from nonstate sources.
- Directs an applied research center or institute that receives blockchain/wearable research monies to submit an annual expenditure and performance report to the ACA.
- Exempts the appropriation for blockchain/wearable research from lapsing until July 1, 2026.

### **Arizona Department of Corrections, Rehabilitation and Reentry (ADCRR)**

- Allows ADCRR, after submitting an expenditure plan to the JLBC, to transfer personal services and employee-related expenditures savings from the operating budget to private prison per diem monies for private prison staff stipends and caps a stipend at the amount given to ADCRR staff.
- Designates monies in the appropriation for private prison per diem for a 20 percent increase to correctional officer and staff salaries beginning July 1, 2022.
- Requires ADCRR, by August 1, 2022, and February 1, 2023, to report to the JLBC on inmate health care performance measures including specified information relating to noncompliance.
- Requires ADCRR to report actual FY 2022, estimated FY 2023 and requested FY 2024 expenditures when submitting the FY 2024 budget estimate to the Governor.

### **Arizona Department of Education (ADE)**

- Requires ADE to first distribute the \$50,000,000 school safety program increase to schools on the waiting list for grants to place school resource officers (SROs) on school campuses and prohibits awarded grants from supplanting local government funding for SROs.
- Allows ADE, if funding new SRO grants costs less than \$50,000,000, to allocate remaining monies to grants for schools to place school counselors and social workers on school campuses.
- Allocates the appropriation for foster home youth transitional housing to the East Valley Institute of Technology (EVIT) for a transitional housing unit.
- Declares the Legislature's intent that EVIT use the monies for a 64-bed transitional housing unit for foster youths between 17 years old and 21 years old who are earning an industry certification from EVIT and need stable housing to obtain a high school diploma.
- Requires EVIT, in 2025, 2026 and 2027, to annually report to the Governor, Legislature and JLBC on the number of foster youths served by the unit and their educational progress.

### **Department of Forestry and Fire Management (DFFM)**

- Exempts the appropriation for Gila River nonnative species eradication from lapsing.
- Requires DFFM, in 2023, 2024 and 2025, to annually report to the JLBC on expenditures from the Gila River nonnative species eradication appropriation and the effectiveness of long-term eradication in previously treated areas.

### *Department of Health Services (DHS)*

- Designates \$7,100,000 of the appropriation for Arizona State Hospital (ASH) operations for replacing ASH's surveillance system with a system that includes both video and audio capability.
- Exempts the appropriation for the Preceptor Grant Program from lapsing until July 1, 2026.
- Exempts the appropriation for the Accelerated Nursing Program from lapsing until July 1, 2024.
- Transfers the reporting requirements relating to the Suicide Prevention Coordinator's accomplishments from AHCCCS to DHS.

### *Department of Public Safety (DPS)*

- Requires DPS to submit an operational and expenditure plan for the appropriation for the commercial vehicle enforcement consolidation to the JLBC for review before spending the monies.
- Requires DPS to annually report to the JLBC on the distributions of civil air patrol infrastructure monies until all monies are distributed.
- Exempts the onetime appropriation for vehicle replacement from lapsing.
- Requires DPS to submit an expenditure plan to the JLBC for review prior to spending monies designated for personal services and employee-related expenditures for other purposes.

### *Universities*

- Requires UA to report to the JLBC the number of resident and nonresident College of Veterinary Medicine students.
- Requires UA, prior to spending the appropriation for the Arizona Veterinary Diagnostic Laboratory, to report intended operating expenditures to the JLBC and the scope, purposes and estimated cost of capital improvements the Joint Committee on Capital Review.
- Requires ABOR to submit a current year expenditure plan with outlined information to the JLBC within 10 days after accepting of the universities' semiannual all funds budget reports.
- Requires ABOR to distribute the appropriation for the Food Products and Safety Laboratory to UA for capital improvements to the Food Products and Safety Laboratory.
- Requires ABOR to distribute the appropriation for an enclosed feeding facility to UA to construct an enclosed feeding facility at the UA Campus Agriculture Center.
- Requires ABOR to distribute the appropriation for a Camp Verde meat processing facility to UA for distribution to an entity to construct a meat processing facility and truck handling facilities.
- Stipulates that, if the entity receiving the Camp Verde meat processing plant monies sells the meat processing plant, sale proceeds must be deposited into the state GF.
- Prohibits the appropriations for the Food Products and Safety Laboratory, enclosed feeding facility and Camp Verde meat processing facility from being used for administrative costs

***Line-Item Veto*** – The Governor line-item vetoed a \$3,640,000 appropriation from the state GF in FY 2023 to ADVS for deposit in the Hyperbaric Oxygen Therapy for Military Veterans Fund. The Governor indicated in his [line-item veto message](#) that the FY 2023 budget includes significant measures that recognize the patriotism and heroism of veterans and that the appropriation has little support from the public and veteran community.



water infrastructure financing; supply; augmentation (S.B. 1740/H.B. 2873) – Chapter 366

***Water Infrastructure Finance Authority (WIFA) Governance*** – Continues WIFA until July 1, 2027, and transfers governance of WIFA from the Arizona Finance Authority Board of Directors to the WIFA Board of Directors (WIFA Board). Prescribes powers, duties, membership and ethics requirements for the WIFA Board and outlines requirements for the transition of power.

Expands the powers and duties of WIFA for acquiring property and water rights, entering into intergovernmental agreements and public-private partnerships, procuring services for water-related facilities, providing assistance for water supply development and water importation projects and issuing loans and bonds. Prohibits WIFA from taking specified actions regarding Colorado River Water, imported water, long-term storage credits and municipal water conveyance or delivery. State agencies must cooperate with WIFA and the Attorney General must, on request from WIFA, review any public-private partnership agreements, take action to enforce loan repayment agreements and review bonds for certification.

***Long-Term Water Augmentation Fund (LTWAF)*** – Establishes the LTWAF, administered by WIFA, to fund water supply development projects related to importation, storage and delivery of water from outside of Arizona. Appropriates a total of \$666,000,000 from the state General Fund (state GF) in FYs 2024 and 2025 to the LTWAF and diverts \$334,000,000 from the state GF portion of transaction privilege tax revenues in FY 2023 to the LTWAF. Prescribes administration and application requirements for LTWAF monies and specifies that LTWAF monies are continuously appropriated and exempt from lapsing.

Establishes the Long-Term Water Augmentation Committee (Augmentation Committee) to review LTWAF applications and make recommendations to the WIFA Board. Establishes the Joint Legislative Water Committee (JLWC) to review awards of \$50,000,000 or more from the LTWAF. Prescribes Augmentation Committee and JLWC membership.

***Water Conservation Grant Fund (WCGF)*** – Establishes the WCGF, administered by WIFA, to provide grants of up to \$3,000,000 for voluntary water conservation programs or \$250,000 for voluntary water conservation projects. Prescribes administration, application and reporting requirements for WCGF monies.

Establishes the Water Conservation Grant Committee (Grant Committee) to make recommendations on WCGF applications to the WIFA Board and prescribes Grant Committee membership. The WIFA Board may determine the order and priority of water conservation programs and projects applying for WCGF monies based on specified criteria.

***Water Supply Development Revolving Fund (WSDRF)*** – Establishes the Development Committee to make recommendations on WSDRF applications to the WIFA Board. Modifies requirements for WSDRF administration, composition and management, including expanding eligibility for WSDRF applicants, capping water supply development loans at \$3,000,000 and increasing the cap on water supply development grants from \$250,000 to \$2,000,000.

Repeals the Drought Mitigation Board and the Drought Mitigation Fund and transfers the \$10,000,000 in Drought Mitigation Fund monies designated to facilitate forbearance of water deliveries that would avoid reductions in Arizona's Colorado River supplies to the Arizona System

Conservation Fund and transfers all remaining monies to the WSDRF. Modifies allocation requirements for the FY 2021 \$40,000,000 appropriation to the WSDRF and subjects the appropriation to statutory WSDRF requirements.

***Federal Water Programs Committee (Federal Committee)*** – Repeals the WIFA Advisory Board and establishes the Federal Committee to make recommendations to the WIFA Board on applications for assistance from the Clean Water Revolving Fund, the Safe Drinking Water Revolving Fund and the Hardship Grant Fund. Prescribes Federal Committee membership requirements and allows WIFA Advisory Board members serving on September 24, 2022, to serve on as members of the Federal Committee until the expiration of their normal terms.

***Arizona Department of Water Resources (ADWR)*** – Appropriates \$3,500,000 from the state GF in FY 2023 to ADWR to conduct an annual Water Supply and Demand Assessment (Assessment) of specified groundwater basins by December 1. ADWR may contract with outside entities to perform an Assessment and must provide technical assistance to the WIFA Board.

amusements; 2022-2023 (H.B. 2855/S.B. 1722) – Chapter 306

Makes the following statutory and session law changes relating to amusements necessary to reconcile the FY 2023 state budget:

Caps the fees for operating a fantasy sports contest and for operating event wagering at 10 percent of: 1) the fantasy sports contest operator's adjusted revenues; or 2) the event wagering operator's adjusted gross event wagering receipts. Requires 90 percent of the monies deposited in the Event Wagering Fund from the previous month to be transferred to the state General Fund (state GF) by the 25th of each month, rather than requiring any monies remaining on the 25th of each month to be transferred to the state GF. Any Fantasy Sports Contest Fund revenues collected in excess of the amount appropriated at the end of each fiscal year must be transferred to the state GF. Continues to require the Arizona Department of Gaming, in FY 2023, 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.

automation; 2022-2023 (H.B. 2856/S.B. 1723) – Chapter 307

Makes the following statutory and session law changes relating to automation necessary to reconcile the FY 2023 state budget:

Increases, from 0.43 percent to 0.61 percent of the total payroll, the pro rata share of costs for information technology services provided by the Arizona Department of Administration (ADOA) or the Information Technology Authorization Committee that each budget unit and the legislative and judicial branches must contribute to the Information Technology Fund. All unencumbered monies remaining in an Automation Projects Fund agency subaccount revert to the fund of origin on completion of an automation and information technology project. By September 1 of each year, ADOA must submit a report to the Joint Legislative Budget Committee on each reversion made in the prior fiscal year.

Transfers administrative responsibility for the School Safety Interoperability Fund (Fund) and school safety program distributions from the State Treasurer to ADOA. Fund monies are continuously appropriated. Adds a city or town police department that establishes a school safety program to authorized recipients of Fund monies and requires a school safety program to encompass schools throughout Arizona. A school safety program must enable integration to school access control systems to allow for remote lock down by law enforcement.

state budget implementation; 2022-2023 (H.B. 2857/S.B. 1724) – Chapter 308

Makes the following statutory and session law changes relating to budget implementation necessary to reconcile the FY 2023 state budget:

Requires the Arizona Department of Administration (ADOA) to obtain insurance or provide for state self-insurance against loss on actual or suspected data breaches, security system breaches or security incidents for select agencies, boards and commissions. Establishes the Cyber Risk Insurance Fund in ADOA for the purchase of insurance, risk management services, payment of self-insurance losses and administrative costs.

Establishes the Major Events Fund, administered by the Arizona Commerce Authority (ACA) and consisting of legislative appropriations, for specified purposes relating to major events. Outlines requirements for awarding monies and semi-annual reporting on the Major Events Fund by the ACA. Suspends the Budget Stabilization Fund cap of 10 percent of state General Fund revenue in FY 2023. Eliminates the requirement that Legislative Council fund the expenses of the Ombudsman-Citizens Aide from monies appropriated to Legislative Council.

capital outlay; appropriations; 2022-2023 (H.B. 2858/S.B. 1725) – Chapter 309

Effective June 28, 2022, capital outlay expenditures account for \$250,257,400 of the FY 2023 state budget expenditures.

**Building Renewal** – Appropriates the following amounts in FY 2023 to the following state agencies from the specified funds for major maintenance and repair activities for state buildings:

Agency	Fund Source	Amount
Arizona Department of Administration (ADOA)	state General Fund (state GF)	\$37,594,200
	Capital Outlay Stabilization Fund	\$16,000,000
Arizona Department of Corrections, Rehabilitation and Reentry (ADCRR)	state GF	\$30,551,100
	Department of Corrections Building Renewal Fund	\$5,864,300
Arizona Game and Fish Department (AZGFD)	AZGFD Fund	\$1,459,600
Arizona State Lottery Commission	State Lottery Fund	\$176,400
Arizona Department of Transportation (ADOT)	State Highway Fund (SHF)	\$18,139,400
	State Aviation Fund	\$467,800

Requires ADOA to allocate monies to state agencies for necessary building renewal and to retrofit facilities for space consolidation initiatives. ADCRR may not spend building renewal appropriations on personal services or overhead expenses related to the funded projects.

**Capital Projects** – Appropriates the following amounts in FY 2023 to the following state agencies from the specified funds for capital projects:

<b>Agency</b>	<b>Purpose</b>	<b>Fund</b>	<b>Amount</b>
ADOA	Building demolition	state GF and Capitol Mall Consolidation Fund (CMC Fund)	\$1,568,000
ADOA	West Adams building renovations	state GF and CMC Fund	\$52,274,000
ADOA	Distribution to a nonprofit organization designated as an international dark sky discovery center for capital costs	state GF	\$2,500,000
ADOA	Distribution to a nonprofit organization that operates an astronomy center and observatory in northern Arizona	state GF	\$5,000,000
ADOA	Distribution to a nonprofit organization that partners with the U.S. Department of Veterans Affairs to provide homeless and at-risk veterans housing in northern Arizona	state GF	\$2,386,600
ADOA	Distribution to the Navajo Nation to plan, design and construct the Lukachukai Veterans' Multipurpose Complex	state GF	\$500,000
ADOA	Distribution to Navajo County to construct a Little Colorado River visitor center	state GF	\$1,000,000
ADOA	Distribution to the Navajo Technical University to develop and construct an environmental testing laboratory on the Chinle campus	state GF	\$4,000,000
ADOA	Distribution to the Diné College Board of Regents to construct a student center	state GF	\$8,000,000
ADOA	Distribution to the Navajo Nation for site preparation for the Teesto Multipurpose Community Center	state GF	\$1,000,000
ADOA	Distribution to the Navajo Nation for Dilkon Center improvements	state GF	\$3,000,000
ADOA	Distribution to the Navajo Nation for Kayenta Judicial Complex improvements	state GF	\$2,000,000

<b>Agency</b>	<b>Purpose</b>	<b>Fund</b>	<b>Amount</b>
ADCRR	Replace evaporative cooling statewide with HVAC	state GF	\$47,600,000
ADCRR	Statewide door, lock and fire systems replacement	state GF	\$20,400,000
Arizona State Schools for the Deaf and the Blind (ASDB)	Classroom notification system replacement	state GF	\$96,000
ASDB	Security upgrades	state GF	\$420,000
ASDB	Food service equipment replacement	state GF	\$350,000
Department of Emergency and Military Affairs (DEMA)	Additional construction monies for Tucson readiness center	state GF	\$1,800,000
DEMA	Fire suppression projects	state GF	\$1,151,100
Arizona Exposition and State Fair Board	Capital improvements	Arizona Exposition and State Fair Fund	\$1,000,000
AZGFD	Dam maintenance	Capital Improvement Fund	\$150,000
AZGFD	Property maintenance	Capital Improvement Fund	\$300,000
Judiciary	Air handler and sewer replacement	state GF	\$3,200,000
Arizona Department of Juvenile Corrections	Water and waste chase closet replumbing	state GF	\$400,000
Legislative Council	Capital improvements	state GF	\$5,700,000
Department of Liquor Licenses and Control	Space reconfiguration	Liquor Licenses Fund	\$3,500,000
Arizona State Parks Board (ASPB)	Capital improvements	State Parks Revenue Fund	\$2,742,800
ASPB	Dead Horse Ranch State Park amphitheater	State Parks Revenue Fund (SPR Fund)	\$210,000
ASPB	Rockin' River Ranch State Park	SPR Fund	\$336,800
ASPB	Jerome fire suppression system	SPR Fund	\$1,540,000
ASPB	Southern construction services relocation	SPR Fund	\$2,000,000
ASPB	Tonto Natural Bridge historic building renovation	SPR Fund	\$3,500,000
ASPB	Tombstone Courthouse renovation	SPR Fund	\$2,008,500
ASPB	Rockin' River Ranch renovation	SPR Fund	\$1,750,000

<b>Agency</b>	<b>Purpose</b>	<b>Fund</b>	<b>Amount</b>
ASPB	Catalina main entrance bridge	SPR Fund	\$1,500,000
ASPB	Statewide campground improvements	SPR Fund	\$4,100,000
ASPB	Statewide sunshade structures	SPR Fund	\$2,233,333
ASPB	Statewide water conservation	SPR Fund	\$1,339,000
ASPB	Smartphone application	SPR Fund	\$535,600
Arizona Pioneers' Home	Capital improvements	Pioneers' Home State Charitable Earnings Land Fund	\$396,500
Department of Public Safety (DPS)	Replace 25 remote housing units and purchase 5 new housing units	state GF	\$9,750,000
DPS	Purchase and construct new property for evidentiary vehicle storage	state GF	\$1,016,400
ADOT	Renovate 206 annex building	SHF	\$9,309,300
ADOT	Relocate Tucson signal equipment repair shop	SHF	\$2,124,000
ADOT	Replace vehicle fueling facilities in Tucson, St. David, Willcox and Three Points	SHF	\$3,026,900
ADOT	Replace deicer material storage barn in Superior	SHF	\$1,200,000
ADOT	Construct new maintenance facility in Wickenburg	SHF	\$2,985,000
ADOT	Replace vehicle fueling facilities in Flagstaff, Holbrook and Kingman	SHF	\$371,200
ADOT	Construct new liquid brine tanks in Globe, Show Low, Prescott Valley and Keams Canyon	SHF	\$400,000
ADOT	Plan, develop and improve state, county, city or town airports as determined by the State Transportation Board	State Aviation Fund	\$27,100,000
ADOT	Plan, develop and improve county, city and town airports	State Aviation Fund	\$20,000,000
ADOT	Distribute to the Prescott Regional Airport for the Strategic Academic Flight Education Complex	State Aviation Fund	\$600,000
Arizona Board of Regents (ABOR)	Distribute to the University of Arizona for Mining, Mineral and Natural Resources Educational Museum capital improvements	state GF	\$12,000,000

Appropriates \$19,143,833 in FY 2024 and \$19,117,333 in FY 2025 from the SPR Fund to ASPB for specified projects as follows:

Project	FY 2024	FY 2025
Catalina main entrance bridge	\$5,813,000	–
Statewide campground improvements	\$4,100,000	\$4,100,000
Statewide sunshade structures	\$2,233,333	\$2,233,333
Statewide water conservation	\$1,339,000	\$1,339,000
Yuma territorial prison renovation	\$750,000	\$5,945,000
Riordan Mansion renovation	\$2,900,000	–
Oracle renovation	\$2,008,500	–
Red Rock renovation	–	\$4,000,000
San Rafael renovation	–	\$1,500,000

**ASPB** – Requires the Arizona Strategic Enterprise Technology Office to submit, on behalf of ASPB, an expenditure plan for the FY 2023 smartphone application appropriation to the Joint Legislative Budget Committee for review. ASPB may use up to 10 percent of the monies from capital projects to pay for other capital projects in the same fiscal year as outlined and may use over 10 percent after review by the Joint Committee on Capital Review (JCCR). If ASPB revises a project plan due to land and water conservation grant funding, ASPB must promptly report to JCCR and the Governor's Office on Strategic Planning and Budgeting.

**ABOR** – Conditions the \$600,000 appropriation for the Strategic Academic Flight Education Complex on the Prescott Regional Airport receiving a commitment for matching monies from non-state sources. Monies from the appropriation for the Mining, Mineral and Natural Resources Education Museum that are unexpended on June 30, 2024, revert to the state GF. Monies from the appropriation for DPS remote officer housing that are unexpended on June 30, 2025, revert to the state GF.

**Statewide Highway Construction** – Appropriates \$393,046,100 in FY 2023 from the state GF to ADOT for specified highway projects:

Project	Amount
Design and construct additional vehicle lanes, separated by a lighted median, on I-10 between SR 85 and Citrus Road	\$64,200,000
Improve Jackrabbit Trail between Thomas Road and McDowell Road	\$20,080,000
Acquire right-of-way to extend SR 24	\$15,000,000
Rehabilitate pavement along U.S. Route 60 between Loop 101 and Loop 202	\$38,482,000
Study the construction of an emergency evacuation bridge in Lake Havasu City	\$200,000
Construct roundabout at intersection of SR 69 and SR 169	\$1,500,000
Study and design traffic interchange on SR 74 at Lake Pleasant Parkway	\$5,000,000
Assess intersection of SR 79 and Hunt Highway	\$100,000
Assess intersection of SR 87 and Skousen Road	\$100,000
Design traffic interchange on SR 89 at SR 89A	\$3,000,000

Project	Amount
Rehabilitate pavement along SR 90 between Campus Drive and the U.S. Border Patrol Station in Huachuca City	\$39,200,000
Rehabilitate pavement along U.S. Route 191 between Mile Post 163 and Mile Post 173	\$22,152,000
Design and construct a screen wall along Loop 101 between 51st Avenue and 59th Avenue	\$9,514,000
Rehabilitate pavement along U.S. Route 191 between Armory Road and East Safford	\$16,330,000
Design to improve SR 238 between SR 347 and Green Road	\$800,000
Construct and improve former SR 279	\$6,142,800
Design work for SR 303 improvements from I-17 to Lake Pleasant Parkway	\$4,000,000
Design work for the interchange at SR 303 and I-17	\$19,000,000
Design to widen lanes along SR 347 between I-10 and Maricopa	\$19,000,000
Assess intersection on SR 389 at Arizona Avenue	\$100,000
Distribution to the Northern Arizona Intergovernmental Public Transportation Authority for Flagstaff Downtown Connection Center capital costs	\$6,000,000
Install lighting on the Sentinel exit in Gila Bend	\$568,000
Conduct a tier 2 study for the North-South Corridor in Pinal County	\$15,000,000
Conduct a tier 2 study for the Sonoran Corridor in Pima County	\$14,000,000
Conduct a tier 2 study for I-11 in Maricopa County	\$25,000,000
Design and construct a screen wall along the east side of Loop 101 near 16th Street	\$7,250,000
Distribution to Apache County to construct, repair and upgrade Ganado School Loop Road	\$1,000,000
Construct traffic circle at the intersection of North Lake Powell Boulevard and U.S. Route 89 in Page, Arizona and install traffic control devices at the intersection of U.S. Route 89 and the Horseshoe Bend parking lot road	\$5,000,000
Distribution to the Navajo Nation for improvements to N9402 Road near Lupton, Arizona and Houck, Arizona	\$10,000,000
Distribution to the Navajo Nation for improvements to N35 Road	\$6,000,000
Loop 101 slip ramp access project	\$25,000,000
Improve SR 97 near Bagdad	\$10,000,000
Improve Ruby Road bridge near Nogales	\$3,000,000

For the project for additional I-10 lanes between SR 85 and Citrus Road, the Legislature intends for: 1) Buckeye to contribute \$3,000,000 within 120 days after September 24, 2022; 2) the Maricopa Association of Governments to contribute at least \$10,000,000 from non-state sources; and 3) ADOT to use federal discretionary monies awarded for the project before the state appropriation. The Legislature intends that Buckeye contribute \$5,020,000 to the Jackrabbit Trail improvements project. If ADOT does not secure federal funding for the project to improve SR 97 near Bagdad by June 30, 2025, the \$10,000,000 appropriation reverts to the state GF.



Appropriates \$72,728,700 in FY 2023 from the SHF to ADOT for highway projects as follows:

Project	Amount
Plan and construct state highways, acquire rights-of-way, provide for contracted field administration and field engineering and pay debt service on highway construction bonds	\$470,373,000
Repave SR 69 in Prescott Valley	\$1,645,000
Improve U.S. Route 95 near Yuma Proving Ground	\$3,500,000
Repave SR 95 in Mohave County	\$19,534,600
Construct an overpass at Riggs Road and SR 347	\$8,750,000
Final design plan, right-of-way and easements for an overpass at Riggs Road and SR 347	\$2,625,000
Repair SR 186 and State Business Route 10 in Willcox	\$1,464,100
Improve SR 90 from Moson Road to Campus Drive	\$3,710,000
Rehabilitate pavement on road projects meeting outlined criteria	\$31,500,000

**Miscellaneous** – Amends Laws 2022, Chapter 218 to fund the FY 2023 appropriation to ADOT of \$400,000 for widening I-10 between Chandler and Casa Grande from the SHF, rather than the state GF. Exempts the following FY 2021 appropriations from lapsing until June 30, 2023: 1) \$16,000,000 to ADOA for building renewal; and 2) 50,000,000 to ADOT to widen I-10 between Phoenix and Casa Grande.

Prohibits ADOA from spending capital outlay appropriations on personal services or employee-related expenditures of state employees, except for services provided by the Inmate Construction Program for Correctional Facilities. Prescribes reporting and oversight requirements for specified building renewal and capital projects.

courts; 2022-2023 ([H.B. 2859/S.B. 1726](#)) – Chapter 310

Makes the following statutory and session law changes relating to courts necessary to reconcile the FY 2023 state budget:

Expands Division I of the Court of Appeals from 16 judges to 19 judges, expands Division II of the Court of Appeals from 6 judges to 9 judges and adds a department to each division. Four Division I judges and three Division II judges are at-large judges who are residents of any county in the division and are elected for retention by voters based on county of residence. The Chief Judge of each division may designate a specialized department through June 20, 2023.

Allows matters to be transferred between the Court of Appeals divisions to equalize caseloads and for the best use of judicial resources. By January 1, 2025, the Administrative Office of the Courts must evaluate whether the distribution of cases between the divisions should be reallocated and submit a report on the results to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. Continues to allow the Supreme Court to use up to \$2,600,000 from specified funds in FY 2023 to implement a new appellate case management system.

Increases, from 19.25 percent to 40 percent, the portion of justice of the peace compensation and employee-related expenditures paid for by the state for all counties except Maricopa County. A person who serves as a petit juror in the superior court is eligible for replacement and supplemental earnings after one day, rather than five days, of jury service. Adds legislative appropriations to Arizona Trial and Digital Evidence Fund sources.

criminal justice; 2022-2023 (H.B. 2860/S.B. 1727) – Chapter 311

Makes the following statutory and session law changes relating to criminal justice necessary to reconcile the FY 2023 state budget:

Directs the Arizona Department of Corrections, Rehabilitation and Reentry (ADCRR) to establish the Community Treatment Program (Program) for women who give birth while imprisoned and are scheduled for release within five years and their children. ADCRR must contract with an experienced nonprofit entity to operate a community treatment center and, subject to available monies, place up to 20 women in the Program in the first year and up to 50 women each subsequent year. The Program must provide trauma-informed substance abuse and mental health treatment and support services to assist in developing outlined skills. The contracted nonprofit must provide pediatric care and be guided by the need to achieve specified goals relating to the Program environment, parent-child relationship stability and alternatives to incarceration.

Beginning July 1, 2025, requires the Department of Public Safety to establish a Major Incident Division to investigate critical force incidents and criminal allegations against a peace officer employed by a law enforcement agency. Each law enforcement agency in Arizona must require the Division, a regional law enforcement task force or another law enforcement agency to perform the criminal investigation of any critical force incidents. Division investigators must be certified by the Arizona Peace Officer Standards and Training Board or previous employees of a law enforcement agency, complete investigative courses and meet additional outlined criteria. A *critical force incident* is any discharge of a firearm by a peace officer due to a use of force encounter or an incident involving a peace officer's intended use of deadly force or force by any other means that results in death or serious bodily injury while acting under the color of authority.

Establishes the Anti-Human Trafficking Grant Fund, administered by the Department of Emergency and Military Affairs, to fund programs that provide services to law enforcement agencies or provide victim services and human trafficking prevention training. Establishes the State Aid for Juvenile Dependency Proceedings Fund to provide aid to county public defenders, legal defenders and contract indigent defense counsel. The Arizona Criminal Justice Commission must distribute monies to counties in which the latest three-year average of superior court juvenile dependency case filings exceeds the three-year average in FYs 2013 through 2015, based on the proportional share of the increase for each county. Removes the Peace Officers' Training Fund from Criminal Justice Enhancement Fund (CJEF) distribution recipients and reallocates the monies to all other CJEF recipients.

Allows the Attorney General to compensate counsel in suits to enforce antitrust, restraint of trade, price-fixing activities or conspiracies statutes at a rate that exceeds \$50 per hour.

environment; 2022-2023 (H.B. 2861/S.B. 1728) – Chapter 312

Makes the following statutory and session law changes relating to the environment necessary to reconcile the FY 2023 state budget:

***Water Infrastructure Commerce Grant Fund (Grant Fund)*** – Establishes the Grant Fund, administered by the Chief Executive Officer of the Arizona Commerce Authority (ACA), to provide grants for water infrastructure design and construction to employers in Pinal County with more than 250 employees or certified public service corporations acting on behalf of eligible employers. Prescribes Grant Fund administration and reporting requirements.

***Arizona Department of Environmental Quality (ADEQ)*** – Continues to allow ADEQ to use up to \$6,531,000 in FY 2023 from the Underground Storage Tank Revolving Fund for administrative costs and remediating sewage discharge in Arizona border areas. ADEQ must charge the same fees in FY 2023 that were charged in FY 2021 for vehicle emissions tests conducted in the Phoenix metropolitan area. ADEQ is exempt from rulemaking requirements until July 1, 2023, to set emissions fees. Continues to cap the state General Fund appropriation to the Water Quality Assurance Revolving Fund at \$15,000,000 in FY 2023. By December 31, 2024, ADEQ must establish permit fees and rules to administer a Direct Potable Reuse of Treated Wastewater Program (Wastewater Program). Wastewater Program fees must be deposited in the Water Quality Fee Fund.

***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.

***Arizona Navigable Stream Adjudication Commission (ANSAC)*** – Continues to allow Arizona Water Banking Fund monies appropriated to ANSAC to be used for legal fees in FY 2023.

***Arizona Department of Agriculture (AZDA)*** – Continues to allow the AZDA to continue or adjust existing FY 2021 and FY 2022 fees for FY 2023 and limits additional revenues generated by the adjustments to prescribed amounts. The AZDA is exempt from rulemaking requirements to establish fees until July 1, 2023.

health care; 2022-2023 (H.B. 2863/S.B. 1730) – Chapter 314

Makes the following statutory and session law changes relating to health care necessary to reconcile the FY 2023 state budget:

***Arizona Long Term Care System (ALTCS)*** – Outlines individual county contributions for ALTCS. Directs the State Treasurer to withhold monies as prescribed 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 2023 General Appropriations Act. The counties' share of the state's contribution must comply with federal maintenance of 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.

**County Acute Care** – Outlines individual county contributions for county acute care. Directs the State Treasurer to withhold monies as prescribed to fulfill county contribution obligations for acute care and deposit any paid or withheld county contributions into the AHCCCS and ALTCS Funds. 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. Upon request of the Director of AHCCCS, the State Treasurer must 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 costs incurred by AHCCCS.

**Behavioral Health Care Provider Loan Repayment Program (Repayment Program)** – Establishes the Repayment Program in the Department of Health Services (DHS) to pay off portions of educational loans for behavioral health care providers and nurses, and psychologists who serve in behavioral health facilities. Requires DHS to prescribe application and eligibility requirements as outlined. Loan reimbursement amounts may not exceed \$50,000 for the first two years of service and \$25,000 for subsequent years. A participating behavioral health care provider or nurse must initially contract with DHS to provide behavioral health services for at least two years. A Repayment Program participant who fails to complete contractually obligated services is liable for liquidated damages, with exceptions.

**Disproportionate Share Hospital (DSH) Payments** – Outlines 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 (state GF) as prescribed. Outlines 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, 2023, and ASH, by March 31, 2023, to 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 for federal matching funds for FY 2023.

**AHCCCS** – Expands AHCCCS benefits coverage to women who are less than one year postpartum and requires AHCCCS to provide medically necessary chiropractic services as outlined. Includes certified nurse midwives in the definition of an *AHCCCS primary care practitioner*.

**Arizona Health Innovation Trust Fund (Fund)** – Establishes the Fund, administered by the State Treasurer, and consisting of legislative appropriations, earnings and donations. The State Treasurer must provide four percent of Fund monies annually to a charitable organization that provides services in Arizona and meets outlined requirements, including: 1) providing entrepreneurial support and workforce development programs in the health innovation and health care delivery sectors 2) providing programs that support development and commercialization of health innovation by Arizona businesses that employ fewer than 100 employees; and 3) entering into an endowment agreement with the State Treasurer as outlined.

***Health Care Interoperability Grant Program (Program)*** – Requires the Arizona Department of Administration (ADOA) to administer a three-year competitive program that provides interoperability software technology solutions to support rural hospitals, health care providers and urban trauma centers for the purposes of reducing health care and transportation costs. ADOA must issue the first program grant for an interoperability software technology solution that meets prescribed requirements by December 31, 2022. Outlines grant recipient and funding reporting requirements.

***Accelerated Nursing Program Grants*** – Allocates the appropriation designated for accelerated nursing program grants in the FY 2023 General Appropriations Act as follows: 1) \$6,000,000 to a private university with a health sciences campus in Phoenix that offers a 12-month accelerated nursing program; and 2) \$44 million to public and private universities and community colleges that offer accelerated nursing programs as outlined. Prescribes criteria for grant eligibility and outlines university reporting requirements.

***Miscellaneous*** – Accelerates the transfer of the Psychiatric Security Review Board from DHS to the Superior Court from July 1, 2023, to January 1, 2023.

Continues to exclude county contributions for Proposition 204 administrative costs from county expenditure limitations and excludes county contributions for costs of inpatient and in-custody competency restoration treatment from county expenditure limitations.

Allows the use of monies in the Health Services Lottery Monies Fund for purposes specified in the FY 2023 General Appropriations Act.

Continues to allow AHCCCS to extend risk contingency rate settings for all managed care organizations (MCOs) and funding for all MCO administrative funding levels imposed in contract year 2010 for the contract year beginning October 1, 2022, and ending September 30, 2023.

Exempts DHS from rulemaking requirements for FY 2023 to address air ambulance service medical staffing.

higher education; 2022-2023 ([H.B. 2864/S.B. 1731](#)) – Chapter 315

Makes the following statutory and session law changes relating to higher education necessary to reconcile the FY 2023 state budget:

***Community College District (CCD) Funding*** – Modifies, beginning in FY 2023, the amount an out-of-CCD county must reimburse a CCD and requires the remainder of the reimbursement formula to be paid from the state General Fund. An out-of-CCD county's reimbursement share is calculated using the number of students attending the CCD from the county and the CCD's primary property tax levy and total enrollment. By October 4, 2022, Joint Legislative Budget Committee Staff must revise the FY 2023 reimbursement amounts and notify the respective parties.

Funds the FY 2023 operating state aid for CCDs and CCD science, technology, engineering and mathematics programs and workforce programs as specified in the FY 2023 General Appropriations Act.

***Arizona Veterinary Loan Assistance Program (Veterinary Loan Program)*** – Establishes the Veterinary Loan Program within the Arizona Board of Regents (ABOR) and the Arizona Veterinary Loan Assistance Fund (Veterinary Loan Fund), consisting of legislative appropriations, to provide loan assistance to a person who: 1) obtains a veterinarian degree after January 1, 2023; and 2) agrees to work as a full-time veterinarian in Arizona for four years, at least two of which must be in a shelter or an agricultural practice in an area with a shortage. After the four-year commitment, ABOR must distribute the lesser of the veterinarian's educational loan balance or \$100,000 if the veterinarian satisfied the agreement terms.

Requires ABOR to adopt rules to administer the Veterinary Loan Program and annually report on Veterinary Loan Fund monies. ABOR may retain up to three percent of Veterinary Loan Fund monies for administrative costs.

***Spouses of Military Veterans Tuition Scholarship Fund (Tuition Fund)*** – Establishes the Tuition Fund, consisting of legislative appropriations, to award scholarships to the spouse of an honorably-discharged veteran of the U.S. armed forces for public university or community college tuition and fees. A recipient must be an in-state student, maintain satisfactory academic progress and complete student aid and information release forms. ABOR must adopt rules to administer the tuition scholarships.

***University Funding*** – Requires the Arizona Department of Administration, by October 24, 2022, to convey the title and fee ownership of the Mining, Mineral and Natural Resources Educational Museum to the University of Arizona for continued Museum operation.

Continues, for FY 2023, to allow the Legislature to appropriate less than a two-to-one match to student registration fees assessed by the Arizona Financial Aid Trust Fund.

human services; 2022-2023 (H.B. 2865/S.B. 1732) – Chapter 316

Makes the following statutory and session law changes relating to human services necessary to reconcile the FY 2023 state budget:

Establishes the Developmental Disabilities Group Home Monitoring Pilot Program (Pilot Program) within the Department of Economic Security (DES) until January 1, 2027, and requires DES to contract with the entity designated to operate the protection and advocacy system for persons with developmental disabilities in Arizona (designated entity) to conduct the Pilot Program. By January 1, 2023, DES must establish an expedited referral system to forward quality-of-care complaints to the designated entity for investigation. Beginning January 1, 2023, the designated entity must monitor group homes that serve clients with complex needs and investigate quality-of-care complaints concerning a DES-funded group home. If the designated entity substantiates an allegation, the information must be shared with DES, the service provider and the Independent Oversight Committee on Persons with Developmental Disabilities. The designated entity must report to the Governor and the Legislature on observations and outcomes, the quality of services provided and recommendations for improvements by January 1, 2026.

Requires the monthly stipend that the Department of Child Safety, licensed child welfare agencies and tribal child welfare agencies must provide to each child in the Independent Living Program to be at least \$1,200 and removes the stipend limit. Continues to require the DES to screen and test each adult recipient who is eligible for Temporary Assistance for Needy Families (TANF) benefits and who DES has reasonable cause to believe engages in the illegal use of controlled substances. Any TANF recipient who tests positive for the use of a controlled substance not prescribed by a licensed health care provider is ineligible to receive TANF benefits for one year.

K-12 education; 2022-2023 (H.B. 2866/S.B. 1733) – Chapter 317

Makes statutory and session law changes relating to K-12 education necessary to implement the FY 2023 state budget:

**Basic State Aid** – Increases the base level in FY 2023 from \$4,390.65 to \$4,775.27 per pupil. Repeals the 1.25 percent base level increase for additional teacher compensation for school districts that are approved by the State Board of Education (SBE) as outlined. Establishes a Group B weight of 0.018 for children who are eligible for the federal Free-and-Reduced-Price Lunch (FRPL) Program and other school programs dependent on a poverty measure. Increases, from 0.093 to 0.292, the Group B weight for children with developmental delays, emotional disabilities, mild intellectual disabilities, a specific learning disability, a speech or language impairment and other health impairments. Increases transportation support levels for standard inflation. Increases charter additional assistance by 4.62 percent and district additional assistance by 11.44 percent in FY 2023.

Repeals the requirement that each county board of supervisors annually levy a state equalization assistance property tax rate (SETR) and removes the subtraction of SETR distributions from basic state aid provided to a school district. Updates the TY 2022 qualifying tax rates to reflect annual truth-in-taxation rate adjustments.

**Empowerment Scholarship Accounts (ESAs)** – Establishes the ESAs Parent Oversight Committee (Parent Oversight Committee) consisting of six members, appointed as outlined, who are parents of students who use ESA monies for the additional therapies or services approved for children with disabilities. Outlines limitations of Parent Oversight Committee membership. The Parent Oversight Committee must collaborate with specified state agencies to review ESA implementation and effectiveness, parental concerns and the work of the Ombudsman-Citizens Aide on ESA Program complaints. The Parent Oversight Committee must meet each calendar quarter and a majority of the membership constitutes a quorum.

**Grants and Funds** – Establishes the Code Writers Initiative Program within the Arizona Department of Education (ADE) to provide competitive grants to entities that provide computer code writing instruction for Native American students in grades 9 through 12. A grantee must instruct teachers and administrators in a technology-focused curriculum, develop internships and programs for students who complete the curriculum, maximize participation, measure the program's impact and submit an annual report as outlined. The ADE Indian Education Advisory Council must evaluate applications and make award recommendations and ADE must award grants to participants that will leverage state monies by securing resources from other sources.

Establishes the Invest in Postsecondary Success Program (Postsecondary Success Program), administered by ADE, to contract with a nonprofit vendor to provide financial capability and workforce readiness training and college match savings accounts that match each dollar a student contributes by \$8. ADE must select the vendor according to experience and partnership requirements and prescribe student eligibility criteria. ADE may adopt rules to administer the Postsecondary Success Program. Establishes the Invest in Postsecondary Success Fund, consisting of legislative appropriations.

Continues to require ADE to distribute Results-Based Funding Fund monies in FY 2023 in the prescribed amounts to a school that meets Spring 2021 statewide assessment performance and FRPL Program enrollment thresholds.

***Adult Education and Workforce Development Programs*** – Directs the SBE to establish the Continuing High School and Workforce Training Program (High School and Workforce Program) and establishes the Adult Workforce Diploma Program (Workforce Diploma Program) and the Community College Adult Education Workforce Development Program (Community College Program) within the SBE. ADE must administer the programs and provide staff support for the SBE to comply with program requirements. By July 1, 2024, the SBE must adopt adult education and workforce development program performance measures as prescribed. Schools and providers participating in the programs must annually report outlined information to ADE for compilation into an annual report for each program.

Requires the SBE to authorize High School and Workforce Program service providers to establish a school in partnership with a school district or charter school (program school) to provide alternative study services, a high school diploma and industry-recognized credentials to adult learners. Subject to approval terms and enrollment caps, the SBE must approve a service provider that is a 501(c)(3) nonprofit or an approved adult education provider with a 10-year history of providing workforce training and services in Arizona to adults whose opportunities have been limited by barriers to education. ADE must develop program school application procedures and distribute \$7,700 per full-time student to a program school. Prescribes program school application information, compliance requirements and funding prioritization procedures. The SBE may adopt rules to administer the High School and Workforce Program.

Directs the SBE to approve Workforce Diploma Program providers according to outlined criteria to assist a person who is at least 21 years old in earning a high school diploma and developing critical employability and career and technical skills. The Workforce Diploma Program may be delivered in a campus-based, online or blended modality. Establishes the Adult Workforce Diploma Program Fund, administered by ADE and consisting of gifts, grants, donations and legislative appropriations. ADE must provide prescribed amounts from the Adult Workforce Diploma Program Fund based on student completion of high school credits and diplomas, certifications, industry-recognized credentials and stackable credentials. Outlines funding procedures and compliance requirements.

The SBE must operate the Community College Program in cooperation with ADE to provide adult learners with integrated education and training programs and services that lead to: 1) a high school diploma or high school equivalency diploma; and 2) an industry-recognized credential or community college degree. Establishes the Community College Program Fund,



administered by ADE and consisting of legislative appropriations and any other monies. Each fiscal year, ADE must distribute \$3,000 per full-time program student to all participating community colleges, a portion of which may be used for additional support services. The SBE may develop a process to bring a participating community college into compliance or revoke the college's authorization to participate in the Community College Program.

*Miscellaneous* – Expands county jail education program eligibility to include prisoners without a disability who are between 18 and 21 years old and do not have a high school diploma or general equivalency diploma. Retroactive to June 20, 2022, authorizes a school district to adopt an FY 2023 budget that is higher than its proposed budget to account for legislative changes to K-12 funding enacted after June 20, 2022, or revise their FY 2023 budget if the adopted budget does not take the legislative changes into consideration. Adopted district budgets must be used for setting primary and secondary school district property tax levies.

local government; 2022-2023 (H.B. 2867/S.B. 1734) – Chapter 318

Makes the following session law changes relating to local governments necessary to reconcile the FY 2023 state budget:

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 2023. By October 1, 2022, a county using the flexible authority must report to the Director of the Joint Legislative Budget Committee: 1) whether the county used a revenue source for purposes other than outlined to meet a county fiscal obligation; and 2) the specific source and amount of revenues that the county intends to use in FY 2023.

state buildings; management; 2022-2023 (H.B. 2868/S.B. 1735) – Chapter 319

Makes the following statutory and session law changes relating to state buildings necessary to reconcile the FY 2023 state budget:

Requires the Director of the Arizona Department of Administration (ADOA) to report a proposed rental fee exemption for a state agency to the Joint Legislative Budget Committee (JLBC) Staff, rather than conditioning the Director's authority to grant an exemption on the recommendation of the Joint Committee on Capital Review. Subjects state-leased buildings for which ADOA is responsible to statutory rental rate requirements in the same manner as state-owned buildings the year after the retirement of the lease or lease purchase debt service financing. ADOA must annually report to JLBC and the Governor's Office of Strategic Planning and Budgeting (OSPB) on the associated costs.

Requires each state agency to report to JLBC Staff and the OSPB each calendar quarter on the status of all capital projects and expenditures for which monies were appropriated, except for highway construction projects by the Arizona Department of Transportation. Repeals the prohibition on the Office of the Ombudsman-Citizens Aide being located within the state office building complex or adjacent or contiguous to any other state agency. The proceeds from the sale of state buildings located at 519 Beale Street in Kingman and 1919 West Jefferson Street in Phoenix must be deposited in the Capitol Mall Consolidation Fund.

procurement; 2022-2023 (H.B. 2869/S.B. 1736) – Chapter 320

Makes the following statutory and session law changes relating to procurement necessary to reconcile the FY 2023 state budget:

Requires the Arizona Department of Revenue (ADOR) to use the Arizona Procurement Code competitive sealed proposal procurement process for an integrated tax system modernization project (modernization project). In soliciting bids for the modernization project, ADOR may not include any mandatory minimum offeror qualifications. ADOR must review any proposal submitted by an offeror that has developed, marketed and deployed an integrated tax system of similar size and complexity as ADOR's tax system. Purchases and contracts for goods and services in an amount of over \$150,000 entered into by the Arizona State Library, Archives and Public Records are subject to the Arizona Procurement Code.

tax; revisions; distributions; 2022-2023 (H.B. 2871/S.B. 1738) – Chapter 321

Makes the following statutory and session law changes relating to taxation necessary to implement the FY 2023 state budget:

***Transaction Privilege Tax (TPT)*** – Diverts a total of \$1,618,489,600 from the state General Fund (state GF) portion of TPT revenues in FY 2023 as follows: 1) \$925,447,500 to the State Highway Fund; 2) \$425,000,000 to the Budget Stabilization Fund; 3) \$209,205,000 to the Border Security Fund; 4) \$38,237,100 to the State Parks Revenue Fund; and 5) \$20,600,000 to the State Aviation Fund. To determine whether the state GF revenue threshold for statutorily prescribed modifications to the individual income tax rates is met, the total amount of direct distributions must be added to the actual FY 2023 state GF revenue reported.

Increases, from \$50 million to \$100 million, the maximum amount of prime contracting TPT revenues generated from qualifying projects that may be transferred to cities, towns and counties to fund certain public infrastructure improvements. Gross proceeds of sales or gross income derived from sales of all, rather than new, agricultural machinery and equipment are exempt from TPT and use tax. Includes off-highway vehicles in agricultural machinery and equipment. Delays, until December 31, 2022, the deadline for a refund claim based on the 2021 retroactive inclusion of containment structures in the TPT deduction and use tax exemption and the associated requirements.

***Arizona Department of Revenue (ADOR)*** – Establishes the ADOR Integrated Tax System Project Fund (Fund) and directs ADOR, in FYs 2023 through 2028, to assess fees on counties, cities, towns, councils of governments and regional transportation authorities to implement an integrated tax system modernization project (modernization project). Fees must be deposited in the Fund and the State Treasurer must withhold any delinquent amount from the applicable entity's revenue distributions until the assessment is satisfied. Diverts, from marijuana excise tax and additional education TPT revenues to the Fund, amounts equal to the modernization project costs related to each tax for the period of the assessment. Declares the Legislature's intent for FY 2023 collections that the share of fees be determined as outlined and that the assessment and transfers may not exceed: 1) \$5,388,200 in total fees assessed on government entities; 2) \$653,400 from additional education TPT revenues; and 3) \$145,500 in marijuana excise tax revenues.

Establishes the 10-member ADOR Tax System Modernization Project Advisory Committee to serve as the liaison between ADOR and tax system users. ADOR must maintain an individual income tax model that estimates the fiscal impact of proposed individual income tax legislation and meets prescribed requirements. On completion of the modernization project, the staff of specified government entities must have direct access to the IIT model.

*Miscellaneous* – Retroactive to July 1, 2021, outlines requirements for determining an aircraft's average fair market value. The Arizona Department of Transportation must offer an FY 2023 aircraft registration fee credit to a person who pays an FY 2022 aircraft license tax before September 24, 2022, if the aircraft's average fair market value exceeds the value calculated according to the outlined requirements. Aligns the elective entity-level income tax rate levied on partners and shareholders of an S corporation with the income tax rate prescribed for individuals.

transportation; 2022-2023 (H.B. 2872/S.B. 1739) – Chapter 322

Makes the following statutory and session law changes relating to transportation necessary to reconcile the FY 2023 state budget:

Establishes the State Match Advantage for Rural Transportation Fund (SMART Fund) administered by the Arizona Department of Transportation (ADOT). Subject to approval by the State Transportation Board, SMART Fund monies are allocated to counties with a population of fewer than 1,000,000 persons, municipalities and ADOT for outlined costs relating to federal surface transportation grants. Prescribes application review procedures and directs the ADOT Priority Planning Advisory Committee to make recommendations on applications to the State Transportation Board.

Allows the Supreme Court to lease or purchase motor vehicles for court personnel to conduct business activities in supervising all Arizona courts. The Supreme Court must recover fleet operation services costs and pay for fleet operation services and replacements at rates similar to the State Motor Vehicle Fleet rates. Establishes the State Court Fleet Operations and Replacement Fund as a special state fund consisting of proceeds from surplus motor vehicle sales, monies received from fleet operation services and replacements, and legislative appropriations.

Establishes the Arizona Game and Fish Department (AZGFD) Fleet Vehicle Replacement Fund and the AZGFD Fleet Operations Fund, consisting of revenues received from fees charged to the AZGFD for participating in the State Motor Vehicle Fleet. Excludes the Arizona Department of Transportation from participating in the State Motor Vehicle Fleet.