

STATE OF ARIZONA

FY 2021

Appropriations Report

July 2020

JLBC

FY 2021 APPROPRIATIONS REPORT

This annual *Appropriations Report* provides detailed information on FY 2021 appropriations, as provided in the General Appropriation Act (Laws 2020, Chapter 58) and other legislative acts. The *Report* also includes the economic and state revenue forecast upon which the budget was based. This *Report* provides information relative to the legislative intent of appropriations.

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BUDGET HIGHLIGHTS

HIGHLIGHTS OF THE FY 2021 BUDGET

The FY 2021 budget is based primarily upon the actions of the 54th Legislature's 2nd Regular Session. On March 28, 2020, the Governor signed into law the FY 2021 General Appropriation Act for the year beginning July 1, 2020. Due to the COVID-19 pandemic, the Legislature adjourned from March 23 through mid-May. The Legislature adjourned sine die on May 26, 2020.

Subsequent to approval of the budget, the impact of the COVID-19 pandemic was expected to decrease revenues and affect expenditures for FY 2021 and future budget years. The JLBC Staff published a budget update in mid-June that reflected these impacts. Unless specifically noted, numbers cited below pertain to the budget after the June budget update.

The state's FY 2021 General Fund budget is \$11.76 billion. After accounting for non-General Fund monies, the state's "all funds" budget is \$45.1 billion. *(See the Summary of Appropriated Funds by Agency and Summary of Total Spending Authority for more details.)*

The federal government is providing funding to state and local governments to address issues surrounding the pandemic. These federal funds may affect the state budget in both FY 2020 and FY 2021. *(Please see the Coronavirus Response Funds section at the end of this Highlights narrative for more details.)*

Revised FY 2020 Budget – At the time of publication of the *FY 2020 Appropriations Report* in June 2019 after the 54th Legislature's 1st Regular Session, the FY 2020 budget was anticipated to have a \$65 million ending balance. By January 2020, the projected FY 2020 ending balance was estimated to be \$643 million. The primary adjustments included:

- Increased balance forward from FY 2019 of \$957 million, or \$193 million above the original forecast.
- Increased FY 2020 revenues of \$434 million, reflecting the January consensus forecast.
- Increased FY 2020 expenditures of \$48 million, primarily for higher-than-expected AHCCCS expenditures.

The budget as passed in March used the Baseline revenue forecast and made 4 changes totaling \$81 million of expenditures to the FY 2020 budget as outlined in the Baseline. These appropriations included \$50 million to the Governor's Office for a deposit into the newly-created Crisis Contingency and Safety Net Fund, \$28 million for an increase in Building Renewal Grants at the School Facilities Board (SFB), \$2.6 million to the Secretary of

State (SOS) for additional county costs associated with the March 2020 Presidential Preference Election, and \$102,300 for the "Named Claimants" bill (Laws 2020, Chapter 20).

As noted above, due to the COVID-19 pandemic, in June the JLBC Staff provided new estimates for revenues as well as for net prior-year spending. Under these estimates, ongoing revenues would decrease by \$(864) million, which was partially offset by \$(111) million of reduced net prior-year spending.

Under these changes, these adjustments result in a projected FY 2020 ending balance shortfall of \$(190) million. *(Please see the FY 2020 General Fund Adjustments section for further details.)* Subsequent to the June budget update, June General Fund revenues were reported as being \$207 million higher than anticipated and may be sufficient to generate a positive FY 2020 ending balance. While a final FY 2020 ending balance has yet to be determined, we believe that FY 2020 will not end in a shortfall. As a result, our estimates now assume a \$0 beginning balance for FY 2021.

Comparison to the JLBC Baseline – At the beginning of session, the JLBC Staff calculated the state's anticipated FY 2021 spending based on existing statutory funding formulas and other technical requirements. The projected spending level was \$11.53 billion.

In comparison, the January Baseline revenues were based on the 4-sector consensus projections. FY 2021 ongoing revenues were forecast to grow 3.6% in FY 2020 and 4.1% in FY 2021. After adjusting for additional Urban Revenue Sharing distributions, and other factors, total General Fund revenues were anticipated to be \$12.57 billion in FY 2021. This amount included \$643 million associated with the FY 2020 carry-forward balance. After accounting for the \$11.53 billion in spending, the Baseline estimated an ending balance of \$1.04 billion.

The final enacted budget made no changes to the January Baseline revenues aside from adjusting the FY 2020 ending balance downward by \$(81) million to account for the approved supplemental expenditures. As with the FY 2020 revenue estimates, however, in its June budget update the JLBC Staff provided new estimates of revenues for FY 2021. Under these estimates, FY 2021 revenues were forecasted to be \$11.05 billion. Compared to an expenditure level of \$11.57 billion *(see below)*, the JLBC Staff currently estimates an FY 2021 ending balance shortfall of \$(518) million. *(Please see the General Fund Balance discussion below.)*

The Legislature made revisions to the Baseline spending level of \$11.53 billion, which resulted in an approved FY 2021 expenditure level of \$11.76 billion. The \$227 million in changes to the Baseline included the following:

Major Changes to the Baseline

- \$19 million for retirement rate adjustments, primarily in the Arizona Department of Corrections (ADC), the Department of Public Safety (DPS), and the Judiciary.
- \$10 million for ongoing General Fund spending for the Water Quality Assurance Revolving Fund (WQARF) in the Department of Environmental Quality (DEQ).
- \$(7) million in Arizona Department of Education (ADE) formula savings.

Major One-Time Increases to the Baseline

- \$91 million to SFB for Building Renewal.
- \$68 million to ADE to accelerate the fourth year of a 5-year plan to eliminate Additional Assistance reductions.
- \$8 million to AHCCCS for a Children's Behavioral Health Services Fund deposit.
- \$5 million to DEQ for WQARF (in addition to \$10 million added in ongoing spending as noted above).
- \$22 million for increases to agency health insurance rates to increase Health Insurance Trust Fund (HITF) balance.
- \$11 million for locking and fire system and air conditioning replacements at the Lewis and Yuma prisons in ADC.

In the June budget update, the JLBC Staff estimated that enhanced federal funding for the state's Medicaid system as approved in the Federal Funds Coronavirus Relief Act would generate a net \$(189) million of expenditure savings in FY 2021. In combination with the \$227 million of increased expenditures under the enacted budget, the estimate of expenditures for FY 2021 increased from \$11.53 billion in the Baseline to \$11.57 billion.

(See FY 2021 State General Fund Budget - A Narrative Summary and the General Provisions section for further details on FY 2021 changes.)

Comparison to the FY 2020 Budget – Besides the comparison with the JLBC Baseline, the FY 2021 budget can also be viewed relative to the FY 2020 budget. Under the June budget update, General Fund revenues, including one-time monies, are projected to decline from \$11.68 billion in FY 2020 to \$11.05 billion in FY 2021, excluding any FY 2020 carry-forward, or a decrease of \$(627) million. The projected net ongoing revenues are anticipated to increase by \$404 million, or 3.8%, which incorporate a \$(91) million loss due to increased

contributions to Urban Revenue Sharing based on state income tax collections from 2 years prior (*see the General Fund Revenue section*). In addition to this change, the FY 2021 budget also has a net \$17 million in one-time revenues, or a loss of \$(1.031) billion compared to FY 2020 one-time revenues, of which \$(957) million is attributable to a \$0 ending balance carried forward into FY 2021.

General Fund spending is projected to decrease from \$11.87 billion in FY 2020 to \$11.57 billion in FY 2021, which is a decrease of \$(300) million, or (2.5)%. Compared to the originally-budgeted FY 2020 total of \$11.85 billion, the FY 2021 budget decreases spending by \$281 million, or (2.4)%.

The FY 2021 budget includes the following changes compared to the FY 2020 budget, including supplemental changes:

- \$399 million for K-12 education changes, including \$124 million for the last year of a 3-year plan to raise teacher salaries 20%, \$68 million for the fourth year of a 5-year plan to restore Additional Assistance funding, 0.6% student growth and a statutorily-mandated inflation increase of 1.74%, and Empowerment Scholarship Account caseload growth, offset by \$(21) million of other adjustments.
- \$(118) million in decreased SFB spending, reflecting a net decrease of \$(54) million for continued funding for the second year of new school construction of 10 schools and the first year of funding for 2 new schools and a decrease of \$(65) million for decreased debt service associated with expiring lease-purchase agreements.
- \$(33) million in decreased University funding, including a decline of \$(35) million for elimination of one-time funding and an increase of \$3 million for statewide adjustments.
- \$(33) million in decreased Community College funding, including a decline of \$(35) million for elimination of one-time funding and an increase of \$3 million for formula growth.
- \$145 million in increased AHCCCS spending, including \$134 million for formula adjustments, \$3 million for Graduate Medical Education funding, and \$8 million for one-time funding of additional Behavioral Health Services in schools.
- \$3 million in increased Department of Child Safety (DCS) spending for statewide adjustments.
- \$62 million in increased Department of Economic Security (DES) spending, including \$60 million for Developmentally Disabilities (DD) formula spending and \$4 million for statewide adjustments.

- \$38 million in ADC spending for statewide adjustments.
- \$7 million in increased Judiciary spending, including \$6 million for the second year of a previously-approved phase-in of Maricopa County Superior Court judges' salaries.
- \$(6) million in decreased Department of Juvenile Corrections spending, including \$(8) million for local cost-sharing by Maricopa and Pima Counties and \$2 million for statewide adjustments.
- \$(1) million in decreased DPS spending, including \$(8) million for elimination of one-time funding and \$7 million for statewide adjustments.
- \$(52) million in decreased Department of Water Resources spending for elimination of one-time funding associated with the Drought Contingency Plan.
- \$71 million in statewide adjustments, including \$43 million for the costs of a 27th pay period for non-University state employees, \$17 million for retirement rate adjustments, and \$12 million for an increased one-time state employee health insurance adjustment. These increases are reflected in the dollar increases noted above.

These estimates do not account for adjustments related to a higher federal match rate associated with the COVID-19 pandemic.

(See FY 2021 State General Fund Budget - A Narrative Summary for a more detailed list of changes.)

General Fund Balance – Based on \$11.05 billion in revenue and \$11.57 billion in spending under the June budget update, the FY 2021 General Fund cash balance is projected to be a \$(518) million shortfall.

The ending cash and structural shortfall estimates do not reflect the Budget Stabilization Fund (BSF) reserve. The BSF is expected to have a balance of \$993 million at the end of FY 2021.

Long-Term Projections – A.R.S. § 35-125 requires that the General Appropriation Act delineate the revenue and expenditure estimates for the budget year and the following 2 years. The expenditure estimates are based on existing statutory funding requirements, but also incorporate future-year changes, such as statutory changes with effective dates beyond the budget year.

The enacted budget's 3-year spending plan provides estimates of FY 2022 and FY 2023 spending. The *Statement of General Fund Revenues and Expenditures* in the *Budget Highlights* section incorporates the FY 2022 and FY 2023 estimates, which were initially based upon Baseline revenue projections and existing statutory

funding requirements. Based on legislative guidance, the FY 2022 and FY 2023 estimates also include the continuation of FY 2020 initiatives which were considered to be ongoing.

The figures reflected in the multi-year analysis in the *Budget Highlights* section differ from the figures listed in the FY 2021 General Appropriation Act primarily due to reflecting the June budget update figures. The figures also differ due to technical reasons. The General Appropriation Act gives JLBC Staff the authority to make such technical adjustments.

The General Appropriation Act forecasted total FY 2022 revenues to be \$12.35 billion and expenditures to be \$12.14 billion, with a \$212 million balance. After accounting for the June budget update and technical adjustments, FY 2022 revenues are projected to be \$11.69 billion compared to spending of \$12.41 billion, reflecting a loss in revenues as well as expected increased Medicaid expenditures. The FY 2022 balance is estimated to be a \$(720) million shortfall assuming the FY 2021 shortfall is resolved.

The FY 2022 ongoing revenue estimates are primarily based on a net growth rate of 4.4%. The FY 2022 spending projection includes statutory formula caseload growth (including higher Medicaid expenditures as a result of the COVID-19 pandemic) and removal of FY 2021 spending categorized as one-time in the FY 2021 budget process. It also reflects new one-time spending, including \$43 million in one-time FY 2022 spending to complete SFB school construction projects started in FY 2021 and start SFB projects anticipated to begin in FY 2022, \$68 million to accelerate the final year of additional assistance phase-in for schools, \$30 million to pay off a portion of the K-12 rollover, and \$20 million for the costs of a 27th pay period for University employees.

The General Appropriation Act forecasted FY 2023 revenues to be \$12.82 billion and expenditures to be \$12.39 billion, with a \$433 million balance. After accounting for the June budget update and technical adjustments, FY 2023 revenues are projected to be \$12.21 billion compared to spending of \$12.51 billion, again reflecting a loss in revenues as well as expected increased Medicaid expenditures. The FY 2023 budget is estimated to have a \$(293) million shortfall, assuming the FY 2022 shortfall is resolved.

The FY 2023 ongoing revenue estimates are primarily based on a net growth rate of 5.1%. The FY 2023 spending projection includes statutory formula caseload growth (including higher Medicaid expenditures as a result of the COVID-19 pandemic and removal of one-time FY 2022 spending. It also reflects new one-time spending,

including \$77 million to complete SFB school construction projects anticipated to start in FY 2022 and start SFB projects anticipated to begin in FY 2023.

Given the multiple years involved in these calculations, long-run estimates are especially sensitive to small percent changes in revenue and spending growth. For example, a 1% change in the growth rate of either revenue or spending in FY 2021 through FY 2023 would change the ending balance calculations by \$725 million in the third year. As a result, these projections are subject to considerable change.

Coronavirus Response Funds – The federal and state governments have set aside various monies in response to the COVID-19 pandemic.

Coronavirus Relief Fund

The Coronavirus Aid, Relief, and Economic Security (CARES) Act appropriates a total of \$150 billion in federal funding for the Coronavirus Relief Fund (CRF), to be distributed to state and local governments. Arizona's total CRF allocation is \$2.82 billion for both its state and local governments combined.

Monies from the CRF may only be used for costs that are: 1) necessary expenditures incurred due to the public health emergency; 2) not accounted for in the state/local government's budget most recently approved as of March 27, 2020; and 3) incurred from March 1, 2020, to December 30, 2020. The state budget for FY 2021 was signed into law after the federal legislation was enacted. These funds may not be used to offset revenue shortfalls.

Arizona's total \$2.82 billion allocation is distributed as follows:

- \$1.86 billion to the state. These monies are controlled by the Executive. As of this writing, the Executive has allocated \$441 million to local governments and \$200 million to school districts and charter schools through the Enrollment Stability Grant Program (*see Basic State Aid line item in the Arizona Department of Education section for more information*). In addition, \$150 million will be used for the Arizona Express Pay Program, which will be repaid using Federal Emergency Management Agency Public Assistance grant monies, and \$9 million has been allocated to the Secretary of State for COVID-19 response efforts and early voting opportunities for the upcoming elections.
- \$965 million to local governments with populations over 500,000. The local governments in Arizona that received direct payments are Maricopa County (\$399 million), City of Phoenix (\$293 million), Pima County

(\$87 million), City of Tucson (\$96 million), and City of Mesa (\$90 million).

Education Stabilization Fund

The CARES Act also appropriates a total of \$30.75 billion in federal funding for the Education Stabilization Fund (ESF), to be distributed to states, school districts and charter schools, and institutions of higher education. Arizona's total ESF allocation is \$650 million.

Arizona received its ESF allocation through the following funds:

- \$69 million in the Governor's Emergency Education Relief Fund (GEERF): These funds may be allocated at the Governor's discretion to local education agencies, institutions of higher education, or other education-related entities. The Governor must allocate GEERF monies to eligible entities within 1 year of receipt. In addition, the recipient must obligate the funds by September 30, 2022. To receive GEERF monies, the state must meet maintenance-of-effort (MOE) requirements by keeping its General Fund spending for K-12 and higher education in FY 2020 and FY 2021 at or above the average level of spending in FY 2017 - FY 2019, or \$4.33 billion for K-12 and \$721 million for higher education. (*Please see the ADE section for more information on uses of GEERF monies.*)
- \$277 million in the Elementary and Secondary School Emergency Relief Fund (ESSERF): School districts and charter schools receive at least 90% of the state allocation, or \$250 million, in proportion to the amount of Title I-A funding received. The state may retain up to 0.5%, or \$1 million, for administrative costs and up to 9.5%, or \$26 million, to address coronavirus-related emergency needs, as determined by the Arizona Department of Education (ADE). ADE must allocate ESSERF monies to schools within 1 year of receipt. In addition, the recipient must obligate the funds by September 30, 2022. To receive ESSERF monies, the state must meet MOE requirements by keeping its General Fund spending for K-12 in FY 2020 and FY 2021 at or above the average level of spending in FY 2017 - FY 2019, or \$4.33 billion. (*Please see the ADE section for more information on uses of ESSERF monies.*)
- \$304 million in the Higher Education Emergency Relief Fund (HEERF): These monies are distributed directly to institutions of higher education (IHEs). Of the \$304 million to Arizona IHEs, approximately \$122 million will go to public universities, \$82 million to community colleges, and \$101 million to private institutions. For some of these monies, at least 50% must be used for student grants, while the remainder may be used to offset revenue shortfalls. IHEs must spend HEERF monies by September 30, 2022. (*Please*

see the Community Colleges and Universities sections for more information on HEERF monies.)

State Funds

The state also enacted legislation to use state resources for the following:

- \$55 million from the Budget Stabilization Fund to the Public Health Emergencies Fund. The monies are to be used to pay expenses related to public health emergency responses to the emergency declaration for COVID-19 in Arizona. The Department of Health Services must also notify the Joint Legislative Budget Committee of the intended use of the monies prior to spending any of the funds.
- \$50 million from the General Fund to the Crisis Contingency and Safety Net Fund. The non-appropriated Crisis Contingency and Safety Net Fund is administered by the Office of the Governor, and monies may only be spent following a state of emergency declared by the Executive. Additionally, the fund may only be used for housing assistance; homeless services; economic assistance to small businesses with fewer than 50 employees, nonprofit organizations and health care providers; and food bank operations. Prior to spending any monies in the Crisis Contingency and Safety Net Fund, the Executive must notify the President of the Senate, Speaker of the House of Representatives, and the Joint Legislative Budget Committee of the intended use.

**Enacted Budget - Statement of General Fund Revenues and Expenditures 1/
With One-Time Financing Sources**

	FY 2020 Enacted	FY 2021 Enacted	FY 2022 Enacted	FY 2023 Enacted
REVENUES				
Ongoing Revenues	\$12,234,610,600	\$12,739,841,900	\$13,158,304,500	\$13,693,047,000
Urban Revenue Sharing	(737,561,200)	(828,492,700)	(846,621,100)	(885,172,100)
Net Ongoing Revenues	\$11,497,049,400	\$11,911,349,200	\$12,311,683,400	\$12,807,874,900
One-time Financing Sources				
Balance Forward	957,241,000	562,256,000		
Wells Fargo Settlement	20,000,000			
Water Infrastructure Repayment			20,000,000	
Fund Transfers	70,840,700	16,700,000	16,700,000	16,700,000
Subtotal One-time Revenues	\$1,048,081,700	\$578,956,000	\$36,700,000	\$16,700,000
Total Revenues	\$12,545,131,100	\$12,490,305,200	\$12,348,383,400	\$12,824,574,900
EXPENDITURES				
Ongoing Operating Appropriations	\$10,838,429,200	\$11,469,755,900	\$12,003,115,700	\$12,350,850,500
FY 2020 Supplementals/Ex-Approp.	46,459,700			
Administrative Adjustments	128,000,000	146,000,000	155,000,000	162,000,000
Revertments	(173,000,000)	(184,000,000)	(192,000,000)	(198,000,000)
Subtotal Ongoing Expenditures	\$10,839,888,900	\$11,431,755,900	\$11,966,115,700	\$12,314,850,500
One-time Expenditures				
Capital Outlay	4,575,000	11,000,000		
Transportation Funding	95,310,000			
Reduce K-12 Rollover (Enacted)			30,000,000	
Budget Stabilization Fund Deposit	271,107,000			
2010B Debt Payoff	190,000,000			
Operating One-Time Spending	501,275,000	275,373,600	120,370,000	76,876,700
FY 2020 One-Time Supplementals	80,719,200			
Additional (27th) Pay Period		43,078,600	20,052,100	
Subtotal One-time Expenditures	\$1,142,986,200	\$329,452,200	\$170,422,100	\$76,876,700
Total Expenditures	\$11,982,875,100	\$11,761,208,100	\$12,136,537,800	\$12,391,727,200
Ending Balance <u>2/</u>	\$562,256,000	\$729,097,100	\$211,845,600	\$432,847,700
Ongoing Balance <u>3/</u>	\$657,160,500	\$479,593,300	\$345,567,700	\$493,024,400

1/ Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.

2/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

3/ This calculation reflects the difference between ongoing revenues and ongoing expenditures and excludes one-time adjustments. The Legislature makes the ongoing and one-time classifications as part of its 3-year spending plan. Excludes any Budget Stabilization Fund balance.

**June Budget Update - Statement of General Fund Revenues and Expenditures 1/
With One-Time Financing Sources**

	FY 2020 June Update	FY 2021 June Update	FY 2022 June Update	FY 2023 June Update
REVENUES				
Ongoing Revenues	\$11,371,028,000	\$11,866,022,100	\$12,387,313,800	\$13,024,269,400
Urban Revenue Sharing	(737,561,200)	(828,492,700)	(738,395,800)	(827,130,800)
Net Ongoing Revenues	\$10,633,466,800	\$11,037,529,400	\$11,648,918,000	\$12,197,138,600
One-time Financing Sources				
Balance Forward	957,241,000			
Wells Fargo Settlement	20,000,000			
Water Infrastructure Repayment			20,000,000	
Fund Transfers	70,840,700	16,700,000	16,700,000	16,700,000
Subtotal One-time Revenues	\$1,048,081,700	\$16,700,000	\$36,700,000	\$16,700,000
Total Revenues	\$11,681,548,500	\$11,054,229,400	\$11,685,618,000	\$12,213,838,600
EXPENDITURES				
Ongoing Operating Appropriations	\$10,838,429,200	\$11,469,755,900	\$12,003,115,700	\$12,350,850,500
FY 2020 Supplementals/Ex-Approp.	46,459,700			
Enhanced FMAP/Caseload Adjustments		(189,000,000)	269,000,000	115,000,000
Administrative Adjustments	28,000,000	146,000,000	155,000,000	162,000,000
Reversions	(184,000,000)	(184,000,000)	(192,000,000)	(198,000,000)
Subtotal Ongoing Expenditures	\$10,728,888,900	\$11,242,755,900	\$12,235,115,700	\$12,429,850,500
One-time Expenditures				
Capital Outlay	4,575,000	11,000,000		
Transportation Funding	95,310,000			
Reduce K-12 Rollover (Enacted)			30,000,000	
Budget Stabilization Fund Deposit	271,107,000			
2010B Debt Payoff	190,000,000			
Operating One-Time Spending	501,275,000	275,373,600	120,370,000	76,876,700
FY 2020 One-Time Supplementals	80,719,200			
Additional (27th) Pay Period		43,078,600	20,052,100	
Subtotal One-time Expenditures	\$1,142,986,200	\$329,452,200	\$170,422,100	\$76,876,700
Total Expenditures	\$11,871,875,100	\$11,572,208,100	\$12,405,537,800	\$12,506,727,200
Ending Balance 2/	(\$190,326,600) 4/	(\$517,978,700)	(\$719,919,800)	(\$292,888,600)
Ongoing Balance 3/	(\$95,422,100)	(\$205,226,500)	(\$586,197,700)	(\$232,711,900)

1/ Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.

2/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

3/ This calculation reflects the difference between ongoing revenues and ongoing expenditures and excludes one-time adjustments. The Legislature makes the ongoing and one-time classifications as part of its 3-year spending plan. Excludes any Budget Stabilization Fund balance.

4/ The June Budget Update resulted in a projected FY 2020 ending balance shortfall of \$(190) million. Subsequent to the June Budget Update, preliminary June 2020 revenues were reported to be \$207 million above the June update forecast. While a final FY 2020 ending balance has yet to be determined, we believe that FY 2020 will not end in a shortfall.

GENERAL FUND SPENDING BY BUDGET UNITS 1/ ONGOING FUNDING

	FY 2020 June Update	FY 2021 June Update	FY 2022 June Update	FY 2023 June Update
EXPENDITURES				
Operating Budget				
-- Department of Administration	\$7,822,400	\$7,828,900	\$7,828,900	\$7,828,900
-- ADOA - Automation Projects Fund	5,000,000			
-- Office of Administrative Hearings	884,400	885,000	885,000	885,000
-- African-American Affairs Commission	127,600	127,700	127,700	127,700
-- Arizona Department of Agriculture	10,049,500	10,124,500	10,124,500	10,124,500
-- AHCCCS	1,759,784,600	1,942,797,800	2,020,721,400	2,059,327,900
-- Attorney General	24,472,200	24,472,000	24,472,000	24,472,000
-- State Board for Charter Schools	1,708,300	2,102,000	2,102,000	2,102,000
-- Department of Child Safety	384,522,200	384,596,300	384,596,300	384,596,300
-- Commerce Authority	16,275,000	16,175,000	16,175,000	16,175,000
-- Community Colleges	60,431,800	62,895,400	65,329,600	67,873,100
-- Corporation Commission	615,000	615,500	615,500	615,500
-- Department of Corrections	1,161,991,400	1,173,247,600	1,173,247,600	1,173,247,600
-- County Funding	10,650,700	10,650,700	10,650,700	10,650,700
-- Schools for the Deaf and the Blind	23,057,300	23,069,700	23,069,700	23,069,700
-- Office of Economic Opportunity	466,400	466,700	466,700	466,700
-- Department of Economic Security	748,153,200	807,967,500	854,759,600	901,840,700
-- State Board of Education	1,157,100	1,307,600	1,307,600	1,307,600
-- Department of Education	5,065,507,400	5,511,824,600	5,758,620,400	6,012,781,200
-- Dept. of Emergency & Military Affairs	12,179,300	12,182,800	12,182,800	12,182,800
-- Department of Environmental Quality		10,000,000	10,000,000	10,000,000
-- State Board of Equalization	657,100	657,300	657,300	657,300
-- Board of Executive Clemency	1,146,600	1,147,300	1,147,300	1,147,300
-- Department of Financial Institutions	1,969,200			
-- Dept. of Forestry and Fire Management	13,138,900	13,143,000	13,143,000	13,143,000
-- Department of Gaming	1,779,500	1,779,500	1,779,500	1,779,500
-- Office of the Governor	8,663,900	8,667,600	8,667,600	8,667,600
-- Gov's Ofc of Strategic Planning and Budgeting	2,684,100	2,684,900	2,684,900	2,684,900
-- Department of Health Services	92,454,300	92,503,800	92,503,800	92,503,800
-- Arizona Historical Society	3,090,000	3,091,500	3,091,500	3,091,500
-- Prescott Historical Society	830,100	830,700	830,700	830,700
-- Independent Redistricting Commission		500,000	500,000	500,000
-- Department of Insurance	5,631,400			
-- Dept. of Insurance and Financial Institutions		7,604,700	7,604,700	7,604,700
-- Judiciary	127,408,700	135,371,200	135,371,200	135,371,200
-- Department of Juvenile Corrections	28,243,900	28,996,500	28,996,500	28,996,500
-- State Land Department	11,594,700	12,084,400	12,084,400	12,084,400
-- Legislature				
Auditor General	20,129,300	20,144,500	20,144,500	20,144,500
House of Representatives	16,312,100	16,319,600	16,319,600	16,319,600
Joint Legislative Budget Committee	2,823,500	2,825,400	2,825,400	2,825,400
Legislative Council	8,787,800	8,791,600	8,791,600	8,791,600
Senate	12,884,300	12,889,900	12,889,900	12,889,900
SUBTOTAL - Legislature	\$60,937,000	\$60,971,000	\$60,971,000	\$60,971,000
-- State Mine Inspector	1,262,900	1,263,500	1,263,500	1,263,500
-- Navigable Stream Adjudication Commission	128,100	128,200	128,200	128,200

GENERAL FUND SPENDING BY BUDGET UNITS 1/ ONGOING FUNDING

	FY 2020 June Update	FY 2021 June Update	FY 2022 June Update	FY 2023 June Update
-- Commission for Postsecondary Education	1,680,900	1,680,900	1,680,900	1,680,900
-- Department of Public Safety	86,641,300	88,304,700	249,014,000	249,014,000
-- Public Safety Personnel Retirement System	6,000,000	6,000,000	6,000,000	6,000,000
-- State Real Estate Department	2,895,700	2,897,500	2,897,500	2,897,500
-- Department of Revenue	31,106,800	31,118,400	31,118,400	31,118,400
-- School Facilities Board	150,251,000	85,559,600	85,558,600	85,554,200
-- Secretary of State	17,311,400	16,909,200	12,909,200	16,909,200
-- Tax Appeals, State Board of	280,600	280,800	280,800	280,800
-- Office of Tourism	8,214,000	8,216,100	9,716,100	9,716,100
-- State Treasurer	1,205,100	1,509,500	1,509,500	1,509,500
-- Governor's Office on Tribal Relations	62,600	62,600	62,600	62,600
-- Universities	737,159,200	736,805,700	737,508,800	738,355,900
-- Department of Veterans' Services	7,766,200	7,770,100	7,770,100	7,770,100
-- Department of Water Resources	14,168,900	14,178,600	14,178,600	14,178,600
-- Phoenix Convention Center Payment	23,500,000	23,997,900	24,498,500	24,999,400
-- Rio Nuevo District	16,000,000	16,000,000	16,000,000	16,000,000
-- Asset Sale/Lease-Back Debt Service	77,709,300	53,701,800	53,703,900	53,703,200
-- Unallocated Retirement Adjustments		100	100	100
Total - Operating Budget	\$10,838,429,200	\$11,469,755,900	\$12,003,115,700	\$12,350,850,500
-- FY 2020 One-Time Supplementals	80,719,200			
-- Capital Outlay	4,575,000	11,000,000		
-- Reduce K-12 Rollover			30,000,000	
-- Budget Stabilization Fund Deposit	271,107,000			
-- Debt Payoff	190,000,000			
-- Transportation Funding	95,310,000			
-- Operating One-Time Spending	501,275,000	275,373,600	120,370,000	76,876,700
-- Additional (27th) Pay Period		43,078,600	20,052,100	
-- FY 2020 Supplementals/Ex-Appropriation	46,459,700			
-- Enhanced FMAP/Caseload Adjustment		(189,000,000)	269,000,000	115,000,000
-- Administrative Adjustments	28,000,000	146,000,000	155,000,000	162,000,000
-- Reversions	(184,000,000)	(184,000,000)	(192,000,000)	(198,000,000)
Total Spending	\$11,871,875,100	\$11,572,208,100	\$12,405,537,800	\$12,506,727,200

1/ Individual agency spending amounts listed above exclude "Operating One-Time Spending" amounts. These amounts are accounted for in the "Operating One-Time Spending" line and are summarized on the "Summary Of One-Time General Fund Spending" table (see BH-11). See page BD-2 for consolidated ongoing and one-time spending by agency.

SUMMARY OF ONE-TIME GENERAL FUND SPENDING 1/

	FY 2020 June Update	FY 2021 June Update	FY 2022 June Update	FY 2023 June Update
Operating				
ADOA - Sierra Vista Public Safety Communications	\$ 271,000	\$ -	\$ -	\$ -
ADOA/Automation Projects Fund - CHILDS	5,100,000			
ADOA/Automation Projects Fund - Business One-Stop	1,000,000			
Agriculture - Industrial Hemp	750,000			
AHCCCS - North Country Graduate Medical Education	750,000			
AHCCCS - Children's Behavioral Health Services Fund Deposit		8,000,000		
Arts - One-Time Funding	2,000,000			
Arts - Nonprofit Theater Capital Support	200,000			
Attorney General - Criminal Division	1,500,000			
Commerce Authority - Rural Broadband Grants	3,000,000			
Community Colleges - Maricopa Healthcare Expansion	5,800,000			
Community Colleges - Pima Aviation Center	15,000,000			
Community Colleges - Rural Funding	14,200,000			
Community Colleges - Maricopa/Pima STEM Funding	2,000,000	2,000,000	2,000,000	
Economic Opportunity - Small Water Systems Fund Deposit	500,000			
DES - Caregiver Grants	1,000,000			
ADE - Gifted Education	1,000,000			
ADE - Proposition 301 Bridge	64,100,000	14,100,000		
ADE - Civics Pilot Program	500,000			
ADE - High Quality Teacher Scholarships	400,000	400,000	400,000	
ADE - Mingus Unified Consolidation Costs	50,000			
ADE - Yuma Elementary School Construction	800,000			
ADE - CTED Incentive Program		5,000,000	5,000,000	
ADE - One-Time Additional Assistance Funding	67,774,700			
ADE - Fully Restore Additional Assistance Funding		67,774,700	67,774,600	
DEQ - Maricopa County Dust Suppression Pilot Program	200,000			
DEQ - WQARF Funding		5,000,000		
Forestry - Fire Training Center	1,000,000			
Forestry - Non-Native Vegetation Eradication	1,000,000			
Forestry - Mount Lemmon Water Line	750,000			
Gaming - County Fair Promotion	730,000	730,000	730,000	
DHS - Rural Hospital Prenatal Equipment	1,000,000	500,000	500,000	
DHS - Restore Emergency Fund To \$500,000	106,600			
DHS - Primary Care Clinic - Colorado City	700,000			
DHS - Benson and Northern Cochise Hospitals	1,500,000			
DHS - Loan Repayment Program	750,000			
DHS - Vulnerable Caregiver Workshops	250,000			
Housing - Housing Trust Fund Deposit	15,000,000			
DIFI - Mental Health Parity Implementation Costs		250,000		
Judiciary - Digitization/Case Management System	250,000			
Judiciary - Superior Court - CORP Increase	2,354,000			
Juvenile Corrections - Maricopa/Pima Cost Sharing Offset	8,450,900			
Legislature - Auditor General - CTED Study	400,000			
DPS - Vehicle Replacement	4,000,000			
DPS - Interoperability Project	1,500,000			
SFB - Building Renewal Grants	62,790,900	90,832,100		
SFB - New School Construction (FY 19 Authorization)	36,726,700			
SFB - New School Construction (FY 20 Authorization)	75,875,800	45,805,900		
SFB - New School Construction (FY 21 Authorization)		12,980,900	11,730,900	
SFB - New School Construction (FY 22 Authorization)			32,234,500	25,047,600
SFB - New School Construction (FY 23 Authorization)				51,829,100
Universities - ASU - Operating/Capital Funding	18,900,000			
Universities - NAU - Operating/Capital Funding	6,650,000			
Universities - UA - Operating/Capital Funding	9,450,000			
DWR - Water Protection Fund Deposit	500,000			
DWR - Augmentation And Conservation Assistance	2,000,000			
DWR - Water System Conservation Funding	30,000,000			
DWR - Additional Infrastructure Projects	20,000,000			
DWR - Digitization	200,000			
Other - HITF Deposit	10,544,400	22,000,000		
Subtotal - Operating Funding	\$ 501,275,000	\$ 275,373,600	\$ 120,370,000	\$ 76,876,700
Additional (27th) Pay Period - FY 2021		\$ 43,078,600	\$ 20,052,100	

SUMMARY OF ONE-TIME GENERAL FUND SPENDING 1/

	FY 2020 June Update	FY 2021 June Update	FY 2022 June Update	FY 2023 June Update
Budget Stabilization Fund Deposit	\$ 271,107,000			
Debt Payoff	\$ 190,000,000			
Reduce K-12 Rollover			\$ 30,000,000	
Capital Outlay				
Capital - Agriculture - Mariposa Cold Inspection Facility	700,000			
Capital - ADC - Lewis/Yuma Locks, Fire, HVAC		11,000,000		
Capital - DEMA - West Valley Readiness Center	3,875,000			
Subtotal - Capital Outlay	\$ 4,575,000	\$ 11,000,000	\$ -	\$ -
Supplementals				
Governor - Crisis Contingency and Safety Net Fund Deposit	50,000,000			
SFB - Building Renewal Grants	28,000,000			
SOS - Presidential Preference Election	2,616,900			
Other - Named Claimants	102,300			
Subtotal - Supplementals	\$ 80,719,200	\$ -	\$ -	\$ -
Transportation Funding				
Additional Projects	77,310,000			
Local Transportation Distribution	18,000,000			
Subtotal - Transportation Funding	\$ 95,310,000	\$ -	\$ -	\$ -
Total - One-time Spending	\$ 1,142,986,200	\$ 329,452,200	\$ 170,422,100	\$ 76,876,700

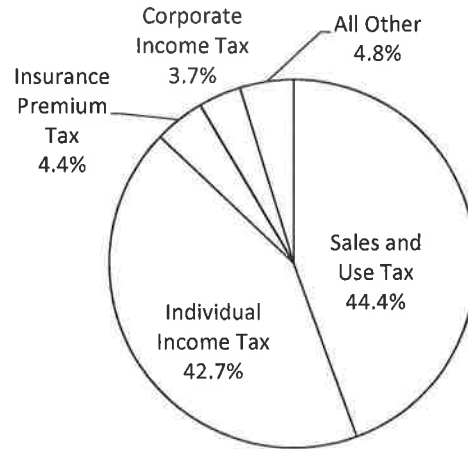
1/ The displayed amounts reflect one-time General Funding spending items included in the FY 2021 June Budget Update's multi-year budget projections. The Legislature makes the one-time classification as part of its 3-year spending plan. These items are not included in the ongoing agency spending amounts listed on pages BH-9 and BH-10. For the total amount of General Fund spending by agency, see page BD-2.

GENERAL FUND BUDGET 4-YEAR ANALYSIS (\$ in Millions)

	FY 2020 June Update	FY 2021 June Update	FY 2022 June Update	FY 2023 June Update
1 Beginning Balance	\$ 957.2	\$ -	\$ -	\$ -
Ongoing Revenues				
2 Ongoing Revenues - January Baseline	11,497.0	11,911.3	12,311.7	12,807.9
3 Base Revenue Adjustment - June Budget Update	(863.5)	(873.8)	(662.8)	(610.8)
4 Subtotal - Ongoing Revenues	\$ 10,633.5	\$ 11,037.5	\$ 11,648.9	\$ 12,197.1
One-Time Revenues				
5 Fund Transfers - Enacted/Budgeted	90.8	16.7	36.7	16.7
6 Subtotal - One-Time Revenues (Including Beginning Balance)	\$ 1,048.0	\$ 16.7	\$ 36.7	\$ 16.7
7 Total Revenues	\$ 11,681.5	\$ 11,054.2	\$ 11,685.6	\$ 12,213.8
8 JLBC Baseline - Ongoing Spending	\$ 10,839.9	\$ 11,409.3	\$ 11,943.7	\$ 12,292.4
Ongoing Changes to JLBC Baseline				
9 AHCCCS/DES - Enhanced FMAP/Caseload Adjustments		(189.0)	269.0	115.0
10 Comm Colleges - Formula Adjustment (Rural County Allocation)		0.2	0.2	0.2
11 ADE - Formula (TNT Adjustment)		(6.6)	(6.6)	(6.6)
12 ADE/SBE/Treasurer - Shift ESA Admin to Direct GF Approp (Ch. 8)		No Net GF Cost	No Net GF Cost	No Net GF Cost
13 DEQ - WQARF Funding (Plus \$5 M One-Time General Fund)		10.0	10.0	10.0
14 Retirement Rate Increases		18.8	18.8	18.8
15 Other - Revised FY 20 Admin. Adjustment/Reversion Estimate	(111.0)			
16 Subtotal - Ongoing Changes to JLBC Baseline	\$ (111.0)	\$ (166.6)	\$ 291.4	\$ 137.4
17 Total Ongoing Spending	\$ 10,728.9	\$ 11,242.7	\$ 12,235.1	\$ 12,429.8
18 JLBC Baseline - One-Time Spending	\$ 1,062.3	\$ 124.6	\$ 102.6	\$ 76.9
One-Time Changes to JLBC Baseline				
19 AHCCCS/DIFI - Children's Behavioral Health/Mental Health Parity (Ch. 4)		8.3		
20 ADE - Additional Assistance Acceleration (Fully Restore in FY 22)		67.8	67.8	
21 DEQ - WQARF Funding		5.0		
22 Governor - Crisis Contingency and Safety Net Fund Deposit	50.0			
23 SFB - Building Renewal Funding (Includes FY 20 Supplemental)	28.0	90.8		
24 Sec of State - Presidential Preference Election (FY 20 Supplemental)	2.6			
25 Capital - ADC - Lewis/Yuma Locks, Fire, HVAC (Plus \$19 M OF)		11.0		
26 Other - State Employee Health Insurance Funding		22.0		
27 Other - Named Claimants (Ch. 20)	0.1			
28 Subtotal - One-Time Changes to JLBC Baseline	\$ 80.7	\$ 204.9	\$ 67.8	\$ -
29 Total One-Time Spending	\$ 1,143.0	\$ 329.5	\$ 170.4	\$ 76.9
30 Total Spending	\$ 11,871.9	\$ 11,572.2	\$ 12,405.5	\$ 12,506.7
31 Cash Balance	\$ (190.4) 1/	\$ (518.0)	\$ (719.9)	\$ (292.9)
32 Ongoing Balance	\$ (95.4)	\$ (205.2)	\$ (586.2)	\$ (232.7)
1/ The June Budget Update resulted in a projected FY 2020 ending balance shortfall of \$(190) million. Subsequent to the June Budget Update, preliminary June 2020 revenues were reported to be \$207 million above the June update forecast. While a final FY 2020 ending balance has yet to be determined, we believe that FY 2020 will not end in a shortfall.				

FY 2021 General Fund Revenue - Where It Comes From

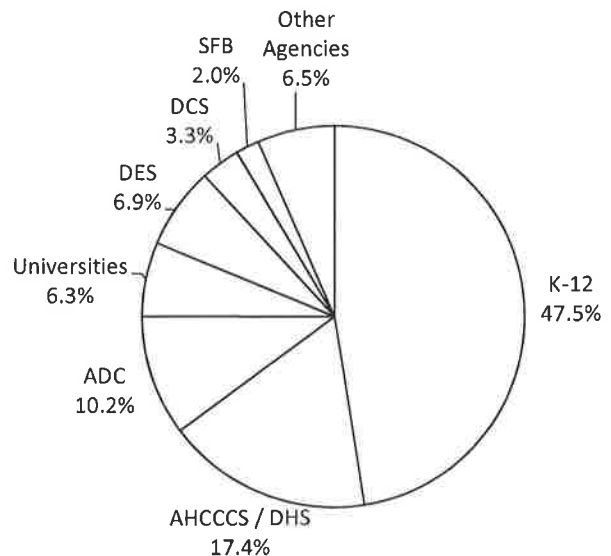
Source	Revenue (Millions)
Sales and Use Tax	\$ 5,276.2
Individual Income Tax	5,069.6
Insurance Premium Tax	524.6
Corporate Income Tax	444.6
Other Ongoing	551.0
One-Time Revenues	16.7
TOTAL REVENUE	\$ 11,882.7 ^{1/}



^{1/} \$828 million of this amount is distributed as urban revenue sharing.

FY 2021 General Fund Appropriations - Where It Goes

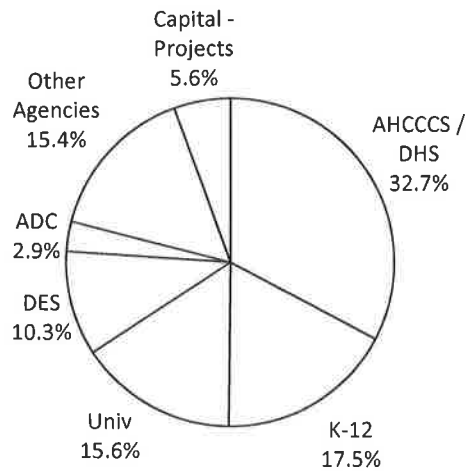
Budget Unit	Appropriation (Millions)
K-12 Education (ADE)	\$ 5,599.6
AHCCCS / DHS	2,047.9
Corrections	1,205.4
Universities	741.6
Economic Security	812.1
Child Safety	387.9
SFB	235.2
Other Agencies	769.5
TOTAL BUDGET	\$ 11,799.2 ^{1/}



^{1/} Does not include administrative adjustments and revertments or the estimated enhanced Federal Medicaid match and caseload adjustment.

FY 2021 Total Spending - All Sources ^{1/}

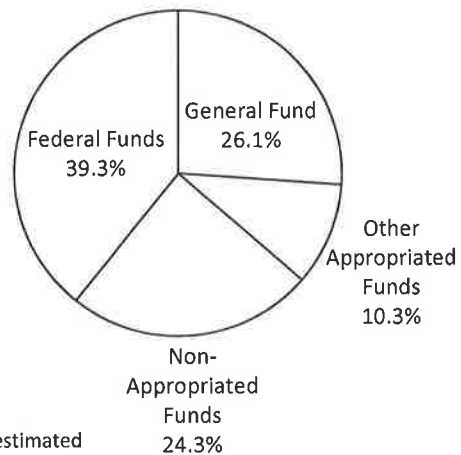
Budget Unit	Spending (Millions)
AHCCCS / DHS	\$ 14,780.5
K-12 Education (ADE)	7,884.1
Universities	7,053.1
Economic Security	4,637.0
Corrections	1,329.2
Other Agencies / Distributions	6,964.0
Capital - Projects	2,508.8
TOTAL	\$ 45,156.8



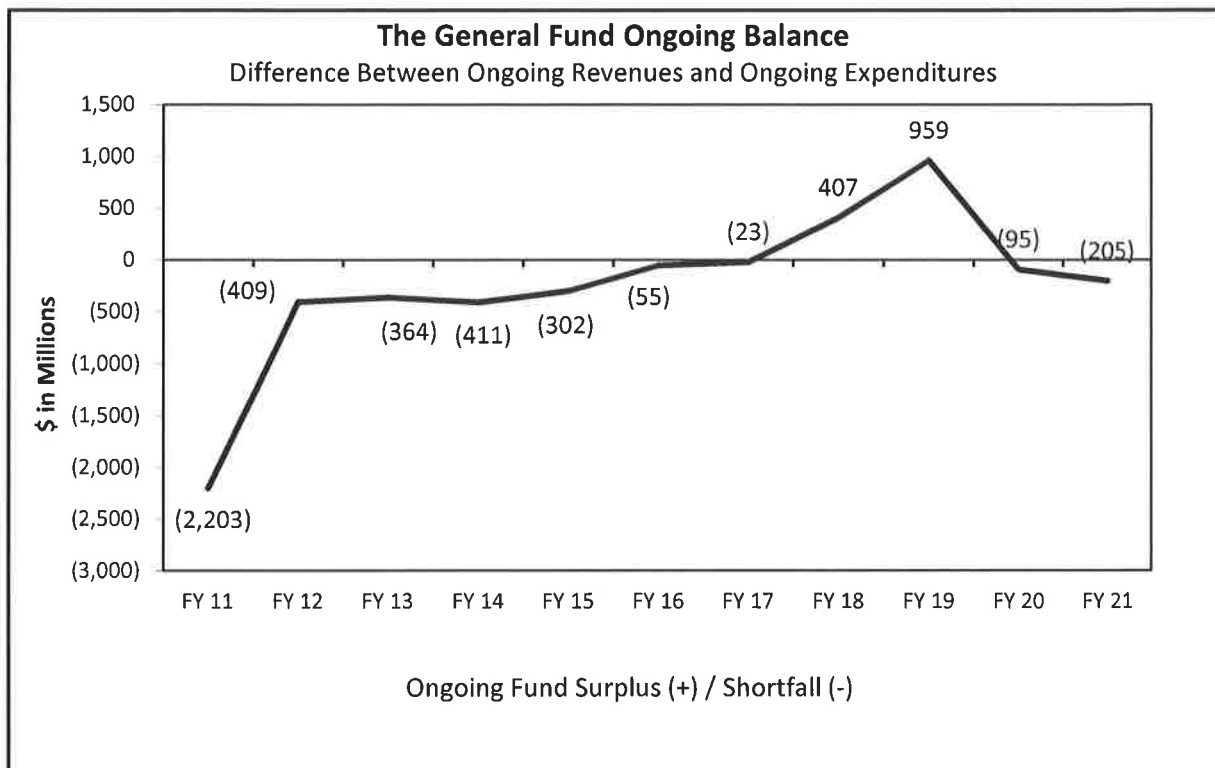
^{1/} Does not include administrative adjustments and revertsments or the estimated enhanced Federal Medicaid match and caseload adjustment.

FY 2021 Total Spending by Fund Source ^{1/}

Fund Source	Spending (Millions)
General Fund	\$ 11,799.2
Other Appropriated Funds	4,638.1
Non-Appropriated Funds	10,984.9
Federal Funds	17,734.5
TOTAL	\$ 45,156.8



^{1/} Does not include administrative adjustments and revertsments or the estimated enhanced Federal Medicaid match and caseload adjustment.

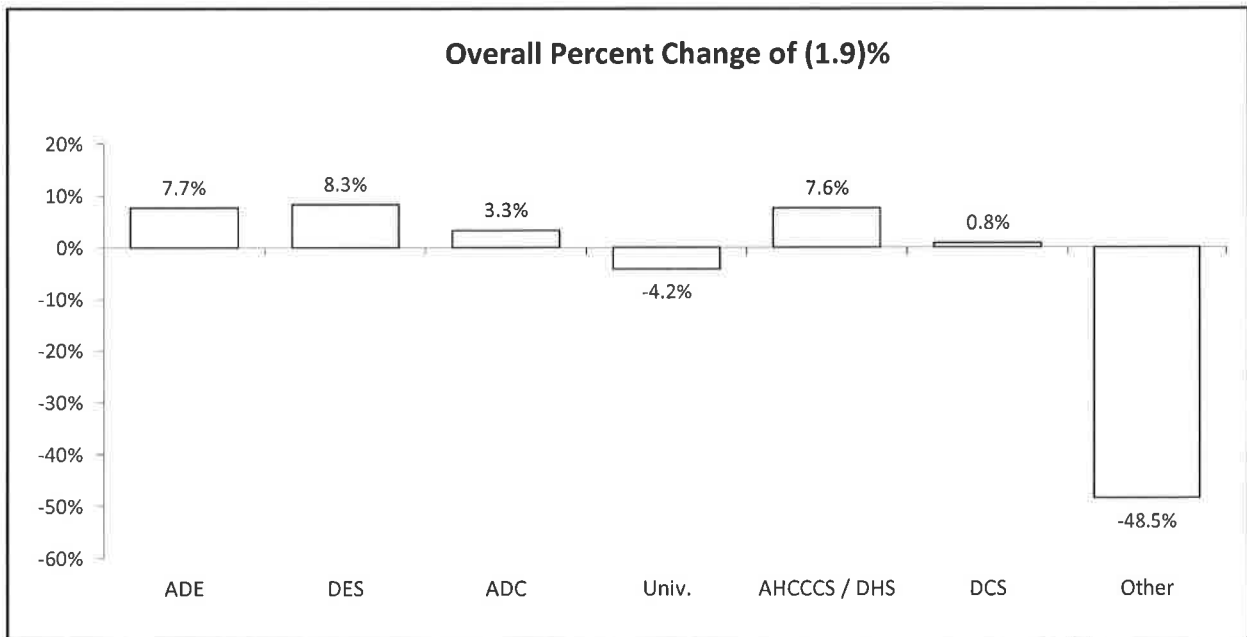
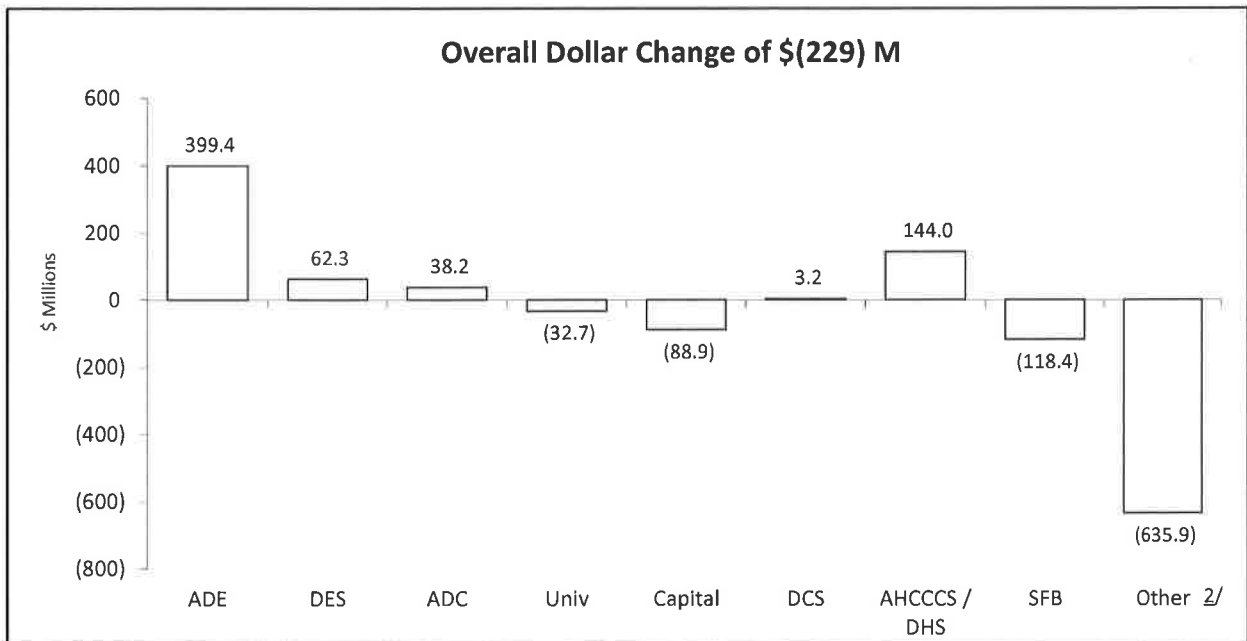


**Recent History of Appropriated Ongoing
General Fund Balance ^{1/}
(\$ in Millions)**

Fiscal Year	Ongoing Revenues	Ongoing Expenditures	Balance/ (Shortfall)
2011	7,191	9,394	(2,203)
2012	7,789	8,198	(409)
2013	8,144	8,508	(364)
2014	8,361	8,772	(411)
2015	8,926	9,228	(302)
2016	9,217	9,272	(55)
2017	9,357	9,380	(23)
2018	10,033	9,626	407
2019	11,131	10,172	959
2020	10,634	10,729	(95)
2021	11,038	11,243	(205)

^{1/} Excludes one-time revenues and expenditures.

Changes to Major Agencies' General Fund Budget ^{1/} FY 2020 to FY 2021



^{1/} Represents change in General Fund spending from FY 2020 (including supplementals and ex-appropriations) to FY 2021. Excludes changes in administrative adjustments and revertsments or the estimated enhanced Federal Medicaid match and caseload adjustment

^{2/} Decrease includes elimination of one-time FY 2020 spending: \$(271) million for Budget Stabilization Fund deposit, \$(190) million for sale/leaseback payoff, \$(52) million for Drought Contingency Plan funding, and \$(50) million for Crisis Contingency and Safety Net Deposit.

FY 2021 STATE GENERAL FUND BUDGET – A NARRATIVE SUMMARY

General Fund Cash Balances

- Given forecasted FY 2020 General Fund revenues of \$12.55 billion and spending of \$11.98 billion, the March 28 enacted budget had a projected FY 2020 surplus of \$657 million. Given forecasted FY 2021 General Fund revenues of \$12.49 billion and spending of \$11.76 billion, the enacted budget had a projected FY 2021 surplus of \$480 million.
- As a result of the COVID-19 pandemic, the state is not expected to generate the level of revenues in the enacted budget.
- On June 19, 2020, the JLBC Staff updated its revenue and spending projections to reflect a lower revenue projection. Given forecasted FY 2020 General Fund revenues of \$11.68 billion and spending of \$11.87 billion, the June budget update has a projected FY 2020 shortfall of \$(190) million. Subsequent to the June 19, 2020 report, preliminary June General Fund revenues are reported as being higher than anticipated and may be sufficient to generate a positive FY 2020 ending balance. While final FY 2020 revenues and spending estimates have not yet been determined as of this writing, our estimates now assume that the FY 2020 ending balance will not be less than \$0.
- Given forecasted FY 2021 General Fund revenues of \$11.05 billion and spending of \$11.57 billion in the June update, the budget has a projected FY 2021 shortfall of \$(518) million.

Budget Stabilization Fund

- The Budget Stabilization Fund will have an estimated balance of \$993 million in FY 2021. These monies are separate from any General Fund balance.

General Fund Revenues

- In the June update, projected FY 2021 revenues are \$11.05 billion, based on the following assumptions:
 - ⇒ Including enacted tax law changes, net revenues are projected to increase by \$404 million, or 3.8%.
 - ⇒ The beginning balance would decrease by \$(957) million, from \$957 million at the beginning of FY 2020 to close to \$0 at the start of FY 2021.
 - ⇒ The state set-aside for urban revenue sharing formula distributions would increase from \$738 million to \$829 million, thereby decreasing revenues by \$(91) million.
 - ⇒ One-time revenues including fund transfers would decrease from \$91 million in FY 2020 to \$17 million in FY 2021, decreasing state revenues by \$(74) million.
 - ⇒ Overall revenues are forecast to decrease in FY 2021 by \$(627) million, or (5.4)%, from \$11.68 billion in FY 2020 to \$11.05 billion in FY 2021.

General Fund Spending

- FY 2021 General Fund budget spending is projected to be \$11.57 billion, a decrease of \$(300) million, or (2.5)%, below FY 2020. This decrease consists of:
 - ⇒ A \$514 million increase in ongoing spending.
 - ⇒ A \$(813) million decrease in one-time spending.
- The entire FY 2021 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$45.1 billion.

Education

Department of Education

- ADE General Fund spending increases by \$399.4 million, or 7.7%, including:
 - ⇒ \$76.2 million for 0.6% unweighted student growth (0.9% weighted) for a total unweighted student count of 1.12 million (1.54 million weighted). These estimates do not account for changes in student enrollment associated with the COVID-19 pandemic.
 - ⇒ \$33.0 million for Empowerment Scholarship Account (ESA) caseload growth.
 - ⇒ \$119.5 million for a 1.74% inflation adjustment of funding levels for the per pupil base level, transportation and charter additional assistance.
 - ⇒ \$124.5 million for the last year of a 3-year plan to raise teacher salaries by 20%. Another \$50.0 million for the adjustments would come from additional Classroom Site Fund monies.
 - ⇒ \$67.7 million for an increase in Additional Assistance funding. The 3-year spending plan includes an additional increase of \$67.6 million to fully fund the formula in FY 2022.
 - ⇒ \$(21.5) million for other adjustments.

- The budget continues to defer \$930.7 million in General Fund spending for school district payments from FY 2020 to FY 2021. Based on the FY 2020 budget agreement, the rollover will be reduced by \$30 million in FY 2022 by eliminating the rollover for school districts and charters with a student count between 600 and 1,350 pupils. The rollover had already been eliminated for districts with less than 600 students.

School Facilities Board

- SFB General Fund spending decreases by \$(118.5) million, or (33.4)% including:
 - ⇒ \$(41,200) for a decrease in one-time building renewal grant monies.
 - ⇒ \$(64.7) million for decreased debt service associated with expiring lease-purchase agreements.
 - ⇒ \$(53.8) million for a reduction in the number of newly constructed schools. The budget funds a total of \$58.8 million for new construction, which includes \$45.8 million for the second and final year of new FY 2020 authorizations and \$13.0 million for the first year of 2 new FY 2021 authorizations.

Universities

- University General Fund spending decreases by \$(32.7) million, or (4.2)%, including:
 - ⇒ \$(35.0) million for the removal of one-time funding for operating or capital expenditures.
 - ⇒ \$2.9 million for statewide adjustments.
 - ⇒ \$(528,900) for other small adjustments.
- Fall 2019 enrollment increased by 7,196 full-time equivalent students, or 4.0% above 2018, for a total enrollment of 185,622.

Community Colleges

- Community College General Fund spending decreases by \$(32.5) million, or (33.4)%, including:
 - ⇒ \$2.5 million for formula growth.
 - ⇒ \$(15.0) million to remove one-time funding to expand the Pima Community College Aviation Center.
 - ⇒ \$(14.2) million to remove one-time rural community college aid.
 - ⇒ \$(5.8) million to remove one-time funding to expand the Maricopa Community College Health Care Specialty program.
- FY 2019 rural district enrollment decreased by (691) full-time equivalent students, or (2.4)%, for a total enrollment of 27,608. Including the Maricopa and Pima districts, total enrollment decreased by (4,262), or (3.8)%, for total enrollment of 109,164.

Health and Welfare

AHCCCS

- AHCCCS General Fund spending increases by \$145.3 million, or 8.0%, including:
 - ⇒ \$134.0 million for formula adjustments, including 0.5% enrollment growth for most populations and a 2.6% capitation rate increase.
 - ⇒ \$3.0 million for an increase in Graduate Medical Education funding in health professional shortage areas, as agreed to in the FY 2020 budget's 3-year spending plan.
 - ⇒ \$8.0 million for one-time funding of Behavioral Health Services in School for low-income, non-Medicaid students.
 - ⇒ \$(750,000) for removal of one-time funding of Graduate Medical Education in community health centers in Northern Arizona.
 - ⇒ \$987,500 for statewide adjustments.
 - ⇒ AHCCCS enrollment is projected to grow to 1.8 million by June 2021. This level represents a caseload increase of 9,300, or 0.5%, above June 2020. These estimates do not account for adjustments related to a higher federal match rate and higher caseloads associated with the COVID-19 pandemic. Please see [Revertments](#) at the end of this section.
- The budget includes a FY 2020 supplemental appropriation of \$46.0 million for higher-than-budgeted formula costs.

Department of Child Safety

- DCS General Fund spending increases by \$3.2 million, or 0.8%, for statewide adjustments.
- DCS' benchmark is to have fewer than 13,964 children in out-of-home care. As of April 2020, there were 14,160 children in out-of-home care.

Department of Economic Security

- DES General Fund spending increases by \$62.3 million, or 8.3%, including:

- ⇒ \$59.7 million for Developmental Disabilities (DD) formula adjustments, including 5.0% enrollment growth and a 2.0% capitation rate increase.
- ⇒ \$(1.0) million to remove one-time funding from FY 2019 for the Family Caregiver Grant Fund for financial assistance to caregivers of individuals requiring assistance with activities of daily living.
- ⇒ \$3.6 million for statewide adjustments.
- ⇒ Medicaid Developmental Disability caseloads are projected to grow to 37,695 by June 2021. This level represents a caseload increase of 1,795, or 5.0%, above June 2020. These estimates do not account for adjustments related to a higher federal match rate associated with the COVID-19 pandemic. Please see Revertments at the end of this section.

Criminal Justice/Public Safety

Department of Corrections

- ADC General Fund spending increases by \$38.2 million, or 3.3%, for statewide adjustments.

Judiciary

- Judiciary General Fund spending increases by \$6.5 million, or 5.0%, including:
 - ⇒ \$6.0 million for the second year of a 2-year phase-in of 50% funding of Maricopa County Superior Court Judges salaries.
 - ⇒ \$517,300 million for statewide and other technical adjustments.

Department of Juvenile Corrections

- DJC General Fund spending decreases by \$(6.3) million, or (17.1)%, including:
 - ⇒ \$(8.4) million for local cost sharing FROM Maricopa and Pima Counties. There is a corresponding increase of \$8.4 million from the DJC Local Cost Sharing Fund.
 - ⇒ \$2.1 million for statewide adjustments.

Department of Public Safety

- DPS General Fund spending decreases by \$(1.2) million, or (1.3)%, including:
 - ⇒ \$(6.7) million to remove one-time funding for equipment.
 - ⇒ \$(1.5) million to remove one-time deposit for interoperable communication systems.
 - ⇒ \$7.0 million for statewide adjustments.
- The budget eliminates the Highway Safety Fee effective July 1, 2021, in accordance with the FY 2020 budget agreement.

Natural Resources

Department of Water Resources

- DWR General Fund spending decreases by \$(52.2) million, or (78.0)%, including:
 - ⇒ \$(30.0) million to remove one-time Drought Contingency Plan (DCP) funding.
 - ⇒ \$(2.0) million to remove one-time funding for groundwater conservation in active management areas under the DCP.
 - ⇒ \$(20.0) million to remove one-time funding for loans to build groundwater infrastructure under the DCP.
 - ⇒ \$493,900 for statewide adjustments.
 - ⇒ \$(700,000) for other adjustments.

Local Issues

- The budget continues to appropriate \$7.7 million to be allocated equally among counties with a population of less than 900,000 according to the 2010 Decennial Census. With one exception, each county receives \$550,050. Graham County receives \$1,050,050.
- The budget continues to appropriate \$3.0 million for distribution to counties to offset increased Elected Officials' Retirement Plan (EORP) liabilities.

State Employee Issues

FTE Positions

- The budget increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 281.5 FTE Positions in FY 2021. These adjustments would bring the total FTE Position ceiling to 53,701.4 in FY 2021.

Statewide Adjustments

- The budget increases state agency budgets by \$16.9 million from the General Fund for increases to agency retirement contribution rates.
- The budget includes a decrease of \$(10.5) million from the General Fund and \$(34.4) million in Total Funds for the removal of a one-time FY 2020 health insurance adjustment. In its place, the budget includes an increase of \$22.0 million from the General Fund and \$43.5 million in Total Funds for a one-time health insurance premium increase in FY 2021.
- The budget includes a one-time increase of \$43.1 million for costs of the 27th pay period in FY 2021. Approximately every 10 years, the state has 27 pay periods in a fiscal year rather than 26. Universities received \$20.1 million for their 27th pay period in FY 2022.

Capital

- The budget includes \$66.1 million for building renewal and capital projects. Of this amount, \$11.0 million is financed from the General Fund and \$55.1 million is financed from Other Funds. These amounts include the following:
 - \$36.1 million from Other Appropriated Funds for building renewal projects at ADC, Arizona Department of Transportation (ADOT), Arizona Department of Administration (ADOA), Game and Fish, and the State Lottery.
 - \$30.0 million for lock and fire alarm replacements at ADC, which consists of \$11.0 million from the General Fund and \$19.0 million from Other Funds.

Revertments

- The enacted budget assumed administrative adjustments of \$128 million and revertments of \$(173) million in FY 2020. Administrative adjustments represent a statewide estimate of obligations from one fiscal year paid in the next year while revertments reflect unexpended General Fund appropriations at the end of a fiscal year.
- The June update assumes that administrative adjustments will only be \$28 million based on year-to-date data. The June update further assumes revertments of \$(184) million, compared to \$(173) million in the enacted budget.
- For FY 2021, the enacted budget assumed administrative adjustments of \$146 million and revertments of \$(184) million.
- Above the \$(184) million of FY 2021 revertments in the enacted budget, the June budget update assumes additional revertments of \$(189) million associated with the COVID-19 pandemic. Of that amount, AHCCCS is projected to revert \$(86) million and DES would revert \$(103) million. These additional revertments are due to:
 - ⇒ A higher-than-normal federal match rate through March 2021 related to federal legislation enacted in March 2020. The higher federal match rate reduces state costs.
 - ⇒ Higher-than-expected AHCCCS caseloads due to the economic downturn associated with the pandemic. These higher caseloads will partially offset AHCCCS federal match rate savings.
- The June update did not revise the FY 2021 administrative adjustments estimate of \$146 million.

FY 2021 FUNDING FORMULA SUSPENSIONS ^{1/}

	<u>FY 2021 Formula Requirement</u>
<u>Statutory</u>	
Community Colleges - STEM and Workforce Programs State Aid Suspension	\$ 11,130,000 ^{2/}
Community Colleges - Operating State Aid	N/A ^{3/}
Department of Education - District Additional Assistance	64,367,400 ^{4/}
Department of Education - Charter School Additional Assistance	3,407,200 ^{5/}
Department of Environmental Quality - Water Quality Assurance Revolving Fund (WQARF)	0 ^{6/}
Universities - Arizona Financial Aid Trust	<u>28,295,800 ^{7/ 8/}</u>
Total - FY 2021 Statutory Funding Formula Suspensions	\$ 107,200,400
 <u>Non-Statutory</u>	
Department of Administration - Building Renewal	\$ 33,088,000 ^{8/}
Department of Corrections - Building Renewal	21,329,500 ^{8/}
Universities - Building Renewal	<u>175,500,000 ^{8/}</u>
Total - FY 2021 Non-Statutory Funding Formula Suspensions	\$ 229,917,500

^{1/} Represents the General Fund cost of funding formulas that are currently suspended on an annual basis.

^{2/} Represents unfunded STEM and Workforce Programs formula amounts of \$536,900 (84.8%) for Pinal, \$1,819,800 (82.0%) for Pima, and \$8,773,300 (84.6%) for Maricopa.

^{3/} The dollar value of the suspensions of Operating State Aid for Maricopa and Pima Community Colleges is unknown because formula growth is based on multiplying the change in student count by the current year average state aid per student. Both Maricopa and Pima do not receive funding in FY 2021.

^{4/} Represents 14.4% of the formula requirement that is unfunded. Excludes approximately \$4,026,600 suspended in non-state aid districts, which are not funded through the state budget. The FY 2021 budget requires a phase out of this suspension by FY 2022.

^{5/} Represents 0.8% of the formula requirement that is unfunded. The FY 2021 budget requires phase out of this suspension by FY 2022.

^{6/} A.R.S. § 49-282 requires that \$18,000,000 be deposited annually into the Water Quality Assurance Revolving Fund, including at least \$15,000,000 from the corporate income tax. The FY 2021 Environment Budget Reconciliation Bill transfers the \$15,000,000 to WQARF, but does not permit any additional corporate income tax adjustment above that level.

^{7/} Based on the required 2:1 match of state funds for student fees levied by the universities, the total FY 2021 General Fund contribution would be \$38,337,000. Of this amount, the budget assumes the continuation of \$10,041,200 in General Fund support.

^{8/} Based on agency estimates. Reflects amount above the appropriation in the FY 2021 budget.

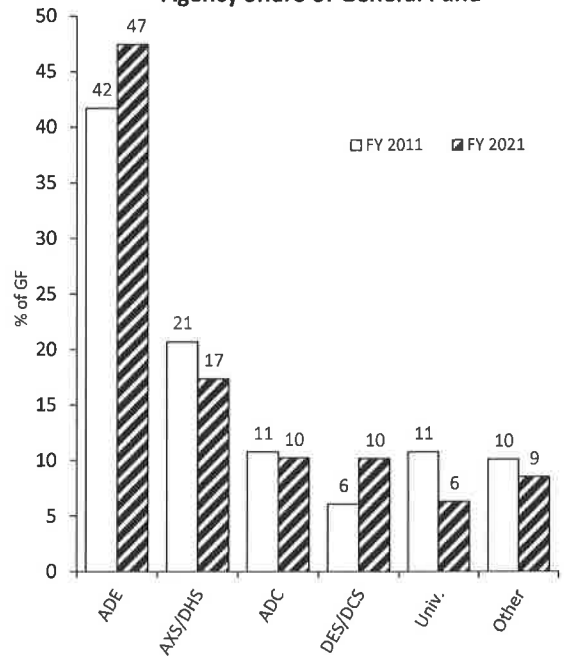
"THEN AND NOW" - FY 2011 vs. FY 2021 General Fund Spending

Comparison of 10 Largest General Fund Budgets ^{1/}
(\$ in Millions)

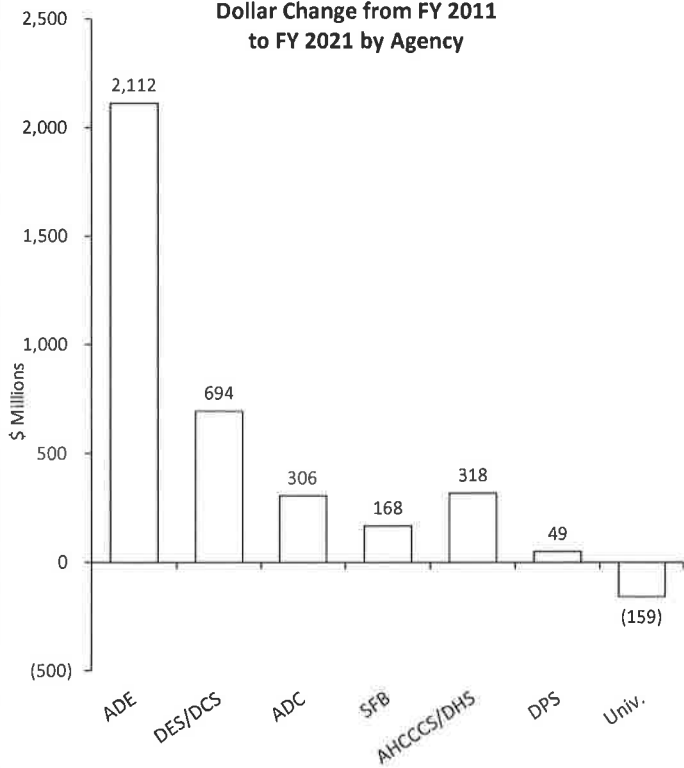
	FY 11 Actuals	FY 21 Approp.	\$ Change FY 11-21	% Change FY 11-21
K-12 Education (ADE)	\$ 3,487.8	\$ 5,599.6	\$ 2,111.8	60.5
AHCCCS / DHS ^{2/}	1,730.0	2,047.9	317.9	18.4
Corrections	899.4	1,205.4	306.0	34.0
Universities	900.2	741.6	(158.6)	(17.6)
Economic Security	506.2	812.1	305.9	^{3/} 60.4
Child Safety	-	387.9	387.9	^{3/} NA
School Facilities Board	67.4	235.2	167.8	248.8
Judiciary	108.5	136.8	28.2	26.0
Public Safety	42.0	91.1	49.1	117.0
Other	623.4	541.6	(81.8)	(13.1)
TOTAL	\$ 8,365.0	\$ 11,799.2	\$ 3,434.2	41.1%

- ^{1/} Represents Individual agency General Fund spending only. Excludes administrative adjustments, revertsments, enhanced federal match and Budget Stabilization Fund deposits.
^{2/} AHCCCS and DHS budgets displayed together to provide comparison of total healthcare spending in FY 2011 and FY 2021.
^{3/} DCS was part of DES prior to FY 2015.

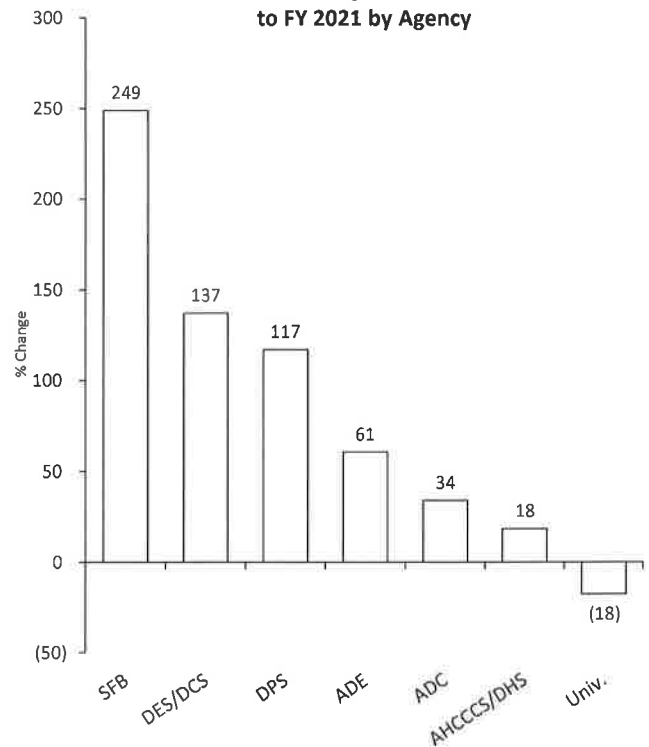
Agency Share of General Fund



**Dollar Change from FY 2011
to FY 2021 by Agency**



**Percent Change from FY 2011
to FY 2021 by Agency**



"THEN AND NOW" - FY 2011 vs. FY 2021 General Fund Revenue and Ending Balances

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

Fiscal Year	Revenue	Expenditures	Ending Balance	Ending Balance as a % of Revenue
2011	8,378.0	8,374.8	3.2	0.0%
2012	9,066.7	8,669.7	397.0	4.4%
2013	9,559.5	8,664.0	895.5	9.4%
2014	9,381.3	8,803.9	577.4	6.2%
2015	9,581.9	9,269.6	312.3	3.3%
2016	9,796.6	9,512.6	284.0	2.9%
2017	9,786.5	9,635.6	150.9	1.5%
2018	10,258.1	9,808.5	449.6	4.4%
2019	11,681.4	10,724.1	957.2	8.2%
2020	11,681.5	11,871.9	(190.3) ^{1/}	-1.6%
2021	11,054.2	11,572.2	(518.0)	-4.7%

^{1/} The FY 2020 ending balance is not expected to be negative after final accounting.

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

Fiscal Year	Sales	Indiv. Income	Corp. Income	Ins. Premium	Other
2011 ^{4/}	43.1%	35.8%	7.0%	5.2%	8.9%
2012 ^{4/}	42.6%	36.0%	7.5%	4.6%	9.3%
2013 ^{4/}	43.4%	39.0%	7.6%	4.4%	5.6%
2014	44.2%	38.6%	6.4%	4.6%	6.3%
2015	43.6%	39.1%	6.9%	4.7%	5.7%
2016	42.6%	39.2%	5.4%	4.9%	7.9%
2017	44.3%	40.6%	3.6%	5.0%	6.5%
2018	44.4%	42.1%	3.5%	4.7%	5.3%
2019	42.8%	42.1%	4.3%	4.6%	6.2%
2020	46.1%	38.6%	4.7%	4.4%	6.3%
2021	44.4%	42.7%	4.4%	3.7%	4.8%

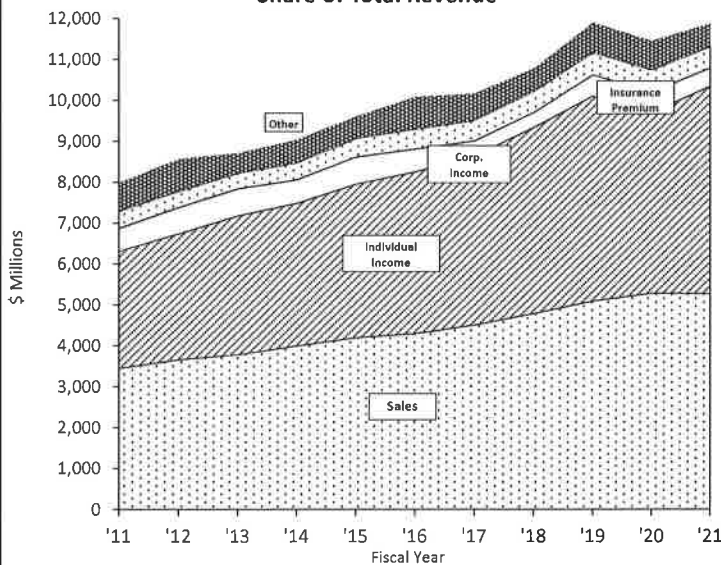
^{1/} Excludes balance forward from prior year.

^{2/} Excludes Budget Stabilization Fund transfers and withdrawals.

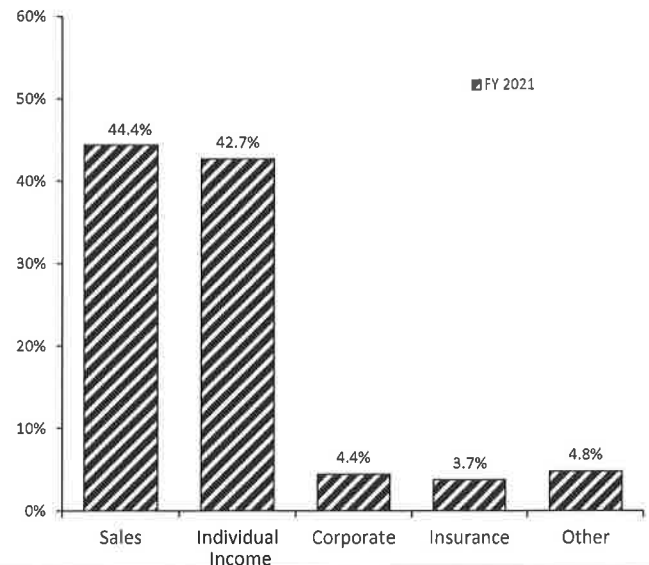
^{3/} Excludes Urban Revenue Sharing distributions.

^{4/} Excludes temporary 1-cent sales tax.

General Fund Major Tax Sources as a Share of Total Revenue



Major Tax Sources as a Percent of Total Revenue



BUDGET DETAIL

SUMMARY OF APPROPRIATED FUNDS BY AGENCY
Fiscal Years 2020 and 2021 1/

	Fiscal Year 2020			Fiscal Year 2021		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
BUDGET UNITS						
Accountancy, State Board of	\$0	\$2,045,300	\$2,045,300	\$0	\$2,098,500	\$2,098,500
Acupuncture Examiners, Board of	0	176,000	176,000	0	180,700	180,700
Administration, Arizona Department of	8,148,500	208,809,600	216,958,100	8,209,900	206,181,600	214,391,500
- Automation Projects Fund	11,100,000	17,311,000	28,411,000	0	4,992,800	4,992,800
Administrative Hearings, Office of	889,800	0	889,800	921,500	0	921,500
African-American Affairs, Arizona Commission of	128,100	0	128,100	133,200	0	133,200
Agriculture, Arizona Department of	10,865,500	1,750,200	12,615,700	10,492,200	1,779,600	12,271,800
AHCCCS	1,806,726,700	344,411,600	2,151,138,300	1,951,981,100	317,938,900	2,269,920,000
Arts, Arizona Commission on the	2,200,000	0	2,200,000	0	0	0
Athletic Training, Board of	0	127,000	127,000	0	130,500	130,500
Attorney General - Department of Law	26,082,400	55,235,900	81,318,300	25,411,000	51,932,200	77,343,200
Automobile Theft Authority	0	5,312,100	5,312,100	0	0	0
Barbers, Board of	0	406,300	406,300	0	419,200	419,200
Behavioral Health Examiners, Board of	0	1,770,000	1,770,000	0	1,818,200	1,818,200
Charter Schools, State Board for	1,714,500	0	1,714,500	2,152,100	0	2,152,100
Child Safety, Department of	384,653,400	193,495,200	578,148,600	387,893,000	198,769,400	586,662,400
Chiropractic Examiners, State Board of	0	438,600	438,600	0	450,600	450,600
Commerce Authority, Arizona	19,275,000	2,500,000	21,775,000	16,175,000	0	16,175,000
Community Colleges, Arizona	97,431,800	0	97,431,800	64,895,400	0	64,895,400
Contractors, Registrar of	0	12,368,800	12,368,800	0	12,690,000	12,690,000
Corporation Commission	620,800	27,148,000	27,768,800	647,100	27,993,000	28,640,100
Corrections, State Department of	1,167,212,700	53,280,600	1,220,493,300	1,205,396,200	53,344,600	1,258,740,800
Cosmetology, Board of	0	1,949,100	1,949,100	0	1,897,400	1,897,400
County Funding	10,650,700	500,000	11,150,700	10,650,700	500,000	11,150,700
Criminal Justice Commission, Arizona	0	7,815,400	7,815,400	0	7,096,300	7,096,300
Deaf and the Blind, Schools for the	23,214,400	12,921,700	36,136,100	23,865,500	13,388,300	37,253,800
Deaf and the Hard of Hearing, Commission for the	0	4,624,900	4,624,900	0	4,685,900	4,685,900
Dental Examiners, State Board of	0	1,229,800	1,229,800	0	1,261,200	1,261,200
Economic Opportunity, Office of	968,300	0	968,300	485,500	0	485,500
Economic Security, Department of	749,708,200	336,309,000	1,086,017,200	812,054,300	359,892,000	1,171,946,300
Education, State Board of	1,158,900	0	1,158,900	1,334,300	0	1,334,300
Education, Department of	5,200,184,900	304,065,200	5,504,250,100	5,599,591,900	312,983,300	5,912,575,200
Emergency and Military Affairs, Department. of	12,201,600	1,458,700	13,660,300	12,373,000	1,506,100	13,879,100
Environmental Quality, Department of	200,000	84,881,600	85,081,600	15,000,000	70,907,900	85,907,900
Equal Opportunity, Governor's Office of	0	190,200	190,200	0	197,700	197,700
Equalization, State Board of	659,000	0	659,000	673,200	0	673,200
Executive Clemency, Board of	1,150,000	0	1,150,000	1,184,500	0	1,184,500
Exposition and State Fair Board, Arizona	0	13,282,200	13,282,200	0	13,523,700	13,523,700
Financial Institutions, Department of	1,980,900	4,037,200	6,018,100	0	0	0
Forestry and Fire Management, Arizona Department of	15,917,400	0	15,917,400	13,399,600	0	13,399,600
Funeral Directors and Embalmers, Board of	0	399,700	399,700	0	401,100	401,100
Game and Fish Department, Arizona	0	43,979,100	43,979,100	0	46,070,400	46,070,400
Gaming, Department of	2,509,500	16,054,000	18,563,500	2,509,500	16,288,300	18,797,800
Governor, Office of the	58,699,900	0	58,699,900	8,924,800	0	8,924,800

	Fiscal Year 2020			Fiscal Year 2021		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Governor's Office of Strategic Planning and Budgeting	2,684,100	0	2,684,100	2,765,100	0	2,765,100
Health Services, Department of	97,158,300	111,170,300	208,328,600	95,897,900	55,118,700	151,016,600
Historical Society, Arizona	3,107,700	0	3,107,700	3,195,600	0	3,195,600
Historical Society, Prescott	837,200	0	837,200	867,700	0	867,700
Homeopathic and Integrated Medicine Examiners, Board of	0	46,100	46,100	0	46,600	46,600
Housing, Arizona Department of	15,000,000	322,200	15,322,200	0	332,500	332,500
Independent Redistricting Commission	0	0	0	500,000	0	500,000
Industrial Commission of Arizona	0	20,059,100	20,059,100	0	20,593,100	20,593,100
Insurance, Department of	5,663,200	0	5,663,200	0	0	0
Insurance and Financial Institutions, Department of	0	0	0	8,090,700	9,537,700	17,628,400
Judiciary						
Supreme Court	20,875,000	30,536,600	51,411,600	21,399,300	31,095,900	52,495,200
Court of Appeals	16,765,000	0	16,765,000	17,179,600	0	17,179,600
Superior Court	92,596,500	11,973,200	104,569,700	98,194,300	11,994,400	110,188,700
SUBTOTAL - Judiciary	130,236,500	42,509,800	172,746,300	136,773,200	43,090,300	179,863,500
Juvenile Corrections, Department of	36,926,500	6,405,600	43,332,100	30,616,200	15,000,100	45,616,300
Land Department, State	12,135,400	8,042,300	20,177,700	12,563,800	8,080,700	20,644,500
Legislature						
Auditor General	20,629,300	0	20,629,300	20,991,500	0	20,991,500
House of Representatives	16,407,500	0	16,407,500	16,830,000	0	16,830,000
Joint Legislative Budget Committee	2,834,200	0	2,834,200	2,934,700	0	2,934,700
Legislative Council	8,814,900	0	8,814,900	9,026,600	0	9,026,600
Senate	12,948,900	0	12,948,900	13,253,900	0	13,253,900
SUBTOTAL - Legislature	61,634,800	0	61,634,800	63,036,700	0	63,036,700
Liquor Licenses and Control, Department of	0	3,373,800	3,373,800	0	3,498,200	3,498,200
Lottery Commission, Arizona State	0	142,394,100	142,394,100	0	148,164,900	148,164,900
Massage Therapy, Board of	0	471,600	471,600	0	486,100	486,100
Medical Board, Arizona	0	7,036,900	7,036,900	0	7,227,700	7,227,700
Mine Inspector, State	1,269,300	112,900	1,382,200	1,301,900	112,900	1,414,800
Naturopathic Physicians Medical Board	0	193,400	193,400	0	197,600	197,600
Navigable Stream Adjudication Commission	129,000	200,000	329,000	133,000	200,000	333,000
Nursing, State Board of	0	4,771,000	4,771,000	0	4,927,500	4,927,500
Nursing Care Institution Administrators Board <u>2/</u>	0	455,000	455,000	0	470,400	470,400
Occupational Therapy Examiners, Board of	0	199,000	199,000	0	204,700	204,700
Opticians, State Board of Dispensing	0	155,900	155,900	0	159,700	159,700
Optometry, State Board of	0	240,700	240,700	0	248,200	248,200
Osteopathic Examiners, Arizona Board of <u>3/</u>	0	1,012,300	1,012,300	0	1,038,000	1,038,000
Parks Board, Arizona State	0	16,982,800	16,982,800	0	16,472,800	16,472,800
Personnel Board, State	0	368,100	368,100	0	332,500	332,500
Pharmacy, Arizona State Board of	0	2,665,300	2,665,300	0	2,689,600	2,689,600
Physical Therapy, Board of	0	503,700	503,700	0	513,900	513,900
Pioneers' Home, Arizona	0	6,574,200	6,574,200	0	6,796,000	6,796,000
Podiatry Examiners, State Board of	0	168,100	168,100	0	171,600	171,600
Postsecondary Education, Commission for	1,680,900	1,536,700	3,217,600	1,680,900	1,543,700	3,224,600
Private Postsecondary Education, Board for	0	423,300	423,300	0	436,300	436,300
Psychologist Examiners, State Board of	0	516,100	516,100	0	529,900	529,900
Public Safety, Department of	92,350,300	240,683,100	333,033,400	91,138,000	246,615,700	337,753,700
Public Safety Personnel Retirement System	6,000,000	0	6,000,000	6,000,000	0	6,000,000
Real Estate Department, State	2,909,500	0	2,909,500	2,997,600	0	2,997,600
Residential Utility Consumer Office	0	1,348,600	1,348,600	0	1,388,900	1,388,900
Respiratory Care Examiners, Board of	0	322,600	322,600	0	333,300	333,300

	Fiscal Year 2020			Fiscal Year 2021		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Retirement System, Arizona State	0	24,194,000	24,194,000	0	24,920,800	24,920,800
Revenue, Department of	31,245,200	49,730,100	80,975,300	31,799,500	48,983,200	80,782,700
School Facilities Board	353,650,300	0	353,650,300	235,235,700	0	235,235,700
Secretary of State	19,984,800	7,433,100	27,417,900	17,263,600	744,800	18,008,400
Tax Appeals, State Board of	281,800	0	281,800	292,200	0	292,200
Technical Registration, State Board of	0	2,199,500	2,199,500	0	2,263,100	2,263,100
Tourism, Office of	8,214,000	0	8,214,000	8,335,100	0	8,335,100
Transportation, Department of	0	433,177,300	433,177,300	0	442,186,200	442,186,200
Treasurer, State	1,205,100	5,839,000	7,044,100	1,548,800	5,640,800	7,189,600
Tribal Relations, Governor's Office on	62,900	0	62,900	64,700	0	64,700
Universities						
Board of Regents	22,397,700	0	22,397,700	22,480,000	0	22,480,000
Arizona State University	341,916,800	658,196,600	1,000,113,400	324,717,400	660,796,000	985,513,400
Northern Arizona University	117,250,900	156,154,500	273,405,400	109,804,600	156,298,700	266,103,300
University of Arizona - Main Campus	215,808,900	353,430,100	569,239,000	207,722,200	354,801,800	562,524,000
University of Arizona - Health Sciences Center	76,897,700	55,697,400	132,595,100	76,897,700	55,697,400	132,595,100
SUBTOTAL - Universities	774,272,000	1,223,478,600	1,997,750,600	741,621,900	1,227,593,900	1,969,215,800
Veterans' Services, Department of	7,792,900	35,607,900	43,400,800	7,983,500	39,887,100	47,870,600
Veterinary Medical Examining Board	0	600,000	600,000	0	618,300	618,300
Water Resources, Department of	66,937,700	2,444,500	69,382,200	14,731,600	2,466,800	17,198,400
OPERATING BUDGET SUBTOTAL	\$11,349,622,300	\$4,166,252,600	\$15,515,874,900	\$11,692,789,400	\$4,123,184,200	\$15,815,973,600
Budget Stabilization Fund Deposit	271,107,000	0	271,107,000	0	0	0
Unallocated Adjustments	51,500	(536,600)	(485,100)	0	0	0
Unallocated Additional 27th Pay Period	0	0	0	0	1,136,600	1,136,600
Unallocated One-Time '21 Agency Health Insurance Adjustments	0	0	0	1,718,900	3,215,700	4,934,600
Remove Unallocated One-Time '20 Agency Health Insurance Adjustments	0	0	0	0	(75,900)	(75,900)
Unallocated '21 Retirement Rate Adjustment	0	0	0	100	986,200	986,300
2010 B Sale/Leaseback Payoff	190,000,000	0	190,000,000	0	0	0
Enhanced FMAP/Caseload Adjustments	0	0	0	(189,000,000)	0	(189,000,000)
Capital Outlay Projects	99,885,000	519,698,800	619,583,800	11,000,000	509,683,600	520,683,600
Capital Outlay - 2010 Leaseback Debt Service	77,709,300	0	77,709,300	53,701,800	0	53,701,800
Capital Outlay - Phoenix Convention Center Debt Service	23,500,000	0	23,500,000	23,997,900	0	23,997,900
Capital Outlay - Rio Nuevo District Distribution	16,000,000	0	16,000,000	16,000,000	0	16,000,000
Administrative Adjustments	28,000,000	0	28,000,000	146,000,000	0	146,000,000
Revertments	(184,000,000)	0	(184,000,000)	(184,000,000)	0	(184,000,000)
GRAND TOTAL	\$11,871,875,100	\$4,685,414,800	\$16,557,289,900	\$11,572,208,100	\$4,638,130,400	\$16,210,338,500

1/ This table summarizes FY 2020 and FY 2021 appropriations from the 2nd Regular Session of the 54th Legislature and all prior sessions.

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

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

SUMMARY OF CAPITAL OUTLAY APPROPRIATIONS

(Capital Outlay Bill and Other Bills with Capital Appropriations) 1/

	FY 2020		FY 2021	
	General Fund	Other Funds	General Fund	Other Funds
ARIZONA DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM				
Administration, Arizona Department of				
Building Renewal for ADOA System (excluding Corrections)		\$17,000,000		\$16,000,000
Air Handler Units		1,000,000		
Mariposa Port of Entry Cold Storage Facility	\$700,000			
Jesse Hayes Road Bridge	2,810,000			
State Route 24	6,500,000			
Kingman Traffic Interchanges	20,000,000			
2010B Debt Payoff	190,000,000			
Subtotal - Department of Administration	\$220,010,000	\$18,000,000	\$0	\$16,000,000
Corrections, State Department of				
Building Renewal for Corrections Facilities		\$6,864,300		\$5,464,300
Lewis/Yuma Locks, Fire, HVAC			11,000,000	19,000,000
Subtotal - State Department of Corrections	\$0	\$6,864,300	\$11,000,000	\$24,464,300
Emergency and Military Affairs, Department of				
Readiness Centers	\$3,875,000			
Exposition and State Fair Board, AZ				
Capital Improvement Projects		\$1,300,000		
Civic Building Roof		400,000		
Subtotal - Exposition and State Fair Board, AZ	\$0	\$1,700,000	\$0	\$0
Game and Fish Department, Arizona				
Building Renewal		\$1,043,700		\$1,157,900
Hatchery Maintenance		400,000		
Property Maintenance		300,000		
Dam Maintenance		150,000		
Subtotal - Arizona Game and Fish Department	\$0	\$1,893,700	\$0	\$1,157,900
Lottery Commission, Arizona State				
Building Renewal		\$134,100		\$146,700
Parks Board, Arizona State				
Tonto Natural Bridge State Park		\$1,250,000		
Pioneers' Home, Arizona				
Capital Improvements		\$414,000		
Public Safety, Department of				
Remove Officer Housing		\$2,400,000		
Loop 202 Radio Tower		309,000		
Subtotal - Department of Public Safety	\$0	\$2,709,000	\$0	\$0
SUBTOTAL - ADOA BUILDING SYSTEM	\$223,885,000	\$32,965,100	\$11,000,000	\$41,768,900
ARIZONA DEPARTMENT OF TRANSPORTATION BUILDING SYSTEM				
Arizona Department of Transportation				
Building Renewal		\$13,281,700		\$13,281,700
Airport Planning and Development		33,120,000		30,900,000
State Aviation Fund Deposit	\$10,000,000			
Highway Construction		393,432,000		378,733,000
Seligman and Williams Maintenance Buildings		2,300,000		
Wickenburg Maintenance Facilities		4,600,000		
Interstate 10, Phoenix to Casa Grande Widening Study	10,000,000			
Interstate 17, Anthem to Sunset Point		40,000,000		45,000,000
US Route 95, Yuma to Yuma Proving Ground	28,000,000			
Local City and Town Distribution	18,000,000			
SUBTOTAL - ADOT BUILDING SYSTEM	\$66,000,000	\$486,733,700	\$0	\$467,914,700
GRAND TOTAL - ALL APPROPRIATIONS	\$289,885,000	\$519,698,800	\$11,000,000	\$509,683,600
SUMMARY OF CAPITAL APPROPRIATIONS BY SESSION				
Laws 2018, 2nd Regular Session				
Laws 2019, 1st Regular Session	\$289,885,000	\$523,798,800 <u>2/</u>		\$45,000,000
Laws 2020, 2nd Regular Session			\$11,000,000	\$464,683,600

1/ This table summarizes all capital appropriations for FY 2020 and FY 2021. Appropriations are listed by the state's "building systems." Capital Outlays are budgeted on an annual basis except under special circumstances.

2/ Laws 2019, Chapter 264 (FY 2020 Capital Outlay Bill) included \$4,100,000 from the from the Legislative, Executive, and Judicial Public Buildings Land Fund in FY 2019 to replace elevators at the House of Representatives, Senate, and Executive Tower buildings at 1700 West Washington Street.

SUMMARY OF ADDITIONAL OPERATING AND STATUTORY APPROPRIATIONS 1/ 2/

GENERAL FUND

	FY 2020	FY 2021
Administration, Arizona Department of		
Laws 2020, Ch. 20 (HB 2407) Appropriations; Named Claimants	900	
Agriculture, Department of		
Laws 2018, Ch. 287 (SB 1098) Industrial Hemp; Licensing	750,000	
AHCCCS		
Laws 2020, Ch. 4 (SB 1523) Mental Health Omnibus		8,000,000
Attorney General - Department of Law		
23-263 - Military Airport Planning; Appropriation	85,000	85,000
Commerce Authority, Arizona		
43-409 - Arizona Commerce Authority Income Tax Withholding	15,500,000	15,500,000
Community Colleges		
42-5031.01 - Indian Tribal Postsecondary Educational Institutions	2,825,000	2,856,100
15-1469.01 - Rural County Allocation	3,420,800	3,658,200
Subtotal - Community Colleges	6,245,800	6,514,300
Corrections, State Department of		
Laws 2020, Ch. 20 (HB 2407) Appropriations; Named Claimants	101,400	
Education, State Board of		
Laws 2020, Ch. 12 (SB 1224) Empowerment Scholarships; Qualifications; Administration; Appropriations		150,000
Education, Department of		
Laws 2020, Ch. 12 (SB 1224) Empowerment Scholarships; Qualifications; Administration; Appropriations		950,000
Laws 2018, Ch. 289 (SB 1444) Schools; American Civics Education	500,000	
Laws 2015, 1st Special Session, Ch. 1 (HB 2001) Schools; Base Level; Appropriations	50,000,000	75,000,000
Subtotal - Department of Education	50,500,000	75,950,000
Emergency and Military Affairs, Department of		
26-263 - Military Airport Planning; Appropriation	90,000	90,000
35-192 - Governor's Emergency Authority	4,000,000	4,000,000
Subtotal - Department of Emergency and Military Affairs	4,090,000	4,090,000
Environmental Quality, Department of		
49-282 - WQARF Priority Site Remediation	15,000,000	15,000,000
Laws 2019, Ch. 269 (HB 2753) Environment; Budget Reconciliation; 2019-2020	(15,000,000)	
Subtotal - Department of Environmental Quality	0	3/
Forestry and Fire Management, Arizona Department of		
37-1305 - Wildland Fire Emergency	3,000,000	3,000,000
Governor, Office of the		
Laws 2020, Ch. 56 (SB 1690) Budget Procedures; Budget Reconciliation; 2020-2021	50,000,000	
Insurance and Financial Institutions, Department of		
Laws 2020, Ch. 4 (SB 1523) Mental Health Omnibus		250,000
Public Safety Personnel Retirement System		
38-810 - EORP Closure	5,000,000	5,000,000
Arizona State University		
15-1671 - University Infrastructure Capital Financing	12,165,900	12,381,200
15-1670 - University Research Infrastructure Financing	13,456,300	13,458,700
Subtotal - Arizona State University	25,622,200	25,839,900
Northern Arizona University		
15-1671 - University Infrastructure Capital Financing	4,611,300	4,692,900
15-1670 - University Research Infrastructure Financing	5,899,500	4,879,500
Subtotal - Northern Arizona University	10,510,800	9,572,400
University of Arizona - Main Campus		
15-1671 - University Infrastructure Capital Financing	10,762,700	10,953,200
15-1670 - University Research Infrastructure Financing	14,250,200	14,251,500
Subtotal - University of Arizona - Main Campus	25,012,900	25,204,700
Water Resources, Department of		
Laws 2019, Ch. 1 (SB 1227) Colorado River Drought Contingency Amendments	32,000,000	
Other		
Laws 2019, Ch. 277 (SB 1215) State Lease-Purchase Agreements; Payoff	190,000,000	
9-602 - Phoenix Convention Center Financing	23,500,000	23,997,900
42-5031 - Rio Nuevo Multi-Purpose Facility District	14,000,000	16,000,000
GENERAL FUND TOTAL	455,919,000	234,154,200

OTHER FUNDS

	FY 2020	FY 2021
Administration, Arizona Department of		
Laws 2020, Ch. 20 (HB 2407) Appropriations; Named Claimants	40,000	
Agriculture, Department of		
Laws 2019, Ch. 24 (HB 2004) Nuclear Emergency Management Fund; Appropriation; Assessment	301,400	280,500
County Funding		
Laws 2018, Ch. 342 (SB 1476) County Sheriff; Reentry Planning; Appropriation	500,000	500,000
Emergency and Military Affairs, Department of		
Laws 2019, Ch. 24 (HB 2004) Nuclear Emergency Management Fund; Appropriation; Assessment	1,458,700	1,506,100
Environmental Quality, Department of		
Laws 2019, Ch. 269 (HB 2753) Environment; Budget Reconciliation; 2019-2020	13,552,000	
Health Services, Department of		
Laws 2020, Ch. 6 (SB 1051) DHS; Continuation	55,000,000	
Laws 2019, Ch. 24 (HB 2004) Nuclear Emergency Management Fund; Appropriation; Assessment	789,700	789,700
Industrial Commission of Arizona		
Laws 2020, Ch. 20 (HB 2407) Appropriations; Named Claimants	3,600	
Treasurer, State		
Laws 2019, Ch. 154 (HB 2432) State Treasurer's Office; Funds; Consolidation	0 ^{4/}	0
OTHER FUNDS TOTAL	71,645,400	3,076,300

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

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

^{3/} A.R.S. § 49-282 requires that \$18,000,000 be deposited annually into the Water Quality Assurance Revolving Fund, including at least \$15,000,000 from the corporate income tax. The FY 2021 Environment Budget Reconciliation Bill transfers the \$15,000,000 to WQARF, but does not permit any additional corporate income tax adjustment above that level. The FY 2021 budget assumed that \$10,000,000 was an ongoing amount. As a result, the FY 2022 and FY 2023 funding level would be \$10,000,000 as well. To achieve these future funding levels, the Legislature would need to again modify A.R.S. § 49-282.

^{4/} Laws 2019, Chapter 154 eliminated the State Treasurer's Management Fund and transferred the State Treasurer's Management Fund appropriation of \$295,600 in the FY 2020 General Appropriation Act to the State Treasurer's Operating Fund.

PREVIOUSLY ENACTED APPROPRIATIONS FY 2021 and BEYOND 1/

GENERAL FUND

	FY 2021	FY 2022	FY 2023
<u>Attorney General</u>			
A.R.S. § 26-263 - Military Airport Planning	85,000	85,000	85,000
<u>Charter Schools, State Board for</u>			
Laws 2019, Ch. 263 - 5 FTE Positions	392,800		
<u>Commerce Authority, Arizona</u>			
A.R.S. § 43-409 - Withholding Tax Revenues	15,500,000	15,500,000	15,500,000
<u>Community Colleges</u>			
Laws 2019, Ch. 263 - Maricopa/Pima STEM and Workforce Development	2,000,000	2,000,000	
A.R.S. § 42-5031.01 - Indian Tribal Postsecondary Institutions <u>2/</u>	2,856,100	2,856,100	2,856,100
A.R.S. § 15-1469.01 - Rural County Allocation <u>3/</u>	3,658,200	3,658,200	3,658,200
<u>Education, Department of</u>			
Laws 2015, 1st Special Session, Ch. 1 - State Aid Supplement (through FY 2025)	75,000,000	75,000,000	75,000,000
Laws 2018, Ch. 276 - Basic State Aid/Teacher Salaries	289,200,000		
Laws 2019, Ch. 263 - Teacher Professional Development	400,000	400,000	
Laws 2019, Ch. 263 - CTED Incentive Program	5,000,000	5,000,000	
Laws 2019, Ch. 263 - Rollover Reduction		30,000,000	
Laws 2019, Ch. 263 - Basic State Aid	930,727,700		
<u>Emergency and Military Affairs, Department of</u>			
A.R.S. § 26-263 - Military Airport Planning	90,000	90,000	90,000
A.R.S. § 35-192 - Governor's Emergency Authority	4,000,000	4,000,000	4,000,000
<u>Environmental Quality, Department of</u>			
A.R.S. § 49-282 - WQARF Priority Site Remediation	<u>4/</u>	<u>4/</u>	<u>4/</u>
<u>Forestry and Fire Management, Department of</u>			
Laws 2019, Ch. 263 - Nonnative Species Eradication (through FY 2029)	1,000,000	1,000,000	1,000,000
A.R.S. § 37-1305 - Wild Land Fire Emergency	3,000,000	3,000,000	3,000,000
<u>Health Services, Department of</u>			
Laws 2019, Ch. 263 - Rural Prenatal Provider Loan Repayment	500,000	500,000	
<u>Public Safety Personnel Retirement System</u>			
Laws 2019, Ch. 263 - Prescott Fire Dept. Pension Liability (through FY 2026)	1,000,000	1,000,000	1,000,000
A.R.S. § 38-810 - EORP Closure (through FY 2043)	5,000,000	5,000,000	5,000,000
<u>Secretary of State</u>			
Laws 2019, Chapter 275 - Electronic Repository and 1 FTE (FY 2024) <u>5/</u>			
<u>School Facilities Board</u>			
Laws 2019, Ch. 263/Laws 2020, Chapter 58 - New School Facilities Fund	45,805,900	11,730,900	

	FY 2021	FY 2022	FY 2023
<u>Treasurer, State</u>			
A.R.S. § 41-2308 - Special Sporting Event Marketing (through FY 2051)		1,500,000	1,500,000
<u>Arizona State University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	13,458,700	13,451,900	13,462,100
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	12,381,200	12,625,100	12,877,600
Laws 2020, Chapter 58 - Additional (27th) Pay Period <u>8/</u>		9,115,000	
<u>Northern Arizona University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	4,879,500	5,039,800	5,301,500
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	4,692,900	4,785,400	4,881,100
Laws 2020, Chapter 58 - Additional (27th) Pay Period <u>8/</u>		2,939,500	
<u>University of Arizona</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	14,251,500	14,248,900	14,252,500
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	10,953,200	11,169,000	11,392,400
Laws 2020, Chapter 58 - Additional (27th) Pay Period <u>8/</u>		7,997,600	
<u>Other</u>			
A.R.S. § 9-602 - Phoenix Convention Center Financing <u>9/</u>	23,997,900	24,498,500	24,999,400
A.R.S. § 42-5031 - Rio Nuevo Multi-Purpose Facility District <u>10/</u>	16,000,000	16,000,000	16,000,000
TOTAL	1,485,830,600	284,190,900	215,855,900

OTHER FUNDS

	FY 2021	FY 2022	FY 2023
<u>Agriculture, Department of</u>			
Laws 2019, Ch. 24 - Nuclear Emergency Management	280,500		
<u>Attorney General - Department of Law</u>			
Laws 2019, Ch. 263 - Criminal Division	950,000	2,350,000	2,350,000
<u>County Funding</u>			
Laws 2018, Ch. 342 - Reentry Planning Services	500,000		
<u>Criminal Justice Commission, Arizona</u>			
Laws 2018, Ch. 276 - Data Exchange System	600,000		
<u>Emergency and Military Affairs, Department of</u>			
Laws 2019, Ch. 24 - Nuclear Emergency Management	1,506,100		
<u>Health Services, Department of</u>			
Laws 2019, Ch. 24 - Nuclear Emergency Management	789,700		
<u>Transportation, Department of</u>			
Laws 2019, Ch. 264 - I-17 Expansion	45,000,000	45,000,000	
<u>Arizona State University</u>			
Laws 2020, Chapter 58 - Additional (27th) Pay Period <u>8/</u>		19,271,400	
<u>Northern Arizona University</u>			
Laws 2020, Chapter 58 - Additional (27th) Pay Period <u>8/</u>		4,858,600	

	FY 2021	FY 2022	FY 2023
University of Arizona			
Laws 2020, Chapter 58 - Additional (27th) Pay Period <u>8/</u>		12,757,300	
Veterans Services, Department of			
Laws 2018, Ch. 98 - Hyperbaric Oxygen Therapy Fund Reimbursement <u>11/</u>			25,000
Water Resources, Department of			
Laws 2019, Ch. 263 - Groundwater and Irrigations Efficiency Projects <u>12/</u>		20,000,000	
TOTAL	49,626,300	104,237,300	2,375,000

- 1/ All statutory appropriations are indefinite unless otherwise noted in this report.
- 2/ Pursuant to A.R.S. § 42-5031.01, the JLBC Staff assumes an annual distribution of \$2,625,000 to the Navajo Nation, comprised of \$1,750,000 for Dine College and \$875,000 for Navajo Technical College, and an annual distribution of \$231,100 for the Tohono O'odham Community College.
- 3/ Pursuant to A.R.S. § 42-1469.01, the JLBC Staff assumes an annual distribution of \$3,420,800 for the Community College Rural County Allocation. Statute requires the General Fund to pay the initial cost of students attending community colleges from counties that are not part of an established community college district, and the state will withhold these counties' sales tax revenues to offset the cost.
- 4/ A.R.S. § 49-282 requires that \$18,000,000 be deposited annually into the Water Quality Assurance Revolving Fund, including at least \$15,000,000 from the corporate income tax. The FY 2021 Environment Budget Reconciliation Bill transfers the \$15,000,000 to WQARF, but does not permit any additional corporate income tax adjustment above that level. The FY 2021 budget assumed that \$10,000,000 was an ongoing amount. As a result, the FY 2022 and FY 2023 funding level would be \$10,000,000 as well. To achieve these future funding levels, the Legislature would need to again modify A.R.S. § 49-282.
- 5/ Laws 2019, Chapter 275 appropriates \$70,000 and 1 FTE Position from the General Fund to the Secretary of State in FY 2024 for the establishment of an electronic repository of state archives and documents.
- 6/ A.R.S. § 15-1670 appropriates monies from the General Fund to each public university for research infrastructure lease-purchase payments in varying amounts through FY 2031.
- 7/ A.R.S. § 15-1671 appropriates monies from the General Fund to each public university for debt service payments on capital projects as part of the \$1 billion bonding program. This amount increases by lesser of 2% or inflation each fiscal year through FY 2043. The amounts displayed above assume a 1.77% increase in FY 2021, 1.97% in FY 2022, and 2% in FY 2023.
- 8/ The enacted FY 2021 budget included funding to state agencies for an additional 27th pay period that will occur in FY 2021. Due to differences in pay periods, the Universities' 27th pay period will occur in FY 2022. Laws 2020, Chapter 58 appropriates \$20,052,100 from the General Fund and \$36,887,300 from University Collections Funds for the 27th pay period in FY 2022.
- 9/ Pursuant to A.R.S. § 9-602, the City of Phoenix receives an annual distribution for Phoenix Convention Center financing based on a statutory debt schedule, which requires that cumulative payments to the city do not exceed estimated revenue resulting from the project.
- 10/ Pursuant to A.R.S. § 42-5031, the JLBC Staff assumes an annual distribution of \$16,000,000 from the General Fund for the Rio Nuevo Multi-Purpose Facility District. The district receives a diversion of Transaction Privilege Tax (TPT) revenue to finance the development of a multipurpose facility and supporting projects.
- 11/ The FY 2019 budget appropriated \$25,000 from the General Fund to the Hyperbaric Oxygen Therapy for Military Veterans Fund, and appropriated \$25,000 from the fund to the General Fund in FY 2023 for reimbursement.
- 12/ The FY 2020 budget includes \$20.0 million from the General Fund to construct, rehabilitate, and lease wells and infrastructure related to withdrawal and efficient delivery of groundwater by qualified irrigation districts. The appropriated monies must be reimbursed to the General Fund by December 31, 2021.

**SUMMARY OF TOTAL SPENDING AUTHORITY BY AGENCY
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
Fiscal Years 2020 and 2021 1/**

	Fiscal Year 2020			Fiscal Year 2021		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
BUDGET UNITS						
Accountancy, State Board of	\$2,045,300	\$0	\$2,045,300	\$2,098,500	\$0	\$2,098,500
Acupuncture Examiners, Board of	176,000	0	176,000	180,700	0	180,700
Administration, Arizona Department of	216,958,100	1,191,312,100	1,408,270,200	214,391,500	1,179,058,900	1,393,450,400
- Automation Projects Fund	28,411,000	0	28,411,000	4,992,800	0	4,992,800
Administrative Hearings, Office of	889,800	793,900	1,683,700	921,500	793,900	1,715,400
African-American Affairs, Arizona Commission of	128,100	20,000	148,100	133,200	20,000	153,200
Agriculture, Arizona Department of	12,615,700	20,118,000	32,733,700	12,271,800	20,584,600	32,856,400
AHCCCS	2,151,138,300	11,559,419,700	13,710,558,000	2,269,920,000	12,035,084,600	14,305,004,600
Arts, Arizona Commission on the	2,200,000	2,265,200	4,465,200	0	2,265,200	2,265,200
Athletic Training, Board of	127,000	0	127,000	130,500	0	130,500
Attorney General - Department of Law	81,318,300	72,188,300	153,506,600	77,343,200	72,188,300	149,531,500
Automobile Theft Authority	5,312,100	600	5,312,700	0	0	0
Barbers, Board of	406,300	0	406,300	419,200	0	419,200
Behavioral Health Examiners, Board of	1,770,000	0	1,770,000	1,818,200	0	1,818,200
Charter Schools, State Board for	1,714,500	85,000	1,799,500	2,152,100	85,000	2,237,100
Child Safety, Department of	578,148,600	443,856,800	1,022,005,400	586,662,400	444,428,500	1,031,090,900
Chiropractic Examiners, State Board of	438,600	0	438,600	450,600	0	450,600
Citizens Clean Elections Commission	0	11,468,400	11,468,400	0	11,468,400	11,468,400
Commerce Authority, Arizona	21,775,000	20,178,500	41,953,500	16,175,000	23,178,500	39,353,500
Community Colleges, Arizona	97,431,800	20,121,600	117,553,400	64,895,400	20,121,600	85,017,000
Constable Ethics Standards and Training Board	0	520,300	520,300	0	520,300	520,300
Contractors, Registrar of	12,368,800	4,666,800	17,035,600	12,690,000	4,666,800	17,356,800
Corporation Commission	27,768,800	1,907,000	29,675,800	28,640,100	1,907,000	30,547,100
Corrections, State Department of	1,220,493,300	82,711,600	1,303,204,900	1,258,740,800	70,456,200	1,329,197,000
Cosmetology, Board of	1,949,100	0	1,949,100	1,897,400	0	1,897,400
County Funding	11,150,700	0	11,150,700	11,150,700	0	11,150,700
Criminal Justice Commission, Arizona	7,815,400	15,472,700	23,288,100	7,096,300	15,472,700	22,569,000
Deaf and the Blind, Schools for the	36,136,100	21,155,300	57,291,400	37,253,800	21,155,300	58,409,100
Deaf and the Hard of Hearing, Commission for the	4,624,900	0	4,624,900	4,685,900	0	4,685,900
Dental Examiners, State Board of	1,229,800	0	1,229,800	1,261,200	0	1,261,200
Early Childhood Development and Health Board, Arizona	0	160,772,200	160,772,200	0	159,787,700	159,787,700
Economic Opportunity, Office of	968,300	111,902,500	112,870,800	485,500	111,902,500	112,388,000
Economic Security, Department of	1,086,017,200	3,318,331,100	4,404,348,300	1,171,946,300	3,464,356,300	4,636,302,600
Education, State Board of	1,158,900	0	1,158,900	1,334,300	0	1,334,300
Education, Department of	5,504,250,100	1,971,533,000	7,475,783,100	5,912,575,200	1,971,533,000	7,884,108,200
Emergency and Military Affairs, Department of	13,660,300	76,936,400	90,596,700	13,879,100	68,034,100	81,913,200
Environmental Quality, Department of	85,081,600	78,712,000	163,793,600	85,907,900	77,718,100	163,626,000
Equal Opportunity, Governor's Office of	190,200	0	190,200	197,700	0	197,700
Equalization, State Board of	659,000	0	659,000	673,200	0	673,200
Executive Clemency, Board of	1,150,000	30,100	1,180,100	1,184,500	30,100	1,214,600

	Fiscal Year 2020			Fiscal Year 2021		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
Exposition and State Fair Board, Arizona	13,282,200	0	13,282,200	13,523,700	0	13,523,700
Financial Institutions, Department of	6,018,100	253,000	6,271,100	0	0	0
Forestry and Fire Management, Arizona Department of	15,917,400	55,907,100	71,824,500	13,399,600	55,907,100	69,306,700
Funeral Directors and Embalmers, Board of	399,700	0	399,700	401,100	0	401,100
Game and Fish Department, Arizona	43,979,100	89,133,500	133,112,600	46,070,400	89,133,500	135,203,900
Gaming, Department of	18,563,500	469,300	19,032,800	18,797,800	469,300	19,267,100
Governor, Office of the	58,699,900	35,442,900	94,142,800	8,924,800	35,442,900	44,367,700
Governor's Office of Strategic Planning and Budgeting	2,684,100	0	2,684,100	2,765,100	0	2,765,100
Health Services, Department of	208,328,600	324,514,600	532,843,200	151,016,600	324,514,600	475,531,200
Historical Society, Arizona	3,107,700	1,257,600	4,365,300	3,195,600	1,257,600	4,453,200
Historical Society, Prescott	837,200	3,162,000	3,999,200	867,700	3,162,000	4,029,700
Homeland Security, Arizona Department of	0	20,092,400	20,092,400	0	20,092,400	20,092,400
Homeopathic and Integrated Medicine Examiners, Board of	46,100	0	46,100	46,600	0	46,600
Housing, Arizona Department of	15,322,200	94,725,200	110,047,400	332,500	92,673,200	93,005,700
Independent Redistricting Commission	0	0	0	500,000		500,000
Industrial Commission of Arizona	20,059,100	17,212,800	37,271,900	20,593,100	17,212,800	37,805,900
Insurance, Department of	5,663,200	28,739,200	34,402,400	0	0	0
Insurance and Financial Institutions, Department of	0	0	0	17,628,400	28,992,800	46,621,200
Judiciary						
Supreme Court	51,411,600	22,716,900	74,128,500	52,495,200	22,716,900	75,212,100
Court of Appeals	16,765,000	0	16,765,000	17,179,600	0	17,179,600
Superior Court	104,569,700	5,434,500	110,004,200	110,188,700	5,434,500	115,623,200
SUBTOTAL - Judiciary	172,746,300	28,151,400	200,897,700	179,863,500	28,151,400	208,014,900
Juvenile Corrections, Department of	43,332,100	1,126,600	44,458,700	45,616,300	1,126,600	46,742,900
Land Department, State	20,177,700	748,900	20,926,600	20,644,500	748,900	21,393,400
Legislature						
Auditor General	20,629,300	900,800	21,530,100	20,991,500	900,800	21,892,300
House of Representatives	16,407,500	0	16,407,500	16,830,000	0	16,830,000
Joint Legislative Budget Committee	2,834,200	0	2,834,200	2,934,700	0	2,934,700
Legislative Council	8,814,900	0	8,814,900	9,026,600	0	9,026,600
Senate	12,948,900	0	12,948,900	13,253,900	0	13,253,900
SUBTOTAL - Legislature	61,634,800	900,800	62,535,600	63,036,700	900,800	63,937,500
Liquor Licenses and Control, Department of	3,373,800	1,108,500	4,482,300	3,498,200	1,108,500	4,606,700
Lottery Commission, Arizona State	142,394,100	806,130,300	948,524,400	148,164,900	837,768,100	985,933,000
Massage Therapy, Board of	471,600	0	471,600	486,100	0	486,100
Medical Board, Arizona	7,036,900	0	7,036,900	7,227,700	0	7,227,700
Mine Inspector, State	1,382,200	539,100	1,921,300	1,414,800	539,100	1,953,900
Naturopathic Physicians Medical Board	193,400	0	193,400	197,600	0	197,600
Navigable Stream Adjudication Commission	329,000	0	329,000	333,000	0	333,000
Nursing, State Board of	4,771,000	414,700	5,185,700	4,927,500	414,700	5,342,200
Nursing Care Institution Administrators Board <u>3/</u>	455,000	0	455,000	470,400	0	470,400
Occupational Therapy Examiners, Board of	199,000	0	199,000	204,700	0	204,700
Opticians, State Board of Dispensing	155,900	0	155,900	159,700	0	159,700
Optometry, State Board of	240,700	0	240,700	248,200	0	248,200
Osteopathic Examiners, Arizona Board of <u>4/</u>	1,012,300	0	1,012,300	1,038,000	0	1,038,000
Parents Commission on Drug Educ. & Prev., Arizona	0	4,957,500	4,957,500	0	4,957,500	4,957,500

	Fiscal Year 2020			Fiscal Year 2021		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
Parks Board, Arizona State	16,982,800	19,658,200	36,641,000	16,472,800	19,658,200	36,131,000
Personnel Board, State	368,100	0	368,100	332,500	0	332,500
Pharmacy, Arizona State Board of	2,665,300	1,773,100	4,438,400	2,689,600	1,773,100	4,462,700
Physical Therapy, Board of	503,700	0	503,700	513,900	0	513,900
Pioneers' Home, Arizona	6,574,200	0	6,574,200	6,796,000	0	6,796,000
Podiatry Examiners, State Board of	168,100	0	168,100	171,600	0	171,600
Postsecondary Education, Commission for	3,217,600	1,259,200	4,476,800	3,224,600	1,259,200	4,483,800
Power Authority, Arizona	0	23,098,000	23,098,000	0	23,098,000	23,098,000
Private Postsecondary Education, Board for	423,300	250,300	673,600	436,300	250,300	686,600
Psychologist Examiners, State Board of	516,100	0	516,100	529,900	0	529,900
Public Safety, Department of	333,033,400	115,241,300	448,274,700	337,753,700	115,241,300	452,995,000
Public Safety Personnel Retirement System	6,000,000	15,132,300	21,132,300	6,000,000	15,132,300	21,132,300
Real Estate Department, State	2,909,500	203,300	3,112,800	2,997,600	203,300	3,200,900
Residential Utility Consumer Office	1,348,600	0	1,348,600	1,388,900	0	1,388,900
Respiratory Care Examiners, Board of	322,600	0	322,600	333,300	0	333,300
Retirement System, Arizona State	24,194,000	17,790,400	41,984,400	24,920,800	18,323,700	43,244,500
Revenue, Department of	80,975,300	1,594,100	82,569,400	80,782,700	1,594,100	82,376,800
School Facilities Board	353,650,300	65,378,700	419,029,000	235,235,700	9,250,700	244,486,400
Secretary of State	27,417,900	4,574,100	31,992,000	18,008,400	4,574,100	22,582,500
Tax Appeals, State Board of	281,800	0	281,800	292,200	0	292,200
Technical Registration, State Board of	2,199,500	0	2,199,500	2,263,100	0	2,263,100
Tourism, Office of	8,214,000	17,737,400	25,951,400	8,335,100	17,737,400	26,072,500
Transportation, Department of	433,177,300	63,571,700	496,749,000	442,186,200	60,719,400	502,905,600
Treasurer, State	7,044,100	3,930,300	10,974,400	7,189,600	3,930,300	11,119,900
Tribal Relations, Governor's Office on Universities	62,900	18,500	81,400	64,700	18,500	83,200
Board of Regents	22,397,700	7,782,500	30,180,200	22,480,000	7,782,500	30,262,500
Arizona State University	1,000,113,400	2,458,130,200	3,458,243,600	985,513,400	2,546,430,600	3,531,944,000
Northern Arizona University	273,405,400	488,244,800	761,650,200	266,103,300	485,407,700	751,511,000
University of Arizona - Main Campus	569,239,000	1,462,195,900	2,031,434,900	562,524,000	1,489,564,500	2,052,088,500
University of Arizona - Health Sciences Center	132,595,100	544,248,000	676,843,100	132,595,100	554,725,100	687,320,200
SUBTOTAL - Universities	1,997,750,600	4,960,601,400	6,958,352,000	1,969,215,800	5,083,910,400	7,053,126,200
Veterans' Services, Department of	43,400,800	22,860,700	66,261,500	47,870,600	22,860,700	70,731,300
Veterinary Medical Examining Board	600,000	0	600,000	618,300	0	618,300
Water Resources, Department of	69,382,200	10,571,500	79,953,700	17,198,400	10,571,500	27,769,900
OPERATING BUDGET SUBTOTAL	\$15,515,874,900	\$26,046,711,000	\$41,562,585,900	\$15,815,973,600	\$26,731,497,900	\$42,547,471,500
Budget Stabilization Fund Deposit	271,107,000	0	271,107,000	0	0	0
Unallocated Adjustments	(485,100)	0	(485,100)	0	0	0
Unallocated Additional 27th Pay Period	0	0	0	1,136,600	0	1,136,600
Unallocated One-Time '21 Agency Health Insurance Adjustments	0	0	0	4,934,600	0	4,934,600
Remove Unallocated One-Time '20 Agency Health Insurance Adj.	0	0	0	(75,900)	0	(75,900)
Unallocated '21 Retirement Rate Adjustment	0	0	0	986,300	0	986,300
2010 B Sale/Leaseback Payoff	190,000,000	0	190,000,000	0	0	0
Enhanced FMAP/Caseload Adjustments	0	0	0	(189,000,000)	0	(189,000,000)
Capital Outlay Projects	619,583,800	1,408,843,100	2,028,426,900	520,683,600	1,988,112,000	2,508,795,600
Capital Outlay - 2010 Leaseback Debt Service	77,709,300	0	77,709,300	53,701,800	0	53,701,800

	Fiscal Year 2020			Fiscal Year 2021		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
Capital Outlay - Phoenix Convention Center Debt Service	23,500,000	0	23,500,000	23,997,900	0	23,997,900
Capital Outlay - Rio Nuevo District Distribution	16,000,000	0	16,000,000	16,000,000	0	16,000,000
Administrative Adjustments	28,000,000	0	28,000,000	146,000,000	0	146,000,000
Revertments	(184,000,000)	0	(184,000,000)	(184,000,000)	0	(184,000,000)
GRAND TOTAL	<u>\$16,557,289,900</u>	<u>\$27,455,554,100</u>	<u>\$44,012,844,000</u>	<u>\$16,210,338,500</u>	<u>\$28,719,609,900</u>	<u>\$44,929,948,400</u>

1/ This table summarizes FY 2020 and FY 2021 appropriations from the 2nd Regular Session of the 54th Legislature and all prior sessions.

2/ The amounts shown are generally based on estimates published in the JLBC Staff's *Baseline Book* (January 2020), but may have been updated for later information.

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

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

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2020 and 2021 1/

BUDGET UNITS	Fiscal Year 2020			Fiscal Year 2021		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
Accountancy, State Board of	0.0	14.0	14.0	0.0	14.0	14.0
Acupuncture Board of Examiners	0.0	1.0	1.0	0.0	1.0	1.0
Administration, Arizona Department of	114.2	435.9	550.1	114.2	436.9	551.1
Capital Outlay	0.0	5.0	5.0	0.0	5.0	5.0
SUBTOTAL - Administration, Arizona Department of	114.2	440.9	555.1	114.2	441.9	556.1
Administrative Hearings, Office of	12.0	0.0	12.0	12.0	0.0	12.0
African-American Affairs, Arizona Commission of	3.0	0.0	3.0	3.0	0.0	3.0
Agriculture, Arizona Department of	192.1	17.2	209.3	192.1	17.2	209.3
AHCCCS	460.1	694.1	1,154.2	460.1	694.1	1,154.2
AHCCCS - DES Eligibility	621.2	563.9	1,185.1	621.2	563.9	1,185.1
SUBTOTAL - AHCCCS <u>2/</u>	1,081.3	1,258.0	2,339.3	1,081.3	1,258.0	2,339.3
Athletic Training, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Attorney General - Department of Law	218.6	389.1	607.7	218.6	389.1	607.7
Automobile Theft Authority <u>3/</u>	0.0	6.0	6.0	0.0	0.0	0.0
Barbers, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Behavioral Health Examiners, Board of	0.0	17.0	17.0	0.0	17.0	17.0
Charter Schools, State Board for	19.0	0.0	19.0	24.0	0.0	24.0
Child Safety, Department of <u>4/</u>	1,627.2	1,565.9	3,193.1	1,503.6	1,689.5	3,193.1
Chiropractic Examiners, State Board of	0.0	5.0	5.0	0.0	5.0	5.0
Contractors, Registrar of	0.0	105.6	105.6	0.0	105.6	105.6
Corporation Commission	6.0	294.9	300.9	6.0	294.9	300.9
Corrections, State Department of	9,545.0	21.0	9,566.0	9,545.0	21.0	9,566.0
Cosmetology, Board of	0.0	24.5	24.5	0.0	24.5	24.5
Criminal Justice Commission, Arizona	0.0	11.0	11.0	0.0	11.0	11.0
Deaf and the Blind, Arizona State Schools for the	284.8	277.4	562.2	284.8	277.4	562.2
Deaf and the Hard of Hearing, Commission for the	0.0	17.0	17.0	0.0	17.0	17.0
Dental Examiners, State Board of	0.0	11.0	11.0	0.0	11.0	11.0
Economic Opportunity, Office of	5.0	0.0	5.0	5.0	0.0	5.0
Economic Security, Department of <u>5/</u>	1,019.3	3,358.5	4,377.8	1,019.3	3,358.5	4,377.8
Education, State Board of	6.0	0.0	6.0	7.0	0.0	7.0
Education, Department of <u>6/7/</u>	140.4	55.5	195.9	166.4	42.5	208.9
Emergency and Military Affairs, Department of	64.1	5.5	69.6	64.1	5.5	69.6
Environmental Quality, Department of	0.0	322.0	322.0	0.0	322.0	322.0
Equal Opportunity, Governor's Office of	0.0	4.0	4.0	0.0	4.0	4.0
Equalization, State Board of	7.0	0.0	7.0	7.0	0.0	7.0
Executive Clemency, Board of	14.5	0.0	14.5	14.5	0.0	14.5
Exposition and State Fair Board, Arizona	0.0	184.0	184.0	0.0	184.0	184.0
Financial Institutions, State Department of <u>3/</u>	22.1	51.0	73.1	0.0	0.0	0.0
Forestry and Fire Management, Arizona Department of	88.0	0.0	88.0	88.0	0.0	88.0
Funeral Directors and Embalmers, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Game and Fish Department, Arizona	0.0	273.5	273.5	0.0	273.5	273.5
Gaming, Department of	0.0	155.8	155.8	0.0	155.8	155.8
Governor's Office of Strategic Planning and Budgeting	22.0	0.0	22.0	22.0	0.0	22.0
Health Services, Department of	817.9	312.6	1,130.5	817.9	307.1	1,125.0
Historical Society, Arizona	50.9	0.0	50.9	50.9	0.0	50.9
Historical Society of Arizona, Prescott	13.0	0.0	13.0	13.0	0.0	13.0
Homeopathic and Integrated Medicine Examrs., Bd. of	0.0	1.0	1.0	0.0	1.0	1.0
Housing, Department of	0.0	3.0	3.0	0.0	3.0	3.0
Independent Redistricting Commission	0.0	0.0	0.0	3.0	0.0	3.0
Industrial Commission of Arizona	0.0	235.6	235.6	0.0	235.6	235.6
Insurance, Department of <u>3/</u>	72.3	0.0	72.3	0.0	0.0	0.0
Insurance and Financial Institutions, Department of <u>3/</u>	0.0	0.0	0.0	95.4	57.0	152.4
Judiciary						
Supreme Court	144.6	38.4	183.0	145.6	38.4	184.0
Court of Appeals	136.8	0.0	136.8	136.8	0.0	136.8
Superior Court	226.8	8.7	235.5	226.8	8.7	235.5
SUBTOTAL - Judiciary	508.2	47.1	555.3	509.2	47.1	556.3
Juvenile Corrections, Department of	478.5	260.0	738.5	478.5	260.0	738.5
Land Department, State	126.7	3.0	129.7	126.7	3.0	129.7
Legislature						
Auditor General	200.8	0.0	200.8	200.8	0.0	200.8
Joint Legislative Budget Committee	29.0	0.0	29.0	29.0	0.0	29.0

BUDGET UNITS	Fiscal Year 2020			Fiscal Year 2021		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
Legislative Council	55.0	0.0	55.0	55.0	0.0	55.0
SUBTOTAL - Legislature	284.8	0.0	284.8	284.8	0.0	284.8
Liquor Licenses and Control, Department of	0.0	45.2	45.2	0.0	45.2	45.2
Lottery Commission, Arizona State	0.0	98.8	98.8	0.0	98.8	98.8
Massage Therapy, Board of	0.0	5.0	5.0	0.0	5.0	5.0
Medical Board, Arizona	0.0	61.5	61.5	0.0	61.5	61.5
Mine Inspector, State	14.0	0.0	14.0	14.0	0.0	14.0
Naturopathic Physicians Medical Board	0.0	2.0	2.0	0.0	2.0	2.0
Navigable Stream Adjudication Commission, Arizona	2.0	0.0	2.0	2.0	0.0	2.0
Nursing, State Board of	0.0	48.5	48.5	0.0	48.5	48.5
Nursing Care Institution of Administrators, Board of	0.0	6.0	6.0	0.0	6.0	6.0
Occupational Therapy Examiners, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Opticians, State Board of Dispensing	0.0	1.0	1.0	0.0	1.0	1.0
Optometry, State Board of	0.0	2.0	2.0	0.0	2.0	2.0
Osteopathic Examiners, Arizona Board of	0.0	8.0	8.0	0.0	8.0	8.0
Parks Board, Arizona State	0.0	163.0	163.0	0.0	163.0	163.0
Personnel Board, State	0.0	3.0	3.0	0.0	2.0	2.0
Pharmacy, Arizona State Board of	0.0	22.4	22.4	0.0	22.4	22.4
Physical Therapy, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Pioneers' Home, Arizona	0.0	106.3	106.3	0.0	106.3	106.3
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Postsecondary Education, Commission of	0.0	5.0	5.0	0.0	5.0	5.0
Private Postsecondary Education, Board for	0.0	4.0	4.0	0.0	4.0	4.0
Psychologist Examiners, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Public Safety, Department of	743.7	1,271.0	2,014.7	743.7	1,271.0	2,014.7
Real Estate Department, State	37.0	0.0	37.0	37.0	0.0	37.0
Residential Utility Consumer Office	0.0	11.0	11.0	0.0	11.0	11.0
Respiratory Care Examiners, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Retirement System, Arizona State	0.0	240.9	240.9	0.0	240.9	240.9
Revenue, Department of 6/	274.0	606.8	880.8	274.0	606.8	880.8
School Facilities Board	17.0	0.0	17.0	17.0	0.0	17.0
Secretary of State, Department of State	133.1	10.0	143.1	133.1	10.0	143.1
Tax Appeals, State Board of	4.0	0.0	4.0	4.0	0.0	4.0
Technical Registration, State Board of	0.0	25.0	25.0	0.0	25.0	25.0
Tourism, Office of	28.0	0.0	28.0	28.0	0.0	28.0
Transportation, Department of	0.0	4,554.0	4,554.0	0.0	4,554.0	4,554.0
Treasurer, State	0.0	34.4	34.4	0.0	34.4	34.4
Tribal Relations, Governor's Office on	3.0	0.0	3.0	3.0	0.0	3.0
Universities 8/ 9/						
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9
Arizona State University	2,419.9	5,370.9	7,790.8	2,419.9	5,370.9	7,790.8
Northern Arizona University	884.1	1,476.0	2,360.1	884.1	1,476.0	2,360.1
University of Arizona - Main Campus	2,271.2	3,750.1	6,021.3	2,271.2	3,750.1	6,021.3
University of Arizona - Health Sciences Center	824.7	541.7	1,366.4	824.7	541.7	1,366.4
SUBTOTAL - Universities	6,425.8	11,138.7	17,564.5	6,425.8	11,138.7	17,564.5
Veterans' Services, Department of	116.3	381.0	497.3	116.3	644.0	760.3
Veterinary Medical Examining Board, Arizona State	0.0	6.0	6.0	0.0	6.0	6.0
Water Resources, Department of	139.0	6.0	145.0	139.0	6.0	145.0
TOTAL APPROPRIATED FUNDS	24,780.8	28,639.1	53,419.9	24,694.2	29,007.2	53,701.4

- 1/ Full-Time Equivalent (FTE) Positions shown for individual agencies include only those positions funded by appropriated funds. The detail for changes in FTE Positions that occurred between FY 2020 and FY 2021 can be found in the individual agency pages.
- 2/ Includes 1,210.1 FTE Positions in FY 2020 and FY 2021 in the Other Fund FTE Positions columns funded from Federal Medicaid Expenditure Authority.
- 3/ Laws 2019, Chapter 252 merged the Department of Insurance (DOI), Department of Financial Institution (DFI), and the Automobile Theft Authority (ATA) into 1 agency and renamed it the Department of Insurance and Financial Institutions (DIFI). The FY 2021 FTE Positions for DOI, DFI, and ATA were reduced to 0 and moved to DIFI.
- 4/ Includes 970.3 FTE Positions in FY 2020 and FY 2021 in the Other Fund FTE Positions columns funded from Expenditure Authority.
- 5/ Includes 1,922.5 FTE Positions in FY 2020 and FY 2021 in the Other Fund FTE Positions columns funded from the Long Term Care System Fund and Child Support Enforcement Expenditure Authority.
- 6/ The FY 2020 FTE Position allocations have been rebased to match FY 2021 allocations.
- 7/ Laws 2020, Chapter 12 appropriated \$950,000 and 13 FTE Positions from the General Fund in FY 2021 for Empowerment Scholarship Account Administration.
- 8/ The FY 2020 General Appropriation Act originally appropriated 17,361.1 FTE Positions to the Universities for FY 2020. This FTE Position amount has been revised to 17,564.5 to account for changes in projected tuition and fee collections. Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount.
- 9/ The Other Fund FTE Positions are funded by the University Collections Fund, which includes a portion of tuition and fees and a portion of land earnings.

BUDGET UNITS

Arizona State Board of Accountancy

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	734,000	913,900	956,800
Employee Related Expenditures	314,400	352,600	362,900
Professional and Outside Services	249,900	429,000	429,000
Travel - In State	6,300	6,100	6,100
Travel - Out of State	5,400	12,000	12,000
Other Operating Expenditures	223,000	294,200	294,200
Equipment	4,600	37,500	37,500
AGENCY TOTAL	1,537,600	2,045,300	2,098,500 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Accountancy Fund	1,537,600	2,045,300	2,098,500
SUBTOTAL - Other Appropriated Funds	1,537,600	2,045,300	2,098,500
SUBTOTAL - Appropriated Funds	1,537,600	2,045,300	2,098,500
TOTAL - ALL SOURCES	1,537,600	2,045,300	2,098,500

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

FOOTNOTES

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

Operating Budget

The budget includes \$2,098,500 and 14 FTE Positions from the Board of Accountancy Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$53,200 from the Board of Accountancy Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Acupuncture Board of Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	73,600	96,000	99,200
Employee Related Expenditures	20,000	37,200	38,700
Travel - In State	1,700	2,000	2,000
Travel - Out of State	4,500	4,500	4,500
Other Operating Expenditures	33,000	33,000	33,000
Equipment	2,900	3,300	3,300
AGENCY TOTAL	135,700	176,000	180,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Acupuncture Board of Examiners Fund	135,700	176,000	180,700
SUBTOTAL - Other Appropriated Funds	135,700	176,000	180,700
SUBTOTAL - Appropriated Funds	135,700	176,000	180,700
TOTAL - ALL SOURCES	135,700	176,000	180,700

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

FOOTNOTES

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

Operating Budget

The budget includes \$180,700 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$4,700 from the Acupuncture Board of Examiners Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Department of Administration

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	535.1	550.1	551.1 ^{1/}
Personal Services	26,814,900	29,027,200	30,045,800
Employee Related Expenditures	9,271,000	10,819,600	11,340,900
Professional and Outside Services	5,456,700	6,442,200	6,506,500
Travel - In State	198,900	224,700	224,700
Travel - Out of State	47,900	102,600	102,600
Other Operating Expenditures	32,160,400	46,248,900	45,998,900
Equipment	2,270,600	4,319,200	4,319,200
OPERATING SUBTOTAL	76,220,400	97,184,400	98,538,600 ^{2/}
SPECIAL LINE ITEMS			
Facilities Management			
Utilities	4,975,000	7,649,900	7,649,900
Bolin Plaza Improvements	25,300	0	0
Financial Services			
Arizona Financial Information System	8,878,500	9,418,700	9,549,100
Named Claimants	12,900	40,900	0
Information Technology Services			
Information Technology Project Management and Oversight	1,500,000	1,504,300	1,562,600
Statewide Information Security and Privacy Operations and Controls	2,674,600	6,356,600	6,423,600
Risk Management			
Federal Transfer Payment	9,168,400	3,933,100	0 ^{3/}
Risk Management Administrative Expenses	8,303,300	8,747,200	8,747,200
Risk Management Losses and Premiums	35,960,900	46,178,400	46,178,400
Workers' Compensation Losses and Premiums	25,803,100	31,830,300	31,830,300
Support Services			
Government Transformation Office	968,200	2,008,300	2,076,800
State Surplus Property Sales Agency Proceeds	1,250,700	1,810,000	1,810,000 ^{4/}
Other			
Public Safety Regional Communications	0	271,000	0
Southwest Defense Contracts	25,000	25,000	25,000 ^{5/}
AGENCY TOTAL	175,766,300	216,958,100	214,391,500 ^{6/}
FUND SOURCES			
General Fund	7,590,900	8,148,500	8,209,900
<u>Other Appropriated Funds</u>			
Air Quality Fund	654,300	927,300	927,300 ^{7/}
Arizona Financial Information System Collections Fund	8,878,500	9,418,700	9,549,100
Automation Operations Fund	21,529,800	31,040,900	31,275,400 ^{8/}
Capital Outlay Stabilization Fund	14,520,700	18,556,400	18,749,800
Corrections Fund	506,800	573,700	593,000
Federal Surplus Materials Revolving Fund	50,100	465,200	467,400
Information Technology Fund	4,741,200	8,443,400	8,566,400
Motor Vehicle Pool Revolving Fund	5,675,100	10,191,200	10,199,700 ^{9/}
Personnel Division Fund	11,806,500	12,723,800	13,056,800
Risk Management Revolving Fund	85,511,800	98,539,200	94,772,900
Special Employee Health Insurance Trust Fund	5,056,200	5,291,900	5,449,100
Special Services Revolving Fund	714,000	1,169,000	1,172,800
State Monument and Memorial Repair Fund	25,300	0	0
State Surplus Materials Revolving Fund	2,277,000	2,978,800	3,003,200

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
State Web Portal Fund	4,636,400	6,844,500	6,705,100
Telecommunications Fund	1,591,700	1,645,600	1,693,600
SUBTOTAL - Other Appropriated Funds	168,175,400	208,809,600	206,181,600
SUBTOTAL - Appropriated Funds	175,766,300	216,958,100	214,391,500
Other Non-Appropriated Funds	1,125,557,400	1,188,345,300	1,176,092,100
Federal Funds	995,100	2,966,800	2,966,800
TOTAL - ALL SOURCES	1,302,318,800	1,408,270,200	1,393,450,400

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

FOOTNOTES

- 1/ Includes 57 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ The department may charge state agencies not more than \$10.42 per user per month for the statewide email and calendar service. (General Appropriation Act footnote)
- 3/ The legislature intends that the department of administration not enter into any agreements to pay for any federal reimbursements related to excess balances in the special employee health insurance trust fund established by section 38-654, Arizona Revised Statutes, unless the proposed agreements have been reviewed by the joint legislative budget committee. (General Appropriation Act footnote)
- 4/ All state surplus materials revolving fund monies received by the department of administration in excess of \$3,003,200 in fiscal year 2020-2021 are appropriated to the department. Before spending state surplus materials revolving fund monies in excess of \$3,003,200 in fiscal year 2020-2021, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 5/ The amount appropriated for southwest defense contracts shall be distributed to a nonprofit organization that advocates for preserving and enhancing critical defense missions and assets in the southwestern United States. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ On or before September 1, 2021, the department shall submit a report for review by the joint legislative budget committee on the results of pilot projects implemented in fiscal year 2020-2021 for the state employee public transportation service reimbursements pursuant to section 41-710.01, Arizona Revised Statutes, in a vehicle emissions control area as defined in section 49-541, Arizona Revised Statutes, of a county with a population of more than four hundred thousand persons. (General Appropriation Act footnote)
- 8/ The appropriation from the automation operations fund established by section 41-711, Arizona Revised Statutes, is an estimate representing all monies, including balance forward, revenues and transfers during fiscal year 2020-2021. These monies are appropriated to the department of administration for the purposes established in section 41-711, Arizona Revised Statutes. The appropriation is adjusted as necessary to reflect monies credited to the automation operations fund for automation operation center projects. Before spending any automation operations fund monies in excess of \$31,275,400 in fiscal year 2020-2021, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 9/ The legislature intends that the department not replace vehicles until they have an average of 80,000 miles or more. On or before August 1, 2020, the department shall submit a report to the joint legislative budget committee on the maintenance savings achieved by replacing vehicles that have an average of 80,000 miles or more. (General Appropriation Act footnote)

Operating Budget

The budget includes \$98,538,600 and 494.1 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$8,184,900
Air Quality Fund	927,300
Automation Operations Fund	29,712,800
Capital Outlay Stabilization Fund (COSF)	11,099,900
Corrections Fund	593,000
Federal Surplus Materials Revolving Fund	467,400

Information Technology Fund	2,142,800
Motor Vehicle Pool Revolving Fund	10,199,700
Personnel Division Fund	13,056,800
Risk Management Revolving Fund	8,017,000
Special Employee Health Insurance Trust Fund	5,449,100
Special Services Revolving Fund	1,172,800
State Surplus Materials Revolving Fund	1,193,200
State Web Portal Fund	4,628,300
Telecommunications Fund	1,693,600

FY 2021 adjustments are as follows:

Remove One-Time Government Website Support

The budget includes a decrease of \$(250,000) from the State Web Portal Fund in FY 2021 for the elimination of one-time funding for state agency website transformation and operating costs.

FTE Position Shift

The budget includes a decrease of (11) FTE Positions from the Information Technology Fund in FY 2021 for the operating budget. The budget shifts these FTE Positions to the Statewide Information Security and Privacy Operations and Controls Line Item to align FTE Positions with the line item appropriation.

FTE Position Technical Increase

The budget includes an increase of 1 FTE Positions from Motor Vehicle Pool Revolving Fund in FY 2021 for the operating budget.

Statewide Adjustments

The budget includes an increase of \$1,604,200 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	333,300
Automation Operations Fund	176,200
Capital Outlay Stabilization Fund (COSF)	206,200
Corrections Fund	19,300
Federal Surplus Materials Revolving Fund	2,200
Information Technology Fund	56,000
Motor Vehicle Pool Revolving Fund	8,500
Personnel Division Fund	333,000
Risk Management Revolving Fund	193,000
Special Employee Health Insurance Trust Fund	157,200
Special Services Revolving Fund	3,800
State Surplus Materials Revolving Fund	25,400
State Web Portal Fund	42,100
Telecommunications Fund	48,000

(Please see the Agency Detail and Allocations section.)

Facilities Management

Utilities

The budget includes \$7,649,900 from the Capital Outlay Stabilization Fund in FY 2021 for Utilities. This amount is unchanged from FY 2020.

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

Financial Services

Arizona Financial Information System

The budget includes \$9,549,100 and 28 FTE Positions from the Arizona Financial Information System Collections Fund in FY 2021 for the Arizona Financial Information System (AFIS). FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$130,400 from the Arizona Financial Information System Collections Fund in FY 2021 for statewide adjustments.

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

Named Claimants

The budget includes no funding in FY 2021 for Named Claimants. FY 2021 adjustments are as follows:

One-Time Named Claimants Funding

The budget includes a decrease of \$(40,908.06) in FY 2021 for the elimination of one-time funding of prior year unpaid claims. This amount consists of:

General Fund	(873.72)
Capital Outlay Stabilization Fund	(12,829.05)
Risk Management Revolving Fund	(26,248.02)
State Surplus Materials Revolving Fund	(957.27)

The state must annually settle unpaid claims against received goods and services. Vendors providing goods and services to the state can make claims against the receiving agencies if invoices are not paid in full. Up to 1 year following receipt, state agencies have the financial authority to pay such claims through administrative adjustments. However, the Legislature must grant special appropriation authority to pay claims older than 1 year.

Monies in this line item are not included in the General Appropriation Act. A separate legislative act usually makes this appropriation. Laws 2020, Chapter 20 appropriated \$40,908.06 in FY 2020 for prior year unpaid claims.

Information Technology Services

Information Technology Project Management and Oversight

The budget includes \$1,562,600 and 15 FTE Positions from the Automation Operations Fund in FY 2021 for IT Project Management and Oversight. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$58,300 from the Automation Operations Fund in FY 2021 for statewide adjustments.

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

Statewide Information Security and Privacy Operations and Controls

The budget includes \$6,423,600 and 14 FTE Positions from the Information Technology (IT) Fund in FY 2021 for Statewide Information Security and Privacy Operations and Controls. FY 2021 adjustments are as follows:

FTE Position Shift

The budget includes an increase of 11 FTE Positions from the Information Technology Fund in FY 2021. The budget shifts these FTE Positions from the operating budget to align FTE Positions with the line item appropriation.

Statewide Adjustments

The budget includes an increase of \$67,000 from the Information Technology Fund in FY 2021 for statewide adjustments.

As part of the Arizona Strategic Enterprise Technology (ASET) Office, the office performs strategic planning, policy development, and risk assessment to protect the state's information resources. The IT Fund receives revenue from a 0.43% pro-rata charge on agency payroll.

Risk Management

Federal Transfer Payment

The budget includes no funding in FY 2021 for one-time payments to the federal government. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(3,933,100) from the Risk Management Revolving fund in FY 2021 to eliminate FY 2020 payments to the federal government for disallowed costs and for fund transfers in FY 2019.

The FY 2021 General Appropriation Act included an FY 2020 supplemental appropriation of \$3,933,100 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and for fund transfers in FY 2019. In addition, the FY 2021 General Appropriation Act also specifies that it is the intent of the Legislature that ADOA shall not enter into any agreements to pay for any federal reimbursements related to excess retained earnings in HITF, unless the proposed agreements are reviewed by the JLBC.

In order to receive Federal Funds, the state enters into a contractual obligation with the federal government, which restricts the use of these Federal Funds. If the state then uses these funds in restricted ways, the federal government requires that the state pay back a proportional share of these funds. (*Please see the [Federal Financial Participation Repayment](#) section in Other Issues for more information.*)

Risk Management Administrative Expenses

The budget includes \$8,747,200 from the Risk Management Revolving Fund in FY 2021 for Risk Management Administrative Expenses. This amount is unchanged from FY 2020.

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

Risk Management Losses and Premiums

The budget includes \$46,178,400 from the Risk Management Revolving Fund in FY 2021 for Risk Management Losses and Premiums. This amount is unchanged from FY 2020.

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

Workers' Compensation Losses and Premiums

The budget includes \$31,830,300 from the Risk Management Revolving Fund in FY 2021 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2020.

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

Support Services

Government Transformation Office

The budget includes \$2,076,800 from the State Web Portal Fund in FY 2021 for the Government Transformation Office (GTO). FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$68,500 from the State Web Portal Fund in FY 2021 for statewide adjustments.

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

State Surplus Property Sales Agency Proceeds

The budget includes \$1,810,000 from the State Surplus Materials Revolving Fund in FY 2021 for State Surplus Property Sales Agency Proceeds. This amount is unchanged from FY 2020.

This line item separates surplus sales proceeds returned to agencies from the division's operating budget. The surplus property yard returns 90% of sales proceeds to the agency from which the property originated. The yard retains 10% of the proceeds to fund its operations.

Other

Public Safety Regional Communications

The budget includes no funding in FY 2021 for Public Safety Regional Communications. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(271,000) from the General Fund in FY 2021 to eliminate one-time funding for Sierra Vista Public Safety Communications.

The amount appropriated for the Public Safety Regional Communications line item shall be distributed to the city of Sierra Vista for technology infrastructure maintenance at the Southeastern Arizona Communications Center.

Southwest Defense Contracts

The budget includes \$25,000 from the General Fund in FY 2021 for Southwest Defense Contracts. This amount is unchanged from FY 2020.

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

Other Issues

This section includes information on the following topics:

- FY 2020 Supplemental
- Health Insurance Trust Fund
- Risk Management Revolving Fund
- Federal Financial Participation Repayment

FY 2020 Supplemental

Laws 2020, Chapter 20 provides \$145,849.53 in FY 2020 supplemental funding to various agencies for Named Claimants. This amount consists of:

	<u>Claim Amount</u>
<u>General Fund</u>	
Department of Administration	873.72
Department of Corrections	101,388.09
<u>Other Appropriated Funds</u>	
Department of Administration	
Capital Outlay Stabilization Fund	12,829.05
Risk Management Revolving Fund	26,248.02

State Surplus Materials Revolving Fund	957.27
Industrial Commission of Arizona	
Administration Fund	3,553.38

(Please see the Other Issues - [Federal Financial Participation Repayment](#) section for an additional supplemental.)

Health Insurance Trust Fund

The Health Insurance Trust Fund (HITF) is used to administer state employee health insurance benefit plans. Funding consists of employer and employee medical and dental insurance contributions.

HITF has experienced financial issues for several years. As a result, the FY 2020 budget included \$10.5 million from the General Fund and \$34.4 million in total funds for the one-time employer premium increase. The FY 2021 budget removed the FY 2020 one-time employer premium and replaces it with a new one-time employer premium statewide increase. The FY 2021 budget includes \$22.0 million from the General Fund and \$73.0 million in total funds for the one-time employer premium increase (see Table 1).

Table 1

Health Insurance Trust Fund

Balance Sheet

(\$ in millions)

	Actual FY 2019	Estimated FY 2020	Estimated FY 2021
Beginning Balance	147.7	117.0	59.9
Base Receipts	832.3	823.5	823.5
Employer One-Time Premium Increase	31.2	34.4	73.0
Employee Ongoing Premium Increase	0.0	0.0	4.7
Net Revenues	1,011.2	974.9	961.1
Base Expenses	888.9	920.9	938.2
1/20 Plan Revisions	0.0	(11.2)	(15.9)
1/21 Plan Revisions	0.0	0.0	(18.9)
Administration	5.3	5.3	5.3
Net Expenses	894.2	915.0	908.7
Ongoing Balance ^{1/}	(61.9)	(91.5)	(80.5)
Ending Cash Balance	117.0	59.9	52.4

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

To further reduce costs, ADOA has also implemented changes to employee premiums, copays, and deductibles. At its September 2017 and June 2018 meetings, the JLBC gave unfavorable reviews of ADOA's proposed changes. However, ADOA proceeded with the changes as proposed. At the June 2019 JLBC meeting, ADOA proposed additional changes to employee deductibles and out-of-pocket maximums. The Committee received the report with no further action.

At the April 2020 JLBC meeting, ADOA proposed changes to the plan structure including premiums and deductible which would shift \$23.6 million in costs to employees in FY 2021. The Committee gave a favorable review of the proposal.

For FY 2020, the fund is projected to have an ongoing shortfall of \$(91.5) million but a cash balance of \$59.9 million. With the one-time employer premium contribution increase and the ongoing impact of ADOA's changes to employee costs, HITF has a projected ongoing shortfall of \$(80.5) million in FY 2021 and an ending cash balance of \$52.4 million.

As a self-insured fund, the state assumes the direct risk for payment of claims and should therefore retain a sufficient balance to ensure claims can be paid in the event of fluctuations in cash flow or catastrophic expenses. The recommended reserve is between \$50.0 million to \$100.0 million, equal to approximately 1 month's claim expenses.

Risk Management Revolving Fund

ADOA's Risk Management Division annually levies a charge on all state agencies to provide funding to pay the state's property and liability losses and workers' compensation losses, and to purchase insurance coverage for losses not covered under our self-insured limits. The revenue generated from the charges to agencies is deposited in the Risk Management Revolving Fund.

Property and liability losses, along with workers' compensation losses, comprise the majority of Risk Management Revolving Fund expenditures.

In recent years, Risk Management expenditures have been significantly lower than fund revenue. Even with transfers of Risk Management monies to other agencies and transfers to the General Fund to help balance the budget, the fund has consistently had an ending balance over \$50 million.

Table 2 depicts actual balance, revenue, and expenditure information for FY 2019 as well as the estimated amounts

for FY 2020 and FY 2021. Due to the unpredictable nature of the Risk Management program, ADOA tends to estimate future expenditures above historical spending levels. *Table 2* also includes an adjusted FY 2021 expenditure estimate, which is closer to historical spending levels. Under this adjusted estimate, the FY 2021 ending balance would be \$64.2 million.

As a result of the large balance in the Risk Management Revolving Fund, monies from the fund have been used to support other agencies in recent years. The use of the funding has typically been in circumstances where the lack of funding would result in potential liability to the state.

Table 2			
Risk Management Revolving Fund			
	(\$ in thousands)		
	Actual FY 2019	Estimated 2020	Estimated 2021
Beginning Balance	69,104.8	73,473.3	65,393.7
Revenues	<u>105,082.6</u>	<u>110,251.2</u>	<u>110,251.1</u>
Total Funds Available	174,187.4	183,724.5	175,644.8
Expenditures			
ADOA	76,343.4	94,579.9	117,885.5
Federal Repayment	<u>9,168.4</u>	<u>3,933.1</u>	<u>0.0</u>
ADOA Subtotal	85,511.8	98,513.0	117,885.5
Other Agencies			
DPS	1,345.3	1,345.3	1,345.3
DCS	3,770.0	0.0	2,602.0
Attorney General	<u>10,070.0</u>	<u>9,590.0</u>	<u>9,590.0</u>
Other Agencies Subtotal	15,185.3	10,935.3	13,537.3
Other Legislative			
Transfers	0.0	0.0	0.0
Admin Adjustment	<u>17.0</u>	<u>8,882.5</u>	<u>0.0</u>
Total Expenditures	100,714.1	118,330.8	131,422.8
Ending Balance	73,473.3	65,393.7	44,222.0
Spending			
Adjustment ^{1/}	0.0	0.0	(20,000.0)
Adjusted Expenditures	<u>100,714.1</u>	<u>118,330.8</u>	<u>111,422.8</u>
Revised Balance	73,473.3	65,393.7	64,222.0

^{1/} Would reduce projected expenditures closer to historical ongoing spending levels which would increase the revised ending balance.

In addition to funding other agencies, the balance was used to refund a portion of certain fund balances to the federal government of \$9,168,500 in FY 2019 and \$3,933,100 in FY 2020. (Please see the [Federal Transfer Payment](#) section above, and the [Federal Financial Participation Repayment](#) section below, for more information.)

Federal Financial Participation Repayment

In order to receive Federal Funds, the state enters into a contractual obligation with the federal government, which restricts some uses of these Federal Funds. If the state then uses these funds in restricted ways, the federal government requires that the state pay back a proportional share of these funds.

Fund Transfers

As part of its budget balancing, the state transferred monies from several ADOA funds to the General Fund in the past. The federal government contributed to several of those funds. For example, the state's Risk Management Revolving Fund is funded from charges to state agencies. These agencies may use Federal Funds to pay their charge. If part of the fund balance is transferred to the General Fund, the federal government bills the state to have a proportionate share of the transfer paid back to the federal government.

Disallowed Costs

The federal government does not allow the use of Federal Funds to pay state agency charges in certain circumstances. For example, the state's oversight of Information Technology (IT) projects was previously funded by an assessment charged to each agency as a percentage of payroll expenses. The federal government disallowed the use of Federal Funds to be spent on this type of oversight, because the costs to administer the program are charged proportionately to all agencies, and are not based on a fee-for-service model. As a result, the federal government billed the state a proportionate share if state agencies use Federal Funds to pay for these disallowed costs. Project oversight is now funded through the Automation Operations Fund which generates revenue through fees to agencies for services. A portion of each fee is cost allocated to ASET administration including oversight. The federal government has not yet audited the cost allocation to determine if any costs are still disallowed.

Excess Retained Earnings

Certain enterprise funds carry a balance beyond the annual needs of the fund in order to provide some stability of cash flow. The federal government, however, charges the state for their proportionate share of excess fund balances above any amount that would fund more than 1/6th of the fiscal years' expenditures, or 60 days of working capital. In the past, the state has successfully negotiated not to be charged for excess fund balances in HITF.

FY 2020

The FY 2021 General Appropriation Act included an FY 2020 supplemental appropriation of \$3,933,100 appropriation for the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and fund transfers in FY 2019. This amount consists of:

- \$2,948,900 related to fund transfers from 9 different funds in FY 2019, primarily a transfer from the Automation Operations Fund to the Automation Projects Fund.
- \$180,000 related to interest on fund transfers.
- \$468,600 related to payments made from the Risk Management Revolving Fund which has federal financial participation.
- \$17,200 related to interest on payments.
- \$318,400 related to excess retained earnings in the IT Fund.

Amounts owed for FY 2020 will be paid in FY 2021 through a supplemental appropriation. The final appropriated amount will be determined once ADOA reaches agreement with the federal government.

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

Arizona Department of Administration - Automation Projects Fund

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
INDIVIDUAL PROJECTS ^{1/2/3/4/}			
Department of Administration Subaccount			
Full Time Equivalent Positions	15.0	0	0
e-Procurement System Replacement ^{5/}	6,058,100	0	0
Business One-Stop Shop Web Portal	0	1,000,000	0
ASET Initiatives			
State Data Center	2,615,500	0	0
Security, Privacy, and Risk	4,242,800	0	0
Project Management	818,200	0	0
E-Government	639,300	0	0
HRIS Replacement Feasibility Study/Upgrade	228,200	0	0
ASET Initiatives Subtotal	8,544,000	0	0
Department of Administration Subtotal	14,602,100	1,000,000	0
Department of Agriculture Subaccount			
Weights and Measures IT Assessment	0	200,000	0
Department of Child Safety Subaccount ^{6/}			
CHILDS Replacement	6,284,400	10,100,000	4,992,800
Department of Corrections ^{5/}			
AIMS Replacement	3,045,000	0	0
Department of Education Subaccount			
Education Learning and Accountability System	0	3,000,000	0
Department of Environmental Quality Subaccount			
e-Licensing	2,217,000	0	0
Department of Financial Institutions Subaccount			
e-Licensing	1,400,000	0	0
Arizona State Lottery Commission			
Information Technology System Upgrade	1,450,000	0	0
Arizona Medical Board Subaccount			
Cloud Migration	0	300,000	0
Department of Public Safety Subaccount			
Arizona Criminal Justice Information System	550,000	2,301,000	0
Microwave System Upgrade	2,019,800	0	0
Concealed Weapon Tracking System	0	410,000	0
Department of Public Safety Subtotal	2,569,800	2,711,000	0
TOTAL - ALL PROJECTS ^{7/}	31,568,300	17,311,000	4,992,800

FUND SOURCES

Other Appropriated Funds

Automation Projects Fund	23,826,000	0	0
Department of Administration APF Subaccount	5,030,500	1,000,000	0
Department of Agriculture APF Subaccount	0	200,000	0
Department of Child Safety APF Subaccount	0	10,100,000	4,992,800
Department of Education APF Subaccount	0	3,000,000	0
Department of Environmental Quality APF Subaccount	617,000	0	0
Department of Financial Institutions APF Subaccount	1,400,000	0	0

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
Medical Board APF Subaccount	0	300,000	0
Department of Public Safety APF Subaccount	694,800	2,711,000	0
SUBTOTAL - Other Appropriated Funds	31,568,300	17,311,000	4,992,800
SUBTOTAL - Appropriated Funds ^{8/}	31,568,300	17,311,000	4,992,800
TOTAL - ALL SOURCES	31,568,300	17,311,000	4,992,800

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

FOOTNOTES

- 1/ General Fund monies are transferred into the Automation Projects Fund to finance certain projects. See *Table 1* for all fund transfers into the APF. These individual transfers are discussed in the narrative as part of the individual projects listed in the Automation Projects Fund.
- 2/ Represents expenditures from the APF. Because many of the APF appropriations are spent over multiple years, the FY 2019 actual column also includes non-lapsing expenditures from FY 2017, FY 2018, and FY 2019 appropriations.
- 3/ The amounts appropriated pursuant to this section from the Automation Projects Fund established by A.R.S. § 41-714 in FY 2019 are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2020. (FY 2019 General Appropriation Act footnote)
- 4/ The amounts appropriated pursuant to this section from the Automation Projects Fund established by A.R.S. § 41-714 in FY 2020 are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2021. (FY 2020 General Appropriation Act footnote)
- 5/ For the funding for the Department of Administration e-Procurement system replacement project and the State Department of Corrections Inmate Information Management System Replacement, any remaining balances on June 30, 2017 in the Automation Projects Fund established by A.R.S. § 41-714, are appropriated through FY 2020 for the same purpose as specified in FY 2017. (FY 2020 General Appropriation Act footnote)
- 6/ The amount appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2020-2021 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations until June 30, 2022. (General Appropriation Act footnote)
- 7/ The department of administration shall submit to the joint legislative budget committee, within thirty days after the last day of each calendar quarter, a quarterly report on implementing projects approved by the information technology authorization committee established by section 18-121, Arizona Revised Statutes, including the projects' expenditures to date, deliverables, timeline for completion and current status. (General Appropriation Act footnote)
- 8/ The transfers into the automation projects fund established by section 41-714, Arizona Revised Statutes, as outlined in this section are not appropriations out of the automation project fund. Only direct appropriations out of the automation projects fund are appropriations. (General Appropriation Act footnote)

Background

The APF is administered by ADOA and consists of monies appropriated by the Legislature. Monies in the fund are used to implement, upgrade, or maintain automation and information technology (IT) projects for any state agency. ADOA is required to establish a subaccount for each agency that implements an IT project funded through APF. Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit an expenditure plan to the Joint Legislative Budget Committee (JLBC) for review that includes project costs,

deliverables, timeline for completion and method of procurement.

Pursuant to A.R.S. § 18-121, the Information Technology Authorization Committee (ITAC) is required to approve or disapprove all IT projects that exceed a total cost of \$1,000,000 and IT projects that involve more than one state agency if the collective project costs are expected to be more than \$1,000,000. If project costs are greater than \$5,000,000, A.R.S. § 18-104 requires an additional third-party analysis from an independent contracted vendor before receiving ITAC approval and requires agencies to submit quarterly progress reports from the

third-party consultant to ITAC and the JLBC, which include project expenditures, deliverables, timeline for completion, and status updates. Unless otherwise noted, appropriations are non-lapsing for 2 years.

Department of Administration Subaccount

e-Procurement System Replacement

The budget includes no funding in FY 2021 for the replacement of the state's e-Procurement system. This amount is unchanged from FY 2020.

A total of \$12,000,000 was appropriated between FY 2017 and FY 2019 to replace the state's e-procurement system. The FY 2019 budget made the FY 2017 appropriation non-lapsing through FY 2019.

ADOA reported that the total project cost is \$12,081,400 including \$10,381,400 to purchase commercial off-the-shelf software, \$1,000,000 to integrate the software with the Arizona Financial Information System (AFIS), and \$700,000 for internal project costs. The system went live in October 2018. The FY 2020 budget extended the lapsing status of the project's appropriation through FY 2020 to complete further modifications to the new system.

The state's previous e-Procurement system, ProcureAZ, was implemented in 2010. The system serves as an online, publicly available, official procurement record and allows state agencies to manage solicitations, requisitions, and purchase orders, and notify registered vendors of available solicitations.

Business One-Stop Shop Web Portal

The budget includes no funding in FY 2021 for the Business One-Stop Shop Web Portal. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(1,000,000) from the ADOA APF Subaccount in FY 2021 for design costs associated with the development of a Business One-Stop Shop Web Portal. The web portal would serve as a streamlined application center for starting a business in Arizona including licensing requirements, trade name registration and TPT and municipal privilege tax registration.

The FY 2020 appropriation of \$1,000,000 was financed by a transfer from the General Fund into the ADOA APF Subaccount.

In September 2019, the Committee gave a favorable review of ADOA's expenditure plan for a public-use prototype and assessment of statewide costs. The prototype is limited to the agencies and functionality required to create a new domestic Liability Corporation (LLC), Professional LLC, Sole Proprietorship, or General Partnership in Arizona. This includes:

- Submission of the Arizona Joint Tax Application (JT-1) (excluding foreign entities and contractors) (Department of Revenue)
- Trade Name search and status verification (Secretary of State)
- Creation of a new Arizona LLC or PLLC by domestic entities (Corporation Commission)
- New entity name reservations (Corporation Commission and Secretary of State)
- Small business checklist that provides users with relevant resources and links to additional out-of-scope requirements such as permits and licenses (Arizona Commerce Authority)

ADOA completed the prototype in the spring of 2020 but put demonstrations on hold due to the COVID-19 pandemic.

ASET Initiatives

The budget includes no funding in FY 2021 for ADOA's Arizona Strategic Enterprise Technology (ASET) Office projects. This amount is unchanged from FY 2020.

While the FY 2020 budget included no funding for ASET initiatives, the FY 2019 appropriation is non-lapsing through FY 2020.

Department of Agriculture Subaccount

Weights and Measures IT Assessment

The budget includes no funding in FY 2021 for an assessment of the Weights and Measures IT System. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(200,000) from the Department of Agriculture APF Subaccount in FY 2021 for an assessment to modernize the Weights and Measures IT system. The FY 2020 appropriation of \$200,000 was financed by a transfer from the Air Quality Fund into the Department of Agriculture APF Subaccount.

The system is used to track and manage licenses, invoices, complaints, and inspections for the Weights and

Measures division. The current system was built in-house and is prone to errors due to obsolete code. The FY 2020 funding will assist in determining the scope of an upgrade or replacement of the system. In September 2019, the Committee gave a favorable review of the project.

Department of Child Safety Subaccount

CHILDS Replacement

The budget includes \$4,992,800 from the DCS APF Subaccount in FY 2021 to replace the CHILDS system. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(10,100,000) from the DCS APF Subaccount in FY 2021 to eliminate one-time funding for the project. The FY 2020 appropriation of \$10,100,000 was financed by a transfer from the General Fund into the DCS APF Subaccount.

Appropriate Unused Project Balances

The budget includes an increase of \$4,992,800 from the DCS APF Subaccount in FY 2021 to continue funding for the CHILDS Replacement project. The \$4,992,800 appropriation would be financed by a transfer from unused prior year Automation Projects Fund balances associated with the CHILDS Replacement project. DCS anticipates the \$4,992,800, along with other resources, would be sufficient to complete the project as outlined below.

Through FY 2020, the Legislature appropriated a total of \$35,784,600 for the CHILDS Replacement project. Including the 50% federal IV-E match, these resources were originally projected to result in cumulative total resources for the project of \$71,569,200 through FY 2020. DCS projects that it needs an additional \$6,791,300 in state match resources (\$13,582,500 in Total Funds) to complete the project in FY 2021, which would bring cumulative project funding to \$42,575,900 in state funds (\$85,151,800 Total Funds).

In its FY 2021 budget submittal, DCS reported that it received approval from the federal government to re-finance the CHILDS Replacement project. DCS is being allowed to fund development expenses using excess dollars from its IV-E waiver. As a result of the re-financing, DCS reverted \$4,992,800 of its FY 2018 APF appropriation for CHILDS Replacement to the APF. The FY 2021 budget re-appropriates this funding from APF in to the APF DCS Subaccount in FY 2021

In addition, DCS also refinanced an additional \$1,898,400 of its FY 2019 CHILDS appropriation, which does not lapse until June 30, 2020 and therefore will allow the department to reduce spending of its FY 2020 appropriation by an equivalent amount. The \$1,898,400 of unspent FY 2020 monies would then also be available for expenditure in FY 2021, as the FY 2020 appropriation will not lapse until June 30, 2021.

As a result, under DCS' plan, the department has a total of \$6,891,200 of APF monies available for the project for FY 2021, which would be matched with an equivalent amount of federal IV-E funds, bringing total resources for the project to \$13,782,400 in FY 2021. DCS believes these amounts are sufficient to complete the project.

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

Pursuant to A.R.S. § 18-104, DCS has contracted with a third-party vendor to provide additional oversight for the project. The most recent quarterly review from May 2020 indicated that the project continues to be on track.

Department of Corrections

AIMS Replacement

The budget includes no funding in FY 2021 for the replacement of the Adult Inmate Management System (AIMS) at the Department of Corrections (ADC). This amount is unchanged from FY 2020.

The FY 2017 budget included \$8,000,000 from the APF for the third and final year of a \$24,000,000 project to replace the AIMS at ADC. The FY 2018 budget appropriated any remaining FY 2017 AIMS project balances for use in FY 2018. The FY 2019 and FY 2020 budgets subsequently extended the appropriation through FY 2019 and FY 2020, respectively.

The AIMS system assists in the tracking, identification, population management, sentencing calculations, and the appeals and grievances processes for inmates in the correctional system. A contract was awarded to a vendor to oversee the modification of a commercial "off the shelf" system to fit the needs of ADC. Project costs include the off-the-shelf software, configuration, training, and equipment.

Pursuant to A.R.S. § 18-104, ADC has contracted with a third-party vendor to provide additional oversight for the project. The project has encountered several problems that have delayed its completion, including more customization than originally anticipated, a more detailed validation process for data migration, more complex reporting requirements, and a newly discovered sentence calculation change. ADC expected the project to exceed the original budget by \$6,900,000. To cover this increased cost, ADC utilized \$4,900,000 from its operating budget and \$2,000,000 from the non-appropriated Indirect Cost Fund.

The new system went live on November 29, 2019. ADC put a freeze on any further change orders prior to the "go live" date. ADC is currently evaluating the success of the implementation and assessing if additional development post-implementation will be required. The system continues to have critical bugs and the department uses manual work-arounds for some issues. At the May 2020 Information Technology Authorization Committee (ITAC) meeting, the department reported that the development of the project is complete, and they will move into a maintenance and operations contract with the vendor. The contract includes 10,000 hours annually for further development and maintenance as well as 10,000 hours one-time in FY 2021 to resolve outstanding issues.

The department estimates an ongoing maintenance cost of \$2,165,000 annually. These costs can be covered from the savings from the previous costs of maintaining the legacy system.

Department of Education Subaccount

Education Learning and Accountability System

The budget includes no funding in FY 2021 for the Education Learning and Accountability System. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(3,000,000) from the ADE APF Subaccount in FY 2021 for further development of the Education Learning and Accountability System (ELAS) at ADE. ELAS is intended to allow ADE to collect, compile, maintain, and report student level data for students enrolled in public schools. The funding will begin the replacement of the school finance portions of SAIS ("APOR" and "CHAR") that compute formula funding entitlements for school districts and charter schools.

The FY 2020 appropriation of \$3,000,000 was financed by a transfer from the Empowerment Scholarship Account Fund into the ADE APF Subaccount.

Before expending the \$3,000,000 from FY 2020, ADOA directed ADE to solicit a Request for Proposals (RFP) for a contracted vendor to complete the project. In October 2019, however, ADE cancelled the RFP due to a lack of qualified bidders for the project. As a result, ADE intends to develop the school finance system internally. At its December 2019 meeting, JLBC favorably reviewed ADE's plan to expend the \$3,000,000 to begin replacement of CHAR, which ADE expects to be completed by May 2021. Pursuant to A.R.S. § 18-104 ADE plans to reengage with its third-party reviewer during the development of CHAR.

ADE estimates that an additional \$6,000,000 will be needed to complete the replacement of the school finance portions of SAIS. The department therefore currently plans to request the remaining \$6,000,000 to complete the project in FY 2022 and FY 2023. (*See the Department of Education - Education Learning and Accountability System section for more information.*)

Department of Environmental Quality Subaccount

E-Licensing

The budget includes no funding in FY 2021 for e-Licensing. This amount is unchanged from FY 2020.

Between FY 2014 and FY 2019, a total of \$23,200,000 has been appropriated to automate 80 business processes within ADEQ allowing customers to conduct additional permitting, billing, payment, and data submissions online. Beyond FY 2019, ADEQ estimates this project will cost an additional \$16,300,000 and take an additional 3 years to complete. The FY 2020 budget did not include additional funding for the project and ADEQ will use current project balances in FY 2020 to continue to the project.

Pursuant to A.R.S. § 18-104, DEQ contracted with a third-party consultant for project oversight. In the April 2020 2019 report, the vendor gave an overall favorable evaluation of DEQ's progress in incorporating recommendations from the previous third-party report while noting that DEQ continues to improve in project development velocity and online services delivery costs.

Arizona Medical Board Subaccount

Cloud Migration

The budget includes no funding in FY 2021 for cloud migration. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(300,000) from the Medical Board APF Subaccount in FY 2021 to begin to migrate board data to the cloud. The board plans to move data from a physical server that supports its daily operations and website to a cloud provider which will reduce hardware needs and increase security. The FY 2020 appropriation funds an assessment to migrate data to the cloud as well as some initial migration.

The FY 2020 appropriation of \$300,000 was financed by a transfer from the Medical Examiners Board Fund into the Medical Board APF Subaccount.

In September 2019, the Committee gave a favorable review of the project.

Department of Public Safety Subaccount

Arizona Criminal Justice Information System

The budget includes no funding in FY 2021 for upgrades to the Arizona Criminal Justice Information System (ACJIS). FY 2021 adjustments are as follows:

Eliminate One-time Funding

The budget includes a decrease of \$(2,301,000) from the DPS APF Subaccount in FY 2021 for the completion of the ACJIS project.

The FY 2020 appropriation of \$2,301,000 was financed by a transfer from Arizona Highway Patrol Fund into the DPS APF Subaccount.

ACJIS is the state's central repository for criminal history information including criminal history records, wanted persons, stolen vehicles, stolen property, and other information used in background checks. These funds will allow DPS to continue the process of upgrading ACJIS applications to a modern coding language which will allow for increased access by state and local users and help prepare the program for an eventual migration from the mainframe computer to another data storage system.

Microwave System Upgrade

The budget includes no funding in FY 2021 for upgrades to the statewide Microwave Radio System. This amount is unchanged from FY 2020.

The statewide microwave radio system is a series of towers situated on mountain tops and divided into 3 loops that allow law enforcement and other state and local agencies to communicate with dispatch centers while in the field. In CY 2007, DPS began upgrading the statewide microwave radio system from analog to digital technology. Of the 3 loops, work on the southern loop was completed in FY 2011 and work on the western loop was completed in FY 2018.

At its December 2017 meeting, the JLBC favorably reviewed an engineering study of the northern loop which was completed in July 2019. Based off the third-party assessment, DPS estimates the northern loop will cost \$45,000,000, which they propose to fund at \$9,000,000 over 5 years.

Concealed Weapons Tracking System

The budget includes no funding in FY 2021 for upgrades to the Concealed Weapons Tracking System. FY 2021 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(410,000) from the DPS APF Subaccount in FY 2021 to eliminate one-time funding to replace the Concealed Weapons Tracking System. The system tracks concealed weapon permits and allows law enforcement to verify permits. The current system uses antiquated mainframe technology. The new system will interface with other law enforcement systems and allow the public to renew permits online.

The FY 2020 appropriation of \$410,000 was financed by a transfer from the Concealed Weapons Permit Fund into the DPS APF Subaccount. The FY 2020 budget assumed no additional funding would be required to complete the project. However, the project has not yet started due to increased project costs.

Table 1

Automation Projects Fund Transfers

(\$ in thousands)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
<u>Department of Administration Subaccount</u>			
General Fund		1,000.0	
Automation Operations Fund	5,330.0		
State Web Portal Fund	3,517.0		
Personnel Division Fund	171.9		
<u>Department of Agriculture Subaccount</u>			
Air Quality Fund		200.0	
<u>Department of Child Safety Subaccount</u>			
General Fund	5,000.0	10,100.0	
Automation Projects Fund			4,992.8
<u>Department of Education Subaccount</u>			
Empowerment Scholarship Fund		3,000.0	
<u>Department of Environmental Quality Subaccount</u>			
Underground Storage Tank Revolving Fund	1,400.0		
Permit Administration Fund	1,800.0		
<u>Department of Financial Institutions Subaccount</u>			
Receivership Fund	1,400.0		
<u>Arizona Medical Board Subaccount</u>			
Medical Examiners Fund		300.0	
<u>Department of Public Safety Subaccount</u>			
Public Safety Equipment Fund	1,250.0		
Concealed Weapons Permit Fund		410.0	
Highway Patrol Fund	2,806.2	2,301.0	

Office of Administrative Hearings

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	563,900	565,000	592,100
Employee Related Expenditures	210,700	216,800	221,400
Other Operating Expenditures	94,200	108,000	108,000
AGENCY TOTAL	868,800	889,800	921,500 ^{1/}
FUND SOURCES			
General Fund	868,800	889,800	921,500
SUBTOTAL - Appropriated Funds	868,800	889,800	921,500
Other Non-Appropriated Funds	753,200	793,900	793,900
TOTAL - ALL SOURCES	1,622,000	1,683,700	1,715,400

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

FOOTNOTES

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

Operating Budget

The budget includes \$921,500 and 12 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$31,700 from the General Fund in FY 2021 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Arizona Commission of African-American Affairs

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	68,800	83,100	87,000
Employee Related Expenditures	30,100	25,000	26,200
Travel - Out of State	600	3,200	3,200
Other Operating Expenditures	18,600	16,800	16,800
Equipment	100	0	0
AGENCY TOTAL	118,200	128,100	133,200 ^{1/}
FUND SOURCES			
General Fund	118,200	128,100	133,200
SUBTOTAL - Appropriated Funds	118,200	128,100	133,200
Other Non-Appropriated Funds	7,100	20,000	20,000
TOTAL - ALL SOURCES	125,300	148,100	153,200

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

FOOTNOTES

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

Operating Budget

The budget includes \$133,200 and 3 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$5,100 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Department of Agriculture

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	205.3	209.3	209.3 ^{1/2/}
Personal Services	5,750,000	5,897,300	5,693,800
Employee Related Expenditures	2,507,700	2,887,400	3,147,400
Professional and Outside Services	175,500	239,000	239,000
Travel - In State	636,100	783,500	711,100
Travel - Out of State	54,000	56,000	53,300
Other Operating Expenditures	1,262,100	1,685,800	1,731,400
Equipment	273,800	525,300	175,300
OPERATING SUBTOTAL	10,659,200	12,074,300	11,751,300
SPECIAL LINE ITEMS			
Agricultural Consulting and Training	128,300	128,500	128,500
Agricultural Employment Relations Board	23,300	23,300	23,300
Animal Damage Control	65,000	65,000	65,000
Nuclear Emergency Management Program	274,700	301,400	280,500 ^{3/4/}
Red Imported Fire Ant Control	23,200	23,200	23,200
AGENCY TOTAL	11,173,700	12,615,700	12,271,800 ^{5/}

FUND SOURCES

General Fund	9,470,300	10,865,500	10,492,200
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,428,700	1,448,800	1,499,100
Nuclear Emergency Management Fund	274,700	301,400	280,500
SUBTOTAL - Other Appropriated Funds	1,703,400	1,750,200	1,779,600
SUBTOTAL - Appropriated Funds	11,173,700	12,615,700	12,271,800
Other Non-Appropriated Funds	13,699,900	14,297,300	14,763,900
Federal Funds	6,858,100	5,820,700	5,820,700
TOTAL - ALL SOURCES	31,731,700	32,733,700	32,856,400

AGENCY DESCRIPTION — The Arizona Department of Agriculture administers and enforces agriculture-related statutes. The department regulates certain phases of food production (such as milking, butchering, and harvesting) to guard public health and to ensure product quality. The department administers programs to protect livestock and crops from pests and diseases and to protect farm workers who handle agricultural chemicals. It also tests certain non-food agricultural products to ensure product quality and content, as well as providing administrative support to several agricultural product promotion groups. The Weights and Measures Service Division inspects, tests and licenses commercial weighing and measuring devices. The Division of Pest Management licenses and regulates professional pest control companies and conducts examinations of the applicators of structural pesticides.

FOOTNOTES

- 1/ Includes 2.88 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ Includes 2.88 OF FTE Positions appropriated by Laws 2019, Chapter 24.
- 3/ Laws 2019, Chapter 24 appropriated \$301,376 and 2.88 FTE Positions in FY 2020 and \$280,512 and 2.88 FTE Positions in FY 2021 from the Nuclear Emergency Management Fund.
- 4/ Pursuant to A.R.S. § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations; however, any unexpended monies shall be used to reduce the assessment and appropriation in future years.
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$11,751,300 and 206.4 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$10,252,200
Air Quality Fund	1,499,100

FY 2021 adjustments are as follows:

Agricultural Lab Relocation

The budget includes an increase of \$69,600 from the General Fund in FY 2021 for increased rental costs associated with the relocation of the State Agricultural Lab. The State Agricultural Lab was relocated to Chandler in FY 2020 but the department's lease for that fiscal year was prorated to reflect only 10 months of utilization at the new facility. The increased funding will be used to pay the additional 2 months of rental cost for a full 12-month lease agreement in FY 2021.

Industrial Hemp Licensing

The budget includes a decrease of \$(750,000) from the General Fund in FY 2021 to remove one-time start-up funding for the industrial hemp program. The program will receive ongoing funding from the non-appropriated Industrial Hemp Trust Fund, which receives revenue from industrial hemp licensing fees.

Statewide Adjustments

The budget includes an increase of \$357,400 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	307,100
Air Quality Fund	50,300

(Please see the Agency Detail and Allocations section.)

Agricultural Consulting and Training

The budget includes \$128,500 from the General Fund in FY 2021 for the Agricultural Consulting and Training line item. This amount is unchanged from FY 2020.

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

Agricultural Employment Relations Board

The budget includes \$23,300 from the General Fund in FY 2021 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2020.

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

Animal Damage Control

The budget includes \$65,000 from the General Fund in FY 2021 for the Animal Damage Control line item. This amount is unchanged from FY 2020.

This line item funds agreements with the U.S. Department of Agriculture to control, dispatch, or relocate predatory animals and noxious rodents, which are injurious to livestock, poultry, agriculture, other industries, or the public health.

Nuclear Emergency Management Program

The budget includes \$280,500 and 2.88 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2021 for the Nuclear Emergency Management Program line item. FY 2021 adjustments are as follows:

Realign NEMF Assessment

The budget includes a decrease of \$(20,900) from the NEMF in FY 2021 to realign the agency's NEMF appropriation with the FY 2021 NEMF assessment.

Laws 2019, Chapter 24 appropriated \$301,376 and 2.88 FTE Positions from the NEMF to the department in FY 2020 and \$280,512 and 2.88 FTE Positions in FY 2021. As a result, these monies do not appear in the General Appropriation Act. The Department of Health Services (DHS), the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2019 - FY 2021 are displayed in *Table 1*. *(Please see the Department of Health Services and the Department of Emergency and Military Affairs narratives for more information.)*

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

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

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

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

Red Imported Fire Ant Control

The budget includes \$23,200 from the General Fund in FY 2021 for the Red Imported Fire Ant Control line item. This amount is unchanged from FY 2020.

This line item funds ongoing pest exclusion efforts aimed at preventing the introduction of the red imported fire ant. The state has successfully suppressed isolated infestations of red imported fire ants and continues to be federally certified as free from this pest.

Other Issues

Statutory Changes

The Revenue Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2021, including legislative intent that limits additional revenues to \$357,000.

Table 1

Nuclear Emergency Management Fund

Agency	FY 2019		FY 2020		FY 2021	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	5.5	\$1,461,602	5.5	\$1,458,753	5.5	\$1,506,116
Health Services	5.5	789,663	5.5	789,663	5.5	789,663
Agriculture	<u>2.88</u>	<u>275,012</u>	<u>2.88</u>	<u>301,376</u>	<u>2.88</u>	<u>280,512</u>
Total	13.88	\$2,526,277	13.88	\$2,549,792	13.88	\$2,576,291

^{1/} The Emergency and Military Affairs appropriation includes the appropriations for the Maricopa County Department of Emergency Management and the City of Buckeye.

Arizona Health Care Cost Containment System

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,339.3	2,339.3	2,339.3 ^{1/}
Personal Services	40,747,000	42,662,000	43,409,600
Employee Related Expenditures	17,412,600	18,179,200	19,520,000
Professional and Outside Services	12,510,100	12,917,500	12,917,500
Travel - In State	98,300	100,300	100,300
Travel - Out of State	34,900	37,600	37,600
Other Operating Expenditures	15,810,100	27,408,200	17,530,200
Equipment	211,600	215,500	215,500
OPERATING SUBTOTAL	86,824,600	101,520,300	93,730,700 ^{2/}
SPECIAL LINE ITEMS			
Administration			
ADOA Data Center	15,697,100	19,325,800	19,325,800
DES Eligibility	88,083,900	88,874,500	88,874,500 ^{3/}
Proposition 204 - AHCCCS Administration	19,998,500	13,155,200	13,550,000 ^{4/}
Proposition 204 - DES Eligibility	34,457,800	44,358,700	44,358,700 ^{4/}
Medicaid Services			
Traditional Medicaid Services	5,048,492,700	5,430,928,700	5,743,961,500 ^{5/6/7/8/}
Proposition 204 Services	3,878,692,600	4,361,864,800	4,585,376,000 ^{7/8/}
Adult Expansion Services	467,661,400	546,388,900	572,108,200
Comprehensive Medical and Dental Program	177,748,300	189,646,200	197,732,200 ^{7/}
KidsCare Services	73,207,800	105,406,300	92,088,200
ALTCS Services	1,598,027,600	1,852,398,400	1,966,345,300 ^{9/10/11/}
Behavioral Health Services in Schools	9,943,700	9,990,000	18,003,300
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	76,729,900	77,646,900	77,646,900 ^{12/}
Supported Housing	5,324,800	5,324,800	5,324,800
Crisis Services	16,391,300	16,391,300	16,391,300
Hospital Payments			
Disproportionate Share Payments	4,202,300	5,087,100	5,087,100 ^{13/}
DSH Payments - Voluntary Match	7,439,800	41,591,700	27,137,600 ^{8/14/}
Graduate Medical Education	335,141,000	399,567,100	357,621,200 ^{8/15/-18/}
Graduate Medical Education - Community Health Centers	0	750,000	0
Rural Hospitals	28,612,400	28,612,400	28,612,400
Safety Net Care Pool	0	0	0 ^{8/19/}
Targeted Investments Program	65,903,400	90,000,000	70,000,000
AGENCY TOTAL	12,038,580,900	13,428,829,100	14,023,275,700 ^{20/-24/}
FUND SOURCES			
General Fund	1,745,626,100	1,806,726,700	1,951,981,100
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	3,756,200	3,906,400	4,037,400
Children's Health Insurance Program Fund	77,051,800	104,650,200	81,348,200
Prescription Drug Rebate Fund - State	148,213,400	150,526,700	148,459,600
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	17,469,200	16,216,300	16,216,300
Tobacco Tax and Health Care Fund - Medically Needy Account	66,143,900	66,861,800	65,627,200

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
SUBTOTAL - Other Appropriated Funds	314,884,700	344,411,600	317,938,900
SUBTOTAL - Appropriated Funds	2,060,510,800	2,151,138,300	2,269,920,000
<u>Expenditure Authority Funds</u>			
Arizona Tobacco Litigation Settlement Fund	98,938,500	102,000,000	102,000,000
County Funds	269,364,900	341,403,200	351,691,000
Delivery System Reform Incentive Payment Fund	20,496,000	28,062,400	21,686,700
Federal Medicaid Authority	8,492,754,100	9,586,211,400	9,999,369,800
Hospital Assessment Fund	270,895,900	351,103,600	408,220,600
Nursing Facility Provider Assessment Fund	28,030,200	32,989,600	32,989,600
Political Subdivision Funds	116,667,900	191,867,700	193,345,100
Prescription Drug Rebate Fund - Federal	644,237,200	609,060,300	609,060,300
Third Party Liability and Recovery Fund	0	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account	36,685,400	34,797,900	34,797,900
SUBTOTAL - Expenditure Authority Funds	9,978,070,100	11,277,690,800	11,753,355,700
SUBTOTAL - Appropriated/Expenditure Authority Funds	12,038,580,900	13,428,829,100	14,023,275,700
Other Non-Appropriated Funds	111,245,400	112,233,800	112,233,800
Federal Funds	139,715,200	169,495,100	169,495,100
TOTAL - ALL SOURCES	12,289,541,500	13,710,558,000	14,305,004,600

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

FOOTNOTES

- 1/ Includes 619.3 GF and 696.8 EA FTE Positions funded from Special Line Items in FY 2021.
- 2/ Of the amount appropriated for the operating lump sum, \$100,000 shall be used for a suicide prevention coordinator to assist school districts and charter schools in suicide prevention efforts. The Arizona health care cost containment system administration, in consultation with the department of education, shall report to the governor, the president of the senate, the speaker of the house of representatives, the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting on or before September 1, 2021 on the suicide prevention coordinator's accomplishments in fiscal year 2020-2021. (General Appropriation Act footnote)
- 3/ The amount appropriated for the DES eligibility line item shall be used for intergovernmental agreements with the department of economic security for eligibility determination and other functions. The state general fund share may be used for eligibility determination for other programs administered by the division of benefits and medical eligibility based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- 4/ The amounts included in the proposition 204 - AHCCCS administration, proposition 204 - DES eligibility and proposition 204 services line items include all available sources of funding consistent with section 36-2901.01, subsection B, Arizona Revised Statutes. (General Appropriation Act Footnote)
- 5/ The Arizona health care cost containment system administration shall transfer up to \$1,200,000 from the traditional medicaid services line item for fiscal year 2020-2021 to the attorney general for costs associated with tobacco settlement litigation. (General Appropriation Act footnote)
- 6/ The Arizona health care cost containment system administration shall transfer \$836,000 from the traditional medicaid services line item for fiscal year 2020-2021 to the department of revenue for enforcement costs associated with the March 13, 2013 master settlement agreement with tobacco companies. (General Appropriation Act footnote)
- 7/ The legislature intends that the percentage attributable to administration and profit for the regional behavioral health authorities be nine percent of the overall capitation rate. (General Appropriation Act footnote)
- 8/ The expenditure authority fund source includes voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program or treat low-income patients and for payments to qualifying providers affiliated with teaching hospitals. The political subdivision portions of the fiscal year 2020-2021 costs of graduate medical education, disproportionate share payments - voluntary match, safety net care pool, traditional

medicaid services, proposition 204 services and adult expansion services line items are included in the expenditure authority fund source. (General Appropriation Act footnote)

- 9/ Any federal monies that the Arizona health care cost containment system administration passes through to the department of economic security for use in long-term care for persons with developmental disabilities do not count against the long-term care expenditure authority above. (General Appropriation Act footnote)
- 10/ Pursuant to section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2020-2021 nonfederal costs of providing long-term care system services is \$305,872,000. This amount is included in the expenditure authority fund source. (General Appropriation Act footnote)
- 11/ Any supplemental payments received in excess of \$110,814,900 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2020-2021, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2020-2021. Before spending these increased monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. These payments are included in the expenditure authority fund source. (General Appropriation Act footnote)
- 12/ On or before June 30, 2021, the Arizona health care cost containment system administration shall report to the joint legislative budget committee on the progress in implementing the Arnold v. Sarn lawsuit settlement. The report shall include, at a minimum, the administration's progress toward meeting all criteria specified in the 2014 joint stipulation, including the development and estimated cost of additional behavioral health service capacity in Maricopa county for supported housing services for 1,200 class members, supported employment services for 750 class members, eight assertive community treatment teams and consumer operated services for 1,500 class members. The administration shall also report by fund source the amounts it plans to use to pay for expanded services. (General Appropriation Act footnote)
- 13/ The \$5,087,100 appropriation for disproportionate share payments for fiscal year 2020-2021 made pursuant to section 36-2903.01, subsection O, Arizona Revised Statutes, includes \$4,202,300 for the Maricopa county health care district and \$884,800 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)
- 14/ Any monies received for disproportionate share hospital payments from political subdivisions of this state, tribal governments and any university under the jurisdiction of the Arizona board of regents, and any federal monies used to match those payments, in fiscal year 2020-2021 by the Arizona health care cost containment system administration in excess of \$27,137,600 are appropriated to the administration in fiscal year 2020-2021. Before spending these increased monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
- 15/ Any monies for graduate medical education received in fiscal year 2020-2021, including any federal matching monies, by the Arizona health care cost containment system administration in excess of \$357,621,200 are appropriated to the administration in fiscal year 2020-2021. Before spending these increased monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
- 16/ Notwithstanding section 36-2903.01, subsection G, paragraph 9, subdivisions (a), (b) and (c), Arizona Revised Statutes, the amount for graduate medical education includes \$3,333,400 from the state general fund and \$7,781,700 from expenditure authority for the direct and indirect costs of graduate medical education programs located in a county with a population of less than five hundred thousand persons. The state general fund amount may supplement, but not supplant, voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program. The administration shall prioritize distribution to programs at hospitals in counties with a higher percentage of persons residing in a health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)
- 17/ Notwithstanding section 36-2903.01, subsection G, paragraph 9, subdivisions (a), (b) and (c), Arizona Revised Statutes, the amount for graduate medical education includes \$2,666,600 from the state general fund and \$6,225,000 from expenditure authority for the direct and indirect costs of graduate medical education programs located in a county with a population of more than five hundred thousand persons. The state general fund amount may supplement, but not supplant, voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program. The administration shall prioritize distribution to programs at hospitals in counties with a higher percentage of persons residing in a health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)
- 18/ Monies appropriated for graduate medical education in this section are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations until June 30, 2022. (General Appropriation Act footnote)
- 19/ Any monies received for the safety net care pool by the Arizona health care cost containment system administration in fiscal year 2020-2021, including any federal matching monies, are appropriated to the administration in fiscal year 2020-

2021. Before spending these monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)

- 20/ The nonappropriated portion of the prescription drug rebate fund established by section 36-2930, Arizona Revised Statutes, is included in the federal portion of the expenditure authority fund source. (General Appropriation Act footnote)
- 21/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the Arizona health care cost containment system administration shall report its expenditure plan for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 22/ The Arizona health care cost containment system administration shall report to the joint legislative budget committee on or before March 1, 2021 on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than two percent. Before implementing any changes in capitation rates, the administration shall report its expenditure plan for review by the joint legislative budget committee. Before the administration implements any change in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the administration shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal impact analysis demonstrates that this change will result in additional state costs of \$500,000 or more for any fiscal year, the administration shall submit the policy change for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 23/ On or before July 1, 2021, the Arizona health care cost containment system administration shall report to the director of the joint legislative budget committee the total amount of medicaid reconciliation payments and penalties received on or before that date since July 1, 2020. (General Appropriation Act footnote)
- 24/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS' FY 2021 General Fund spending increases by \$145,254,400 from FY 2020. This amount includes:

- \$134,016,900 for formula adjustments.
- \$(750,000) for removal of one-time funding of Graduate Medical Education in community health centers in Northern Arizona.
- \$3,000,000 for Graduate Medical Education funding in health professional shortage areas.
- \$8,000,000 for one-time funding of Behavioral Health Services in School for low-income, non-TXIX children.
- \$987,500 for statewide adjustments.

Below is an overview of FY 2021 formula adjustments, which *Table 1* summarizes. As part of the budget's 3-year spending plan AHCCCS' General Fund costs are projected to increase by \$77,923,600 in FY 2022 above FY 2021 and by \$38,606,500 in FY 2023 above FY 2022. These amounts do not reflect the potential impact of the COVID-19 pandemic and enhanced federal funding. (See the *Other Issues* section for more information.)

Formula Adjustments

Formula adjustments represent changes that occur under current law, including caseload, capitation, and federal match rate revisions. The budget includes an increase of \$134,016,900 from the General Fund in FY 2021 for the

following AHCCCS formula adjustments. This amount includes:

- \$221,761,200 for state match expenses associated with formula adjustments.
- \$(87,744,300) for changes in General Fund offsets.

Table 1

AHCCCS State Match Spending Changes (in millions)

State Match Formula Adjustments

FY 2020 Base Adjustment – Caseload	N/A
FY 2020 Base Adjustment – APSI	N/A
FY 2021 Caseload Growth	27
FY 2021 2.6% Capitation Rate Increase	96
FY 2021 Federal Medicaid Match Rate Change	68
FY 2021 Health Insurer Fee Restoration	31
<i>State Match Costs Subtotal</i>	<i>222</i>

Non-General Fund State Match Offsets

Political Subdivisions Fund Increase	N/A
Hospital Assessment Fund	(67)
County Funds Increase	(15)
Tobacco Tax Revenue Increase	(5)
<i>General Fund Offsets Subtotal ^{1/}</i>	<i>(88)</i>

Non-Formula Adjustments

North Country GME	(1)
GME/Health Professional Shortage Area	3
NTXIX Children's Behavioral Health	8
Statewide Adjustments	1
<i>Non-Formula Subtotal</i>	<i>11</i>

Total General Fund Spending Change **\$145**

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

FY 2020 Base Adjustment

In FY 2021, the budget continues \$45,978,600 in state costs for a rebase associated with higher-than-budgeted capitation rates, as well as \$69,839,100 for increased Access to Professional Services Initiative (APSI) spending. The state match portion of the FY 2020 base adjustment amounts to \$115,817,700. These amounts are also included in the FY 2020 supplemental appropriation. (See the *Other Issues* section for more information.)

Of the corresponding \$519,269,700 Total Fund continued increase, \$222,542,800, or 42.9%, is attributable to uniform percentage increases within APSI and the Pediatric Service Initiative (PSI). The initiatives, which provide enhanced financial support to professionals and pediatric units meeting established requirements, will receive uniform percentage increases of 85% and 36%, respectively, to their contracted rates.

FY 2021 Caseload Adjustment

Formula adjustments include enrollment growth for most populations. In FY 2021, the budget assumes 2.64% growth for ALTCS; 0.5% growth for Traditional, KidsCare, Childless Adults, and other Proposition 204 populations; and flat growth for Adult Expansion and CMDP populations. Overall, caseload growth is expected to increase state match expenses by \$27,326,500 and Total Funds expenses by \$125,350,700 in FY 2021. Table 2 displays historical and forecasted member months across AHCCCS populations. These budgeted caseloads do not reflect any adjustment for the impact of the COVID-19 pandemic including temporary eligibility changes. (See the *Other Issues* section for more information.)

FY 2021 Inflation Adjustments

The budget assumes a 2.6% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2020. This increase is based on a 5-year average of the medical care consumer price index. Inflation adjustments increase AHCCCS state costs by \$95,589,300 and Total Funds costs by \$415,698,200 in FY 2021. Approximately \$94,774,400, or 22.8%, of the Total Fund costs are associated with increased APSI/PSI spending.

FY 2021 Federal Match Rate Changes

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During SFY 2021, the standard blended FMAP rates will be as follows:

- Traditional Medicaid rate will increase to 70.01% (0.04 percentage point increase).

Table 2

AHCCCS Member Months ^{1/}

	June 2019 (Actual)	June 2020 (Forecast)	June 2021 (Forecast)	'20-'21 %
Population				
Traditional	1,009,019	1,009,019	1,014,064	0.5%
Prop 204 Childless Adults	319,925	335,921	337,601	0.5
Other Proposition 204	185,961	187,820	188,759	0.5
Adult Expansion	76,825	76,825	76,825	0.0
KidsCare	34,318	35,588	35,766	0.5
CMDP	13,147	13,147	13,147	0.0
ALTCS - Elderly & Physically Disabled ^{2/}	31,241	32,234	33,085	2.64
Emergency Services	112,234	112,234	112,795	0.5
Total Member Months	1,782,670	1,802,788	1,812,042	0.5%

^{1/} The figures represent June 1 enrollment.

^{2/} The ALTCS program funded in AHCCCS. An additional 35,601 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of June 1, 2020.

- Proposition 204 Childless Adult rate will decrease to 90.0% (a 1.5 percentage point decrease).
- Adult Expansion rate will decrease to 90.0% (a 1.5 percentage point decrease).
- CHIP rate will decrease to 82.04% (a 10.8 percentage point decrease).

The budget includes an increase of \$67,526,100 in state costs in FY 2021 as a result of these primarily declining FMAP rates.

These FMAP costs do not reflect any adjustment for the impact of the enhanced FMAP authorized by the federal government to address the COVID-19 pandemic. (See the *Other Issues* section for more information.)

Health Insurer Fee Restoration

The budget includes an increase of \$31,319,300 in state funds for the restoration of the Affordable Care Act Health Insurer Fee in FY 2021. A federal continuing resolution (P.L.115-120) imposed a one-time moratorium on the fee in CY 2019. While the Health Insurer Fee is being restored in FY 2021 and FY 2022, the Consolidated Appropriations Act of 2020 repeals the fee beginning in FY 2023.

Non-General Fund State Match Items

The gross state match contribution from FY 2021 caseload growth, inflation, and federal match rate changes is projected to increase by \$221,761,200. The Non-General Fund state match is forecast to offset \$(87,744,300) of this cost, resulting in a net General Fund change of \$134,016,900. When combined with legislatively-mandated changes, or non-formula adjustments, the net General Fund change increases to \$145,254,400.

The non-General Fund state match offsets are as follows:

- An increase of \$67,348,700 from the Hospital Assessment Fund in FY 2021 to continue to cover the physical health costs of enrollees in the Proposition 204 and Adult Expansion programs.
- An increase of \$15,384,200 in County Funds, mostly for ALTCS.
- An increase of \$4,618,200 from tobacco tax revenues to reflect higher-than-budgeted receipts. While receipts continue to decline, they did not decline as quickly as projected in the FY 2020 budget.

Operating Budget

The budget includes \$93,730,700 and 1,023.2 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$29,481,000
Children's Health Insurance Program (CHIP) Fund	5,676,500
Prescription Drug Rebate Fund (PDRF) - State	661,700
Federal Medicaid Authority (FMA)	57,911,500

FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(9,878,000) in FY 2021 to remove one-time funding for operating expenses associated with AHCCCS' information technology systems for Asset Verification, Electronic Visit Verification, and Provider Management. This amount consists of:

PDRF - State	(2,068,000)
Federal Medicaid Authority	(7,810,000)

Statewide Adjustments

The budget includes an increase of \$2,088,400 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	843,400
CHIP Fund	102,500
PDRF - State	900
Federal Medicaid Authority	1,141,600

(Please see the Agency Detail and Allocations section.)

Administration

ADOA Data Center

The budget includes \$19,325,800 in FY 2021 for the Arizona Department of Administration (ADOA) Data Center. This amount consists of:

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

These amounts are unchanged from FY 2020.

This line item funds charges paid by AHCCCS to ADOA pursuant to an interagency service agreement through which ADOA provides mainframe computing services to AHCCCS, including storage of medical records for AHCCCS enrollees.

DES Eligibility

The budget includes \$88,874,500 and 885 FTE Positions in FY 2021 for DES Eligibility services. These amounts consist of:

General Fund	25,491,200
Federal Medicaid Authority	63,383,300

These amounts are unchanged from FY 2020.

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

Proposition 204 - AHCCCS Administration

The budget includes \$13,550,000 and 131 FTE Positions in FY 2021 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,353,400
PDRF - State	60,900
Federal Medicaid Authority	9,135,700

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$394,800 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	144,100
Federal Medicaid Authority	250,700

Proposition 204 expanded AHCCCS eligibility. This line item contains funding for AHCCCS' administration costs of the Proposition 204 program.

Proposition 204 - DES Eligibility

The budget includes \$44,358,700 and 300.1 FTE Positions in FY 2021 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,684,800
Budget Neutrality Compliance Fund (BNCF)	4,037,400
Federal Medicaid Authority	23,636,500

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(131,000) from the General Fund and a corresponding increase of \$131,000 from the BNCF in FY 2021 to reflect an increase of county contributions in FY 2021 as required by A.R.S. § 11-292.

Background – The BNCF is comprised of contributions from Arizona counties for administrative costs of the implementation of Proposition 204. Prior to the proposition, the counties funded and administered the

health care program for some of the Proposition 204 population. This line item contains funding for eligibility costs in DES for the Proposition 204 program.

Medicaid Services

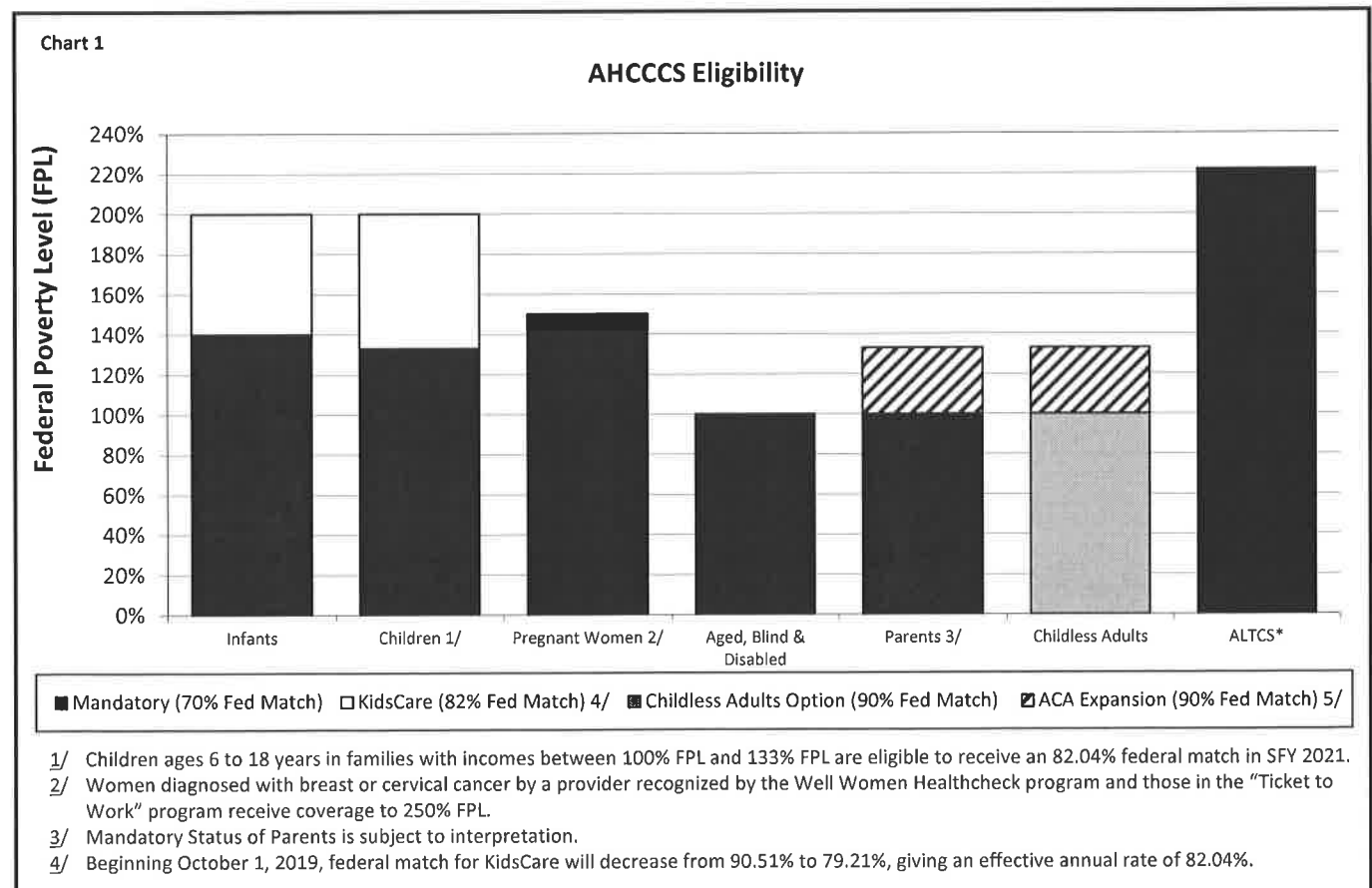
AHCCCS oversees acute care, behavioral health services, and long-term care services for Medicaid enrollees.

Chart 1 shows the income eligibility limits for each AHCCCS population in FY 2021. A description of program components can be found in the *Other Issues* section.

Traditional Medicaid Services

The budget includes \$5,743,961,500 in FY 2021 for Traditional Medicaid Services. This amount consists of:

General Fund	1,277,622,300
County Funds	45,819,000
Political Subdivision Funds	73,818,600
PDRF - State	140,158,600
TTHCF - Medically Needy Account	65,627,200
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	3,568,082,800



FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$313,032,800 in FY 2021 for formula adjustments. This amount consists of:

General Fund	74,803,100
County Funds	(342,700)
Political Subdivision Funds	20,748,900
TTHCF - Medically Needy Account	(1,234,600)
Federal Medicaid Authority	219,058,100

These adjustments include:

- FY 2020 rebase due to higher-than-budgeted capitation costs.
- 0.5% FY 2021 enrollment growth.
- An increase in the blended federal match rate from 69.97% in SFY 2020 to 70.01% in SFY 2021.
- 2.6% capitation rate increase.
- Restoration of the Health Insurer Fee.
- \$3,874,600 increase from the TTHCF - Medically Needy Account with a corresponding General Fund decrease.
- \$(342,700) decrease in the Maricopa County Acute Care contribution (County Funds) under A.R.S. § 11-292 with a corresponding General Fund increase.

Background – Traditional Medicaid Services funds acute care and behavioral health services of the following populations:

- Children under 1, up to 140% of the federal poverty level (FPL).
- Children aged 1-18, up to 133% FPL.
- Pregnant women, up to 150% FPL.
- Aged, blind, and disabled adults, up to 75% FPL.
- Parents, up to 22% FPL.
- Women diagnosed with breast or cervical cancer by a provider recognized by DHS' Well Women Healthcheck program up to 250% FPL.
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL ("Ticket to Work").

Proposition 204 Services

The budget includes \$4,585,376,000 in FY 2021 for Proposition 204 Services. This amount consists of:

General Fund	121,211,500
Hospital Assessment Fund	364,184,700
Political Subdivision Funds	7,394,800
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	16,216,300
TPTF Proposition 204 Protection Account	34,797,900
Federal Medicaid Authority	3,939,570,800

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$223,511,200 in FY 2021 for formula adjustments. This amount consists of:

General Fund	20,423,200
Hospital Assessment Fund	49,608,400
Political Subdivision Funds	447,800
Federal Medicaid Authority	153,031,800

These adjustments include:

- FY 2020 rebase due to higher-than-budgeted capitation costs.
- 0.5% FY 2021 enrollment growth.
- An increase in the federal match rate for the non-childless adult population from 69.97% in SFY 2020 to 70.01% in SFY 2021.
- A decrease in the federal match rate for the childless adult population from 91.50% in SFY 2020 to 90.00% in SFY 2021.
- 2.6% capitation rate increase.
- Restoration of the Health Insurer Fee.
- \$743,600 increase from the TPTF - Proposition 204 Protection Account due to higher-than-expected tobacco tax revenues and a corresponding decrease of \$(743,600) in other state costs.

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

Adult Expansion Services

The budget includes \$572,108,200 in FY 2021 for Adult Expansion Services. This amount consists of:

General Fund	7,361,600
Hospital Assessment Fund	44,035,900
Political Subdivision Funds	624,500
Federal Medicaid Authority	520,086,200

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$25,719,300 in FY 2021 for formula adjustments. This amount consists of:

General Fund	1,536,100
Hospital Assessment Fund	7,508,600
Political Subdivision Funds	34,600
Federal Medicaid Authority	16,640,000

These adjustments include:

- FY 2020 rebase due to higher-than-budgeted capitation costs.
- Flat FY 2021 enrollment growth.
- A decrease in the federal match rate from 91.50% in SFY 2020 to 90.00% in SFY 2021.
- 2.6% capitation rate increase.
- Restoration of the Health Insurer Fee.

Background – The Adult Expansion Services line item funds Medicaid services for adults from 100% to 133% FPL who are not eligible for another Medicaid program. While the federal government previously paid 100% of the cost of this population, the federal share gradually declined to 90% by CY 2020.

Pursuant to A.R.S. § 36-2901.07 and Laws 2013, First Special Session, Chapter 10, coverage of this population is discontinued if any of the following occur: 1) the federal matching rate for adults in this category or childless adults falls below 80%; 2) the maximum amount that can be generated from the hospital assessment is insufficient to pay for the newly-eligible populations; or 3) the Federal ACA is repealed.

Comprehensive Medical and Dental Program

The budget includes \$197,732,200 in FY 2021 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	59,250,900
Federal Medicaid Authority	138,481,300

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$8,086,000 in FY 2021 for formula adjustments. This amount consists of:

General Fund	2,274,900
Federal Medicaid Authority	5,811,100

These adjustments include:

- FY 2020 rebase due to higher-than-budgeted capitation costs.
- Flat FY 2021 enrollment growth.
- An increase in the federal match rate from 69.97% in SFY 2020 to 70.01% in SFY 2021.
- 2.6% capitation rate increase.

Background – This line item provides coverage to CMDP eligible children. CMDP is the health plan responsible for

providing health services for children in foster care. The Department of Child Safety (DCS) administers the physical health services of the population while AHCCCS administers the behavioral health services through contracts with Regional Behavioral Health Authorities (RHBAs). Laws 2019, Chapter 305 authorizes the integration of physical health services and behavioral health services under a single plan administered by DCS if sufficient funding is available. (*Please see the [CMDP Integration section](#) of the Department of Child Safety narrative for additional information.*)

KidsCare Services

The budget includes \$92,088,200 in FY 2021 for KidsCare Services. This amount consists of:

General Fund	16,214,400
Political Subdivision Funds	362,100
CHIP Fund	75,511,700

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(13,318,100) in FY 2021 for formula adjustments. This amount consists of:

General Fund	10,035,700
Political Subdivision Funds	50,700
CHIP Fund	(23,404,500)

These adjustments include:

- FY 2020 rebase due to lower-than-budgeted enrollment costs. While the FY 2020 budget originally included \$106.5 million for KidsCare, the FY 2020 cost is now estimated at \$88.5 million.
- 0.5% FY 2021 enrollment growth.
- A decrease in the federal match rate from 92.88% in SFY 2020 to 82.04% in SFY 2021.
- 2.6% capitation rate increase.

Background – The KidsCare program, also referred to as the Children's Health Insurance Program (CHIP), provides health coverage to children in families with incomes between 133% and 200% FPL, above the levels required for the regular AHCCCS program. Families of KidsCare members are charged a monthly premium of \$10 to \$70, depending on level of family income and number of children enrolled in the program.

KidsCare is funded with the federal CHIP Block Grant and state matching dollars. The federal monies are deposited into the CHIP Fund, and the CHIP Fund is then

appropriated, along with the General Fund match, to fund KidsCare.

For additional program history, please refer to the [FY 2020 Appropriations Report](#).

ALTCS Services

The budget includes \$1,966,345,300 in FY 2021 for ALTCS Services. This amount consists of:

General Fund	265,435,600
County Funds	305,872,000
Political Subdivision Funds	1,150,900
PDRF - State	7,578,400
PDRF - In Lieu of Federal Funds	36,422,000
Nursing Facility Provider Assessment Fund	32,989,600
Federal Medicaid Authority	1,316,896,800

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$113,946,900 in FY 2021 for formula adjustments. This amount consists of:

General Fund	25,072,000
County Funds	10,630,500
Political Subdivision Funds	161,100
Federal Medicaid Authority	78,083,300

These adjustments include:

- 2.64% FY 2021 enrollment growth.
- An increase in the federal match rate from 69.97% in SFY 2020 to 70.01% in SFY 2021.
- 2.6% capitation rate increase.
- Restoration of the Health Insurer Fee.

Although the FY 2020 General Appropriation Act sets supplemental payments for nursing facilities serving ALTCS patients at \$108,386,600 for FY 2020, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed JLBC that it expects to expend \$116,971,600 in total nursing facilities payments in FY 2020, or \$8,585,000 more than appropriated in the FY 2020 budget. The FY 2020 appropriation has been adjusted to reflect the \$116,971,600 level.

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$27,000 per person. The federal government requires coverage of individuals up to 100% of the Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or \$9,368 per person. In addition to state funding, AHCCCS charges

assessments on nursing facilities to receive matching Federal Funds that are used to make supplemental payments to facilities for covered expenditures.

Clients contribute to the cost of their care based on their income and living arrangement, with institutionalized members contributing more of their income to the cost of their care. For FY 2020, AHCCCS estimates that client contributions will pay for 4.1%, or \$58.7 million, of the cost of care.

From October 1, 2012, to September 30, 2015, Laws 2012, Chapter 213 allowed AHCCCS to set the amount of and charge a provider assessment on health items and services provided to ALTCS enrollees by nursing facilities that are not paid for by Medicare. Laws 2015, Chapter 39 continues the assessment through September 30, 2023. The assessment ranges from \$1.80 to \$15.63 per day of patient care. Pursuant to A.R.S. § 36-2999.52, AHCCCS may not increase rates to a level that generates assessment revenues more than 3.5% of facilities' net patient revenues.

Behavioral Health Services in Schools

The budget includes \$18,003,300 in FY 2021 for Behavioral Health Services in schools. This amount consists of:

General Fund	11,000,000
Federal Medicaid Authority	7,003,300

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$13,300 from Federal Medicaid Authority due to a change in the federal match rate.

NTXIX Children's Behavioral Health Services

The budget includes an increase of \$8,000,000 from the General Fund in FY 2021 for a one-time deposit into the Children's Behavioral Health Services Fund established in Laws 2020, Chapter 4. This funding will be used to pay contractors for behavioral health services rendered to low-income, non-Medicaid students.

Background – This line item funds behavioral health services at or near public school campuses for both Medicaid-eligible and non-Medicaid students. AHCCCS plans to use \$1,000,000 of this funding for an interagency service agreement with the Arizona Department of Education for administration of Mental Health First Aid training in public schools. Of the remaining funds, \$9,003,300 will be allocated to behavior health providers

contracted with AHCCCS health plans working directly in schools. The other \$8,000,000 will be used to pay contracted behavioral health providers for services provided to uninsured or underinsured non-Medicaid students. (See the *Other Issues* section for more information.)

Non-Medicaid Behavioral Health Services

Non-Medicaid Seriously Mentally Ill Services

The budget includes \$77,646,900 from the General Fund in FY 2021 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2020.

Background – This line item provides funding for Non-Medicaid SMI clients. The state had been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population. (Please see footnotes for more information on service targets established by the *Arnold v. Sarn* exit agreement and see the FY 2015 Appropriations Report for a history of the case.)

Supported Housing

The budget includes \$5,324,800 from the General Fund in FY 2021 for Supported Housing. This amount is unchanged from FY 2020.

Background – This line item funds housing services that enable individuals to live in the community. These funds are distributed to the RBHAs and may serve Medicaid and 100% state funded recipients. Medicaid, however, does not provide a match for housing assistance.

In addition to the \$5,324,800 for Supported Housing in this line item, the RBHAs may also expend monies in the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing services. The RBHAs report expending \$22,302,000 of their allocation from the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing Services in SFY 2018.

Crisis Services

The budget includes \$16,391,300 in FY 2021 for Crisis Services. This amount consists of:

General Fund	14,141,100
Substance Abuse Services Fund	2,250,200

These amounts are unchanged from FY 2020.

Background – This line item provides funding for persons in need of emergency behavioral health assistance. These services may include 24-hour crisis telephone lines, crisis mobile teams, and facility-based crisis services.

Hospital Payments

These line items represent supplemental payments made to hospitals and other providers separate from Medicaid service payments.

Disproportionate Share Hospital Payments Overview

The Disproportionate Share Hospital (DSH) program provides supplemental payments of federal and state dollars to hospitals that serve a large, or disproportionate, number of low-income patients. The total amount of eligible funding has historically been adjusted for annual changes in prices and the federal match rate.

Reduction in Federal DSH Payments

The Consolidated Appropriations Act of 2020 delayed nationwide DSH payment reductions until May 2020, which the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) further delayed until December 1, 2020. The CARES Act also reduced the scheduled DSH cut from \$(8.0) billion to \$(4.0) billion in FY 2021, with \$(8.0) billion cuts remaining in fiscal years 2022-2025.

Arizona's estimated federal DSH allocation in FY 2021 is \$119.7 million. As a result, a proportionate (30.7)% reduction in Arizona's DSH allotment would generate a net loss of Federal Funds of \$(36.7) million in FY 2021.

Relative to the FY 2021 budget, if the \$(36.7) million proportionate reduction occurs, the current DSH methodology would result in a \$(19.1) million Federal Funds reduction to eliminate the availability of the DSH Voluntary program and a \$(17.6) million reduction in the deposit of federal dollars in the General Fund for uncompensated care at Maricopa Integrated Health System (MIHS) (also called the Maricopa Medical Center).

Given that Congress has enacted multiple delays to the ACA's DSH payment reductions to states, the budget does not incorporate the \$(36.7) million federal funding loss in FY 2021. The budget instead assumes that Arizona's DSH allocation would be adjusted in FY 2021 according to the regular federal formula, as outlined below.

FY 2020 Uncompensated Care Adjustments

AHCCCS reported in June 2020 that MIHS will only qualify for \$95,696,000 in uncompensated care in FY 2020, or \$(18,122,500) less than the \$113,818,500 limit specified in

the FY 2020 Health Budget Reconciliation Bill (BRB). As a result, the FY 2020 DSH voluntary appropriation increases by \$611,500 from \$40,980,200 to \$41,591,700, while the General Fund deposit decreases to \$83,314,600 -- \$(12,116,900) lower than what was assumed in the enacted budget, or \$(20,939,200) lower than what was assumed in the JLBC June budget update.

Increase in Uncompensated Care Payments

In FY 2021, the state's total DSH payments are estimated to increase by \$12,074,200 from \$158,241,600 in FY 2020 to \$170,315,800 due to federal adjustments for inflation and the FMAP, reflecting pre-June 2020 estimates of the level of uncompensated care at MIHS. Of the \$170,315,800 of eligible DSH funding in FY 2021, \$128,054,700 is distributed according to the allocations described below and listed in *Table 3*.

The remaining \$42,261,100 of eligible funding represents existing expenditures used as part of the state match.

For more information regarding public hospital distributions, private hospital distributions, and DSH voluntary match distributions, please refer to the [Hospital Payments](#) program summary on the JLBC website.

Disproportionate Share Payments

The budget includes \$5,087,100 in FY 2021 for Disproportionate Share Payments. This amount consists of:

General Fund	265,400
Federal Medicaid Authority	4,821,700

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(100) from Federal Medicaid Authority and a corresponding increase of \$100 from the General Fund in FY 2021 due to a change in the federal match rate.

Of the \$5,087,100 of total funds appropriated by the budget in the Disproportionate Share Payments line, \$884,800 represents distributions to private hospitals including \$265,400 from the General Fund and \$619,400 in federal expenditure authority. In FY 2018, there were 31 private hospitals that received DSH payments. The remaining \$4,202,300 represents federal matching funds that the state appropriates to MIHS.

DSH Payments - Voluntary Match

The budget includes \$27,137,600 in FY 2021 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	8,135,900
Federal Medicaid Authority	19,001,700

FY 2021 adjustments are as follows:

Table 3		
Disproportionate Share Hospital Payments		
Eligible Funding ^{1/}	FY 2020 ^{2/}	FY 2021
MIHS - CPE	\$ 95,696,000	\$ 113,818,500
ASH - CPE	28,474,900	28,474,900
Private Hospitals	884,800	884,800
DSH Voluntary Match	<u>41,591,700</u>	<u>27,137,600</u>
Total Funding	\$ 166,647,400	\$ 170,315,800
General Fund		
Retain FF of CPE (via MIHS)	\$ 63,245,500	\$ 75,812,100
Retain FF of CPE (via ASH)	<u>20,069,100</u>	<u>20,017,900</u>
Subtotal - General Fund	\$ 83,314,600	\$ 95,830,000
Other Entities		
State MIHS	\$ 4,202,300	\$ 4,202,300
Private Hospitals	884,800	884,800
Subtotal - Other Entities	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>
Total DSH Distributions	\$ 88,401,700	\$ 100,917,100
Voluntary Match	\$ 41,591,700	\$ 27,137,600
Total Distributions	\$ 129,993,400	\$ 128,054,700
^{1/} Amounts include state and federal match funding.		
^{2/} Assumes certifiable uncompensated care at MIHS is at the established funding level of \$113.8 million.		

Decreased Funding

The budget includes a decrease of \$(14,454,100) in FY 2021 due to a decrease in Arizona's allocation of federal DSH funding. This amount consists of:

Political Subdivision Funds	(4,150,000)
Federal Medicaid Authority	(10,304,100)

While the FY 2020 General Appropriation Act displays a \$40,980,200 appropriation for FY 2020, it presumed \$97,304,100 in uncompensated care at MIHS based on the FY 2018 level of uncompensated care. AHCCCS has since reported that MIHS will only qualify for \$95,696,000 in uncompensated care in FY 2020. The FY 2020 DSH voluntary appropriation is adjusted from \$40,980,200 to \$41,591,700 to reflect the revised level of uncompensated care, which allows the voluntary match level to increase slightly.

Background – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The Health BRB continues a provision that gives priority to eligible rural hospitals when allocating voluntary match DSH payments and continues to permit AHCCCS to include MIHS in allocations of voluntary match DSH payments if MIHS' CPE and matching Federal Funds exceed \$113,818,500 in FY 2021.

Graduate Medical Education

The budget includes \$357,621,200 in FY 2021 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	6,000,000
Political Subdivision Funds	101,858,300
Federal Medicaid Authority	249,762,900

FY 2021 adjustments are as follows:

Decreased Funding

The budget includes a decrease of \$(52,008,900) in FY 2021 due to a decrease in GME payments. This amount consists of:

Political Subdivision Funds	(15,815,700)
Federal Medicaid Authority	(36,193,200)

Although the FY 2020 General Appropriation Act displays a \$303,551,500 appropriation for FY 2020, a footnote appropriates any additional payments in excess of that amount. In June 2020, AHCCCS informed JLBC that it expects to expend \$399,567,100 in total GME payments in FY 2020, or \$96,015,600 more than appropriated in the FY

2020 budget. The FY 2020 appropriation has been adjusted to the \$399,567,100 level (see Table 4).

Table 4

Graduate Medical Education Expenditures

	FY 2020	FY 2021
Expenditure Categories		
Locally Funded GME	\$ 293,607,800	\$ 337,614,500
FY 2020 Rebase	96,015,600	0
GME Subtotal	\$ 389,623,400	\$ 337,614,500
HPSA GME	\$ 9,943,700	\$ 20,006,700
Total Revenues	\$ 399,567,100	\$ 357,621,200

Health Professional Shortage Areas

The budget includes an increase of \$10,063,000 in FY 2021 for GME payments to hospitals located in health professional shortage areas. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	7,063,000

With this increase, \$20,006,700 Total Funds will be available for Health Professional Shortage Areas, or \$6,000,000 from the General Fund and \$14,006,700 from Federal Medicaid Authority.

A pair of General Appropriation Act footnotes instructs AHCCCS how to allocate the \$20,006,700 total amount for this program. The budget allocates \$5,595,000 Total Funds of the increase for GME programs located in a county with less than 500,000 persons and the remaining \$4,468,000 to programs in counties with a population of more than 500,000 persons. The General Fund amount may supplement, but not supplant, existing political subdivision funds for GME programs. AHCCCS shall prioritize funding for hospitals located in federally-designated health professional shortage areas.

The 3-year spending plan associated with the enacted FY 2020 budget assumes that the General Fund appropriation for Graduate Medical Education program will increase from \$3,000,000 in FY 2020 to \$6,000,000 in FY 2021 and \$9,000,000 in FY 2022. The \$9,000,000 in FY 2022 would include a \$5,000,000 allocation for rural GME program and \$4,000,000 for urban GME programs. The funding phase-in assumes that the recipient hospitals would increase the number of slots for incoming residents in FY 2020 and each successive class thereafter, but that the number of slots for the cohorts already enrolled in the program (i.e., that started in FY 2019 or before) would remain unchanged. As a result, the full phase-in of the larger number of slots would occur incrementally until FY 2022.

Background – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. Besides the use of General Fund monies, A.R.S. § 36-2903.01 allows local, county, and tribal governments, along with public universities to provide state match for GME, and entities may designate the recipients of such funds. In FY 2019, 16 hospitals received a total of \$335,140,967 for Graduate Medical Education.

Graduate Medical Education - Community Health Centers

The budget includes no funding in FY 2021 for Graduate Medical Education - Community Health Centers. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(750,000) from the General Fund in FY 2021 for one-time funding of graduate medical education in community health centers to address health care provider shortages in Northern Arizona.

Background – Monies in this line item are distributed to a nonprofit organization with a network of community health centers that includes GME programs in Northern Arizona.

Rural Hospitals

The budget includes \$28,612,400 in FY 2021 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	8,580,800
Federal Medicaid Authority	20,031,600

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$2,800 from the General Fund and a corresponding decrease of \$(2,800) from Federal Medicaid Authority in FY 2021 due to a change in the federal match rate.

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

prior year. In FY 2019, 19 hospitals qualified for funding from Rural Hospital Reimbursement and 10 from CAH.

Safety Net Care Pool

The budget includes no funding in FY 2021 for the Safety Net Care Pool (SNCP) program. This amount is unchanged from FY 2020.

Background – The SNCP program funds unreimbursed costs incurred by hospitals in caring for uninsured and AHCCCS recipients. Local governments or public universities provide the state match, and the voluntary contributions receive an approximate 2:1 match from the federal government.

In April 2012, AHCCCS received federal approval to establish the SNCP program. While this program was originally expected to end on December 31, 2013, the FY 2014 Health and Welfare BRB allowed Phoenix Children's Hospital (PCH) to continue to participate in the SNCP program through December 31, 2017. The FY 2018 Health BRB again extended the date PCH may participate in the program to December 31, 2020. While federal funding for the program ended December 31, 2017, the budget continues to provide spending authority due to the program being extended midway through FY 2021.

Targeted Investments Program

The budget includes \$70,000,000 in FY 2021 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	21,686,700
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	48,313,300

FY 2021 adjustments are as follows:

Decreased Funding

The budget includes a decrease of \$(20,000,000) in FY 2021 to reflect resources authorized by the federal government for the Targeted Investments Program. This amount consists of:

DSRIP Fund	(6,375,700)
Federal Medicaid Authority	(13,624,300)

Background – In January 2017, the Centers for Medicare and Medicaid Services (CMS) approved AHCCCS' request to create a Targeted Investments Program. AHCCCS began using the program in FY 2018 to make incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services. CMS has authorized up to \$300 million in total funds for the

program from FY 2018 through FY 2022. The state portion of the program's cost is funded from certified public expenditures for existing state-funded programs and voluntary contributions from local governments and public universities.

Other Issues

This section includes information on the following topics:

- FY 2020 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Health Care Investment Fund
- Children's Behavioral Health Services Fund
- Prescription Drug Rebate Fund
- AHCCCS Works Waiver
- Affordable Care Act Litigation
- County Contributions
- Section 1135 Waiver
- COVID-19-Related FMAP Adjustments
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2020 Supplemental

The FY 2021 budget includes an FY 2020 supplemental appropriation of \$519,269,700 for state costs associated with lower-than-budgeted caseload growth in FY 2020. Of that amount, \$45,978,600 comes from the General Fund; \$5,109,200 comes from Other Funds; and \$468,181,900 comes from Expenditure Authority. The budget continues this funding in FY 2021.

Statutory Changes

The Health BRB makes the following statutory changes:

Rates and Services

- As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels.

Counties

- As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
- As session law, set the FY 2021 County Acute Care contribution at \$45,819,000. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.

- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2021, if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.
- As session law, set the FY 2021 county Arizona Long Term Care System (ALTCS) contributions at \$305,872,000.

Hospitals

- As session law, continue to establish FY 2021 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (MIHS), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. Keep the MIHS distribution of \$113,818,500 in FY 2021.
- As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow MIHS to be eligible for Pool 5 allocations, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions.

Available Funding

- As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.

The Human Services BRB makes the following statutory changes:

- As session law, allow AHCCCS to adjust payments to behavioral health providers and providers serving ALTCS members to ensure adequate capacity during the COVID-19 public health emergency.
- As session law, apply the temporary adjustments to provider payments retroactive to March 10, 2020.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, AHCCCS's General Fund spending increases by \$77.9 million in FY 2022 above FY 2021 and by \$38.6 million in FY 2023 above FY 2022. These figures assume 0.5% enrollment growth for most populations, a 2.6% inflation rate, and an increasing federal match rate.

The FY 2023 General Fund impact also accounts for repeal of the Health Insurer Fee, per the Consolidated Appropriations Act of 2020.

In addition to AHCCCS spending changes, the budget's 3-year spending plan assumes that AHCCCS will transfer \$16.7 million from the Prescription Drug Rebate Fund to the General Fund in FY 2022 and FY 2023.

These figures do not adjust for impacts of the COVID-19 pandemic. (See *COVID-19-Related FMAP Adjustments*.)

Health Care Investment Fund

Laws 2020, Chapter 46 establishes the Health Care Investment Fund. The fund will receive revenues based on an assessment on hospital revenues, discharges, or bed days relative to inpatient and outpatient services, to be established by the AHCCCS director. As of this writing, the fund is expected to generate approximately \$1.1 billion in additional funding for AHCCCS, including federal drawdown of funds, but has not yet been implemented by AHCCCS.

Children's Behavioral Health Services Fund

Laws 2020, Chapter 4 establishes the Children's Behavioral Health Services Fund. In FY 2021, the fund will receive a one-time \$8.0 million transfer from the General Fund. The fund will be used to pay contracted behavioral health providers for services rendered to low-income, non-Medicaid students, so long as the student is referred for services by an educational institution. Behavioral health services need not be rendered on school grounds.

Prescription Drug Rebate Fund

Beginning in FY 2019, AHCCCS reported a one-time cash balance of \$102.7 million in the Prescription Drug Rebate Fund (PDRF) - State due to higher-than-forecasted rebates from prior years. To spend down the balance, the budget included a one-time transfer of \$69.0 million from PDRF to the General Fund in FY 2020. Under the budgeted projections of ongoing fund revenues and disbursements, the PDRF - State balance is estimated to total \$7.7 million at the end of FY 2021 (see Table 5).

(Please see the Long Term Budget Impacts section for changes to the Prescription Drug Rebate Fund in FY 2022.)

AHCCCS Works Waiver

Laws 2015, Chapter 7 requires AHCCCS to reapply by March 30 of each year to implement a lifetime limit of 5 years for enrollment of able-bodied adults and a requirement for able-bodied adults to work, actively seek work, or participate in a job training program.

On January 18, 2019 the federal Centers for Medicare and Medicaid Services (CMS) partly approved AHCCCS' waiver submittal. Effective January 1, 2020, AHCCCS enrollees aged 19-49 were to be subject to a "community engagement" requirement of 80 hours per month, which

may be satisfied with employment, education, job or life skills training, job search activities, or community service. Individuals failing to comply with the requirement will have their AHCCCS coverage suspended for 2 months. Coverage will be automatically reinstated following the 2-month suspension. CMS did not approve the request for a 5-year time limit on coverage.

The waiver exempts several populations from the community engagement requirement, including individuals with an SMI diagnosis, members of federally recognized tribes, and former foster youth. After accounting for the exemptions, AHCCCS estimates that 120,000 enrollees will be subject to the community engagement requirement.

In January 2019, AHCCCS opened a request for proposals (RFP) for a new information technology system called the "AHCCCS Works Portal" that AHCCCS enrollees will use to report their compliance with the community engagement requirement. The most recent pricing estimate, as of May 2019, is \$4.8 million across 5 years.

In November 2019, AHCCCS announced that implementation of AHCCCS Works would be delayed while court cases involving CMS community engagement requirements are heard. The program, which was set to begin no sooner than summer 2020, is further delayed as

Table 5

State Prescription Drug Rebate Fund Sources and Uses

	FY 2020	FY 2021
Revenues		
Beginning Balance	\$ 45,538,000	\$ 0
Rebate Collections	<u>164,020,200</u>	<u>172,844,200</u>
Total Revenues	\$209,558,200	\$172,844,200
Budgeted Disbursements		
Operating Budget and Administration	\$ 2,728,800	\$ 660,800
Traditional Services	140,158,600	140,158,600
ALTCS Services	7,578,400	7,578,400
Prop 204	<u>60,900</u>	<u>60,900</u>
AHCCCS Subtotal	\$ 150,526,700	\$148,458,700
DHS One-Time Health Research	<u>\$1,000,000</u>	<u>0</u>
Total Disbursements	\$ 151,526,700	\$148,458,700
General Fund Transfer ^{1/}	\$ 69,000,000	\$ 16,700,000
Projected Ending Balance	\$ (9,968,500)^{2/}	\$ 7,685,500

^{1/} The FY 2020 transfer was enacted by Laws 2019, Chapter 263.

^{2/} Actual FY 2020 ending balance will not be negative.

a result of maintenance of eligibility requirements associated with the Families First Coronavirus Response Act (FFCRA).

Affordable Care Act Litigation

Current litigation revolves around the constitutionality of the ACA's individual mandate. The Tax Cuts and Jobs Act (TCJA), passed in December 2017, established a \$0 penalty for not having health insurance. On December 14, 2018, the Fifth Circuit Court ruled in *Texas v. Azar* that a \$0 Shared Responsibility Payment renders the mandate unconstitutional and that, by extension, the entirety of the ACA is unconstitutional. The case is currently on appeal. The appeal process is expected to take a considerable amount of time.

Formal repeal of the ACA would trigger the authorizations set forth in A.R.S. § 36-2901.07 and A.R.S. § 36-2901.08, which extend eligibility to the adult expansion population. However, coverage would continue for the Proposition 204 population from 0-100% and for children ages 6-18 from 100-133%. For more information regarding prior federal litigation, refer to the [FY 2020 Appropriations Report](#).

County Contributions

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in *Table 6*.

The counties' single largest contribution is the ALTCS program. Pursuant to A.R.S. § 11-292, the state and the counties share in the growth of the ALTCS program. These figures do not adjust for impacts of the COVID-19 pandemic. *More details regarding how [County Contributions](#) are calculated can be found in the corresponding program summary on the JLBC website.*

Section 1135 Waiver

In response to the COVID-19 emergency, AHCCCS submitted an 1135 waiver to the Centers for Medicare and Medicaid Services (CMS) on March 17, 2020. Section 1135 waivers permit the Health and Human Services Secretary to temporarily waive or modify Medicaid requirements during a national emergency. As part of the list of approved flexibilities, AHCCCS is authorized to streamline provider enrollment requirements, suspend member cost-sharing requirements, extend KidsCare renewal deadlines, and delay action on changes of circumstances that would affect KidsCare eligibility, among other administrative changes.

COVID-19-Related FMAP Adjustments

In March 2020, the President signed the federal Families First Coronavirus Response Act into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. The temporary enhanced match rate is effective

Table 6

County Contributions

County	FY 2020			FY 2021		
	BNCF	Acute	ALTCS	BNCF ^{1/}	Acute	ALTCS
Apache	\$128,800	\$268,800	720,200	\$133,100	\$268,800	696,200
Cochise	240,200	2,214,800	5,176,200	248,200	2,214,800	5,181,000
Coconino	236,900	742,900	2,162,200	244,900	742,900	2,090,300
Gila	97,300	1,413,200	2,418,200	100,600	1,413,200	2,519,200
Graham	69,200	536,200	1,684,400	71,500	536,200	1,745,100
Greenlee	17,800	190,700	8,200	18,400	190,700	3,900
La Paz	36,800	212,100	822,000	38,100	212,100	716,100
Maricopa	0	18,131,400	185,791,300	0	17,788,700	196,891,500
Mohave	276,500	1,237,700	9,232,700	285,800	1,237,700	9,763,200
Navajo	181,300	310,800	2,981,000	187,300	310,800	2,881,800
Pima	1,647,200	14,951,800	45,157,400	1,702,500	14,951,800	47,415,800
Pinal	322,300	2,715,600	13,755,300	333,100	2,715,600	14,431,100
Santa Cruz	76,200	482,800	2,266,800	78,700	482,800	2,402,000
Yavapai	304,500	1,427,800	8,534,800	314,700	1,427,800	9,074,300
Yuma	271,400	1,325,100	9,556,400	280,600	1,325,100	10,060,500
Subtotal	\$3,906,400	\$46,161,700	\$290,276,100	\$4,037,400	\$45,819,000	\$305,872,000
Total			\$340,344,200			\$355,728,400

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

through the last quarter that the federal public health emergency is in effect. The match rate increase will reduce General Fund expenditures for AHCCCS in FY 2020 and FY 2021. The enacted budget did not adjust AHCCCS' General Fund appropriation to account for the savings.

In FY 2020, any match rate savings are expected to be realized through revertments to the General Fund. The magnitude of AHCCCS' level of FY 2020 revertments, however, is not yet known and will depend on other technical factors.

In FY 2021, the JLBC Staff estimates that the match rate increase will reduce AHCCCS' General Fund expenditures by \$(297) million relative to the enacted budget. This estimate assumes that the 6.2% increase will be in effect through March 2021, consistent with the Congressional Budget Office's current assumption concerning the duration of the increase. The match rate savings would either be realized via an ex-appropriation to AHCCCS' FY 2021 General Fund appropriation or via revertments.

The JLBC Staff estimates also assume that caseload changes would reduce the match rate savings by \$(211) million based on 10% caseload growth. The net savings in AHCCCS in FY 2021 is currently estimated at \$(86) million.

Program Components

Traditional Medicaid, Proposition 204, Adult Expansion, KidsCare, ALTCS, and CMDP services include the following:

Capitation

The majority of AHCCCS payments are made through monthly capitated payments to contracted health plans to cover Medicaid services. In FY 2021, the average capitation rate is expected to be approximately \$511 per member per month (or \$6,100 annually). Of that amount, an average of \$121 is from state match and \$390 from Federal Medicaid Authority.

Reinsurance

Reinsurance is a stop-loss program for health plans and program contractors for patients with unusually high costs. The health plan is responsible for paying all of a member's costs until an annual deductible has been met.

Fee-For-Service

Rather than using Capitation, Fee-For-Service payments are made for 3 programs: 1) federally-mandated services

for Native Americans living on reservations; 2) temporary Fee-For-Service coverage for those who leave AHCCCS before enrolling in a capitated plan, and 3) federally-mandated emergency services for unauthorized and qualified immigrants.

Medicare Premiums

AHCCCS provides funding for the purchase of Medicare Part B (supplemental medical insurance) and Part A (hospital insurance). Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, this includes the cost of premiums for certain disabled workers and low-income Qualified Medicare Beneficiaries.

Clawback

AHCCCS is not required to pay for prescription drug costs for members who are eligible for Medicare. Instead, AHCCCS is required to make "Clawback" payments to Medicare based on 75.0% of the estimated drug costs.

Tobacco Master Settlement Agreement

The budget continues to require AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2021 to assist in the enforcement of a multi-year settlement reached between tobacco companies and the state over the Master Settlement Agreement (MSA). This transfer amount consists of:

- Up to \$1,200,000 to the Attorney General for costs associated with tobacco settlement litigation.
- \$836,000 to the Department of Revenue to fund 6 positions that perform luxury tax enforcement and audit duties.

For additional details related to Tobacco Tax Enforcement and Litigation, please refer to the corresponding program summary on the JLBC website.

Tobacco Tax Allocations

The budget projects AHCCCS and DHS will receive \$141.5 million in transfers of tobacco tax collections in FY 2021. This amount represents an increase of \$1.9 million (1.4%) from the FY 2020 budgeted amount. *Table 7* summarizes tobacco tax transfers and allocations to the agencies.

Table 8

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

Medically Needy Account	FY 2019	FY 2020
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 51,900
Transfer In - Tobacco Tax and Health Care Fund	43,260,500	39,945,800
Transfer In - Tobacco Products Tax Fund	23,583,500	25,296,800
Total Funds Available	\$ 66,844,000	\$ 65,294,500
<u>Allocations</u>		
<u>AHCCCS</u>		
AHCCCS State Match Appropriation	\$ 66,143,900	\$ 66,861,800
Total AHCCCS Allocations	\$ 66,143,900	\$ 66,861,800
<u>DHS</u>		
Folic Acid	\$ 314,800	\$ 400,000
Renal, Dental Care, and Nutrition Supplements	225,000	300,000
Administrative Adjustments	108,400	0
Total DHS Allocations	648,200	700,000
Balance Forward	\$ 51,900	\$ (2,267,300)
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	36,685,400	36,457,400
Total Funds Available	\$ 36,685,400	\$ 36,457,400
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 36,685,400	\$ 34,797,900
Administrative Adjustments	0	0
Balance Forward	\$ 0	\$ 1,659,500
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	17,469,200	17,360,600
Total Funds Available	\$ 17,469,200	\$ 17,360,600
<u>Allocations</u>		
AHCCCS State Match Appropriation	17,469,200	16,216,300
Administrative Adjustments	\$ 0	\$ 0
Balance Forward 1/	\$ 0	\$ 1,144,300
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 4,281,300	\$ 1,885,400
Transfer In - Tobacco Tax and Health Care Fund	14,214,200	13,125,100
Transfer In - Tobacco Products Tax Fund	1,746,900	2,489,900
Total Funds Available	\$ 20,242,400	\$ 17,500,400
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 16,141,500	\$ 12,498,400
Leading Causes of Death - Prevention and Detection	2,215,500	3,125,400
Balance Forward	\$ 1,885,400	\$ 1,876,600
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 9,155,800	\$ 5,736,800
Transfer In - Tobacco Tax and Health Care Fund	3,090,000	2,853,300
Transfer In - Tobacco Products Tax Fund	4,367,300	4,409,100
Total Funds Available	\$ 16,613,100	\$ 12,999,200
<u>Allocations</u>		
Biomedical Research Support	\$ 1,498,800	\$ 2,000,000
Alzheimer's Disease Research	3,000,000	2,000,000
Biomedical Research Commission 2/	5,878,700	9,515,200
Administrative Adjustments	498,800	0
Balance Forward	\$ 5,736,800	\$ (516,000) *

1/ Unencumbered funds in Emergency Health Services Account are transferred to Prop 204 Protection Account at end of year.

2/ Laws 2017, Chapter 136 repealed the Biomedical Research Commission. DHS reports that monies in the Health Research Account will continue to be spent on initiatives previously reviewed by the commission in FY 2018 and FY 2019, including research grants, research education, biospecimen locator, and public cord blood.

* Actual ending balance will not be negative.

Arizona Commission on the Arts

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
SPECIAL LINE ITEMS			
Arts Trust Fund Deposit	2,000,000	2,000,000	0
Nonprofit Theater Capital Support	0	200,000	0
AGENCY TOTAL	2,000,000	2,200,000	0
FUND SOURCES			
General Fund	0	2,200,000	0
<u>Other Appropriated Funds</u>			
Budget Stabilization Fund	2,000,000	0	0
SUBTOTAL - Other Appropriated Funds	2,000,000	0	0
SUBTOTAL - Appropriated Funds	2,000,000	2,200,000	0
Other Non-Appropriated Funds	1,732,700 ^{1/}	1,423,800 ^{2/}	1,423,800
Federal Funds	830,800	841,400	841,400
TOTAL - ALL SOURCES	4,563,500	4,465,200	2,265,200

AGENCY DESCRIPTION — The agency promotes arts in the state by offering matching grants to communities and arts organizations, developing programs in-house to showcase artists in all disciplines, and serving as a resource for local artists.

FOOTNOTES

- 1/ Monies appropriated from the Budget Stabilization Fund for deposit into the Arts Trust Fund pursuant to the FY 2019 General Appropriation Act are not displayed to avoid double counting of appropriations.
- 2/ Monies appropriated from the General Fund for deposit into the Arts Trust Fund pursuant to the FY 2020 General Appropriation Act are not displayed to avoid double counting of appropriations.

Arts Trust Fund Deposit

The budget includes no funding from the General Fund in FY 2021 for deposit into the non-appropriated Arts Trust Fund. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2021 for the elimination of one-time funding.

In response to the COVID-19 pandemic, the Office of the Governor distributed \$2,000,000 from the Crisis Contingency and Safety Net Fund to the Arizona Arts Commission to provide economic assistance to small businesses and non-profits in Arizona's Arts and Culture sector.

Monies in the Arts Trust Fund are used to award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are statutorily

used to provide grants to organizations representing handicapped persons or racial or ethnic minorities and organizations representing rural areas.

Nonprofit Theater Capital Support

The budget includes no funding from the General Fund in FY 2021 for Nonprofit Theater Capital Support. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(200,000) from the General Fund in FY 2021 for the elimination of one-time funding.

Monies in the Nonprofit Theater Capital Support line item are distributed to a nonprofit professional theater company in a county with more than 3,000,000 persons that has been in existence for at least 99 years. Section 122 of the FY 2020 General Appropriation Act requires the monies to be used for capital costs.

Board of Athletic Training

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	65,100	63,500	65,400
Employee Related Expenditures	27,400	36,000	37,600
Professional and Outside Services	400	0	0
Travel - In State	1,200	1,200	1,200
Other Operating Expenditures	15,700	26,300	26,300
Equipment	100	0	0
AGENCY TOTAL	109,900	127,000	130,500^{1/}

FUND SOURCES

Other Appropriated Funds

Athletic Training Fund	109,900	127,000	130,500
SUBTOTAL - Other Appropriated Funds	109,900	127,000	130,500
SUBTOTAL - Appropriated Funds	109,900	127,000	130,500
TOTAL - ALL SOURCES	109,900	127,000	130,500

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

FOOTNOTES

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

Operating Budget

The budget includes \$130,500 and 1.5 FTE Positions from the Athletic Training Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,500 from the Athletic Training Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Attorney General - Department of Law

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	588.7	607.7	607.7 ^{1/}
Personal Services	29,270,500	31,366,500	32,106,200
Employee Related Expenditures	11,561,400	13,240,900	12,915,500
Professional and Outside Services	253,900	254,100	254,100
Travel - In State	176,300	218,700	218,700
Travel - Out of State	108,000	140,100	140,100
Other Operating Expenditures	6,891,400	10,150,700	10,080,300
Equipment	346,800	233,200	233,200
OPERATING SUBTOTAL	48,608,300	55,604,200	55,948,100 ^{2/3/}
SPECIAL LINE ITEMS			
Capital Postconviction Prosecution	735,800	802,700	824,800
Case Management System Upgrade	317,400	0	0
Child and Family Advocacy Centers	100,000	500,000	100,000 ^{4/}
Election Litigation Expenses	164,500	0	0
Federalism Unit	717,700	1,002,200	1,048,900
First Responder Personnel Mental Health Services	0	400,000	0
Government Accountability and Special Litigation	693,200	1,208,700	1,252,000
Human Trafficking Survivor Services	0	300,000	0
Internet Crimes Against Children Enforcement	548,400	1,250,000	1,250,000 ^{5/}
Military Airport Planning	79,700	85,000	88,100 ^{6/}
Multidisciplinary Young Persons Program	0	250,000	0
Peace Officer Equipment Grants	0	2,500,000	0
Peace Officer Memorial Fund Deposit	0	1,000,000	0
Risk Management Interagency Service Agreement	8,839,900	9,590,000	9,927,300
Southern Arizona Law Enforcement	1,175,300	1,525,100	1,571,300
State Grand Jury	174,900	181,100	185,200
Tobacco Enforcement	238,000	821,600	834,200
Victims' Rights	2,469,900	3,767,700	3,783,300
Voter Fraud Unit	0	530,000	530,000
AGENCY TOTAL	64,863,000	81,318,300	77,343,200 ^{7/}
FUND SOURCES			
General Fund	25,065,800	26,082,400	25,411,000
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	111,800	148,600	152,500
Attorney General Legal Services Cost Allocation Fund	1,686,600	2,105,000	2,166,600
Collection Enforcement Revolving Fund	6,578,100	6,914,700	7,132,700
Consumer Protection - Consumer Fraud Revolving Fund	4,621,300	15,364,400	10,889,300
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund	317,400	0	0
Interagency Service Agreements Fund	14,459,400	16,445,500	16,980,500 ^{8/}
Internet Crimes Against Children Enforcement Fund	548,300	900,000	900,000
Risk Management Revolving Fund	9,004,400	9,590,000	9,927,300
Victims' Rights Fund	2,469,900	3,767,700	3,783,300
SUBTOTAL - Other Appropriated Funds	39,797,200	55,235,900	51,932,200
SUBTOTAL - Appropriated Funds	64,863,000	81,318,300	77,343,200
Other Non-Appropriated Funds	66,615,700	64,795,500	64,795,500
Federal Funds	6,161,400	7,392,800	7,392,800
TOTAL - ALL SOURCES	137,640,100	153,506,600	149,531,500

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

FOOTNOTES

- 1/ Includes 22.2 GF and 129 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ The sum of \$950,000 in FY 2021, the sum of \$2,350,000 in FY 2022 and the sum of \$2,350,000 in FY 2023 are appropriated from the Consumer Protection-Consumer Fraud Revolving Fund established by A.R.S. § 44-1531.01 to the Attorney General for operating expenses of the Criminal Division. (FY 2020 General Appropriation Act footnote)
- 3/ Within ten days after receiving a complaint alleging a violation of section 15-511, Arizona Revised Statutes, the attorney general shall forward a copy of the complaint to the governor, the president of the senate and the speaker of the house of representatives. (General Appropriation Act footnote)
- 4/ The amount appropriated for the child and family advocacy centers line item is allocated to the child and family advocacy center fund established by section 41-191.11, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ The \$900,000 appropriation from the internet crimes against children enforcement fund established by section 41-199, Arizona Revised Statutes, and the \$350,000 appropriation from the state general fund for the internet crimes against children enforcement line item are continuing appropriations and are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, through June 30, 2022. (General Appropriation Act footnote)
- 6/ A.R.S. § 26-263 annually appropriates \$85,000 from the General Fund for Military Airport Planning. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ All monies appropriated to the attorney general legal services line item in the department of child safety budget do not count toward the attorney general's interagency service agreements fund appropriation in fiscal year 2020-2021. (General Appropriation Act footnote)

Operating Budget

The budget includes \$55,948,100 and 456.5 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$22,522,300
Antitrust Enforcement Revolving Fund	152,500
Attorney General Legal Services Cost Allocation Fund (LSCAF)	2,166,600
Collection Enforcement Revolving Fund (CERF)	7,132,700
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	6,993,500
Interagency Service Agreements (ISA) Fund	16,980,500

FY 2021 adjustments are as follows:

Criminal Division Resources

The budget includes a decrease of \$(1,400,000) in FY 2021 for additional Criminal Division resources. This amount consists of:

General Fund	(1,500,000)
CPCF Revolving Fund	100,000

An FY 2020 General Appropriation Act footnote appropriates \$950,000 in FY 2021, \$2,350,000 in FY 2022,

Table 1

Additional Criminal Division Resources

	19 BRB GF	19 CJ BRB Consumer Remediation	20 GAA CPCF ^{1/}	Total
FY 2018	\$1,500,000			\$1,500,000
FY 2019	1,500,000			1,500,000
FY 2020	1,500,000		\$850,000	2,350,000
FY 2021		\$1,400,000	950,000	2,350,000
FY 2022			2,350,000	2,350,000
FY 2023			2,350,000	2,350,000

1/ FY 2020 includes an additional \$476,000 to shift SAWCCE FTE Positions from ARRF.

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

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

funds are to support agency efforts to move FTE Positions within the Criminal Division to more stable funding.

Additionally, the FY 2019 Criminal Justice Budget Reconciliation Bill (BRB) authorized the AG to use \$1,400,000 from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2021 to offset operating expenses that would otherwise be paid from RICO funds. The Consumer Remediation Subaccount is a statutorily non-appropriated fund which receives monies from legal settlements. The AG is typically required to submit an expenditure plan to the Joint Legislative Budget Committee for review prior to expending monies from the fund. This review requirement will not apply to the \$1,400,000 in FY 2021 operating resources.

In total, the Attorney General will have received \$1,500,000 in each of FY 2018 and FY 2019 for its Criminal Division. The agency will also receive a total of \$2,350,000 in each of FY 2020, FY 2021, FY 2022, and FY 2023 for these purposes. *(Please see Table 1 for more details.)*

Statewide Adjustments

The budget includes an increase of \$1,743,900 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	750,000
Antitrust Enforcement Revolving Fund	3,900
Attorney General Legal Services Cost Allocation Fund (LSCAF)	61,600
Collection Enforcement Revolving Fund (CERF)	218,000
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	175,400
Interagency Service Agreements (ISA) Fund	535,000

(Please see the Agency Detail and Allocations section.)

Capital Postconviction Prosecution

The budget includes \$824,800 and 6 FTE Positions from the General Fund in FY 2021 for Capital Postconviction Prosecution. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$22,100 from the General Fund in FY 2021 for statewide adjustments.

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

Child and Family Advocacy Centers

The budget includes \$100,000 from the General Fund in FY 2021 for the Child and Family Advocacy Centers line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(400,000) from the CPCF Revolving Fund in FY 2021 to remove an additional one-time distribution to child and family advocacy centers.

These monies are deposited into the Child and Family Advocacy Centers Fund. Monies in the fund are for distribution to child and family advocacy centers. Child and family advocacy centers provide victim advocacy, case management, and counseling services to primary and secondary victims of child abuse, domestic violence, sexual assault, elder abuse and homicide.

Pursuant to statute, at least 90.25% of fund monies are allocated to grants to child and family advocacy centers and 4.75% to statewide child and family advocacy center organizations; no more than 5% of the fund may be retained by the AG for administrative costs. To be eligible for funds, a child and family advocacy center must certify to the AG's Office that it meets certain statutory criteria relating to its ability to provide victim services.

Federalism Unit

The budget includes \$1,048,900 and 7 FTE Positions from the CPCF Revolving Fund in FY 2021 for the Federalism Unit. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$46,700 from the CPCF Revolving Fund in FY 2021 for statewide adjustments.

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

First Responder Personnel Mental Health Services

The budget includes no funding in FY 2021 for the First Responder Mental Health Services line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(400,000) from the CPCF Revolving Fund in FY 2021 to remove one-time

funding for mental health services for first responders and first responder professionals.

Monies in this line item are distributed to organizations that provide resources and training for first responders and first responder professionals who are experiencing the effects of stress from traumatic incidents suffered in the line of duty.

Government Accountability and Special Litigation

The budget includes \$1,252,000 and 10 FTE Positions from the CPCF Revolving Fund in FY 2021 for the Government Accountability and Special Litigation (GASL) line item. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$43,300 from the CPCF Revolving Fund in FY 2021 for statewide adjustments.

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

Human Trafficking Survivor Services

The budget includes no funding in FY 2021 for the Human Trafficking Survivor Services line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(300,000) from the CPCF Revolving Fund in FY 2021 to remove one-time funding for services for human trafficking survivors.

Monies in this line item are distributed to organizations that provide resources and services to survivors of human trafficking.

Internet Crimes Against Children Enforcement

The budget includes \$1,250,000 in FY 2021 for the Internet Crimes Against Children (ICAC) Enforcement line item. This amount consists of:

General Fund	350,000
ICAC Enforcement Fund	900,000

These amounts are unchanged from FY 2020.

A.R.S. § 41-199 requires the Attorney General to enter into 1 or more intergovernmental agreements to operate the Arizona Internet Crimes Against Children Task Force (AZICAC), led by the Phoenix Police Department. AZICAC is a joint federal/local law enforcement task force that investigates child pornography.

A General Appropriation Act footnote would make the FY 2021 amount non-lapsing until the end of FY 2022.

Military Airport Planning

The budget includes \$88,100 and 1 FTE Position from the General Fund in FY 2021 for Military Airport Planning. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,100 from the General Fund in FY 2021 for statewide adjustments.

A.R.S. § 26-263 appropriates \$85,000 annually from the General Fund to the Attorney General's Office. Therefore, funding for this line item does not appear in the General Appropriation Act. The legislation sought to preserve the state's military bases by appropriating monies to several state agencies and charging them with certain responsibilities. Monies in this line item pay for the department's duties under the original 2004 legislation, including review and determination of compliance with land use plans.

Multidisciplinary Young Persons Program

The budget includes no funding in FY 2021 for a multidisciplinary young persons program. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(250,000) from the CPCF Revolving Fund in FY 2021 to remove a one-time distribution to a multidisciplinary young persons program.

Monies in this line item are distributed to an organization that uses a multidisciplinary program to assist young persons within their environments. To be eligible, the program must connect each participating child to at least 5 adults who teach, model, and provide research-based support to the child.

Peace Officer Equipment Grants

The budget includes no funding for Peace Officer Equipment Grants in FY 2021. FY 2021 adjustments are as follows:

Remove Peace Officer Equipment Grants Funding

The budget includes a decrease of \$(2,500,000) from the CPCF Revolving Fund in FY 2021 to remove a one-time distribution for peace officer equipment grants.

Monies in this line item are to be used to provide grants to local and community police departments for the purchase of new equipment. An FY 2020 General Appropriation Act footnote requires the agency to report on distributions from the line item to JLBC Staff and others by March 1, 2020.

Peace Officer Memorial Fund Deposit

The budget includes no funding in FY 2021 for a Peace Officer Memorial Fund deposit. FY 2021 adjustments are as follows:

One-Time Peace Officer Memorial Fund Deposit

The budget includes a decrease of \$(1,000,000) from the CPCF Revolving Fund in FY 2021 to remove a one-time deposit into the Peace Officer Memorial Fund.

Monies in this line item are to be deposited into the Peace Officer Memorial Fund. This fund is used to maintain and update the Peace Officer Memorial in Wesley Bolin Memorial Plaza. Monies in the fund may also be used to pay education expenses for family members of fallen officers. An FY 2020 General Appropriation Act footnote requires the agency to submit an expenditure plan for review by JLBC prior to expending monies in the line item.

Risk Management Interagency Service Agreement

The budget includes \$9,927,300 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2021 for the Risk Management Interagency Service Agreement. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$337,300 from the Risk Management Revolving Fund in FY 2021 for statewide adjustments.

This line item provides funding for the Attorney General's contract with the Risk Management Division of the Arizona Department of Administration. Attorneys from

the Attorney General's Office defend the state in most risk management cases regarding agency liability.

Southern Arizona Law Enforcement

The budget includes \$1,571,300 and 16 FTE Positions in FY 2021 for Southern Arizona Law Enforcement. These amounts consist of:

General Fund	1,252,300
CPCF Revolving Fund	319,000

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$46,200 from the General Fund in FY 2021 for statewide adjustments.

This line item provides funding for the Criminal Division's investigations and prosecutions of fraud, corruption, criminal enterprise, drug trafficking, and money laundering cases in Southern Arizona.

State Grand Jury

The budget includes \$185,200 and 1.6 FTE Positions from the General Fund in FY 2021 for the State Grand Jury. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$4,100 from the General Fund in FY 2021 for statewide adjustments.

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

Tobacco Enforcement

The budget includes \$834,200 and 6.6 FTE Positions in FY 2021 for Tobacco Enforcement. These amounts consist of:

General Fund	88,300
CPCF Revolving Fund	745,900

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$12,600 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	3,100
CPCF Revolving Fund	9,500

This line item funds the Attorney General's enforcement of the Master Settlement Agreement (MSA). The MSA is a settlement reached by major tobacco companies and 46 states in 1998 that requires these companies to compensate states annually for Medicaid costs associated with tobacco use. In exchange for annual payments from the tobacco companies, states agree to diligently enforce tobacco tax laws.

In addition to the monies provided in this line item, the budget continues to require AHCCCS to transfer up to \$1,200,000 to the Attorney General for MSA enforcement. As a result, the budget includes a total of up to \$2,021,600 for the Attorney General to enforce the MSA in FY 2021.

Victims' Rights

The budget includes \$3,783,300 and 6 FTE Positions from the Victims' Rights Fund in FY 2021 for Victims' Rights. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$15,600 from the Victims' Rights Fund in FY 2021 for statewide adjustments.

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

Voter Fraud Unit

The budget includes \$530,000 and 4 FTE Positions from the CPCF Revolving Fund in FY 2021 for the Voter Fraud Unit. These amounts are unchanged from FY 2020.

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

Other Issues

Attorney General Legal Services Cost Allocation Fund

A.R.S. § 41-191.09 requires agencies to pay annually a flat fee to the Attorney General for general legal counsel as specified by the General Appropriation Act each year. See Table 2 for a list of agencies and their corresponding FY

Table 2

FY 2021 Attorney General Legal Services Charges

Agency	Charge
Arizona Department of Administration	\$ 127,700
Office of Administrative Hearings	3,000
Commission on the Arts	3,100
Automobile Theft Authority ^{1/}	1,400
Citizens Clean Elections Commission	2,700
State Department of Corrections	2,000
Arizona Criminal Justice Commission	8,700
Arizona Schools for the Deaf and the Blind	100,200
Commission for the Deaf and the Hard of Hearing	4,100
Early Childhood Development and Health Board	47,100
Department of Education	132,000
Department of Emergency and Military Affairs	30,000
Department of Environmental Quality	135,600
Exposition and State Fair Board	20,900
Arizona Department of Forestry and Fire Management	13,400
Department of Gaming	37,300
Department of Health Services	173,800
Arizona Historical Society	700
Department of Housing	19,300
Department of Insurance and Financial Institutions ^{1/}	12,400
Department of Juvenile Corrections	9,400
State Land Department	2,100
Department of Liquor, Licenses and Control	11,400
Arizona State Lottery Commission	24,800
Arizona State Parks Board	45,800
State Personnel Board	600
Arizona Pioneers' Home	12,100
Commission on Postsecondary Education	1,800
Department of Public Safety	677,400
Arizona State Retirement System	69,100
Department of Revenue	4,900
Secretary of State	1,800
State Treasurer	9,200
Department of Veterans' Services	52,700
Total Legal Services Charges	\$ 1,798,500

^{1/} The Automobile Theft Authority is part of the Department of Insurance and Financial Institutions.

2021 Attorney General Legal Services charge. These amounts are unchanged from FY 2020.

(Please see the FY 2015 Appropriations Report for a more detailed history on legal services charges, and the FY 2018 Appropriations Report for changes that occurred after FY 2015.)

Automobile Theft Authority

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	0.0
Personal Services	326,000	333,700	0
Employee Related Expenditures	118,000	126,400	0
Professional and Outside Services	22,500	16,100	0
Travel - In State	6,500	6,200	0
Travel - Out of State	1,800	3,800	0
Other Operating Expenditures	99,100	143,200	0
Equipment	13,500	25,000	0
OPERATING SUBTOTAL	587,400	654,400	0
SPECIAL LINE ITEMS			
Arizona Vehicle Theft Task Force	3,650,000	3,650,000	0
Local Grants	942,700	957,700	0
Reimbursable Programs	0	50,000	0
AGENCY TOTAL	5,180,100	5,312,100	0

FUND SOURCES

Other Appropriated Funds

Automobile Theft Authority Fund	5,180,100	5,312,100	0
SUBTOTAL - Other Appropriated Funds	5,180,100	5,312,100	0
SUBTOTAL - Appropriated Funds	5,180,100	5,312,100	0
Other Non-Appropriated Funds	16,000	600	0
TOTAL - ALL SOURCES	5,196,100	5,312,700	0

AGENCY DESCRIPTION — The Automobile Theft Authority (ATA) is responsible for analyzing the methods of combating the problem of vehicle theft and promoting successful methods of reducing the number of vehicle thefts in Arizona. The ATA is primarily funded from motor vehicle insurance premium fees.

Laws 2019, Chapter 252 merges the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance (DOI) and renames the agency the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly-renamed agency will retain all the same regulatory functions as the previous 3 agencies as Chapter 252 stipulates that DIFI retains the same authority, powers, duties, and responsibilities of DOI, DFI and ATA and transfers all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

Operating Budget

The budget includes no funding from the ATA Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Agency Consolidation

The budget includes a decrease of \$(654,400) and (6) FTE Positions from the ATA Fund in FY 2021 to merge the Department of Financial Institutions (DFI) and the Automobile Theft Authority (ATA) into the Department of Insurance and Financial Institutions (DIFI). This reduction is offset by an equally sized increase in the DIFI budget appropriation. *(Please see the Department of Insurance and Financial Institutions section for more information.)*

Arizona Vehicle Theft Task Force

The budget includes no funding from the ATA Fund in FY 2021 for the Arizona Vehicle Theft Task Force. FY 2021 adjustments are as follows:

Agency Consolidation

The budget includes a decrease of \$(3,650,000) from the ATA Fund in FY 2021 to merge the Department of

Financial Institutions (DFI) and the Automobile Theft Authority (ATA) into the Department of Insurance and renames the agency the Department of Insurance and Financial Institutions (DIFI). This reduction is offset by an equally sized increase in the DIFI budget appropriation. *(Please see the Department of Insurance and Financial Institutions section for more information.)*

Monies in this line item were transferred to the Department of Public Safety which oversees the Arizona Vehicle Theft Task Force. The Arizona Vehicle Theft Task Force is a multi-agency group that works specifically on combating auto-theft related crimes.

Local Grants

The budget includes no funding from the ATA Fund in FY 2021 for Local Grants. FY 2021 adjustments are as follows:

Agency Consolidation

The budget includes a decrease of \$(957,700) from the ATA Fund in FY 2021 to merge the Department of Financial Institutions (DFI) and the Automobile Theft Authority (ATA) into the Department of Insurance and renames the agency the Department of Insurance and Financial Institutions (DIFI). This reduction is offset by an equally sized increase in the DIFI budget appropriation. *(Please see the Department of Insurance and Financial Institutions section for more information.)*

This line item provided funding for the 4 categories of local grants that the ATA administers: 1) Vertical Prosecution; 2) Law Enforcement; 3) Professional Training; and 4) Public Awareness grants. ATA issues Vertical Prosecution Grants to county attorneys that are solely dedicated to auto-theft cases, Law Enforcement Grants to local law enforcement agencies for equipment and supplies, Professional Training Grants to pay travel and registration costs associated with going to conferences, and Public Awareness Grants for public education and vehicle identification number etching.

Reimbursable Programs

The budget includes no funding from the ATA Fund in FY 2021 for Reimbursable Programs. FY 2021 adjustments are as follows:

Agency Consolidation

The budget includes a decrease of \$(50,000) from the ATA Fund in FY 2021 to merge the Department of Financial Institutions (DFI) and the Automobile Theft Authority (ATA) into the Department of Insurance and renames the agency the Department of Insurance and Financial

Institutions (DIFI). This reduction is offset by an equally sized increase in the DIFI budget appropriation. *(Please see the Department of Insurance and Financial Institutions section for more information.)*

This line item funded programs such as training seminars, Arizona Vehicle Theft Task Force expenses and “bait car” projects. This line item is funded from donations and grants from the private sector. Since the inception of this program, only \$25,000 for the reimbursement of salary and operational costs of the Arizona Vehicle Theft Task Force has been expended from this line item.

Board of Barbers

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	194,100	196,000	205,200
Employee Related Expenditures	93,000	93,000	96,700
Professional and Outside Services	200	1,300	1,300
Travel - In State	1,000	8,700	8,700
Travel - Out of State	2,800	3,300	3,300
Other Operating Expenditures	88,300	103,400	103,400
Equipment	800	600	600
AGENCY TOTAL	380,200	406,300	419,200^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Barbers Fund	380,200	406,300	419,200
SUBTOTAL - Other Appropriated Funds	380,200	406,300	419,200
SUBTOTAL - Appropriated Funds	380,200	406,300	419,200
TOTAL - ALL SOURCES	380,200	406,300	419,200

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

FOOTNOTES

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

Operating Budget

The budget includes \$419,200 and 4 FTE Positions from the Board of Barbers Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$12,900 from the Board of Barbers Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Board of Behavioral Health Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	744,700	900,000	942,200
Employee Related Expenditures	286,400	335,000	341,000
Professional and Outside Services	187,400	250,000	250,000
Travel - In State	13,700	20,000	20,000
Travel - Out of State	4,300	15,000	15,000
Other Operating Expenditures	160,800	222,000	222,000
Equipment	13,200	28,000	28,000
AGENCY TOTAL	1,410,500	1,770,000	1,818,200 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Behavioral Health Examiners Fund	1,410,500	1,770,000	1,818,200
SUBTOTAL - Other Appropriated Funds	1,410,500	1,770,000	1,818,200
SUBTOTAL - Appropriated Funds	1,410,500	1,770,000	1,818,200
TOTAL - ALL SOURCES	1,410,500	1,770,000	1,818,200

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

FOOTNOTES

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

Operating Budget

The budget includes \$1,818,200 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$48,200 from the Board of Behavioral Health Examiners Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board for Charter Schools

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	19.0	24.0
Personal Services	631,900	830,000	868,900
Employee Related Expenditures	237,000	340,600	346,500
Professional and Outside Services	47,800	70,500	70,500
Travel - In State	3,600	10,000	10,000
Travel - Out of State	3,900	5,500	5,500
Other Operating Expenditures	153,100	437,900	830,700 ^{1/}
Equipment	600	20,000	20,000
AGENCY TOTAL	1,077,900	1,714,500	2,152,100 ^{2/}
FUND SOURCES			
General Fund	1,077,900	1,714,500	2,152,100
SUBTOTAL - Appropriated Funds	1,077,900	1,714,500	2,152,100
Other Non-Appropriated Funds	84,800	85,000	85,000
TOTAL - ALL SOURCES	1,162,700	1,799,500	2,237,100

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

FOOTNOTES

- ^{1/} The sum of \$392,800 and 5 FTE Positions are appropriated from the state General Fund in FY 2021 to the State Board for Charter Schools for charter school accountability. (FY 2020 General Appropriation Act Footnote)
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$2,152,100 and 24 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Charter School Accountability

The budget includes an increase of \$392,800 and 5 FTE Positions from the General Fund in FY 2021 for charter school accountability. The FY 2020 General Appropriation Act appropriated these amounts. As a result, these monies will not appear in the FY 2021 General Appropriation Act.

Statewide Adjustments

The budget includes an increase of \$44,800 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Department of Child Safety

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,193.1	3,193.1	3,193.1 ^{1/}
Personal Services	51,693,200	55,314,900	57,495,600
Employee Related Expenditures	23,400,600	25,040,100	25,133,900
Professional and Outside Services	5,686,400	6,084,800	6,084,800
Travel - In State	1,100,500	1,177,600	1,177,600
Travel - Out of State	105,200	112,600	112,600
Other Operating Expenditures	21,090,000	22,509,000	22,509,000
Equipment	3,218,400	3,437,700	3,437,700
OPERATING SUBTOTAL	106,294,300	113,676,700	115,951,200 ^{2/-10/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	25,522,800	25,522,800	25,522,800 ^{11/}
Caseworkers	92,239,300	105,428,600	107,927,300
General Counsel	155,900	156,100	161,700
Inspections Bureau	2,390,400	2,483,200	2,548,300
Litigation Expenses	3,770,000	0	2,602,000 ^{12/}
New Case Aides	2,322,100	3,185,200	3,305,900
Office of Child Welfare Investigations	8,365,400	9,646,300	9,964,800
Overtime Pay	4,475,000	8,407,700	8,602,400
Records Retention Staff	578,700	594,300	600,000
Retention Pay	715,900	0	0
Training Resources	3,108,300	9,150,000	9,150,000
Out-of-Home Placements			
Congregate Group Care	88,202,400	98,900,100	89,788,900
Extended Foster Care	3,595,000	4,660,000	14,437,200
Foster Home Placement	50,443,900	52,595,500	51,929,500
Foster Home Recruitment, Study and Supervision	31,566,800	32,753,600	32,753,600
Kinship Care	2,608,000	5,000,000	5,000,000 ^{13/}
Permanent Placements			
Adoption Services	260,921,700	278,258,500	278,258,500
Permanent Guardianship Subsidy	12,516,900	12,516,900	12,516,900
Support Services			
DCS Child Care Subsidy	43,988,700	55,559,400	56,559,400
In-Home Mitigation	21,705,200	28,988,100	28,988,100
Out-of-Home Support Services	139,772,300	153,910,900	153,910,900
Preventive Services	15,148,300	15,148,300	15,148,300
AGENCY TOTAL	920,407,300	1,016,542,200	1,025,627,700 ^{14/}
FUND SOURCES			
General Fund	373,682,100	384,653,400	387,893,000
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,300	1,459,300
Children and Family Services Training Program Fund	207,100	207,100	217,000
Federal Child Care and Development Fund Block Grant	34,400,000	34,400,000	35,400,000
Federal Temporary Assistance for Needy Families Block Grant	156,486,100	157,428,800	159,091,100
Risk Management Revolving Fund	3,770,000	0	2,602,000
SUBTOTAL - Other Appropriated Funds	194,863,200	193,495,200	198,769,400
SUBTOTAL - Appropriated Funds	568,545,300	578,148,600	586,662,400

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	351,862,000	438,393,600	438,965,300
SUBTOTAL - Expenditure Authority Funds	351,862,000	438,393,600	438,965,300
SUBTOTAL - Appropriated/Expenditure Authority Funds	920,407,300	1,016,542,200	1,025,627,700
Other Non-Appropriated Funds	3,454,000	5,463,200	5,463,200
TOTAL - ALL SOURCES	923,861,300	1,022,005,400	1,031,090,900

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

FOOTNOTES

- 1/ Includes 901.4 GF, 436.5 OF, and 543.3 EA FTE Positions funded from Special Line Items in FY 2021.
- 2/ For the purposes of this section, "backlog case":
 1. Means any nonactive case for which documentation has not been entered in the child welfare automated system for at least sixty days and for which services have not been authorized for at least sixty days and any case that has had an investigation, has been referred to another unit and has had no contact for at least sixty days.
 2. Includes any case for which the investigation has been open without any documentation or contact for at least sixty days, any case involving in-home services for which there has been no contact or services authorized for at least sixty days and any case involving foster care in which there has been no contact or any documentation entered in the child welfare automated system for at least sixty days. (General Appropriation Act footnote)
- 3/ For the purposes of this section, "open report" means a report that is under investigation or awaiting closure by a supervisor. (General Appropriation Act footnote)
- 4/ On or before September 30, 2020, and on or before the last day of every calendar quarter through June 30, 2021, the department of child safety shall present a report for review by the joint legislative budget committee on the progress made in meeting the caseload standard and reducing the number of backlog cases and out-of-home children. The report shall include the number of backlog cases, the number of open reports, the number of out-of-home children and the caseworker workload in comparison to the previous quarter. The report shall provide the number of backlog cases by disposition, including the number of backlog cases in the investigation phase, the number of backlog cases associated with out-of-home placements and the number of backlog cases associated with in-home cases.
 To determine the caseworker workload, the department shall report the number of case-carrying caseworkers at each field office and the number of investigations, in-home cases and out-of-home children assigned to each field office.
 For backlog cases, the department's quarterly benchmark is 1,000 cases.
 For open reports, the department's benchmark is fewer than 8,000 open reports.
 For out-of-home children, the department's benchmark is 13,964 children.
 If the department of child safety has not submitted the quarterly report within thirty days after the last day of the calendar quarter, the director of the joint legislative budget committee shall inform the general accounting office of the department of administration, which shall withhold two percent of the department of child safety's operating lump sum quarterly budget allocation until the department of child safety submits the quarterly report. (General Appropriation Act footnote)
- 5/ The amount appropriated for any line item may not be transferred to another line item or to the operating budget unless the transfer is reviewed by the joint legislative budget committee. (General Appropriation Act footnote)
- 6/ Child safety expenditure authority includes all department funding sources excluding the state general fund, the federal child care and development fund block grant, the federal temporary assistance for needy families block grant, the child abuse prevention fund and the children and family services training program fund. (General Appropriation Act footnote)
- 7/ The department of child safety may transfer up to ten percent of the total amount of federal temporary assistance for needy families block grant monies appropriated to the department of economic security and the department of child safety to the social services block grant. Before transferring federal temporary assistance for needy families block grant monies to the social services block grant, the department of child safety shall report the proposed amount of the transfer

to the director of the joint legislative budget committee. This report may be in the form of an expenditure plan that is submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year. (General Appropriation Act footnote)

- 8/ The department of child safety shall provide training to any new child safety FTE positions before assigning any client caseload duties to any of these employees. (General Appropriation Act footnote)
- 9/ The legislature intends that the department of child safety use its funding to achieve a one hundred percent investigation rate. (General Appropriation Act footnote)
- 10/ On or before January 2, 2021, the department of child safety shall submit a report to the joint legislative budget committee on the department's efforts to implement the family first prevention services act of 2018. The report shall quantify the department's efforts in at least the following areas, including any associated fiscal impacts: (1) Reducing the number of children placed for more than two weeks in congregate care settings, excluding qualified residential treatment programs, facilities for pregnant and parenting youth, supervised independent living and specialized programs for victims of sex trafficking. (2) Assisting congregate care providers in attaining status as qualified residential treatment programs. (3) Identifying alternative placements, including therapeutic foster homes, for children who would otherwise be placed in congregate care. (4) Expanding evidence-based, in-home parent skill-based programs and mental health and substance abuse prevention and treatment services. (General Appropriation Act footnote)
- 11/ All expenditures made by the department of child safety for attorney general legal services shall be funded only from the attorney general legal services line item. Monies in department of child safety line items intended for this purpose shall be transferred to the attorney general legal services line item before expenditure. (General Appropriation Act footnote)
- 12/ The amount appropriated for litigation expenses is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (General Appropriation Act footnote)
- 13/ The amount appropriated for kinship care shall be used for a stipend of \$75 per month for a relative caretaker, including a grandparent, any level of great grandparent or any nongrandparent relative, or a caretaker of fictive kinship, if a dependent child is placed in the care of a relative caretaker or caretaker of fictive kinship pursuant to department guidelines. The department shall provide the stipend on behalf of all children placed with an unlicensed kinship foster care parent. The unlicensed kinship foster care parent is not required to file an application to receive the stipend. Before changing the eligibility for the program or the amount of the stipend, the department shall submit a report for review by the joint legislative budget committee detailing the proposed changes. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$115,951,200 and 1,311.9 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$59,916,400
Federal TANF Block Grant	21,210,000
Child Safety Expenditure Authority	34,824,800

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,274,500 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	1,419,600
Federal TANF Block Grant	591,300
Child Safety Expenditure Authority	263,600

(Please see the Agency Detail and Allocations section.)

Additional Operating Resources

Attorney General Legal Services

The budget includes \$25,522,800 and 276.2 FTE Positions in FY 2021 for Attorney General Legal Services. These amounts consist of:

General Fund	19,741,900
Child Safety Expenditure Authority	5,780,900

These amounts are unchanged from FY 2020.

This line item funds the attorneys and support staff in the Attorney General's Protective Services Section (PSS). Attorney General staff represents DCS in dependency, guardianship, severance and adoption proceedings throughout the state. This line item does not include funding for the Attorney General's defense of DCS in ongoing class action litigation. *(Please see the Litigation Expenses Special Line Item for additional information.)*

Caseworkers

The budget includes \$107,927,300 and 1,406 FTE Positions in FY 2021 for caseworkers. These amounts consist of:

General Fund	44,202,100
Children and Family Services Training Program Fund	217,000
Federal TANF Block Grant	32,030,200
Child Safety Expenditure Authority	31,478,000

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,498,700 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	1,312,900
Children and Family Services Training Program Fund	9,900
Federal TANF Block Grant	942,800
Child Safety Expenditure Authority	233,100

This line item funds caseworker positions I, II, III and IV, including salary, benefits, other operating expenses and in-state travel. Funding for field office staff, including case aides, caseworker supervisors, program managers, and other support staff, are included in the DCS operating budget.

The Legislature has funded 1,406 caseworkers (direct line staff). *Table 1* displays DCS progress in hiring these staff. As of the latest available data from May 2020, DCS had filled 1,366 of these positions, or (40) fewer filled positions than the funded amount.

Table 1

DCS Caseworker Hiring

<u>Direct Line Staff Type</u>	<u>Funded Positions</u>	<u>May 2020</u>	<u>Difference</u>
Case-Carrying Caseworkers	1,190	1,052	(138)
Caseworkers in Training	140	244	104
Hotline Staff	76	70	(6)
Total	1,406	1,366	(40)

General Counsel

The budget includes \$161,700 and 1 FTE Position from the General Fund in FY 2021 for General Counsel. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$5,600 from the General Fund in FY 2021 for statewide adjustments.

Unlike the Attorney General Legal Services line item which funds representation of DCS in administrative or judicial proceedings, this line item funds the DCS General Counsel, who provides legal advice to the Director.

Inspections Bureau

The budget includes \$2,548,300 and 31 FTE Positions in FY 2021 for the Inspections Bureau. These amounts consist of:

General Fund	1,379,400
Federal TANF Block Grant	569,300
Child Safety Expenditure Authority	599,600

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$65,100 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	41,700
Federal TANF Block Grant	17,200
Child Safety Expenditure Authority	6,200

Background – Monies in this line item fund the Inspections Bureau established in A.R.S. § 8-458, which is tasked with ensuring the department policies and procedures are being followed by all staff in accordance with federal and state law. The Bureau is required to monitor specific programs and services and shall continuously improve the practices of the department, which may include formal audits, inspections, program evaluation, other quality assurance activities, suggestions for policy changes, and evaluation of best practices and programming.

Litigation Expenses

The budget includes \$2,602,000 from the Risk Management Revolving Fund in FY 2021 for Litigation Expenses. FY 2021 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$2,602,000 from the Risk Management Revolving Fund in FY 2021 to continue funding DCS' legal defense in *B.K. v. McKay*. A General Appropriation Act footnote stipulates that these monies are non-lapsing until June 30, 2022.

Background – DCS is currently a defendant in a federal class-action lawsuit called *B.K. v. McKay*. The case concerns the adequacy of the state's foster care services, including access to health services for foster children, the availability of family foster placements, investigations of

maltreatment within foster placements, and practices to maintain family relationships. The Arizona Health Care Cost Containment System (AHCCCS) and the Department of Health Services (DHS) are also defendants in the case.

The department has used the funds in this line to retain outside counsel for its legal defense, expert witnesses, discovery costs, and other expenses. The case has not yet gone to trial. In April 2019, the federal 9th Circuit Court of Appeals certified the class-action status of the case. In March 2020, the U.S. Supreme Court declined to hear the case, meaning that the case will proceed as a class-action lawsuit. A trial date has not been set as of this writing.

New Case Aides

The budget includes \$3,305,900 and 34 FTE Positions in FY 2021 for New Case Aides. These amounts consist of:

General Fund	1,455,000
Federal TANF Block Grant	1,377,200
Child Safety Expenditure Authority	473,700

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$120,700 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	58,900
Federal TANF Block Grant	55,200
Child Safety Expenditure Authority	6,600

Monies in this line item fund 34 new case aides. These positions are in addition to the 256 case aides funded from the operating budget in May 2016.

Office of Child Welfare Investigations

The budget includes \$9,964,800 and 127 FTE Positions in FY 2021 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	9,762,200
Child Safety Expenditure Authority	202,600

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$318,500 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	317,900
Child Safety Expenditure Authority	600

Background – A.R.S. § 8-471 establishes the Office of Child Welfare Investigations (OCWI) within the Department of Child Safety to investigate criminal conduct allegations, coordinate with law enforcement, and establish task forces for the investigation of criminal conduct in cases of child abuse and neglect. DCS reports that in FY 2019, 6,303 of the 47,044 reports of child abuse or neglect received by the Arizona Child Abuse Hotline included an allegation of criminal conduct.

Overtime Pay

The budget includes \$8,602,400 in FY 2021 for Overtime Pay. This amount consists of:

General Fund	2,260,000
Federal TANF Block Grant	1,868,800
Child Safety Expenditure Authority	4,473,600

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$194,700 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	77,500
Federal TANF Block Grant	55,800
Child Safety Expenditure Authority	61,400

Monies in this line fund overtime pay for DCS caseworkers.

Records Retention Staff

The budget includes \$600,000 and 5 FTE Positions in FY 2021 for Records Retention Staff. These amounts consist of:

General Fund	503,800
Child Safety Expenditure Authority	96,200

Statewide Adjustments

The budget includes an increase of \$5,700 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	5,500
Child Safety Expenditure Authority	200

This line item funds staff that process information requests about children in the state child welfare system.

Training Resources

The budget includes \$9,150,000 in FY 2021 for Training Resources. This amount consists of:

General Fund	150,000
Child Safety Expenditure Authority	9,000,000

These amounts are unchanged from FY 2020.

Background – DCS has agreements with Arizona State University (ASU) and Northern Arizona University (NAU) to educate potential caseworkers. As part of that agreement, the federal government provides Title IV-E funding for the universities' social work programs while the universities provide the state match. The federal match rate is 75%.

Students receive scholarships that cover their tuition, books, and university fees. Scholarship degrees include a Bachelors of Social Work (BSW) or a Masters of Social Work (MSW). The post-graduation DCS work requirement for scholarship students is equal to the length of the academic scholarship. The 2-year MSW scholarship value is about \$38,300 (\$10,800 stipend and \$27,500 /fees). Students who withdraw from the scholarship, do not fulfill their contractual obligation, or do not meet the employment requirement of DCS at the time of hiring are required to repay DCS the scholarship amount. DCS reports that 75 ASU/NAU social work students received scholarships in FY 2019, including 29 BSW students and 46 MSW students.

Out-of-Home Placements

DCS places children in out-of-home care when the department determines in conjunction with the Juvenile Court that, after investigating a report of child abuse or neglect, no services or interventions can adequately ensure the child's health and safety in the home. *Table 2* shows out-of-home placements by setting each year.

Congregate Group Care

The budget includes \$89,788,900 in FY 2021 for Congregate Group Care. This amount consists of:

General Fund	31,076,000
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	37,289,900

FY 2021 adjustments are as follows:

Table 2

Out-of-Home Placements ^{1/}

	June 2018	June 2019	April 2020
Kinship Care ^{2/}	5,566	5,417	5,722
Foster Home	5,875	5,660	5,236
Congregate Care	2,232	2,334	2,287
Group Home	1,669	1,723	1,793
Emergency Shelter	112	90	65
Behavioral Health Placement	451	521	429
Independent Living	455	475	584
Other ^{3/}	361	319	331
Total	14,489	14,205	14,160

1/ Includes out-of-home children up through age 17 as well as children 18-21 in Extended Foster Care.

2/ Includes unlicensed relative and non-relative placements.

3/ Includes runaways, missing children, children with no identified placement, and trial home visits.

Extended Foster Care Transfer

The budget includes a decrease of \$(9,111,200) in FY 2021 to transfer congregate group care expenses for individuals in foster care aged 18-21 to a relabeled line item for Extended Foster Care. This amount consists of:

General Fund	(4,952,000)
Child Safety Expenditure Authority	(4,159,200)

(Please see the Extended Foster Care line item below for additional information.)

Caseload – In FY 2019, DCS served a monthly average caseload of 2,108 in congregate care placements. At an average monthly cost of \$3,689 per placement, funding in this line is sufficient for an average monthly caseload of 2,028 placements in FY 2021. The estimated average cost is based on DCS' reported congregate care expenses following the implementation of a contracted rate increase effective April 1, 2019.

Background – This line item funds congregate care placements for foster children up through age 17, including shelter facilities for up to 21 days or less; group home placements; and placements at behavioral health facilities licensed by the Department of Health Services, such as behavioral health group homes and residential treatment centers. DCS pays the cost of behavioral health facility placements for non-Medicaid CMDP children and pays for the room and board expenditures for Medicaid-eligible children. All other behavioral health facility costs are funded by the RBHAs within the AHCCCS budget.

Children aged 18-21 in congregate care placements are funded in the Extended Foster Care line item *(please see the Extended Foster Care line item for additional information.)*

Extended Foster Care

The budget includes \$14,437,200 in FY 2021 for Extended Foster Care. This amount consists of:

General Fund	8,283,300
Child Safety Expenditure Authority	6,153,900

FY 2021 adjustments are as follows:

Extended Foster Care Transfer

The budget includes an increase of \$9,777,200 in FY 2021 to transfer placement expenses for individuals in foster care aged 18-21 to a relabeled line item for Extended Foster Care. This amount consists of:

General Fund	5,314,000
Child Safety Expenditure Authority	4,463,200

This line item was previously called the "Independent Living Maintenance" line item, as it included placement expenses for the foster care population aged 18-21 within independent living settings. The line item is renamed as "Extended Foster Care" to reflect the inclusion of all placement expenses for the foster care population aged 18-21, including group home and foster home settings.

Caseload – In FY 2019, a monthly average of 848 individuals age 18-21 remained voluntarily in DCS foster care. Based on the rate of placement in independent living settings, group homes, and foster homes, the average monthly cost per placement was approximately \$1,390. At \$1,390 per month, the funding in this line item is sufficient to fund 866 placements in FY 2021.

Background – A.R.S. § 8-521.02 authorizes DCS to establish an Extended Foster Care program for young adults aged 18-21 who turned age 18 while in DCS custody. Participating youth may continue to receive services and supports from the department on condition of enrolling in an education program, employment, participation in a program that promotes employment, or be unable to be a full-time student or work due to a documented medical condition.

DCS submitted a IV-E state plan amendment in September 2019 that allows the department to begin receiving Federal Funds for other out-of-home youth age 18 or older under the IV-E Extended Foster Care program. Based on a consultant's analysis, the department will receive an estimated \$6.6 million in additional Federal IV-E Funds in FY 2020 for the program, of which \$6.2 million is accounted for in this line item.

The additional \$6.6 million effectively represents a dollar-for-dollar state savings of \$(6.6) million from the General Fund for placements costs of foster youths age 18-21, as these placement costs were previously covered by either the General Fund or TANF (the latter being a General Fund offset) within the Congregate Group Care, Independent Living Maintenance, and Foster Home Placement line items. DCS intends to use the additional federal resources to increase the number of individuals and services offered to children in extended foster care.

Foster Home Placement

The budget includes \$51,929,500 in FY 2021 for Foster Home Placement. This amount consists of:

General Fund	22,825,500
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	22,130,900

FY 2021 adjustments are as follows:

Extended Foster Care Transfer

The budget includes a decrease of \$(666,000) in FY 2021 to transfer foster care expenses for individuals in foster care aged 18-21 to a relabeled line item for Extended Foster Care. This amount consists of:

General Fund	(362,000)
Child Safety Expenditure Authority	(304,000)

(Please see the Extended Foster Care line item for additional information.)

Caseload – In FY 2019, a monthly average of 5,555 clients received licensed foster home services. At an average monthly cost of \$712, the funding in this line item is sufficient for 6,078 foster home placements in FY 2021.

Background – The Foster Home Placement line item provides funding for the placement of out-of-home children up through age 17 into foster homes. This line item includes the cost of the maintenance payments for licensed foster homes. Unlicensed foster homes are funded in the Kinship Care line item.

Children in licensed foster home placements aged 18-21 are funded in the Extended Foster Care line item *(please see the Extended Foster Care line item for additional information.)*

Foster Home Recruitment, Study and Supervision

The budget includes \$32,753,600 in FY 2021 for Foster Home Recruitment, Study and Supervision. This amount consists of:

General Fund	19,652,200
Child Safety Expenditure Authority	13,101,400

These amounts are unchanged from FY 2020.

Background – This line item funds contracts with child welfare licensing agencies that recruit foster families, complete home studies to ensure that foster homes comply with requirements for licensure and provide ongoing monitoring and oversight of foster homes.

Kinship Care

The budget includes \$5,000,000 in FY 2021 for Kinship Care. This amount consists of:

General Fund	4,500,000
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2020.

Caseload – In FY 2019, a monthly average of 5,528 children were placed in unlicensed kinship care. At an average monthly cost of \$71, this line item is sufficient to fund a monthly average of 5,869 kinship placements in FY 2021.

Background – This line item funds the Kinship Stipend, which provides a \$75 monthly stipend per child to unlicensed kinship caregivers. Unlicensed kinship caregivers may include relatives as well as non-relative caregivers of fictive kinship. "Fictive kin" are caregivers that have a meaningful relationship with the child but are not related by blood or by marriage.

The budget continues a General Appropriation Act footnote that requires DCS to provide the stipend on behalf of all children placed with an unlicensed kinship foster care parent and permits such caregivers to receive the stipend without filing an application.

Permanent Placements

DCS subsidizes the care of children who exit out-of-home care for placements in adoptive homes or for custody with permanent guardians. *Table 3* shows the total caseload for permanent placements.

Table 3

	Permanent Placements		
	June 2018	June 2019	May 2020
Adoption	29,500	31,382	32,543
Permanent Guardianship	2,608	2,775	2,733
Total	32,108	34,157	35,276

Adoption Services

The budget includes \$278,258,500 in FY 2021 for Adoption Services. This amount consists of:

General Fund	84,965,800
Federal TANF Block Grant	22,445,700
Child Safety Expenditure Authority	170,847,000

These amounts are unchanged from FY 2020.

Caseload – In FY 2019, a monthly average of 30,514 clients received adoption subsidies. At an average monthly cost of \$710, the funding in this line item is sufficient for 32,659 total placements in FY 2021.

Background – DCS is required to administer an ongoing program of subsidized adoption pursuant to A.R.S. § 8-142 for children with physical, mental, or emotional disorders or who would be otherwise difficult to place in adoption because of age, sibling relationship, or racial or ethnic background. The funding provides for maintenance subsidies, special services subsidies, expenditures related to the legal process of adopting a child, and adoption home recruitment costs. Medical expenses are covered through AHCCCS.

Permanent Guardianship Subsidy

The budget includes \$12,516,900 in FY 2021 for the Permanent Guardianship Subsidy. This amount consists of:

General Fund	10,573,900
Federal TANF Block Grant	1,943,000

These amounts are unchanged from FY 2020.

Caseload – In FY 2019, a monthly average of 2,681 clients received permanent guardianship subsidies. At an average monthly cost of \$378, the funding in this line item is sufficient to fund 2,759 total placements in FY 2021.

Background – Pursuant to A.R.S. § 8-871, the Juvenile Court may establish a permanent guardianship for children in out-of-home care: 1) who have been in the

custody of the prospective permanent guardian for at least 9 months; 2) for whom reasonable efforts have been made to reunite the parent and child and further efforts would be unproductive; 3) for whom the likelihood of adoption is remote or termination of parental rights would not be in the child's best interest. A.R.S. § 8-814 requires DCS to administer a program to subsidize permanent guardianships subject to available funding from appropriations and other sources. The current base subsidy rate is \$12.95 per day (\$388.50 per month). Medical expenses for permanent guardianship placements are covered through AHCCCS.

Support Services

DCS provides services to families involved in the child welfare system that are intended to facilitate the reunification of out-of-home children with their biological families and reduce the probability that high-risk families have children enter out-of-home care. These services may include instruction to parents (parent aide), visitation between out-of-home children and their families, transportation, substance abuse treatment, and in-home programs, among others. *Table 4* displays combined spending from FY 2019 for in-home mitigation and out-of-home support services by category.

DCS Child Care Subsidy

The budget includes \$56,559,400 in FY 2021 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,000,000
Federal CCDF Block Grant	35,400,000
Child Safety Expenditure Authority	14,159,400

FY 2021 adjustments are as follows:

Enrollment Fees Offset

The budget includes an increase of \$1,000,000 from the Federal CCDF Block Grant in FY 2021 to provide reimbursement for child care enrollment fees incurred by caregivers for children in the custody of the department.

Caseload – In FY 2019, a monthly average of 8,633 children received DCS child care. At \$477 monthly, the funding in this line item is sufficient for an average monthly caseload of 9,706 children in FY 2021.

Background – This line item funds child care for children in the DCS system. DES continues to administer the state's child care program, so this funding is passed through to DES. Children who qualify for the DCS child care subsidy are not subject to a time limit, copay, or

waiting list. DCS child care is provided for children in both licensed and unlicensed foster care. *(Please see the Child Care Subsidy line item in the DES narrative for other state child care funding.)*

Table 4

Support Services FY 2019 Actual Expenditures by Service Category ^{1/}

Services	Amount
Child Care Subsidies	\$ 44,980,600
CMDP ^{2/}	36,210,500
Parent Aide	21,734,600
Supervised Visitation	20,525,400
Transportation	18,598,100
In-Home Services	17,476,300
Preventive Services	15,148,300
Allowances	8,975,100
Counseling and Psychological Services	7,291,700
Substance Use Disorder Treatment ^{3/}	7,006,600
Independent Living Support	5,856,000
Lab Services	4,736,000
Other	3,519,000
Total	\$212,058,200

- ^{1/} From "Children Support Services Expenditures Based on Payment Month" of DCS' October 2019 Child Safety Monthly Program Report, except that child care subsidy expenditures are from the DES Child Care Administration and DCS preventive services expenditures are from the FY 2021 DCS budget request.
- ^{2/} Acute care expenses for children in foster care. Excludes CMDP administrative costs, which are funded in the DCS Operating Budget.
- ^{3/} DCS spending on the Arizona Families F.I.R.S.T. (AFF) substance use disorder treatment program. Does not include substance use disorder services spending for AFF recipients who are eligible for AHCCCS.

In-Home Mitigation

The budget includes \$28,988,100 and 1 FTE Position in FY 2021 for In-Home Mitigation. These amounts consist of:

General Fund	6,971,700
Child Abuse Prevention Fund	1,459,300
Federal TANF Block Grant	14,611,200
Child Safety Expenditure Authority	5,945,900

These amounts are unchanged from FY 2020.

Background – This line item funds DCS' in-home services program for families with a child at risk of out-of-home placement. Contracted in-home services provide a wide range of voluntary services for up to 120 days intended to ensure that children remain safely at home, including parent education, counseling, domestic violence intervention, behavioral management, home

management, and linkages to community resources. DCS reports that there were 4,533 new referrals to the in-home services program in FY 2019.

Out-of-Home Support Services

The budget includes \$153,910,900 in FY 2021 for Out-of-Home Support Services. This amount consists of:

General Fund	48,512,100
Federal TANF Block Grant	34,139,600
Child Safety Expenditure Authority	71,259,200

These amounts are unchanged from FY 2020.

Background – This line item funds services for children in out-of-home care and their families, including supervised visitation, parent aide, health care services, allowances, transportation, substance abuse treatment, and independent living services.

Preventive Services

The budget includes \$15,148,300 in FY 2021 for Preventive Services. This amount consists of:

General Fund	4,000,000
Child Safety Expenditure Authority	11,148,300

These amounts are unchanged from FY 2020.

Background – This line item funds broad-based prevention programs to reduce the risk of involvement with DCS for at-risk families. The programs include the Healthy Families, which is an in-home visiting program, and the Building Resilient Families program, which provides follow-up services to families that were previously the subject of a DCS report.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- CHILDS Replacement Project
- CMDP Integration
- Family First Prevention Services Act
- Families First Coronavirus Response Act

Statutory Changes

The Human Services Budget Reconciliation Bill makes the following statutory changes:

- As session law, require the Auditor General to complete an audit of DCS' Missing Children on or before September 30, 2021.

CHILDS Replacement Project

The Department of Child Safety requested \$4,992,800 from the Automation Projects Fund in FY 2021 to complete its replacement of the department's child welfare information system with a new system called "Guardian." The FY 2021 budget includes the \$4,992,800 requested by the department. *(Please see the Arizona Department of Administration - Automation Projects Fund narrative for additional information.)*

CMDP Integration

Children in foster care receive coverage for physical health and behavioral health care through the Comprehensive Medical & Dental Program (CMDP). Currently, DCS serves as the health plan for physical health, while behavioral health is covered separately through Regional Behavioral Health Authorities (RBHAs) contracted with AHCCCS.

Laws 2019, Chapter 305 transfers coverage of behavioral health services for foster children from the RBHAs to DCS conditional on authorization of state and federal funding by February 1, 2024. In its review of capitation funding for the CMDP program in April 2019, the Joint Legislative Budget Committee's review included a provision stating that it is the intent of the Legislature that DCS and AHCCCS request any funding changes associated with the creation of an integrated health plan as part of each agency's FY 2021 budget submittal.

Integrating behavioral health services under DCS would likely increase DCS' CMDP administrative expenses. According to a February 2018 Mercer study, the department could incur administrative costs of up to \$21.6 million Total Funds for administration of an integrated CMDP health plan, including the addition of 198 FTE Positions, if DCS administered all managed care health plan functions (e.g. medical management, network development, claims processing, etc.). By comparison, AHCCCS reports that existing administrative spending of the RBHAs is approximately \$13.3 million, or \$(8.3) million below the estimate from the 2018 study.

The plan could also impact behavioral health utilization. DCS would gain responsibility for "clinical operations," such as prior authorization and care coordination for behavioral health, so if DCS authorizes more services than the RBHAs do under current practice, foster care behavioral health expenses could increase. The magnitude of such changes is unknown. DCS hopes to lower Mercer's cost estimate by contracting for certain administrative functions

The FY 2021 budget does not include any adjustments to the DCS budget to authorize integration of CMDP pursuant to Chapter 305. As a result, the DCS budget continues to only include approximately \$50,000,000 of Child Safety Expenditure Authority across the Operating Budget and Out-of-Home Support Services line items associated with the physical health component of the CMDP plan.

The Executive originally planned to integrate the CMDP health plan in FY 2021. To do so, DCS' budget for FY 2021 would require 1 of the 2 following adjustments:

1. Transfer of \$59,250,900 of General Fund monies and \$138,481,300 of Medicaid Expenditure Authority monies currently appropriated in the AHCCCS budget for CMDP to DCS in FY 2021. In this scenario, DCS would transfer its CMDP appropriation to AHCCCS. AHCCCS would then, in turn, pay capitation to DCS for each CMDP enrollee. This budget structure mirrors the Developmental Disabilities program in the Department of Economic Security.
2. Alternatively, increase DCS' Child Safety Expenditure Authority by approximately \$150,000,000 on an annualized basis to account for increased capitation payments received by DCS from AHCCCS as a result of the integration of behavioral health services.

Family First Prevention Services Act

The federal Bipartisan Budget Act of 2018 (P.L. 115-123) enacted in February 2018 incorporated provisions from previously introduced legislation called the Family First Prevention Services Act, which makes changes to federal IV-E financing of state and local child welfare services. The major changes include:

- Availability of uncapped IV-E federal reimbursement for in-home preventive services for families of children at risk of being placed in foster care, including mental health and substance abuse prevention and treatment services as well as in-home parent skill-based programs. The federal match rate will be 50% and will only be applied to state expenditures above a state maintenance-of-effort

requirement. This provision may expand federal IV-E funding for DCS.

- Limitation of federal IV-E reimbursement for congregate care placements to 2 weeks, except for children with serious behavioral or emotional disorders that are placed in "Qualified Residential Treatment Programs" meeting certain criteria. This provision may reduce federal IV-E funding for DCS.
- Delays the full phase-out of income eligibility standards for children age 2 or under (previously, adoptive subsidies were only available to children demonstrating "special needs" as defined in federal law and that came from families with incomes at or below the TANF income eligibility level) in the IV-E adoption program until July 1, 2024. Prior federal legislation had originally scheduled a full phase-out by October 1, 2017. The delay in the phase-out of income eligibility criteria may reduce federal IV-E funding for DCS.

An FY 2020 General Appropriation Act footnote requires DCS to report on its implementation of the legislation by January 2, 2020, including quantification of any fiscal impacts. DCS reported it has taken the following actions related to implementing the legislation:

1. Utilized a provision in the law that allows for delay implementation until October 1, 2021.
2. Enhanced foster home recruitment efforts, including revision of foster home recruitment contracts effective September 1, 2019 to allow for higher reimbursement based on the needs of the child.
3. Revised Congregate Care contracts effective April 1, 2019 to add incentive pay to providers that assist with transitioning and stabilizing an out-of-home child in a less restrictive setting, such as a kinship placement.
4. Awarded \$1.5 million in one-time grants to develop Qualified Residential Treatment Programs, which are congregate care settings that will continue to be eligible for federal reimbursement after implementation of the law.
5. Standardized therapeutic foster care placements in collaboration with the Arizona Health Care Cost Containment System.
6. Ensured DCS' existing in-home programs meet standards for being "evidence-based," which is a requirement to receive federal funding for in-home programs once FFPSA is implemented.

The report did not attempt to quantify the total fiscal impact of DCS' implementation efforts.

Families First Coronavirus Response Act

In March 2020, the President signed the federal Families First Coronavirus Response Act into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. The temporary enhanced match rate is effective through the last quarter that the federal public health emergency is in effect. The match rate increase will reduce General Fund expenditures for DCS in FY 2020 and FY 2021. The enacted budget did not adjust the DCS' General Fund appropriation to account for the savings.

In FY 2020, any match rate savings are expected to be realized through revertments to the General Fund. The magnitude of DCS' level of FY 2020 revertments, however, is not yet known and will depend on several other technical factors.

In FY 2021, the JLBC Staff estimates that the match rate increase will reduce DCS' General Fund expenditures by \$(14.6) million relative to the enacted budget. This estimate assumes that the 6.2% increase will be in effect through March 2021, consistent with the Congressional Budget Office's current assumption concerning the duration of the increase. The match rate savings would either be realized via an ex-appropriation to DCS' FY 2021 General Fund appropriation or via revertments. The JLBC Staff estimates also assumes that caseload changes would not have an offsetting impact on the magnitude of the match rate savings.

State Board of Chiropractic Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	183,900	221,100	231,500
Employee Related Expenditures	73,300	95,000	96,600
Professional and Outside Services	23,300	50,000	50,000
Travel - In State	0	500	500
Travel - Out of State	11,100	15,000	15,000
Other Operating Expenditures	41,100	50,000	50,000
Equipment	500	7,000	7,000
AGENCY TOTAL	333,200	438,600	450,600 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Chiropractic Examiners Fund	333,200	438,600	450,600
SUBTOTAL - Other Appropriated Funds	333,200	438,600	450,600
SUBTOTAL - Appropriated Funds	333,200	438,600	450,600
TOTAL - ALL SOURCES	333,200	438,600	450,600

AGENCY DESCRIPTION — The board licenses, investigates, and regulates chiropractors who practice a system of therapy in which disease is considered the result of neural malfunction. Manipulation of the spinal column and other structures is the preferred method of treatment.

FOOTNOTES

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

Operating Budget

The budget includes \$450,600 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$12,000 from the Chiropractic Examiners Fund in FY 2021 for statewide adjustments. *(Please see Agency Details and Allocations section.)*

Citizens Clean Elections Commission

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	8,728,800	11,468,400	11,468,400
TOTAL - ALL SOURCES	8,728,800	11,468,400	11,468,400

AGENCY DESCRIPTION - As authorized by a 1998 ballot initiative, the Citizens Clean Elections Commission provides full public funding to qualified candidates who agree to abide by the commission's guidelines. To qualify for funding, participating candidates must adhere to spending and contribution limits and gather \$5 qualifying contributions from district constituents who are registered voters. Participating candidates also agree to attend required debates. The commission is not subject to legislative appropriation.

Other Issues

Clean Elections Fund Transfer to the General Fund

Pursuant to a 1998 ballot proposition (A.R.S. § 16-954B), the CCEC is instructed to return excess monies to the General Fund if it determines that anticipated revenues exceed anticipated expenses. The CCEC determines this on an annual basis by projecting revenues and expenses over the next 4 years and designating monies above the amount needed to meet current and future expenses as "excess monies" to be transferred to the General Fund.

The most recent transfer was in FY 2012, when \$10 million was transferred to the General Fund. For a complete list of Citizens Clean Elections Fund transfers to the General Fund, please see *Table 1*.

Table 1
Clean Elections Fund Transfers to General Fund

<u>Fiscal Year</u>	<u>Transfer</u>
FY 2003	\$ 1,774,600
FY 2004	3,828,000
FY 2005	973,900
FY 2006	2,500,000
FY 2008	18,876,200
FY 2009	7,000,000
FY 2010	10,000,000
FY 2011	20,000,000
FY 2012	<u>10,000,000</u>
Total	\$74,952,700

Table 2

CCEC Available Revenues and Expenditures

	FY 2019 <u>Actual</u>	FY 2020 <u>Estimate</u>
Funds Available		
Balance Forward	\$29,111,900	\$27,753,900
Revenue:		
Civil Fine 10% Surcharge	\$ 7,137,600	7,137,600
Miscellaneous Receipts	222,400	222,400
Other Fines, Forfeitures, Penalties	<u>10,800</u>	<u>10,800</u>
Total Revenue	\$ 7,370,800	\$ 7,370,800
Total Funds Available	\$36,482,700	\$35,124,700
Expenditures:		
Personal Services	\$ 487,100	\$ 572,600
Employee Related Expenditures	165,200	193,700
Professional & Outside Services	4,149,300	4,150,000
Travel - In State	4,600	4,600
Travel - Out of State	3,800	3,800
Candidate Funding	2,330,600	4,500,000
Other Operating Expenses	1,576,400	2,028,700
Equipment	12,700	15,000
Transfers	<u>(900)</u>	<u>0</u>
Total Funds Expended	\$ 8,728,800	\$11,468,400
Year-End Fund Balance	\$27,753,900	\$23,656,300

Arizona Commerce Authority

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
Personal Services	4,087,500	5,062,900	5,062,900
Employee Related Expenditures	799,500	1,161,000	1,161,000
Professional and Outside Services	1,344,400	1,498,900	1,498,900
Travel - In State	71,000	167,800	167,800
Travel - Out of State	152,500	233,000	233,000
Other Operating Expenditures	3,496,700	1,831,700	1,831,700
Equipment	48,400	44,700	44,700
OPERATING SUBTOTAL	10,000,000	10,000,000	10,000,000^{1/}
SPECIAL LINE ITEMS			
Applied Research Centers	0	2,500,000	0
Arizona Competes Fund Deposit	11,500,000	5,500,000	5,500,000 ^{1/}
Israel Trade Office	0	275,000	175,000
Mexico Trade Offices	300,000	500,000	500,000
Rural Broadband Grants	0	3,000,000	0
AGENCY TOTAL	21,800,000	21,775,000	16,175,000
FUND SOURCES			
General Fund	21,800,000	19,275,000	16,175,000
<u>Other Appropriated Funds</u>			
State Web Portal Fund	0	2,500,000	0
SUBTOTAL - Other Appropriated Funds	0	2,500,000	0
SUBTOTAL - Appropriated Funds	21,800,000	21,775,000	16,175,000
Other Non-Appropriated Funds	7,626,100	18,179,700	21,179,700
Federal Funds	1,514,300	1,998,800	1,998,800
TOTAL - ALL SOURCES	30,940,400	41,953,500	39,353,500

AGENCY DESCRIPTION — The Arizona Commerce Authority (ACA) promotes economic, community, and workforce development. The ACA's duties include the support of statewide business expansion, retention, attraction, workforce development and job training, online assistance for new business start-ups, and tax credit administration.

FOOTNOTES

^{1/} Pursuant to section 43-409, Arizona Revised Statutes, of the amounts listed above, \$15,500,000 of the state general fund withholding tax revenues is allocated in fiscal year 2020-2021 to the Arizona commerce authority, of which \$10,000,000 is credited to the Arizona commerce authority fund established by section 41-1506, Arizona Revised Statutes, and \$5,500,000 is credited to the Arizona competes fund established by section 41-1545.01, Arizona Revised Statutes. (General Appropriation Act footnote)

Operating Budget Deposit

The budget includes \$10,000,000 from the General Fund in FY 2021 for the operating budget. This amount is unchanged from FY 2020.

In FY 2019, ACA expended \$9,288,300 of this General Fund deposit. The unspent \$711,700 of the \$10,000,000 deposit into the Arizona Commerce Authority Fund is shown in the Other Operating Expenditures line.

Applied Research Centers

The budget includes no funding from the State Web Portal Fund in FY 2021 for Applied Research Centers. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,500,000) from the State Web Portal Fund in FY 2021 for applied research centers and the Institute for Automated Mobility.

Any monies distributed to entities that is unused and unencumbered by September 1, 2022 will revert to the State Web Portal Fund.

ACA is required to report to the President of the Senate and the Speaker of the House of Representatives by July 1 of both 2020 and 2021 if it has not distributed any of the \$2,500,000.

Private and public sector research centers will apply for funding to perform research on blockchain technology, wearables, and automated mobility.

The funds were distributed as follows:

- \$1,250,000 to applied research centers that specialize in blockchain technology.
- \$750,000 to applied research centers that specialize in wearable technology.
- \$500,000 to the Institute of Automated Mobility (IAM).

As of February 2020, \$2,000,000 of the monies have been distributed to the following research centers listed in *Table 1*. The remaining \$500,000 for IAM is awaiting matching funds.

Table 1	
Awards by Recipient	
<u>Applied Research Center</u>	<u>Amount Received</u>
Blockchain	
Blockchain Applied Research Center	\$ 250,000
Blockchain Applied Research Center (2 nd increment)	250,000
Arizona Blockchain Initiative	250,000
Arizona Blockchain Initiative (2 nd increment)	250,000
Energy Blockchain Consortium	<u>250,000</u>
Subtotal	\$1,250,000
Wearables	
University of Arizona Andrew Weil Center for Integrative Medicine	\$ 366,507
WearTech Applied Research Center	<u>383,493</u>
Subtotal	<u>\$ 750,000</u>
Total	\$2,000,000

Blockchain technology is a series ("chain") of recorded digital transactions ("blocks") on a public ledger, with the integrity of the ledger verified by public consensus.

Wearable technology enhances the body's ability to function through the processing or exchange of data.

IAM performs research on automated vehicle science issues related to safety and policy. Current participants are Intel, Arizona Department of Transportation, Arizona

Department of Public Safety, Arizona State University, University of Arizona, and Northern Arizona University.

Arizona Competes Fund Deposit

The budget includes \$5,500,000 from the General Fund in FY 2021 for deposit into the Arizona Competes Fund. This amount is unchanged from FY 2020.

In FY 2017 through FY 2019, the Arizona Competes Fund received an annual appropriation of \$11,500,000 in income tax withholding from the General Fund. The FY 2019 Revenues Budget Reconciliation Bill (BRB) reduced this deposit to \$5,500,000 starting in FY 2020. Additionally, the fund also receives a non-appropriated deposit of \$3,500,000 in lottery revenues pursuant to A.R.S. § 4-572. In total, the fund will receive deposits of \$9,000,000 in FY 2020 and thereafter. *(Please see the FY 2018 Appropriations Report for more information on the history of the Competes Fund deposit.)*

At least 30% of monies appropriated to the Arizona Competes Fund are to be used for rural and small business grants. Of this amount, 30%, up to \$1,000,000, is reserved for microenterprise development.

Microenterprises are businesses that employ 10 or fewer employees including start-ups, home-based businesses, and self-employed businesses.

A further 25% of the monies are reserved for businesses not located in Maricopa County with preference given to a county located on the Arizona-Mexico border, a county in which a military facility is located, or projects on tribal lands. The 25% allocation is no longer reserved for these purposes after March 31 of each fiscal year.

Monies in the Arizona Competes Fund are utilized to issue grants to attract, retain, and support businesses in Arizona. *(Please see Other Issues section for Arizona Competes Fund Commitments and Expenditures by year.)*

Israel Trade Office

The budget includes \$175,000 from the General Fund in FY 2021 to operate a trade office in Israel. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(100,000) from the General Fund in FY 2021 to remove one-time funding for establishing the Israel Trade Office.

In FY 2020, the Israel Trade Office line item received an appropriation of \$275,000 to establish a trade office in Tel

Aviv with 1 worker. The office facilitates foreign direct investment opportunities in the fields of technology and innovation, research and development, and entrepreneurship.

Mexico Trade Offices

The budget includes \$500,000 from the General Fund in FY 2021 to operate trade offices in Mexico. This amount is unchanged from FY 2020.

In FY 2015 through FY 2019, the Mexico Trade Office line item received an annual appropriation of \$300,000 which has been used to lease a 2-story building in central Mexico City that services as the Mexico City Trade Office and hire 4 contract workers to run the office. Additional offices in Guanajuato and Chihuahua opened in December 2019 and January 2020, respectively.

Rural Broadband Grants

The budget includes no funding from the General Fund in FY 2021 for Rural Broadband Grants. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(3,000,000) from the General Fund in FY 2021 to remove one-time funding. These monies were granted to local partnerships or ventures for rural broadband projects. An FY 2020 General Appropriation Act footnote required that the Arizona Commerce Authority report to the Joint Legislative Budget Committee by January 31, 2020 on its plan for distributing these grants.

Recipients of these grants are listed in *Table 2*. The first set of grants are used to aid in the establishment and acceleration of broadband construction projects. The second set of grants are used for deployment planning.

Table 2

Rural Broadband Grant Recipients

<u>Applicant</u>	<u>Award</u>
<i>Establishment Grants</i>	
Sparklight	\$1,000,000
Mohave Electric Cooperative	805,500
Commnet Wireless	<u>1,000,000</u>
Subtotal	\$2,805,500
<i>Planning Grants</i>	
Coconino County	\$ 50,000
Gila County	50,000
Town of Springerville	49,500
City of St. Johns	<u>45,000</u>
Subtotal	\$ 194,500
Total	\$3,000,000

Other Issues

Arizona Competes Fund Grants and Expenditures

ACA made \$96.5 million in commitments and expended \$57.4 million from the Competes Fund from FY 2012 through FY 2020. See *Table 3* for expenditures and commitments by fiscal year. (To see names of grant recipients for FY 2018, please see the FY 2020 Baseline Book. For a full list prior to FY 2017, please see the FY 2020 Appropriations Report.)

Currently, 3 types of grants are awarded from the fund: 1) Competes Fund grants for businesses that are expanding in or relocating to Arizona; 2) Arizona Innovation Challenge grants for early-stage start-up companies; and 3) Rural Economic Development grants for local governments to improve infrastructure and attract businesses.

Table 3

Arizona Competes Fund Commitments and Expenditures by Award Year

<u>Award Year</u>	<u>Commitments</u>	<u>Expenditures</u>
FY 2012	\$ 7,097,000	\$ 6,445,500
FY 2013	7,953,000	7,638,400
FY 2014	10,029,200	7,942,700
FY 2015	10,180,100	6,856,600
FY 2016	6,350,000	4,657,700
FY 2017	13,551,500	7,571,700
FY 2018	17,300,000	11,272,500
FY 2019	12,250,000	1,349,800
FY 2020 ^{1/}	<u>11,778,800</u>	<u>3,672,000</u>
Total	\$96,489,600	\$57,406,900

^{1/} Represents commitments and expenditures through May 31, 2020.

Arizona Community Colleges

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	4,677,300	4,623,500	4,690,700
Coconino	1,749,200	1,703,400	1,698,400
Gila	324,900	293,700	296,300
Graham	2,357,900	2,389,600	2,338,800
Mohave	1,152,700	1,175,300	1,138,900
Navajo	1,576,500	1,567,700	1,554,800
Pinal	1,507,800	1,452,000	1,128,300
Santa Cruz	84,100	0	0
Yavapai	589,900	601,400	585,800
Yuma/La Paz	2,613,500	2,399,500	2,384,800
<i>Subtotal - Operating State Aid</i>	<i>16,633,800</i>	<i>16,206,100</i>	<i>15,816,800</i>
STEM and Workforce Programs State Aid			
Cochise	1,010,800	996,200	1,014,500
Coconino	415,600	399,200	397,400
Gila	146,200	135,000	136,000
Graham	634,400	645,800	627,600
Maricopa	0	1,600,000	1,600,000 ^{1/}
Mohave	446,900	455,000	441,900
Navajo	342,600	339,500	334,800
Pima	0	400,000	400,000 ^{1/}
Pinal	96,500	96,500	96,500
Santa Cruz	62,400	26,900	23,700
Yavapai	699,000	703,100	697,500
Yuma/La Paz	843,100	1,030,200	1,024,900
<i>Subtotal - STEM and Workforce Programs State Aid</i>	<i>4,697,500</i>	<i>6,827,400</i>	<i>6,794,800</i>
Equalization Aid			
Cochise	5,848,200	6,389,500	7,227,100
Graham	15,717,800	16,506,200	17,469,100
Navajo	7,107,100	7,751,900	8,444,300
Yuma/La Paz	0	0	155,200
<i>Subtotal - Equalization Aid</i>	<i>28,673,100</i>	<i>30,647,600</i>	<i>33,295,700</i>
Rural Community College Aid ^{2/}			
Cochise	0	3,140,100	0
Coconino	0	1,003,100	0
Gila	0	343,200	0
Graham	0	1,568,100	0
Mohave	0	1,152,100	0
Navajo	0	889,200	0
Pinal	0	1,795,400	0
Santa Cruz	0	64,200	0
Yavapai	0	1,761,300	0
Yuma/La Paz	0	2,483,300	0
<i>Subtotal - Rural Community College Aid</i>	<i>0</i>	<i>14,200,000</i>	<i>0</i>
Rural County Allocation	2,902,300	3,420,800	3,658,200 ^{2/}
Rural County Reimbursement Subsidy	1,273,800	1,273,800	1,273,800 ^{3/}
Tribal Community Colleges	2,856,100	2,856,100 ^{4/}	2,856,100 ^{5/}
Additional Gila Workforce Development Aid	200,000	200,000	200,000
Diné College Remedial Education	0	1,000,000	1,000,000 ^{6/}
Maricopa Health Care Specialty Expansion	0	5,800,000	0
Pima Aviation Center Expansion	0	15,000,000	0
AGENCY TOTAL	57,236,600	97,431,800	64,895,400 ^{7/}

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
FUND SOURCES			
General Fund	57,236,600	97,431,800	64,895,400
SUBTOTAL - Appropriated Funds	57,236,600	97,431,800	64,895,400
Other Non-Appropriated Funds	21,759,100	20,121,600	20,121,600
TOTAL - ALL SOURCES	78,995,700	117,553,400	85,017,000

AGENCY DESCRIPTION — The Arizona community college system is comprised of 10 college districts and 2 provisional districts. Arizona's community colleges provide programs and training in the arts, sciences and humanities, and vocational education leading to an Associate's degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

FOOTNOTES

- 1/ The following amounts are appropriated from the state General Fund in each of FY 2020, FY 2021 and FY 2022 to the following Arizona community college districts for STEM and workforce development:
 1. Maricopa \$1,600,000
 2. Pima \$400,000 (FY 2020 General Appropriation Act footnote)
- 2/ A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost of students attending community colleges who are from counties that are not part of an established community college district, and then the state will withhold these counties' sales tax revenues to offset that cost. In FY 2021, that amount is estimated to be \$3,658,200. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 3/ Of the \$1,273,800 appropriated to the rural county reimbursement subsidy line item, Apache county receives \$699,300 and Greenlee county receives \$574,500. (General Appropriation Act footnote)
- 4/ The FY 2020 estimate from the enacted budget was increased by \$31,100 to match the actual FY 2019 Transaction Privilege Tax (TPT) distribution. The actual amounts distributed for FY 2020 will depend on TPT collections during the fiscal year.
- 5/ A.R.S. § 42-5031.01 directs the State Treasurer to annually transmit to the tribal colleges 10% of Transaction Privilege Tax (TPT) revenues collected from sources located on the reservation, or \$1,750,000, whichever is less, as well as 5% of TPT revenues collected on the reservation, or \$875,000, whichever is less, to a technical college on the same reservation. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 6/ On or before October 15, 2021, the Diné college board of regents shall submit to the governor, the speaker of the house of representatives, the president of the senate, the secretary of state and the joint legislative budget committee a report that details the course completion rate for students who received remedial education during the 2020-2021 academic year. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

Operating State Aid

The budget includes \$15,816,800 from the General Fund in FY 2021 for Operating State Aid. FY 2021 adjustments are as follows:

Enrollment Changes

The budget includes a decrease of \$(389,300) from the General Fund in FY 2021 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (691), or (2.4)%, decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 1). The (691) net FTSE decrease consists of a (665) FTSE decrease

in non-dual enrollment students and a (26) FTSE decrease in dual enrollment students. A.R.S. § 15-1466.01 requires dual enrollment students be funded at 50% for state aid purposes. Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit.

Background – With the exception of Maricopa and Pima, the Operating State Aid line items provide each community college district with funds for continuing operating and maintenance expenses pursuant to A.R.S. § 15-1466. The Operating State Aid formula adjusts state aid in an amount that reflects changes in the FTSE enrollment count. This enrollment adjustment is

Table 1			
Community College Enrollment			
	FY 2018	FY 2019	Percentage
	FTSE	FTSE	Change
<u>Rural Districts</u>			
Cochise	6,258	6,376	1.9%
Coconino	1,999	1,986	(0.7)%
Gila	684	683	(0.1)%
Graham	3,125	3,033	(2.9)%
Mohave	2,296	2,228	(3.0)%
Navajo	1,772	1,742	(1.7)%
Pinal	3,578	3,033	(15.2)%
Santa Cruz	128	113	(11.7)%
Yavapai	3,510	3,472	(1.1)%
Yuma/La Paz	<u>4,949</u>	<u>4,942</u>	<u>(0.1)%</u>
Subtotal	28,299	27,608	(2.4)%
<u>Urban Districts</u>			
Maricopa	70,344	67,498	(4.0)%
Pima	<u>14,783</u>	<u>14,058</u>	<u>(4.9)%</u>
Total	113,426	109,164	(3.8)%

calculated by multiplying the change in the most recent year's actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. (For FY 2021, the last actual FTSE data was from FY 2019.)

As permanent law, the FY 2016 Higher Education Budget Reconciliation Bill (BRB) eliminated Operating State Aid for Maricopa and Pima. The FY 2018 Higher Education BRB subsequently restored Maricopa and Pima County's eligibility for FY 2019 Operating State Aid in permanent law. Since then, however, a session law provision has suspended the formula. As a result, Maricopa and Pima County continued to receive no Operating State Aid.

The full formula funding for Maricopa and Pima County cannot be calculated for FY 2021. The Operating State Aid formula adjusts the prior year's appropriation based on the changes in FTSE enrollment count. Maricopa and Pima County have not received Operating State Aid since FY 2015.

STEM and Workforce Programs State Aid

The budget includes \$6,794,800 from the General Fund in FY 2021 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid. FY 2021 adjustments are as follows:

Enrollment Changes

The budget includes a decrease of \$(32,600) from the General Fund in FY 2021 to fund decreased formula costs for STEM and Workforce Programs State Aid. This reduction is the result of a net decline in rural district enrollment.

Background – The STEM and Workforce Programs State Aid line items provide the community college districts with funds for partnerships, faculty, technology equipment, student services, facilities, and property needs pursuant to A.R.S. § 15-1464.

The STEM and Workforce Programs State Aid formula provides per capita funding to districts based on the district's size and the most recent year's actual audited FTSE. The statutory formula provides \$210 per FTSE for districts with 5,000 or less FTSE or \$160 per FTSE for districts with greater than 5,000 FTSE.

The FY 2020 Higher Education BRB suspended this formula and funded districts as specified in the FY 2020 General Appropriation Act. The FY 2021 Higher Education BRB continues the suspension and the monies are distributed as follows:

- 1) All rural districts except Pinal receive funding in the same amount as the full formula.
- 2) Pinal receives \$96,500. Full funding for Pinal would cost an additional \$536,900.
- 3) Maricopa and Pima were appropriated \$1,600,000 and \$400,000, respectively, for FY 2020, FY 2021 and FY 2022 in the FY 2020 General Appropriation Act. Because this funding was advance appropriated, it does not appear in the FY 2021 General Appropriation Act. The cost to fully fund the 2 counties according to the formula in FY 2021 would have been an additional \$8,773,300 for Maricopa and \$1,819,800 for Pima.

Equalization Aid

The budget includes \$33,295,700 from the General Fund in FY 2021 for Equalization Aid. FY 2021 adjustments are as follows:

Property Value Changes

The budget includes an increase of \$2,648,100 from the General Fund in FY 2021 to reflect increased formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in Table 2.

Table 2
FY 2021 Equalization Funding Changes

District	FY 2019	Year-over- Year Change	FY 2020
Cochise	\$ 6,389,500	\$ 837,600	\$ 7,227,100
Graham	16,506,200	962,900	17,469,100
Navajo	7,751,900	692,400	8,444,300
Yuma/La Paz	<u>0</u>	<u>155,200</u>	<u>155,200</u>
Total	\$30,647,600	\$2,648,100	\$33,295,700

Background – The Equalization Aid line items provide additional state aid to community college districts with property tax bases that are less than the minimum assessed value specified in A.R.S. § 15-1402. Under the Equalization Aid formula, the minimum assessed valuation is revised by the average change in actual assessed valuation for the most recent year for all rural districts with populations of less than 500,000 persons. For the FY 2021 Equalization Aid formula calculation, the minimum assessed valuation increased 5.3% to approximately \$1.5 billion. (See Table 3 for the calculation of the growth rate.)

District	TY 2018 Primary AV	TY 2019 Primary AV	TY 2018- 2019 % Growth
Cochise*	\$ 928,290,400	\$ 941,485,600	1.4 %
Graham*	189,842,100	193,896,000	2.1 %
Navajo*	828,848,100	852,640,200	2.9 %
Yuma/LaPaz*	1,401,182,900	1,457,683,800	4.0 %
Coconino	1,726,579,800	1,831,089,300	6.1 %
Mohave	1,811,189,500	1,908,201,500	5.4 %
Pinal	2,355,433,500	2,521,252,100	7.0 %
Yavapai	<u>2,599,537,800</u>	<u>2,765,677,100</u>	<u>6.4 %</u>
Total	\$11,840,904,100	\$12,471,925,600	5.3 %
Minimum AV	\$1,394,677,700	\$1,469,014,000	5.3 %

* These districts qualify to receive Equalization Aid under the state funding formula in FY 2021.

Equalization Aid is paid based on the difference between the minimum assessed valuation and the most recent actual assessed valuation for the district. Equalization Aid is calculated at the lesser of \$1.37 per \$100 of the district's assessed valuation or the district's levy rate.

As noted in Table 3, the average rural district assessed value increased by 5.3% in TY 2019. In comparison, Cochise increased by 1.4%, Graham increased by 2.1%, and Navajo increased by 2.9%. Because their primary assessed value increased by less than the average rural district, Cochise, Graham, and Navajo qualify for more aid. Additionally, the Yuma/La Paz assessed value increased by 4.0% in TY 2019, but has dropped below the minimum assessed value making it eligible for equalization aid in FY 2021. The last time Yuma/La Paz received equalization aid was FY 2012.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.47 billion in FY 2021), 2) whether the district's change in assessed value was less than the rural districts' average change, and 3) the applicable tax rate.

Rural Community College Aid

The budget includes no funding from the General Fund in FY 2021 for Rural Community College Aid. FY 2021 adjustments are as follows:

Remove One-Time Rural Funding

The budget includes a decrease of \$(14,200,000) from the General Fund in FY 2021 to remove one-time aid to the 10 rural community college districts.

Rural Community College Aid was distributed proportionally according to enrollment of the 10 rural community college districts. The use of this funding was not restricted and could be used for operating and/or capital expenses.

Rural County Allocation

The budget includes \$3,658,200 from the General Fund in FY 2021 for Rural County Allocation. FY 2021 adjustments are as follows:

Enrollment Increase

The budget includes an increase of \$237,400 from the General Fund in FY 2021 to fund increased student enrollment.

Background – The Rural County Allocation line item facilitates payment to community college districts for students enrolled from counties that are not a part of an established community college district. If a county is not part of a community college district, it is responsible for the cost of their students attending community college in another county. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and then the state will withhold these counties' sales tax revenues to offset that cost; therefore, there is no net General Fund impact. The payments made on behalf of the counties are not included in county expenditure limits established in the Arizona Constitution. The county payments are partially offset by a state subsidy. (See next line item.)

Each year, the amount is determined by enrollment counts submitted to the JLBC Staff. The JLBC Staff is required by A.R.S. § 15-1469D to report the county withholdings to the Treasurer by May 15 for the upcoming fiscal year. In May 2020, the JLBC Staff reported the amount to be \$3,658,200 for FY 2021.

Monies for the Rural County Allocation are authorized by A.R.S. § 15-1469.01, and therefore do not appear in the General Appropriation Act.

Rural County Reimbursement Subsidy

The budget includes \$1,273,800 from the General Fund in FY 2021 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2020.

This funding partially offsets the cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee Counties. The budget allocates \$699,300 to Apache and \$574,500 to Greenlee.

Tribal Community Colleges

The budget includes \$2,856,100 from the General Fund in FY 2021 for Tribal Community Colleges. This amount is unchanged from FY 2020.

The budget includes a distribution of \$2,625,000 to the Navajo Nation, comprised of \$1,750,000 for Diné College, and \$875,000 for Navajo Technical College. For the Navajo Nation, the budget assumes the maximum amounts allowed under statute since a net of 15% of their current TPT revenues would exceed the statutory distribution limits as described below. The budget includes \$231,100 for the Tohono O'Odham Community College in FY 2021 based on a projection of 10% of the collected TPT revenues from the reservation. These amounts continue the assumed funding levels in FY 2020.

The FY 2021 budget adjusts the line item to reflect increased distributions during FY 2019. The enacted FY 2020 budget assumed an estimated \$200,000 distribution for the Tohono O'Odham Community College, but actual TPT distribution for 2019 was \$231,100. The line item was increased by \$31,100 in FY 2019, FY 2020, and FY 2021 to reflect current distributions. The enacted FY 2021 budget estimates a \$230,000 distribution, but actual amounts depend on TPT collections during the fiscal year.

Background – This funding is limited to qualified tribes that instituted a compact with the state before September 1, 2017 to receive a portion of Transaction Privilege Tax (TPT) revenues for support of tribe's postsecondary institution(s). A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the TPT revenues collected from all sources located on the reservation, whichever is less. A.R.S. § 42-5031.01 also allows any additional technical college located on the same reservation to receive \$875,000, or 5% of the TPT revenues collected from sources located on the reservation, whichever is less. Actual amounts for FY 2021 will depend on FY 2021 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation

Act. (Please see the FY 2020 Appropriations Report for more information.)

Additional Gila Workforce Development Aid

The budget includes \$200,000 from the General Fund for Additional Gila Workforce Development Aid in FY 2021. This amount is unchanged from FY 2020.

Background – As a provisional community college district, Gila County is not eligible for a \$200,000 annual Workforce Development allocation from Proposition 301 monies (see A.R.S. § 42-5029).

Diné College Remedial Education

The budget includes \$1,000,000 from the General Fund in FY 2021 for Diné College Remedial Education. This amount is unchanged from FY 2020.

This line item provides additional funding to Diné College to provide remedial education to help students prepare for college-level courses such as reading, writing and mathematics. In addition, a General Appropriations Act footnote requires on or before October 15, 2021, the Diné college board of regents shall submit a report that details the course completion rate for students who received remedial education during the 2020-2021 academic year to the JLBC, Governor's office, and legislative leaders.

Maricopa Health Care Specialty Expansion

The budget includes no funding in FY 2021 for Maricopa Health Care Specialty Expansion. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(5,800,000) from the General Fund in FY 2021 to remove costs associated with the expansion of the health care specialty program in the Maricopa County Community College District.

The FY 2020 funding was expected to double the enrollment capacity at the Paradise Valley Community College's Integrated Health Science Center. The expansion would focus on 6 specialty areas: operating room, emergency care, telemetry, oncology, intensive care unit, and home care.

Pima Aviation Center Expansion

The budget includes no funding in FY 2021 for Pima Aviation Center Expansion. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(15,000,000) from the General Fund in FY 2021 to remove costs related to the expansion of the Pima Community College District Aviation Center.

The FY 2020 appropriation funds the construction of a new hangar, 5 classrooms, additional lab space, and offices. This expansion is expected to double the program's student capacity.

Other Issues

Statutory Changes

The Higher Education BRB makes the following statutory changes:

- As session law, continue to suspend the Operating State Aid funding formula in FY 2021 for Maricopa and Pima Counties.
- As session law, continue to suspend Maricopa, Pima, and Pinal's Science, Technology, Engineering and Mathematics and Workforce Programs funding formula for FY 2021. The Pinal funding of \$96,500 continues to be specified in the General Appropriation Act. Since the FY 2020 budget already appropriated \$1,600,000 for Maricopa County and \$400,000 for Pima County STEM and Workforce

Funding for each of FY 2020, FY 2021, and FY 2022, the funding for FY 2021 for these 2 districts was not specified in the General Appropriation Act.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the community college General Fund costs are projected to increase by \$2,434,200 in FY 2022 above FY 2021 and \$543,500 in FY 2023 above FY 2022.

These estimates assume:

- Flat enrollment growth (so no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2022 and FY 2023).
- A reduction of \$(2,000,000) in FY 2023 below FY 2022 to remove Maricopa and Pima STEM and Workforce Programs funding appropriated in the FY 2020 budget for each of FY 2020, FY 2021, and FY 2022.
- An increase of \$2,434,200 for Equalization Aid in FY 2022 and \$2,543,500 in FY 2023. These estimates assume total Net Assessed Value (NAV) growth of 4.5% in FY 2022 and FY 2023 based on the statewide average. The counties receiving aid would see an average of 2.3% NAV increase. This would cause NAV in those districts to grow farther from the statewide NAV average for rural counties in both years, entitling them to more Equalization Aid.
- These estimates do not include any adjustments related to the current coronavirus pandemic.

Table 4

Total Estimated Community College Revenues – FY 2020

District	State Aid ^{1/}	Tuition/Fees	Property Taxes	Grants	Other ^{2/}	FY 2020 Total ^{3/}	FY 2019 Total ^{4/}	% Change from FY 2019
Cochise	\$11,013,000	\$9,907,400	23,081,500	10,125,200	\$1,214,400	\$55,341,500	\$53,235,800	4.0%
Coconino	1,703,400	7,894,000	8,408,400	5,811,000	1,006,300	24,823,100	26,738,300	-7.2%
Gila ^{5/}	293,700	0	4,979,700	510,000	0	5,783,400	5,699,200	1.5%
Graham	18,895,800	8,507,200	6,486,000	10,926,000	10,405,000	55,220,000	47,999,700	15.0%
Maricopa	0	219,414,300	573,821,900	197,678,400	56,719,900	1,047,634,500	1,015,240,900	3.2%
Mohave	1,175,300	8,150,000	25,293,200	8,855,700	1,100,000	44,574,200	45,981,800	-3.1%
Navajo	9,319,600	4,860,000	15,487,400	6,000,000	2,602,100	38,269,100	38,793,300	-1.4%
Pima	0	50,190,000	120,106,900	50,139,000	28,142,100	248,578,000	216,262,500	14.9%
Pinal	1,452,000	11,535,000	51,073,100	21,395,000	1,655,000	87,110,100	80,229,200	8.6%
Santa Cruz ^{5/}	0	12,500	1,668,700	45,000	12,700	1,738,900	1,817,300	-4.3%
Yavapai	601,400	11,341,000	50,686,500	13,799,000	4,560,900	80,988,800	82,065,800	-1.3%
Yuma/La Paz	<u>2,399,500</u>	<u>13,178,100</u>	<u>37,478,500</u>	<u>25,407,700</u>	<u>9,384,800</u>	<u>87,848,600</u>	<u>76,974,700</u>	<u>14.1%</u>
Total	\$46,853,700	\$344,989,500	\$918,571,800	\$350,692,000	\$116,803,200	\$1,777,910,200	\$1,691,038,500	5.1%

^{1/} State Aid revenue includes Operating State Aid and Equalization Aid.

^{2/} Includes auxiliary programs, interest income, workforce development funds, and transfers.

^{3/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,008,620,300 for FY 2020.

^{4/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,775,594,100 for FY 2019.

^{5/} Gila Provisional Community College contracts with Graham County's Eastern Arizona College in order to provide degree programs. Therefore, Gila's tuition and fee revenues are collected by Graham according to their contract agreement. Santa Cruz Provisional Community College contracts with Pima County's Community College in order to provide degree programs. Therefore, Santa Cruz's tuition and fee revenues are collected by Pima according to their contract agreement.

Community College Revenue Sources

In addition to state General Fund monies, Arizona's community colleges receive revenues from a number of other sources, including student tuition and fees, local property taxes, grants, and other monies generated by the colleges. Of the total, the community colleges receive 2.6% of their revenues (excluding bond proceeds) from state aid.

For FY 2020, base operating revenues from all sources are estimated to be \$1,777,910,200, which would be an increase of 5.1% from FY 2019. (See Table 4 for a summary of FY 2020 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 49.9% of their revenues. There are 2 types of property taxes: primary and secondary. For the community colleges, primary property taxes are levied for operating purposes and secondary property taxes are levied to pay for capital outlay expenses. Both taxes are levied on limited property values. Each community college district determines its primary and secondary property tax rates. (See Table 5 for a summary of FY 2020 property tax rates.)

Table 5

Community College Tax Rates – TY 2019

District	Primary Rate	Secondary Rate	Combined Rate	% Change Combined Rate from TY 2018
Cochise	\$2.45	\$0.00	\$2.45	2.1%
Coconino	0.46	0.00	0.46	-22.9%
Gila	0.96	0.00	0.96	0.0%
Graham	3.35	0.00	3.35	0.5%
Maricopa	1.16	0.17	1.33	-3.4%
Mohave	1.33	0.00	1.33	-1.2%
Navajo	1.82	0.00	1.82	0.0%
Pima	1.38	0.00	1.38	-1.6%
Pinal	2.08	0.13	2.21	-6.3%
Santa Cruz	0.48	0.00	0.48	-1.5%
Yavapai	1.69	0.15	1.84	-5.5%
Yuma/La Paz	2.23	0.34	2.57	0.1%

Under A.R.S. § 42-17051, community colleges are allowed to collect 2% more in property tax revenues annually, not including revenue from new construction. Any increase over 2% requires voter approval, unless the district has foregone increases in prior years and consolidates those increases into a single year.

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 21.0% of total revenues. Tuition and fees

Table 6

Community College Resident Tuition and Fees – FY 2020

District	Cost Per Credit Hour	Annual Cost ^{1/}	% Change from FY 2019
Cochise	\$88	\$2,640	3.5%
Coconino	111	3,330	1.8%
Gila	80	2,400	0.0%
Graham	90	2,700	0.0%
Maricopa	85	2,550	0.0%
Mohave	81	2,430	0.0%
Navajo	77	2,310	1.8%
Pima	85	2,535	2.4%
Pinal	86	2,580	0.0%
Santa Cruz	85	2,535	2.4%
Yavapai	73	2,184	-16.3%
Yuma/La Paz	86	2,580	2.4%
Weighted Average	\$85	\$2,555	0.2%

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

are assessed on a per credit hour basis. FY 2020 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is \$2,555 if a full-time student attends for 30 hours a year. The FY 2020 amount represents an increase of 0.2% from FY 2019. (See Table 6 for FY 2020 resident tuition and fee rates.)

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 26.3% of community college revenues.

Revenue listed in the "other" category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

Total Community College Expenditures

Table 7 shows total budgeted FY 2020 community college expenditures. In FY 2020, total budgeted expenditures are \$2,008,620,300. As mentioned previously, base operating revenues for FY 2020 are \$1,777,910,200; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,008,620,300. Of the total \$2,008,620,300 in budgeted expenditures, \$1,597,551,000, or 79.5%, of these expenditures are from the community colleges' General and Restricted Funds. This includes about \$487,849,800, or 24%, for instruction and \$332,329,400, or 16.6%, for institutional support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$86,618,700, or 4.3% of the total. Plant Fund expenditures, which

Table 7**Community Colleges - FY 2020 Budgeted Expenditures**

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$487,849,800	24.3%
Public Service	\$26,479,900	1.3%
Academic Support	\$136,611,100	6.8%
Student Services	\$173,527,100	8.6%
Institutional Support	\$332,329,400	16.6%
Operation & Maintenance	\$116,340,300	5.8%
Scholarships/Grants	\$278,862,300	13.9%
Contingency	<u>\$45,551,100</u>	<u>2.3%</u>
Subtotal	\$1,597,551,000	79.5%
Auxiliary Enterprises Fund	\$86,618,700	4.3%
Plant Fund	\$210,436,700	10.5%
Debt Service	<u>\$114,013,900</u>	<u>5.7%</u>
Total	\$2,008,620,300	100%

generally include capital costs, are \$210,436,700, or 10.5% of the total. The remaining \$114,013,900 is for debt service.

Community College Expenditure Limitation - Laws 2016, Chapter 58 modified the method for calculating community college expenditure limits, excludes certain types of expenditures from counting against the limit, and allows for an adjustment to the base expenditure limit. (See [FY 2018 Appropriations Report](#) for more information.)

<i>Higher Education Emergency Relief Fund</i>

Section 18004(a)(1) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Higher Education Emergency Relief Fund (HEERF) to institutions of higher education (IHE) based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. The CARES Act requires that 50% of monies received under this section be distributed to students as emergency financial aid grants.

Section 18004(a)(2) of the CARES Act requires additional monies be distributed according to the above formula to Historically Black Colleges and Universities, American Indian Tribally Controlled Colleges and Universities, Minority Serving Institutions, and Strengthening Institutions Program participants.

Section 18004(a)(3) of the CARES Act allocates funding to ensure all nonprofit IHEs receive at least \$500,000 in HEERF monies.

Arizona community colleges have received a total of \$82,286,855 in HEERF monies. Of this amount, at least \$36,356,337 must be distributed to students as emergency financial aid grants. Please see *Table 8* for distributions by community college.

Table 8**HEERF Allocations: Community Colleges**

	<u>18004(a)(1)</u>	<u>18004(a)(2)</u>	<u>18004(a)(3)</u>	<u>Total</u>
*Chandler-Gilbert	4,350,989			4,350,989
Cochise	3,163,235	211,918		3,375,153
Coconino	1,104,730	137,894		1,242,624
Diné	1,346,931	4,844,910		6,191,841
East Valley Institute of Technology	236,123		263,877	500,000
Graham	2,222,272	111,481		2,333,753
*Estrella Mountain	4,856,585	307,658		5,164,243
*GateWay	2,707,626	156,881		2,864,507
*Glendale	8,301,836	533,479		8,835,315
*Mesa	7,352,103	478,185		7,830,288
Mohave	1,933,935	94,646		2,028,581
Navajo	643,137	83,277		726,414
*Paradise Valley	2,586,404			2,586,404
*Phoenix	4,772,192	304,728		5,076,920
Pima	9,989,049	640,229		10,629,278
Pinal	3,010,509	189,817		3,200,326
*Rio Salado	2,531,870			2,531,870
*Scottsdale	2,386,925			2,386,925
*South Mountain	2,098,614	132,246		2,230,860
Tohono O'odham	199,279	798,595		997,874
Yavapai	2,389,592			2,389,592
Yuma/La Paz	4,528,738	284,360		4,813,098
Total	72,712,674	9,310,304	263,877	82,286,855

* indicates institutions in the Maricopa County Community College District.

Constable Ethics Standards and Training Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	387,600	520,300	520,300
TOTAL - ALL SOURCES	387,600	520,300	520,300

AGENCY DESCRIPTION — The board establishes and enforces the code of conduct for constables throughout the state. The board also administers funding for constable training and equipment. The Arizona Association of Counties currently manages the board's administrative responsibilities. The board receives fees from every writ collected on behalf of a Justice of the Peace.

Registrar of Contractors

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	4,960,400	5,670,600	5,936,600
Employee Related Expenditures	1,984,100	2,450,900	2,506,100
Professional and Outside Services	182,500	405,300	405,300
Travel - In State	244,300	301,000	301,000
Travel - Out of State	4,600	11,800	11,800
Other Operating Expenditures	1,789,500	2,511,600	2,511,600
OPERATING SUBTOTAL	9,165,400	11,351,200	11,672,400
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	363,700	1,017,600	1,017,600
AGENCY TOTAL	9,529,100	12,368,800	12,690,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Registrar of Contractors Fund	9,529,100	12,368,800	12,690,000
SUBTOTAL - Other Appropriated Funds	9,529,100	12,368,800	12,690,000
SUBTOTAL - Appropriated Funds	9,529,100	12,368,800	12,690,000
Other Non-Appropriated Funds	6,182,600	4,666,800	4,666,800
TOTAL - ALL SOURCES	15,711,700	17,035,600	17,356,800

AGENCY DESCRIPTION — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

Monies in this line item are transferred from the Registrar of Contractors to OAH for services provided by OAH.

The budget includes \$11,672,400 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$321,200 from the Registrar of Contractors Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Office of Administrative Hearings Costs

The budget includes \$1,017,600 from the Registrar of Contractors Fund in FY 2021 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2020.

Corporation Commission

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	300.9	300.9	300.9 ^{1/}
Personal Services	15,354,900	16,057,600	16,057,600
Employee Related Expenditures	5,903,100	6,288,900	7,144,500
Professional and Outside Services	1,000,500	582,100	582,100
Travel - In State	189,500	183,400	183,400
Travel - Out of State	114,500	116,000	116,000
Other Operating Expenditures	3,421,100	3,583,700	3,583,700
Equipment	203,000	175,100	175,100
OPERATING SUBTOTAL	26,186,600	26,986,800	27,842,400
SPECIAL LINE ITEMS			
Corporation Filings, Same-Day Service	0	402,000	417,700 ^{2/}
Railroad Safety Inspectors	196,600	0	0
Utilities Audits, Studies, Investigations & Hearings	2,200	380,000	380,000 ^{3/}
AGENCY TOTAL	26,385,400	27,768,800	28,640,100 ^{4/}
FUND SOURCES			
General Fund	814,200	620,800	647,100
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	50,700	50,700	52,600
Investment Management Regulatory and Enforcement Fund	714,700	718,000	745,500
Public Access Fund	6,096,300	6,771,800	6,976,200
Securities Regulatory and Enforcement Fund	4,703,100	5,115,800	5,286,100
Utility Regulation Revolving Fund	14,006,400	14,491,700	14,932,600
SUBTOTAL - Other Appropriated Funds	25,571,200	27,148,000	27,993,000
SUBTOTAL - Appropriated Funds	26,385,400	27,768,800	28,640,100
Other Non-Appropriated Funds	18,400	17,900	17,900
Federal Funds	588,500	1,889,100	1,889,100
TOTAL - ALL SOURCES	26,992,300	29,675,800	30,547,100

AGENCY DESCRIPTION — The Arizona Corporation Commission (ACC) was established by Article 15 of the Arizona Constitution and consists of 5 statewide elected Commissioners, each serving 4-year terms. The commission has 3 primary responsibilities. The Corporations Division provides public access to corporate annual reports, articles of incorporation, and corporate status change documents. The Securities Division regulates securities dealers and investment advisers. The Utilities Division monitors approximately 500 public service corporations operating in Arizona and establishes public utility rates. Other functions of the commission include inspecting gas pipelines and railroad track.

FOOTNOTES

- ^{1/} Includes 2 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} The \$417,700 appropriated from the public access fund for the corporation filings, same-day service line item reverts to the public access fund established by section 10-122.01, Arizona Revised Statutes, at the end of fiscal year 2020-2021 if the commission has not established a same-day service pursuant to section 10-122, Arizona Revised Statutes. (General Appropriation Act footnote, as adjusted for statewide allocations).
- ^{3/} This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act Footnote)
- ^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$27,842,400 and 298.9 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$647,100
Arizona Arts Trust Fund	52,600
Investment Management Regulatory and Enforcement Fund	745,500
Public Access Fund	6,558,500
Securities Regulatory and Enforcement Fund	5,286,100
Utility Regulation Revolving Fund	14,552,600

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$855,600 for statewide adjustments. This amount consists of:

General Fund	\$26,300
Arizona Arts Trust Fund	1,900
Investment Management Regulatory and Enforcement Fund	27,500
Public Access Fund	188,700
Securities Regulatory and Enforcement Fund	170,300
Utility Regulation Revolving Fund	440,900

(Please see the Agency Detail and Allocations section.)

Corporation Filings, Same-Day Service

The budget includes \$417,700 and 2 FTE Positions from the Public Access Fund in FY 2021 for Corporation Filings, Same-Day Service. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$15,700 from the Public Access Fund for statewide adjustments.

A footnote in the General Appropriation Act specifies that monies in this line item revert to the Public Access Fund if the commission has not established a same-day service pursuant to A.R.S. § 10-122. The fee for same-day and next-day services must be determined by a supermajority vote of the Commissioners. To date, such a fee has not been set and same-day and next-day services have not been implemented.

Utilities Audits, Studies, Investigations & Hearings

The budget includes \$380,000 from the Utility Regulation Revolving Fund in FY 2021 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2020.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

State Department of Corrections

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,556.0	9,566.0	9,566.0 ^{1/}
Correctional Officer Personal Services	281,502,800	338,795,100	349,906,700
Health Care Personal Services	2,947,800	3,542,300	3,658,600
All Other Personal Services	64,128,900	66,575,700	69,100,600
Personal Services Subtotal	348,579,500	408,913,100	422,665,900
Employee Related Expenditures	209,069,600	247,206,900	270,775,800
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	67,100,000	15,540,500	15,540,500
Other Operating Expenditures			
Professional and Outside Services	6,992,000	9,188,000	9,188,000
Travel - In State	524,900	329,500	329,500
Travel - Out of State	104,600	104,000	104,000
Food	37,851,600	40,914,600	40,914,600
Other Operating Expenditures	107,792,900	109,161,700	109,161,700
Equipment	6,555,400	2,081,200	2,081,200
Other Operating Expenditures Subtotal	159,821,400	161,779,000	161,779,000
OPERATING SUBTOTAL	784,570,500	833,439,500	870,761,200 ^{2/}
SPECIAL LINE ITEMS			
Community Corrections	19,551,500	20,747,400	21,774,600
Private Prison Per Diem	158,236,400	171,493,300	171,493,300 ^{3/}
Inmate Health Care Contracted Services	166,761,800	194,711,700	194,711,700 ^{4/}
Named Claimants	76,600	101,400	0
AGENCY TOTAL	1,129,196,800	1,220,493,300	1,258,740,800 ^{5/-12/}
FUND SOURCES			
General Fund	1,088,900,300	1,167,212,700	1,205,396,200
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	443,700	555,500	555,500
Corrections Fund	22,233,900	30,312,300	30,312,300
Inmate Store Proceeds Fund	282,400	1,341,300	1,341,300
Penitentiary Land Fund	2,361,700	2,780,300	2,804,000 ^{13/}
Prison Construction and Operations Fund	10,000,000	12,500,000	12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	3,046,300	2,661,800	2,661,800 ^{14/}
State Education Fund for Correctional Education	726,100	729,300	769,600 ^{15/}
Transition Program Fund	1,202,400	2,400,100	2,400,100
SUBTOTAL - Other Appropriated Funds	40,296,500	53,280,600	53,344,600
SUBTOTAL - Appropriated Funds	1,129,196,800	1,220,493,300	1,258,740,800
Other Non-Appropriated Funds	67,548,400	73,564,000	61,837,300
Federal Funds ¹	8,649,100	9,147,600	8,618,900
TOTAL - ALL SOURCES	1,205,394,300	1,303,204,900	1,329,197,000

AGENCY DESCRIPTION — The Arizona Department of Corrections (ADC) maintains and administers a statewide system of prisons for adult and minor offenders legally committed to the department. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.

FOOTNOTES

- 1/ Includes 184 GF FTE Positions funded from Special Line Items in FY 2021.
- 2/ Of the amount appropriated in the operating lump sum, \$422,665,900 is designated for personal services and \$270,775,800 is designated for employee-related expenditures. The department shall submit an expenditure plan to the joint legislative budget committee for review before spending these monies other than for personal services or employee-related expenditures. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ Of the amount appropriated for the private prison per diem line item, \$17,468,300 shall be used to make a debt service payment on the financing agreement authorized by Laws 2016, chapter 119, section 24. (General Appropriation Act footnote)
- 4/ Before implementing any changes in contracted rates for inmate health care contracted services, the state department of corrections shall submit its expenditure plan for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ On or before August 1, 2020 and February 1, 2021, the state department of corrections shall submit a report to the joint legislative budget committee on the status of the performance measures tracked by the department as required by the *Parson v. Ryan* stipulation agreement, a copy of any court-ordered compliance reports filed by the department or a contracted provider during the reporting period and a copy of any report produced by a court-appointed monitor regarding the delivery of health services during each reporting period. The report shall include the number of performance measures in total and by facility with which the department is not in substantial compliance, an explanation for why the department is not in substantial compliance and the department's plans to comply with the measures. The report shall also list the measures the department is no longer required to track as a result of compliance with the stipulation. (General Appropriation Act footnote)
- 6/ Before placing any inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in this state and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- 7/ The state department of corrections shall forward to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee a monthly report comparing department expenditures for the month and year-to-date as compared to prior-year expenditures on or before the thirtieth of the following month. The report shall be in the same format as the prior fiscal year and include an estimate of potential shortfalls, potential surpluses that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. The report shall include the number of filled and vacant correctional officer and medical staff positions departmentwide and by prison complex. (General Appropriation Act footnote)
- 8/ On or before August 1, 2020, the state department of corrections shall provide a report on bed capacity to the joint legislative budget committee for its review. The report shall reflect the bed capacity for each security classification by gender at each state-run and private institution, divided by rated and total beds. The report shall include bed capacity data for June 30, 2019 and June 30, 2020 and the projected capacity for June 30, 2021, as well as the reasons for any change within that time period. Within the total bed count, the department shall provide the number of temporary and special use beds. The report shall also address the department's rationale for eliminating any permanent beds rather than reducing the level of temporary beds. If the department develops a plan after its August 1 report to open or close state-operated prison rated beds or cancel or not renew contracts for privately operated prison beds, the department shall submit a bed plan detailing the proposed bed closures for review by the joint legislative budget committee before implementing these changes. (General Appropriation Act footnote)
- 9/ On or before August 1, 2020, the state department of corrections shall transfer to the public safety personnel retirement system via the department of administration its estimated required annual contribution to the corrections officer retirement plan for fiscal year 2020-2021. (General Appropriation Act footnote)
- 10/ On or before August 31, 2020, and on or before the last day of November, February and May in fiscal year 2020-2021, the state department of corrections shall present a report for review by the joint legislative budget committee on the progress made in meeting the staffing needs for correctional officers. The report due on August 31, 2020 shall include the department's recommended benchmarks through June 30, 2021 and how the department plans to reach those benchmarks. Each quarterly report shall include the number of filled correctional officer positions, the number of vacant correctional officer positions, the number of people in training, the number of separations and the number of hours of overtime worked during the quarter. The report shall detail these amounts both departmentwide and by prison complex. (General Appropriation Act footnote)

- 11/ Any monies used to replace the adult inmate management system are subject to review by the Arizona strategic enterprise technology office and the information technology authorization committee pursuant to section 18-121, Arizona Revised Statutes. (General Appropriation Act footnote)
- 12/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 13/ One hundred percent of land earnings and interest from the penitentiary land fund shall be distributed to the state department of corrections in compliance with the enabling act and the Constitution of Arizona to be used to support state penal institutions. (General Appropriation Act footnote)
- 14/ Twenty-five percent of land earnings and interest from the state charitable, penal and reformatory institutions land fund shall be distributed to the state department of corrections in compliance with the enabling act and the Constitution of Arizona to be used to support state penal institutions. (General Appropriation Act footnote)
- 15/ Before spending any state education fund for correctional education monies in excess of \$769,600, the state department of corrections shall report the intended use of the monies to the director of the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Summary

The budget increases the Arizona Department of Corrections (ADC)'s General Fund spending by \$38,247,500 in FY 2021 for statewide adjustments offset by a \$(101,400) decrease associated with removal of one-time named claimants funding.

Operating Budget

The budget includes \$870,761,200 and 9,382 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$860,996,200
Alcohol Abuse Treatment Fund	250,000
Corrections Fund	3,000,800
Inmate Store Proceeds Fund	1,341,300
Penitentiary Land Fund	741,500
Prison Construction and Operations Fund	2,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,161,800
State Education Fund for Correctional Education	769,600

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$37,321,700 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	37,257,700
Penitentiary Land Fund	23,700
State Education Fund for Correctional Education	40,300

(Please see the Agency Detail and Allocations section.)

A General Appropriation Act footnote states that of the amount appropriated in the operating lump sum, \$422,665,900 is designated for Personal Services and \$270,775,800 is designated for Employee Related Expenditures. The department is required to submit an expenditure plan to the Joint Legislative Budget Committee for review before spending these monies other than for Personal Services or Employee Related Expenditures.

Community Corrections

The budget includes \$21,774,600 and 184 FTE Positions in FY 2021 for Community Corrections. These amounts consist of:

General Fund	19,069,000
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,100

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,027,200 from the General Fund in FY 2021 for statewide adjustments.

Background – Monies in this line item are used to monitor offenders on community supervision or parole, operate 2 reentry centers, pay for the Transition Program, coordinate with other state parole offices, and provide electronic monitoring for certain offenders. In addition to the \$21,774,600 in FY 2021 appropriated funds, ADC projects that they will utilize an additional \$7,938,200 in non-appropriated funds for these activities in FY 2021.

As of June 30, 2020, ADC has responsibility for 5,363 offenders overseen by community correctional officers. The majority of offenders are released after serving 85% of their sentence and serve a period under community supervision. A very small number of offenders sentenced

prior to January 1, 1994 are released on parole at the discretion of the Board of Executive Clemency. The monies in this line item pay for:

- **ADC Staffing:** The majority of the line item funds the staffing costs for correctional officers that oversee offenders on community supervision and staffing for the Reentry Centers. The department also uses the appropriated monies for contracted drug testing, behavioral needs testing, and other programming. ADC utilizes additional non-appropriated monies for these costs as well.
- **Transition Program:** Offenders that meet statutory considerations and behavioral standards may be released 90 days prior to their community supervision release date and participate in the Transition Program, whose services are provided by a contracted vendor. Participants reside in homes or half-way houses across the state and receive substance abuse counseling and case management services. This program is funded by the Transition Program Fund, which receives revenue from a share of inmate wages and a required \$17 transfer from other ADC funds based on the number of bed days served by participants in a quarter. The funding included in the Community Corrections line item is dedicated to this programming. (*Please see the [Transition Program](#) section in Other Issues for more information.*)
- **Reentry Centers:** If offenders violate the terms of supervision, they may be returned to custody to serve out the remainder of their term. As an alternative to immediate return to custody, ADC operates the Maricopa Reentry Center (MRC) and the Pima Reentry Center (PRC), which provide beds for inmates and an intensive treatment program. At the Pima facility, ADC also houses homeless offenders that do not have a secure placement. ADC reported FY 2019 expenditures of \$2.3 million for the Maricopa Reentry Center and \$3.1 million for the Pima Reentry Center.

Table 1

FY 2019 Community Corrections Program Expenditures

	Approp.	Non-Approp.	Total
Comm. Supervision	\$12,447,100	\$5,967,400	\$18,414,500
Transition	1,384,400	0	1,384,400
Pima Reentry	3,092,500	0	3,092,500
Maricopa Reentry	1,816,600	444,500	2,261,100
Other/Overhead	<u>810,900</u>	<u>0</u>	<u>810,900</u>
Total	\$19,551,500	\$6,411,900	\$25,963,400

Private Prison Per Diem

The budget includes \$171,493,300 in FY 2021 for Private Prison Per Diem. This amount consists of:

General Fund	142,119,300
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

These amounts are unchanged from FY 2020.

Background – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 8,562 beds. Administrative expenses related to monitoring private prison contracts are included in the department's operating budget.

ADC will usually own the facilities after a specified amount of time (typically 20 years) because the per diem rate includes a portion of the facilities' purchase cost. Two private prison contracts (Marana and Kingman) are solely for management services. The state owns the Marana facility outright. The Kingman facility is being lease-purchased by the state. In order to more accurately display the level of spending related to private prison facilities, the \$17,468,300 FY 2021 debt service amount paid by the state is shown in the Private Prison Per Diem line item rather than in the department's operating budget.

Inmate Health Care Contracted Services

The budget includes \$194,711,700 in FY 2021 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	183,211,700
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,500,000

These amounts are unchanged from FY 2020.

Background – ADC previously provided health care to inmates in state facilities based on a variable per diem rate. As of July 1, 2019, the contract is based on a fixed inmate population of 33,777 and guarantees the vendor approximately \$205 million per year. In addition to the appropriated funds, ADC also receives reimbursement from Medicaid for the costs of outside health care that can be utilized to pay vendor costs. In FY 2019, the department received \$9.8 million in Medicaid reimbursement. The budget assumes ADC will receive \$10.0 million in Medicaid reimbursement in FY 2021.

The line item funds the costs of the contract; ADC expenditures for monitoring the contracted services are included within the department's operating budget. A General Appropriation Act footnote continues to require review of any changes to the per diem. The current contract can be amended for changes to scope, and the vendor may request adjustments for inflation.

Named Claimants

The budget includes no funding in FY 2021 for Named Claimants. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(101,388.09) from the General Fund in FY 2020 for the elimination of one-time funding for prior year unpaid claims. *(Please see the Named Claimants section in ADOA Other Issues.)*

Other Issues

This section includes information on the following topics:

- FY 2020 Supplemental
- Statutory Changes
- Transition Program
- Bed Capacity Issues
 - Inmate Growth Rate
 - Bed Capacity
 - Bed Surplus/Shortfall
- Correctional Officer Staffing
- Lewis/Yuma Lock, HVAC and Fire Safety Project

FY 2020 Supplemental

The FY 2021 budget includes a FY 2020 supplemental appropriation of \$101,388.09 from the General Fund for a one-time named claimants appropriation. *(Please see Named Claimants for further details.)*

Statutory Changes

The Criminal Justice BRB makes the following statutory changes:

- As session law, continue to require the department to report actual FY 2020, estimated FY 2021, and requested FY 2022 expenditures as delineated in the prior year when the department submits its FY 2022 budget request pursuant to A.R.S. § 35-113.

Transition Program

A.R.S. § 31-254 requires that 5% of non-Driving Under the Influence inmate wages be deposited to the Transition Program Fund to operate the program. Additionally, A.R.S. § 31-285 requires that \$17 per bed day saved be transferred to the Transition Program Fund to pay for the vendor costs of the program. Statute does not specify from which fund. ADC has transferred money from the State DOC Revolving Fund to meet this requirement. In FY 2019, the program saved a total of 117,053 bed days. In FY 2019, the Transition Program Fund received revenue of about \$3.1 million. Of this amount, about \$1.1 million came from the inmate wage allocation, and \$2.0 million came from the \$17 transfer. According to AOC, the vendor costs to run the program in FY 2019 were on average \$12 per inmate per day. This cost to ADC has decreased compared to FY 2018 due to a contract amendment with the vendor which requires them to first seek Medicaid/AHCCCS coverage prior to billing ADC.

The Transition Program allows inmates meeting the conditions outlined in statute and by the department the opportunity to be released from prison 90 days prior to their release date. Transition Program participants are generally lower risk, sentenced for non-violent crimes, and classified to lower levels than the overall ADC population.

No legislation to extend the Transition Program beyond its scheduled sunset date at the end of FY 2020 was passed in the 2020 Legislative Session. However, the Governor issued an Executive Order on July 1, 2020 authorizing the continuation of the program until March 31, 2021, or until action is taken by the Legislature to extend or terminate the program.

Bed Capacity Issues

Inmate Growth Rate

On June 30, 2019, the total inmate population was 42,312. This is an increase of 199 inmates since the June 30, 2018 population of 42,113. *Table 2* shows the year-end populations from FY 2015 to FY 2020.

Table 2

Year-End Population, FY 2015 - FY 2020

<u>Year</u>	<u>Population</u>
FY 2015	42,611
FY 2016	42,902
FY 2017	42,200
FY 2018	42,113
FY 2019	42,312
FY 2020	40,151

Based on recent history, the budget assumes comparable population estimates through FY 2021.

The decline in the ADC population in FY 2020 appears to be primarily due to the effects of the coronavirus. As a result of social distancing recommendations, Superior Courts suspended or delayed trials and seating juries beginning in March. Additionally, some counties may have temporarily suspended the transfer of inmates to state prisons after sentencing to inhibit the spread of the virus. As a result, the ADC population may increase once courts reopen and social distancing recommendations are relaxed.

Bed Capacity

In measuring ADC's ability to house its inmate population, there are 2 methods of defining bed capacity:

- "Rated" beds are permanent and were originally designed for housing prisoners. This amount was 38,872 public and private beds on June 30, 2019, an increase of 217 from the 38,655 on June 30, 2018.
- Operating Capacity represents "rated" beds plus temporary beds. The latter may be located in areas not originally intended for housing prisoners or double-bunked beds in areas intended for single bed cells. During FY 2019, the department increased its total operating capacity by 1,053 beds, from 44,038 to 45,091. In December 2019, ADC reopened the Papago Unit in the Douglas Prison to add 340 minimum security beds for female inmates. This change increased the FY 2020 total operating capacity to 45,431.

In addition, special use beds are employed for investigative detention, disciplinary isolation, maximum behavior control, mental health observation, or medical inpatient care. Due to their short-term usage, these beds are not counted as part of ADC's operational capacity. The number of special use beds in public and private prisons was 1,837 as of June 30, 2019, 17 more beds than on June 30, 2018.

(Please see the [September 2019](#), [December 2019](#) and [April 2020 JLBC meeting agendas](#) for more information on ADC's bed capacity.)

Bed Surplus/Shortfall

At the end of FY 2019, the department had a total rated bed shortfall of (3,440). After adjusting for the 6,219 temporary beds in the overall ADC system, the rated bed shortfall became a 2,779-bed surplus. Male beds make up 2,705, or 97% of the surplus as shown in *Table 3*.

Table 3

Male Operational Bed Capacity June Surplus/(Shortfall)

<u>Custody</u>	<u>FY 2019</u>
Minimum	1,107
Medium	237
Close	1,091
Maximum	164
Reception	<u>106</u>
Total	2,705

Beyond reopening the Papago Unit, the department does not plan to make any further bed capacity changes during FY 2020. Assuming flat population growth, the rated bed shortfall is projected to be (3,190) and the operating capacity surplus is projected to be 3,119 in FY 2020 as shown in *Table 5*.

The department may be able to use temporary beds or reallocate beds to meet unanticipated growth.

Correctional Officer Staffing

The FY 2020 budget included an increase to ADC of \$35.5 million for staff salary increases. Of that amount, about \$33.5 million was for correctional officers (COs). In addition to that amount, ADC planned to utilize \$13.0 million in existing vacancy savings for a total of \$46.5 million in salary increases for COs. This amount was estimated to provide a 10% salary increase for all COs, including vacant positions, and increase the average base salary from \$39,300 to \$43,200 per year, excluding overtime.

The FY 2020 budget required ADC to set a benchmark for hiring CO positions. By June 2020, ADC is seeking to hire 812 new CO positions above their June 2019 staff level. As of April 30, 2020, ADC had added a net of 144 COs relative to June 2019.

In order to maintain staffing levels in prisons, ADC utilizes overtime for existing officers. In May 2019, ADC raised the overtime cap from 24 hours to 32 hours per week to allow for additional overtime. ADC reported that the change resulted in a roughly 30% increase in average overtime worked per employee. On average, COs earned \$7,200 in overtime in FY 2019. ADC projects average overtime earnings in FY 2020 will be \$9,800 per CO.

Lewis/Yuma Lock, HVAC and Fire Safety Project

In April 2019 ADC identified locks, HVAC systems and fire alarm and suppression systems in the Lewis and Yuma prison complexes that need replacement. ADC began work in May 2019 using non-appropriated monies. In June 2019, ADC initially estimated the total cost of the project would be \$45.9 million over several years. By September 2019, ADC had revised the expenditure plan to \$51.4 million due to higher than anticipated locking system and labor costs, sales taxes and insurance. Since September 2019, ADC has since made several changes to the original project scope. The major changes are as follows:

- **New Locking Solution** - ADC originally planned to install a 4-point rack and pinion system to but has since opted for a simpler and less expensive detention-grade deadbolt for savings of \$(25.2) million. However, ADC had already committed \$6.5 million for the original locking solution. ADC plans to repurpose these locks for non-cell doors. The net impact of this change will reduce project costs by about \$(18.6) million.

- **Air Conditioning** - ADC now plans to install air conditioning rather than evaporative cooling at a cost of \$20.9 million above the original plan.
- **New Facility Upgrades** - ADC plans to upgrade the existing cell toilets at Lewis and Yuma to stainless steel toilet/sink combination units and to upgrade the light fixtures to ones that are less prone to tampering. ADC estimates these upgrades will cost an additional \$5.9 million.

As of June 2020, ADC's expenditure plan has increased by \$8.2 million to a total of \$59.6 million. (See *Table 4* below for a cost comparison by project component.)

ADC has so far identified a total of \$24.0 million in funding from non-appropriated sources for the project. The FY 2021 budget appropriated an additional \$30.0 million, for total project funding of \$54.0 million. With current projects costs of \$59.6 million, the unfunded cost of the project is \$5.6 million. The project is currently expected to run through August 2022.

Table 4

Lewis and Yuma Project Costs

	<u>Sept. 2019 Plan</u>	<u>June 2020 Plan</u>	<u>Difference</u>
Locks and Fire Systems ^{1/}	\$34,524,900	\$15,885,400	\$(18,639,500)
HVAC	16,875,100	37,821,900	20,946,800
New Facility Upgrades	-	5,900,000	5,900,000
Total Project Costs	\$51,400,000	\$59,607,300	\$8,207,300

^{1/} The June 2020 Plan includes \$6,533,300 for previously purchased locks that will be repurposed.

Table 5

Fiscal Year-End Operating Capacity

State	FY 2019 Actual			FY 2020 Estimate			FY 2021 Estimate		
	Rated	Temporary	Operating Capacity	Rated	Temporary	Operating Capacity	Rated	Temporary	Operating Capacity
Douglas	1,805	343	2,148	2,055	433	2,488	2,055	433	2,488
Eyman	3,984	1,793	5,777	3,984	1,793	5,777	3,984	1,793	5,777
Florence	3,284	697	3,981	3,284	697	3,981	3,284	697	3,981
Perryville	4,214	141	4,355	4,214	141	4,355	4,214	141	4,355
Phoenix	552	168	720	552	168	720	552	168	720
Lewis	5,104	870	5,974	5,104	870	5,974	5,104	870	5,974
Safford	1,453	416	1,869	1,453	416	1,869	1,453	416	1,869
Tucson	4,600	493	5,093	4,600	493	5,093	4,600	493	5,093
Winslow	1,626	216	1,842	1,626	216	1,842	1,626	216	1,842
Yuma	4,350	420	4,770	4,350	420	4,770	4,350	420	4,770
Subtotal	30,972	5,557	36,529	31,222	5,647	36,869	31,222	5,647	36,869
Private (Per Diem)									
Kingman (\$41.78)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$51.00)	400	100	500	400	100	500	400	100	500
Marana (\$49.10)	500	-	500	500	-	500	500	-	500
Florence West (\$46.55 - 57.74)	600	150	750	600	150	750	600	150	750
Florence II (\$69.57)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$68.20)	2,000	24	2,024	2,000	24	2,024	2,000	24	2,024
Subtotal 1/	7,900	662	8,562	7,900	662	8,562	7,900	662	8,562
Total - All Beds 2/	38,872	6,219	45,091	39,122	6,309	45,431	39,122	6,309	45,431
State Prison Population									
Female	4,326		4,326	4,326		4,326	4,326		4,326
Male	29,687		29,687	29,687		29,687	29,687		29,687
Subtotal	34,013		34,013	34,013		34,013	34,013		34,013
Private Prison Population									
Male	8,299		8,299	8,299		8,299	8,299		8,299
Total Population 3/	42,312		42,312	42,312		42,312	42,312		42,312
Bed Surplus/(Shortfall)									
Male	(3,440)		2,779	(3,190)		3,119	(3,190)		3,119
Female	(3,373)		2,705	(3,373)		2,705	(3,373)		2,705
Bed Surplus/(Shortfall)	(67)		74	183		414	183		414
(% of Beds)	-9%		6%	-8%		7%	-8%		7%

1/ The base rate for the private (per diem) bed rate for each facility is listed. ADC may be charged a lower rate due to amendments or contract provisions that grant lower rates for temporary beds or beds used over an occupancy threshold. Marana and Kingman are management only contracts.

2/ Excludes special use beds totaling 1,837 as of June 30, 2019.

3/ The chart excludes prisoners awaiting transfer from county jail.

Board of Cosmetology

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	746,200	823,100	864,900
Employee Related Expenditures	377,600	420,600	431,300
Professional and Outside Services	196,900	147,000	147,000
Travel - In State	-29,400	30,000	30,000
Travel - Out of State	4,400	5,500	5,500
Other Operating Expenditures	428,200	480,700	410,700
Equipment	2,100	8,000	8,000
OPERATING SUBTOTAL	1,784,800	1,914,900	1,897,400
SPECIAL LINE ITEMS			
Annual Leave Payout	0 ^{1/}	34,200 ^{2/}	0
AGENCY TOTAL	1,784,800	1,949,100	1,897,400 ^{3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Cosmetology Fund	1,784,800	1,949,100	1,897,400
SUBTOTAL - Other Appropriated Funds	1,784,800	1,949,100	1,897,400
SUBTOTAL - Appropriated Funds	1,784,800	1,949,100	1,897,400
TOTAL - ALL SOURCES	1,784,800	1,949,100	1,897,400

AGENCY DESCRIPTION — The board administers licensing examinations and licenses; inspects salons and schools; and investigates violations of sanitation requirements and procedures. It conducts hearings and imposes enforcement actions where appropriate.

FOOTNOTES

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

Operating Budget

The budget includes \$1,897,400 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(70,000) from the Board of Cosmetology Fund in FY 2021 for the elimination of one-time funding for file digitization.

The FY 2020 budget provided a one-time increase of \$70,000 for the second portion of Phase 2 of a licensing files digitization project, which consisted of document

scanning, paper file destruction and document management system development. Phase 2 completes the overall \$195,900 project.

Statewide Adjustments

The budget includes an increase of \$52,500 from the Board of Cosmetology Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Annual Leave Payout

The budget includes no funding in FY 2021 for the Annual Leave Payout. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(34,200) from the Board of Cosmetology Fund in FY 2021 for the elimination of one-time funding for an annual leave payout.

In FY 2018 and FY 2019, the Board of Cosmetology anticipated payment of accrued annual leave balances to 7 retirement-eligible employees. In these years, 5 of the employees retired, while the remaining 2 employees may not retire until FY 2023. The General Appropriation Act provided non-lapsing status to the board's FY 2019 and FY 2020 Annual Leave Payout appropriations until the end of FY 2023 to account for the uncertainty of when these retirements will occur. The line item will be removed from the budget in FY 2021, as the non-lapsing appropriations provide sufficient funds for the payouts.

County Funding

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
SPECIAL LINE ITEMS			
County Sheriff Reentry Planning	500,000	500,000	500,000
Department of Juvenile Corrections Offset	11,260,000	0	0
Elected Officials Retirement Plan Offset	1,655,500	3,000,000	3,000,000
Small County Assistance	7,650,700	7,650,700	7,650,700
AGENCY TOTAL	21,066,200	11,150,700	11,150,700
FUND SOURCES			
General Fund	20,566,200	10,650,700	10,650,700
<u>Other Appropriated Funds</u>			
State Charitable, Penal and Reformatory Institutions Land Fund	500,000	500,000	500,000 ^{1/2/}
SUBTOTAL - Other Appropriated Funds	500,000	500,000	500,000
SUBTOTAL - Appropriated Funds	21,066,200	11,150,700	11,150,700
TOTAL - ALL SOURCES	21,066,200	11,150,700	11,150,700

AGENCY DESCRIPTION — The Arizona Department of Administration (ADOA) distributes these monies to counties for maintenance of county services and to offset local cost sharing and Elected Officials Retirement Plan liabilities. This section also includes monies for County Sheriff Reentry Planning Services.

FOOTNOTES

- 1/ Laws 2018, Chapter 342 appropriated \$500,000 from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2019, FY 2020, and FY 2021 for County Sheriff Reentry Planning Services.
- 2/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

County Sheriff Reentry Planning

The budget includes \$500,000 from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2021 for County Sheriff Reentry Planning. This amount is unchanged from FY 2020.

Laws 2018, Chapter 342 appropriates \$500,000 from the State Charitable, Penal and Reformatory Institutions Land Fund for County Sheriff Reentry Planning Services in FY 2019, FY 2020, and FY 2021. As a result, monies in this line item are not included in the General Appropriation Act. These appropriations are non-lapsing.

This line item provides funding for the administration of release coordination reentry planning services for persons in custody of a county sheriff. This funding is appropriated to the county sheriff of a county with a population of more than 205,000 but less than 300,000 (Yavapai).

Elected Officials Retirement Plan Offset

The budget includes \$3,000,000 from the General Fund in FY 2021 for the Elected Officials Retirement Plan Offset. This amount is unchanged from FY 2020.

This amount is allocated equally among counties with a population of less than 300,000. Each of the 12 smallest counties receives \$250,000.

FY 2019 was the first year of funding for this item. In FY 2019, the EORP employer contribution rate increased from 23.5% to 61.5%.

Small County Assistance

The budget includes \$7,650,650 from the General Fund in FY 2021 for assistance to small counties. This amount is unchanged from FY 2020.

This line item provides funding for counties with populations less than 900,000 according to the 2010

Decennial Census. With one exception, each county receives \$550,050 (see Table 1). Graham County receives \$1,050,050.

Table 1		
Distribution and County Population		
County	Ongoing Distribution	2010 Census Population
Apache	\$ 550,050	71,518
Cochise	550,050	131,346
Coconino	550,050	134,421
Gila	550,050	53,597
Graham	1,050,050	37,220
Greenlee	550,050	8,437
La Paz	550,050	20,489
Maricopa	-	3,817,117
Mohave	550,050	200,186
Navajo	550,050	107,449
Pima	-	980,263
Pinal	550,050	375,770
Santa Cruz	550,050	47,420
Yavapai	550,050	211,033
Yuma	550,050	195,751
Total	\$ 7,650,650	6,392,017

Other Issues

Statutory Changes

The Revenue Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As session law, continue to allow counties with a population of less than 250,000 according to the 2010 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY 2021, up to \$1,250,000 of county revenue for each county. The bill also requires counties using this authority to report to the Director of the Joint Legislative Budget Committee (JLBC) on the intended amount and sources of funds by October 1, 2020.

The FY 2020 Revenue BRB included the same provision. Of the 12 eligible counties, 4 reported using the flexibility in FY 2020:

- Apache County: \$1.25 million from the Community College District, Library District, Flood District, and Public Health District to the General Fund and Jail District for law enforcement and Jail District operations.
- Coconino County: \$1.25 million from the Jail District to the General Fund to pay down the Public Safety

Personnel Retirement System (PSPRS) debt and pay for information technology needs for the Sheriff's Department.

- La Paz County: \$1.25 million from the Vehicle License Tax to the General Fund to pay down PSPRS debt and pay for general operating expenses.
- Navajo County: \$1.0 million from the Flood Control District and Library District to the General Fund for operating expenses.

The following 6 counties indicated that they are not utilizing this provision: Gila, Graham, Greenlee, Mohave, Santa Cruz, and Yavapai. The following 2 counties did not respond: Cochise and Yuma.

Table 2 shows the utilization of the county flexibility language since FY 2014.

Table 2**County Flexibility Language Utilization FY 2014 - FY 2020***

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Total</u>
Apache	\$ 500,000	\$ 500,000	\$ 400,000	\$1,200,000	\$1,250,000	\$1,250,000	\$1,250,000	\$ 6,350,000
Cochise		36,700	23,000				NR	59,700
Coconino			10,634,800	493,700	1,250,000		1,250,000	13,628,500
Gila								-
Graham								-
Greenlee								-
La Paz		5,012,500	992,500	596,500			1,250,000	7,851,500
Maricopa								-
Mohave					500,000			500,000
Navajo	580,300	1,430,300	1,200,000	1,200,000		1,250,000	1,040,000	6,700,600
Pima								-
Pinal			1,000,000					1,000,000
Santa Cruz								-
Yavapai								-
Yuma	56,000	29,700	10,200	51,000	27,100		NR	174,000
Total	\$1,136,300	\$7,009,200	\$14,260,500	\$3,541,200	\$3,027,100	\$2,500,000	\$4,790,000	\$36,264,300

*Reporting to JLBC began in FY 2009.

NR = County did not respond to the request for information.

Arizona Criminal Justice Commission

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9.0	11.0	11.0
Personal Services	509,400	446,300	467,200
Employee Related Expenditures	165,600	162,100	165,200
Professional and Outside Services	168,900	402,000	402,000
Travel - In State	7,600	7,000	7,000
Travel - Out of State	19,800	19,000	19,000
Other Operating Expenditures	355,400	228,300	228,300
Equipment	8,000	4,000	4,000
OPERATING SUBTOTAL	1,234,700	1,268,700	1,292,700
SPECIAL LINE ITEMS			
Criminal History Repository Upgrade	11,400	600,000	600,000 ^{1/}
Felony Pretrial Intervention Programs	0	750,000	0
State Aid to County Attorneys	799,100	973,700	973,700
Victim Compensation and Assistance	4,026,600	4,223,000	4,229,900
AGENCY TOTAL	6,071,800	7,815,400	7,096,300 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	442,400	655,500	668,500
Drug and Gang Prevention Resource Center Fund	792,300	613,200	624,200
Fingerprint Clearance Card Fund	11,400	600,000	600,000
State Aid to County Attorneys Fund	799,100	973,700	973,700 ^{3/}
Transition Program Fund	0	750,000	0
Victim Compensation and Assistance Fund	4,026,600	4,223,000	4,229,900 ^{4/}
SUBTOTAL - Other Appropriated Funds	6,071,800	7,815,400	7,096,300
SUBTOTAL - Appropriated Funds	6,071,800	7,815,400	7,096,300
Other Non-Appropriated Funds	4,365,100	5,548,300	5,548,300
Federal Funds	7,760,900	9,924,400	9,924,400
TOTAL - ALL SOURCES	18,197,800	23,288,100	22,569,000

AGENCY DESCRIPTION — The commission was created to enhance the effectiveness and coordination of the criminal justice system in Arizona. The commission may identify needed revisions in the system and make reports. It receives 1.79% of Criminal Justice Enhancement Fund (CJEF) monies.

FOOTNOTES

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{3/} All monies received by the Arizona criminal justice commission in excess of \$973,700 in fiscal year 2020-2021 from the state aid to county attorneys fund established by section 11-539, Arizona Revised Statutes, are appropriated to the state aid to county attorneys program. Before spending any state aid to county attorneys fund monies in excess of \$973,700 in fiscal year 2020-2021, the Arizona criminal justice commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- ^{4/} All victim compensation and assistance fund monies received by the Arizona criminal justice commission in excess of \$4,229,900 in fiscal year 2020-2021 are appropriated to the crime victims program. Before spending any victim compensation and assistance fund monies in excess of \$4,229,900 in fiscal year 2020-2021, the Arizona criminal justice commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes \$1,292,700 and 11 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
CJEF	\$668,500
Drug and Gang Prevention Resource Center Fund	624,200

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$24,000 in FY 2021 for statewide adjustments. This amount consists of:

CJEF	13,000
Drug and Gang Prevention Resource Center Fund	11,000

(Please see the Agency Detail and Allocations section.)

Criminal History Repository Upgrade

The budget includes \$600,000 from the Fingerprint Clearance Card Fund in FY 2021 for a Criminal History Repository Upgrade. This amount is unchanged from FY 2020.

This appropriation is non-lapsing. The FY 2019 General Appropriation Act appropriates \$600,000 from the Fingerprint Clearance Card Fund for this purpose in FY 2019, FY 2020, and FY 2021.

This line item provides funding for the Arizona Computerized Criminal History Repository Upgrade in which ACJC coordinates with the Department of Public Safety, law enforcement agencies, county attorneys, and courts to develop and implement a data exchange system to allow for the electronic transfer and submission of criminal history record information to the Arizona Computerized Criminal History Repository within 24 hours. Priority is given to entities based on deficiencies in dispositions and volume of cases.

Felony Pretrial Intervention Programs

The budget includes no funding in FY 2021 for Felony Pretrial Intervention Programs. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(750,000) from the Transition Program Fund in FY 2021 to remove a one-time distribution to the Yavapai County Sheriff's Office to administer felony pretrial intervention programs, probation surveillance, and case management.

Felony pretrial intervention programs may provide substance abuse treatment including medically assisted treatment with mandatory drug testing, cognitive behavioral therapy, and case management services for non-dangerous, non-repeat offenders.

State Aid to County Attorneys

The budget includes \$973,700 from the State Aid to County Attorneys Fund in FY 2021 for State Aid to County Attorneys. This amount is unchanged from FY 2020.

This line item provides funding for the various offices of county attorneys throughout Arizona to improve the processing of criminal cases. The line item receives funds from a 15.44% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals. ACJC is required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population.

Victim Compensation and Assistance

The budget includes \$4,229,900 from the Victim Compensation and Assistance Fund in FY 2021 for Victim Compensation and Assistance. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$6,900 from the Victim Compensation and Assistance Fund in FY 2021 for statewide adjustments.

This line item provides funding for 2 crime victim grant programs: the Victim Compensation Program and the Victim Assistance Program. Victim compensation monies are distributed to county compensation boards that award cash compensation to crime victims for specified expenses resulting from their victimization. Revenues for victim compensation grant monies come from 3 sources: a \$9 penalty on criminal and civil violations, monies collected from a 10% assessment of a worker's gross compensation, and unclaimed victim restitution. Victim assistance monies are granted to local government and not-for-profit agencies on a competitive basis and are used for operating expenses related to their victim

assistance programs. Revenues for victim assistance grants come from community supervision fees and interstate compact fees.

Other Issues

Criminal Justice Enhancement Fund

The Criminal Justice Enhancement Fund receives revenues from penalties on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Laws 2018, Chapter 237 reduced the CJEF surcharge from 47.0% to 42.0% in A.R.S. § 41-2401 and removed the Victims' Rights Fund and Victim Compensation and Assistance Fund as recipients of the surcharge. Instead, these 2 funds receive revenues from a new \$9 penalty on criminal and civil violations.

CJEF monies are distributed on a percentage basis to various state entities. *Table 1* shows the current distribution percentages and the appropriation status of the funds and programs receiving CJEF monies. (See individual agency pages for detailed information on each recipient.)

Table 1

Criminal Justice Enhancement Fund (CJEF)

Funds Transferred ^{1/}	% of CJEF	Approp.
<u>Attorney General</u>		
AZ Prosecuting Attorneys Advisory Council (4)	3.45	no
County Attorneys (7)	10.66	no
<u>Arizona Criminal Justice Commission</u>		
Operation Costs (10)	1.79	yes
<u>Department of Public Safety</u>		
Crime Lab Assessment Fund (11)	2.62	yes
Crime Lab Operations Fund (1)	10.26	yes
DNA Identification System (1)	1.46	yes
Fingerprinting Identification System (1)	7.37	yes
Peace Officers' Training Fund (3)	18.97	no
State/Local Grants (6)	8.29	^{2/}
<u>Department of Juvenile Corrections</u> (2)	1.84	yes
<u>State Treasurer</u>		
County Sheriffs (9)	13.34	no
<u>Supreme Court</u>		
Case Processing (8)	6.86	yes
Juvenile Crime (5)	10.66	yes
Community Punishment Program (12)	2.43	yes

^{1/} The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401D.

^{2/} Monies retained by the Department of Public Safety for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.

Arizona State Schools for the Deaf and the Blind

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
PROGRAM BUDGET			
Administration/Statewide	6,602,500	6,494,800	6,684,400
Phoenix Day School for the Deaf	9,238,400	10,751,800	11,075,500
Preschool/Outreach Programs	5,347,600	5,250,600	5,382,600
Regional Cooperatives	4,600	0	2,600
Tucson Campus	12,326,700	13,638,900	14,108,700
AGENCY TOTAL	33,519,800	36,136,100	37,253,800
OPERATING BUDGET			
Full Time Equivalent Positions	562.2	562.2	562.2
Personal Services	18,584,500	19,096,200	19,991,800
Employee Related Expenditures	7,916,100	8,722,900	8,905,200
Professional and Outside Services	1,855,200	2,328,300	2,328,300
Travel - In State	129,100	117,700	117,700
Travel - Out of State	25,300	59,700	59,700
Food	79,600	155,100	155,100
Other Operating Expenditures	3,689,400	3,855,600	3,895,400
Equipment	1,222,600	1,431,600	1,431,600
OPERATING SUBTOTAL	33,501,800	35,767,100	36,884,800^{1/}
SPECIAL LINE ITEMS			
School Bus/Agency Vehicle Replacement	18,000	369,000	369,000
AGENCY TOTAL	33,519,800	36,136,100	37,253,800
FUND SOURCES			
General Fund	21,457,000	23,214,400	23,865,500
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	10,605,500	12,921,700	13,388,300 ^{2/}
Telecommunication Fund for the Deaf	1,457,300	0	0
SUBTOTAL - Other Appropriated Funds	12,062,800	12,921,700	13,388,300
SUBTOTAL - Appropriated Funds	33,519,800	36,136,100	37,253,800
Other Non-Appropriated Funds	17,801,000	19,712,300	19,712,300
Federal Funds	2,032,400	1,443,000	1,443,000
TOTAL - ALL SOURCES	53,353,200	57,291,400	58,409,100

AGENCY DESCRIPTION — The Arizona State Schools for the Deaf and the Blind (ASDB) provides comprehensive educational programs for students with sensory impairments from birth to age 22. ASDB has 2 main campuses, a day school in Phoenix and a residential campus in Tucson, satellite preschools in the Tucson and Phoenix Metropolitan areas, and 5 regional offices from which cooperative programs with school districts are operated. ASDB also serves infants and toddlers throughout the state. As of June 2020, ASDB served approximately 2,161 children: 391 students in the K-12 programs (125 in Tucson and 266 in Phoenix), 486 infants/toddlers in regional areas, and 1,120 children throughout the 5 existing regional cooperatives.

FOOTNOTES

- ^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.
- ^{2/} Before spending any schools for the deaf and the blind fund monies in excess of \$13,388,300 in fiscal year 2020-2021, the Arizona state schools for the deaf and the blind shall report to the joint legislative budget committee the intended use of the monies. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes \$36,884,800 and 562.2 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	<u>FY 2021</u>
General Fund	\$23,496,500
Schools for the Deaf and the Blind Fund	13,388,300

FY 2021 adjustments are as follows:

Enrollment Change

The budget includes no change in funding from the Schools for the Deaf and the Blind (ASDB) Fund in FY 2021 due to flat enrollment. ASDB's FY 2020 appropriation assumed an enrollment of 496 students. Based on Fall 2019 monthly data, the FY 2021 student enrollment preliminarily is projected to be 496 students (the same as the budgeted count). The budget therefore includes no funding increase or decrease for enrollment changes for ASDB for FY 2021. These estimates are based on enrollment trends shown in *Table 1. (Please see Other Issues for additional enrollment information.)*

ASDB receives funding from the Arizona Department of Education (ADE), as its students qualify for K-12 formula funding. These monies are deposited into the ASDB Fund and the non-appropriated Regional Cooperatives Fund.

If enrollment is higher than anticipated, ADE will distribute additional funding to ASDB. These monies can be spent without a new appropriation, as ASDB is provided budget flexibility through an ongoing General Appropriation Act footnote.

Base Level Increase

The budget includes an increase of \$39,800 from the ASDB Fund in FY 2021 for a base level increase reflecting anticipated growth in revenues.

In FY 2020, revenues of \$12,921,700 were appropriated into the ASDB Fund from special education vouchers and state land trust endowment earnings. However, ASDB estimates that actual revenues into the ASDB Fund in FY 2020 will be \$12,492,400, or \$(429,300) less than the appropriated amount.

Revenues into the ASDB Fund are forecasted to increase by \$469,100 in FY 2021 due to inflation, teacher pay raises, and state land trust endowment earnings.

- A.R.S. § 15-901.01 requires annual increases for inflation in the per pupil "base level" in the Basic State Aid (BSA) formula. BSA base level increases for

inflation also increase ASDB's voucher funding. The budget increases the BSA base level by 1.77% for inflation in FY 2021, which will increase special education voucher funding into the ASDB Fund by an estimated \$209,600 in FY 2021.

- The budget also includes funding for a 5% teacher pay raise, under the third and final year of the plan to provide a cumulative 20% increase in average teacher salaries by FY 2021. This adjustment will increase voucher funding into the ASDB Fund by an estimated \$232,100 in FY 2021.
- In addition to the increases related to inflation and teacher pay raises, interest associated with state land trust endowment revenues will generate an estimated \$27,400 in FY 2021.

The inflation (\$209,600), teacher pay (\$232,100), and land trust endowment earnings (\$27,400) adjustments total to \$469,100. When added to the FY 2020 base of \$12,492,400, total revenues into the ASDB Fund are forecasted to reach \$12,961,500 in FY 2021. This amount exceeds the FY 2020 appropriation of \$12,921,700 by \$39,800. As a result, the budget increases the ASDB Fund appropriation in FY 2021 by \$39,800 to match forecasted revenues.

The budget also continues a footnote that permits ASDB to spend monies in excess of the appropriated amount in FY 2021 after reporting to the JLBC the intended use of the monies.

Background – Special education voucher monies in the ASDB Fund represent ASDB's reimbursement from ADE for educational costs based on its enrollment. As with school districts, ASDB's ADE funding is determined by statutory formula.

Assistive Technology Devices

The budget includes no change in funding from the General Fund in FY 2021 for assistive technology devices. The budget includes a total of \$253,100 from the General Fund in FY 2021 for this equipment, which may include: electronic dictionaries for visually impaired students, mobile classroom computer labs for visually disabled students, interactive whiteboards for hearing impaired students, and computer and software upgrades for computers used by visually impaired students.

Foundation for Blind Children

The budget maintains funding in FY 2021 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

Statewide Adjustments

The budget includes an increase of \$1,077,900 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	651,100
ASDB Fund	426,800

(Please see the Agency Detail and Allocations section.)

School Bus/Agency Vehicle Replacement

The budget includes \$369,000 from the General Fund in FY 2021 for School Bus/Agency Vehicle Replacement. This amount is unchanged from FY 2020.

Monies in this line item are used for the purchase of new school buses. According to the School Facilities Board rules for ASDB, a gasoline-powered bus should be replaced after 10 years or 150,000 miles.

In September 2017, the Arizona Attorney General and the Volkswagen Group of America reached a settlement in a lawsuit filed by the Attorney General's Office against Volkswagen that relates to the marketing, advertising, selling and leasing of certain 'clean diesel' Volkswagen vehicles for model years 2009-2016. As part of the settlement, the state of Arizona will receive approximately \$57 million over 10 years to fund eligible mitigation activities. ASDB was included as one of the state beneficiaries and received \$900,000 from the Volkswagen settlement. Of that amount, ASDB received \$700,000 in FY 2019 and will receive the remaining \$200,000 in FY 2020.

Because the agency was able to use monies from the Volkswagen settlement for school bus replacements in FY 2019, it shifted \$369,000 from the School Bus Replacement line item to its operating budget for FY 2019 to purchase 15 new general-fleet vehicles in FY 2019. In FY 2020, the agency plans to use the FY 2020 Volkswagen settlement monies to purchase 2 new school buses and again shift \$369,000 from the School Bus Replacement line item to its operating budget to purchase an additional 15 new general-fleet vehicles. This line item was previously titled "School Bus Replacement." To allow ASDB to purchase new general-fleet vehicles with these monies, the name of the line item has been changed.

The Executive has allocated \$1,000,000 from the Governor's Emergency Education Relief Fund (GEERF) for the purchase of vehicles at ASDB. GEERF was established by the Coronavirus Aid, Relief, and Economic Security Act (CARES). The Executive has the authority to distribute GEERF monies without legislative appropriation.

Other Issues

Enrollment Projections

Table 1 shows fall enrollment data for ASDB's Tucson, Phoenix, and Preschool campuses since FY 2017. The budget assumes that FY 2021 enrollment levels for ASDB will be unchanged from FY 2020.

Table 1

	ASDB Fall Enrollment			
	FY 2017	FY 2018	FY 2019	FY 2020
Tucson	129	130	134	120
Phoenix	283	270	259	257
Preschool	99	89	103	119
Total	511	489	496	496

Commission for the Deaf and the Hard of Hearing

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	16.0	17.0	17.0
Personal Services	1,014,500	1,114,100	1,166,400
Employee Related Expenditures	366,900	393,600	402,300
Professional and Outside Services	493,000	500,000	500,000
Travel - In State	7,400	12,000	12,000
Travel - Out of State	8,700	19,000	19,000
Other Operating Expenditures	1,059,500	2,036,700	2,036,700
Equipment	119,000	357,500	357,500
OPERATING SUBTOTAL	3,069,000	4,432,900	4,493,900
SPECIAL LINE ITEMS			
Support Services for the Deaf-Blind	800	192,000	192,000
AGENCY TOTAL	3,069,800	4,624,900	4,685,900 ^{1/}

FUND SOURCES

Other Appropriated Funds

Telecommunication Fund for the Deaf	3,069,800	4,624,900	4,685,900
SUBTOTAL - Other Appropriated Funds	3,069,800	4,624,900	4,685,900
SUBTOTAL - Appropriated Funds	3,069,800	4,624,900	4,685,900
TOTAL - ALL SOURCES	3,069,800	4,624,900	4,685,900

AGENCY DESCRIPTION — The agency acts as an information and referral resource for the deaf and the hard of hearing and provides educational materials to the general public; administers a statewide telephone access program, the Telecommunication Devices for the Deaf (TDD) Relay Program; and licenses interpreters for the deaf and the hard of hearing. The Commission is supported by the Telecommunication Fund for the Deaf, which derives monies from the Telecommunication Services Excise Tax.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$4,493,900 and 17 FTE Positions from the Telecommunication Fund for the Deaf in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$61,000 from the Telecommunication Fund for the Deaf in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Support Services for the Deaf-Blind

The budget includes \$192,000 from the Telecommunication Fund for the Deaf in FY 2021 for the Support Services for the Deaf-Blind line item. This amount is unchanged from FY 2020.

Monies in this line item fund a support services program (SSP) which provides 5 hours per week of support services to 35 deaf-blind adults at no cost to the individual. Deafblindness is any combination of visual and auditory loss which requires special strategies and skills. Examples of support services provided include transportation assistance, sighted guides, independent living assistance, and communication facilitators.

State Board of Dental Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	467,700	547,300	573,000
Employee Related Expenditures	204,600	200,700	206,400
Professional and Outside Services	140,600	211,400	211,400
Travel - In State	1,700	3,200	3,200
Travel - Out of State	3,800	5,500	5,500
Other Operating Expenditures	168,300	238,000	238,000
Equipment	20,600	23,700	23,700
AGENCY TOTAL	1,007,300	1,229,800	1,261,200 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Dental Board Fund	1,007,300	1,229,800	1,261,200
SUBTOTAL - Other Appropriated Funds	1,007,300	1,229,800	1,261,200
SUBTOTAL - Appropriated Funds	1,007,300	1,229,800	1,261,200
TOTAL - ALL SOURCES	1,007,300	1,229,800	1,261,200

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

FOOTNOTES

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

Operating Budget

The budget includes \$1,261,200 and 11 FTE Positions from the Dental Board Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$31,400 from the Dental Board Fund in FY 2021 for statewide adjustments.
(Please see the Agency Details and Allocations section.)

Arizona Early Childhood Development and Health Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	137,464,300	158,951,700	158,406,400
Federal Funds	7,997,800	1,820,500	1,381,300
TOTAL - ALL SOURCES	145,462,100	160,772,200	159,787,700

AGENCY DESCRIPTION — As authorized by a 2006 ballot initiative (Proposition 203), the Arizona Early Childhood Development and Health Board (ECDHB) is funded from an 80 cents per pack cigarette tax, plus taxes on other tobacco products. The board funds early childhood development programs and services for children prior to kindergarten and their families. The agency is also commonly known as “First Things First.”

Background

Early Childhood Development and Health Fund

Enacted in 2006, Proposition 203 implemented an additional 80 cents per pack cigarette tax to fund ECDHB, also known as “First Things First.” Revenues from the tobacco tax are deposited into the Early Childhood Development and Health (ECDH) Fund and go into 2 accounts: 90% of funds are allocated to the Program Account and 10% of funds to the Administrative Costs Account.

Of the annual Program Account budget set by the board each year, 10% (or 9% of the statewide total) may be spent on statewide programs with the remaining funds allocated to the Regional Councils (81% of the statewide total). Of the amount made available to regions, 60.8% is allocated to the various regions based on the total population aged 5 and under and the population under 5 living below the poverty line. The board uses its discretion to allocate the other 20.2% to regions.

In FY 2019, ECDHB’s largest expenditure was **Child Care Scholarships** at \$68.8 million, as displayed in *Table 1*, serving an average of 6,088 children monthly, up from 5,924 in FY 2018. ECDHB has increased the number of child care facilities it rates as 3 to 5 stars, which results in a higher reimbursement rate for these facilities.

State-funded child care is provided through 3 agencies: the Department of Economic Security (DES), the Department of Child Safety (DCS), and ECDHB. *(For more information, please see the [Child Care Program Summary](#) on the JLBC website.)*

Family Support mainly consists of voluntary in-home services for infants, children and their families, focusing on parenting skills, early physical and social development,

literacy, health and nutrition; it also includes classes on parenting, food boxes, parent kits, and other services.

The **Health** category provides mental health consultations to teachers and caregivers, oral health services to families, case management to families, child care health consultations to child care providers, obesity prevention to families, prenatal outreach to women and families, and other services.

The **Administration** category funds about 123 filled FTE Positions. **Professional Development** includes training, scholarships, and financial incentives for professionals who provide education and early care to children.

Community Awareness is media and community outreach efforts. **Research and Evaluation** spending is used to evaluate the effectiveness of ECDHB programs. **System Coordination** establishes partnerships and expands services and programs for families with young children.

Table 1

FY 2019 ECDHB Fund Expenditures by Category ^{1/}
(\$ in Millions)

<u>Expenditure Category</u>	<u>Amount</u>	<u>Percent</u>
Child Care Scholarships	\$68.8	50%
Family Support	30.5	22%
Health	15.3	11%
Administration	10.3	8%
Professional Development	5.4	4%
Community Awareness	2.7	2%
Research & Evaluation	3.0	2%
System Coordination	0.9	1%
Other Funds (Grants, Gifts, etc.)	0.6	0%
Total	\$137.5	100%

^{1/} Does not include federal grant expenditures.

Office of Economic Opportunity

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	292,100	312,900	327,600
Employee Related Expenditures	102,300	107,400	109,900
Professional and Outside Services	6,400	4,000	4,000
Travel - In State	200	2,000	2,000
Travel - Out of State	1,600	5,000	5,000
Other Operating Expenditures	41,300	33,000	33,000
Equipment	300	4,000	4,000
OPERATING SUBTOTAL	444,200	468,300	485,500
SPECIAL LINE ITEMS			
Small Drinking Water Systems Fund Deposit	0	500,000 ^{1/}	0
AGENCY TOTAL	444,200	968,300	485,500 ^{2/}
FUND SOURCES			
General Fund	444,200	968,300	485,500
SUBTOTAL - Appropriated Funds	444,200	968,300	485,500
Other Non-Appropriated Funds	95,828,900	87,975,400	87,975,400
Federal Funds	16,700,100	23,927,100	23,927,100
TOTAL - ALL SOURCES	112,973,200	112,870,800	112,388,000

AGENCY DESCRIPTION — The Office of Economic Opportunity (OEO) is responsible for monitoring the state's tax competitiveness, evaluating the effectiveness of state incentive programs, analyzing state and local regulatory costs to businesses, serving as the state's workforce planning coordinator, and providing economic and demographic research and analysis. Also established within OEO is the Arizona Finance Authority, which oversees the Water Infrastructure Finance Authority (WIFA) and the Greater Arizona Development Authority (GADA) in addition to being the state recipient of private activity bonding authority. Additionally, OEO oversees the Arizona Industrial Development Authority which is the sole state issuer of private activity bonds.

FOOTNOTES

- 1/ The Water Infrastructure Finance Authority of Arizona shall report to the Joint Legislative Budget Committee on or before December 31, 2019, December 31, 2020, and December 31, 2021 on the annual amount of expenditures from the Small Drinking Water Systems Fund established by A.R.S § 49-355 for grants to interim operators, interim managers, or owners of small drinking water systems during the prior fiscal year. (FY 2020 General Appropriation Act Footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$485,500 and 5 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$17,200 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Details and Allocations section.)

Small Drinking Water Systems Fund Deposit

The budget includes no funding in FY 2021 for the Small Drinking Water Systems Fund. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(500,000) from the General Fund in FY 2021 to remove one-time funding for the Small Drinking Water Systems Fund.

Monies in the fund are for grants to interim operators, interim managers, or owners of small drinking water systems to repair, replace, or upgrade water infrastructure. Monies deposited into the fund are non-lapsing.

The FY 2020 budget required that the Water Infrastructure Finance Authority, which is housed in the Office of Economic Opportunity, report on annual expenditures from the fund to the Joint Legislative Budget Committee by December 31 in 2019, 2020, and 2021.

Other Issues

Agency Structure and Funding

Laws 2016, Chapter 372 created 3 new governmental entities: The Office of Economic Opportunity (OEO), the Arizona Finance Authority (AFA), and the Arizona Industrial Development Authority (AIDA). AFA is established in OEO and the AFA board serves as the board of AIDA, thus OEO has statutory supervision over all 3 entities. *(Please see the FY 2020 Appropriations Report for more details.)*

OEO

OEO is the central state agency for economic, population, and unemployment statistical analysis, the administering agency for the Workforce Arizona Council, and oversees the Workforce Data Task Force.

AFA

AFA houses the functions of the Water Infrastructure Finance Authority (WIFA), the Greater Arizona Development Authority (GADA), and administers the state's Private Activity Bond (PAB) authorization. AFA is expected to oversee \$101,828,100 in expenditures in FY 2021.

AIDA

AFA also governs AIDA, which has responsibility for the former activities for the Arizona Housing Finance Authority, Arizona Health Facilities Authority, and the Arizona International Development Authority. In addition, AIDA is authorized to issue PABs for allowable projects not otherwise covered by the other state IDAs.

Department of Economic Security

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,323.8	4,377.8	4,377.8 ^{1/}
Personal Services	74,215,100	72,022,400	75,974,300
Employee Related Expenditures	33,016,900	31,526,900	31,526,900
Professional and Outside Services	14,775,900	27,147,100	27,147,100
Travel - In State	778,700	572,100	572,100
Travel - Out of State	90,900	82,600	82,600
Other Operating Expenditures	21,966,900	25,602,700	25,602,700
Equipment	3,624,500	2,205,400	2,205,400
OPERATING SUBTOTAL	148,468,900	159,159,200	163,111,100 ^{2/3/4/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	9,885,800	11,057,700	11,458,100
SNAP Benefit Match	400,000	0	0
Aging and Adult Services			
Adult Services	9,902,900	8,731,900	8,731,900
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Services	2,522,600	2,522,600	2,522,600
Domestic Violence Prevention	12,232,000	14,003,700	14,003,700 ^{5/6/}
Family Caregiver Grant Fund Deposit	0	1,000,000	0
Benefits and Medical Eligibility			
TANF Cash Benefits	22,736,400	22,736,400	22,736,400
Coordinated Hunger Services	1,754,600	1,754,600	1,754,600
One-Time Food Bank Funding	1,000,000	0	0
One-Time Food Bank Storage and Distribution Costs	950,000	0	0
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	4,679,900	8,740,200	8,740,200
Developmental Disabilities ^{7/-12/}			
DDD Administration	37,370,400	104,821,000	104,474,400
DDD Premium Tax Payment	32,282,500	35,598,700	43,472,900
Case Management - Medicaid	65,252,300	75,964,500	86,955,500
Home and Community Based Services - Medicaid	1,147,526,200	1,369,790,300	1,527,962,600
Institutional Services - Medicaid	39,296,600	50,002,800	45,973,200
Children's Rehabilitative Services - Medicaid	62,416,700	0	0
Medical Services - Medicaid	216,814,700	0	0
Physical and Behavioral Health Services - Medicaid	0	360,359,100	393,043,700
Medicare Clawback Payments	4,185,100	4,517,800	4,388,900
Targeted Case Management - Medicaid	8,159,600	10,708,200	11,415,500
Case Management - State-Only	5,913,400	6,194,600	6,311,900
Cost Effectiveness Study - Client Services	1,100,000	1,220,000	1,220,000
Home and Community Based Services - State-Only	13,709,000	13,589,000	13,589,000
Arizona Early Intervention Program	8,219,000	6,319,000	6,319,000
State-Funded Long Term Care Services	32,825,200	35,151,600	35,413,600
Employment and Rehabilitative Services			
Child Care Subsidy	90,395,500	146,796,600	169,095,000 ^{13/14/}
Independent Living Rehabilitation Services	1,289,400	1,289,400	1,289,400
JOBS	10,394,700	11,005,600	11,005,600
Rehabilitation Services	7,249,100	7,249,100	7,249,100
Workforce Investment Act Services	54,048,700	53,654,600	53,654,600 ^{15/}
AGENCY TOTAL	2,061,385,500	2,532,342,500	2,764,296,800 ^{16/-19/}

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
FUND SOURCES			
General Fund	662,286,900	749,708,200	812,054,300
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	10,163,700	17,094,700	17,531,300
Domestic Violence Services Fund	2,228,300	4,000,000	4,000,000
Federal CCDF Block Grant	104,317,500	158,952,900	181,557,800
Federal TANF Block Grant	65,324,900	65,395,900	65,839,800
Health Services Lottery Monies Fund	1,000,000	0	0
Long Term Care System Fund (Non-Federal Matched)	24,425,200	26,559,600	26,563,800
Public Assistance Collections Fund	0	423,400	423,600
Special Administration Fund	5,066,400	4,511,200	4,550,000
Spinal and Head Injuries Trust Fund	4,249,700	2,326,800	2,340,200
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	56,438,700	56,044,500	56,085,500
SUBTOTAL - Other Appropriated Funds	273,214,400	336,309,000	359,892,000
SUBTOTAL - Appropriated Funds	935,501,300	1,086,017,200	1,171,946,300
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	33,410,300	42,299,500	43,192,400
Long Term Care System Fund (Federal Match)	1,092,473,900	1,404,025,800	1,549,158,100
SUBTOTAL - Expenditure Authority Funds	1,125,884,200	1,446,325,300	1,592,350,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	2,061,385,500	2,532,342,500	2,764,296,800
Other Non-Appropriated Funds	228,079,200	215,221,700	215,221,700
Federal Funds	1,659,529,100	1,656,784,100	1,656,784,100
TOTAL - ALL SOURCES	3,948,993,800	4,404,348,300	4,636,302,600

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration; Developmental Disabilities; Benefits and Medical Eligibility; Child Support Enforcement; Aging and Community Services; and Employment and Rehabilitation Services.

FOOTNOTES

- 1/ Includes 705.5 GF, 235.6 OF, and 1,562.3 EA FTE Positions funded from Special Line Items in FY 2021.
- 2/ The operating lump sum appropriation may be spent on Arizona health care cost containment system eligibility determinations based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- 3/ All state shares of retained earnings, fees and federal incentives in excess of \$17,531,300 received by the division of child support enforcement are appropriated for operating expenditures. New FTE positions may be authorized with the increased funding. Before spending these increased monies, the department of economic security shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ Before the department may spend any monies to replace the child support information technology system, the Arizona strategic enterprise technology office shall submit, on behalf of the department of economic security, an expenditure plan to the joint legislative budget committee for review. The expenditure plan shall include the project cost, deliverables, timeline for completion and method of procurement consistent with the department's prior reports for its appropriation from the automation projects fund pursuant to section 41-714, Arizona Revised Statutes. (General Appropriation Act Footnote)
- 5/ All domestic violence services fund monies in excess of \$4,000,000 received by the department of economic security are appropriated for the domestic violence prevention line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$4,000,000 to the joint legislative budget committee. (General Appropriation Act footnote)
- 6/ On or before December 15, 2020, the department of economic security shall report to the joint legislative budget committee the amount of state and federal monies available statewide for domestic violence funding. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)

- 7/ The department shall report to the joint legislative budget committee on or before March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than two percent. Before implementing any changes in capitation rates for the long-term care system, the department shall submit a report for review by the joint legislative budget committee. Before the department implements any change in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal impact analysis demonstrates that this change will result in additional state costs of \$500,000 or more for any fiscal year, the department shall submit the policy change for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 8/ Before implementing developmental disabilities or long term care statewide provider rate adjustments that are not already specifically authorized by the legislature, court mandates or changes to federal law, the department shall submit a report for review by the joint legislative budget committee that includes, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriation Act footnote)
- 9/ On or before September 1, 2021, the department of economic security shall report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee any new placement into a state owned ICF-IID or the Arizona training program at the Coolidge campus in fiscal year 2020-2021 and the reason this placement, rather than a placement into a privately run facility for persons with developmental disabilities, was deemed as the most appropriate placement. The department shall also report if no new placements were made. On or before September 1, 2021, the department shall also report to the director of the joint legislative budget committee the total costs associated with the Arizona training program at Coolidge in fiscal year 2020-2021. (General Appropriation Act footnote)
- 10/ The department shall submit an expenditure plan to the joint legislative budget committee for review of any new division of developmental disabilities salary adjustments not previously reviewed by the joint legislative budget committee. (General Appropriation Act footnote)
- 11/ On or before August 1, 2020 the department shall report to the joint legislative budget committee the number of filled positions for case managers and non-case managers in the division of developmental disabilities as of June 30, 2020. The department shall submit an expenditure plan of its staffing levels for review by the joint legislative budget committee if the department plans on hiring staff for non case manager, non-case aide, non case unit supervisor and non-case section manager positions above the staffing level indicated in the August 1, 2020 report. (General Appropriation Act footnote)
- 12/ Before transferring any monies in or out of the case management - medicaid, case management - state-only and DDD administration line items, the department shall submit a report for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 13/ The legislature intends that the combined number of children in child care assistance authorized pursuant to section 46-803, subsections D and F, Arizona Revised Statutes, be maintained throughout the year at a minimum of 8,500 children. The department of economic security shall prioritize child care assistance for families that qualify for assistance pursuant to section 46-803, subsection F, Arizona Revised Statutes, on the waiting lists established pursuant to section 46-803, subsection J, Arizona Revised Statutes. (General Appropriation Act footnote)
- 14/ Before the department of economic security changes child care reimbursement rates, the department shall submit the proposed changes for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 15/ All workforce investment act grant monies that are received by this state in excess of \$56,085,500 are appropriated to the workforce investment act services line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$56,085,500 to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 16/ On or after April 1, 2021, the department of economic security may use up to \$25,000,000 from the budget stabilization fund established by section 35-144, Arizona Revised Statutes, for the purpose of providing funding for reimbursement grants. Before using the monies from the budget stabilization fund, the department shall notify the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting. Notwithstanding any other law, this appropriation must be fully reimbursed on or before September 1, 2021 and must be reimbursed in full as part of the closing process for fiscal year 2020-2021. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)
- 17/ The above appropriations are in addition to monies granted to this state by the federal government for the same purposes but are deemed to include the sums deposited in the state treasury to the credit of the department of economic security pursuant to section 42-5029, Arizona Revised Statutes. (General Appropriation Act footnote)

18/ The department of economic security shall forward to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee a monthly report comparing total expenditures for the month and year-to-date as compared to prior-year totals on or before the thirtieth of the following month. The report shall include an estimate of potential shortfalls in entitlement programs and potential federal and other monies, such as the statewide assessment for indirect costs, and any projected surplus in state-supported programs that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)

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

Summary

The Department of Economic Security's (DES) FY 2021 General Fund spending increases by \$62,346,100, or 8.3% above the FY 2020 appropriation. This amount includes:

- \$59,739,900 for DDD formula adjustments.
- \$(1,000,000) to remove a one-time deposit in the Family Caregiver Grant Fund.
- \$3,606,200 for statewide adjustments.

Operating Budget

The budget includes \$163,111,100 and 1,874.4 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$81,297,500
Child Support Enforcement Administration Fund	13,797,400
Child Support Enforcement Administration Fund (EA)	28,238,800
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,905,000
Federal Child Care and Development Fund (CCDF) Block Grant	12,444,900
Public Assistance Collections Fund	332,500
Special Administration Fund	2,114,000
Spinal and Head Injuries Trust Fund	560,300
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,420,700

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,951,900 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	2,131,500
Child Support Enforcement Administration Fund	283,400
Child Support Enforcement Administration Fund (EA)	696,600

Federal Temporary Assistance for Needy Families (TANF) Block Grant	441,000
Federal Child Care and Development Fund (CCDF) Block Grant	306,300
Public Assistance Collections Fund	200
Special Administration Fund	38,700
Spinal and Head Injuries Trust Fund	13,400
Workforce Investment Act Grant	40,800

(Please see the Agency Detail and Allocations section.)

Administration

Attorney General Legal Services

The budget includes \$11,458,100 and 156.9 FTE Positions in FY 2021 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,275,200
Child Support Enforcement Administration Fund	2,654,800
Child Support Enforcement Administration Fund (EA)	7,292,500
Federal TANF Block Grant	109,500
Federal CCDF Block Grant	17,900
Public Assistance Collections Fund	91,100
Special Administration Fund	5,100
Spinal and Head Injuries Trust Fund	1,800
Workforce Investment Act Grant	10,200

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$400,400 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	47,500
Child Support Enforcement Administration Fund	153,200
Child Support Enforcement Administration Fund (EA)	196,300
Federal TANF Block Grant	2,900

Federal CCDF Block Grant	200
Special Administration Fund	100
Workforce Investment Act Grant	200

Aging and Adult Services

Adult Services

The budget includes \$8,731,900 from the General Fund in FY 2021 for Adult Services. This amount is unchanged from FY 2020.

This line item provides an array of independent living support to elderly persons, as shown in *Table 1*.

Table 1

Independent Living Support	
Services	FY 2021
Adult Protective Contracted Services	\$ 322,700
Supplemental Payments	94,800
Home Care	4,181,500
Older Americans Act	1,905,700
Assessments and Case Management	1,721,800
Respite Care	505,300
Total	\$8,731,900 ^{1/}

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

Community and Emergency Services

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2021 for Community and Emergency Services. This amount is unchanged from FY 2020.

Monies in this line item provide funding to 15 community action agencies to deliver a wide range of services related to the needs of low-income families and individuals. In FY 2019, this line item provided short-term crisis services to 1,148 households and energy assistance to 32,094 households.

Coordinated Homeless Services

The budget includes \$2,522,600 in FY 2021 for Coordinated Homeless Services programs. This amount consists of:

General Fund	873,100
Federal TANF Block Grant	1,649,500

These amounts are unchanged from FY 2020.

In FY 2019, this line item provided emergency shelter services to 10,434 individuals, rapid re-housing services to

1,736 individuals, and homeless prevention services to 68 individuals.

Domestic Violence Prevention

The budget includes \$14,003,700 in FY 2021 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,000
Federal TANF Block Grant	6,620,700
Domestic Violence Services Fund	4,000,000
Special Administration Fund	100,000

These amounts are unchanged from FY 2020.

In FY 2019, this line item, along with non-appropriated funds, served approximately 5,012 women and children in emergency shelters, 1,515 adults and children in transitional housing, and 12,734 victims with legal and lay legal advocacy.

Family Caregiver Grant Fund Deposit

The budget includes no funding from the General Fund in FY 2021 for deposit into the Family Caregiver Grant Fund. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2021 to remove a one-time deposit into the Family Caregiver Grant Fund.

Beginning January 1, 2020, monies in this line item provide grants of up to \$1,000 for expenses that relate directly to caring for or supporting a family member requiring assistance with activities of daily living.

Benefits and Medical Eligibility

TANF Cash Benefits

The budget includes \$22,736,400 from the Federal TANF Block Grant in FY 2021 for TANF Cash Benefits. This amount is unchanged from FY 2020.

As of March 2020, the latest month for which data is available, DES served a regular TANF Cash Benefits caseload of 12,103 individual recipients. Caseloads have declined (4.5)% compared to March 2019. The average cost per person is projected to be \$100. In addition, the TANF Diversion program diverts applicants from long-term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis. The March 2020 Diversion caseload was 358, a (8.7)%

decrease from March 2019. The average diversion payment per person is projected to be \$763.

The budgeted amount would be able to fund an average of 14,500 individuals at \$100 per month and 583 Diversion clients at \$763 per month.

Monies in this line item provide financial assistance on a temporary basis to dependent children in their own homes, or in the homes of responsible caretaker relatives. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL), or \$5,022 for a family of 4.

The current cumulative lifetime limit on regular TANF Cash Benefits is 24 months. To qualify for the second year of eligibility, a recipient must have received no penalties for violating the work and school attendance requirements. In addition, a recipient can accumulate only 2 penalties before being removed from the program.

The budget adds a provision that waives state time limits and work requirements for TANF benefits during the state emergency declaration for Coronavirus. This provision may lead to higher caseloads. The budget also continues a provision allowing DES to drug test TANF recipients if there is a reasonable suspicion that they are using illegal drugs. *(Please see [Federal TANF Block Grant](#) in Other Issues for further details on TANF expenditures and a table of expenditure detail by agency.)*

Coordinated Hunger Services

The budget includes \$1,754,600 in FY 2021 for Coordinated Hunger Services programs. This amount consists of:

General Fund	1,254,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2020.

State and federal dollars are used to administer a USDA commodities food program, to assist in statewide food distribution, and for food banks. Monies are also used to provide information on where individuals and families can obtain food. In FY 2019, this funding assisted in the distribution of 166,588 pounds of food.

Tribal Pass-Through Funding

The budget includes \$4,680,300 from the General Fund in FY 2021 for Tribal Pass-Through Funding. This amount is unchanged from FY 2020.

Monies in this line item are passed through to Native American tribes operating their own TANF programs. When originally implemented, program funding was designed to be roughly equivalent to what the state was spending on the population when the state still had responsibility for the cash assistance program for any particular tribe.

Child Support Enforcement

The Division of Child Support Enforcement (DCSE) budget includes direct appropriations from the following 4 fund sources: 1) General Fund; 2) State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received TANF Cash Benefits; 3) Federal incentives and 4) Fees from non-custodial parents.

The last 3 fund sources are deposited in the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund. In addition to the General Fund and CSEA Fund appropriations, the displayed amounts also include Federal Expenditure Authority for DCSE. The federal monies received by DCSE generally match state funds at a ratio of 66% federal to 34% state. *Table 2* details the sources and uses of the CSEA Fund.

Table 2

CSEA Fund Sources and Uses

Sources	FY 2021
State Share of Retained Earnings	\$ 2,336,000
Federal Incentive Payments	5,589,700
Fees	2,585,700
Excess Appropriation Authority ^{1/}	7,019,900
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$20,646,900

Uses	
DCSE Administration (DES Operating)	\$13,797,400
Attorney General Legal Services	2,654,800
County Participation	1,079,100
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$20,646,900

^{1/} This line is the difference between appropriation authority and expected revenues.

County Participation

The budget includes \$8,740,200 in FY 2021 for County Participation. This amount consists of:

CSEA Fund	1,079,100
CSEA Fund (EA)	7,661,100

These amounts are unchanged from FY 2020.

The division currently contracts with Gila and La Paz Counties to have the counties operate their own child support programs. This line item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match.

Developmental Disabilities

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long Term Care (LTC) program. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the FPL, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for federal Medicaid services.

The LTC program is funded from 2 sources: the General Fund and the Long Term Care System Fund. The Legislature appropriates the division's resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available to the Division of Developmental Disabilities (DDD) but does not appropriate any specific non-appropriated fund.

As of November 2019, the Division of Developmental Disabilities served 42,998 clients, which includes 34,411 clients in the LTC program, 4,794 in Targeted Case Management, and 3,793 clients in the state-only program. The primary disabilities as reported by DES are shown in Table 3.

Table 3

Primary Disability of Clients Served

Disability	Number	Percentage
Intellectual Disability	16,155	37.6%
At Risk	9,300	21.6%
Autism	12,213	28.4%
Cerebral Palsy	3,508	8.2%
Epilepsy	1,822	4.2%
Total	42,998	

Overall DDD Formula Adjustments

The budget includes an increase of \$59,739,900 from the General Fund in FY 2021 for DDD formula changes. Changes are described in further detail below. *(Please see the Other Issues section for further details on FY 2022 and FY 2023 formula changes and COVID-19-related adjustments.)*

Caseload Growth

The budget includes an increase of \$30,247,700 from the General Fund in FY 2021 for DD caseload changes.

Compared to June 2020, LTC caseloads are expected to grow by 5.0% to 37,695 members by June 2021 (this amount excludes state-only clients). The 5.0% caseload growth is based on recent growth within the DDD.

Table 4 shows the number of clients by placement setting for DDD enrollees in June 2019, and the estimated growth in FY 2020 and FY 2021. Approximately 86.1% of clients are currently at home, and 13.5% receive services in a community-based residential setting, such as a group home or developmental home. The remaining 0.4% of clients receive services in an institution, including an intermediate care facility or a skilled nursing facility.

Table 4

DDD June Caseloads and Placement Settings

Placement	FY 19	FY 20 Est	FY 21 est
Home	29,428	30,920	32,493
Group Home	3,085	3,241	3,393
Developmental Home	1,508	1,585	1,696
Institution	147	154	113
Total	34,168	35,900	37,695

Capitation Rate Adjustments

The budget includes an increase of \$30,536,800 from the General Fund in FY 2021 for a 2.0% net capitation rate increase beginning October 1, 2020. Capitation rates include adjustments for medical inflation, utilization of services, and other factors. The 2.0% capitation rate is based on the historic growth in the DDD capitation rate. Table 5 shows how the capitation adjustment is allocated by service category.

The capitation adjustment does not include a dedicated provider rate adjustment. *(Please see Other Issues for additional information.)*

FMAP Adjustments

The budget includes a decrease of \$(915,700) from the General Fund in FY 2021 for an increase in the Federal Medical Assistance Percentage (FMAP). The FMAP is the rate at which the federal government matches state contributions to Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During FY 2021, the blended Medicaid FMAP is projected to increase to 70.01% (0.04% increase).

Medicare Clawback

The budget includes a decrease of \$(128,900) from the General Fund in FY 2021 for adjustments associated with Medicare Clawback Payments.

Table 5

DDD ALTCS Capitation Growth

	FY 2020 Capitation Rate ^{1/}	Assumed Growth Rate	FY 2021 Capitation Rate
Administration	230.38	2.0%	234.99
Premium Tax	96.81	2.0%	98.75
Case Management	188.70	2.0%	192.47
HCBS ^{2/}	3,401.74	2.0%	3,469.77
Institutional Care ^{3/}	100.78	2.0%	102.80
Acute Care ^{4/}	877.25	2.0%	894.80
Total	4,895.66	2.0%	4,993.58

^{1/} Revised rate effective January 1, 2020.

^{2/} HCBS line includes PMPM rates for HCBS and Risk Contingency.

^{3/} Institutional Care rate is net of client's share of cost.

^{4/} Acute care rate includes \$55.35 for reinsurance. Does not include behavioral health expenses.

DDD Administration

The budget includes \$104,474,400 and 294.3 FTE Positions in FY 2021 for DDD Administration. These amounts consist of:

General Fund	31,183,700
Long Term Care System Fund	73,290,700

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(1,367,900) in FY 2021 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 2.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	(458,900)
Long Term Care System Fund	(909,000)

The decrease from FY 2020 reflects a rebase of an overallocation to the DD Administration line.

Statewide Adjustments

The budget includes an increase of \$1,021,300 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	165,500
Long Term Care System Fund	855,800

Background – This line item includes funding for direct and indirect DDD administrative costs, as well as administrative funding for DES' subcontracted health plans for DD clients.

DDD Premium Tax Payment

The budget includes \$43,472,900 in FY 2021 for the DDD Premium Tax Payment. This amount consists of:

General Fund	13,034,400
Long Term Care System Fund	30,438,500

FY 2021 adjustments are as follows:

Premium Tax Growth

The budget includes an increase of \$7,874,200 in FY 2021 for growth in the premium tax. This amount consists of:

General Fund	2,344,400
Long Term Care System Fund	5,529,800

Background – DES pays a 2% premium tax to the Department of Insurance on capitation payments received from AHCCCS.

Case Management - Medicaid

The budget includes \$86,955,500 and 1,237 FTE Positions in FY 2021 for Case Management - Medicaid. These amounts consist of:

General Fund	26,122,000
Long Term Care System Fund	60,833,500

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$8,772,000 in FY 2021 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 2.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	2,594,700
Long Term Care System Fund	6,177,300

Statewide Adjustments

The budget includes an increase of \$2,219,000 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	715,600
Long Term Care System Fund	1,503,400

Background – This line item provides case managers, case aides, case management unit supervisors, and case management area program managers that serve DDD clients enrolled in the ALTCS program. The ALTCS program requires DES to have at least 1 case manager for

every 35 DD clients for each ALTCS client added since 2006.

Home and Community Based Services - Medicaid

The budget includes \$1,527,962,600 and 94.5 FTE Positions in FY 2021 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	458,125,300
Long Term Care System Fund	1,069,837,300

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$157,775,200 in FY 2021 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 2.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	46,674,200
Long Term Care System Fund	111,101,000

Statewide Adjustments

The budget includes an increase of \$397,100 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	118,100
Long Term Care System Fund	279,000

Background – This line item funds residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. *Table 6* shows the distribution of home and community-based services by service category for the top 10 most used services. This line item also funds staff in state-operated group homes.

Table 6

FY 2019 Proposed Developmental Disabilities Home and Community-Based Services Expenditures for Top 10 Most Used Services

Service	Expenditures (\$ in M)
Group Homes	\$318.6
Attendant Care	132.9
Day Programs	127.8
Habilitation- Support - Hourly	115.4
Respite	109.9
Adult Development Homes	47.0
Nurses (In-Home)	43.4
Speech Therapy	31.0
Group Supported Employment	26.0
Habilitation Services - Individual Designed Living	25.7

Institutional Services - Medicaid

The budget includes \$45,973,200 and 457.7 FTE Positions in FY 2021 for Medicaid Institutional Services. These amounts consist of:

General Fund	13,782,300
Long Term Care System Fund	32,190,900

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(4,747,100) in FY 2021 for formula adjustments. The formula adjustments include a decrease in budgeted Arizona Training Program at Coolidge (ATP-C) populations, 2.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	(1,446,600)
Long Term Care System Fund	(3,300,500)

Statewide Adjustments

The budget includes an increase of \$717,500 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	213,400
Long Term Care System Fund	504,100

Background – Monies in this line item fund Intermediate Care Facilities for Persons with Intellectual Disabilities (ICF-IIDs) or other nursing facilities, both private and state-operated, including ATP-C. DES reports that ATP-C had November 2019 enrollment of 73, a decrease of 3 from December 2018.

Statute requires DES to annually provide their plans for ATP-C to the JLBC for review. In November 2019, DES reported to JLBC that it plans to close the 5 state-operated group homes (SOGHs) on the ATP-C campus by May 2020, which would require the relocation of 16 residents at the facility. The department reports all 16 residents have opted to stay at the ATP-C facility. The budget continues this footnote in FY 2021.

At its December 2019 meeting, JLBC favorably reviewed DES' Coolidge plan in which all 16 current residents move to the ICF-IID facilities on the ATP-C campus. *(Please see the December 2019 JLBC Agenda Book for more information about DES' plans for ATP-C.)*

Physical and Behavioral Health Services - Medicaid

The budget includes \$393,043,700 and 35.4 FTE Positions in FY 2021 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	118,446,000
Long Term Care System Fund	274,597,700

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$31,509,900 in FY 2021 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	8,861,100
Long Term Care System Fund	22,648,800

Health Insurer Fee

The budget includes an increase of \$952,600 from the General Fund in FY 2021 for the Health Insurer Fee. The Health Insurer Fee is a federal tax on the acute behavioral health component of the DES capitation rate to cover Medicaid Expansion that was previously suspended in FY 2020.

Statewide Adjustments

The budget includes an increase of \$222,100 from the Long Term Care System Fund in FY 2021 for statewide adjustments.

Background – This line item funds DES' subcontracts with AHCCCS health plans to obtain medical services, CRS, and behavioral health services for DD clients in the ALTCS program.

Medicare Clawback Payments

The budget includes \$4,388,900 from the General Fund in FY 2021 for Medicare Clawback Payments. FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(128,900) from the General Fund in FY 2021 for formula adjustments associated with Medicare Clawback Payments.

Background – The federal government pays for the prescription drug costs of DDD clients enrolled in Medicare. To partly offset those costs, the federal government requires each state to make “Clawback”

payments to Medicare based on a certain percentage of the estimated drug costs.

Medicare Clawback payment is based on the population of individual dually enrolled in DDD and AHCCCS programs. The decrease in the formula adjustment is due to a lack of growth in dual enrolled individuals.

Targeted Case Management - Medicaid

The budget includes \$11,415,500 and 76.8 FTE Positions in FY 2021 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	3,446,000
Long Term Care System Fund	7,969,500

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$442,900 in FY 2021 for formula adjustments. The formula adjustments include a 5.0% increase for caseload growth, 2.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	89,500
Long Term Care System Fund	353,400

Statewide Adjustments

The budget includes an increase of \$264,400 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	97,300
Long Term Care System Fund	167,100

Background – The TCM program provides case management services to DDD clients that are financially eligible for AHCCCS acute care services but do not yet meet the functional disability requirements to qualify for ALTCS. The program is funded via capitation from AHCCCS. A monthly average of 4,956 clients received TCM services in FY 2019.

Case Management - State-Only

The budget includes \$6,311,900 and 55.8 FTE Positions from the General Fund in FY 2021 for Case Management - State-Only. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$117,300 from the General Fund in FY 2021 for statewide adjustments.

Background – This line item funds case management services to clients in the state-only DD program who are not eligible for the Targeted Case Management program. A monthly average of 3,864 DD state-only clients received case management state-only services in FY 2019.

Cost-Effectiveness Study Client Services

The budget includes \$1,220,000 from the Special Administration Fund in FY 2021 for Cost-Effectiveness Study (CES) Client Services. This amount is unchanged from FY 2020.

The CES rate represents DES' estimate of the cost of an ALTCS DD client's care if the client were placed in an appropriate institutional setting. The federal waiver for the DD program requires a client's home and community-based services costs to be at or below the cost of an institutional setting to ensure that HCBS services are cost-neutral to the federal government. The current annual CES rate ranges from \$216,100 to \$469,400 depending on what the appropriate institutional placement would be for the client in the absence of home and community-based services. This program funds the cost above this CES rate, thereby allowing clients to remain in a home and community based setting. *(For more information, please see the FY 2020 Appropriations Report.)*

Home and Community Based Services - State-Only

The budget includes \$13,589,000 from the General Fund in FY 2021 for State-Only Home and Community Based Services. This amount is unchanged from FY 2020.

Background – This line item funds residential programs, day programs, and support services for DD clients that do not qualify for ALTCS.

Arizona Early Intervention Program

The budget includes \$6,319,000 from the General Fund in FY 2021 for the Arizona Early Intervention Program (AzEIP). This amount is unchanged from FY 2020.

Background – AzEIP provides screening and intervention services for children age 0 to 3 with developmental delays or disabilities. DES receives a capped allotment of Federal Funds for the program through Part C of the Individuals with Disabilities Education Act (IDEA). IDEA Part C is expected to provide \$9,823,200 for AzEIP services in FY 2021. As a result, the total AzEIP funding available is \$16,142,200 in FY 2021. DES reports that there were 17,184 new referrals to AzEIP in FY 2019 and 5,578 referred children were determined eligible.

The funds in this line item represent costs incurred by DES for "AzEIP-Only" children, which include children that are AzEIP-eligible but do not have a qualifying DD diagnosis. AzEIP children with a DD diagnosis continue to be funded within the HCBS State-Only line item. There were 3,086 DD-eligible children enrolled in the AzEIP program as of December 1, 2019.

State-Funded Long Term Care Services

The budget includes \$35,413,600 and 2 FTE Positions in FY 2021 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	8,849,800
Long Term Care System Fund	26,563,800

FY 2021 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$257,800 from the General Fund in FY 2020 for caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses.

Statewide Adjustments

The budget includes an increase of \$4,200 from the Long Term Care System Fund in FY 2021 for statewide adjustments.

Background – This line item primarily funds room and board expenses (e.g., rent and food) for DD clients in residential settings. Room and board costs for home and community-based settings are ineligible for Federal Funds reimbursement from AHCCCS.

Employment and Rehabilitation Services

Child Care Subsidy

The budget includes \$169,095,000 from the Federal CCDF Block Grant in FY 2021 for child care subsidies. FY 2021 adjustments are as follows:

Additional CCDF Funding

The budget includes an increase of \$22,298,400 from the Child Care and Development Fund Block Grant in FY 2021 for child care subsidies. Of this amount, \$1,500,000 will be used for tiered reimbursement provided to 4 and 5 star child care centers as rated by First Things First and \$20,798,400 will be used to continue the suspension of the child care waitlist through June 2022. This continued suspension of the waitlist is projected to add an additional 3,000 children to the child care caseload.

The CCDF ending balance is estimated to be \$90.5 million in FY 2020 and \$70.2 million in FY 2021. The CCDF is estimated to have an ending balance of \$13.7 million in FY 2023.

These balances do not include additional one-time CCDF monies appropriated to the state in spring 2020. The Coronavirus Aid, Relief and Economic Security Act (CARES Act) provided Arizona an additional \$88.0 million in CCDF monies. These funds must be appropriated by September 30, 2022 and may be used on any current allowable CCDF uses and to aid child care providers impacted by the Coronavirus emergency.

Background – This line item funds child care subsidies to TANF clients engaged in job activities, low-income working individuals under 85% of the state median income that were below 165% of the FPL at the time of application, and the Transitional Child Care program in which child care subsidies are provided to clients who no longer receive TANF Cash Benefits due to finding employment. DES also processes DCS child care payments, but those monies are appropriated in DCS' budget. (For more information on state funded child care, please refer to the [Child Care Program Summary on the JLBC website.](#))

Subsidy Rates – Effective June 1, 2019, DES increased maximum provider rates for child care subsidies from the 75th percentile of the 2000 market survey rates to the 25th percentile of the 2018 market survey rates. DES estimates this will increase the average monthly reimbursement rate from \$360 to \$444, a 23.3% increase.

Caseloads – According to the department, the estimated number of children receiving child care services in June 2020 is projected to be 31,800 (see Table 7) excluding ECDHB- and DCS-related child care.

Table 7

Child Care June Monthly Caseloads

Category	2019	2020 est ^{1/}	FY 21 est ^{1/}
TANF	1,900	2,300	2,300
Low-Income Working	17,300	25,300	28,300
Transitional Child Care	<u>4,700</u>	<u>4,200</u>	<u>5,000</u>
Total Served	23,900	31,800	35,600

^{1/} FY 2020 and FY 2021 numbers are DES estimates adjusted for the additional 3,000 children in FY 2021.

Independent Living Rehabilitation Services

The budget includes \$1,289,400 in FY 2021 for Independent Living Rehabilitation Services. This amount consists of:

General Fund	166,000
Spinal and Head Injuries Trust Fund	1,123,400

These amounts are unchanged from FY 2020.

Background – The line item assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training.

The Independent Living Rehabilitation Services program is expected to serve up to 766 clients in FY 2020 at an average Total Funds cost per client of \$2,603. In addition to these clients, the division is also expected to serve 150 Independent Living clients at an average annual cost of \$3,087 per client using federal Social Services Block Grant monies.

JOBS

The budget includes \$11,005,600 and 93 FTE Positions in FY 2021 for JOBS. These amounts consist of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2020.

Background – This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well as to former TANF recipients. These services are contracted out to third-party vendors. Table 8 highlights total estimated expenditures for the JOBS line item.

Table 8

Estimated JOBS Expenditures

Expenditures	Amount
Case Management	\$ 6,705,600
Job Training	2,185,000
FLSA Supplement	30,000
Work-Related Transportation	1,785,000
Job Search Stipends	<u>300,000</u>
Total	\$11,005,600

Rehabilitation Services

The budget includes \$7,249,100 in FY 2021 for Rehabilitation Services. This amount consists of:

General Fund	6,594,400
Spinal and Head Injuries Trust Fund	654,700

These amounts are unchanged from FY 2020.

DES categorizes Vocational Rehabilitation (VR) clients into 3 priority categories. Priority 1 clients have a severe physical or mental impairment that limits 3 or more functional capacities, Priority 2 clients have a severe physical or mental impairment that limits 1 or more functional capacities, and Priority 3 clients have an impairment that does not seriously limit functional capacities. Currently DES provides VR services to all Priority 1 and 2 clients.

Background – This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. The program is expected to serve up to 9,100 clients in FY 2020 at an average Total Funds cost of \$13,233 per client.

Third-party partnerships with government and non-governmental agencies provide portions of the state match. These partnerships include the Transition School to Work program, Behavioral Health Services operated out of AHCCCS, and DES' Blind Enterprise Program.

Workforce Investment Act Services

The budget includes \$53,654,600 from the Workforce Investment Act (WIA) Grant in FY 2021 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2020.

Background – These monies are the state's allotment of the federal WIA Grant for job training activities of dislocated workers and disadvantaged adults and youth. Of the total grant received by the state, 85% is allocated to local governments and 15% is retained at the state level. There is no income eligibility for the program. For eligible adults, priority is given to veterans and their spouses, individuals who are below the poverty line, individuals receiving public assistance, and those who were recently laid off.

Eligible youths must be between the ages of 14 and 24 and have at least one barrier to employment such as homelessness, pregnancy, incarceration, or a disability. The projected allocation of the WIA Grant for workforce-related programs in FY 2020 is shown in *Table 9*.

Table 9

FY 2021 WIA Grant Allocations

Category	Amount
WIA Line Item	\$53,654,600
Operating Budget	2,421,000
AG Legal Services	10,200
Total	\$56,085,800

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Long-Term Budget Impacts
- COVID-19-Related FMAP Adjustments
- Federal TANF Block Grant

Statutory Changes

The Human Services Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable suspicion the recipient uses illegal drugs.
- As permanent law, allow the Special Administration Fund to be used for purposes other than administration of unemployment benefits.
- As session law, waive state time limits and work requirements for TANF Cash Benefits during the state of emergency declaration for Coronavirus.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, DES' General Fund Developmental Disabilities formula costs are projected to increase by \$46.8 million in FY 2022 above FY 2021 and \$48.0 million in FY 2023 above FY 2022.

COVID-19-Related FMAP Adjustments

In March 2020, the President signed the federal Families First Coronavirus Response Act into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. The temporary enhanced match rate is effective through the last quarter that the federal public health emergency is in effect. The match rate increase will reduce General Fund expenditures for AHCCCS, DCS and DES in FY 2020 and FY 2021. The enacted budget did not adjust DES's General Fund appropriation to account for the savings.

In FY 2020, any match rate savings are expected to be realized through reverts to the General Fund. The magnitude of DES's level of FY 2020 reverts, however, is not yet known and will depend on several other technical factors.

In FY 2021, the JLBC Staff estimates that the match rate increase will reduce DES's General Fund expenditures by \$(103) million relative to the enacted budget. This estimate assumes that the 6.2% increase will be in effect through March 2021, consistent with the Congressional Budget Office's current assumption concerning the duration of the increase. The match rate savings would either be realized via an ex-appropriation to DES's FY 2021 General Fund appropriation or via reverts.

Because caseload growth in the LTC population does not tend to be affected by economic conditions, the JLBC Staff estimates also assumes that caseload changes would not have an offsetting impact on the magnitude of the match rate savings.

Federal TANF Block Grant

The budget appropriates \$222.8 million of the state's Federal TANF Block Grant allocation in FY 2021. *Table 10* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

Table 10

TANF Block Grant Spending

	Actual FY 2019	Estimate FY 2020	Estimate FY 2021
Revenues			
Beginning Balance	\$ 5,375,200	\$ 7,594,400	\$ 7,184,200
TANF Base Revenues	224,030,200	222,414,500	222,414,500
Total TANF Available	\$ 229,405,400	\$ 230,008,900	\$ 229,598,700
Expenditures			
Department of Child Safety	\$ 156,486,100	\$ 157,428,800	\$ 159,091,100
Department of Economic Security			
TANF Cash Benefits	\$ 22,736,400	\$ 22,736,400	\$ 22,736,400
All Other TANF Expenditures	42,588,500	42,659,500	43,103,400
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 65,324,900	\$ 65,395,900	\$ 65,839,800
TOTAL - STATEWIDE	\$ 221,811,000	\$ 222,824,700	\$ 224,930,900
Ending Balance	\$ 7,594,400	\$ 7,184,200	\$ 4,667,800

State Board of Education

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	7.0
Personal Services	348,700	473,500	495,700
Employee Related Expenditures	116,300	143,400	146,600
Professional and Outside Services	168,300	206,800	206,800
Travel - In State	9,500	25,500	25,500
Travel - Out of State	8,700	15,000	15,000
Other Operating Expenditures	228,000	279,700	279,700
Equipment	26,700	15,000	15,000
OPERATING SUBTOTAL	906,200	1,158,900	1,184,300 ^{1/}
SPECIAL LINE ITEMS			
Empowerment Scholarship Account Appeals	0	0	150,000 ^{2/}
AGENCY TOTAL	906,200	1,158,900	1,334,300 ^{3/}
FUND SOURCES			
General Fund	906,200	1,158,900	1,334,300
SUBTOTAL - Appropriated Funds	906,200	1,158,900	1,334,300
TOTAL - ALL SOURCES	906,200	1,158,900	1,334,300

AGENCY DESCRIPTION — The State Board of Education establishes programs, initiates policies and enforces laws and regulations relating to schools and the educational development of the individual child as provided in A.R.S. § 15-203. The board is composed of 11 members: the Superintendent of Public Instruction, the president of a state university or college, 4 lay members, a president or chancellor of a community college district, a charter school administrator, a high school district superintendent, a teacher, and a county school superintendent. The board members other than the Superintendent of Public Instruction are appointed by the Governor for 4-year terms.

FOOTNOTES

- ^{1/} Includes 1 GF FTE Position funded from Special Line Items in FY 2021.
- ^{2/} Laws 2020, Chapter 12 appropriated \$150,000 and 1 FTE Position from the state General Fund in FY 2021 for the appeals process in the Empowerment Scholarship Account program.
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$1,184,300 and 6 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$25,400 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Empowerment Scholarship Account Appeals

Laws 2020, Chapter 12 appropriates \$150,000 and 1 FTE Position from the General Fund for Empowerment

Scholarship Account (ESA) Appeals. These amounts include:

- \$100,000 and 1 FTE Position to provide administrative support for the rulemaking process and for the appeals process.
- \$50,000 for Attorney General legal services for the appeals program.

The appeals process was previously conducted by the Arizona Department of Education (ADE). Laws 2020, Chapter 12 allows a parent to appeal to the State Board of Education any administrative decision made by ADE. Administrative decisions may include determinations of allowable expenses, removal from the ESA program, and enrollment eligibility.

Chapter 12 requires the State Board of Education to adopt rules regarding the ESA appeals process by November 1, 2020.

Department of Education

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	195.9	195.9	208.9 ^{1/}
Personal Services	4,768,200	5,333,700	4,919,300
Employee Related Expenditures	1,694,700	1,976,200	1,749,100
Professional and Outside Services	1,135,600	1,091,700	1,051,700
Travel - In State	15,600	19,800	19,800
Travel - Out of State	29,400	37,400	37,400
Other Operating Expenditures	4,227,400	6,110,300	5,778,500
Equipment	124,300	11,200	10,800
OPERATING SUBTOTAL	11,995,200	14,580,300	13,566,600 ^{2/3/4/5/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	4,442,069,800	4,895,454,900	5,257,387,500 ^{6/-12/}
State Aid Supplement	50,000,000	50,000,000	75,000,000 ^{13/-14/}
Results-Based Funding	38,600,000	68,600,000	68,600,000
Special Education Fund	25,529,200	36,029,200	36,029,200
Other State Aid to Districts	288,400	983,900	983,900
Classroom Site Fund	586,160,900	602,511,600	602,511,600 ^{15/}
Instructional Improvement Fund	47,917,000	48,765,400	48,765,400 ^{16/}
Property Tax Relief			
Additional State Aid	413,665,500	426,944,900	444,211,400
Non-Formula Programs			
Accountability and Achievement Testing	16,422,400	16,422,500	16,428,100 ^{17/18/}
Adult Education	4,502,000	4,634,400	4,641,800
Alternative Teacher Development Program	500,000	500,000	500,000
American Civics Education Pilot Program	0	500,000	0
Arizona Structured English Immersion Fund	4,960,400	4,960,400	4,960,400
Code Writers Initiative Pilot Program	500,000	0	0
College Credit by Examination Incentive Program	5,575,500	5,000,000	5,000,000
Computer Science Pilot Program	0	1,000,000	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 ^{19/-21/}
CTED Industry Credential Incentive Program	0	0	5,000,000
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 ^{22/}
Early Literacy	12,000,000	12,000,000	12,000,000
Education Learning and Accountability System	5,127,300	5,300,200	5,351,900
Empowerment Scholarship Account Administration	0	0	2,233,400 ^{23/}
English Learner Administration	6,509,500	6,509,600	6,541,600 ^{24/}
Geographic Literacy	100,000	100,000	100,000 ^{25/}
Gifted Education	806,900	1,000,000	0
Jobs for Arizona Graduates	100,000	100,000	100,000 ^{26/}
Mingus Unification Assistance	0	50,000	0 ^{27/}
School Safety Program	11,054,000	31,947,000	31,950,900 ^{28/}
State Block Grant for Vocational Education	11,454,800	11,576,300	11,651,800
Teacher Certification	1,937,900	2,387,000	2,467,200
Teacher Professional Development Pilot	0	400,000	400,000 ^{29/}
Tribal College Dual Enrollment Program Fund	225,900	250,000	250,000
Yuma Elementary School Construction	0	800,000	0 ^{30/}
AGENCY TOTAL	5,700,002,600	6,251,307,600	6,659,632,700 ^{31/-36/}

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
FUND SOURCES			
General Fund	4,675,275,400	5,200,184,900	5,599,591,900
<u>Other Appropriated Funds</u>			
Department of Education Empowerment Scholarship Account Fund	1,246,100	1,283,400	0
Department of Education Professional Development Revolving Fund	67,900	2,700,000	2,700,000
Permanent State School Fund	277,115,300	290,489,100	300,612,600
Proposition 301 Fund	7,000,000	7,000,000	7,000,000
State School Trust Revenue Bond Debt Service Fund	6,833,400	0	0
State Web Portal Fund	500,000	0	0
Teacher Certification Fund	1,880,200	2,342,700	2,420,700
Tribal College Dual Enrollment Program Fund	225,900	250,000	250,000
SUBTOTAL - Other Appropriated Funds	294,868,800	304,065,200	312,983,300
SUBTOTAL - Appropriated Funds	4,970,144,200	5,504,250,100	5,912,575,200
<u>Expenditure Authority Funds</u>			
Instructional Improvement Fund	47,917,000	48,765,400	48,765,400
Proposition 301	555,882,400	579,683,600	579,683,600
Proposition 301/Classroom Site Fund – Carryforward	26,715,900	15,058,400	15,058,400
Proposition 301/Classroom Site Fund – Land Trust	99,343,100	103,550,100	103,550,100
SUBTOTAL - Expenditure Authority Funds	729,858,400	747,057,500	747,057,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	5,700,002,600	6,251,307,600	6,659,632,700
Other Non-Appropriated Funds	16,925,600	16,852,400	16,852,400
Federal Funds	1,140,687,200	1,207,623,100	1,207,623,100
TOTAL - ALL SOURCES	6,857,615,400	7,475,783,100	7,884,108,200

AGENCY DESCRIPTION — The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. ADE currently oversees 236 school districts, accommodation districts and Joint Technological Education Districts and 435 charter schools in their provision of public education from preschool through grade 12.

FOOTNOTES

- 1/ Includes 112.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ The operating lump sum appropriation includes \$683,900 and 8.5 FTE positions for average daily membership auditing and \$200,000 and 2 FTE positions for information technology security services. (General Appropriation Act footnote)
- 3/ The amount appropriated for the department's operating budget includes \$500,000 for technical assistance and state-level administration of the K-3 reading program established pursuant to section 15-211, Arizona Revised Statutes. (General Appropriation Act footnote)
- 4/ Any monies available to the department of education pursuant to section 42-5029, subsection E, paragraph 8, Arizona Revised Statutes, for the failing schools tutoring fund established by section 15-241, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 8, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ Any monies available to the department of education pursuant to section 42-5029, subsection E, paragraph 6, Arizona Revised Statutes, for character education matching grants pursuant to section 15-154.01, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 6, Arizona Revised Statutes. (General Appropriation Act footnote)
- 6/ Includes K-12 rollover appropriation of \$930,727,700 from Laws 2019, Chapter 263.
- 7/ The appropriation for basic state aid provides basic state support to school districts for maintenance and operations funding as provided by section 15-973, Arizona Revised Statutes, and includes an estimated \$300,612,600 in expendable income derived from the permanent state school fund and from state trust lands pursuant to section 37-521, subsection B, Arizona Revised Statutes, for fiscal year 2020-2021. (General Appropriation Act footnote)
- 8/ Monies derived from the permanent state school fund and any other non-state general fund revenue source that is dedicated to fund basic state aid shall be spent, whenever possible, before spending state general fund monies. (General Appropriation Act footnote)

- 9/ Except as required by section 37-521, Arizona Revised Statutes, all monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, income from investing permanent state school funds as prescribed by the enabling act and the Constitution of Arizona and all monies received by the superintendent of public instruction from whatever source, except monies received pursuant to sections 15-237 and 15-531, Arizona Revised Statutes, when paid into the state treasury are appropriated for apportionment to the various counties in accordance with law. An expenditure may not be made except as specifically authorized above. (General Appropriation Act footnote)
- 10/ Any monies available to the department of education pursuant to section 42-5029, subsection E, paragraph 5, Arizona Revised Statutes, for the increased cost of basic state aid due to added school days in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 5, Arizona Revised Statutes. (General Appropriation Act footnote)
- 11/ The basic state aid appropriation for fiscal year 2020-2021 includes a state general fund increase of \$124,500,000, which the legislature and governor intend to be used for teacher salary increases that are in addition to teacher salary increases provided for fiscal year 2019-2020. (General Appropriation Act footnote)
- 12/ Laws 2018, Chapter 276 appropriated \$289,200,000 in FY 2021 from the General Fund for Basic State Aid. The Legislature and the Governor intend that the appropriated amount be used for teacher salary increases.
- 13/ Laws 2015, 1st Special Session, Chapter 1 appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 from the General Fund for school districts and charter schools.
- 14/ The Department of Education shall allocate the appropriated amount to school districts and charter schools on a pro rata basis using the weighted student count for the school district or charter school for the fiscal year pursuant to A.R.S. § 15-943, paragraph 2, subdivision (a) and increase the budget limits pursuant to A.R.S. § 15-947 accordingly. For the purposes of this subsection, the weighted student count for a school district that serves as the district of attendance for nonresident pupils shall be increased to include nonresident pupils who attend school in the school district. (Laws 2015, 1st Special Session, Chapter 1, Section 6 footnote)
- 15/ Any monies available to the department of education for the classroom site fund pursuant to section 37-521, subsection B, paragraph 4 and section 42-5029, subsection E, paragraph 10, Arizona Revised Statutes, in excess of expenditure authority amounts are allocated for the purposes of section 37-521, subsection B, paragraph 4 and section 42-5029, subsection E, paragraph 10, Arizona Revised Statutes. (General Appropriation Act footnote)
- 16/ Any monies available to the department of education from the instructional improvement fund established by section 15-979, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 15-979, Arizona Revised Statutes. (General Appropriation Act footnote)
- 17/ Before making any changes to the achievement testing program that will increase program costs, the department of education and the state board of education shall submit the estimated fiscal impact of those changes to the joint legislative budget committee for review. (General Appropriation Act footnote)
- 18/ Any monies available to the department of education for accountability purposes pursuant to section 42-5029, subsection E, paragraph 7, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 7, Arizona Revised Statutes. (General Appropriation Act footnote)
- 19/ Monies appropriated for career technical education district completion grants are intended to help fund program completion for students who complete at least fifty percent of a career technical education program before graduating from high school and who successfully complete the career technical education district program after graduating from high school. The department of education shall develop application procedures for the career technical education district completion grant program. The procedures shall award grant funding only after an eligible student has successfully completed a career technical education district program. (General Appropriation Act footnote)
- 20/ If the appropriated amount for CTED completion grants is insufficient to fund all grant requests from career technical education districts, the department of education shall reduce grant amounts on a proportional basis in order to cap total statewide allocations at \$1,000,000. (General Appropriation Act footnote)
- 21/ The appropriated amount for CTED completion grants is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations through fiscal year 2020-2021. (General Appropriation Act footnote)
- 22/ The department of education shall distribute the appropriated amount for CTED soft capital and equipment to career technical education districts with fewer than two thousand average daily membership pupils for soft capital and equipment expenses. The appropriated amount shall be allocated on a pro rata basis based on the average daily membership of eligible career technical education districts. (General Appropriation Act footnote)
- 23/ Laws 2020, Chapter 12 appropriates \$950,000 and 13 FTE Positions from the General Fund in FY 2021 from Empowerment Scholarship Account Administration.
- 24/ The department of education shall use the appropriated amount for English learner administration to provide English language acquisition services for the purposes of section 15-756.07, Arizona Revised Statutes, and for the costs of providing English language proficiency assessments, scoring and ancillary materials as prescribed by the department of education to school districts and charter schools for the purposes of title 15, chapter 7, article 3.1, Arizona Revised

Statutes. The department may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of section 15-756.07, Arizona Revised Statutes. Notwithstanding section 41-192, Arizona Revised Statutes, the superintendent of public instruction also may use a portion of the appropriated amount to contract with one or more private attorneys to provide legal services in connection with the case of Flores v. State of Arizona, No. CIV 92-596-TUC-RCC. (General Appropriation Act footnote)

- 25/ The department of education shall use the appropriated amount for geographic literacy to issue a grant to a statewide geographic alliance for strengthening geographic literacy in this state. (General Appropriation Act footnote)
- 26/ The department of education shall use the appropriated amount for jobs for Arizona graduates to issue a grant to a nonprofit organization for a jobs for Arizona graduates program. (General Appropriation Act footnote)
- 27/ The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to the lapsing of appropriations, until July 1, 2022. (FY 2020 General Appropriation Act footnote)
- 28/ Any monies available to the department of education for school safety pursuant to section 42-5029, subsection E, paragraph 6, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 6, Arizona Revised Statutes. (General Appropriation Act footnote)
- 29/ A. The sum of \$400,000 is appropriated from the state General Fund in each of FY 2020, FY 2021 and FY 2022 to the Superintendent of Public Instruction to provide scholarships or grants, or both, to qualified applicants to complete high-quality teacher professional development at a qualifying postsecondary institution. The Department of Education shall use \$100,000 of each fiscal year appropriation to provide scholarships or grants, or both, to qualified applicants in counties with a population of less than 375,000 persons.
- B. The appropriations made in subsection A of this section are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (FY 2020 General Appropriation Act footnote)
- 30/ A. The sum of \$800,000 is appropriated from the state General Fund in FY 2020 to the Superintendent of Public Instruction to distribute to an elementary school district that operates a school on a proving ground that is operated by the United States Army and that encompasses at least 1,000 square miles in this state.
- B. The monies appropriated in subsection A of this section may be used only to demolish an existing or former school that is located on a proving ground operated by the United States Army or to construct a new replacement school on that same proving ground.
- C. The monies appropriated in subsection A of this section may be spent only if the United States Department of Defense provides matching monies for this purpose in an amount that is equivalent to at least 80% of the total project cost.
- D. Notwithstanding A.R.S. § 35-190, the appropriation made in subsection A of this section does not lapse until the purpose for which the appropriation is made is accomplished or abandoned unless the appropriation stands until October 1, 2029 without an expenditure or encumbrance. In addition, all monies remaining unexpended and unencumbered on October 1, 2029 revert to the state General Fund. (FY 2020 General Appropriation Act footnote)
- 31/ A. In addition to any other appropriation made in FY 2021 and FY 2022, the sum of \$5,000,000 is appropriated from the state General Fund in each of FY 2021 and FY 2022 to the Superintendent of Public Instruction for deposit in the Arizona Industry Credentials Incentive Fund established by A.R.S. § 15-249.15 for incentive payments to career technical education programs for each high school graduate who earns a select industry certification. The Superintendent of Public Instruction shall transfer \$10,000 of the appropriated amount in each of FY 2021 and FY 2022 to the Office of Economic Opportunity to conduct an annual skill profile analysis.
- B. The appropriations made in subsection A of this section are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (FY 2020 General Appropriation Act footnote)
- 32/ In addition to any other appropriation made in FY 2022, the sum of \$30,000,000 is appropriated from the state General Fund in FY 2022 to the Superintendent of Public Instruction for Basic State Aid to eliminate the K-12 rollover for school districts with a student count of less than 1,350 pupils. (FY 2020 General Appropriation Act footnote)
- 33/ After review by the joint legislative budget committee, in fiscal year 2020-2021, the department of education may use a portion of its fiscal year 2020-2021 state general fund appropriations for basic state aid, additional state aid or the special education fund, to fund a shortfall in funding for basic state aid, additional state aid or the special education fund, if any, that occurred in fiscal year 2019-2020. (General Appropriation Act footnote)
- 34/ The department shall provide an updated report on its budget status every three months for the first half of each fiscal year and every month thereafter to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees, the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting. Each report shall include, at a minimum, the department's current funding surplus or shortfall projections for basic state aid and other major formula-based programs and is due thirty days after the end of the applicable reporting period. (General Appropriation Act footnote)

- 35/ Within fifteen days after each apportionment of state aid that occurs pursuant to section 15-973, subsection B, Arizona Revised Statutes, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data. (General Appropriation Act footnote)
- 36/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

ADE's FY 2021 General Fund spending increases by \$399,407,000, or 7.7% above the FY 2020 appropriation. The budget includes funding changes for current law formula adjustments and non-formula program changes.

Current Law Formula Adjustments

- An increase of \$4,201,000 for higher-than-budgeted Homeowner's Rebate and 1% Cap costs for FY 2020 ("base adjustment").
- An increase of \$76,194,800 for net 0.6% Average Daily Membership (ADM) growth (unweighted) within school districts and charter schools in FY 2021 (0.9% weighted).
- An increase of \$33,012,200 for Empowerment Scholarship Accounts (ESAs).
- An increase of \$119,459,700 for a 1.74% inflator.
- An increase of \$124,500,000 for an additional 5% increase in the statewide average teacher salary. An additional \$50,000,000 will be provided by the Classroom Site Fund.
- A decrease of \$(10,123,500) to offset higher available endowment earnings under Proposition 123.
- A decrease of \$(56,321,000) for local property tax growth due to new construction offset by Homeowner's Rebate impact of \$13,065,500.
- An increase of \$25,000,000 for State Aid Supplement Funding as required by Laws 2015, 1st Special Session, Chapter 1.
- An increase of \$67,774,700 to increase funding for Additional Assistance.
- A decrease of \$(2,687,800) for Basic State Aid savings associated with eliminating the 5% deposit into the ESA Fund, offset by an increase of \$2,233,400 for ESA administration, including \$950,000 appropriated by SB 1224 (Laws 2020, Chapter 12).

The current law formula adjustments total to \$396,309,000.

Non-Formula Program Changes

- An increase of \$5,000,000 for the Arizona Industry Credential Incentive Program pursuant to Laws 2019, Chapter 263.
- A decrease of \$(500,000) to remove one-time funding for a new American Civics Education Pilot Program established by Laws 2018, Chapter 289.

- A decrease of \$(1,000,000) to eliminate one-time funding for Gifted Education.
- A decrease of \$(800,000) to remove one-time funding to fund replacement of an elementary school on a military proving ground near Yuma.
- A decrease of \$(50,000) for consolidation-related expenses for the proposed Mingus Unified School District.
- An increase of \$448,000 for statewide adjustments.

The non-formula program changes total to \$3,098,000.

As part of the budget's 3-year spending plan, ADE General Fund costs are projected to increase by \$262,695,700 in FY 2022 above FY 2021 and \$150,986,200 in FY 2023 above FY 2022. (See *Other Issues* for more information.)

Operating Budget

The budget includes \$13,566,600 and 61.9 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$9,161,200
Department of Education Professional Development Revolving Fund	2,567,700
Teacher Certification Fund	137,700
Proposition 301 Expenditure Authority	1,700,000

FY 2021 adjustments are as follows:

Separate Line Item

The budget includes a decrease of \$(1,283,400) and 13 FTE Positions from the Department of Education Empowerment Scholarship Account Fund in FY 2021 to fund Empowerment Scholarship Account Administration as a separate line item. These monies were previously included in the department's operating budget. SB 1224 (Laws 2020, Chapter 12) now requires, however, that ESA administration monies be listed as a separate line item in the departments' budget.

Statewide Adjustments

The budget includes an increase of \$269,700 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	265,800
Teacher Certification Fund	3,900

(Please see the Agency Detail and Allocations section.)

Formula Programs

Basic State Aid

The budget includes \$5,257,387,500 in FY 2021 for Basic State Aid. This amount consists of:

General Fund	4,870,494,400
Permanent State School Fund	300,612,600
Proposition 301 Expenditure Authority	86,280,500

The \$5,257,387,500 total does not include local property taxes that will help fund K-12 formula costs for FY 2021, as they are non-appropriated (see Table 1).

Table 1
FY 2021 Basic State Aid Formula Summary (estimated)

General Fund	
FY 2020 Appropriation	\$4,518,685,300
Enrollment Growth @ 0.6% (unweighted)	76,194,800
1.74% Inflator	119,459,700
Property Taxes from New Construction	(56,321,000)
Endowment Earnings	(10,123,500)
Teacher Salary Increase	174,500,000
Remove One-Time Prop 301 Bridge Funding	(50,000,000)
Empowerment Scholarship Account Growth	33,012,200
Eliminate ESA Administration Percent (SB 1224)	(2,687,800)
Additional Assistance	67,774,700
FY 2021 Budget	\$4,870,494,400
Permanent State School Fund	
FY 2020 Appropriation	\$ 290,489,100
Estimated FY 2021 Growth	10,123,500
FY 2021 budget	\$ 300,612,600
Prop 301 Sales Tax (no change) ^{1/}	\$ 86,280,500
Local Property Taxes ^{1/}	
FY 2020 Base - estimated	\$2,634,486,400
Property Taxes from New Construction	56,321,000
Non-State Aid Districts - 1.74% Inflator	5,752,800
Non-State Aid Districts - Teacher Salary Increase	6,570,100
Non-State Aid Districts - Additional Assistance	4,026,500
FY 2021 Estimated ^{2/}	\$2,707,156,800
Grand Total (all sources) ^{3/ 4/}	\$7,964,544,300

^{1/} Non-appropriated, so excluded from appropriated totals.

^{2/} An estimated \$444,211,400 of this total will be funded by the state through Homeowner's Rebate and 1% cap funding.

^{3/} Statutory formula cost would be approximately \$71,801,100 higher without the District Additional Assistance (DAA) and Charter Additional Assistance (CAA) reductions that are assumed to continue in the budget on a session law basis, including the impact on non-state aid districts.

^{4/} Does not include \$75,000,000 for State Aid Supplement, as it is appropriated to a separate line item apart from Basic State Aid. Also excludes separately appropriated funding for programs such as Results-Based Funding, Early Literacy, and the College Credit by Examination Incentive Program.

In addition, it excludes separately-appropriated monies for the State Aid Supplement established by Proposition 123 and for programs such as Results-Based Funding, Early Literacy and the College Credit by Examination Incentive Program, as they are appropriated through separate line items apart from Basic State Aid. (See *Other Issues for background information regarding the Basic State Aid formula.*)

FY 2021 adjustments are as follows:

Enrollment Growth

The budget includes an increase of \$76,194,800 from the General Fund in FY 2021 for enrollment growth. This assumes that unweighted K-12 ADM will increase by approximately 0.6% in FY 2021 (see Table 2) and that weighted ADM will increase by approximately 0.9% (see Table 3).

The estimated 0.6% unweighted growth rate would result in net growth of 6,225 in Average Daily Membership (ADM) across school districts and charter schools in FY 2021 compared to FY 2020, which consists of 9,133 additional ADM within charter schools, offset by a decline of (2,908) in district ADM. The 0.6% assumed growth rate is based on recent trends. (Please see Table 2 for historical unweighted ADM growth and estimated growth from FY 2020 through FY 2023.)

The budget further assumes a net growth rate of 0.9% in weighted ADM. Weighted ADM consists of district and charter school ADM counts after application of certain weights established in statute that are based on student characteristics (e.g. Special Education, English Language

Table 2
K-12 ADM (unweighted) ^{1/}

Fiscal Year	District ^{2/}	Charter ^{3/}	Total ^{4/}	Change	% Change
2014	912,920	152,158	1,065,078	14,403	1.4%
2015	920,209	159,032	1,079,241	14,163	1.3%
2016	920,359	164,588	1,084,947	5,706	0.5%
2017	915,585	179,622	1,095,207	10,260	0.9%
2018	913,558	189,419	1,102,977	7,770	0.7%
2019	906,038	201,470	1,107,508	4,531	0.4%
2020 est	906,914	206,852	1,113,766	6,258	0.6%
2021 est	904,006	215,985	1,119,991	6,225	0.6%
2022 est	900,895	225,753	1,126,648	6,657	0.6%
2023 est	897,730	235,693	1,133,423	6,775	0.6%

^{1/} Actuals for FY 2014 through FY 2019. Numbers shown for FY 2014 and FY 2015 have been adjusted by JLBC Staff in an attempt to compensate for data anomalies caused by charter conversions for those fiscal years. Numbers for other years are current JLBC Staff estimates. Excludes students enrolled at the Arizona State Schools for the Deaf and the Blind (ASDB).

^{2/} Includes district-sponsored charter schools.

^{3/} Excludes district-sponsored charter schools.

^{4/} Empowerment Scholarship Account (ESA) recipients are not included in ADM since they are not enrolled in districts or charter schools.

Table 3

K-12 ADM (weighted) ^{1/}

Fiscal Year	District ^{2/}	Charter ^{3/}	Total ^{4/}	Change	% Change
2014	1,236,299	211,469	1,447,767	17,842	1.2%
2015	1,255,483	222,264	1,477,746	29,979	2.1%
2016	1,239,545	229,130	1,468,675	(9,071)	(0.6)%
2017	1,239,310	248,424	1,487,734	19,059	1.3%
2018	1,242,145	262,050	1,504,195	16,461	1.1%
2019	1,237,243	278,095	1,515,338	11,143	0.7%
2020 est	1,243,553	285,639	1,529,192	13,854	0.9%
2021 est	1,244,993	298,276	1,543,269	14,077	0.9%
2022 est	1,246,438	310,953	1,557,392	14,123	0.9%
2023 est	1,248,001	324,662	1,572,663	15,271	1.0%

1/ Actuals for FY 2014 through FY 2019. Data for FY 2014 through FY 2016 reflect one-time changes from district-sponsored charter schools. Data for FY 2016 – FY 2018 reflect one-time changes from the elimination of small school weights for multi-site charter schools. Excludes students enrolled at the Arizona State Schools for the Deaf and the Blind (ASDB).

2/ Includes district-sponsored charter schools.

3/ Excludes district-sponsored charter schools.

4/ Empowerment Scholarship Account (ESA) recipients are not included in ADM since they are not enrolled in districts or charter schools.

learners, etc.), and is used to calculate Base Support Level (BSL) funding for districts and charter schools. The 0.9% assumed weighted ADM growth rate is based on recent trends. (Please see Table 3 for historical weighted ADM growth and estimated growth from FY 2020 through FY 2023.)

The \$76,194,800 for growth only includes enrollment costs associated with school districts and charter schools. Enrollment growth expenses for Empowerment Scholarship Accounts are not included, as ADE does not include ESA enrollment in its ADM counts. (Please see the *Empowerment Scholarship Accounts policy issue within Basic State Aid for additional information.*)

The budgeted enrollment estimates were developed prior to the onset of the COVID-19 pandemic. As a result, the estimates do not include any adjustments to account for potential impacts of COVID-19 on public school enrollment, including potential shifts to online learning via Arizona Online Instruction (AOI) Programs. The Basic State Aid formula provides 95% of Base Support Level funding for full-time AOI students and 85% for part-time AOI students. As a result, shifts to online programs may reduce Basic State Aid expenses in comparison to the enacted budget.

The potential costs of Laws 2020, Chapter 47 were also not incorporated into the enacted budget's enrollment estimates. Chapter 47 temporarily lifts the statutory cap on ADM for students who enrolled in AOI programs for the months of June or July of calendar year 2020. Under A.R.S. § 15-901, unweighted ADM for each student enrolled is capped at 1.0 except for students enrolled in

CTED programs. Chapter 47 raises the cap to 1.25 for students enrolled in AOI programs in June or July of 2020, and requires ADE to provide payments to LEAs for the extra ADM generated in FY 2021. Based on the average cost per student of \$6,652 in FY 2020, each student that generates the full extra 0.25 in ADM would increase Basic State Aid costs by an estimated \$1,663 in FY 2021.

In addition to Chapter 47, the Executive announced its plans in June of 2020 to distribute \$200 million of Coronavirus Relief Fund (CRF) monies funded by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to school districts and charter schools that may experience funding declines in comparison with FY 2020 as a result of enrollment declines or shifts into AOI programs. Under the program, districts and charters may receive an enrollment stabilization grant in FY 2021 if they choose to use either 98% of their prior year weighted ADM counts or receive 100% Base Support Level funding for AOI students enrolled as of the 40th day of the 2020-2021 school year for the purposes of Basic State Aid formula calculations. Since the grants would be distributed with federal dollars, the program does not make any changes to the Basic State Aid formula itself.

1.74% Inflation Adjustment

The budget includes an increase of \$119,459,700 from the General Fund in FY 2021 for a 1.74% inflation increase in the per pupil base level prescribed in A.R.S. § 15-901B2, the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school Additional Assistance amounts prescribed in A.R.S. § 15-185B. The 1.74% inflation adjustment increases the base level by \$72.22.

The above amount only includes inflation costs associated with school districts and charter schools. Inflation growth expenses for ESAs are not included, as ADE does not include ESA enrollment in its ADM counts. (Please see the *Empowerment Scholarship Accounts policy issue within Basic State Aid for additional information.*)

In addition, the budget increases the base level by an additional \$83.08 to distribute \$124,500,000 for additional teacher salary increases in FY 2021, as discussed separately below. This results in a total base level increase of \$155.30 in FY 2021, which increases the base level to \$4,305.73 for the budget year.

A.R.S. § 15-901.01 (established by Proposition 301) requires the Legislature to increase the "base level or other components of the Revenue Control Limit" (RCL) by 2% or by the change in the GDP price deflator for the most recent prior calendar year, whichever is less. The FY 2021 adjustment of 1.74% equals the GDP price deflator for calendar year 2019. A.R.S. § 15-901.01

prohibits the Legislature from setting a base level that is lower than the FY 2002 base level of \$2,687.32. (See the FY 2016 Appropriations Report for background information regarding the related *Cave Creek, et. al. v. Ducey* lawsuit.)

Property Taxes from New Construction

The budget includes a decrease of \$(56,321,000) from the General Fund in FY 2021 due to a projected 2.51% increase in statewide Net Assessed Value (NAV) from new construction in FY 2021. This will increase local property tax revenues from the K-12 "Qualifying Tax Rate" (QTR) and State Equalization Tax Rate (SETR) by an estimated \$56,321,000 in FY 2021. It also will decrease state costs by \$(56,321,000), since QTR and SETR revenues offset state formula costs on a dollar for dollar basis.

Statewide NAV for property already on the tax rolls ("existing property") currently is estimated to increase by 3.17% in FY 2021, resulting in a net 5.68% NAV increase for new construction and existing property combined for FY 2021.

The projected 3.17% NAV increase for existing property will not affect net QTR or SETR collections in FY 2021 because A.R.S. § 41-1276 (the "Truth in Taxation" or "TNT" law) requires the QTR and SETR to be adjusted each year to offset NAV changes for existing properties. As a result, the QTR will decrease to \$3.6742 (from \$3.7908 currently) and the SETR will decrease to an \$0.4426 (from \$0.4566 currently) in FY 2021 to offset the estimated 3.17% NAV increase for existing property (see Table 4).

Table 4			
TNT Tax Rates			
Tax Rate		FY 2020	FY 2021
Qualifying Tax Rate (QTR)			
• High School districts and elementary districts located within a high school district		\$1.8954	\$1.8371
• Unified districts and elementary districts not located within a high school district		\$3.7908	\$3.6742
• State Equalization Tax Rate (SETR)		\$0.4566	\$0.4426

On a related note, the FY 2021 K-12 Budget Reconciliation Bill (BRB) updates the Qualifying Tax Rate and State Equalization Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2021 under that section. (See *Statutory Changes* section for more information.) Proposition 117 from the November 2012 General Election capped annual growth in existing property values at 5% starting in FY 2016. (See the FY 2016 Appropriations Report for more information.)

Endowment Earnings Growth

The budget includes a decrease of \$(10,123,500) from the General Fund and an increase of \$10,123,500 from the Permanent State School Fund in FY 2021 for endowment

earnings funding for Basic State Aid. The General Fund savings assumes that K-12 endowment earnings for Basic State Aid from the State Land Department and State Treasurer combined under Proposition 123 will equal \$300,612,600 for FY 2021, which would be \$10,123,500 more than the \$290,489,100 total assumed for FY 2020 (see Table 5).

Table 5			
Estimated K-12 Endowment Earnings for Basic State Aid ^{1/}			
Source	FY 2020	FY 2021	Change
Original 2.5% ^{2/}	\$72,263,000	\$72,263,000	\$0
New 4.4% ^{2/}	218,226,100	228,349,600	10,123,500
Total	\$290,489,100	\$300,612,600	\$10,123,500

^{1/} K-12 Endowment Earnings also help fund the Classroom Site Fund (see Table 14).
^{2/} The October 2015 Special Session increased the state trust land distribution percentage in the State Constitution from 2.5% to 6.9% (an increase of 4.4%) if voters approved Proposition 123 in May 2016, which did occur.

A.R.S. § 37-521 caps the amount of K-12 endowment earnings that may be used for SFB debt service and Basic State Aid combined at the FY 2001 level of endowment earnings, which was \$72,263,000. Starting in FY 2019, however, the entire \$72,263,000 became available to fund Basic State Aid because the affected SFB bonds were paid off by the end of FY 2018. This increased by \$24,903,500 the amount of K-12 Endowment Earnings available to fund Basic State Aid starting in FY 2019.

All endowment earnings above \$72,263,000 go to the Classroom Site Fund established by A.R.S. § 15-977, except that Laws 2015, 1st Special Session, Chapter 1 appropriates for Basic State Aid any increase in State Treasurer land trust distributions from the new 4.4% distribution starting in FY 2016. (See the FY 2017 Appropriations Report for more information on the October 2015 Special Session and Proposition 123.) (See *Other Issues* for more information on Endowment Earnings.)

Rollover

The budget includes no change from the General Fund in FY 2021 for the K-12 rollover. This continues to defer through the General Appropriation Act \$930,727,700 of current year (now FY 2021) state aid payments until the following fiscal year (now FY 2022).

Section 164 of the FY 2020 General Appropriation Act, however, appropriates \$30,000,000 from the General Fund to the department for Basic State Aid for FY 2022 to eliminate the rollover for school districts with a student count of less than 1,350 pupils starting in FY 2022.

The FY 2021 rollover will affect only school districts with more than 600 students, as has been the policy since FY 2013. The budget continues to exempt small districts from the K-12 rollover in FY 2021, which continues it at the \$930,727,700 level.

Laws 2019, Chapter 263 advance appropriated \$930,727,700 from the General Fund in FY 2020 to fund the \$930,727,700 deferred obligation from FY 2020. Those monies, therefore, do not appear in the FY 2021 General Appropriation Act. The Act, however, does advance appropriate \$930,727,700 from the General Fund in FY 2022 to fund the deferred FY 2021 obligation.

Additional Assistance

The budget includes an increase of \$67,774,700 from the General Fund in FY 2021 for Additional Assistance. This amount reduces the formula suspension for school districts by \$64,367,500 and for charters by \$3,407,200. The FY 2021 K-12 BRB further stipulates that the DAA/CAA suspensions would be eliminated in FY 2022 instead of FY 2023 (see Tables 6 and 7).

Table 6

DAA Suspensions & Funding Through FY 2023 ^{1/}

Fiscal Year	Formula Cost	Suspension	Current Year Funding
2018	\$450,672,500	\$(381,753,500)	\$68,919,000
2019	449,882,300	(275,776,300)	174,106,000
2020	446,291,800	(136,787,900)	309,503,900
2021	445,686,900	(68,394,000)	377,292,900
2022	444,257,600	0	444,257,600

^{1/} Includes non-state aid districts.

Table 7

CAA Suspensions & Funding Through FY 2023 ^{1/}

Fiscal Year	Formula Cost	Suspension	Current Year Funding
2018	\$352,057,400	\$(18,656,000)	\$333,401,400
2019	378,596,800	(13,628,800)	364,968,000
2020	398,930,900	(6,814,400)	392,116,500
2021	423,793,300	(3,407,200)	420,386,100
2022	451,684,200	0	451,684,200

^{1/} Suspension amounts are mandated by the FY 2019 K-12 Education BRB, as amended by the FY 2020 K-12 Education BRB.

School districts will receive an estimated \$377,292,900 of DAA funding in FY 2021 under the budget including approximately \$24,516,100 self-funded by non-state aid districts. If fully funded, they instead would receive an estimated \$445,686,900 in DAA funding for FY 2021,

including approximately \$28,542,600 self-funded by non-state aid districts. DAA is authorized by A.R.S. § 15-961, which establishes DAA funding amounts (if fully funded) of \$450.76 to \$601.24 per pupil depending on the pupil's grade level and the size of their school district.

Charter schools will receive an estimated \$420,386,100 of CAA funding in FY 2021 under the enacted budget. If fully funded, they instead would receive an estimated \$423,793,300. CAA is authorized by A.R.S. § 15-185B4, which establishes CAA per pupil funding amounts that historically have been adjusted for inflation each year in the K-12 Education BRB. The budget increases the CAA statutory amounts (if fully funded) by 1.74% for inflation to \$1,875.21 per pupil for Grades K-8 and \$2,185.53 per pupil for Grades 9-12 for FY 2021.

DAA General Fund suspensions began at \$(144,000,000) for FY 2010 but increased to \$(352,442,700) for FY 2016 where they remained through FY 2018. CAA suspensions began at \$(10,000,000) for FY 2011 but increased to \$(18,656,000) for FY 2016 where they likewise remained through FY 2018. Table 8 below provides a history of General Fund increases to restore the DAA and CAA formula funding levels since FY 2019. Under the 3-year spending plan associated with the enacted FY 2021 budget, Additional Assistance funding will be fully restored by FY 2022 and will have increased by a cumulative total of \$371,098,700.

Table 8

General Fund Increases to Restore Additional Assistance Since FY 2018

Fiscal Year	DAA	CAA	Total
2019	94,972,800	5,027,200	100,000,000
2020	128,735,000	6,814,400	135,549,400
2021	64,367,500	3,407,200	67,774,700
2022 ^{1/}	<u>64,367,400</u>	<u>3,407,200</u>	<u>67,774,600</u>
Total	352,442,700	18,656,000	371,098,700

^{1/} Sections 7 and 8 of the FY 2021 K-12 BRB eliminate the remaining additional assistance suspension in FY 2022. As a result, the 3-year spending plan associated with the enacted FY 2021 budget includes an increase of \$67,774,600 to eliminate the suspensions in FY 2022.

Teacher Salary Increases

The budget includes an increase of \$174,500,000 from the General Fund in FY 2021 for teacher salary increases. It will be allocated to schools through an additional base level increase of \$83.08 for FY 2021. Monies from the additional base level increase for teacher salaries are intended to increase average teacher salaries by an additional 5% for FY 2021 above the 5% increase budgeted for FY 2020 and above the 10% increase budgeted for FY 2018 and FY 2019 combined.

The FY 2019 General Appropriation Act appropriated funding in FY 2020 and FY 2021 to provide additional base level increases for teacher pay raises in those years. That funding is intended to provide a cumulative 20% increase in average teacher salaries by FY 2021. (See Table 9 and "Additional Funding" section below for more information on the teacher salary increase budgeted for FY 2020. See the FY 2020 Appropriations Report for additional information regarding the FY 2020 teacher salary increase.)

Table 9

Teacher Pay Raise Summary ^{1/}

Source	Amount
Original 2.12% Increase	\$65,419,100
Additional Funding	176,200,000
"Bridge to Prop 301"	64,100,000
ADC & DJC Increase	<u>298,600</u>
Total - FY 2019 ^{2/}	\$306,017,700
Additional Increase - FY 2020	<u>164,700,000</u>
Total - FY 2020 ^{2/}	\$470,717,700
Additional Increase - FY 2021 ^{2/3/}	<u>174,500,000</u>
Total - FY 2021	\$645,217,700

- ^{1/} Excludes amounts self-funded by non-state aid school districts, which will add approximately 7% to totals shown, except for funding to ADC & DJC.
- ^{2/} Excludes funding for teacher pay raises at the Arizona State Schools for the Deaf and the Blind (ASDB), which is allocated through the Special Education Fund, rather than Basic State Aid.
- ^{3/} Includes \$50,000,000 available from the Classroom Site Fund in FY 2021 due to the retirement of debt service payments on School Facilities Board Proposition 301 bonds in FY 2020.

The \$174,500,000 amount required for teacher salary increases for FY 2021 does not appear in the FY 2021 General Appropriation Act because it has already been appropriated by Laws 2018, Chapter 276, as described above.

Remove Proposition 301 Bridge Funding

The budget includes a decrease of \$(50,000,000) from the General Fund in FY 2021 to remove one-time funding associated with the "Bridge to Proposition 301." These recurring one-time General Fund monies are funding \$50,000,000 of base level increases for teacher pay raises until FY 2021, when an equivalent amount can be obtained from the Classroom Site Fund pursuant to Laws 2018, Chapter 74. Chapter 74 renews the current 0.6 cent Proposition 301 sales tax through June 30, 2041 and will redirect to the Classroom Site Fund. The amount of Classroom Site Fund will increase to \$64,100,000 starting in FY 2022. The redirected monies historically have been

used to pay debt service on School Facilities Board bonds authorized by Proposition 301. Those bonds will be paid off by the end of FY 2020.

Only about \$50,000,000 of the \$64,100,000 will be available to fund teacher pay raises in FY 2021 because Universities and Community Colleges will be entitled to receive a portion of the newly-available \$64,100,000 for that year only, since Chapter 74 will not take effect until FY 2022. In addition, a portion of the \$64,100,000 will need to fund pay raises for non-state aid districts in FY 2021 only. The latter will occur because the pay raise portion of the \$64,100,000 for FY 2021 will come from the Classroom Site Fund, rather than the Basic State Aid. Only the latter formula generates local savings from non-state aid districts.

Starting in FY 2022, \$64,100,000 will be transferred to Basic State Aid. As a result, the FY 2022 Base Level will be adjusted to reflect these monies. The FY 2021 K-12 BRB includes, as permanent law, a statutory change to require the \$64,100,000 to instead be transferred to ADE for Basic State Aid. (Please see Statutory Changes for additional information).

Empowerment Scholarship Accounts

The budget includes an increase \$33,012,200 from the General Fund in FY 2021 for cost increases associated with the Empowerment Scholarship Account (ESA) program authorized by A.R.S. § 15-2402. Eligible students can use ESA monies to attend private school or fund other educational expenses, such as textbooks and tutoring. ESAs are funded primarily with Basic State Aid monies that a school district or charter school otherwise would have received for a student if they had remained in public school. (Please see the FY 2020 Appropriations Report for more information on program eligibility.)

ADE reports that there were 6,450 enrollees in the ESA program in FY 2019 for whom ADE incurred expenses of \$82,611,800, or an average cost of \$12,808. By comparison, the enacted FY 2020 budget assumed that ESA costs would only reach \$74,000,000 in FY 2019, or \$(8,611,800) less than the actual costs incurred by ADE for that year. The \$82,611,800 represented growth of \$23,900,600 in costs above FY 2018. (Please see the FY 2020 Appropriation Report for historical funding and other information on the ESA program.)

The budget assumes that enrollment in the ESA program will grow by an estimated 1,425 enrollees in each of FY 2020 and FY 2021 based on the average number of enrollees added to the program each year since FY 2016. The resulting in total ESA enrollment would be 7,875 in FY 2020 and 9,300 in FY 2021, respectively. The budget

additionally assumes that the cost of ESAs will grow to \$13,064 in FY 2020 and \$13,291 in FY 2021, respectively.

Based on the above assumptions, the state's total costs associated with the ESA program are anticipated to grow to \$102,880,500 in FY 2020 (7,875 enrollees X \$13,064 average cost = \$102,880,500) and \$123,611,000 in FY 2021 (9,300 enrollees X \$13,291 average cost per enrollee = \$123,611,000). By comparison, the enacted FY 2020 budget included \$90,598,800 for ESA expenses for FY 2020.

The \$33,012,200 increase effectively consists of 2 components. The first is an FY 2020 base adjustment of \$12,281,700 associated with higher-than-budgeted ESA costs for FY 2020 (\$102,880,500 estimated ESA costs for FY 2020 - \$90,598,800 enacted budget amount = \$12,281,700). The second component includes \$20,730,500 in FY 2021 growth above the revised cost estimate for FY 2020 (\$123,611,000 estimated costs for FY 2021 - \$102,880,500 estimated ESA costs for FY 2020 = \$20,730,500.)

The estimated increase represents the projected total cost increase for ESA allocations for the year rather than the net General Fund impact of the program after related Basic State Aid savings are deducted for students leaving public schools due to ESAs. The budgeted funding levels for enrollment and inflation costs in public schools are, therefore, lower than they otherwise would be as a result of such savings.

Eliminate ESA Administration Percentage

The budget includes a decrease of \$(2,687,800) from the General Fund in FY 2021 to eliminate the deposit of General Fund monies for administration of the Empowerment Scholarship Account Program into the Department of Education Empowerment Scholarship Account Fund (ESA Fund). SB 1224 (Laws 2020, Chapter 12) eliminates the provision in A.R.S. § 15-2402 that permitted ADE to deposit an amount equivalent to 5% of the amount of ESA award monies in the ESA Fund, of which 1% was distributed to the State Treasurer.

The revenue source for the deposit of the 5% was General Fund monies in the Basic State Aid line item. The elimination of the deposit therefore results in \$(2,687,800) in Basic State Aid General Fund savings in FY 2021, including \$(2,283,400) for ADE's share of ESA administrative costs, \$(304,400) for the State Treasurer's share of ESA administrative costs, and \$(150,000) for the State Board of Education's ESA administrative costs as newly stipulated in SB 1224. These savings are offset by equivalent increases of General Fund appropriations in ADE, the State Treasurer, and the State Board of

Education, such that there is no net increase in General Fund expenses for ESA administration in comparison with FY 2020 budget. *(Please see the Empowerment Scholarship Account Administration line item for more details on the funding adjustments for ESA administration enacted as part of SB 1224).*

Additional School Days

The budget includes no change from Proposition 301 Expenditure Authority in FY 2021 for Additional School Days pursuant to A.R.S. § 42-5029E5. This provides the department with \$86,280,500 in Proposition 301 funding for Additional School Days for FY 2020.

Expenditure authority does not affect the department's access to funding from Proposition 301, as a General Appropriation Act footnote allows the department to spend whatever funding is available.

State Aid Supplement

The budget includes \$75,000,000 from the General Fund in FY 2021 for State Aid Supplement funding. FY 2021 adjustments are as follows:

Additional Funding

The budget includes an increase of \$25,000,000 from the General Fund in FY 2021 for additional funding pursuant to Laws 2015, 1st Special Session Chapter 1, which appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 for State Aid Supplement funding. The State Aid Supplement amounts for FY 2016 through FY 2025 do not appear in the General Appropriation Acts for those years, since they already were advance appropriated by Chapter 1.

The State Aid Supplement, in conjunction with Proposition 123, serves to provide additional funding for school districts and charter schools through FY 2025 as part of the state's resolution with plaintiffs in the *Cave Creek Unified School District V. Ducey* litigation concerning the inflation of certain components of the K-12 funding formula. *(See the FY 2017 Appropriations Report for more information regarding Proposition 123.)*

Results-Based Funding

The budget includes \$68,600,000 from the General Fund in FY 2021 for Results-Based Funding. This amount is unchanged from FY 2020.

Background – The program provides additional funding to individual schools under a formula prescribed in A.R.S. § 15-249.08. That law also establishes the Results-Based

Funding Fund, which consists of legislative appropriations and is administered by the department. Monies in the fund are continuously appropriated. *(See the FY 2018 Appropriations Report for additional information on program requirements.)*

The budget continues session law provisions in the FY 2021 K-12 Education BRB establishing Results-Based Funding per pupil funding levels and eligibility, including:

- \$400 per pupil for the following:
 - Schools Free and Reduced-Price Lunch (FRPL) eligibility of at least 60% and with AzMERIT scores in the top 13% among other schools with at least 60% FRPL eligibility.
 - Alternative High Schools with AzMERIT scores in the top 27% among other schools with at least 60% FRPL eligibility and FRPL eligibility of at least 60%.
- \$225 per pupil for the following:
 - Schools with FRPL eligibility of less than 60% and with AzMERIT Scores in the top 13% statewide.
 - Schools with FRPL eligibility of at least 60% and AzMERIT scores in the top 27% in comparison to other schools with FRPL-eligibility of at least 60%.

These session law provisions continue to notwithstanding A.R.S. § 15-249.08 in FY 2021, which would otherwise make schools eligible for program funding in FY 2021 if they had a letter designation of A under the State Board of Education's A-F performance rating system pursuant to A.R.S. § 15-241. In the absence of the FY 2021 session law provisions, the statutory formula would generate costs of approximately \$77,180,100, or \$8,580,100 above the current RBF appropriation based on ADE's A-F letter grades for 2019 and data from Results-Based Funding distributions for FY 2020.

The budget includes General Appropriation Footnote Act language for FY 2020 to allow the Superintendent of Public Instruction to transfer monies from the state General Fund appropriation for Basic State Aid for FY 2020 to this program, if needed, without JLBC review, to address any anticipated funding shortfalls for the program in FY 2020.

Special Education Fund

The budget includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2021 for the Special Education Fund Special Line Item. These amounts are unchanged from FY 2020.

Background - The Special Education Fund provides funding for special education costs of students from 1) Arizona State Schools for the Deaf and the Blind, 2) Arizona State Hospital (ASH), or 3) programs for the developmentally disabled operated by DES (A.R.S. § 15-1202). It also funds costs of residential education for students who require a private residential special education placement, or who are placed in a residential education facility by a state placing agency.

A.R.S. § 15-1184 and A.R.S. § 15-1204 establish funding formulas for vouchered residential special education and vouchered ASDB or other state institutional placements, respectively. Voucher formula costs are primarily driven by the per pupil base level in the Basic State Aid formula.

Since the Base Level is increasing for inflation and teacher pay raises, as described above, Special Education Fund costs are expected to increase in FY 2021 above FY 2020. ADE estimates that its Special Education Fund expenditures will reach \$31,870,300 in FY 2020. Based on the 3.74% inflation adjustment for regular inflation and teacher pay raises in FY 2021, Special Education Fund expenditures would reach \$33,062,200 in FY 2021, or \$(2,967,000) below the FY 2020 appropriation. As a result, the budget includes no additional funding in FY 2021 for inflation costs within the Special Education Fund.

The budget continues a footnote that permits ADE to use a portion of its FY 2021 state General Fund appropriations for Basic State Aid or Additional State Aid to fund Special Education Fund costs.

Other State Aid to Districts

The budget includes \$983,900 from the General Fund in FY 2021 for Other State Aid to Districts. This amount is unchanged from FY 2020.

This amount includes \$880,200 (unchanged) for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 (unchanged) for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

Classroom Site Fund

The budget includes \$602,511,600 in FY 2021 for the Classroom Site Fund (CSF). This amount consists of:

Proposition 301 Expenditure Authority	483,903,100
Proposition 301/CSF - Land Trust	
Expenditure Authority	103,550,100
Proposition 301/CSF - Carry-Forward	
Balance Expenditure Authority	15,058,400

These amounts are unchanged from FY 2020. The enacted budget amount for the Classroom Site Fund, however, does not reflect the JLBC Staff's calculation of the modified Classroom Site Fund per pupil amount for FY 2021 pursuant to A.R.S. § 15-977G1, which occurred after the adoption of the enacted budget. The JLBC Staff has subsequently estimated that the Classroom Site Fund will receive an estimated \$581,667,300 in revenues for FY 2021, resulting in a per pupil amount of \$425 for FY 2021.

Background - The CSF is established by A.R.S. § 15-977 and provides additional funding to public schools from Proposition 301 and K-12 endowment earnings.

Expenditure Authority does not affect the department's access to funding from Proposition 301, as a General Appropriation Act footnote allows the department to spend whatever funding is available.

Instructional Improvement Fund

The budget includes \$48,765,400 from Instructional Improvement Fund Expenditure Authority in FY 2021 for the Instructional Improvement Fund. This amount is unchanged from FY 2020.

Expenditure Authority does not affect the department's access to funding from Proposition 301 or Indian gaming, as a General Appropriation Act footnote allows the department to spend whatever funding is available.

The Instructional Improvement Fund (IIF) is established by A.R.S. § 15-979 and receives shared revenues from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. IIF monies are distributed to school districts, charter schools and the Arizona State Schools for the Deaf and the Blind based on their student counts.

Property Tax Relief

Additional State Aid

The budget includes \$444,211,400 from the General Fund in FY 2021 for Additional State Aid. FY 2021 adjustments are as follows:

Prior Year Base Adjustment

The budget includes an increase of \$4,201,000 from the General Fund in FY 2021 to reflect higher-than-budgeted costs for Additional State Aid for FY 2020. The FY 2020 budget assumed that Additional State Aid would cost \$426,944,900 for FY 2019 for the Homeowner's Rebate and 1% Cap combined. The actual combined cost, however, was \$431,145,900 (\$4,201,000 more), as

reported by the Arizona Department of Revenue (DOR) in October 2019 pursuant to A.R.S. § 15-972H. Starting point costs for Additional State Aid for FY 2020 therefore were \$4,201,000 more than the FY 2020 appropriation.

New Homes

The budget includes an increase of \$13,065,500 from the General Fund in FY 2021 for increased Additional State Aid costs associated with new home construction. The \$13,065,500 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2021. The Homeowner's Rebate is 47.19% under current law.

Background – The Additional State Aid program funds the Homeowner's Rebate and any portion of a homeowner's primary property taxes for all taxing jurisdictions combined (not just schools) that exceeds 1% of the full cash value of their home (the "1% Cap").

The Homeowner's Rebate is authorized by A.R.S. § 15-972 and pays 47.19% of each homeowner's QTR taxes, up to a maximum of \$600 per parcel. The "1% cap" pertains to Article IX, Section 18 of the State Constitution, which caps Class 3 primary property taxes at no more than 1% of a home's full cash value and was added to the State Constitution in 1980. It applies any time a homeowner's net combined primary property tax rate for all taxing jurisdictions combined exceeds \$10 per \$100 of NAV even after the Homeowner's Rebate is applied.

The 1% cap historically has been implemented by having the state backfill any primary property tax costs for homeowners that exceed the 1% cap, rather than by requiring all taxing jurisdictions in an area (such as cities, counties, school districts and community colleges) to coordinate their respective primary property tax rates to keep their combined primary rate below \$10 per \$100 of NAV. Related language in the State Constitution, however, does not specify a mechanism for enforcing the 1% cap.

The FY 2019 Revenue BRB (Laws 2018, Chapter 283) required school district desegregation programs to be funded with secondary rather than primary property taxes starting in FY 2019. This reduced 1% cap costs in FY 2019 because the 1% cap does not apply to secondary property taxes. Primary property taxes for desegregation programs accounted for the majority of 1% cap costs prior to FY 2019.

In July 2019, the Arizona Superior Court ruled in litigation filed by the Pima County and Tucson Unified School District (TUSD) that Chapter 283 violated the state's

responsibility to establish a property tax system compliant with the 1% cap provision in the State Constitution. If upheld, the ruling would require the state to include desegregation taxes in the calculation to determine eligibility for Additional State Aid. Pima County and TUSD have estimated that they are owed \$8 million for Additional State Aid reimbursement from FY 2019 as part of the litigation.

The state is currently appealing the ruling. As a result, the budget does not include any funding changes for Additional State Aid associated with the litigation.

Non-Formula Programs

Accountability and Achievement Testing

The budget includes \$16,428,100 and 24.4 FTE Positions in FY 2021 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,428,100
Proposition 301 Fund (Appropriated)	7,000,000

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$5,600 from the General Fund in FY 2021 for statewide adjustments.

Program costs for FY 2020 will be affected by the first-time implementation of state contracts for Menu of Assessments (MOA) testing. That testing is authorized by A.R.S. § 15-741.02 which has allowed school districts and charter schools to administer MOA tests rather than the "standard" statewide assessment (AzMERIT) to their high school students starting in FY 2019. For FY 2019, MOA tests were funded locally by a private foundation, with monies from the Commission for Postsecondary Education, or with unspent monies from the College Credit by Examination Incentive Program. Starting in FY 2020, however, the state will pay for MOA tests directly through contracts with test vendors.

On March 25, 2019 the State Board of Education (SBE) approved contracts for high school MOA testing for FY 2020 with 3 test vendors. Per pupil costs under those contracts are summarized in *Table 10*. Total state costs for MOA testing for FY 2020 are unknown, however, because the number of high school pupils who will take the optional MOA tests for FY 2020 is highly uncertain.

A.R.S. § 15-741.02 requires MOA tests to be made available also to pupils in Grade 3-8 no later than the

Table 10

Approved MOA Contracts for FY 2020 ^{1/}

Vendor	Cost/ Student	Notes
ACT	\$39	Excludes Writing (would be \$55 with it)
Cambridge	\$135	\$67.50 per test (1 math & 1 English)
Pearson	\$22-\$39	Depends on volume & online versus paper

^{1/} MOA testing is optional but all high school students must take AzMERIT Math and English Language Arts tests as 10th Graders.

2023-2024 school year. MOA exams must be approved by the State Board of Education (SBE) pursuant to A.R.S. §

15-741.02A. For FY 2019 the SBE approved for MOA testing all tests approved by the Arizona Board of Regents (ABOR) for the College Credit by Examination Incentive Program (CCEIP) authorized by A.R.S. § 15-249.06. This included Advanced Placement, International Baccalaureate, Cambridge International, ACT, SAT, and Grand Canyon Diploma qualifying exams.

A total of 55 schools participated in MOA testing for FY 2019. Of that total, 44 chose the ACT and 11 chose the SAT. None of the other SBE-approved tests was selected by schools for MOA testing for FY 2019.

For FY 2020, only the 3 tests listed in *Table 10* have been approved by the SBE for MOA testing. The SBE recently approved a 5-year plan for K-12 assessments which is summarized in *Table 11*. The 5-year assessment plan requires a renamed mandatory AzMERIT ("AzM2") test to continue to be administered in FY 2020 and FY 2021. After FY 2021 the AzM2 test would be replaced with a new single statewide assessment, although districts and

Table 11

5-Year Assessment Plan ^{1/}

Fiscal Year	Grades 3 – 8	High School
2019	AzMERIT	AzMERIT (Grades 9 -11) or MOA exam (SAT or ACT)
2020	AzM2 ^{2/}	AzM2 ^{2/} (Grade 10 only) (mandatory) + MOA exam (optional) (ACT, Cambridge, Pearson)
2021	AzM2 ^{2/}	AzM2 ^{2/} (Grade 10 only) (mandatory) + MOA exam (optional) (ACT, Cambridge, Pearson & TBD)
2022 - 2024	New Single Statewide Assessment (NSSA) ^{3/}	Nationally Recognized College Entrance Assessment administered in 9 th or 10 th Grade and 11 th Grade OR different (MOA) Nationally Recognized College Entrance Assessment Administered in 9 th or 10 th and 11 th Grade

^{1/} Starting in FY 2020.

^{2/} Previously called AzMERIT.

^{3/} Possibly with optional "menu of assessments" exam for Grades 3-8.

charter schools would be able to choose either the new assessment or a different MOA exam.

MOA exams currently exist only for high school pupils. The 5-year plan indicates that it is uncertain whether they also will be offered for pupils in Grades 3-8 starting in FY 2022. The 5-year plan requires all 10th Graders to take AzM2 tests in Math and English Language Arts (ELA) during FY 2020 and FY 2021. After FY 2021 high school students (not just 10th Graders) instead would be required to take a "Nationally Recognized College Entrance Assessment" (currently only the ACT and SAT meet that description) which students would take in the 9th or 10th Grade (such as the PSAT) and 11th Grade (such as the SAT). At that time the MOA exam for high school students would become whichever of the 2 "Nationally Recognized College Entrance Assessments" (ACT or SAT) was *not* chosen to be the "default" high school assessment.

Current MOA exams that are not a "Nationally Recognized College Entrance Assessment" (such as Cambridge exams) and that do not achieve that status prior to FY 2022 would not be authorized as MOA exams after FY 2021.

Prior to FY 2019, high school students took AzMERIT Math and ELA tests 3 times rather than once. For FY 2019, AzMERIT testing was made optional for high school students if they instead took a MOA exam. The U.S. Department of Education, however, informed ADE in April 2019 that making AzMERIT optional for high school students violated federal testing requirements. The SBE 5-year plan therefore re-establishes mandatory AzMERIT testing for high school pupils, but for 10th Graders only.

Background – ADE indicates that the AzMERIT test will cost approximately \$13,900,000 in FY 2021 (*see Table 12*). The Achievement Testing program, however, includes components other than AzMERIT and MOA tests. It also includes AIMS Science Tests, AZELLA testing for English Learners, alternative exams for special needs students, information technology support and program administration. ADE estimates the cost of these other functions plus AzMERIT and the MOA combined at \$28,800,000 for FY 2021 (*see Table 12*).

The budget continues an existing General Appropriation Act footnote that requires JLBC review of any changes to the Achievement Testing program that will increase program costs. It also continues a footnote added in FY 2019 stipulating that any monies available to the department for accountability pursuant to A.R.S. § 42-5029E7 in excess of Expenditure Authority amounts are allocated for use pursuant to A.R.S. § 42-5029E7 (*see footnotes for this program in agency summary table*).

This line item funds costs of developing, administering and scoring achievement tests required by A.R.S. § 15-741. The Proposition 301 amount of \$7,000,000 for Achievement Testing is from the "up to \$7 million" allowable appropriation for School Accountability in A.R.S. § 42-5029E7.

(See English Learner Administration line item for more information about AZELLA testing.)

(See Other Issues in FY 2016 Appropriations Report for more information regarding AzMERIT testing.)

Table 12 Estimated Achievement Testing Costs and Available Funding (ADE estimates) (\$ in Millions)		
	FY 2020	FY 2021
Estimated Costs 1/		
AzMERIT	\$13.0	\$13.9
AIMS Science Testing	2.2	2.4
AZELLA 2/	6.1	6.6
Alternative Special Needs Exam (MSAA)	0.2	0.2
Information Technology Support	0.8	0.8
Staff and Administration	1.9	1.9
Menu of Assessments 3/	3.0	3.0
Total	\$27.2	\$28.8
Estimated Available Funding 4/		
General Fund	\$14.3	\$14.3
Proposition 301 - School Accountability 5/	13.2	13.2
Federal Funds	4.0	4.0
Total	\$31.5	\$31.5
1/ ADE estimates as of December 2019. FY 2021 estimates are preliminary.		
2/ Arizona English Language Learner Assessment funded through the English Learner Administration line item.		
3/ Cost for FY 2021 currently unknown. ADE's FY 2020 estimate is being used as a placeholder.		
4/ Estimates assume that \$6.2 million of School Accountability carry-forward monies from Proposition 301 will be available to help fund the program in both FY 2020 and FY 2021. Surplus School Accountability monies can be carried forward to subsequent years.		
5/ Includes carry-forward monies.		

Adult Education

The budget includes \$4,641,800 and 3 FTE Positions in FY 2021 for Adult Education. These amounts consist of:

General Fund	4,509,500
Department of Education Professional Development Revolving Fund	132,300

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$7,400 from the General Fund in FY 2021 for statewide adjustments.

The program provides instruction in the following areas to adult learners who are at least 16 years of age: 1) English language acquisition; 2) adult basic education, including GED preparation; 3) adult secondary education; 4) civics; and 5) basic computer literacy skills. Program monies are distributed through a competitive grant process. In FY 2020, 23 school districts, community colleges, counties and community-based organizations are operating state-funded Adult Education programs.

The program also received \$14,343,800 in federal funding in FY 2020. Its federal monies are subject to non-supplanting and maintenance-of-effort requirements stipulated in federal law.

Alternative Teacher Development Program

The budget includes \$500,000 from the General Fund in FY 2021 for an Alternative Teacher Development Program. This amount is unchanged from FY 2020.

The program is authorized by A.R.S. § 15-552, which requires the establishment of an alternative teacher development program for accelerating the placement of highly qualified individuals into low income schools. Monies in the line item are distributed to the Teach for America program.

American Civics Education Pilot Program

The budget includes no funding in FY 2021 for an American Civics Education Pilot Program. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(500,000) from the General Fund in FY 2021 to remove one-time funding for a new American Civics Education Pilot Program. Laws 2018, Chapter 289 established the American Civics Education Fund (ACEF) in session law and advance appropriated \$500,000 to it for FY 2020 for an American Civics Education Pilot Program. Chapter 289 requires the department to develop a 5-year pilot program to begin in FY 2020 for American Civics Education in Grades 9-12 to enhance the focus on American Civics Education for schools selected to participate in the pilot program.

Arizona Structured English Immersion Fund

The budget includes \$4,960,400 from the General Fund in FY 2021 for the Arizona Structured English Immersion Fund. This amount is unchanged from FY 2020.

The Arizona Structured English Immersion Fund was established by Laws 2006, Chapter 4 (A.R.S. § 15-756.04). Monies in the fund are distributed to school districts and charter schools based on amounts that they request pursuant to A.R.S. § 15-756.04C. The department distributed \$5,623,700 to public schools from the fund in FY 2019 due to availability of prior year balances in the fund.

College Credit by Examination Incentive Program

The budget includes \$5,000,000 from the General Fund in FY 2021 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2020.

The CCEIP provides incentive bonuses to teachers, school districts and charter schools for students who obtain a passing score on a qualifying examination for college credit while in high school pursuant to A.R.S. § 15-249.06. The bonus is \$450 per passing score for a student who is enrolled in a school district or charter school where at least 50% of students are eligible for free or reduced-price lunches under the Federal School Lunch program; otherwise, it is \$300 per passing score. Bonuses shall be reduced proportionately if the appropriated amount is insufficient to fully fund them.

The department reported in December 2019 that it distributed 22,296 CCEIP awards in FY 2019. The actual award amounts were pro-rated to approximately \$316 per passing scores for districts or charter schools with greater than 50% FRPL eligibility and \$211 per passing score for districts or charter schools with less than 50% FRPL eligibility.

Laws 2019, Chapter 98 established the College Credit by Examination Development Fund, which is to consist of monies appropriated to ADE for CCEIP that are not distributed by the end of the fiscal year in which they are appropriated. Monies in the fund are non-lapsing, and shall be used to assist schools with a student population in which 50% or more of the students are eligible for the Federal School Lunch program to operate or develop classes with a qualifying examination for college credit.

Computer Science Pilot Program

The budget includes \$1,000,000 from the General Fund in FY 2021 for a Computer Science Pilot Program. This amount is unchanged from FY 2020.

The program is authorized by A.R.S. § 15-249.12, which also establishes the Computer Science Professional Development Program Fund (CSPDPF). It requires the

department to distribute program grants on a first-come, first-served basis to schools that previously did not provide high school computer science instruction. It also requires the second 50% of state General Fund funding for the program each year to be matched with private monies or in-kind donations and establishes reporting requirements for the program.

CTED Completion Grants

The budget includes \$1,000,000 from the General Fund in FY 2021 for CTED Completion Grants. This amount is unchanged from FY 2020.

A footnote in the General Appropriation Act stipulates that program monies are intended to help fund program completion for students who complete at least 50% of a CTED program before graduating from high school and who successfully complete the program after graduating from high school. It further requires the department to award grant funding only after an eligible student has successfully completed a CTED program. It also stipulates that if the appropriated amount is insufficient to fund all grant requests from CTEDs, the department shall reduce grant amounts on a proportional basis to cap total statewide allocations at \$1,000,000. It further stipulates that program funding is non-lapsing for 1 year beyond the budget year. The budget continues a footnote that makes the program's appropriation non-lapsing through the end of the following fiscal year (FY 2022).

A.R.S. § 15-393D4c prohibits CTEDs from including in their ADM counts students who have already graduated from high school or received a general equivalency diploma or who are over 21 years of age.

CTED Industry Credential Incentive Program

The budget includes \$5,000,000 from the General Fund in FY 2021 for the CTED Industry Credential Incentive Program. FY 2021 adjustments are as follows:

New Program

The budget includes an increase of \$5,000,000 from the General Fund in FY 2021 to fund the CTED Industry Credential Program in accordance with the 3-year spending plan associated with the enacted FY 2020 budget.

Background – The FY 2020 K-12 Education BRB established a new CTED Industry Credential Incentive Program (A.R.S. § 15-249.15) that will provide awards of up to \$1,000 per student to a student's school district, charter school or CTED if the student obtains an eligible CTE certification, credential, or license through a CTE

program prior to graduation. The awards will be provided only for CTE certifications related to "high demand" occupations identified by the Office of Economic Opportunity (OEO) and reviewed by a Quality Skills Commission composed of individuals from the OEO, Department of Education, Arizona Commerce Authority, school districts, charter schools, CTEDs, industry partners and business organizations.

Program monies may be spent on the following items: 1) instructional costs and professional development for CTE teachers; 2) certification costs for CTE students; 3) costs related to creating, expanding or improving eligible CTE programs; 4) instructional hardware, software or supplies required for eligible CTE programs; and 5) career exploration and awareness activities.

Section 163 of the FY 2020 General Appropriation Act appropriates \$5,000,000 in non-lapsing monies from the General Fund on a one-time basis in both FY 2021 and FY 2022 for the new program. As a result, these monies do not appear in the FY 2021 General Appropriation Act.

CTED Soft Capital and Equipment

The budget includes \$1,000,000 from the General Fund in FY 2021 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2020.

The line item provides additional funding to small CTEDs for soft capital and equipment. A footnote in the General Appropriation Act requires the department to distribute the appropriated amount to CTEDs with fewer than 2,000 ADM pupils on a pro rata basis for soft capital and equipment expenses. The budget continues this footnote for FY 2021.

Early Literacy

The budget includes \$12,000,000 from the General Fund in FY 2021 for Early Literacy. This amount is unchanged from FY 2020.

The program is authorized by A.R.S. § 15-249.09, which establishes a new Early Literacy Grant Program Fund (ELGPF) to provide support to improve reading skills, literacy and proficiency for students in Kindergarten through 3rd Grade. (*See the FY 2018 Appropriations Report for more information.*)

Education Learning and Accountability System

The budget includes \$5,351,900 and 24.2 FTE Positions from the General Fund in FY 2021 for the Education

Learning and Accountability System (ELAS) line item. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$51,700 from the General Fund in FY 2021 for statewide adjustments.

Background – The monies in this line item are for continued maintenance and operation of ELAS, but not for further ELAS development. Section 167 of the FY 2020 General Appropriation Act, however, transfers \$3,000,000 from the Department of Education Empowerment Scholarship Account Fund (DEESAF) established by A.R.S. § 15-2402 for deposit in the Department of Education subaccount in the Automation Projects Fund (APF) established pursuant to A.R.S. § 41-714 for further ELAS development for FY 2020. ADE reports that it spent \$554,000 of the \$3,000,000 in FY 2020, so \$2.4 million continues to be available for expenditure in FY 2021.

From FY 2014 - FY 2018, ELAS funding was appropriated to the Arizona Department of Administration (ADOA) Automation Projects Fund (APF) rather than ADE. FY 2019 marked the first year that the department received ongoing ELAS funding in its budget.

Laws 2011, Chapter 29 authorized development of ELAS, to "collect, compile, maintain and report student level data for students attending public educational institutions that provide instruction to pupils in preschool programs, kindergarten programs, grades 1 through 12 and postsecondary educational programs in this state" (A.R.S. § 15-249A). ELAS is intended to replace the department's prior data system - the Student Accountability Information System (SAIS).

ADE estimates that an additional \$9,000,000 would be needed from the General Fund over the next 3 years to replace the school finance portions of SAIS ("APOR" and "CHAR") that compute formula funding entitlements for school districts and charter schools. The current systems are 19 years old and are based on software no longer supported by Microsoft. The estimated \$9,000,000 one-time cost to replace APOR and CHAR would be in addition to the \$5,300,000 in ongoing funding currently provided to the department for ELAS maintenance and operation. The FY 2020 budget provided \$3,000,000 of the estimated \$9,000,000 through the \$3,000,000 DEESAF to APF transfer described above.

At its December 2019 meeting, JLBC favorably reviewed ADE's plan to use the \$3,000,000 to replace CHAR. As a result, ADE plans to develop the replacement school finance system with ADE IT staff and consultants. The department currently plans to request the remaining

\$6,000,000 to complete the project in FY 2022 and FY 2023.

Through FY 2020 ELAS will have received approximately \$74,700,000 in total funding from all sources combined since its inception. (see Table 13). (See the FY 2020 Appropriations Report for additional information on the prior year uses of project funding).

Table 13

ELAS Funding by Fiscal Year (\$ in Millions)

<u>Fiscal Year</u>	<u>General Fund</u> ^{1/}	<u>Misc</u> ^{2/}	<u>Federal Grants</u> ^{3/}	<u>Total</u>
2012	5.0	1.6	0.1	6.7
2013	5.0	1.6	1.8	8.4
2014	5.4	1.6	2.8	9.8
2015	10.4	1.6	2.6	14.6
2016	5.4	1.6	0.0	7.0
2017	7.3	0.0	0.0	7.3
2018	7.3	0.0	0.0	7.3
2019	5.3	0.0	0.0	5.3
2020 4/	5.3	3.0	0.0	8.3
Total	56.4	11.0	7.3	74.7

1/ General Fund appropriations for ELAS were made to the Department of Administration Automation Projects Fund in FY 2014 – FY 2018.

2/ Funding amounts for FY 2012 through FY 2016 include monies from a \$6 per FTSE fee from university and community college pupils. The FY 2012 and FY 2013 budgets appropriated \$1.2 million based on initial estimates. Amount generated above those totals were carried forward into subsequent years.

3/ Included \$5.0 million from a statewide longitudinal data system (SLDS) grant and \$2.3 million from a "Race to the Top" grant.

4/ The miscellaneous amount includes \$3.0 million transferred from the Department of Education Empowerment Scholarship Account Fund to the Department of Administration Automation Projects Fund for FY 2020 for further ELAS development.

Empowerment Scholarship Account Administration

The budget includes \$2,233,400 and 26 FTE Positions from the General Fund in FY 2021 for Empowerment Scholarship Account Administration. FY 2021 adjustments are as follows:

Separate Line Item

The budget includes an increase of \$1,283,400 and 13 FTE Positions from the General Fund in FY 2021 to fund Empowerment Scholarship Account Administration as a separate line item. These monies were previously included in the department's operating budget. SB 1224 (Laws 2020, Chapter 12) now requires, however, that ESA administration monies be listed as a separate line item in the department's budget.

Chapter 12 also eliminates a provision in A.R.S. § 15-2402 that allowed the department to deposit an amount equivalent to 5% of the amount of ESA award monies in

the Department of Education Empowerment Scholarship Account Fund, of which 1% was distributed to the State Treasurer. The revenue source for the deposit of the 5% was General Fund monies in the Basic State Aid line item. Given the elimination of the 5%, the FY 2021 budget instead includes a direct General Fund appropriation of \$1,283,400 for ESA administration expenses and a corresponding decrease of \$(1,283,400) from the General Fund in the Basic State Aid line item. While this shift results in no net new resources, the budget does provide additional new funding as described below.

Additional Administrative Funding

Laws 2020, Chapter 12 appropriates \$950,000 and 13 FTE Positions from the General Fund for an increase in administrative funding for the ESA program. These amounts include:

- \$276,000 and 5 FTE Positions to establish a dedicated call center for the ESA Program.
- \$388,000 and 6 FTE Positions for case managers to review and approve ESA applications.
- \$136,000 and 2 FTE Positions for ESA accounting staff.
- \$150,000 for ADE to conduct statewide seminars and trainings, staff professional development, marketing, and community outreach activities related to the ESA program.

On a related note, Chapter 12 also appropriates \$150,000 from the General Fund to the State Board of Education to handle appeals associated with the ESA program. *(Please see the State Board of Education narrative for additional information.)*

English Learner Administration

The budget includes \$6,541,600 and 13.5 FTE Positions from the General Fund in FY 2021 for English Learner Administration. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$32,000 from the General Fund in FY 2021 for statewide adjustments.

The program is responsible for administering the Arizona English Language Learner Assessment ("AZELLA") test, which is used to determine whether a student should be classified as an "English Language Learner" (ELL) as defined in A.R.S. § 15-901B9. Students who are classified as ELLs are required to enroll in English language education programs prescribed by A.R.S. §§ 15-751, 15-752 and 15-753 and qualify for ELL weight funding authorized in A.R.S. § 15-943. Approximately 125,000 students were expected to take the AZELLA in FY 2020.

(See FY 2011 and FY 2020 Appropriations Reports for additional history on this issue.)

The line item funds costs associated with implementing the English Language Education requirements in A.R.S. § 15-751 through 15-757. Those requirements pertain primarily to additional testing, teacher training and instructional services prescribed for English Learners. Laws 2019, Chapter 3 modifies instructional services for English learners by reducing the hours required during the first year a pupil is classified as ELL from 4 hours to 2 hours. *(See the Accountability and Achievement Testing line item narrative for more information.)*

Geographic Literacy

The budget includes \$100,000 from the General Fund in FY 2021 for Geographic Literacy. This amount is unchanged from FY 2020.

The program funds a statewide geographic alliance for strengthening geographic literacy in this state. The budget continues a footnote stipulating that the department shall use the amount appropriated to the program to issue a grant to a statewide geographic alliance for strengthening geographic literacy in the state.

Gifted Education

The budget includes no funding in FY 2021 for Gifted Education. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2021 to remove one-time funding for Gifted Education from FY 2020 in accordance with the 3-year spending plan associated with the enacted FY 2020 budget.

The program provides additional funding for gifted programs pursuant to A.R.S. § 15-779.03. FY 2019 and FY 2020 were the first recent years of funding for this program.

Jobs for Arizona Graduates

The budget includes \$100,000 from the General Fund in FY 2021 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2020.

The program funds a Jobs for Arizona Graduates program. The budget continues a footnote stipulating that the department shall use the amount appropriated to the

program to issue a grant to a nonprofit organization for a Jobs for Arizona Graduates program.

Mingus Unification Assistance

The budget includes no funding in FY 2021 for Mingus Unification Assistance. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(50,000) from the General Fund in FY 2021 to remove a one-time funding increase to assist with the costs of implementing a proposed new Mingus Unified School District in Yavapai County. The one-time monies are exempt from lapsing until July 1, 2022.

School Safety Program

The budget includes \$31,950,900 and 4 FTE Positions in FY 2021 for the School Safety program. These amounts consist of:

General Fund	24,150,900
Proposition 301 Expenditure Authority	7,800,000

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,900 from the General Fund in FY 2021 for statewide adjustments.

Background – The School Safety Program established in A.R.S. § 15-154 has existed in Arizona since FY 1995. (See the FY 2015 Appropriations Report for program history.) The program allows schools to apply for grant monies to support the costs of placing school resource officers, juvenile probation officers, school counselors, and school social workers on school campuses. Before FY 2020, schools could only use the monies to hire school resource officers (SROs) and juvenile probation officers with program funds.

Expenditure Authority does not affect the department's access to funding from Proposition 301 as it may spend whatever funding is available.

All available state General Fund and Proposition 301 funding for the program is allocated annually by the Department of Education subject to review and approval by the State Board of Education pursuant to A.R.S. § 15-154.

School district and charter schools receive funding for up to a 3-year period and may annually submit a modified

spending plan if they are approved for a grant. FY 2018 was the first year of the current cycle. A total of 203 schools applied for SRO funding for the current cycle but only 87 schools received funding awards for it due to funding constraints. The department opened the program to additional participants for FY 2020, however, because of the \$20,000,000 funding increase provided for the program starting that year.

For FY 2019, participating schools hired 87 SROs. Program funding is used primarily to pay officer salaries and benefits. Law enforcement agencies typically cover associated costs for police cars, uniforms and equipment. School districts and charter schools typically pay costs for related overhead, supervision and supplies.

In FY 2020, ADE reopened the grant cycle to distribute the \$20,000,000 increase for the program in the FY 2020 budget. ADE reports that it received a total of \$97,463,900 in grant applications from districts and charter schools which in total would fund 302 SROs, 473 school counselors, and 396 social workers. In December 2019, ADE received approval from SBE to disburse the grant amounts for FY 2020, which will fund 116 SROs, 148 school counselors and 118 social workers.

State Block Grant for Vocational Education

The budget includes \$11,651,800 and 27 FTE Positions from the General Fund in FY 2021 for the State Block Grant for Vocational Education. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$75,500 from the General Fund in FY 2021 for statewide adjustments.

The program provides block grants to school districts and charter schools that have Career and Technical Education (CTE) programs. ADE also receives federal funding each year for CTE programs pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006, most of which is passed on to local CTE programs. For FY 2020, the department is receiving approximately \$30,287,500 in Perkins funding. Perkins funding is subject to a federal maintenance-of-effort (MOE) provision that requires a state to continue to spend at least as much on CTE in a given fiscal year as it did in the prior fiscal year.

Teacher Certification

The budget includes \$2,467,200 and 22.9 FTE Positions in FY 2021 for Teacher Certification. These amounts consist of:

General Fund	184,200
Teacher Certification Fund	2,283,000

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$80,200 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	6,100
Teacher Certification Fund	74,100

The program processes applications for teacher and administrator certification, including certification renewal. It is funded through fees paid by certification applicants pursuant to A.R.S. § 15-531.

Teacher Professional Development Pilot

The budget includes \$400,000 in one-time funding (through FY 2022) from the General Fund in FY 2021 for a Teacher Professional Development Pilot Program. This amount is unchanged from FY 2020.

The monies for the program in FY 2021 and FY 2022 were appropriated in Section 137 of the FY 2020 General Appropriation Act. As a result, these monies do not appear in the FY 2021 General Appropriation Act.

The program also received a one-time appropriation of \$300,000 from the General Fund for FY 2018 from Laws 2017, Chapter 284. That law established the pilot program through July 1, 2020. The FY 2020 K-12 Education BRB amended Chapter 284 to extend the pilot program through July 1, 2023. It also allows the department to retain up to 3% of program monies for administration.

Chapter 284 requires the pilot program to issue scholarships or grants, or both, on a competitive basis that would support certificated teachers in gaining additional credentials and certifications at a regionally or nationally accredited public or private institution to teach math, science, technology, engineering or career and technical education in a public school.

Program scholarships and grants may not exceed \$2,000 per applicant. Recipients shall agree to teach in an Arizona public school for at least 3 additional years after completing their professional development program. If that commitment is not met, the recipient shall be required to fully pay back their scholarship.

On or before November 1 of each year of the pilot program the department shall submit to the Governor,

President of the Senate and Speaker of the House of Representatives a report that summarizes the results of the pilot program. In its November 2019 report, ADE states that a total of 149 scholarships have been awarded under the pilot program between August 2017 and October 2019.

Tribal College Dual Enrollment Program Fund

The budget includes \$250,000 from the Tribal College Dual Enrollment Program Fund in FY 2021 for the Tribal College Dual Enrollment Program Fund program. This amount is unchanged from FY 2020.

A.R.S. § 15-244.01 establishes the Tribal College Dual Enrollment Program Fund and authorizes it to annually receive 15% of unclaimed lottery prize monies up to \$250,000, subject to legislative appropriation, pursuant to A.R.S. § 5-568, plus any other appropriations, gifts, grants, devices and other contributions. The fund compensates tribal colleges for tuition and fees that they waive for high school students who are dual enrolled in tribal college classes.

(See Arizona State Lottery Commission narrative for more information on lottery funding.)

Yuma Elementary School Construction

The budget includes no funding in FY 2021 for Yuma Elementary School Construction. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(800,000) from the General Fund in FY 2021 to remove one-time funding to replace an elementary school that is located on a proving ground operated by the United States Army near Yuma. The appropriation requires a funding match of at least 80% from the U.S. Department of Defense.

The FY 2020 General Appropriation Act makes the one-time appropriation non-lapsing until October 1, 2029 unless the school is replaced or the projected is abandoned prior to that date.

Other Issues

This section includes information on the following topics:

Statutory Changes

General Issues

- Long-Term Budget Impacts

Ballot Proposition

- Endowment Earnings
- Proposition 123 Triggers
- Aggregate Expenditure Limit

Non-General Fund Programs

- Proposition 301
- CARES Act Funding
- Budget Overrides

Basic State Aid

- Basic State Aid Formula Description

Information on these various issues is as follows:

Statutory Changes

The K-12 Education BRB makes the following statutory changes:

Formula Requirements

- As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school "Additional Assistance" amounts (A.R.S. § 15-185B4) by 1.74% for standard inflation.
- As permanent law, increase the base level by an additional \$83.08 to incorporate into Basic State Aid \$124,500,000 for teacher salary increases already appropriated for FY 2021 by Section 136 of the FY 2019 General Appropriation Act.
- As permanent law, amend A.R.S. § 42-5029.02 to require, beginning in FY 2022, that \$64,100,000 of Proposition 301 monies transferred to the Superintendent of Public Instruction to fund Basic State Aid.
- As session law, amend Laws 2018, Chapter 285, Sections 27 and 28 to increase FY 2021 District Additional Assistance (DAA) spending by an additional \$64,367,500 and Charter Additional Assistance (CAA) funding by an additional \$3,407,200. In addition, fully funds the DAA/CAA formula in FY 2022 instead of FY 2023.

Results-Based Funding

- As session law, continue to notwithstanding A.R.S. § 15-249.08 to allocate Results-Based Funding using the same formula that was used in FY 2020, but based on AzMERIT test results from spring 2019 rather than spring 2018. Under permanent law, the Results-Based Funding instead would have been distributed in FY 2021 to schools with a letter grade A under the A-F performance rating developed by the State Board of Education.

- As session law, continue to make eligible for Results-Based Funding schools with AzMERIT test results in the top 13% for schools with less than 60% of students eligible for free and reduced-price lunch (FRPL) and to the top 27% for schools with 60% or higher FRPL eligibility.
- As session law, continue to establish per-pupil funding levels of \$225 for qualifying schools with less than 60% FRPL eligibility and for schools with more than 60% FRPL eligibility that have AzMERIT results in the top 27%, but not the top 13% of schools with 60% or higher FRPL eligibility. Qualifying schools with greater than 60% FRPL eligibility and with AzMERIT results in the top 13% of schools with 60% or more FRPL eligibility would receive \$400.
- As session law, continue to provide an alternative school with \$400 per student if it reported AzMERIT scores for both math and English language arts for spring 2019 testing and its average pass rate for those 2 tests combined equaled or exceeded the average combined pass rate observed for the top 27% of schools with 60% or higher free or reduced price lunch eligibility rates.

Other

- As session law, continue stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.
- As permanent law, update the Qualifying Tax Rate and State Equalization Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2021 under it.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ADE General Fund costs are projected to increase by \$262,695,700 in FY 2022 above FY 2021 and \$150,986,200 in FY 2023 above FY 2022. These estimates are based on:

- 0.6% ADM growth (unweighted) in both FY 2022 and FY 2023.
- GDP inflators of 1.97% for FY 2022 and 2% for FY 2023 (currently projected at 1.97% for FY 2022 and 2.30% for FY 2023; statute funds the lesser of 2% or the actual rate).
- New construction NAV growth of 1.97% for FY 2022 and 1.83% for FY 2023.
- General Fund decreases of \$(9.0) million in FY 2022 and \$(9.6) million in FY 2023 for higher endowment earnings.
- An increase of \$67.8 million in FY 2022 to fully restore Additional Assistance funding.

- A decrease of \$(14.1) million in FY 2022 to annualize the removal of one-time "Proposition 301 Bridge" funding.
- An increase of \$30.0 million in FY 2022 to reduce the Basic State Aid rollover by \$(30.0) million.
- An increase of \$21.8 million in FY 2022 and \$22.6 million in FY 2023 for Empowerment Scholarship Account growth.

Endowment Earnings

In FY 2019, endowment earnings from state trust lands funded approximately \$378.0 million of Basic State Aid, School Facilities Board bond debt service and K-12 Classroom Site Fund costs. Endowment earnings originate from the sale or lease of lands that the federal government deeded to Arizona in the Enabling Act in 1910 to provide support for public functions such as education. Approximately 9.2 million of the original 11.0 million acres of state trust lands remain, of which approximately 87% (8.1 million acres) are for the benefit of public schools. The rest are designated mostly for the benefit of universities and corrections. K-12 education therefore is by far the largest beneficiary of earnings generated from state trust lands.

The State Land Department and State Treasurer both generate endowment earnings from state trust lands. The State Land Department generates endowment earnings primarily by selling or leasing state trust lands and natural products from trust lands. The State Treasurer generates endowment earnings by investing monies received from the State Land Department from the sale of state trust lands and related natural products in stocks, bonds and other income-earning investments.

State trust land earnings are considered either "permanent" or "expendable" depending on whether they are one-time in nature. Only expendable monies are distributed to beneficiaries, as permanent monies are considered to be part of the original endowment and must be reinvested rather than distributed to beneficiaries. Permanent monies include one-time proceeds from the sale of state trust lands and natural products from state trust lands.

Expendable monies include ongoing income that the State Land Department generates from leases, permits and interest from sales contracts and a portion of investment returns generated by the State Treasurer.

The portion of Treasurer land trust earnings that is considered expendable is determined by a formula prescribed in the State Constitution, since the value of invested land trust monies fluctuates daily. Prior to voter

approval of Proposition 123 in May 2016, the State Constitution required the State Treasurer to distribute annually to each beneficiary (such as public schools) a flat 2.5% of the average monthly market value of the beneficiary's permanent fund for the immediately preceding 5 calendar years.

The 2.5% factor has been superseded through FY 2025 by a new 6.9% factor, or an increase of 4.4% required by Proposition 123. The 4.4% increase exclusively funds Basic State Aid costs. After FY 2025, Proposition 123 reestablishes the 2.5% factor on a permanent basis. In FY 2019, public schools received \$378.0 million of expendable land trust monies from the State Land Department and State Treasurer combined. That total included \$56.8 million from the Land Department and \$321.2 million from the State Treasurer (*see Table 14*).

Table 14

**Source of K-12 Endowment Earnings by Fiscal Year
(\$ in Millions)**

Source	2015 ^{1/}	2019	2020 est ^{2/}	2021 est ^{2/}
Land Department	53.2	56.8	56.8	56.8
Treasurer	76.0	321.2	342.2	358.1
Total	129.2	378.0	399.0	414.8

^{1/} Final year prior to Proposition 123.

^{2/} Assumes no change in trust land lease revenues for FY 2020 and FY 2021.

Table 15 shows that K-12 endowment earnings are estimated to equal \$399.0 million in FY 2020 and \$414.8 million in FY 2021. Of the \$378.0 million in K-12 expendable earnings generated for FY 2019, \$277.1 million was used to fund Basic State Aid pursuant to A.R.S. § 37-521B3, and the remaining \$100.9 million was deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4 (*see Table 15*). The latter law dedicates to the Classroom Site Fund all growth in K-12 expendable endowment earnings above the FY 2001 level, which was \$72.3 million. (*See Proposition 301 narrative below for more information on the Classroom Site Fund and Proposition 301. See State Land Trust Program Summary for more background on Arizona State Trust Land.*)

Table 15

**Use of K-12 Endowment Earnings by Fiscal Year
(\$ in Millions)**

Source	2015	2019	2020 ^{1/}	2021 ^{1/}
Basic State Aid	47.3	277.1	290.5	300.6
SFB Debt Service ^{2/}	25.0	0.0	0.0	0.0
Classroom Site Fund	56.9	100.9	108.5	114.2
Total	129.2	378.0	399.0	414.8

^{1/} Estimated.

^{2/} \$24.9 million annual SFB debt service payments ended after FY 2018.

Proposition 123 Triggers

Economic Downturn

Proposition 123 allows the state to temporarily suspend future inflation increases during periods of economic slowdown if:

- Sales tax revenue and employment both grow more than 1% but less than 2% in the prior year [if only one factor falls into the 1-2% range, there is no suspension].
- It requires this suspension of inflation adjustments if sales tax revenue and employment both grow less than 1%.

Since 1992, economic conditions would have met the 1-2% threshold in 1 year and would have met the 1% threshold in 3 years. Since Proposition 123 was enacted, the state exceeded the threshold every year.

Lower Trust Fund Balance

The proposition:

- Allows the state to reduce the 6.9% distribution rate to no less than 2.5% for the following fiscal year if the 5-year average balance of the State Land Trust Permanent Fund fell below the average balance of the preceding 5 years.

The criteria for reducing the distribution rate would not have been met in the last 10 years, as no 5-year period since 2001 has averaged a lower balance than the preceding 5 years.

K-12 Percent of Budget

Beginning in FY 2026, the proposition:

- Allows the suspension of the annual inflation adjustment and a reduction in K-12 funding for the next fiscal year equal to the current year inflation adjustment if K-12 spending surpasses 49% of the total state General Fund appropriations.
- If K-12 spending surpasses 50%, allows the state to suspend the annual inflation adjustment and reduce K-12 funding for the next fiscal year by twice the current year inflation amount.

For FY 2020, budgeted K-12 spending constitutes approximately 43.9% of total state General Fund appropriations. *(Please see the FY 2017 Appropriations Report for more information on Proposition 123.)*

Aggregate Expenditure Limit

Article IX, Section 21 of the State Constitution establishes an Aggregate Expenditure Limit (AEL) that caps spending for all school districts combined at the FY 1980 statewide level adjusted for subsequent statewide enrollment growth and inflation plus 10%. The AEL does not apply to exempted items like overrides, bonding and Proposition 301 funding or to charter schools.

Pursuant to A.R.S. § 15-911B, the Department of Education computed in November 2019 that budgeted expenditures for school districts collectively for FY 2020 were \$(49.3) million below the AEL. The difference for FY 2019 was \$(317.3) million.

The gap between school district's budgeted spending and the AEL decreased in FY 2020 because funding for teacher pay raises and Additional Assistance restorations caused district spending statewide to grow faster than enrollment and inflation combined for that year. This is expected to occur again in FY 2021 due to the addition of \$124,500,000 from the General Fund for teacher pay raises in FY 2021. As a result, it appears likely that school district expenditures statewide are likely to exceed the AEL for FY 2021. The precise amount will not be known definitively until November 1, 2020, however, when the department is required to report school districts' AEL status for FY 2021 pursuant to A.R.S. § 15-911B.

A.R.S. § 15-911C2 allows the Legislature to authorize statewide school district spending above the AEL for that year with a two-thirds majority vote in both the House of Representatives and Senate. A permanent increase in the AEL would require a voter-approved change to the State Constitution.

Proposition 301

Proposition 301, which was passed by voters in November 2000, amended A.R.S. § 42-5010 to increase the state Transaction Privilege Tax (TPT) ("sales tax") rate on most purchases from 5% to 5.6% through FY 2021 to generate more funding for public education. It also amended A.R.S. § 42-5029 to prescribe how the new sales tax revenues would be allocated (*see Table 16*).

Starting in FY 2022, Laws 2018, Chapter 74 extends the additional 0.6% sales tax through June 30, 2041 and redirects to the Classroom Site Fund \$64.1 million of 0.6% sales tax monies previously needed for debt service on School Facilities Board bonds authorized by Proposition 301. All other distributions remain unchanged.

Table 16

**Proposition 301 Monies
(FY 2019 Actual)
(\$ in Millions)**

PROPOSITION 301 SALES TAX REVENUES

<u>Recipient</u>	<u>Amount</u>	<u>Comment</u>
School Facilities Board	\$64.1	For debt service on \$794.7 million of bonds authorized by Proposition 301 for school repairs and updates.
Universities	83.1	Receive 12% of monies remaining after SFB debt service is deducted.
Community Colleges	20.8	Receive 3% of monies after SFB debt service.
Tribal Colleges	1.0	Same formula as for community colleges.
Income Tax Credit	25.0	For income tax credit authorized by A.R.S. § 43.1072.01.
Subtotal - Non-ADE Programs	\$194.0	
Additional School Days	\$86.3	To add 5 days to K-12 school year (180 days total).
School Safety and Character Education	8.0	\$7.8 million for School Safety (A.R.S. § 15-154) and \$0.2 million for Character Education (A.R.S. § 15-154.01).
School Accountability	7.0	For school accountability pursuant to A.R.S. § 15-241 and § 15-1041.
Failing Schools	1.5	To Failing Schools Tutoring Fund (A.R.S. § 15-241CC).
Classroom Site Fund	460.1	Established by A.R.S. § 15-977. Receives all monies remaining after other distributions are made. Also receives all expendable K-12 endowment earnings above \$72.3 million.
Subtotal - ADE Programs	\$562.9	
Total - Prop 301 Sales Tax	\$756.9	

CLASSROOM SITE FUND EXPENDITURES (ALL SOURCES)

Prop 301 Sales Tax (from above)	460.1
Prop 301/CSF - Land Trust	99.3
Prop 301/CSF - Carry-Forward	0.0
Total - Classroom Site Fund	\$559.4 ^{1/}

^{1/} Total disbursements reported for FY 2019 in ADE's FY 2021 budget request from September 2019. Does not match estimated amounts in JLBC Staff Classroom Site Fund (CSF) memo dated 3/29/2019, as the latter were estimates based on data available at the time rather than year-end actuals.

Table 16 shows how Proposition 301 revenues are earmarked through FY 2021. Proposition 301 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies remaining after all other distributions are made. Its share equaled \$460.1 million (60.8%) of the \$756.9 million collected for FY 2019 (see Table 16).

Classroom Site Fund

Proposition 301 also amended A.R.S. § 37-521B4 to dedicate to the Classroom Site Fund all growth in K-12 expendable land trust earnings above the amount generated by the State Treasurer and State Land Department combined for FY 2001 (the last year before Proposition 301 took effect), which equaled \$72.3 million. Total reported expenditures from the CSF for FY 2019 were \$559.4 million (see Table 16).

CARES Act Funding

The CARES Act establishes the Elementary and Secondary School Emergency Relief (ESSER) Fund to distribute federal monies for K-12 education. Arizona is receiving \$277.4 million in ESSER monies.

The law stipulates that 90% of the monies, or \$249.7 million, be distributed to school districts and charter schools based on their relative share of federal Title I funds. These monies may be expended for purposes already authorized by existing federal education grant programs, and are not currently being offset by any reduction in state funds.

The remaining 10%, or \$27.7 million, is to be retained by the Superintendent of Public Instruction, including 9.5% (\$26.3 million) for grants or contracts with local education agencies based on emergency needs associated with responding to coronavirus and 0.5% (\$1.4 million) for administration. The Superintendent plans to distribute ADE's allocation as follows:

- \$15 million for schools that are not eligible for Title I monies and therefore received no monies from the formula distribution component of the ESSER Fund. Over 180 schools will receive monies based on the number of low-income students and the size of the school, with each entity receiving at least \$50,000.
- \$6 million for distance learning grants to school districts and charter schools. Awards will be based on need and impact of COVID-19.

- \$5 million for special education compensatory education.
- \$0.3 million for social-emotional learning and trauma-informed training for school teachers and leaders.

The CARES Act also establishes the Governor's Emergency Education Relief Fund (GEERF), which may be allocated at the Governor's discretion to local education agencies, higher education institutions, or other education-related entities. Arizona is receiving \$69.2 million in GEERF monies. The Executive has indicated that it plans to distribute monies from the fund as follows:

- \$40 million for installation of broadband infrastructure along I-17 between Sunset Point and Flagstaff and along I-19 between Tucson and Nogales.
- \$20 million for Acceleration Academies, which will consist of one-time grants to high-needs schools for contracted services and training of existing teaching staff.
- \$6 million for the Arizona Teachers Academy to provide tuition grants to postsecondary students in exchange for teaching in Arizona K-12 schools after graduation.
- \$1 million for the nonprofit organization A for Arizona, which will distribute grants to districts and charter schools for school innovation. These monies would be matched by private donations.
- \$1 million for replacement of vehicles used by teachers and staff of the Arizona School for the Deaf and Blind.
- \$700,000 for Beat the Odds Leadership Academy, a leadership training program for school principals administered by the Center for the Future of Arizona.
- \$500,000 for distribution to Teach for America.

The monies from ESSER and GEERF for K-12 education are in addition to the Governor's proposed use of \$200 million of CRF monies for K-12 enrollment stabilization grants. *(Please see the Basic State Aid line item for more information).*

(Please see the [Budget Highlights Section](#) for more information on the education component of federal CARES act funding).

Budget Overrides

Current law permits school districts to exceed statutory budget limits through "budget override" elections. This includes Maintenance and Operation (M&O) overrides (A.R.S. § 15-481E&F), Special Program overrides (A.R.S. § 15-482) and District Additional Assistance overrides (called Capital Overrides prior to FY 2014) (A.R.S. § 15-481L&M).

M&O and Special Program overrides together are capped at 15% of a district's Revenue Control Limit (RCL). ("RCL" essentially equals a district's total funding under the Basic State Aid formula minus its District Additional Assistance funding, pursuant to A.R.S. § 15-947.) District Additional Assistance overrides are capped at 10% of a district's RCL.

M&O and Special Program overrides provide additional funding for school district operating expenses, such as teacher salaries. District Additional Assistance overrides instead must be used for the capital improvements listed in the publicity pamphlet for the override, except that up to 10% of the override proceeds may be used for general capital expenses, including cost overruns of proposed capital improvements, pursuant to A.R.S. § 15-481X. Overrides are funded with additional local property taxes. All 3 types of overrides may be authorized for up to 7 years. M&O and Special Program overrides are phased down over the last 2 years of authorization unless re-approved by voters.

For FY 2020, 93 districts statewide had M&O overrides pursuant to A.R.S. § 15-481, no districts had a "Special Program" override pursuant to A.R.S. § 15-482, and 27 had District Additional Assistance overrides. The total amounts budgeted for overrides for FY 2020 included \$554.9 million for M&O overrides and \$88.9 million for District Additional Assistance overrides. Grand total budgeted override funding for FY 2019 therefore equaled \$643.8 million, which was \$26.3 million above the \$617.5 million amount budgeted for all overrides collectively in FY 2019 *(see Table 17)*. *(See the School Facilities Board budget narrative for a related summary on K-12 Capital Bonding.)*

Table 17

K-12 Budget Overrides (\$ in Millions)

Type of Override	FY 2019	FY 2020	Change
M&O	530.7	554.9	24.2
Special Program	0.9	0.0	(0.9)
Additional Assistance	85.9	88.9	3.0
Total	617.5	643.8	26.3

Basic State Aid Formula Description

Basic State Aid funding is based on a statutory formula enacted in 1980 and substantially modified in 1985. This formula "equalizes" formula funding among school districts, enabling them all to spend approximately the same amount of formula money per pupil from state and local sources combined. (Non-formula funding, such as from bonds and overrides, is not equalized.) Districts with a very strong local property tax base can generate their entire formula funding entitlement from local property

taxes alone. Most school districts, however, require “Basic State Aid” monies to receive full formula funding.

The equalization formula for school districts consists of 3 components: the Base Support Level (BSL), Transportation Support Level (TSL), and District Additional Assistance (DAA). BSL and DAA funding are computed by multiplying specific dollar amounts in statute by a school district's student count, adjusted for various weights. The TSL instead is computed by multiplying specific dollar amounts per route mile in statute by a district's pupil transportation route miles. The sum of the 3 formula components equals what is referred to as a school district's “equalization base,” which is its total funding entitlement under the K-12 equalization funding formula.

After a school district's equalization base is determined, its net assessed property value (NAV) is multiplied by the statutory “Qualifying Tax Rate” (QTR) (A.R.S. § 15-971B) to determine the portion of its formula funding that is assumed to come from QTR taxes. This amount, plus the district's share of State Equalization Tax Rate (SETR) revenues (A.R.S. § 15-994), if any, are then subtracted from its equalization base.

If the district's combined QTR and SETR revenues exceed its equalization base, the district is not entitled to Basic State Aid. If, however, its “local share” funding does not exceed its equalization base, the district receives Basic State Aid funding to make up the difference. The actual local property tax rate for schools may be lower than the QTR (such as if the QTR would raise more than the district's formula funding entitlement), or higher if the district can budget for items outside of its “Revenue Control Limit” (RCL) pursuant to A.R.S. § 15-910.

Basic State Aid is also provided to charter schools, which are schools that do not have geographic boundaries, operate under terms specified in a “charter,” and are sponsored by an entity such as the State Board for Charter Schools. The equalization funding formula for charter schools does not include DAA or separate transportation funding and instead consists only of BSL and Charter Additional Assistance (CAA) funding. BSL funding for charter schools is determined under the same formula prescribed for traditional public schools in A.R.S. § 15-943. CAA funding amounts are established separately in A.R.S. § 15-185B4. Charter schools receive all their equalization funding through Basic State Aid, since they do not have authority to generate funding through local property taxes.

Department of Emergency and Military Affairs

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
PROGRAM BUDGET			
Administration	1,778,100	1,887,600	1,948,100
Emergency Management	7,694,600	7,732,900	7,850,600
Military Affairs	3,040,600	4,039,800	4,080,400
AGENCY TOTAL	12,513,300	13,660,300	13,879,100
OPERATING BUDGET			
Full Time Equivalent Positions	69.6	69.6	69.6 ^{1/2/}
Personal Services	1,779,300	1,929,200	2,040,800
Employee Related Expenditures	576,000	609,900	609,900
Professional and Outside Services	37,100	6,000	6,000
Travel - In State	58,200	5,000	5,000
Travel - Out of State	19,100	60,000	60,000
Other Operating Expenditures	1,246,700	1,228,200	1,228,200
Equipment	43,200	30,000	30,000
OPERATING SUBTOTAL	3,759,600	3,868,300	3,979,900
SPECIAL LINE ITEMS			
Emergency Management Matching Funds	1,503,800	1,543,300	1,590,300
Governor's Emergency Fund	4,000,000	4,000,000	4,000,000 ^{3/}
Nuclear Emergency Management Program	1,459,900	1,458,700	1,506,100 ^{4/5/}
Military Airport Planning	90,000	90,000	90,000 ^{6/}
National Guard Matching Funds	1,700,000	1,700,000	1,712,800 ^{7/}
National Guard Tuition Reimbursement	0	1,000,000	1,000,000
AGENCY TOTAL	12,513,300	13,660,300	13,879,100 ^{8/}
FUND SOURCES			
General Fund	11,053,400	12,201,600	12,373,000
<u>Other Appropriated Funds</u>			
Nuclear Emergency Management Fund	1,459,900	1,458,700	1,506,100
SUBTOTAL - Other Appropriated Funds	1,459,900	1,458,700	1,506,100
SUBTOTAL - Appropriated Funds	12,513,300	13,660,300	13,879,100
Other Non-Appropriated Funds	108,400	470,800	2,471,800
Federal Funds	66,106,500	76,465,600	65,562,300
TOTAL - ALL SOURCES	78,728,200	90,596,700	81,913,200

AGENCY DESCRIPTION — The department's Emergency Management Program prepares and coordinates emergency response plans for the state. The Military Affairs Program operates the Arizona National Guard and the Military Installation Fund Program.

FOOTNOTES

- ^{1/} Includes 5.5 FTE Positions in FY 2020 and FY 2021 appropriated by Laws 2019, Chapter 24 and 1 FTE Position appropriated by A.R.S. § 26-263.
- ^{2/} Includes 1 GF and 5.5 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{3/} Includes expenditures authorized by A.R.S. § 35-192, which states that up to \$4,000,000 may be spent on disaster prevention and mitigation. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- ^{4/} Laws 2019, Chapter 24 appropriated \$1,458,753 and 5.5 FTE Positions in FY 2020 and \$1,506,116 and 5.5 FTE Positions in FY 2021 from the Nuclear Emergency Management Fund to DEMA.

- 5/ Pursuant to A.R.S. § 26-306.02, the Nuclear Emergency Management Program appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriation; any unexpended monies, however, shall be used to reduce the assessment and appropriation in future years.
- 6/ A.R.S. § 26-263 annually appropriates \$90,000 and 1 FTE Position from the General Fund for the administration of the Military Installation Fund. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 7/ The \$1,712,800 national guard matching funds appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all fiscal year 2020-2021 monies remaining unexpended and unencumbered on December 31, 2021 revert to the state general fund. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 8/ General Appropriation Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

Operating Budget

The budget includes \$3,979,900 and 63.1 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$111,600 from the General Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Emergency Management Matching Funds

The budget includes \$1,590,300 from the General Fund in FY 2021 for Emergency Management Matching Funds. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$47,000 from the General Fund in FY 2021 for statewide adjustments.

The line item provides funding for the required 1:1 match for the Federal Emergency Management Performance Grant (EMPG) not covered with existing DEMA resources. EMPG monies are allocated to DEMA who then either expends them or passes monies on to other state, county, and municipal agencies to help provide planning, training, and other preparation for natural hazards and emergencies. In FY 2019, DEMA was awarded \$7,178,600 by the federal government.

In FY 2019, the state match for these monies was funded by \$780,900 from the General Fund operating budget appropriation, \$1,472,400 from the Emergency Management Matching Funds line item appropriation, \$101,700 in In-Kind Assistance, \$766,500 of the Nuclear Emergency Management Fund appropriation, and a \$4,057,100 match from the local government sub-recipients.

In FY 2020, DEMA expects to receive \$7,795,600 in EMPG funds.

Governor's Emergency Fund

The budget includes \$4,000,000 from the General Fund in FY 2021 for the Governor's Emergency Fund. This amount is unchanged from FY 2020.

Under A.R.S. § 35-192, the Governor may, through emergency declarations, authorize up to \$4,000,000 annually from the General Fund for disaster prevention and mitigation without specific appropriation authority. Monies in this line item, therefore, are not included in the General Appropriation Act.

Nuclear Emergency Management Program

The budget includes \$1,506,100 and 5.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2021 for the Nuclear Emergency Management Program line item. FY 2021 adjustments are as follows:

NEMF Increase

The budget includes an increase of \$47,363 from NEMF in FY 2021 for the NEMF line item.

Laws 2019, Chapter 24 appropriates \$1,458,753 and 5.5 FTE Positions from NEMF in FY 2020 and \$1,506,116 and 5.5 FTE Positions from NEMF in FY 2021. As a result, these monies do not appear in the General Appropriation Act. The Department of Health Services, the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2019-2021 are displayed in *Table 1*. *(Please see the Department of Agriculture and the Department of Health Services for more information.)*

The Legislature is required to biennially assess a fee against each group of public service and municipal

Table 1

Nuclear Emergency Management Fund

Agency	FY 2019		FY 2020		FY 2021	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	5.5	\$1,461,602	5.5	\$1,458,753	5.5	\$1,506,116
Health Services	5.5	789,663	5.5	789,663	5.5	789,663
Agriculture	<u>2.88</u>	<u>275,012</u>	<u>2.88</u>	<u>301,376</u>	<u>2.88</u>	<u>280,512</u>
Total	13.88	\$2,526,277	13.88	\$2,549,792	13.88	\$2,576,291

^{1/} The Emergency and Military Affairs appropriation includes the appropriations for the Maricopa County Department of Emergency Management and the City of Buckeye.

corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the NEMF appropriation.

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

Military Airport Planning

The budget includes \$90,000 and 1 FTE Position from the General Fund in FY 2021 for Military Airport Planning. These amounts are unchanged from FY 2020.

A.R.S. § 26-263 annually appropriates \$90,000 and 1 FTE Position to the department and \$85,000 to the Attorney General for administration of the Military Installation Fund. Since these monies are appropriated in statute, they do not appear in the General Appropriation Act.

The Military Installation Fund itself currently has no ongoing revenue source. At the end of FY 2019, the fund had an unreserved balance of \$488,800.

Of the monies deposited into the Military Installation Fund, DEMA is required to award 80% to acquire private property, real estate, property rights, and related infrastructure. The remaining 20% is awarded to cities, towns, and counties. The purchasing entity — whether it is the state or a local government — owns the property and state properties are managed by DEMA.

National Guard Matching Funds

The budget includes \$1,712,800 from the General Fund in FY 2021 for the National Guard Matching Funds line item. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$12,800 from the General Fund in FY 2021 for statewide adjustments.

The line item provides state funding to DEMA that serves as a match to federal grants for the operational and maintenance costs associated with National Guard facilities. These matching funds are for military grants, whereas the Emergency Management Matching Funds line item is for emergency-related grants. These military grants have a matching requirement of 5-50%.

The operations and maintenance for these facilities are paid through service contracts. The budget continues to make this appropriation exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2021 monies remaining unexpended and unencumbered on December 31, 2021 revert to the state General Fund.

In FY 2019, DEMA received \$40,857,300 in National Guard Military Operations and Maintenance Projects monies. Of this amount, \$3,130,200 required a 50% match, or \$1,565,100; \$2,742,100 required a 25% match, or \$685,500; and \$2,705,200 required a 5.5% match, or \$148,800, for a total required match of \$2,399,400.

In FY 2019, DEMA utilized \$1,714,600 from the National Guard Matching Funds appropriations (including monies from the FY 2018 appropriation) and \$383,800 from the Military Affairs appropriation. No funds were provided by the Arizona Department of Administration (ADOA) building renewal appropriation in FY 2019.

DEMA estimates their FY 2020 match expenditures will be \$1,700,000.

National Guard Tuition Reimbursement

The budget includes \$1,000,000 from the General Fund in FY 2021 for the National Guard Tuition Reimbursement line item. This amount is unchanged from FY 2020.

DEMA estimates that the \$1,000,000 appropriation will provide tuition reimbursement to 369 National Guardsmen.

Other Issues

Statutory Changes

The Capital Outlay Bill and Criminal Justice Budget Reconciliation Bill make the following statutory changes:

- As session law, extend the lapsing date for the \$3,759,000 FY 2019 appropriation from the General Fund to DEMA for construction of a new Tucson Readiness Center to June 30, 2022.
- As session law, extend the lapsing date for the \$3,875,000 FY 2020 appropriation from the General Fund to DEMA for construction of a new West Valley Readiness Center to June 30, 2023.
- As session law, extend the provision allowing the department to expend up to \$1,250,000 from the Military Installation Fund through June 30, 2022 for the construction of a new Readiness Center. This authority previously was only in effect through FY 2020.

Department of Environmental Quality

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	322.0	322.0	322.0
Personal Services	17,129,300	19,984,200	20,920,200
Employee Related Expenditures	6,238,100	8,009,400	8,184,400
Professional and Outside Services	1,647,900	1,843,400	2,837,300
Travel - In State	252,400	341,600	341,600
Travel - Out of State	45,000	138,500	138,500
Other Operating Expenditures	12,683,000	15,296,400	15,296,400
Equipment	164,300	215,300	215,300
OPERATING SUBTOTAL	38,160,000	45,828,800	47,933,700
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	21,996,600	21,119,500	21,119,500
Maricopa County Dust Suppression Pilot Program	0	200,000	0
Nogales Wastewater Project	0	2,569,300	0
Safe Drinking Water Program	1,166,700	1,812,000	1,854,700
WQARF Priority Site Remediation	13,552,000	13,552,000	15,000,000 ^{1/2/3/}
AGENCY TOTAL	74,875,300	85,081,600	85,907,900 ^{4/}
FUND SOURCES			
General Fund	0	200,000	15,000,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	9,296,900	8,295,900	5,472,400
Emergency Response Fund	130,900	132,800	132,800
Emissions Inspection Fund	31,443,400	30,657,300	26,665,800
Hazardous Waste Management Fund	1,444,200	1,748,200	1,785,000
Indirect Cost Recovery Fund	13,187,900	13,615,900	14,025,500 ^{5/}
Permit Administration Fund	5,525,700	8,155,700	7,327,100 ^{6/}
Recycling Fund	3,145,300	3,513,800	1,396,800
Safe Drinking Water Program Fund	1,166,700	1,812,000	1,854,700
Solid Waste Fee Fund	962,100	1,247,800	1,280,700
Underground Storage Tank Revolving Fund	0	5,126,700	160,800
Water Quality Fee Fund	8,572,200	10,575,500	10,806,300
SUBTOTAL - Other Appropriated Funds	74,875,300	84,881,600	70,907,900
SUBTOTAL - Appropriated Funds	74,875,300	85,081,600	85,907,900
Other Non-Appropriated Funds	55,377,600	61,199,800	60,205,900
Federal Funds	14,618,000	17,512,200	17,512,200
TOTAL - ALL SOURCES	144,870,900	163,793,600	163,626,000

AGENCY DESCRIPTION — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the cleanup (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.

FOOTNOTES

^{1/} A.R.S. § 49-282 requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it would be shown here as a General Fund expenditure. The budget limits the FY 2021 WQARF transfer from the General Fund to \$15,000,000.

- 2/ The department of environmental quality shall report annually on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. The department shall submit the fiscal year 2020-2021 report to the joint legislative budget committee on or before September 1, 2020. This report shall also include a budget for the WQARF program that is developed in consultation with the WQARF advisory board. This budget shall specify the monies budgeted for each listed site during fiscal year 2020-2021. In addition, the department and the advisory board shall prepare and submit to the joint legislative budget committee, on or before October 1, 2020, a report in a table format summarizing the current progress on remediation of each listed site on the WQARF registry. The table shall include the stage of remediation for each site at the end of fiscal year 2019-2020, indicate whether the current stage of remediation is anticipated to be completed in fiscal year 2020-2021 and indicate the anticipated stage of remediation at each listed site at the end of fiscal year 2020-2021, assuming fiscal year 2020-2021 funding levels. The department and advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)
- 3/ Pursuant to section 49-282, subsection G, Arizona Revised Statutes, the director of environmental quality shall submit a fiscal year 2021-2022 budget for the water quality assurance revolving fund before September 1, 2020, for review by the senate and house of representatives appropriations committees. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 5/ All indirect cost recovery fund monies received by the department of environmental quality in excess of \$14,025,500 in fiscal year 2020-2021 are appropriated to the department. Before spending indirect cost recovery fund monies in excess of \$14,025,500 in fiscal year 2020-2021, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 6/ All permit administration fund monies received by the department of environmental quality in excess of \$7,327,100 in fiscal year 2020-2021 are appropriated to the department. Before spending permit administration fund monies in excess of \$7,327,100 in fiscal year 2020-2021, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes \$47,933,700 and 322 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
Air Quality Fund	\$5,472,400
Emergency Response Fund	132,800
Emissions Inspection Fund	5,546,300
Hazardous Waste Management Fund	1,785,000
Indirect Cost Recovery Fund	14,025,500
Permit Administration Fund	7,327,100
Recycling Fund	1,396,800
Solid Waste Fee Fund	1,280,700
Underground Storage Tank Revolving Fund	160,800
Water Quality Fee Fund	10,806,300

FY 2021 adjustments are as follows:

Remove Volkswagen Settlement Air Quality Backfill

The budget includes an increase of \$993,900 in FY 2021 from the Air Quality Fund to undo the backfill of the Air Quality Fund monies with non-appropriated Volkswagen (VW) Settlement monies.

The FY 2019 General Appropriation Act included a transfer of \$993,900 in both FY 2019 and FY 2020 from the Air Quality Fund to the General Fund, accompanied by an Air

Quality Fund appropriation reduction of \$(993,900). Air Quality Fund expenditures were backfilled with Volkswagen (VW) Settlement monies in FY 2019 and FY 2020. (Please see the FY 2019 Appropriations Report Attorney General narrative for more information about the Volkswagen Settlement monies.)

The budget continues the Environment Budget Reconciliation Bill (BRB) provision allowing the department to utilize up to \$6,531,000 from the Underground Storage Tank Revolving (UST) Fund for department administrative expenses and for sewage discharges in other border areas of Arizona.

Statewide Adjustments

The budget includes an increase of \$1,111,000 in FY 2021 for statewide adjustments. This amount consists of:

Air Quality Fund	82,600
Emissions Inspection Fund	77,800
Hazardous Waste Management Fund	36,800
Indirect Cost Recovery Fund	409,600
Permit Administration Fund	171,400
Recycling Fund	35,000
Solid Waste Fee Fund	32,900
Underground Storage Tank Revolving Fund	34,100
Water Quality Fee Fund	230,800

(Please see the Agency Detail and Allocations section.)

Emissions Control Contractor Payment

The budget includes \$21,119,500 from the Emissions Inspection Fund in FY 2021 for the Emissions Control Contractor Payment. This amount is unchanged from FY 2020.

Monies appropriated to this line item are used to pay the Emissions Control Program contractor. Under the contract, the contractor remits the entire amount of the fee to ADEQ for deposit in the Emissions Inspection Fund. ADEQ then determines the amount due to the contractor, based on the number of vehicles inspected, and makes payments to the contractor on a regular basis.

The Emissions Control Program is operated by an independent contractor in the Phoenix Metropolitan Area and the Tucson Metropolitan Area with the purpose of identifying and repairing polluting motor vehicles. The program is funded through test fees that are charged to motorists at the time of inspection. Statute does not specify a fee level. The Director of ADEQ has the statutory authority to specify the fees required to pay for the full cost of the Vehicle Emissions Inspection Program.

The budget continues an Environment BRB provision reducing emissions inspection fees by \$3.00 in Area A, which refers to the Phoenix Metropolitan Area and includes Maricopa County as well as portions of Pinal and Yavapai Counties. *(Please see Other Issues for more information.)*

Maricopa County Dust Suppression Pilot Program

The budget includes no funding in FY 2021 for the Maricopa County Dust Suppression Pilot Program. FY 2021 adjustments are as follows:

Remove One-Time Pilot Program Funding

The budget includes a decrease of \$(200,000) from the General Fund in FY 2021 to remove one-time funding for the Maricopa County Dust Suppression Pilot Program. The monies fund a pilot program in Sun Lakes, Arizona.

Nogales Wastewater Project

The budget includes no funding in FY 2021 for the Nogales Wastewater Project. FY 2021 adjustments are as follows:

Remove One-Time Pipeline Project Funding

The budget includes a decrease of \$(2,569,300) in FY 2021 to remove one-time funding for the Nogales Wastewater Project. This amount consists of:

Air Quality Fund	(1,300,000)
Emissions Inspection Fund	(1,269,300)

This line item funds the Nogales Wash and International Outfall Interceptor (IOI) pipeline project. The project repairs the damaged 8.8-mile IOI pipeline running under the Nogales Wash that carries approximately 12 million gallons of raw sewage each day from Sonora, Mexico, to the Nogales International Wastewater Treatment Plant. Leaks from the IOI pipeline have discharged raw sewage into the Santa Cruz River.

The estimated total cost of the IOI project is \$28 million. The International Boundary and Water Commission is providing \$21 million, or 78% of the cost of the project. The other \$6 million, or 22%, is being provided by local governments, the state, federal grants, and nonprofits.

Safe Drinking Water Program

The budget includes \$1,854,700 from the Safe Drinking Water Program Fund in FY 2021 for the Safe Drinking Water Program. The FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$42,700 from the Safe Drinking Water Program Fund in FY 2021 for statewide adjustments.

The Safe Drinking Water Program Fund receives the first \$1,800,000 of Public Water System (PWS) tax revenues. ADEQ's expenditures for the Safe Drinking Water Program appear in *Table 1*.

Table 1

Safe Drinking Water Program Costs

<u>Position or Function</u>	<u>Actual FY 2019</u>	<u>Estimated FY 2020</u>
Direct Personnel	\$ 717,700	\$1,136,400
Indirect Cost Fund	321,200	490,500
Contracting	43,700	131,700
Travel	26,100	32,000
Other	62,200	21,400
Total	\$1,170,900	\$1,812,000

WQARF Priority Site Remediation

The budget includes \$15,000,000 from the General Fund in FY 2021 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. FY 2021 adjustments are as follows:

Table 2

WQARF Funding

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Approved
General Fund	\$ 0	\$ 0	\$15,000,000
Air Quality Fund	5,000,000	2,600,000	0
Emissions Inspection Fund	6,500,000	2,800,000	0
Permit Administration Fund	0	1,000,000	0
Recycling Fund	2,052,000	2,152,000	0
UST Fund	0	5,000,000	0
Total Appropriation	\$13,552,000	\$13,552,000	\$15,000,000
Non-Appropriated	\$ 2,000,000	\$ 2,000,000	\$ 0
Total Funds	\$15,552,000	\$15,552,000	\$15,000,000

WQARF Funding Shift

The budget includes an increase of \$1,448,000 in FY 2021 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount consists of:

General Fund	15,000,000
Air Quality Fund	(2,600,000)
Emissions Inspection Fund	(2,800,000)
Permit Administration Fund	(1,000,000)
Recycling Fund	(2,152,000)
Underground Storage Tank Revolving Fund	(5,000,000)

The WQARF funding for FY 2019 through FY 2021 is shown in *Table 2*.

A.R.S. § 49-288 requires WQARF to be funded from an annual \$15,000,000 transfer from the Corporate Income Tax (CIT). In addition, WQARF generates other revenue from various license and registration fees. A.R.S. § 49-282 directs the State Treasurer to adjust the \$15,000,000 CIT transfer so that, when combined with the WQARF fee-generated revenue, the program receives \$18,000,000 annually.

The budget continues the Environment BRB provision notwithstanding these statutory provisions but for FY 2021 caps the General Fund transfer at \$15,000,000, effectively funding the program at the statutory level.

Background – The WQARF program is similar to the federal Superfund program in that it is designed to monitor and remediate contaminated groundwater at specified sites. Program expenditures include searching for responsible polluters, conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

Other Issues**Statutory Changes**

The Environment BRB makes the following statutory changes:

- As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2021 for department administrative expenses and for sewage remediation.
- As session law, appropriate \$15,000,000 from the state General Fund to the Water Quality Assurance Revolving Fund (WQARF).
- As session law, continue the FY 2020 level of vehicle emissions inspection fees in FY 2021 (FY 2020 fees are \$3 less than FY 2016 in Area A, which includes Maricopa County and portions of Pinal and Yavapai Counties).

Vehicle Emissions Inspection (VEI) FeesFund Sources and Uses

The VEI Program generates more in fees than the cost of administering the program, but total expenditures match or exceed fees when factoring in monies used from the fund for other programs, as shown in *Table 3*.

The budget continues the Environment BRB provision reducing emissions inspection fees by \$3.00 in Area A. This does not affect Area B, which refers to the Tucson Metropolitan Area. Area A's onboard diagnostic (OBD) test fee is reduced from \$20.00 to \$17.00, its steady state and idle test fee is reduced from \$19.00 to \$16.00, and its heavy-duty diesel test fee is reduced from \$28.00 to \$25.00. The change is estimated to reduce fees on over 1.2 million tests conducted annually and reduce VEI Fund revenues by approximately \$(3.7) million annually.

Table 3

Emissions Inspection Fund

	Actual	Estimated	Estimated
<u>Revenues</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Balance Forward	\$11,666,800	\$ 7,593,500	\$ 5,061,200
Fees	<u>27,370,100</u>	<u>28,125,000</u>	<u>28,125,000</u>
Total Revenues	\$39,036,900	\$35,718,500	\$33,186,200
<u>Expenditures</u>			
Contractor Payment	\$21,996,600	\$21,119,500	\$21,119,500
Operating Expenses	2,946,800	6,737,800	5,468,500
WQARF	<u>6,500,000</u>	<u>2,800,000</u>	<u>2,800,000</u>
Total Expenditures	\$31,443,400	\$30,657,300	\$29,388,000
Total Balance	\$ 7,593,500	\$ 5,061,200	\$3,798,200

Phoenix Metropolitan Area and Tucson Metropolitan area vehicle owners pay different rates as outlined below:

- Vehicle owners in the Phoenix area pay \$17.00 for the OBD test, while those in the Tucson area pay \$12.25 for the same test. Regardless of location, ADEQ pays its contractor \$13.85 for each diagnostic test.
- Owners of heavy-duty diesel trucks in the Phoenix area pay \$25.00 for each test, while those in the Tucson area pay \$12.25 for each test. Regardless of location, ADEQ pays its contractor \$23.50 for each heavy-duty diesel test.

Governor's Office of Equal Opportunity

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	137,300	133,300	139,600
Employee Related Expenditures	40,400	50,900	52,100
Travel - In State	600	1,200	1,200
Other Operating Expenditures	1,500	4,000	4,000
Equipment	100	800	800
AGENCY TOTAL	179,900	190,200	197,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Division Fund	179,900	190,200	197,700
SUBTOTAL - Other Appropriated Funds	179,900	190,200	197,700
SUBTOTAL - Appropriated Funds	179,900	190,200	197,700
TOTAL - ALL SOURCES	179,900	190,200	197,700

AGENCY DESCRIPTION — The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.

FOOTNOTES

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

Operating Budget

The budget includes \$197,700 and 4 FTE Positions from the Personnel Division Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$7,500 from the Personnel Division Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Equalization

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	191,900	274,200	287,100
Employee Related Expenditures	62,800	78,600	79,900
Professional and Outside Services	9,300	35,000	35,000
Travel - In State	10,400	16,000	16,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	149,200	235,200	235,200
Equipment	1,600	15,000	15,000
AGENCY TOTAL	425,200	659,000	673,200^{1/}
FUND SOURCES			
General Fund	425,200	659,000	673,200
SUBTOTAL - Appropriated Funds	425,200	659,000	673,200
TOTAL - ALL SOURCES	425,200	659,000	673,200

AGENCY DESCRIPTION — The State Board of Equalization hears property tax appeals for Maricopa and Pima Counties. The board consists of 41 seats, of which 21 are appointed by the Governor and 20 are appointed by the Board of Supervisors of each county. Property tax appeals in other counties continue to be heard by their respective County Boards of Equalization. The board also hears appeals of centrally-valued properties and equalization orders by the Department of Revenue.

FOOTNOTES

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

Operating Budget

The budget includes \$673,200 and 7 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$14,200 from the General Fund in FY 2021 for statewide adjustments.
(Please see Agency Detail and Allocations section.)

Board of Executive Clemency

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.5	14.5	14.5
Personal Services	591,100	645,800	668,500
Employee Related Expenditures	191,500	216,500	228,300
Professional and Outside Services	200	32,400	32,400
Travel - In State	500	13,600	13,600
Other Operating Expenditures	216,100	231,700	231,700
Equipment	600	10,000	10,000
AGENCY TOTAL	1,000,000	1,150,000	1,184,500 ^{1/2/}
FUND SOURCES			
General Fund	1,000,000	1,150,000	1,184,500
SUBTOTAL - Appropriated Funds	1,000,000	1,150,000	1,184,500
Other Non-Appropriated Funds	17,000	30,100	30,100
TOTAL - ALL SOURCES	1,017,000	1,180,100	1,214,600

AGENCY DESCRIPTION — The board consists of 1 full-time chairman and 4 full-time members. The board makes decisions regarding the discretionary release of inmates convicted prior to January 1, 1994 who are parole and/or home arrest eligible. The board holds hearings for the revocation of parole or community supervision for crimes convicted on or after January 1, 1994, and determines the modification of release conditions and release decisions. The board considers executive clemency actions such as pardons, commutations, and absolute discharges for eligible offenders.

FOOTNOTES

- 1/ On or before November 1, 2020, the board of executive clemency shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting the total number and types of cases the board reviewed in fiscal year 2019-2020. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$1,184,500 and 14.5 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$34,500 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Caseload Data

Pursuant to a footnote in the FY 2020 General Appropriation Act, the board submitted a report on its FY 2019 caseload. The board conducted 2,848 case hearings in FY 2019, as described below:

- Phases 1 and 2 Commutation (185): After reviewing an inmate's request to have their sentence commuted, the board can decide to deny the request or allow the request to move to a Phase 2 Commutation hearing.
- Pardon (13): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (15): The board can discharge a person from imprisonment or parole supervision prior to the sentence expiration date or prior to the expiration of parole.
- Modification (0): The board can recommend to the Governor that an inmate's sentence be modified or commuted.
- Reprieve (0): The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate's punishment.
- Parole (479): These hearings only apply to offenders sentenced prior to 1994. The board may place these offenders on parole or deny their application for

parole and return them to the Department of Corrections.

- Violator (2,156): These hearings are conducted when an offender has violated the terms of community supervision.

Arizona Exposition and State Fair Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	3,732,500	4,620,100	4,620,100
Employee Related Expenditures	979,800	1,071,200	1,312,700
Professional and Outside Services	210,900	350,400	350,400
Travel - In State	2,600	2,500	2,500
Travel - Out of State	8,400	10,000	10,000
Other Operating Expenditures	7,357,800	7,139,800	7,139,800
Equipment	43,600	88,200	88,200
AGENCY TOTAL	12,335,600	13,282,200	13,523,700 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Exposition and State Fair Fund	12,335,600	13,282,200	13,523,700
SUBTOTAL - Other Appropriated Funds	12,335,600	13,282,200	13,523,700
SUBTOTAL - Appropriated Funds	12,335,600	13,282,200	13,523,700
TOTAL - ALL SOURCES	12,335,600	13,282,200	13,523,700

AGENCY DESCRIPTION — The Arizona Exposition and State Fair (AESF) Board is custodian of the 96-acre State Fairgrounds and Memorial Coliseum properties. The board directs and conducts the annual Arizona State Fair and leases the coliseum and fairgrounds facilities for special events, including the annual Arizona National Livestock Show.

FOOTNOTES

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

Operating Budget

The budget includes \$13,523,700 and 184 FTE Positions from the AESF Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$241,500 from the AESF Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Department of Financial Institutions

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	73.1	73.1	0.0
Personal Services	3,322,000	3,497,900	0
Employee Related Expenditures	1,210,800	1,294,300	0
Professional and Outside Services	237,000	294,300	0
Travel - In State	100	6,000	0
Travel - Out of State	4,900	12,800	0
Other Operating Expenditures	570,200	804,800	0
Equipment	4,300	108,000	0
AGENCY TOTAL	5,349,300	6,018,100	0
FUND SOURCES			
General Fund	1,703,900	1,980,900	0
<u>Other Appropriated Funds</u>			
Financial Services Fund	3,595,400	3,986,600	0
Revolving Fund	50,000	50,600	0
SUBTOTAL - Other Appropriated Funds	3,645,400	4,037,200	0
SUBTOTAL - Appropriated Funds	5,349,300	6,018,100	0
Other Non-Appropriated Funds	1,908,300	253,000	0
TOTAL - ALL SOURCES	7,257,600	6,271,100	0

AGENCY DESCRIPTION — The department regulates state-chartered financial entities. The regulated entities include money transmitters, motor vehicle dealers, holding companies, trust companies, sales finance companies, collection agencies, escrow agents, debt management companies, consumer lenders, mortgage bankers, mortgage brokers, premium finance companies, credit unions and banks. The department also regulates real estate appraisal entities.

Laws 2019, Chapter 252 merged the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance (DOI) and renamed the agency the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly renamed agency retains all the same regulatory functions as the previous 3 agencies as Chapter 252 stipulates that DIFI retains the same authority, powers, duties, and responsibilities of DOI, DFI and ATA and transfers all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

Operating Budget

The budget includes no funding in FY 2021 for the operating budget. This amount consists of:

	FY 2021
General Fund	\$0
Financial Services Fund	0
Revolving Fund	0

FY 2021 adjustments are as follows:

Agency Consolidation

The budget includes a decrease of \$(6,018,100) and (73.1) FTE Positions in FY 2021 for agency consolidation. This amount consists of:

General Fund	(1,980,900)
Financial Services Fund	(3,986,600)
Revolving Fund	(50,600)

Laws 2019, Chapter 252 merged the Department of Financial Institutions (DFI) and the Automobile Theft Authority (ATA) into the Department of Insurance and renames the agency the Department of Insurance and Financial Institutions (DIFI). This reduction is offset by an equally sized increase in the DIFI appropriation. *(Please see the Department of Insurance and Financial Institutions section for more information.)*

Arizona Department of Forestry and Fire Management

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	88.0	88.0	88.0 ^{1/}
Personal Services	1,935,500	1,985,000	1,985,000
Employee Related Expenditures	751,000	775,000	888,600
Professional and Outside Services	100	500	500
Travel - In State	4,700	5,000	5,000
Travel - Out of State	9,100	10,000	10,000
Other Operating Expenditures	301,500	291,400	291,400
Equipment	300	25,300	25,300
OPERATING SUBTOTAL	3,002,200	3,092,200	3,205,800
SPECIAL LINE ITEMS			
Environmental County Grants	250,000	250,000	250,000
Fire Suppression	3,200,000	3,200,000	3,200,000 ^{2/}
Hazardous Vegetation Removal	1,147,500	3,000,000	3,000,000 ^{3/}
Inmate Firefighting Crews	692,300	693,200	727,500
Post-Release Firefighting Crews	994,000	1,010,700	1,063,400
Mount Lemmon Fire District	0	750,000	0
Nonnative Vegetation Species Eradication	0	2,000,000	1,000,000 ^{4/}
State Fire Marshal	718,200	748,600	777,600
State Fire School	172,300	172,700	175,300
Taylor Fire Training Center	0	1,000,000	0
AGENCY TOTAL	10,176,500	15,917,400	13,399,600 ^{5/}
FUND SOURCES			
General Fund	10,176,500	15,917,400	13,399,600
SUBTOTAL - Appropriated Funds	10,176,500	15,917,400	13,399,600
Other Non-Appropriated Funds	66,823,300	55,907,100	55,907,100
TOTAL - ALL SOURCES	76,999,800	71,824,500	69,306,700

AGENCY DESCRIPTION — The Arizona Department of Forestry and Fire Management (DFFM) is responsible for the prevention and suppression of forest fires on State Trust Land and private land outside incorporated municipalities (about 22 million acres total). The department includes the Office of the State Fire Marshal, which enforces the state fire codes and provides training and education for fire personnel and the general public. All training provided by the department must comply with safety standards prescribed by the National Fire Protection Association and the Occupational Safety and Health Administration of Arizona.

FOOTNOTES

- ^{1/} Includes 45 GF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} A.R.S. § 37-1305 annually appropriates \$3,000,000 from the General Fund to the Fire Suppression Revolving Fund. Because this authorization is in permanent statute, \$3,000,000 of the appropriated amount is not included in the General Appropriation Act.
- ^{3/} The appropriation for the hazardous vegetation removal line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, through June 30, 2022. (General Appropriation Act footnote)
- ^{4/} The sum of \$1,000,000 is appropriated from the state General Fund in each of FY 2021, FY 2022, FY 2023, FY 2024, FY 2025, FY 2026, FY 2027, FY 2028, and FY 2029 to the Arizona Department of Forestry and Fire Management for deposit in the Nonnative Vegetation Species Eradication Fund established by A.R.S. § 37-1309 to assist in preventing wildland fire and flooding. (FY 2020 General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$3,205,800 and 43 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$113,600 from the General Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Environmental County Grants

The budget includes \$250,000 from the General Fund in FY 2021 for Environmental County Grants. This amount is unchanged from FY 2020.

Monies in this line item have been used by Greenlee, Graham, Gila, Navajo, and Apache Counties for environmental projects that impact economic development in those counties. Previously funded projects include forest restoration, endangered species habitat protection, watershed restoration, and natural resource planning. DFFM must approve any project prior to expenditure of the monies.

Fire Suppression

The budget includes \$3,200,000 from the General Fund in FY 2021 for Fire Suppression. This amount is unchanged from FY 2020.

Monies in this line item are used for fire suppression on state trust land and rural private land. A.R.S. § 37-1305 provides an annual appropriation of up to \$3,000,000 from the General Fund for fire suppression. Because this authorization is in permanent statute, only \$200,000 of the appropriated amount is included in the General Appropriation Act.

Hazardous Vegetation Removal

The budget includes \$3,000,000 from the General Fund in FY 2021 for a Hazardous Vegetation Removal program. This amount is unchanged from FY 2020.

This line item supports hazardous material removal programs that treat state and private lands through prescribed burning or thinning of flammable vegetation. This work can be conducted by DFFM crews or through fuel reduction grants to contractors.

Inmate Firefighting Crews

The budget includes \$727,500 and 13 FTE Positions from the General Fund in FY 2021 for Inmate Firefighting Crews. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$34,300 from the General Fund in FY 2021 for statewide adjustments.

These monies provide firefighting training for 12 inmate fire crews. The crews act as first responders and are used for fuel treatment and fire suppression.

Post-Release Firefighting Crews

The budget includes \$1,063,400 and 20 FTE Positions from the General Fund in FY 2021 for Post-Release Firefighting Crews. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$52,700 from the General Fund in FY 2021 for statewide adjustments.

Monies in this line item provide firefighting training for recently released inmates who previously participated in Inmate Firefighting Crews (*see Inmate Firefighting Crews line item*). The Post-Release Firefighting Program allows program participants to work towards completing their wildland firefighting certification following release from Department of Corrections custody.

Mount Lemmon Fire District

The budget includes no funding in FY 2021 for the Mount Lemmon Fire District line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(750,000) from the General Fund in FY 2021 to remove one-time funding for the Mount Lemmon Fire District line item.

Monies in this line item were used to construct a new water line for the Mount Lemmon Fire District.

Nonnative Vegetation Species Eradication

The budget includes \$1,000,000 from the General Fund in FY 2021 for the Nonnative Vegetation Species Eradication line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2021 to remove one-time funding for the Nonnative Vegetation Species Eradication line item.

The FY 2020 General Appropriation Act appropriated \$1,000,000 from the General Fund to DFFM to deposit in the Nonnative Vegetation Species Eradication Fund in each fiscal year of FY 2021 through FY 2029. Because these monies were advanced appropriated in the FY 2020 General Appropriation Act, these appropriations will not appear in subsequent General Appropriation Act bills.

Monies in this line item are used to provide grants to other state agencies, cities, towns, counties, Indian tribes, and other political subdivisions and nonprofit organizations to fund projects that will assist in the prevention of wildfires and flooding and promote restoration of wildlife habitats by removing nonnative vegetation and replacing it with native vegetation. Saltcedar plants are an example of a nonnative vegetation species.

State Fire Marshal

The budget includes \$777,600 and 11 FTE Positions from the General Fund in FY 2021 for the State Fire Marshal. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$29,000 from the General Fund in FY 2021 for statewide adjustments.

The Office of the State Fire Marshal enforces the state fire codes and provides training and education for fire personnel and the general public.

State Fire School

The budget includes \$175,300 and 1 FTE Position from the General Fund in FY 2021 for the State Fire School. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,600 from the General Fund in FY 2021 for statewide adjustments.

Monies in this line item primarily subsidize smaller rural volunteer fire departments attending Arizona State Fire School workshops which provide firefighting education. Generally, fire departments pay for tuition, but the firefighters pay for their room and board to attend the 4-day Fire School. The Arizona State Fire Training Committee, a non-profit organization, coordinates and manages the Fire School. The majority of Fire School

workshops take place at the Mesa Convention Center in downtown Mesa with the exception of a few workshops that must be held at designated off-site locations.

Besides \$100,000 for subsidizing these costs, the remaining \$75,300 and 1 FTE Position is used for liaison work with the Arizona State Fire Training Committee and other firefighter training activities.

Taylor Fire Training Center

The budget includes no funding in FY 2021 for the Taylor Fire Training Center line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2021 to remove one-time funding for the Taylor Fire Training Center line item.

Monies in this line item were distributed to the Navajo County Community College District to fund a public safety and emergency services training facility in Taylor. The facility will be available to both public and private entities for training.

Other Issues

Budget Stabilization Fund Use for Processing Wildland Fire Claims

The Budget Stabilization Fund (BSF) functions as the state's "Rainy Day Fund" and is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth.

Beginning in FY 2016, A.R.S. § 35-144 authorized DFFM to use up to \$10.0 million in BSF monies to pay wildland fire suppression claims. The balance consists of the cumulative amount DFFM has used for fire suppression claims less the amount it has reimbursed to the State Treasurer. Federal agencies maintain a single cooperative agreement with the state through DFFM while the department maintains over 200 cooperative agreements with local fire districts. Because of this cooperative agreement structure, there is no mechanism for local districts to seek federal reimbursement outside of going through DFFM.

In FY 2018, DFFM'S outstanding balance increased by \$6.5 million. Combined with prior year FY 2016 and FY 2017 year-end outstanding balances of \$3.5 million, the FY 2018 year-end outstanding balance was effectively at the

\$10.0 million statutory cap. Because DFFM was at the statutory cap, there was little to no capacity to process additional claims.

As of February 2019, there were approximately 660 claims totaling \$9.9 million from local districts waiting to be processed into the BSF but were pending due to the fund's statutory capacity limit. To address this, Laws 2019, Chapter 269 increased the statutory cap from \$10.0 million to \$20.0 million.

As of June 2020, DFFM reports that there is roughly \$1.0 million in pending BSF capacity awaiting federal reimbursement. *(Please see the Budget Stabilization Fund section for more information.)*

State Board of Funeral Directors and Embalmers

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	182,000	202,400	209,000
Employee Related Expenditures	84,800	89,300	95,400
Professional and Outside Services	6,500	25,000	25,000
Travel - In State	1,400	5,000	5,000
Travel - Out of State	1,800	5,000	5,000
Other Operating Expenditures	69,300	61,700	61,700
Equipment	1,000	0	0
OPERATING SUBTOTAL	346,800	388,400	401,100
SPECIAL LINE ITEMS			
Retirement Payout	0	11,300	0
AGENCY TOTAL	346,800	399,700	401,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Funeral Directors' and Embalmers' Fund	346,800	399,700	401,100
SUBTOTAL - Other Appropriated Funds	346,800	399,700	401,100
SUBTOTAL - Appropriated Funds	346,800	399,700	401,100
TOTAL - ALL SOURCES	346,800	399,700	401,100

AGENCY DESCRIPTION — The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$401,100 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$12,700 from the Board of Funeral Directors' and Embalmers' Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Retirement Payout

The budget includes no funding from the Board of Funeral Directors' and Embalmers' Fund in FY 2021 for a retirement payout. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(11,300) from the Board of Funeral Directors' and Embalmers' Fund in FY 2021 for an annual leave payout for one retirement.

Arizona Game and Fish Department

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	13,445,400	15,775,300	17,866,600
Employee Related Expenditures	10,333,100	13,140,600	13,140,600
Professional and Outside Services	1,091,000	1,738,700	1,738,700
Travel - In State	205,100	247,000	247,000
Travel - Out of State	131,200	169,400	169,400
Other Operating Expenditures	9,749,800	9,242,500	9,242,500
Equipment	712,400	607,600	607,600
OPERATING SUBTOTAL	35,668,000	40,921,100	43,012,400
SPECIAL LINE ITEMS			
Pittman-Robertson/Dingell-Johnson Act	3,058,000	3,058,000	3,058,000
AGENCY TOTAL	38,726,000	43,979,100	46,070,400 ^{1/}

FUND SOURCES

Other Appropriated Funds

Capital Improvement Fund	1,300,300	1,001,200	1,001,200
Game and Fish Fund	33,253,000	37,758,600	39,703,700
Game, Non-Game, Fish and Endangered Species Fund	102,200	347,700	357,900
Watercraft Licensing Fund	3,989,400	4,855,400	4,991,400
Wildlife Endowment Fund	81,100	16,200	16,200
SUBTOTAL - Other Appropriated Funds	38,726,000	43,979,100	46,070,400
SUBTOTAL - Appropriated Funds	38,726,000	43,979,100	46,070,400
Other Non-Appropriated Funds	47,113,500	35,115,000	35,115,000
Federal Funds	44,147,700	54,018,500	54,018,500
TOTAL - ALL SOURCES	129,987,200	133,112,600	135,203,900

AGENCY DESCRIPTION — The Arizona Game and Fish Department (AGFD) manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. A 5-member commission appointed by the Governor oversees department operations.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$43,012,400 and 273.5 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
Capital Improvement Fund	\$1,001,200
Game and Fish Fund	36,645,700
Game, Non-Game, Fish and Endangered Species Fund	357,900
Watercraft Licensing Fund	4,991,400
Wildlife Endowment Fund	16,200

Statewide Adjustments

The budget includes an increase of \$2,091,300 in FY 2021 for statewide adjustments. This amount consists of:

Game and Fish Fund	1,945,100
Game, Non-Game, Fish and Endangered Species Fund	10,200
Watercraft Licensing Fund	136,000

(Please see the Agency Detail and Allocations section.)

<i>Pittman-Robertson/Dingell-Johnson Act</i>

The budget includes \$3,058,000 from the Game and Fish Fund in FY 2021 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2020.

This line item funds the state's 25% match for federal aid matching funds for wildlife restoration projects. The department also uses \$2.6 million in non-appropriated funds to match Pittman-Robertson/Dingell-Johnson Act grants.

Department of Gaming

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	155.8	155.8	155.8 ^{1/}
Personal Services	4,257,100	4,686,200	4,686,200
Employee Related Expenditures	1,625,400	1,634,800	1,634,800
Professional and Outside Services	746,000	1,017,400	1,017,400
Travel - In State	255,500	250,700	250,700
Travel - Out of State	64,900	30,000	30,000
Other Operating Expenditures	1,611,300	1,405,700	1,443,800
Equipment	135,800	136,300	136,300
OPERATING SUBTOTAL	8,696,000	9,161,100	9,199,200
SPECIAL LINE ITEMS			
Arizona Breeders' Award	250,000	250,000	250,000
Casino Operations Certification	1,831,300	2,098,300	2,176,500
County Fairs Livestock and Agriculture Promotion	1,779,500	2,509,500	2,509,500 ^{2/}
Division of Racing	1,893,600	2,252,400	2,318,300
Problem Gambling	2,028,600	2,292,200	2,344,300
AGENCY TOTAL	16,479,000	18,563,500	18,797,800 ^{3/}
FUND SOURCES			
General Fund	1,779,500	2,509,500	2,509,500
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	10,424,600	11,153,300	11,243,500
Racing Regulation Fund	2,143,600	2,402,400	2,466,000
Racing Regulation Fund - Unarmed Combat Subaccount	0	100,000	102,300
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,831,300	2,098,300	2,176,500
SUBTOTAL - Other Appropriated Funds	14,699,500	16,054,000	16,288,300
SUBTOTAL - Appropriated Funds	16,479,000	18,563,500	18,797,800
Other Non-Appropriated Funds	354,500	469,300	469,300
TOTAL - ALL SOURCES	16,833,500	19,032,800	19,267,100

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts. The agency is funded by the Arizona Benefits Fund, which receives a portion of tribal gaming revenues to pay for regulation of tribal gaming and prevention of problem gambling. The agency is also responsible for certifying casino employees and vendors working with casinos. The department receives monies from the Tribal-State Compact Fund through casino employee and vendor certification application fees. The department's responsibilities include the Division of Racing.

FOOTNOTES

- ^{1/} Includes 73.5 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} The amount appropriated to the county fairs livestock and agriculture promotion line item is for deposit in the county fairs livestock and agriculture promotion fund established by section 5-113, Arizona Revised Statutes, and to be administered by the office of the governor. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Administrative Expenses

The budget includes \$9,199,200 in FY 2021 for administrative expenses. The appropriation serves as a

cap on the level of spending. The department's permissible spending level will be determined by the level of gaming revenues. Pursuant to the Gaming ballot

initiative (A.R.S. § 5-601.02) and the Tribal-State Gaming Compacts, the department's administrative expenses from the Arizona Benefits Fund, excluding Problem Gambling, are limited to the greater of \$8,000,000, or 9% of state tribal gaming revenues.

In FY 2021, Gaming has the authority to spend \$9,199,200. This funding amount is based on data from the first quarter of FY 2020 which forecasted 9% of FY 2021 tribal gaming revenues to be \$9,199,200. The department can expend the actual 9% level or the expenditure authority level, whichever is lower.

Problem Gambling

The budget includes \$2,344,300 in FY 2021 for Problem Gambling, which consists of \$2,044,300 from the Arizona Benefits Fund and \$300,000 from the State Lottery Fund.

The department's permissible spending level for Problem Gambling from the Arizona Benefits Fund will be determined by the level of gaming revenues. Pursuant to the Gaming ballot initiative and the Tribal-State Gaming Compacts, the department's Problem Gambling expenses from the Arizona Benefits Fund are limited to 2% of revenues.

In FY 2021, Gaming has the authority to spend \$2,344,300. This funding amount is based on the \$300,000 State Lottery Fund appropriation and data from the first quarter of FY 2020 which forecasted 2% of FY 2021 tribal gaming revenues to be \$2,044,300. The department can expend the actual 2% level or the expenditure authority level, whichever is lower.

(See Gaming Revenues for additional details.)

Operating Budget

The budget includes \$9,199,200 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Align Appropriation with 9% of Gaming Revenues

The budget includes an increase of \$38,100 from the Arizona Benefits Fund in FY 2021 to align the appropriation level for the department's operating budget with 9% of anticipated FY 2021 state gaming revenues. This estimate is based on data from the first quarter of FY 2020. *(See Table 2 for more information on projected state revenues and department allocations.)*

Arizona Breeders' Award

The budget includes \$250,000 from the Racing Regulation Fund in FY 2021 for the Arizona Breeders' Award. This amount is unchanged from FY 2020.

This line item funds awards to the breeder of every winning horse foaled in the state. In FY 2020, this line item will fund awards equal to 25% of the purse won by the horse.

Casino Operations Certification

The budget includes \$2,176,500 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2021 for Casino Operations Certification. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$78,200 from the Tribal-State Compact Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations sections.)*

The department has the responsibility for investigating and certifying all vendors that provide over \$10,000 per month of goods and services to tribal gaming facilities and all tribal gaming employees, excluding food and beverage personnel who are certified by the relevant tribal gaming office. Certification application fees provide funding for the Casino Operations Certification Special Line Item.

County Fairs Livestock and Agriculture Promotion

The budget includes \$2,509,500 from the General Fund in FY 2021 for County Fairs Livestock and Agriculture Promotion. This amount is unchanged from FY 2020.

The FY 2020 budget's 3-year spending plan included a \$730,000 increase, designated as one-time, each year from FY 2020 through FY 2022.

Monies in this line item are deposited in the County Fairs Livestock and Agriculture Promotion Fund in the Office of the Governor. The fund is used to promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center.

Division of Racing

The budget includes \$2,318,300 and 40.5 FTE Positions in FY 2021 for operating costs associated with the Division of Racing. These amounts consist of:

Racing Regulation Fund	2,216,000
Racing Regulation Fund - Unarmed Combat Subaccount	102,300

FY 2021 adjustments are as follows:

Unarmed Combat Subaccount

The budget includes \$102,300 from the Racing Regulation Fund - Unarmed Combat Subaccount in FY 2021 as part of the Division of Racing line item to provide funding for the Division of Boxing and Mixed Martial Arts.

Statewide Adjustments

The budget includes an increase of \$65,900 in FY 2021 for statewide adjustments. This amount consists of:

Racing Regulation Fund	63,600
Racing Regulation Fund - Unarmed Combat Subaccount	2,300

The Racing Wagering Assessment (RWA) is a regulatory assessment from each commercial racing permittee payable from amounts deducted from pari-mutuel pools by the permittee. All monies received from the RWA are deposited into the Racing Regulation Fund, which is the primary funding source for the Division of Racing.

The Division of Racing regulates the pari-mutuel horse racing industries through the supervision of race meetings, screening of license applicants, collection of taxes and fees, and assessment of fines or other penalties. It also oversees the Arizona Boxing and Mixed Martial Arts Commission, which is responsible for licensing, investigating, and regulating professional boxing, Toughman, and nontraditional fighting contests within Arizona.

Problem Gambling

The budget includes \$2,344,300 and 5 FTE Positions in FY 2021 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	2,044,300
State Lottery Fund	300,000

FY 2021 adjustments are as follows:

Align Appropriation with 2% of Gaming Revenues

The budget includes an increase of \$52,100 from the Arizona Benefits Fund in FY 2021 to align the appropriation level for the Problem Gambling line item with 2% of anticipated FY 2021 state gaming revenues. This estimate is based on data from the first quarter of FY 2020. (See Table 2 for more information on projected state revenues and department allocations.)

Other Issues

Statutory Changes

The Revenue Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2021 only.

Gaming Devices

The Arizona Tribal-State Gaming Compacts regulate tribal gaming activity of Class III, or casino style, gaming on tribal lands in Arizona. The current Compacts were passed in November 2002 as Proposition 202.

As of June 2020, there are currently 16 tribes operating a total of 25 Class III casinos in Arizona. There are also 6 additional tribes which do not have casinos but have slot machine rights that they may lease to tribes with casinos. Table 1 displays the maximum number of gaming devices allowed under the Tribal-State Gaming Compacts.

Table 1

Class III Gaming Devices Statewide			Allowed by
	FY 2006	FY 2021	Compacts
Poker and Blackjack			
Tables	455	525	3,318 ^{1/}
Slot Machines	12,354	16,909	18,158 ^{2/}
Total	12,809	17,434 ^{3/}	21,476

- ^{1/} While the Compacts set the statewide limit at 3,318 betting tables, the Compacts also set a limit of no more than 119 betting tables at any one casino.
- ^{2/} While the Compacts set the statewide limit at 18,158 slot machines, the Compacts also set a limit of no more than 1,301 slot machines at any one casino.
- ^{3/} Figures as of June 2020. The Desert Diamond West Valley Casino completed a \$400 million facilities expansion in 2019 which added 75 new betting tables and 1,090 new slot machines.

Gaming Revenues

From FY 2018 to FY 2019, state gaming revenues increased by 4.1% to \$97,843,700. Based on data from the first quarter of FY 2020, the budget projects that total gaming revenues will increase by 2.2% in FY 2020 to a level of \$100,013,600 then increase by 2.2% again in FY 2021 to a level of \$102,213,700. These estimates serve as the basis for calculating the projected FY 2021 amounts available for administrative expenses and problem gambling. These estimates were made based on first quarter FY 2020 revenues prior to the onset of the COVID-19 pandemic. The public health emergency declared by

the Governor resulted in casino closures beginning in March of 2020. As of June 2020, most casinos in Arizona were closed for at least 10 weeks. (See *Administrative Expenses and Problem Gambling* sections for further

details. See Table 2 for more information on projected state revenues and department allocations. See Table 3 for FY 2019 Tribal Gaming Distributions.)

Table 2

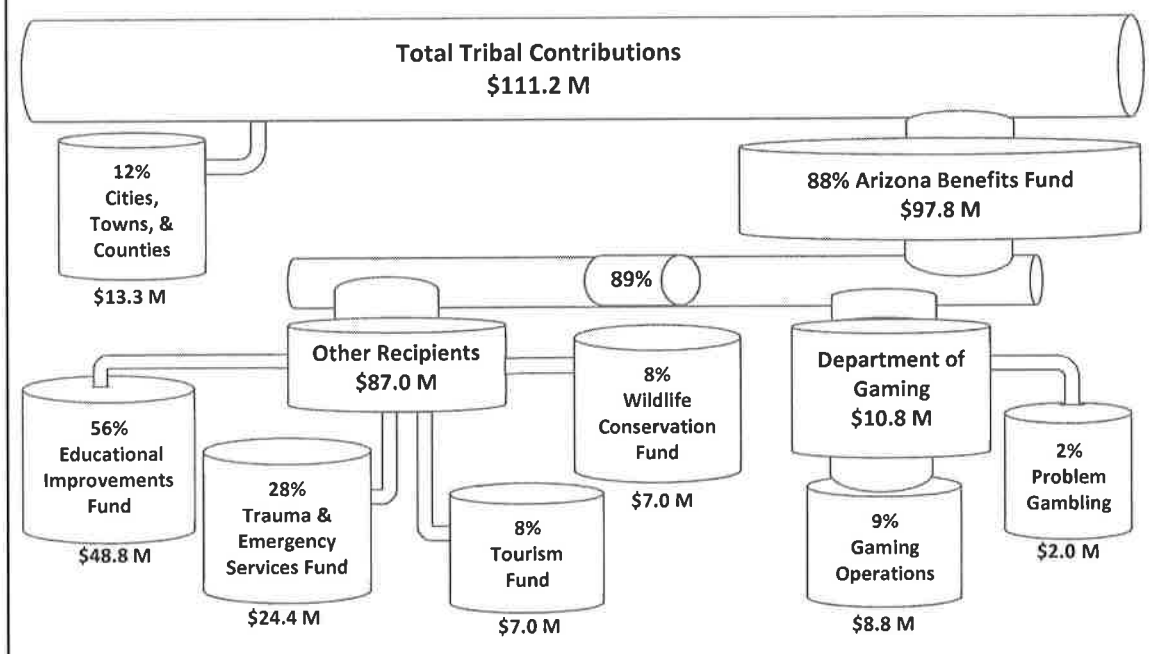
Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}

<u>Recipient</u>	<u>Proposition 202 Formula</u>	<u>FY 2018 Actual ^{1/}</u>	<u>FY 2019 Actuals ^{1/}</u>	<u>FY 2020 Projected</u>	<u>FY 2021 Projected</u>
State Government Distribution	88% of total	\$ 93,976,900	\$ 97,843,700 ^{2/}	\$ 100,013,400 ^{2/}	\$ 102,213,700 ^{2/}
Local Government Distribution ^{3/}	12% of total	<u>12,815,000</u>	<u>13,342,300</u>	<u>13,638,200</u>	<u>13,938,200</u>
Total	100% of total	\$106,791,900	\$111,186,000	\$113,651,600	\$116,151,900
<u>Allocation of State Government's Share</u>					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,457,900 ^{4/}	\$ 8,805,900 ^{4/}	\$ 9,001,200 ^{4/}	\$ 9,199,200 ^{4/}
Department of Gaming Problem Gambling	2%	<u>1,879,500 ^{5/}</u>	<u>1,956,900 ^{5/}</u>	<u>2,000,300 ^{5/}</u>	<u>2,044,300 ^{5/}</u>
Subtotal-Department of Gaming		\$ 10,337,400	\$10,762,800	\$ 11,001,500	\$ 11,243,500
Instructional Improvement Fund (Department of Education)	56% of remainder	46,838,200	48,765,400	49,846,800	50,943,300
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	23,419,100	24,382,700	24,923,300	25,471,700
Arizona Wildlife Conservation Fund	8% of remainder	6,691,100	6,966,500	7,121,000	7,277,600
Tourism Fund	8% of remainder	<u>6,691,100</u>	<u>6,966,500</u>	<u>7,121,000</u>	<u>7,277,600</u>
Total		\$ 93,976,900	\$ 97,843,900	\$ 100,013,600	\$ 102,213,700

- ^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.
- ^{2/} The budget projects 2.2% growth in FY 2020 and 2.2% growth again in FY 2021 for tribal contributions to the Arizona Benefits Fund.
- ^{3/} Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.
- ^{4/} While the FY 2020 appropriation includes \$9,161,100 and the FY 2021 appropriation includes \$9,199,200, A.R.S. § 5-601.02H3 requires 9% of state gaming revenues or \$8,000,000, whichever is greater, to be used for the department's operating budget. The department cannot expend above the actual 9% level or the expenditure authority level, whichever is lower.
- ^{5/} While the FY 2020 appropriation includes \$1,992,200 and the FY 2021 appropriation includes \$2,044,300, A.R.S. § 5-601.02H3 requires 2% of state gaming revenues to be used for problem gambling prevention. The department cannot expend above the actual 2% level or the expenditure authority level, whichever is lower.

Table 3

FY 2019 Tribal Gaming Distributions



Office of the Governor

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	6,662,200	7,199,900	7,424,800 ^{1/2/}
SPECIAL LINE ITEMS			
Crisis Contingency and Safety Net Fund Deposit	0	50,000,000	0
Foster Youth Education Success Program	1,678,000	1,500,000	1,500,000
AGENCY TOTAL	8,340,200	58,699,900	8,924,800 ^{3/}
FUND SOURCES			
General Fund	8,340,200	58,699,900	8,924,800
SUBTOTAL - Appropriated Funds	8,340,200	58,699,900	8,924,800
Other Non-Appropriated Funds	2,944,100	2,701,000	2,701,000
Federal Funds	22,870,900	32,741,900	32,741,900
TOTAL - ALL SOURCES	34,155,200	94,142,800	44,367,700

AGENCY DESCRIPTION — The Governor is the state's Chief Executive Officer and responsible for the execution of state laws. The Office of the Governor includes the Office of Youth, Faith and Family, the Office of Constituent Services, the Arizona-Mexico Commission, as well as others.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$7,424,800 for fiscal year 2020-2021 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$7,424,800 from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$224,900 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Crisis Contingency and Safety Net Fund Deposit

The budget includes no funding from the General Fund in FY 2021 for the Crisis Contingency and Safety Net Fund Deposit. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(50,000,000) from the General Fund in FY 2021 for the elimination of a one-time deposit into the Crisis Contingency and Safety Net Fund.

The Crisis Contingency and Safety Net Fund provides economic assistance during a state of emergency. (Please see the FY 2020 Supplemental narrative below for more details.)

Foster Youth Education Success Program

The budget includes \$1,500,000 from the General Fund in FY 2021 for the Foster Youth Education Success Program. This amount is unchanged from FY 2020.

The Foster Youth Education Success Program was established to improve the educational outcomes of children in Arizona's foster care system.

Other Issues

FY 2020 Supplemental

The FY 2021 budget includes an FY 2020 supplemental appropriation of \$50,000,000 from the General Fund in FY 2020 for a deposit into the Crisis Contingency and Safety

Net Fund. The Budget Procedures Budget Reconciliation Bill (BRB) establishes the non-appropriated Crisis Contingency and Safety Net Fund. Monies in the fund may be spent only following a state of emergency declaration by the Governor and only for the following forms of economic assistance during the state of emergency:

- Housing assistance, including payments to prevent eviction or foreclosure.
- Monies for entities to provide services for homeless persons, including shelter, food, clothing and transportation.
- Economic assistance to small businesses with fewer than 50 employees, nonprofit organizations and health care providers.
- Monies for food bank operations.

Before spending monies in the fund, the Office of the Governor shall notify the President of the Senate, the Speaker of the House of Representatives and the Joint Legislative Budget Committee on the intended use of the monies. The Budget Procedures BRB also states that any of the appropriation that is unexpended and unencumbered on June 30, 2021 reverts to the General Fund. *(Please see the Crisis Contingency and Safety Net Fund Deposit line item for further details.)*

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As permanent law, create the Crisis Contingency and Safety Net Fund in the Office of the Governor. Monies in the fund may only be used for specific purposes. *(See FY 2020 Supplemental above for more details.)*

Governor's Office of Strategic Planning and Budgeting

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,257,100	1,589,600	1,644,300
Employee Related Expenditures	383,800	580,000	606,300
Professional and Outside Services	103,600	121,200	121,200
Travel - In State	800	800	800
Travel - Out of State	7,300	6,900	6,900
Other Operating Expenditures	228,600	381,400	381,400
Equipment	3,400	4,200	4,200
AGENCY TOTAL	1,984,600	2,684,100	2,765,100 ^{1/2/}
FUND SOURCES			
General Fund	1,984,600	2,684,100	2,765,100
SUBTOTAL - Appropriated Funds	1,984,600	2,684,100	2,765,100
TOTAL - ALL SOURCES	1,984,600	2,684,100	2,765,100

AGENCY DESCRIPTION — The Governor's Office of Strategic Planning and Budgeting advises the Governor in the preparation of the Executive budget and provides the Executive Branch a central resource for the compilation, analysis, and investigation of state fiscal matters. It facilitates a strategic planning process and assists agencies in preparation and execution of their budgets.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$2,765,100 and 22 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$81,000 from the General Fund in FY 2021 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Department of Health Services

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,105.5	1,130.5	1,125.0 ^{1/2/}
Personal Services	19,665,400	22,493,400	23,534,000
Employee Related Expenditures	7,935,500	9,333,300	9,563,300
Professional and Outside Services	1,404,700	1,221,400	1,221,400
Travel - In State	383,700	455,200	455,200
Travel - Out of State	101,600	86,900	86,900
Other Operating Expenditures	11,784,700	15,704,000	15,704,000
Equipment	697,800	313,200	313,200
OPERATING SUBTOTAL	41,973,400	49,607,400	50,878,000
SPECIAL LINE ITEMS			
Arizona State Hospital			
Arizona State Hospital-Operating	58,852,800	64,036,700	65,822,900 ^{3/}
Arizona State Hospital-Restoration to Competency	896,100	900,000	900,000 ^{4/}
Arizona State Hospital-Sexually Violent Persons	9,135,700	9,710,400	10,010,700 ^{5/}
Public Health/Family Health			
Adult Cystic Fibrosis Care	52,600	105,200	105,200
AIDS Reporting and Surveillance	963,400	1,000,000	1,000,000
Alzheimer's Disease Research	3,125,000	3,125,000	1,125,000 ^{6/7/}
Biomedical Research Support	1,498,800	2,000,000	2,000,000 ^{8/}
Breast and Cervical Cancer and Bone Density Screening	763,200	1,369,400	1,369,400
Community-Based Primary Care Clinic	0	700,000	0
County Tuberculosis Provider Care and Control	420,700	590,700	590,700
Critical Access Hospital Trauma Services	0	1,500,000	0
Emergency Medical Services Local Allocation	413,000	442,000	442,000
Folic Acid Program	314,800	400,000	400,000
High Risk Perinatal Services	2,090,600	2,543,400	2,543,400
Homeless Pregnant Women Services	88,900	100,000	100,000 ^{9/}
Newborn Screening Program	6,567,400	7,231,400	7,308,400
Nonrenal Disease Management	0	198,000	198,000 ^{10/}
Nursing Care Special Projects	0	100,000	100,000
Poison Control Centers Funding	599,700	990,000	990,000
Public Health Emergencies Fund Deposit	0	55,106,600	0
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Rural Prenatal Services	0	1,000,000	500,000 ^{11/}
State Loan Repayment Program	940,000	1,750,000	1,000,000
Vulnerable Caregiver Workshops	0	250,000	0
Bureau of Radiation Control			
Radiation Regulation	1,610,800	2,299,700	2,360,200
Nuclear Emergency Management Program	731,600	789,700	789,700 ^{12/}
AGENCY TOTAL	131,400,800	208,328,600	151,016,600 ^{13/14/15/}
FUND SOURCES			
General Fund	84,825,400	97,158,300	95,897,900
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	2,371,800	2,592,000	2,573,400
ASH Land Earnings Fund	649,700	650,000	650,000
Budget Stabilization Fund	0	55,000,000	0
Capital Outlay Stabilization Fund	197,800	0	0
Child Fatality Review Fund	85,800	96,100	99,200

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
Disease Control Research Fund	963,400	1,000,000	1,000,000
Emergency Medical Services Operating Fund	5,225,100	5,740,600	5,841,900
Environmental Laboratory Licensure Revolving Fund	812,900	931,100	952,000
Federal Child Care and Development Fund Block Grant	845,700	882,600	911,500
Health Services Licensing Fund	10,547,000	15,835,400	16,241,300
Health Services Lottery Monies Fund	88,900	100,000	100,000
Indirect Cost Fund	9,799,200	10,412,800	10,678,600
Newborn Screening Program Fund	6,690,000	7,664,200	7,741,200
Nuclear Emergency Management Fund	731,600	789,700	789,700
Nursing Care Institution Resident Protection Revolving Fund	0	138,200	138,200
Prescription Drug Rebate Fund	0	1,000,000	0
Tobacco Tax and Health Care Fund - Health Research Account	4,498,800	4,000,000	3,000,000
Tobacco Tax and Health Care Fund - Medically Needy Account	539,800	700,000	700,000
Vital Records Electronic Systems Fund	2,527,900	3,637,600	3,701,700
SUBTOTAL - Other Appropriated Funds	46,575,400	111,170,300	55,118,700
SUBTOTAL - Appropriated Funds	131,400,800	208,328,600	151,016,600
Other Non-Appropriated Funds	66,701,200	74,846,200	74,846,200
Federal Funds	248,009,100	249,668,400	249,668,400
TOTAL - ALL SOURCES	446,111,100	532,843,200	475,531,200

AGENCY DESCRIPTION — The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, epidemiological monitoring, and radiation regulation.

FOOTNOTES

- 1/ Includes 730 GF and 58.6 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ Includes 5.5 OF FTE Positions appropriated by Laws 2019, Chapter 24.
- 3/ In addition to the appropriation for the department of health services, earnings on state lands and interest on the investment of the permanent state land funds are appropriated to the Arizona state hospital in compliance with the enabling act and the Constitution of Arizona. (General Appropriation Act footnote)
- 4/ The Arizona State Hospital - Restoration to Competency line item includes monies for direct costs associated with the Restoration to Competency program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 5/ The Arizona State Hospital - Sexually Violent Persons line item includes monies for direct costs associated with the Sexually Violent Persons program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 6/ Of the \$1,125,000 for Alzheimer's disease research, \$1,000,000 is from the tobacco tax and health care fund - health research account established by section 36-773, Arizona Revised Statutes. (General Appropriation Act footnote)
- 7/ The department of health services shall distribute monies appropriated for Alzheimer's disease research through a grant to a charitable organization that is qualified under section 501(c)(3) of the internal revenue code and that meets the following criteria:
 1. Is headquartered in this state.
 2. Has been operating in this state for at least the last ten years.
 3. Has participating member institutions that work together to end Alzheimer's disease within a statewide collaborative model by using their complementary strengths in brain imaging, computer science, genomics, basic and cognitive neurosciences and clinical and neuropathology research.
 4. Has participating member institutions that educate residents of this state about Alzheimer's disease, research progress and resources to help patients, families and professionals manage the disease.

The terms of the grant made to the charitable organization may not impose any requirements that were not imposed in prior grant agreements entered into between the department of health services and the charitable organization. (General Appropriation Act footnote)

- 8/ The department of health services shall distribute monies appropriated for the biomedical research support line item to a nonprofit medical research institute headquartered in this state that specializes in biomedical research focusing on applying genomic technologies and sequencing to clinical care, that has served as a resource to this state to conduct molecular epidemiologic analyses to assist with disease outbreak investigations and that collaborates with universities, hospitals and health science research centers and other public and private bioscience and related industries in this state. The recipient of these monies shall commission an audit of the expenditure of these monies and shall submit a copy of the audit to the department of health services on or before February 1, 2022. (General Appropriation Act footnote)
- 9/ The department of health services shall distribute monies appropriated for homeless pregnant women services to nonprofit organizations that are located in a county with a population of more than three million persons and whose primary function is to provide shelter, food, clothing and transportation for health services and support to homeless pregnant women and their children who are under the age of one year. Monies may not be granted for abortion referral services or distributed to entities that promote, refer or perform abortions. (General Appropriation Act footnote)
- 10/ The department of health services may use up to four percent of the amount appropriated for nonrenal disease management for the administrative costs to implement the program. (General Appropriation Act footnote)
- 11/ The sum of \$500,000 is appropriated from the state general fund in each of fiscal years 2020-2021 and 2021-2022 to the department of health services to provide student loan repayment options for health care professionals who provide prenatal care in a health professional shortage area in this state as defined in 42 Code of Federal Regulations part 5. (FY 2020 General Appropriation Act footnote)
- 12/ Laws 2019, Chapter 24 appropriated \$789,663 and 5.5 FTE Positions from the Nuclear Emergency Management Fund in FY 2020 and FY 2021 to the Department of Health Services.
- 13/ The department of health services shall electronically forward to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee a monthly report comparing total expenditures for the month and year to-date as compared to prior-year totals on or before the thirtieth of the following month. The report shall include an estimate of potential shortfalls in programs, potential federal and other monies, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 14/ On or before May 31, 2021, the department of health services shall submit a report to the joint legislative budget committee for review on the progress of the department's implementation of recommendations included in the auditor general's September 2019 report regarding the investigation of long-term care facility complaints and self-reports. The report shall include information regarding staff allocated to long-term care investigations since publication of the September 2019 audit, a summary of the department's implemented investigation time frames and updates to its investigation policies and procedures, and an assessment of the department's performance in investigating long-term care facility complaints and self-reports according to audit recommendations and the implemented investigation time frames. (General Appropriation Act footnote)
- 15/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

The budget decreases DHS' General Fund spending in FY 2021 by \$(1,260,400) as follows:

- \$500,000 for medical student loan repayment options for rural prenatal health care providers.
- \$(1,500,000) for one-time grants for critical access hospital trauma services in Benson and Willcox.
- \$(106,600) for a one-time deposit to the Public Health Emergencies Fund.
- \$(1,000,000) for one-time grants for prenatal equipment in medically underserved areas.
- \$(700,000) for a one-time grant to a community-based primary care clinic.
- \$(250,000) for one-time vulnerable caregiver workshops.

- \$(750,000) for a one-time State Loan Repayment Program increase.
- \$2,546,200 for statewide adjustments.

The budget decreases Other Appropriated spending by \$(56,051,600) as follows:

- \$(2,000,000) for one-time funding for Alzheimer's disease research.
- \$(55,000,000) for a one-time FY 2020 supplemental deposit to the Public Health Emergencies Fund.
- \$948,400 for statewide adjustments.

Operating Budget

The budget includes \$50,878,000 and 336.4 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$16,543,000
Child Fatality Review Fund	99,200
Emergency Medical Services (EMS) Operating Fund	3,949,900
Environmental Laboratory Licensure Revolving Fund	952,000
Federal Child Care and Development Fund (CCDF) Block Grant	911,500
Health Services Licensing Fund	13,571,100
DHS Indirect Cost Fund	10,678,600
Newborn Screening Program Fund	432,800
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,701,700

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,270,600 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	441,100
Child Fatality Review Fund	3,100
Emergency Medical Services (EMS) Operating Fund	101,300
Environmental Laboratory Licensure Revolving Fund	20,900
Federal Child Care and Development Fund (CCDF) Block Grant	28,900
Health Services Licensing Fund	345,400
DHS Indirect Cost Fund	265,800
Vital Records Electronic Systems Fund	64,100

(Please see the Agency Detail and Allocations section.)

Arizona State Hospital

ASH - Operating

The budget includes \$65,822,900 and 616.5 FTE Positions in FY 2021 for the ASH operating budget. These amounts consist of:

General Fund	63,189,500
ASH Fund	1,673,400
ASH Land Earnings Fund	650,000
Health Services Licensing Fund	310,000

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,786,200 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	1,804,800
ASH Fund	(18,600)

Background – This line item funds inpatient psychiatric hospitalization services for adult SMI residents. ASH residents that are subject to court-ordered treatment are treated in ASH's civil hospital and residents charged with, or serving a sentence for committing, a crime are treated in ASH's forensic hospital. In FY 2019, ASH had an average daily census of 93 patients in its civil commitment unit, 105 patients in its forensic unit, and 98 Sexually Violent Persons (SVPs), for a total of 296 patients.

ASH - Restoration to Competency

The budget includes \$900,000 from the ASH Fund in FY 2021 for ASH - Restoration to Competency. This amount is unchanged from FY 2020.

Background – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2019, there was an average daily census of 2 RTC patients treated at ASH. RTC patients are treated in ASH's forensic unit.

The budget continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

ASH - Sexually Violent Persons

The budget includes \$10,010,700 and 112.5 FTE Positions from the General Fund in FY 2021 for ASH - Sexually Violent Persons. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$300,300 from the General Fund in FY 2021 for statewide adjustments.

Background – After serving their prison sentence, some persons convicted of sexually violent crimes may be remanded by the courts for further confinement and treatment. These individuals are housed at the Arizona State Hospital. In FY 2019, ASH had an average daily census of 98 Sexually Violent Persons (SVPs).

Public Health/Family Health

Adult Cystic Fibrosis Care

The budget includes \$105,200 from the General Fund in FY 2021 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2020.

This line item provides contracted care and treatment services through Phoenix Children's Hospital for 20 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the Disease Control Research Fund in FY 2021 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2020.

The line item provides \$125,000 for a database system administered by Maricopa and Pima Counties to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The program also includes \$875,000 to provide medications under the Arizona AIDS Drug Assistance Program (ADAP), which also receives Federal Funds for the medications. The ADAP program served approximately 771 clients in FY 2019.

Alzheimer's Disease Research

The budget includes \$1,125,000 in FY 2021 for Alzheimer's Disease Research. This amount consists of:

General Fund	125,000
TTHCF - Health Research Account	1,000,000

FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,000,000) in FY 2021 for removal of a one-time funding increase. This amount consists of:

TTHCF - Health Research Account	(1,000,000)
Prescriptions Drug Rebate Fund - State	(1,000,000)

The FY 2020 budget included a total of \$3,125,000 for Alzheimer's Research, but designated \$2,000,000 as one-time.

Background – DHS distributes funding in the line item to the Arizona Alzheimer's Consortium (AAC). The AAC provides dollar-for-dollar matching grants to universities,

hospitals, and research centers for research on the causes of Alzheimer's disease. See *Table 1* for a funding history of the program.

Biomedical Research Support

The budget includes \$2,000,000 from the TTHCF - Health Research Account in FY 2021 for Biomedical Research Support. This amount is unchanged from FY 2020.

Background – This line item funds a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research focusing on applying genomic technologies and sequencing to clinical care, assists with disease outbreak investigations, and collaborates with universities, hospitals, and other bioscience and related industries in this state.

DHS distributed monies in this line item to the Translational Genomics Research Institute (TGen), a nonprofit medical research institution. In addition to these monies, the budget includes \$3,000,000 from the General Fund to Northern Arizona University (NAU) for biotechnology. (*Please see the NAU narrative for more information.*)

Table 1

Alzheimer's Disease Research Funding (\$ in thousands)

	<u>General Fund</u>	<u>Health Research Account</u>	<u>Prescription Drug Rebate Fund</u>	<u>TOTAL</u>
FY 2015	\$1,375,000	\$1,000,000	-	\$2,375,000
FY 2016	125,000	1,000,000	-	1,125,000
FY 2017	125,000	2,000,000	-	2,125,000
FY 2018	125,000	2,000,000	-	2,125,000
FY 2019	125,000	3,000,000	-	3,125,000
FY 2020	125,000	2,000,000	\$1,000,000	3,125,000
FY 2021	125,000	1,000,000	-	1,125,000

Breast and Cervical Cancer and Bone Density Screening

The budget includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2021 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2020.

The Well Woman Healthcheck program provides contracted cancer screenings for women over age 40 who lack health insurance and have incomes less than 250% of the FPL. Women who are diagnosed with breast and cervical cancer through this program are eligible to receive treatment through AHCCCS.

Community-Based Primary Care Clinic

The budget includes no funding from the General Fund in FY 2021 for a community-based primary care clinic. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(700,000) from the General Fund in FY 2021 for removal of one-time funding. The FY 2020 budget required DHS to distribute these one-time monies to a community-based primary care clinic located in a geographically isolated and medically underserved area of the state that provides certain medical, pharmacy, imaging, and preventative health services. DHS will distribute these monies to a clinic in Colorado City that meets these requirements.

County Tuberculosis Provider Care and Control

The budget includes \$590,700 from the General Fund in FY 2021 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2020.

This line item provides reimbursement to hospitals and physicians for the care of hospitalized tuberculosis patients and for assistance to all county health departments for local tuberculosis control programs.

Critical Access Hospital Trauma Services

The budget includes no funding from the General Fund in FY 2021 for Critical Access Hospital Trauma Services. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,500,000) from the General Fund in FY 2021 for a one-time distribution to critical access hospitals to maintain essential emergency department and level IV trauma services. The FY 2020 budget required DHS to distribute \$900,000 to a hospital in Benson and \$600,000 to a hospital in Willcox.

Emergency Medical Services Local Allocation

The budget includes \$442,000 from the EMS Operating Fund in FY 2021 for the Emergency Medical Services Local Allocation line item. This amount is unchanged from FY 2020.

This line item provides funding to 4 regional EMS Councils that distribute funding for EMS training and equipment to cities and towns with a population of fewer than 90,000 people.

Folic Acid Program

The budget includes \$400,000 from the TTHCF - Medically Needy Account in FY 2021 for the Folic Acid Program. This amount is unchanged from FY 2020.

This line item provides funding for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2019, 29,099 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,543,400 in FY 2021 for High Risk Perinatal Services. This amount consists of:

General Fund	2,093,400
EMS Operating Fund	450,000

These amounts are unchanged from FY 2020.

This line item provides contracted transport services for high risk expectant mothers and contracted physician follow-up services for uninsured newborns in intensive care centers. It also provides funding for 4 visits per year to families who have babies born at risk of having developmental problems (i.e. speech problems, poor motor skills, delay in walking, etc.). The purpose of the visits is to have children developmentally ready to enter school by age 5.

Homeless Pregnant Women Services

The budget includes \$100,000 from the Health Services Lottery Monies Fund in FY 2021 for Homeless Pregnant Women Services. This amount is unchanged from FY 2020.

DHS is required to use monies in this line item to provide grants to non-profit organizations located in a county with more than 3 million persons and whose primary function is to provide shelter, food, clothing, and transportation

services to homeless pregnant women and their children who are under the age of one.

The budget continues a provision to permit the department to use the Health Services Lottery Monies Fund for Homeless Pregnant Women Services.

Newborn Screening Program

The budget includes \$7,308,400 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2021 for the Newborn Screening Program. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$77,000 from the Newborn Screening Program Fund in FY 2021 for statewide adjustments.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 30 disorders. In FY 2019, the program provided screening for 82,553 newborns. The program also provides follow-up counseling for the parents of affected newborns. The State Health Laboratory is the designated laboratory for testing, but DHS may designate other laboratories as testing facilities for conditions or tests added to the screening program.

Nonrenal Disease Management

The budget includes \$198,000 from the General Fund in FY 2021 for Nonrenal Disease Management. This amount is unchanged from FY 2020.

This line item provides funding for medication and other transplant-related services for nonrenal transplant patients who are ineligible for other public assistance programs.

Nursing Care Special Projects

The budget includes \$100,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2021 for special projects related to long-term care facilities. This amount is unchanged from FY 2020.

Background – The Nursing Care Institution Resident Protection Revolving Fund receives deposits from civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications. Historically, DHS' operating budget has included an ongoing appropriation of \$38,200

from this fund for emergency patient relocation and patient personal property replacement.

Poison Control Centers Funding

The budget includes \$990,000 from the General Fund in FY 2021 for Poison Control Centers. This amount is unchanged from FY 2020.

A.R.S. § 36-1161 requires 2 poison control centers to be maintained in Arizona. DHS allocated \$647,300 to the University of Arizona Poison Information Center and \$342,700 to the Banner Poison Control Center in FY 2019. A.R.S. § 32-1907 allows the Board of Pharmacy to transfer up to \$1,000,000 from the Arizona State Board of Pharmacy Fund to the University of Arizona (UA) Poison Control Information Center. However, this amount is not reflected in the table at the beginning of this narrative. The Board of Pharmacy transferred \$200,000 to the UA Poison Control Center in FY 2019.

Public Health Emergencies Fund Deposit

The budget includes no funding from the General Fund in FY 2021 for a Public Health Emergencies Fund Deposit. FY 2021 adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of \$(106,600) from the General Fund in FY 2021 for removal of a one-time deposit to the Public Health Emergencies Fund. The fund was established in the FY 2018 budget, which deposited \$500,000 to the fund. DHS spent from the fund in FY 2018 in response to a statewide public health emergency for the opioid epidemic. The FY 2020 deposit of \$106,600 brought monies in the fund back to the \$500,000 level.

Remove One-Time Deposit

The budget includes a decrease of \$(55,000,000) from the Budget Stabilization Fund in FY 2021 for removal of a one-time deposit to the Public Health Emergencies Fund. These monies were appropriated in Laws 2020, Chapter 6 for expenses related to the COVID-19 public health emergency. *(Please see Other Issues - FY 2020 Supplemental for more information.)*

DHS may only use monies in the Public Health Emergencies Fund on a declaration of a public health emergency by the Governor and must submit a report of any expenditures from the fund to the Joint Legislative Budget Committee.

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the TTHCF - Medically Needy Account in FY 2021 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2020.

This line item provides pre-operative dental care and ongoing nutritional assistance for low-income renal disease patients. Funding in this line item treats kidney disease and associated kidney damage and provides transportation services for dialysis appointments.

Renal Transplant Drugs

The budget includes \$183,000 from the General Fund in FY 2021 for Renal Transplant Drugs. This amount is unchanged from FY 2020.

This line item provides funding for anti-rejection medications for renal transplant patients who cannot be listed for transplant because they cannot afford the cost of medications. In FY 2019, 97 people received anti-rejection medication assistance.

Rural Prenatal Services

The budget includes \$500,000 from the General Fund in FY 2021 for Rural Prenatal Services. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2021 for removal of a one-time distribution to rural hospitals located in medically underserved areas of the state for sonogram and telemedicine equipment purchases.

Loan Repayment

The budget includes an increase of \$500,000 from the General Fund in FY 2021 to provide medical student loan repayment options to rural prenatal health care providers practicing in medically underserved areas of the state. The FY 2020 General Appropriation Act appropriated these monies in FY 2021 and FY 2022, so these monies will not appear in the FY 2021 General Appropriation Act.

DHS plans to use these monies to fund a portion of 2-year contracts for 24 prenatal care providers currently enrolled in the State Loan Repayment Program. In exchange for loan repayment assistance, the providers will work in a medically underserved area of the state for 2 years. *(Please see the State Loan Repayment Program line item for more information.)*

State Loan Repayment Program

The budget includes \$1,000,000 from the EMS Operating Fund in FY 2021 for the State Loan Repayment Program. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(750,000) from the General Fund in FY 2021 for removal of a one-time increase to provide additional awards to health care providers practicing in medically underserved areas of the state. DHS used these monies to fund approximately 38% of 2-year contracts for 42 new loan recipients. Of the 42 recipients, 24 will be partially funded by monies appropriated for Rural Prenatal Services in FY 2021. The remaining will be funded with a combination of EMS Operating Fund appropriations and Federal Funds. *(Please see the Rural Prenatal Services line item for more information.)*

This line item provides loan repayment for health care providers who agree to practice in medically underserved areas of the state for at least 2 years. In FY 2019, this program funded 103 participants.

Vulnerable Caregiver Workshops

The budget includes no funding from the General Fund in FY 2021 for Vulnerable Caregiver Workshops. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(250,000) from the General Fund in FY 2021 for removal of one-time funding for DHS to contract with a non-profit mental health services provider to conduct workshops for vulnerable caregivers of at-risk youth who are struggling at home, in an out-of-home placement, or in school. This appropriation is non-lapsing.

Bureau of Radiation Control

Radiation Regulation

The budget includes \$2,360,200 and 29 FTE Positions from the Health Services Licensing Fund in FY 2021 for Radiation Regulation. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$60,500 from the Health Services Licensing Fund in FY 2021 for statewide adjustments.

Table 2

Nuclear Emergency Management Fund

Agency	FY 2019		FY 2020		FY 2021	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	5.5	\$1,461,602	5.5	\$1,458,753	5.5	\$1,506,116
Health Services	5.5	789,663	5.5	789,663	5.5	789,663
Agriculture	2.88	275,012	2.88	301,376	2.88	280,512
Total	13.88	\$2,526,277	13.88	\$2,549,792	13.88	\$2,576,291

^{1/} The Emergency and Military Affairs appropriation includes the appropriations for the Maricopa County Department of Emergency Management and the City of Buckeye.

The budget continues a fee raising authority and exemption related to establishing fees for radiation regulation in FY 2021. The provision includes an intent clause that limits additional revenues to \$1,900,000.

Radiation regulation includes oversight of the use, storage, and disposal of sources of radiation.

Nuclear Emergency Management Program

The budget includes \$789,663 and 5.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2021 for the Nuclear Emergency Management Program line item. FY 2021 adjustments are as follows:

FTE Positions Correction

The budget includes a decrease of (5.5) FTE Positions from the NEMF in FY 2021 to correct the number of FTE Positions appropriated in the budget. Laws 2019, Chapter 24 appropriated \$789,663 and 5.5 FTE Positions from the NEMF in FY 2020 and in FY 2021. The appropriated monies did not appear in the General Appropriation Act, however, the bill included 5.5 FTE Positions for the program. As a result, the bill double-counted the intended number of FTE Positions, for a total of 11 FTE Positions. The budget corrects this by removing (5.5) FTE Positions from the FY 2021 General Appropriation Act.

The Department of Health Services, the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2019-2021 are displayed in Table 2. *(Please see the Department of Agriculture and the Department of Emergency and Military Affairs narratives for more information.)*

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating

Station. The fee is set at a level to offset the NEMF appropriation.

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

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

Other Issues

This section includes information on the following topics:

- FY 2020 Supplemental
- Statutory Changes
- Medical Marijuana Fund Balance
- Auditor General Recommendations

FY 2020 Supplemental

Laws 2020, Chapter 6 appropriated \$55,000,000 from the Budget Stabilization Fund to the Public Health Emergencies Fund in FY 2020 for response to the COVID-19 public health emergency. Of this amount, \$5,000,000 was appropriated to the fund for immediate use and \$50,000,000 was appropriated to pay additional expenses incurred for emergency response. The department is required to report to JLBC on the intended use of additional monies prior to expenditure. The bill also requires unexpended and unencumbered monies as of June 30, 2021 to revert back to the Budget Stabilization Fund.

Table 3

Medical Marijuana Fund History

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Revenue	\$24,851,900	\$28,565,700	\$38,823,500
Spending	11,654,800	12,623,400	14,686,400
Ending Balance	33,244,000	49,650,900	68,727,400
Number of Cardholders	133,368	173,140	205,609
Number of Dispensary Agents	3,930	5,261	6,383

Statutory Changes

The Health Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
- As session law, continue to notwithstand A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services. *(See Homeless Pregnant Women Services for more information.)*
- As session law, continue fee raising authority and an exemption relating to establishing fees for the Bureau of Radiation Control in FY 2021. Includes an intent clause to limit additional revenues to \$1,900,000.

Medical Marijuana Fund Balance

Proposition 203 passed in the 2010 General Election, creating the Medical Marijuana Program within DHS. In FY 2019, there were 205,609 cardholders and 6,383 dispensary agents in the DHS medical marijuana registry. To operate the program, DHS charges application fees to cardholders and dispensaries which are deposited to the non-appropriated Medical Marijuana Fund.

The Medical Marijuana Fund's balance has continued to grow since the program's inception in 2010 *(see Table 3)*. DHS projects the fund to have revenues of \$38.8 million in FY 2020, compared to \$16.3 million in spending. Along with surpluses from prior years, DHS forecasts the fund will have a balance of \$91.2 million at the end of FY 2020.

Previously, patients were required to renew medical marijuana cards annually. Laws 2019, Chapter 318 extended expiration of patient cards from 1 year to 2 years. As a result, DHS projects ongoing revenue to the Medical Marijuana Fund is expected to decrease from \$38.8 million in FY 2020 to \$21.5 million in FY 2021.

Auditor General Recommendations

In September 2019, the Auditor General published a DHS performance audit that included recommendations for improvements to the department's policies and procedures for regulating long-term care facilities. Specifically, the audit recommended DHS put policies in place to ensure complaints and self-reports for long-term facilities be prioritized, investigated, and resolved in a timely manner, and according to Center for Medicare and Medicaid Services (CMS) guidelines.

The audit's recommendations are based on findings from a sample of 33 complaints and 37 self-reports from 5 long-term care facilities, which showed that 42% of complaints were uninvestigated and had been open for between 229 and 851 days, and 65% of self-reports were uninvestigated and open for between 173 and 904 days. In DHS' response to the audit, it stated that the findings are based on a "narrow non-representative sample" of the 4,959 complaints received by the department over a 2-year period.

In its response to the audit, DHS also reported that establishing investigation timeframes as recommended would require an additional appropriation of \$3.3 million and 44 FTE Positions. The department did not request additional funding related to the investigation of long-term care facilities in its FY 2021 budget request.

The audit also recommended the Legislature establish a task force to study and propose options for changes to the department's investigation process.

The budget adds a footnote that would require DHS to report to the Joint Legislative Budget Committee for review by May 31, 2021 on its progress in implementing the audit recommendations, including information on the number of staff allocated to long-term care investigations since publication of the audit, a summary of the department's implemented investigation timeframes and updates to its policies and procedures, and an assessment of the department's performance in investigating complaints according to the implemented timeframes.

Arizona Historical Society

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	50.9	50.9	50.9 ^{1/}
Personal Services	1,187,100	1,315,000	1,375,300
Employee Related Expenditures	459,200	530,900	540,900
Professional and Outside Services	75,500	0	0
Travel - In State	300	0	0
Other Operating Expenditures	758,700	655,400	655,400
Equipment	108,500	0	0
OPERATING SUBTOTAL	2,589,300	2,501,300	2,571,600
SPECIAL LINE ITEMS			
Field Services and Grants	65,900	65,900	67,100
Papago Park Museum	539,800	540,500	556,900
AGENCY TOTAL	3,195,000	3,107,700	3,195,600 ^{2/}
FUND SOURCES			
General Fund	3,195,000	3,107,700	3,195,600
SUBTOTAL - Appropriated Funds	3,195,000	3,107,700	3,195,600
Other Non-Appropriated Funds	1,151,800	1,257,600	1,257,600
TOTAL - ALL SOURCES	4,346,800	4,365,300	4,453,200

AGENCY DESCRIPTION — The Arizona Historical Society acquires, preserves, maintains, and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West, and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix, and Tempe (Papago Park).

FOOTNOTES

^{1/} Includes 10.5 GF FTE Positions funded from Special Line Items in FY 2021.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,571,600 and 40.4 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$70,300 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Field Services and Grants

The budget includes \$67,100 and 0.5 FTE Positions from the General Fund in FY 2021 for Field Services and Grants. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,200 from the General Fund in FY 2021 for statewide adjustments.

This line item funds contracts with certified county historical societies for services to be performed for the benefit of the state.

Papago Park Museum

The budget includes \$556,900 and 10 FTE Positions from the General Fund in FY 2021 for the Papago Park Museum. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$16,400 from the General Fund in FY 2021 for statewide adjustments.

This line item funds the operation and maintenance of the Papago Park Museum (Tempe).

Other Issues

Museum Attendance

Table 1

FY 2019 Museum Attendance

<u>Facility</u>	<u>Visitors</u>
Arizona History (Tucson)	8,996
Downtown History (Tucson)	2,207
Fort Lowell (Tucson)	4,033
Sosa Carrillo Fremont (Tucson)	0 ^{1/}
Sanguinetti House (Yuma)	2,881
Museum at Papago Park (Tempe)	5,659
Pioneer Museum (Flagstaff)	10,609
Riordan Mansion (Flagstaff)	<u>19,987</u>
Total	54,372

^{1/} In FY 2018, the agency closed the Sosa Carrillo Fremont House museum and has since rented the building out, as the site does not have enough staff to operate the museum.

Prescott Historical Society of Arizona

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	526,600	538,800	564,100
Employee Related Expenditures	231,600	236,900	242,100
Professional and Outside Services	12,100	5,000	5,000
Other Operating Expenditures	57,300	56,500	56,500
AGENCY TOTAL	827,600	837,200	867,700 ^{1/}
FUND SOURCES			
General Fund	827,600	837,200	867,700
SUBTOTAL - Appropriated Funds	827,600	837,200	867,700
Other Non-Appropriated Funds	1,004,200	3,162,000	3,162,000
TOTAL - ALL SOURCES	1,831,800	3,999,200	4,029,700

AGENCY DESCRIPTION — The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving, and publicly exhibiting archival and museum objects pertaining to the history, geological, and anthropological life of Arizona and the West.

FOOTNOTES

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

Operating Budget

The budget includes \$867,700 and 13 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$30,500 from the General Fund in FY 2021 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Arizona Department of Homeland Security

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 ESTIMATE
FUND SOURCES			
Federal Funds	20,136,600	20,092,400	20,092,400
TOTAL - ALL SOURCES	20,136,400	20,092,400	20,092,400

AGENCY DESCRIPTION — The Arizona Department of Homeland Security distributes funding received from the U.S. Department of Homeland Security to state agencies and local governments to prevent and mitigate acts of terrorism and natural disasters. The department publishes the Arizona Homeland Security Strategy and provides planning assistance to aid in the development of regional response plans for natural disasters or terrorism incidents.

Board of Homeopathic and Integrated Medicine Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	20,700	22,000	22,700
Employee Related Expenditures	2,000	9,200	9,000
Other Operating Expenditures	14,800	14,800	14,800
Equipment	100	100	100
AGENCY TOTAL	37,600	46,100	46,600 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Homeopathic and Integrated Medicine Examiners' Fund	37,600	46,100	46,600
SUBTOTAL - Other Appropriated Funds	37,600	46,100	46,600
SUBTOTAL - Appropriated Funds	37,600	46,100	46,600
TOTAL - ALL SOURCES	37,600	46,100	46,600

AGENCY DESCRIPTION — The board licenses and regulates medical physicians who practice homeopathic and integrated medicine, a system of medical treatment based on the use of small quantities of remedies which in larger doses produce symptoms of the disease. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$46,600 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$500 from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Department of Housing

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	184,300	184,300	184,300
Employee Related Expenditures	72,500	72,500	82,800
Professional and Outside Services	3,400	3,400	3,400
Travel - In State	8,100	8,100	8,100
Other Operating Expenditures	52,400	52,400	52,400
Equipment	1,500	1,500	1,500
OPERATING SUBTOTAL	322,200	322,200	332,500 ^{1/}
SPECIAL LINE ITEMS			
Housing Trust Fund Deposit	0	15,000,000	0
AGENCY TOTAL	322,200	15,322,200	332,500
FUND SOURCES			
General Fund	0	15,000,000	0
<u>Other Appropriated Funds</u>			
Housing Trust Fund	322,200	322,200	332,500
SUBTOTAL - Other Appropriated Funds	322,200	322,200	332,500
SUBTOTAL - Appropriated Funds	322,200	15,322,200	332,500
Other Non-Appropriated Funds	19,478,600	18,919,400	18,811,900
Federal Funds	81,619,400	75,805,800	73,861,300
TOTAL - ALL SOURCES	101,420,200	110,047,400	93,005,700

AGENCY DESCRIPTION — The department annually administers approximately \$101 million in federal and non-appropriated state housing and community development funds. The appropriated budget reflects a portion of the agency's administration expenses. The department provides affordable housing opportunities in conjunction with the Arizona Industrial Development Authority. The department's responsibilities include the Office of Manufactured Housing.

FOOTNOTES

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

Operating Budget

The budget includes \$332,500 and 3 FTE Positions from the Housing Trust Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$10,300 from the Housing Trust Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Housing Trust Fund Deposit

The budget includes no funding in FY 2021 for the Housing Trust Fund Deposit line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(15,000,000) from the General Fund in FY 2021 to remove one-time funding for the Housing Trust Fund Deposit line item.

The FY 2020 budget included \$15,000,000 in one-time funding for the Housing Trust Fund Deposit line item. An FY 2020 General Appropriation Act footnote requires \$3,500,000 of the FY 2020 appropriation for the Housing Trust Fund Deposit line item to be spent on constructing or renovating facilities and on housing assistance, including support services, for persons who have been determined to be seriously mentally ill (SMI) and to be chronically resistant to treatment. The remaining \$11,500,000 may be used in accordance with the general purposes of the Housing Trust Fund established by A.R.S. § 41-3955.

In September 2019, the Arizona Department of Housing (DOH) announced its anticipated use of the Housing Trust Fund Deposit monies. Of the \$15,000,000 amount, DOH plans to award \$6,500,000 for SMI facilities and the remaining \$8,500,000 for non-behavioral health facilities. Details on the specific projects funded from the Housing Trust Fund Deposit are provided below:

Behavioral Health Projects

- \$3,500,000 to develop a Secure Behavioral Health Residential Facility pursuant to the FY 2020 General Appropriation Act footnote. The funding will be used to develop a facility which provides residential treatment to SMI individuals who have been resistant to treatment and ordered to the facility by a court order. The Executive reports that this funding has been transferred to the Arizona Health Care Cost Containment System (AHCCCS) to manage. After facility construction, AHCCCS will oversee operational funding, and the Department of Health Services (DHS) will be responsible for the licensing.
- \$3,000,000 for Transitional Housing for Homeless with a behavioral health emphasis. Funding will be used by DOH and DHS on the renovation of an existing building on the State Hospital grounds in Central Phoenix. The facility will provide single rooms as transitional housing for homeless individuals diagnosed with a serious mental illness. DHS will select a licensed mental health services provider to operate the facility.

Non-Behavioral Health Projects

- \$3,000,000 for the development of Supportive Housing Units for formerly homeless individuals. These monies will be combined with \$7,000,000 in federal funding for a total of \$10,000,000 for the project, which will be built in multiple sites yet to be determined.
- \$2,500,000 to fund Center for Hope Apartments as part of the Center for Opportunity project to combat homelessness in the Tucson area. Funding will be used to convert an existing hotel tower into 100 one-bedroom affordable rental units for seniors and single residents.
- \$3,000,000 for Fort Whipple Homeless Veterans housing. DOH will select a developer to partner with the U.S. Department of Veterans Affairs to redevelop 6 former officers' quarters on the Fort Whipple Veterans' Affairs campus in Prescott and build housing units on adjacent vacant land. The redeveloped facilities will provide housing for homeless veterans.

Independent Redistricting Commission

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	0.0	0.0	3.0
Lump Sum Appropriation	0	0	500,000
AGENCY TOTAL	0	0	500,000
FUND SOURCES			
General Fund	0	0	500,000
SUBTOTAL - Appropriated Funds	0	0	500,000
TOTAL - ALL SOURCES	0	0	500,000

AGENCY DESCRIPTION — Proposition 106, approved by voters in November 2000, established the Independent Redistricting Commission (IRC). The commission consists of 5 members, 4 of which are selected by the House and Senate majority and minority leadership. These 4 members then select the final member, who cannot be affiliated with either of the 2 major political parties. The commission is charged with redrawing the boundaries for Arizona's legislative and congressional districts based on the 10-year census.

Operating Budget

The budget includes \$500,000 and 3 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Redistricting Cycle Funding

The budget includes an increase of \$500,000 and 3 FTE Positions from the General Fund for redistricting cycle funding.

The commission will resume its constitutional duties in CY 2021, the start of the next 10-year redistricting cycle. Pursuant to Article 4 of the Arizona Constitution, the Arizona Department of Administration (ADOA) submitted to the Legislature a recommendation for funding for the IRC. ADOA recommended \$500,000 in FY 2021 based on previous redistricting cycle expenses (*see Table 1*). Based on this previous expenditure amount, \$500,000 of funding was included for the IRC in the FY 2021 budget.

FY 2022 and FY 2023 funding remain undetermined. New costs will depend on an updated estimate of redistricting expenses. As a placeholder, the enacted budget's 3-year spending plan assumes the \$500,000 amount continues into FY 2022 and FY 2023.

Table 1

CY 2010 Redistricting Cycle Appropriations

<u>Fiscal Year</u>	<u>Appropriation</u>
FY 2011 (Laws 2010, 7 th SS, Ch. 1)	\$ 500,000
FY 2012 (Laws 2011, Ch. 24)	3,000,000
FY 2012 (Laws 2012, Ch. 108)	700,000
FY 2013 (Laws 2012, Ch. 294)	1,457,300
FY 2013 (Laws 2013, Ch. 2)	500,000
FY 2013 (Laws 2013, Ch. 158)	635,226
FY 2014 (Laws 2013, 1 st SS, Ch. 1)	1,115,100
FY 2014 (Laws 2014, Ch. 3)	1,462,701
FY 2015 (Laws 2014, Ch. 18)	1,115,300
FY 2016 (Laws 2015, Ch. 8)	1,115,300
FY 2017 (Laws 2016, Ch. 117)	<u>1,115,300</u>
Total	\$12,716,227

Industrial Commission of Arizona

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.6	235.6	235.6
Personal Services	9,008,000	9,694,000	10,019,700
Employee Related Expenditures	3,453,700	3,838,500	4,050,400
Professional and Outside Services	1,437,100	1,226,700	1,226,700
Travel - In State	128,000	141,300	141,300
Travel - Out of State	23,000	41,800	41,800
Other Operating Expenditures	4,359,900	5,073,000	5,069,400
Equipment	73,600	43,800	43,800
AGENCY TOTAL	18,483,300	20,059,100	20,593,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Administrative Fund	18,483,300	20,059,100	20,593,100
SUBTOTAL - Other Appropriated Funds	18,483,300	20,059,100	20,593,100
SUBTOTAL - Appropriated Funds	18,483,300	20,059,100	20,593,100
Other Non-Appropriated Funds	13,971,600	14,029,900	14,029,900
Federal Funds	2,662,900	3,182,900	3,182,900
TOTAL - ALL SOURCES	35,117,800	37,271,900	37,805,900

AGENCY DESCRIPTION — The Industrial Commission regulates the workers' compensation insurance industry. The commission is also responsible for child labor issues, occupational safety and health issues, wage claim dispute resolutions, and providing workers' compensation coverage for claimants of uninsured and self-insured employers.

FOOTNOTES

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

Operating Budget

The budget includes \$20,593,100 and 235.6 FTE Positions from the Administrative Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Named Claimants

The budget includes a decrease of \$(3,600) from the Administrative Fund in FY 2021 for the elimination of one-time funding for prior year unpaid claims. *(Please see the Named Claimants discussion in ADOA Other Issues.)*

Statewide Adjustments

The budget includes an increase of \$537,600 from the Administrative Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

FY 2020 Supplemental

The FY 2021 budget includes an FY 2020 supplemental appropriation of \$3,600 from the Administrative Fund for a one-time named claimants appropriation.

Department of Insurance

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	72.3	72.3	0.0
Personal Services	2,969,700	3,185,500	0
Employee Related Expenditures	1,106,700	1,451,500	0
Professional and Outside Services	320,400	312,000	0
Travel - In State	17,700	25,600	0
Travel - Out of State	12,400	1,100	0
Other Operating Expenditures	638,400	681,100	0
Equipment	51,200	6,400	0
AGENCY TOTAL	5,116,500	5,663,200	0
FUND SOURCES			
General Fund	5,116,500	5,663,200	0
SUBTOTAL - Appropriated Funds	5,116,500	5,663,200	0
Other Non-Appropriated Funds	28,623,700	28,739,200	0
Federal Funds	215,500	0	0
TOTAL - ALL SOURCES	33,955,700	34,402,400	0

AGENCY DESCRIPTION — The Department of Insurance licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

Laws 2019, Chapter 252 merged the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance (DOI) and renamed the agency the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly-renamed agency retains all the same regulatory functions as the previous 3 agencies as Chapter 252 stipulates that DIFI retains the same authority, powers, duties, and responsibilities of DOI, DFI and ATA and transfers all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

Insurance and Financial Institutions (DIFI). This reduction is offset by an equally sized increase in the DIFI appropriation. *(Please see the Department of Insurance and Financial Institutions section for more information.)*

Operating Budget

The budget includes no funding from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Agency Consolidation

The budget includes a decrease of \$(5,663,200) and (72.3) FTE Positions from the General Fund in FY 2021 to merge the Department of Financial Institutions (DFI) and the Automobile Theft Authority (ATA) into the Department of Insurance and renames the agency the Department of

Department of Insurance and Financial Institutions

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	152.4 ^{1/}
Personal Services	0	0	5,643,900
Employee Related Expenditures	0	0	2,639,300
Professional and Outside Services	0	0	504,500
Travel - In State	0	0	23,200
Travel - Out of State	0	0	13,500
Other Operating Expenditures	0	0	1,263,600
Equipment	0	0	112,400
OPERATING SUBTOTAL	0	0	10,200,400
SPECIAL LINE ITEMS			
Insurance Fraud Unit	0	0	1,848,000
Mental Health Omnibus	0	0	250,000 ^{2/}
Reimbursable Programs	0	0	50,000 ^{3/}
Local Grants	0	0	957,700 ^{4/}
Arizona Vehicle Theft Task Force	0	0	3,650,000 ^{5/}
ATA Operating Budget	0	0	672,300
AGENCY TOTAL	0	0	17,628,400 ^{6/7/}
FUND SOURCES			
General Fund	0	0	8,090,700
<u>Other Appropriated Funds</u>			
Automobile Theft Authority Fund	0	0	5,330,000
Financial Services Fund	0	0	4,157,400
Revolving Fund	0	0	50,300
SUBTOTAL - Other Appropriated Funds	0	0	9,537,700
SUBTOTAL - Appropriated Funds	0	0	17,628,400
Other Non-Appropriated Funds	0	0	28,992,800
TOTAL - ALL SOURCES	0	0	46,621,200

AGENCY DESCRIPTION — The Department of Insurance and Financial Institutions licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department also regulates state-chartered financial entities. The regulated entities include money transmitters, motor vehicle dealers, holding companies, trust companies, sales finance companies, collection agencies, escrow agents, debt management companies, consumer lenders, mortgage bankers, mortgage brokers, premium finance companies, credit unions, banks, and real estate appraisal entities. The department also is responsible for analyzing the methods of combating the problem of vehicle theft and promoting successful methods of reducing the number of vehicle thefts in Arizona.

- ^{1/} Includes 10 GF and 6 FTE Positions from Special Line Items in FY 2021.
- ^{2/} Laws 2020, Chapter 4 appropriates \$250,000 and 1 FTE Position from the General Fund in FY 2021 for DIFI to administer newly enacted mental health parity requirements for insurance coverage.
- ^{3/} The department of insurance and financial institutions shall submit a report to the joint legislative budget committee before spending any monies for the reimbursable programs line item. The department shall show sufficient monies collected to cover the expenses indicated in the report. (General Appropriation Act footnote)
- ^{4/} Local grants shall be awarded with consideration given to areas with greater automobile theft problems and shall be used to combat economic automobile theft operations. (General Appropriation Act footnote)
- ^{5/} Monies in the Arizona vehicle theft task force line item shall be used by the department of insurance and financial institutions to pay seventy-five percent of the personal services and employee related expenditures for city, town and county sworn officers who participate in the Arizona vehicle theft task force. (General Appropriation Act footnote)
- ^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

- 2/ Of the department fees required to be deposited in the state general fund by statute, the department of insurance and financial institutions shall assess and set the fees at a level to ensure that the monies deposited in the state general fund will equal or exceed the department's expenditure from the state general fund. (General Appropriation Act footnote)

Laws 2019, Chapter 252 merged the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly-renamed agency retains all the same regulatory functions as the previous 3 agencies as Chapter 252 stipulates that DIFI retains the same authority, powers, duties, and responsibilities of DOI, DFI and ATA and transfers all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

Laws 2020, Chapter 37 enacted various changes to the DIFI agency structure, including the requirement that certain funding be displayed as a separate line item in the annual General Appropriation Act. Because this legislation was not yet effective at the time the FY 2021 General Appropriation Act was passed, the FY 2021 budget does not include these line item changes. However, the amounts displayed below adjust the DIFI line item format to match the requirements of Chapter 37.

Operating Budget

The budget includes \$10,200,400 and 136.4 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$5,992,700
Financial Services Fund	4,157,400
Department Revolving Fund	50,300

FY 2021 adjustments are as follows:

Agency Consolidation

The budget includes an increase of \$9,833,300 and 136.4 FTE Positions in FY 2021 for agency consolidation. These amounts consist of:

General Fund	5,796,100
Financial Services Fund	3,986,600
Revolving Fund	50,600

Statewide Adjustments

The budget includes an increase of \$367,100 in FY 2021 for statewide adjustments. These amounts consist of:

General Fund	196,600
Financial Services Fund	170,800
Department Revolving Fund	(300)

(Please see the Agency Detail and Allocations section.)

Insurance Fraud Unit

The budget includes \$1,848,000 and 9 FTE Positions from the General Fund in FY 2021 for the Insurance Fraud Unit. FY 2021 adjustments are as follows:

Agency Consolidation

The budget includes an increase of \$1,848,000 and 9 FTE Positions from the General Fund in FY 2021 the Insurance Fraud Unit. These monies were previously included in the Department of Insurance operating budget. The department levies a \$1,050 assessment on all licensed insurers to prosecute insurance fraud in the state. Laws 2020, Chapter 37 requires that all monies appropriated for fraud prevention be included as a line item and that all monies shall be used exclusively for insurance fraud prevention.

Mental Health Omnibus

Laws 2020, Chapter 4 appropriated \$250,000 and 1 FTE Position from the General Fund in FY 2021 for one-time costs associated with the mental health omnibus legislation. FY 2021 adjustments are as follows:

Laws 2020, Chapter 4

The budget includes an increase of \$250,000 and 1 FTE from the General Fund in FY 2021. Chapter 4 requires insurers to comply with the federal Mental Health Parity and Addiction Equity Act and requires insurers financial requirements for mental health insurance benefits are not more restrictive than medical or surgical benefits. Chapter 4 also requires insurers to submit a report to DIFI displaying compliance with the law and requires DIFI to analyze and summarize the reports.

Section 10 of Chapter 4 appropriated this funding to DIFI, as a result these monies do not appear in the FY 2021 General Appropriation Act.

Reimbursable Programs

The budget includes \$50,000 from the ATA Fund in FY 2021 for Reimbursable Programs. FY 2021 adjustments are as follows:

Agency Consolidation

The budget includes an increase of \$50,000 from the ATA in FY 2021 for reimbursable programs. This line item funds programs such as training seminars, Arizona Vehicle Theft Task Force expenses and “bait car” projects. This line item is funded from donations and grants from the private sector. Since the inception of this program, only \$25,000 for the reimbursement of salary and operational costs of the Arizona Vehicle Theft Task Force has been expended from this line item.

Local Grants

The budget includes \$957,700 from the ATA Fund in FY 2021 for Local Grants. FY 2021 adjustments are as follows:

Agency Consolidation

The budget includes an increase of \$957,700 from the ATA Fund in FY 2021 for agency consolidation.

This line item provides funding for the 4 categories of local grants that the DIFI administers: 1) Vertical Prosecution; 2) Law Enforcement; 3) Professional Training; and 4) Public Awareness grants. DIFI issues Vertical Prosecution Grants to county attorneys that are solely dedicated to auto-theft cases, Law Enforcement Grants to local law enforcement agencies for equipment and supplies, Professional Training Grants to pay travel and registration costs associated with going to conferences, and Public Awareness Grants for public education and vehicle identification number etching. *(Please see the Other Issues section for more information.)*

Arizona Vehicle Theft Task Force

The budget includes \$3,650,000 from the ATA Fund in FY 2021 for the Arizona Vehicle Theft Task Force. FY 2021 adjustments are as follows:

Agency Consolidation

The budget includes an increase of \$3,650,000 from the ATA Fund in FY 2021 for agency consolidation.

Monies in this line item are transferred to the Department of Public Safety which oversees the Arizona Vehicle Theft Task Force. The Arizona Vehicle Theft Task Force is a multi-agency group that works specifically on combating

auto-theft related crimes. *(Please see the Other Issues section for more information.)*

ATA Operating Budget

The budget includes \$672,300 and 6 FTE Positions from the ATA Fund in FY 2021 for the Automobile Theft Authority Operating Budget. FY 2021 adjustments are as follows:

Agency Consolidation

The budget includes an increase of \$654,400 from the ATA Fund in FY 2021 for agency consolidation. Laws 2020, Chapter 37 requires that that operating funds for the Automobile Theft Authority be included as a separate line item.

Statewide Adjustments

The budget includes an increase of \$17,900 from the ATA Fund in FY 2021 for statewide adjustments.

Other Issues

Statutory Changes

The FY 2021 Revenue Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, removes the requirement that insurance fees collected by the department be between 95% and 110% of the department's appropriation.

Automobile Theft Authority Grants

The ATA (which has been consolidated with DIFI) was appropriated \$4,607,700 from the ATA Fund in FY 2020 for grants to state and local law enforcement entities. These grants are funded from the Arizona Vehicle Theft Task Force and Local Grants line items.

Table 1 displays the allocations of grants for FY 2019 and estimated FY 2020 distributions by recipient and category.

Table 1

ATA Grant Recipients

<u>Recipient</u>	<u>FY 2019</u>	<u>FY 2020 est. ^{1/}</u>
Arizona Vehicle Theft Task Force (DPS)	\$3,650,000	\$3,650,000
Vertical Prosecution Grants		
Maricopa County Attorney	\$ 235,800	\$ 235,800
Pima County Attorney	216,000	216,000
Pinal County Attorney	169,100	169,100
La Paz County Attorney	119,700	119,700
Mohave County Attorney	107,800	109,500
Santa Cruz County Attorney	<u>80,800</u>	<u>80,800</u>
Subtotal	\$ 929,200	\$ 930,900
Law Enforcement Grants		
Unallocated	<u>0</u>	<u>1,000</u>
Subtotal	\$ 0	\$ 1,000
Public Awareness Grants		
Eloy Police Department	\$ 2,100	\$ -
Bullhead City Police Department	1,400	-
Casa Grande Police Department	1,200	-
St. Johns Police Department	1,200	-
Coolidge Police Department	1,400	-
Sierra Vista Police Department	1,200	-
Unallocated	<u>0</u>	<u>23,800</u>
Subtotal	\$ 8,500	\$ 23,800
Professional Training Grants	\$ 5,000	\$ 1,000
Discretionary Grants	\$ 0	\$ 1,000
TOTAL	\$4,592,700	\$ 4,607,700

^{1/} Represents allocations as estimated by the Automobile Theft Authority. Specific awards are yet to be determined for some categories.

Judiciary - Supreme Court

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	183.0	183.0	184.0 ^{1/}
Personal Services	6,684,300	7,156,500	7,366,700
Employee Related Expenditures	2,712,200	3,079,100	3,270,400
Professional and Outside Services	191,700	236,200	236,200
Travel - In State	257,300	140,400	140,400
Travel - Out of State	40,800	40,000	40,000
Other Operating Expenditures	4,003,500	5,008,700	5,008,700
Equipment	8,100	0	0
OPERATING SUBTOTAL	13,897,900	15,660,900	16,062,400 ^{2/}
SPECIAL LINE ITEMS			
State Aid	4,258,700	5,670,600	5,735,800
County Reimbursements	187,900	187,900	187,900 ^{3/}
Automation	15,602,400	20,212,700	20,679,400 ^{4/5/}
State Foster Care Review Board	3,171,800	3,265,100	3,343,800
Court Appointed Special Advocate	3,364,700	3,520,700	3,544,900
Model Court	438,500	438,700	438,700
Domestic Relations	606,600	640,600	661,600
Judicial Nominations and Performance Review	408,800	542,500	553,000
Commission on Judicial Conduct	502,900	521,900	537,700
Courthouse Security	730,200	750,000	750,000
AGENCY TOTAL	43,170,400	51,411,600	52,495,200 ^{6/}
FUND SOURCES			
General Fund	19,798,300	20,875,000	21,399,300
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	329,200	492,100	509,400
Court Appointed Special Advocate Fund	3,441,500	3,601,300	3,627,500
Criminal Justice Enhancement Fund	3,509,700	4,399,700	4,497,100
Defensive Driving School Fund	3,295,600	4,226,100	4,316,900
Judicial Collection Enhancement Fund	10,752,000	14,872,100	15,198,700
State Aid to the Courts Fund	2,044,100	2,945,300	2,946,300
SUBTOTAL - Other Appropriated Funds	23,372,100	30,536,600	31,095,900
SUBTOTAL - Appropriated Funds	43,170,400	51,411,600	52,495,200
Other Non-Appropriated Funds	19,443,000	22,716,900	22,716,900
TOTAL - ALL SOURCES	62,613,400	74,128,500	75,212,100

AGENCY DESCRIPTION — The Supreme Court consists of 7 Supreme Court Justices, judicial support staff and the Administrative Office of the Courts (AOC). The Supreme Court, as the state's highest court, has the responsibility to review appeals and to provide rules of procedure for all the courts in Arizona. Under the direction of the Chief Justice, the AOC provides administrative supervision over the Arizona court system.

FOOTNOTES

- 1/ Includes 53.5 GF and 21.8 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ Included in the operating lump sum appropriation for the supreme court is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 3/ Of the \$187,900 appropriated for county reimbursements, state grand jury is limited to \$97,900 and capital postconviction relief is limited to \$90,000. (General Appropriation Act footnote)
- 4/ On or before September 1, 2020, the supreme court shall report to the joint legislative budget committee and the governor's office of strategic planning and budgeting on current and future automation projects coordinated by the

administrative office of the courts. The report shall include a list of court automation projects that receive or are anticipated to receive state monies in the current or next two fiscal years as well as a description of each project, the number of FTE positions, the entities involved and the goals and anticipated results for each automation project. The report shall be submitted in one summary document. The report shall indicate each project's total multiyear cost by fund source and budget line item, including any prior-year, current-year and future-year expenditures. (General Appropriation Act footnote)

- 5/ Automation expenses of the judiciary shall be funded only from the automation line item. Monies in the operating lump sum appropriation or other line items intended for automation purposes shall be transferred to the automation line item before expenditure. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$16,062,400 and 108.7 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$12,119,700
Confidential Intermediary and Fiduciary Fund	509,400
Criminal Justice Enhancement Fund (CJEF)	7,900
Defensive Driving School Fund	733,300
Judicial Collection Enhancement Fund (JCEF)	2,692,100

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$401,500 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	314,400
Confidential Intermediary and Fiduciary Fund	17,300
Defensive Driving School Fund	20,900
JCEF	48,900

(Please see the Agency Detail and Allocations section.)

State Aid

The budget includes \$5,735,800 and 3.3 FTE Positions in FY 2021 for State Aid. These amounts consist of:

CJEF	2,789,500
State Aid to the Courts Fund	2,946,300

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$65,200 in FY 2021 for statewide adjustments. This amount consists of:

CJEF	64,200
State Aid to the Courts Fund	1,000

The State Aid line item provides state aid to counties for the payment of judges pro tempore salaries, and for projects designed to improve the processing of criminal cases in the Superior Court and Justice Courts. The State Aid to the Courts Fund receives: 1) 40.97% of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and 2) a portion of the monies collected by the Supreme Court and the Court of Appeals.

The Administrative Office of the Courts (AOC) distributes the monies appropriated from court fines and collections to the Superior Court and the Justice Courts based on a composite index formula using Superior Court felony filings and county population. Monies appropriated from the State Aid to the Courts Fund in the State Aid line item are distributed to all counties.

County Reimbursements

The budget includes \$187,900 from the General Fund in FY 2021 for County Reimbursements. This amount is unchanged from FY 2020.

The County Reimbursements line item provides reimbursement to counties for grand jury expenses and for state-funded representation of indigent defendants in first-time capital postconviction relief proceedings. Statute limits reimbursements to counties for grand jury expenses and state-funded representation of indigent defendants in first-time capital postconviction relief proceedings to the amount appropriated for those purposes.

For several years, a General Appropriation Act footnote has limited the appropriation for the State Grand Jury to \$97,900 and for Capital Postconviction Relief to \$90,000. The budget continues this in FY 2021.

Automation

The budget includes \$20,679,400 and 13 FTE Positions in FY 2021 for Automation. These amounts consist of:

General Fund	3,556,900
Court Appointed Special Advocate (CASA) Fund	82,600
CJEF	1,699,700
Defensive Driving School Fund	3,583,600
JCEF	11,756,600

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$466,700 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	83,900
Court Appointed Special Advocate (CASA) Fund	2,000
CJEF	33,200
Defensive Driving School Fund	69,900
JCEF	277,700

The Automation line item provides funding for court automation projects throughout the state. The budget includes monies from other Supreme Court and Superior Court line items in the Automation line item to allow for the centralization of Judicial automation expenditures. Automation costs are to be solely funded from the Automation line item. As required by a General Appropriation Act footnote, any additional monies expended from other line items for automation projects are to be transferred to the Automation line item prior to expenditure.

State Foster Care Review Board

The budget includes \$3,343,800 and 40 FTE Positions from the General Fund in FY 2021 for the State Foster Care Review Board. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$78,700 from the General Fund in FY 2021 for statewide adjustments.

The State Foster Care Review Board line item coordinates local volunteer review boards for foster care children in out-of-home placement.

Court Appointed Special Advocate

The budget includes \$3,544,900 and 5.5 FTE Positions from the Court Appointed Special Advocate (CASA) Fund in FY 2021 for CASA. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$24,200 from the CASA Fund in FY 2021 for statewide adjustments.

The CASA line item administers and monitors a community-based volunteer advocacy program for abused and neglected children in the Juvenile Court System.

Model Court

The budget includes \$438,700 from the General Fund in FY 2021 for Model Court. This amount is unchanged from FY 2020.

Monies in this line item represent a pass-through to counties to improve processing of dependency cases.

Domestic Relations

The budget includes \$661,600 and 4.9 FTE Positions from the General Fund in FY 2021 for Domestic Relations. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$21,000 from the General Fund in FY 2021 for statewide adjustments.

The Domestic Relations line item provides coordination and technical support for groups formed to develop and review policies and programs related to domestic relations and child support.

Judicial Nominations and Performance Review

The budget includes \$553,000 and 4.6 FTE Positions from the General Fund in FY 2021 for Judicial Nominations and Performance Review. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$10,500 from the General Fund in FY 2021 for statewide adjustments.

FTE Correction

The budget includes an increase of 1 FTE Position in FY 2021 for an FTE Position correction. The FY 2020 budget included additional funding for Judicial Nominations and Performance Review but did not increase the number of appropriated FTE Positions for the line item.

This line item funds administrative costs to oversee the nominations for the Supreme Court, the Court of Appeals, and the Superior Court in Maricopa, Pima, Pinal, Coconino and Yavapai Counties, as well as evaluating the performance of all merit retention justices and judges. The results of the performance evaluations are provided to the voters before each retention election.

Commission on Judicial Conduct

The budget includes \$537,700 and 4 FTE Positions from the General Fund in FY 2021 for the Commission on Judicial Conduct. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$15,800 from the General Fund in FY 2021 for statewide adjustments.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Courthouse Security

The budget includes \$750,000 from JCEF in FY 2021 for Courthouse Security. This amount is unchanged from FY 2020.

The Courthouse Security line item includes funding for training, assistance, and grants to courts to meet the minimum standards of courthouse security as adopted by the Supreme Court.

Judiciary - Court of Appeals

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
PROGRAM BUDGET			
Division I	11,038,600	11,596,900	11,895,500
Division II	4,921,900	5,168,100	5,284,100
AGENCY TOTAL	15,960,500	16,765,000	17,179,600
OPERATING BUDGET			
Full Time Equivalent Positions	136.8	136.8	136.8 ^{1/}
Personal Services	9,991,400	10,256,400	10,493,800
Employee Related Expenditures	4,292,700	4,911,900	5,089,100
Professional and Outside Services	183,600	221,700	221,700
Travel - In State	193,600	174,000	174,000
Travel - Out of State	17,600	22,000	22,000
Other Operating Expenditures	1,184,100	1,179,000	1,179,000
Equipment	97,500	0	0
AGENCY TOTAL	15,960,500	16,765,000	17,179,600 ^{2/}
FUND SOURCES			
General Fund	15,960,500	16,765,000	17,179,600
SUBTOTAL - Appropriated Funds	15,960,500	16,765,000	17,179,600
TOTAL - ALL SOURCES	15,960,500	16,765,000	17,179,600

AGENCY DESCRIPTION — The Court of Appeals has jurisdiction in all proceedings appealable from the Superior Court except criminal death penalty cases, which are automatically appealed to the Supreme Court. Division I also has statewide responsibility for reviewing appeals from the Arizona Corporation Commission, Industrial Commission, the Department of Economic Security unemployment compensation rulings, and the Arizona Tax Court. Division I convenes in Phoenix and encompasses the counties of Apache, Coconino, La Paz, Maricopa, Mohave, Navajo, Yavapai, and Yuma. Division II convenes in Tucson and encompasses the counties of Cochise, Gila, Graham, Greenlee, Pima, Pinal, and Santa Cruz.

FOOTNOTES

- ^{1/} Of the 136.8 FTE positions for fiscal year 2020-2021, 98.3 FTE positions are for division one and 38.5 FTE positions are for division two. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

Operating Budget

The budget includes \$17,169,600 and 136.8 FTE Positions from the General Fund in FY 2021 for the operating budget. These amounts include \$11,895,500 and 98.3 FTE Positions for Division I and \$5,284,100 and 38.5 FTE Positions for Division II. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$414,600 from the General Fund in FY 2021 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Judiciary - Superior Court

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	137.5	235.5	235.5 ^{1/}
Personal Services	2,322,500	2,458,400	2,502,800
Employee Related Expenditures	846,600	1,026,800	1,047,700
Professional and Outside Services	150,300	57,900	57,900
Travel - In State	16,600	13,800	13,800
Travel - Out of State	11,600	2,000	2,000
Other Operating Expenditures	773,600	1,195,500	1,195,500
OPERATING SUBTOTAL	4,121,200	4,754,400	4,819,700 ^{2/}
SPECIAL LINE ITEMS			
Centralized Service Payments	2,990,200	3,575,100	3,605,500 ^{3/}
Judges Compensation	10,373,500	17,791,600	23,970,700 ^{4/}
Adult Standard Probation	18,049,000	20,241,900	20,055,500 ^{5/}
Adult Intensive Probation	9,906,900	11,620,300	11,528,900 ^{5/}
Community Punishment	1,163,000	2,310,300	2,310,300 ^{5/}
Interstate Compact	432,300	478,600	473,800 ^{5/}
Drug Court	1,006,700	1,036,400	1,033,100
Juvenile Standard Probation	3,300,400	3,704,600	3,674,700 ^{5/}
Juvenile Intensive Probation	5,301,000	5,682,000	5,635,500 ^{5/}
Juvenile Treatment Services	19,960,900	20,148,000	20,134,500 ^{5/6/}
Juvenile Family Counseling	500,000	500,000	500,000
Juvenile Diversion Consequences	8,157,800	8,609,000	8,559,700 ^{5/6/}
Juvenile Crime Reduction	1,416,600	3,312,800	3,327,000 ^{5/}
Special Water Master	191,300	489,700	244,800
Court-Ordered Removals	315,000	315,000	315,000
AGENCY TOTAL	87,185,800	104,569,700	110,188,700 ^{7/-10/}
FUND SOURCES			
General Fund	80,392,600	92,596,500	98,194,300
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	2,327,500	5,455,100	5,475,800
Drug Treatment and Education Fund	500,200	502,900	503,400
Judicial Collection Enhancement Fund	3,965,500	6,015,200	6,015,200
SUBTOTAL - Other Appropriated Funds	6,793,200	11,973,200	11,994,400
SUBTOTAL - Appropriated Funds	87,185,800	104,569,700	110,188,700
Other Non-Appropriated Funds	4,673,000	4,482,700	4,482,700
Federal Funds	951,800	951,800	951,800
TOTAL - ALL SOURCES	92,810,600	110,004,200	115,623,200

AGENCY DESCRIPTION — The Superior Court, which has a division in every county, is the state's only general jurisdiction court. Superior Court judges hear all types of cases except small claims, minor offenses, or violations of city codes and ordinances. In addition, the responsibility for supervising adults and juveniles who have been placed on probation resides in the Superior Court.

FOOTNOTES

^{1/} Of the 235.5 FTE positions, 180 FTE positions represent superior court judges. This FTE position clarification does not limit the counties' ability to add judges pursuant to section 12-121, Arizona Revised Statutes. (General Appropriation Act footnote)

- 2/ All expenditures made by the administrative office of the courts to administer superior court line items shall be funded only from the superior court operating budget. Monies in superior court line items intended for this purpose shall be transferred to the superior court operating budget before expenditure. (General Appropriation Act footnote)
- 3/ All centralized service payments made by the administrative office of the courts on behalf of counties shall be funded only from the centralized service payments line item. Centralized service payments include only training, motor vehicle payments, CORP review board funding, LEARN funding, research, operational reviews and GPS vendor payments. This footnote does not apply to treatment or counseling services payments made from the juvenile treatment services and juvenile diversion consequences line items. Monies in the operating lump sum appropriation or other line items intended for centralized service payments shall be transferred to the centralized service payments line item before expenditure. (General Appropriation Act footnote)
- 4/ All monies in the judges' compensation line item shall be used to pay for fifty percent of superior court judges' salaries, elected officials' retirement plan costs and related state benefit costs for judges pursuant to section 12-128, Arizona Revised Statutes. Monies in the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the judges' compensation line item before expenditure. (General Appropriation Act footnote)
- 5/ All monies in the adult standard probation, adult intensive probation, community punishment, interstate compact, juvenile standard probation, juvenile intensive probation, juvenile treatment services, juvenile diversion consequences and juvenile crime reduction line items shall be used only as pass-through monies to county probation departments. Monies in the operating lump sum appropriation or other line items intended as pass-through for the purpose of administering a county probation program shall be transferred to the appropriate probation line item before expenditure. (General Appropriation Act footnote)
- 6/ Monies appropriated to juvenile treatment services and juvenile diversion consequences shall be deposited in the juvenile probation services fund established by section 8-322, Arizona Revised Statutes. (General Appropriation Act footnote)
- 7/ Receipt of state probation monies by the counties is contingent on the county maintenance of fiscal year 2003-2004 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs. (General Appropriation Act footnote)
- 8/ On or before November 1, 2020, the administrative office of the courts shall report to the joint legislative budget committee and the governor's office of strategic planning and budgeting the fiscal year 2019-2020 actual, fiscal year 2020-2021 estimated and fiscal year 2021-2022 requested amounts for each of the following:
 1. On a county-by-county basis, the number of authorized and filled case carrying probation positions and non-case carrying probation positions, distinguishing between adult standard, adult intensive, juvenile standard and juvenile intensive. The report shall indicate the level of state probation funding, other state funding, county funding and probation surcharge funding for those positions.
 2. Total receipts and expenditures by county and fund source for the adult standard, adult intensive, juvenile standard and juvenile intensive probation line items, including the amount of personal services spent from each revenue source of each account. (General Appropriation Act footnote)
- 9/ On or before November 1, 2020, the administrative office of the courts shall submit a report for review by the joint legislative budget committee on the county-approved salary adjustments provided to probation officers since the last report on November 1, 2019. The report shall include, for each county, the:
 1. Approved percentage salary increase by year.
 2. Net increase in the amount allocated to each probation department by the administrative office of the courts for each applicable year.
 3. Average number of probation officers by applicable year.
 4. Average salary of probation officers for each applicable year. (General Appropriation Act footnote)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$4,819,700 and 55.5 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$4,464,600
Criminal Justice Enhancement Fund (CJEF)	338,700
Drug Treatment and Education Fund	3,200
Judicial Collection Enhancement Fund (JCEF)	13,200

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$65,300 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	58,300
Criminal Justice Enhancement Fund (CJEF)	6,500
Drug Treatment and Education Fund	500

(Please see the Agency Detail and Allocations section.)

Background – These monies represent the administrative costs incurred by the Administrative Office of the Courts (AOC) while overseeing the various line items of the Superior Court budget. In prior years, these monies were included in the individual line items. In order to increase the clarity of expenditure sourcing, these monies have been shifted to a centralized operating budget leaving the monies passed through to the county Superior Courts in their respective line items.

Centralized Service Payments

The budget includes \$3,605,500 in FY 2021 for centralized service payments. This amount consists of:

General Fund	3,155,600
JCEF	449,900

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$30,400 from the General Fund in FY 2021 for statewide adjustments.

Background – In order to facilitate payment for services that are offered by all Superior Courts, AOC pays for various services centrally. These services include training, motor vehicle payments, Corrections Officer Retirement Plan Review Board funding, Literacy Education and Resource Network program funding (an online G.E.D. preparation program), research, operational reviews and GPS vendor payments.

Judges Compensation

The budget includes \$23,970,700 and 180 FTE Positions from the General Fund in FY 2021 for Judges Compensation. FY 2021 adjustments are as follows:

Maricopa County Judges Salary Phase-In

The budget includes an increase of \$6,019,400 from the General Fund in FY 2021 for the second year of a 2-year phase-in of Maricopa County judges' salaries.

Statewide Adjustments

The budget includes an increase of \$159,700 from the General Fund in FY 2021 for statewide adjustments.

Background – This line item provides funding for the state's 50% share of salary and non-health benefits. The line item also funds 100% of the costs of Superior Court Judges that elect state benefits, although some opt to participate in county programs. In the latter circumstance, the county pays 100% of the employer cost.

A.R.S. § 12-128 previously required the state General Fund to pay for one-half of Superior Court Judges' salaries, except for Maricopa County judges. As permanent law, the FY 2019 Criminal Justice Budget Reconciliation Bill amended A.R.S. § 12-128 to phase in state funding for Maricopa County judges at 25% in FY 2020 and 50% in FY 2021. The cost to pay for the state's share of costs will total \$6,972,000 in FY 2020 and \$12,991,400 in FY 2021.

A.R.S. § 12-128 only mentions salary and does not specifically address benefits. AOC believes that case law has established that salary includes benefits, and therefore also pays benefits from this line.

Pursuant to A.R.S. § 12-121, each county receives one judge for the first 30,000 of population. Additional judges may be created for every additional 30,000-person increment upon approval by the Governor.

Probation Programs

The state and non-Maricopa Counties share the costs of probation. The state pays 100% of salary and benefits for all state-funded probation officers. For the intensive programs, the state pays 100% of the costs (although the counties may provide offices and other support services). Counties typically contribute through Probation Service Fee collections, outside grants, and office space. Since FY 2004, Maricopa County has assumed the state's share of its probation costs. *(Please see the Other Issues section for more information on probation funding.)*

Adult Standard Probation

The budget includes \$20,055,500 in FY 2021 for Adult Standard Probation. This amount consists of:

General Fund	16,281,400
JCEF	3,774,100

FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The budget includes a decrease of \$(1,032,500) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase. The CORP rate increased in FY 2019 from 23.34% to 32.98%. The FY 2020 budget included funding for this increase but designated it as one-time. This change applies to several probation-related line items as listed below.

Ongoing CORP Increase

The budget includes an increase of \$846,100 from the General Fund in FY 2021 for a Corrections Officer Retirement Plan (CORP) increase. For FY 2020, the CORP rate decreased from 32.98% to 31.24%. The FY 2021 budget funds the net change from FY 2018 to FY 2020 and designates this funding as ongoing. This change applies to several probation-related line items as listed below.

Background – This line item provides funding for community supervision services for adults placed on standard probation by the Adult Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 12-251A, an adult probation officer shall not supervise more than 65 adults on standard probation at one time.

As required by a General Appropriation Act footnote, the monies in the Adult Standard Probation line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Adult Intensive Probation

The budget includes \$11,528,900 in FY 2021 for Adult Intensive Probation. This amount consists of:

General Fund	9,993,700
JCEF	1,535,200

FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The budget includes a decrease of \$(505,000) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase.

Ongoing CORP Increase

The budget includes an increase of \$413,600 from the General Fund in FY 2021 for a Corrections Officer Retirement Plan (CORP) increase.

Background – This line item provides funding for a sentencing alternative intended to divert serious, non-

violent offenders from prison. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 13-916, 1 team shall not supervise more than 25 intensive probationers at one time.

As required by a General Appropriation Act footnote, the monies in the Adult Intensive Probation line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Community Punishment

The budget includes \$2,310,300 in FY 2021 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund	500,200

These amounts are unchanged from FY 2020.

Background – This line item provides behavioral treatment services for adult probationers and for enhanced supervision, such as electronic monitoring and specialized probation caseloads. The funding is intended to provide for diversion of offenders from prison and jail, as well as to enhance probation programs, excluding Maricopa County.

As required by a General Appropriation Act footnote, the monies in the Community Punishment line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Interstate Compact

The budget includes \$473,800 in FY 2021 for Interstate Compact. This amount consists of:

General Fund	381,000
JCEF	92,800

FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The budget includes a decrease of \$(26,800) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase.

Ongoing CORP Increase

The budget includes an increase of \$22,000 from the General Fund in FY 2021 for a Corrections Officer Retirement Plan (CORP) increase.

Background – This line item provides funding for supervision and intervention to probationers transferring to Arizona and monitors the supervision of probationers transferred to other states from Arizona.

As required by a General Appropriation Act footnote, the monies in the Interstate Compact line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Drug Court

The budget includes \$1,033,100 from the General Fund in FY 2021 for Drug Court programs. FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The budget includes a decrease of \$(18,000) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase.

Ongoing CORP Increase

The budget includes an increase of \$14,700 from the General Fund in FY 2021 for a Corrections Officer Retirement Plan (CORP) increase.

Background – This line item provides funding for juvenile and adult drug courts within the Superior Court throughout the state. It provides funding for prosecuting, adjudicating and treating drug-dependent offenders. Superior Court divisions in 12 counties have implemented or are planning the implementation of drug courts. These programs utilize drug education, intensive therapy, parent support, case management, socialization alternatives, aftercare and compliance monitoring for drug abstinence.

Juvenile Standard Probation

The budget includes \$3,674,700 in FY 2021 for Juvenile Standard Probation. This amount consists of:

General Fund	3,524,700
JCEF	150,000

FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The budget includes a decrease of \$(165,900) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase.

Ongoing CORP Increase

The budget includes an increase of \$136,000 from the General Fund in FY 2021 for a Corrections Officer Retirement Plan (CORP) increase.

Background – This line item provides funding for community supervision services for juveniles placed on standard probation by the Juvenile Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-203B, a juvenile probation officer shall not supervise more than an average of 35 juveniles on standard probation at one time.

As required by a General Appropriation Act footnote, the monies in the Juvenile Standard Probation line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Juvenile Intensive Probation

The budget includes \$5,635,500 from the General Fund in FY 2021 for Juvenile Intensive Probation. FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The budget includes a decrease of \$(258,000) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase.

Ongoing CORP Increase

The budget includes an increase of \$211,500 from the General Fund in FY 2021 for a Corrections Officer Retirement Plan (CORP) increase.

Background – This line item provides funding for a sentencing alternative to divert serious, non-violent juvenile offenders from incarceration or residential care and to provide intensive supervision for high-risk offenders already on probation. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-353B, 1 JIPS team shall not supervise more than an average of 25 juveniles on intensive probation at one time.

As required by a General Appropriation Act footnote, the monies in the Juvenile Intensive Probation line item shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

Juvenile Treatment Services

The budget includes \$20,134,500 from the General Fund in FY 2021 for Juvenile Treatment Services. FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The budget includes a decrease of \$(74,900) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase.

Ongoing CORP Increase

The budget includes an increase of \$61,400 from the General Fund in FY 2021 for a Corrections Officer Retirement Plan (CORP) increase.

Background – This line item provides funding to the juvenile courts to meet the requirements of A.R.S. § 8-321 relating to the assignment of youths referred for delinquency or incorrigibility to treatment programs, residential treatment centers, counseling, shelter care and other programs.

As required by a General Appropriation Act footnote, the monies in the Juvenile Treatment Services line item shall be used only as pass-through monies to the counties for their treatment programs and central treatment service payments made by AOC on behalf of the counties and are not available for AOC expenses.

Juvenile Family Counseling

The budget includes \$500,000 from the General Fund in FY 2021 for Juvenile Family Counseling. This amount is unchanged from FY 2020.

Background – This line item provides funding to the Juvenile Division of the Superior Court for prevention of delinquency among juvenile offenders by strengthening family relationships. These monies are predominantly for non-adjudicated juveniles and their families and require a 25% county match.

Juvenile Diversion Consequences

The budget includes \$8,559,700 from the General Fund in FY 2021 for Juvenile Diversion Consequences. FY 2021 adjustments are as follows:

Remove One-Time CORP Increase

The budget includes a decrease of \$(272,900) from the General Fund in FY 2021 to remove one-time funding for a Corrections Officer Retirement Plan (CORP) increase.

Ongoing CORP Increase

The budget includes an increase of \$223,600 from the General Fund in FY 2021 for a Corrections Officer Retirement Plan (CORP) increase.

Background – This program diverts youth from formal court proceedings in order to reduce court costs and prevent re-offending. A juvenile diversion probation officer assigns consequences for the juvenile to complete, such as substance abuse education, graffiti abatement, counseling, or other community service programs. According to the AOC's Juvenile Court Annual Report, there were approximately 7,750 juveniles diverted from formal court proceedings in FY 2019. Monies in this line item are distributed to all counties.

As required by a General Appropriation Act footnote, the monies in the Juvenile Diversion Consequences line item shall be used only as pass-through monies to the counties for their diversion programs and central treatment service payments made by AOC on behalf of the counties and are not available for AOC expenses.

Juvenile Crime Reduction

The budget includes \$3,327,000 from CJEF in FY 2021 for Juvenile Crime Reduction. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$14,200 from CJEF in FY 2021 for statewide adjustments.

Background – This line item provides funding for the design and implementation of community-based strategies for reducing juvenile crime. Strategies include prevention, early intervention, effective intermediate sanctions, and rehabilitation. Through a grant process, AOC distributes monies in this line item to approximately 25 public and private entities.

As required by a General Appropriation Act footnote, the monies in the Juvenile Crime Reduction line item shall be used only as pass-through monies to the counties for their crime reduction programs and are not available for AOC expenses.

Special Water Master

The budget includes \$244,800 from the General Fund in FY 2021 for the Special Water Master line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(250,000) from the General Fund in FY 2021 to remove one-time funding for document digitization and the creation of an electronic case management system.

Statewide Adjustments

The budget includes an increase of \$5,100 from the General Fund in FY 2021 for statewide adjustments.

Background – This line item provides funding for the Special Water Master assigned by the court in 1990 to the Little Colorado River and Gila River water rights adjudications. The adjudication of water rights for the Little Colorado River and Gila River were petitioned in 1978 and 1980, respectively. In FY 2019, 663 water rights claims were filed by individuals, communities, governments, and companies. The Special Water Master conducts hearings for each claimant and makes recommendations to a Superior Court judge.

Pursuant to statute, the costs of the Water Master are funded from claimant fees. If claimant fees are insufficient, statute requires the state General Fund to pay for these expenses in a line item within the Superior Court budget. *(Please see Table 1 for more information.)*

Table 1

Special Water Master Funding

	FY 2019 Actual	FY 2020 Estimated ^{1/}	FY 2021 Estimated ^{1/}
Gila River			
Beginning Balance	\$228,700	\$205,700	\$213,600
Revenues ^{2/}	141,300	470,100	141,300
Expenditures	<u>164,300</u>	<u>462,200</u>	<u>201,800</u>
Ending Balance	\$205,700	\$213,600	\$153,100
Little Colorado River			
Beginning Balance	\$89,600	\$125,600	\$127,800
Revenues ^{2/}	66,900	32,600	66,900
Expenditures	<u>30,900</u>	<u>30,400</u>	<u>37,900</u>
Ending Balance	\$125,600	\$127,800	\$156,800

^{1/} As reported by the Administrative Office of the Courts and adjusted by the JLBC.

^{2/} Includes annual General Fund appropriation plus interest.

Court-Ordered Removals

The budget includes \$315,000 from the General Fund in FY 2021 for Court-Ordered Removals. This amount is unchanged from FY 2020.

These monies help fund the costs associated with the Superior Court's processing and issuance of temporary orders of custody for juveniles removed from their home.

Other Issues

Probation Caseloads

AOC counts certain probationers as more than 1 case. For example, adult probationers charged with crimes against children are counted as 3 cases. As a result, reported probation counts do not represent actual headcounts.

Beginning January 1, 2020, the Courts also included the pre-release population in their caseloads. The pre-release population is defined as an inmate who will be released from prison directly into probation supervision within 90 days. The time inmates spend in probation supervision post-release is commonly known as a "probation tail."

The JLBC Staff estimated FY 2020 and FY 2021 non-Maricopa County weighted probation caseloads of 19,684 and 19,931 from all categories, respectively. This would represent growth of 2.1% in FY 2020 and 1.3% in FY 2021. As of April, the Non-Maricopa County weighted probation caseloads were 19,661.

Please see *Table 2* below for recent probation caseloads in each category and the JLBC Staff estimates for FY 2020 and FY 2021. *(For more information, please see the [Judiciary – Probation Programs](#) program summary on the JLBC website.)*

State-Funded Probation Officer Salary and Benefits

The state funds probation officers in all counties except Maricopa. While these officers are funded with state monies, they are county employees and statute requires the county board of supervisors in each county to set the salary for probation officers.

Counties regularly award salary increases to probation officers, which can create a funding deficit relative to the appropriation. AOC annually evaluates these salary increases and requests an appropriation increase in the following fiscal year to pay for these deficits.

A General Appropriation Act footnote requires AOC to submit a report by November 1 of each year detailing county-approved salary increases. The most recent report indicates the total FY 2019 payroll increase for salary was 2.68% for Adult probation officers and 2.86% for Juvenile probation officers. AOC projects total payroll increase for salary in FY 2020 will be 1.45% for both Adult and Juvenile probation officers.

Table 2**End of Year Non-Maricopa Probation Caseloads ^{1/}**

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
<u>Probation Category</u>					
Adult Standard ^{2/}	16,047	16,187	16,215	16,733	17,049
Adult Intensive	1,211	1,149	1,255	1,180	1,160
Juvenile Standard	1,483	1,506	1,439	1,411	1,380
Juvenile Intensive	<u>398</u>	<u>414</u>	<u>374</u>	<u>360</u>	<u>342</u>
Total Caseload	19,139	19,256	19,283	19,684	19,931

^{1/} Numbers represent June probation caseloads. FY 2020 and FY 2021 represent JLBC Staff estimates.

^{2/} Does not include Interstate Compact participants.

Department of Juvenile Corrections

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	18,232,600	22,871,000	24,195,800
Employee Related Expenditures	12,678,000	14,753,100	15,712,500
Professional and Outside Services	678,100	994,000	994,000
Travel - In State	302,700	320,700	320,700
Travel - Out of State	13,600	13,600	13,600
Other Operating Expenditures	4,373,600	3,923,400	3,923,400
Equipment	497,800	456,300	456,300
AGENCY TOTAL	36,776,400	43,332,100	45,616,300 ^{1/2/}
FUND SOURCES			
General Fund	21,308,800	36,926,500	30,616,200
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	466,000	531,500	546,200
Department of Juvenile Corrections Local Cost Sharing Fund	11,260,000	0	8,450,900
State Charitable, Penal and Reformatory Institutions Land Fund	2,969,000	4,012,400	4,017,000
State Education Fund for Committed Youth	772,600	1,861,700	1,986,000
SUBTOTAL - Other Appropriated Funds	15,467,600	6,405,600	15,000,100
SUBTOTAL - Appropriated Funds	36,776,400	43,332,100	45,616,300
Other Non-Appropriated Funds	171,800	171,800	171,800
Federal Funds	1,024,500	954,800	954,800
TOTAL - ALL SOURCES	37,972,700	44,458,700	46,742,900

AGENCY DESCRIPTION — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youth until they are released from custody or reach age 18.

FOOTNOTES

- 1/ Twenty-five percent of land earnings and interest from the state charitable, penal and reformatory institutions land fund shall be distributed to the department of juvenile corrections, in compliance with section 25 of the enabling act and the Constitution of Arizona, to be used to support state juvenile institutions and reformatories. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$45,616,300 and 738.5 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$30,616,200
Criminal Justice Enhancement Fund (CJEF)	546,200
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900

State Charitable, Penal and Reformatory Institutions Land Fund	4,017,000
State Education Fund for Committed Youth	1,986,000

FY 2021 adjustments are as follows:

Remove One-Time Offset for Local Cost Sharing

The budget includes a decrease of \$(8,450,900) from the General Fund and a corresponding increase of \$8,450,900 from the Department of Juvenile Corrections Local Cost Sharing Fund in FY 2021 to remove one-time funding to offset local cost sharing for Maricopa and Pima Counties.

Statewide Adjustments

The budget includes an increase of \$2,284,200 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	2,140,600
Criminal Justice Enhancement Fund	14,700
State Charitable, Penal and Reformatory Institutions Land Fund	4,600
State Education Fund for Committed Youth	124,300

(Please see the Agency Detail and Allocations section.)

Other Issues

Local Cost Sharing

The FY 2016 Criminal Justice Budget Reconciliation Bill (BRB) created the DJC Local Cost Sharing Fund with annual deposits from each county for their share of a portion of the operational costs of DJC. The FY 2020 Criminal Justice BRB repealed the requirement in statute for all counties (except Maricopa and Pima) to pay their proportional share of \$11,260,000 according to their population. The

FY 2020 Criminal Justice BRB also suspended the \$8,450,900 in county cost sharing for Maricopa and Pima Counties on a one-time basis in FY 2020. The FY 2021 budget did not continue the suspension, thereby requiring Maricopa and Pima Counties to make deposits into the DJC Local Cost Sharing Fund in FY 2021. Maricopa County will contribute \$6,724,000 while Pima county will contribute \$1,726,900.

(Please see the County Funding narrative for more information on state distributions to counties.)

Population Counts

Table 1 lists the DJC population by category. The housed and parole populations within DJC have seen significant decreases in the past 10 years but the housed population has increased in recent years. As illustrated in Table 2, the housed population within DJC has increased significantly from 179 to 221, or 23.5%, from FY 2017 through April 2020. During this time period, the total parole population has decreased significantly, realizing a reduction of (27.8)% over the same period.

Table 1

DJC Census

	<u>FY 2017 Average Population</u>	<u>FY 2018 Average Population</u>	<u>FY 2019 Average Population</u>	<u>Population as of April 2020</u>
Housed Population				
Adobe Mountain	179	172	197	221
Parole Population				
Parole	68	45	37	52
Interstate Compact (Inside Arizona) ^{1/}	<u>108</u>	<u>87</u>	<u>78</u>	<u>75</u>
Total Parole Population	<u>176</u>	<u>132</u>	<u>115</u>	<u>127</u>
Total DJC Population	355	304	312	348

^{1/} The Interstate Compact is an agreement between states to supervise parolees in each other's state. "Inside Arizona" means parolees from other states living in Arizona and "Outside Arizona" means Arizona parolees living in other states. There was an average of 1 Arizona parolee outside of Arizona in FY 2019 and 1 parolee in April 2020.

State Land Department

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	129.7	129.7	129.7
Personal Services	6,225,800	8,639,900	8,639,900
Employee Related Expenditures	2,380,100	1,896,000	2,362,800
Professional and Outside Services	3,034,200	3,370,000	3,370,000
Travel - In State	122,900	129,000	129,000
Travel - Out of State	9,100	9,500	9,500
Other Operating Expenditures	3,145,800	2,127,000	2,127,000
Equipment	54,800	40,000	40,000
OPERATING SUBTOTAL	14,972,700	16,211,400	16,678,200
SPECIAL LINE ITEMS			
CAP User Fees	1,315,200	1,796,300	1,796,300 ^{1/}
Due Diligence Fund Deposit	40,000	500,000	500,000
Fire Suppression	0	800,000	800,000
Natural Resource Conservation Districts	529,300	650,000	650,000 ^{2/}
Streambed Navigability Litigation	42,200	220,000	220,000
AGENCY TOTAL	16,899,400	20,177,700	20,644,500 ^{3/}
FUND SOURCES			
General Fund	10,932,800	12,135,400	12,563,800
<u>Other Appropriated Funds</u>			
Due Diligence Fund	40,000	500,000	500,000
Environmental Special Plate Fund	139,900	260,600	260,600
Trust Land Management Fund	5,786,700	7,281,700	7,320,100
SUBTOTAL - Other Appropriated Funds	5,966,600	8,042,300	8,080,700
SUBTOTAL - Appropriated Funds	16,899,400	20,177,700	20,644,500
Other Non-Appropriated Funds	634,700	748,900	748,900
TOTAL - ALL SOURCES	17,534,100	20,926,600	21,393,400

AGENCY DESCRIPTION — The agency manages the state's 9.2 million acres of trust land on behalf of its 13 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from trust land minerals and other natural products.

FOOTNOTES

- 1/ The appropriation includes \$1,796,300 for CAP user fees in fiscal year 2020-2021. For fiscal year 2020-2021, from municipalities that assume their allocation of central Arizona project water for every dollar received as reimbursement to the state for past central Arizona water conservation district payments, \$1 reverts to the state general fund in the year that the reimbursement is collected. (General Appropriation Act footnote)
- 2/ Of the amount appropriated for natural resource conservation districts in fiscal year 2020-2021, \$30,000 shall be used to provide grants to natural resource conservation districts environmental education centers. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$16,678,200 and 129.7 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$10,157,500
Environmental Special Plate Fund	600
Trust Land Management Fund	6,520,100
FY 2021 adjustments are as follows:	

Statewide Adjustments

The budget includes an increase of \$466,800 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	428,400
Trust Land Management Fund	38,400

(Please see the Agency Detail and Allocations section.)

CAP User Fees

The budget includes \$1,796,300 from the General Fund in FY 2021 for Central Arizona Project (CAP) User Fees. FY 2021 adjustments are as follows:

CAP Rate Adjustment

The budget continues an increase of \$481,100 from the General Fund in FY 2021 for revised FY 2020 CAP rates. This assumes that the department will be billed "capital charges" of \$56 per acre foot on 32,076 acre feet of water in FY 2021 for a total annual charge of \$1,796,300. This amount is a \$481,100 increase above the original FY 2020 appropriation of \$1,315,200.

The original FY 2020 appropriation reflected capital charges of \$41 per acre foot, but CAP rates are not determined until June 15 of each year. The final rate for FY 2020 ended up being \$56 per acre-foot. As a result, the budget also includes a \$481,100 supplemental from the General Fund to cover the higher-than-budgeted FY 2020 rates. *(Please see FY 2020 Supplemental section in Other Issues for more information.)*

Pursuant to A.R.S. § 37-106.01, the State Land Department has a long-term contract with the Central Arizona Water Conservation District (CAWCD) (the governing entity for CAP) for the rights to purchase 32,076 acre-feet of CAP water annually for municipal and industrial uses on state trust lands. The department typically does not take delivery of the water, but must still pay capital charges to the CAWCD each year to maintain its CAP water rights. (The CAWCD uses revenue from capital charges to fund repayment of federal construction debt for the CAP.) Maintaining CAP water rights on state trust lands increases their market value. When CAP water rights on state trust lands are transferred to a municipality through the sale or lease of state trust lands, the state General Fund is reimbursed for all previous costs associated with the water rights pursuant to A.R.S. § 37-106.01C&G. *(Please see related General Appropriation Act footnote.)*

Due Diligence Fund Deposit

The budget includes \$500,000 from the Due Diligence Fund in FY 2021 for this line item. This amount is unchanged from FY 2020.

The State Land Department uses monies in this line item to fund due diligence studies on land that it prepares for auction. The purchasers of state trust land then reimburse the State Land Department for the cost of the studies.

Fire Suppression

The budget includes \$800,000 from the Trust Land Management Fund in FY 2021 for the Fire Suppression line item. This amount is unchanged from FY 2020.

In accordance with an interagency service agreement (ISA) between the State Land Department and the Arizona Department of Forestry and Fire Management, \$800,000 of fire suppression activity on state trust lands will be funded by the Trust Land Management Fund. *(Please see the Arizona Department of Forestry and Fire Management narrative for more information.)*

Natural Resource Conservation Districts

The budget includes \$650,000 in FY 2021 for Natural Resource Conservation Districts (NRCs). This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2020.

This line item funds natural resource research, activities, and staff at the state's 30 NRCs. These districts are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A.R.S. § 37-1014 requires the department to include in its budget request up to \$40,000 for each NRC and \$60,000 for each education center for a 2-year period.

A General Appropriation Act footnote continues to require that \$30,000 of the total appropriation for NRCs be used to provide grants to NRC environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by 30 NRCs. Districts that sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015.

The revenue deposited in the Environmental Special Plate Fund consists of \$17 of the \$25 fee for environmental license plates. Current levels of Environmental Special Plate Fund revenue do not permit expenditure of the full appropriation. Revenue for FY 2019 totaled \$134,700 and will not be able to fund the appropriated amount, which is set at \$260,000. The revenue generated from the Environmental Special Plate Fund has trended downward and license plate sales have not reached \$260,000 since FY 2007.

Streambed Navigability Litigation

The budget includes \$220,000 from the General Fund in FY 2021 for Streambed Navigability Litigation. This amount is unchanged from FY 2020.

Pursuant to A.R.S. §§ 37-1123 and 37-1124, the Land Department is required to provide evidence to the Arizona Navigable Stream Adjudication Commission (ANSAC) to help resolve litigation regarding the navigability of watercourses in the state. *(Please see the Arizona Navigable Stream Adjudication Commission narrative for more information.)*

The Land Department uses this line item to fund expert witness services, technical examinations, and associated legal costs incurred in connection with ongoing hearings and appeals processes.

Other Issues

FY 2020 Supplemental

The FY 2021 budget includes an FY 2020 supplemental of \$481,100 from the General Fund for CAP User Fees to realign funding with the FY 2020 final CAP User Fee rate of \$56 per acre foot. *(Please see the CAP User Fees line item for more information.)*

Proposition 123

As approved by voters at the May 2016 election, Proposition 123 implements the October 2015 Special Session legislation (Laws 2015, 1st Special Session, Chapters 1 and 2 and HCR 2001) to increase the annual distribution rate from the State Land Trust Permanent Fund from 2.5% to 6.9% from FY 2016 through FY 2025.

Proposition 123 provided \$204,852,300 in incremental land trust funds to K-12 schools in FY 2019 and \$218,226,100 in FY 2020. The 4.4% incremental funding increase will provide \$228,292,000 in incremental funds in

FY 2021. *(Please see the October 2015 Special Session and Proposition 123 section of the Department of Education narrative in the FY 2017 Appropriations Report for more information on Proposition 123.)*

Proposition 123 also increases distributions to other public institutions. Non-K-12 beneficiaries received \$5,745,100 in total distributions under the 2.5% rate in FY 2015. The 6.9% distribution rate under Proposition 123 increased this amount to \$24,178,400 in FY 2019 and \$25,756,600 in FY 2020. In FY 2021 non-K-12 beneficiaries will receive \$26,769,000. In addition to the distributions from the Treasurer, each beneficiary continues to receive lease revenues generated from their land parcels. Including lease revenues, non-K-12 beneficiaries received \$15,845,800 in total land trust monies in FY 2015. These beneficiaries will receive an estimated \$34,161,600 in FY 2021. *(Please see Table 1.)*

K-12 schools, the universities, and the Arizona State Schools for the Deaf and the Blind may expend the additional revenues generated by Proposition 123 without further legislative action. In order for the remaining beneficiaries to expend their increased revenues, however, additional appropriation authority is required.

Table 1

State Land Trust: Non-K12 Beneficiaries' Revenues, Balances, and Appropriation Authority

<u>Beneficiary/Fund</u>	<u>FY 2015 Total Revenue</u> ^{1/}	<u>FY 2020 Ending Balance</u>	<u>FY 2021 Total Revenue</u> ^{2/}	<u>FY 2021 Appropriation</u>
Universities ^{3/}				
Military Institute	\$ 83,800		\$ 118,100	
Normal Schools ASU/NAU	296,600		590,700	
A & M Colleges	445,100		1,210,100	
School of Mines	499,800		1,194,500	
University Fund	2,175,400		2,594,100	
U of A Land - 1881	<u>1,659,400</u>		<u>7,300,800</u>	
Subtotal	\$ 5,160,100		\$13,008,300	
Schools for the Deaf and the Blind ^{4/}	\$ 424,400		\$ 704,300	
State Hospital	\$ 701,000	\$ 1,636,300	\$ 997,800	\$ 650,000
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 386,300	\$ 1,207,000	\$ 875,500	\$ 0
Corrections				
Penitentiaries	\$ 1,382,600	\$ 2,887,800	\$ 2,617,000	\$ 2,780,300
State Charitable (25%)	<u>1,452,500</u>	<u>2,661,800</u>	<u>2,999,600</u>	<u>2,661,800</u>
Subtotal	\$ 2,835,100	\$ 5,549,600	\$ 5,616,600	\$ 5,442,100
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 6,527,100	\$ 3,960,400	\$ 2,059,200
State Charitable (50%)	<u>2,905,000</u>	<u>9,061,500</u>	<u>5,999,100</u>	<u>4,515,000</u>
Subtotal	\$ 4,886,400	\$ 15,588,600	\$ 9,959,500	\$ 6,574,200
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 1,665,500	\$ 2,999,600	\$ 4,012,400
Non-K-12 Beneficiaries Total	\$15,845,800		\$34,161,600	

^{1/} Includes actual Treasurer's distributions and lease revenues. The FY 2015 revenues reflect the 2.5% Treasurer's distribution rate in effect prior to Proposition 123.

^{2/} Includes both Treasurer's distributions and lease revenues. The Treasurer's distributions are known numbers based on the funding formula. Projected FY 2021 lease revenues are based on actual FY 2019 amounts and do not reflect potential revenue impacts caused by the COVID-19 pandemic.

^{3/} University land trust funds are non-appropriated. As a result, budget appropriations and balance amounts are not included. (Please see ABOR section for more information.)

^{4/} Arizona State Schools for the Deaf and the Blind (ASDB) land trust monies are appropriated as part of the Schools for the Deaf and the Blind Fund, which also receives revenues from the Arizona Department of Education. The FY 2021 General Appropriation Act allows monies in this fund to be expended in excess of the appropriated amount. As a result, budget appropriations and balance amounts are not included.

^{5/} The expenditure for the Legislative, Executive, and Judicial Buildings land trust monies requires a legislative appropriation. A.R.S § 35-142 requires land fund monies to be expended only as authorized, regulated, and controlled by the General Appropriation Act or other act of the Legislature. A.R.S § 35-154 also requires that no person shall incur, order, or vote for the incurrence of any obligation against the state or for any expenditure not authorized by an appropriation and an allotment.

Legislature - Auditor General

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	195.8	200.8	200.8
Personal Services	13,271,400	13,622,400	14,106,100
Employee Related Expenditures	4,430,600	4,617,100	4,895,600
Professional and Outside Services	371,500	320,300	320,300
Travel - In State	140,000	138,300	138,300
Travel - Out of State	16,500	20,100	20,100
Other Operating Expenditures	1,157,500	1,210,900	1,210,900
Equipment	322,100	300,200	300,200
OPERATING SUBTOTAL	19,709,600	20,229,300	20,991,500 ^{1/}
SPECIAL LINE ITEMS			
Career Technical Education District Study	0	400,000	0
AGENCY TOTAL	19,709,600	20,629,300	20,991,500 ^{2/}
FUND SOURCES			
General Fund	19,709,600	20,629,300	20,991,500
SUBTOTAL - Appropriated Funds	19,709,600	20,629,300	20,991,500
Other Non-Appropriated Funds	1,081,000	900,800	900,800
TOTAL - ALL SOURCES	20,790,600	21,530,100	21,892,300

AGENCY DESCRIPTION — The Auditor General (AG) provides an independent financial, performance, and compliance audit capability in support of legislative oversight and public accountability of funds administered by the state and certain local governments.

FOOTNOTES

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$20,991,500 and 200.8 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$762,200 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Career Technical Education District Study

The budget includes no funding from the General Fund in FY 2021 for a study of career technical education districts. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(400,000) from the General Fund in FY 2021 to remove one-time funding for a study of career technical education districts.

Legislature - House of Representatives

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	14,774,400	16,407,500	16,830,000
AGENCY TOTAL	14,774,400	16,407,500	16,830,000 ^{1/2/3/}
FUND SOURCES			
General Fund	14,774,400	16,407,500	16,830,000
SUBTOTAL - Appropriated Funds	14,774,400	16,407,500	16,830,000
TOTAL - ALL SOURCES	14,774,400	16,407,500	16,830,000

AGENCY DESCRIPTION — The House of Representatives is made up of 60 members, 2 of whom are elected from each of the legislative districts. The officers and employees of the House of Representatives consist of the Speaker of the House, a Chief Clerk of the House, and other employees as the House directs.

FOOTNOTES

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} Included in the lump sum appropriation of \$16,830,000 for fiscal year 2020-2021 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$16,830,000 from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$422,500 from the General Fund in FY 2021 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Legislature - Joint Legislative Budget Committee

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	1,666,600	1,898,400	1,963,200
Employee Related Expenditures	518,400	709,100	744,800
Professional and Outside Services	90,700	125,000	125,000
Travel - In State	500	500	500
Travel - Out of State	1,000	0	0
Other Operating Expenditures	24,400	99,200	99,200
Equipment	5,800	2,000	2,000
AGENCY TOTAL	2,307,400	2,834,200	2,934,700 ^{1/2/}
FUND SOURCES			
General Fund	2,307,400	2,834,200	2,934,700
SUBTOTAL - Appropriated Funds	2,307,400	2,834,200	2,934,700
TOTAL - ALL SOURCES	2,307,400	2,834,200	2,934,700

AGENCY DESCRIPTION — The Staff of the Joint Legislative Budget Committee, established by the Arizona Legislature, provides its members with analysis, forecasts, research and recommendations on state government finances and public policies.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$2,934,700 and 29 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$100,500 from the General Fund in FY 2021 for statewide adjustments.
(Please see the *Agency Detail and Allocations* section.)

Legislature - Legislative Council

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.0	55.0	55.0 ^{1/}
Personal Services	2,949,400	3,260,600	3,373,000
Employee Related Expenditures	1,026,200	1,165,200	1,232,600
Professional and Outside Services	23,300	110,000	110,000
Travel - In State	7,200	12,000	12,000
Travel - Out of State	0	6,500	6,500
Other Operating Expenditures	161,100	860,700	860,700
Equipment	1,469,300	2,527,000	2,527,000
OPERATING SUBTOTAL	5,636,500	7,942,000	8,121,800
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	888,500	872,900	904,800 ^{2/}
AGENCY TOTAL	6,525,000	8,814,900	9,026,600 ^{3/4/5/}
FUND SOURCES			
General Fund	6,525,000	8,814,900	9,026,600
SUBTOTAL - Appropriated Funds	6,525,000	8,814,900	9,026,600
TOTAL - ALL SOURCES	6,525,000	8,814,900	9,026,600

AGENCY DESCRIPTION — The Legislative Council, a staff agency of the Legislative Department, provides bill drafting and research services, continuing code revision and manages the operation and renovation of certain legislative buildings and grounds. The council is also responsible for the development, operation, and maintenance of the legislative computer system.

FOOTNOTES

- ^{1/} Includes 9 GF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} The legislature intends that the ombudsman-citizens aide prioritize investigating and processing complaints relating to the department of child safety. (General Appropriation Act footnote)
- ^{3/} This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{4/} Dues for the council of state governments may be expended only on an affirmative vote of the legislative council. (General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$8,121,800 and 46 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$179,800 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Ombudsman-Citizens Aide Office

The budget includes \$904,800 and 9 FTE Positions from the General Fund in FY 2021 for the Ombudsman-Citizens Aide Office. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$31,900 from the General Fund in FY 2021 for statewide adjustments.

Legislature - Senate

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	9,708,500	12,948,900	13,253,900
AGENCY TOTAL	9,708,500	12,948,900	13,253,900 ^{1/2/3/}
FUND SOURCES			
General Fund	9,708,500	12,948,900	13,253,900
SUBTOTAL - Appropriated Funds	9,708,500	12,948,900	13,253,900
TOTAL - ALL SOURCES	9,708,500	12,948,900	13,253,900

AGENCY DESCRIPTION — The Senate is made up of 30 members elected from each of the legislative districts. The officers and employees of the Senate consist of the President of the Senate, a Secretary of the Senate, and other employees as the Senate directs.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$13,253,900 for fiscal year 2020-2021 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$13,253,900 from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$305,000 from the General Fund in FY 2021 for statewide adjustments.
(Please see the *Agency Detail and Allocations* section.)

Department of Liquor Licenses and Control

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	45.2	45.2	45.2
Personal Services	1,337,800	1,380,100	1,380,100
Employee Related Expenditures	868,100	1,016,800	1,183,200
Professional and Outside Services	204,000	265,700	265,700
Travel - In State	78,400	78,400	78,400
Travel - Out of State	6,200	1,900	1,900
Other Operating Expenditures	553,300	580,900	580,900
Equipment	22,800	50,000	8,000
AGENCY TOTAL	3,070,600	3,373,800	3,498,200 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	3,070,600	3,373,800	3,498,200
SUBTOTAL - Other Appropriated Funds	3,070,600	3,373,800	3,498,200
SUBTOTAL - Appropriated Funds	3,070,600	3,373,800	3,498,200
Other Non-Appropriated Funds	1,071,500	1,108,500	1,108,500
Federal Funds	278,800	0	0
TOTAL - ALL SOURCES	4,420,900	4,482,300	4,606,700

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

FOOTNOTES

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

Operating Budget

The budget includes \$3,498,200 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Remove One-Time Costs

The budget includes a decrease of \$(42,000) from the Liquor Licenses Fund in FY 2021 to remove one-time costs for information technology equipment.

Statewide Adjustments

The budget includes an increase of \$166,400 from the Liquor Licenses Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona State Lottery Commission

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	98.8	98.8	98.8
Personal Services	4,358,900	4,812,000	4,812,000
Employee Related Expenditures	1,777,100	1,775,300	2,052,600
Professional and Outside Services	461,600	386,800	386,800
Travel - In State	287,500	271,600	271,600
Travel - Out of State	60,000	16,800	16,800
Other Operating Expenditures	1,479,700	1,958,900	1,958,900
Equipment	217,200	0	0
OPERATING SUBTOTAL	8,642,000	9,221,400	9,498,700
SPECIAL LINE ITEMS			
Advertising	13,584,600	15,500,000	15,500,000
Charitable Commissions ^{1/}	1,477,600	1,538,800	1,643,000 ^{2/}
Instant Tickets	21,115,700	28,883,800	30,492,400 ^{3/}
On-Line Vendor Fees	11,994,600	12,049,400	12,070,100 ^{4/}
Retailer Commissions	70,684,900	75,200,700	78,960,700 ^{5/}
AGENCY TOTAL	127,499,400	142,394,100	148,164,900 ^{6/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
State Lottery Fund	127,499,400	142,394,100	148,164,900
SUBTOTAL - Other Appropriated Funds	127,499,400	142,394,100	148,164,900
SUBTOTAL - Appropriated Funds	127,499,400	142,394,100	148,164,900
Other Non-Appropriated Funds	723,309,400	719,502,400	751,160,300
TOTAL - ALL SOURCES	850,808,800	861,896,500	899,325,200

AGENCY DESCRIPTION — The Arizona Lottery is responsible for administering sanctioned games of chance. In addition to Arizona-specific games, the state also participates in multi-state Powerball and Mega-Millions on-line games.

FOOTNOTES

- 1/ Charitable Commissions, Instant Tickets, On-Line Vendor Fees, and Retailer Commissions are appropriated as a percentage of sales. Therefore, the amounts shown for those line items are estimates only.
- 2/ An amount equal to twenty percent of tab ticket sales is appropriated to pay sales commissions to charitable organizations. This amount is currently estimated to be \$1,643,000 in fiscal year 2020-2021. (General Appropriation Act footnote)
- 3/ An amount equal to 3.6 percent of actual instant ticket sales is appropriated to print instant tickets or to pay contractual obligations concerning instant ticket distribution. This amount is currently estimated to be \$30,492,400 in fiscal year 2020-2021. (General Appropriation Act footnote)
- 4/ An amount equal to a percentage of actual online game sales as determined by contract is appropriated to pay online vendor fees. This amount is currently estimated to be \$12,070,100, or 4.256 percent of actual online ticket sales, in fiscal year 2020-2021. (General Appropriation Act footnote)
- 5/ An amount equal to 6.5 percent of gross lottery game sales, minus charitable tab tickets, is appropriated to pay sales commissions to ticket retailers. An additional amount not to exceed 0.5 percent of gross lottery game sales is appropriated to pay sales commissions to ticket retailers. The combined amount is currently estimated to be 6.7 percent of total ticket sales, or \$78,960,700, in fiscal year 2020-2021. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$9,498,700 and 98.8 FTE Positions from the State Lottery Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$277,300 from the State Lottery Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Advertising

The budget includes \$15,500,000 from the State Lottery Fund in FY 2021 for Advertising. This amount is unchanged from FY 2020.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The budget includes \$1,643,000 from the State Lottery Fund in FY 2021 for Charitable Commissions. FY 2021 adjustments are as follows:

Tab Ticket Increase

The budget includes an increase of \$104,200 from the State Lottery Fund in FY 2021 to realign spending with projected revenues. *(See Table 1 for more information.)*

Monies in this line item are used to compensate charities for selling lottery 'Tab Tickets.' Tab Tickets are games sold exclusively by charitable organizations, who receive a 20% commission for selling the games. The displayed amount is derived by applying the approved percentage, 20%, to the forecasted Tab Ticket sales. A.R.S. § 5-555 also allows the department to collect up to 35% of total Tab Ticket sales (which includes the 20% commission) for their operating budget, with the remainder distributed as prizes.

Instant Tickets

The budget includes \$30,492,400 from the State Lottery Fund in FY 2021 for Instant Tickets. FY 2021 adjustments are as follows:

Instant Ticket Sales Increase

The budget includes an increase of \$1,608,600 from the State Lottery Fund in FY 2021 for Instant Tickets due to higher projected sales. *(See Table 1 for more information.)*

Monies in this line item are used to pay for instant ticket printing and distribution costs. The amount displayed is derived by applying the approved spending percentage of 3.6% to the forecasted sales total.

On-Line Vendor Fees

The budget includes \$12,070,100 from the State Lottery Fund in FY 2021 for On-Line Vendor Fees. FY 2021 adjustments are as follows:

On-Line Sales Increase

The budget includes an increase of \$20,700 from the State Lottery Fund in FY 2021 for On-Line Vendor Fees due to higher projected sales. *(See Table 1 for more information.)*

Monies in this line item are used to pay the vendor that operates the on-line game computer system. The actual appropriation is equal to a percentage of on-line ticket sales specified in the Lottery's contractual agreement with the vendor, which is 4.256%.

Retailer Commissions

The budget includes \$78,960,700 from the State Lottery Fund in FY 2021 for Retailer Commissions. FY 2021 adjustments are as follows:

Retailer Commissions Increase

The budget includes an increase of \$3,760,000 from the State Lottery Fund in FY 2021 for Retailer Commissions due to higher projected sales. *(See Table 1 for more information.)*

Monies in this line item are used to compensate retailers for selling lottery tickets. A.R.S. § 5-555 specifies that compensation to retailers will be at least 5.5% but not more than 8% of non-charitable Tab Ticket sales. The actual appropriation is equal to 6.5% of these sales. Pursuant to statute, an additional 0.5% of total non-charitable Tab Ticket sales may be paid to retailers based on their attainment of specified sales and marketing objectives. Since 40% of retailers are estimated to meet these objectives, this would result in an additional 0.2% in retailer commissions and a total retail commission rate of 6.7%. The displayed amount is derived by applying the approved percentage to the forecasted sales total.

Other Issues

Lottery Forecast and Distributions

The budget assumes a 0.8% increase in overall Lottery ticket sales in FY 2020, followed by a 4.1% increase in FY 2021. For FY 2020 and FY 2021, the budget assumes Lottery ticket sales of \$1,085,443,700 and \$1,130,613,600, respectively.

The FY 2020 forecasted sales and Special Line Items expenditures are higher than the amounts included as part of the *FY 2020 Appropriations Report*. This increase is due to a revised FY 2020 sales forecast. These revised amounts are estimates based on the current sales forecast and the special line item percentages included in the FY 2020 General Appropriation Act footnotes. The final FY 2020 expenditures will be determined by the actual Lottery ticket sales during FY 2020.

The amounts described below reflect the Lottery profit distributions assumed in the enacted budget. Given the economic impacts of the COVID-19 pandemic, it is uncertain whether FY 2021 Lottery profits will meet these forecasted amounts. (See the *June Lottery forecast update section for more information*).

Sources and Uses of Lottery Profit Distribution

Table 1 shows the sources of forecasted Lottery profits by revenue stream and illustrates the actual distributions to fund beneficiaries for FY 2019 and the JLBC Staff projected distributions for FY 2020 and FY 2021. A brief description of each beneficiary follows in the order that they receive Lottery-generated revenue in accordance with A.R.S. § 5-534 and 5-572.

State Lottery Revenue Bond Debt Service Fund

Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments are made from Lottery revenues that would have otherwise been deposited into the General Fund.

In December 2018, the Arizona Department of Administration (ADOA) refinanced these bonds. Chapter 4 requires the first Lottery proceeds to be distributed to the State Lottery Revenue Bond Debt Service Fund.

Maricopa County Mass Transit

The projected annual distribution of Powerball proceeds to the Maricopa Public Transportation Fund is \$11,473,200 in each FY 2020 and FY 2021. (See *FY 2020 Appropriations Report for additional background*.)

General Fund - Part 1

The statutory distribution requires the General Fund to receive up to \$84,150,000. The General Fund - Part 2 would receive up to an additional \$15,490,000 (for a total of \$99,640,000) after the statutory funding obligations have been met through the Homeless Shelters distribution. After all other statutory obligations have been met, the General Fund - Part 3 would receive all remaining revenues.

The profit distributions in FY 2020 and FY 2021 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2. The Lottery revenue bond payments of \$34,511,900 in FY 2020 and \$34,509,800 in FY 2021 account towards the \$84,150,000 General Fund - Part 1 requirement.

Heritage Fund

Statute caps annual distributions to the Arizona Game and Fish Commission's Heritage Fund at \$10,000,000. The funds are used to promote wildlife habitat and education programs and to rehabilitate historic buildings. In FY 2020 and FY 2021, the fund is projected to receive its entire allocation.

Health and Welfare Programs

Statute requires annual inflation adjustments for the Health and Welfare distribution. The revised allocation cap is \$21,882,600 in FY 2020 and \$22,432,400 in FY 2021. These amounts are distributed among the following agencies:

- 29.4% to the Department of Child Safety for the Healthy Families program.
- 23.5% to the Arizona Board of Regents (ABOR) for the Arizona Health Education Center program.
- 17.6% to the Department of Health Services (DHS) for teenage pregnancy prevention.
- 11.8% to DHS for Disease Control Research.
- 11.8% to DHS for the Health Start program.
- 5.9% to DHS for the Women, Infants and Children food program.

Health and Welfare Programs are expected to receive their entire allocation in both FY 2020 and FY 2021.

Homeless Shelters

Under the statutory distribution, DES would receive up to \$1,000,000 for Homeless Shelters. The department shall use the funding to distribute grants to nonprofit organizations, including faith based organizations, for homeless emergency and transitional shelters and related support services. The fund is estimated to receive its full allocation in both FY 2020 and FY 2021.

General Fund - Part 2

As noted above, the General Fund would receive up to an additional \$15,490,000 after all prior allocations have been met. In FY 2020 and FY 2021, the General Fund is estimated to receive its entire allocation of \$15,490,000.

Arizona Competes Fund

Statute caps annual distributions to the Arizona Competes Fund at \$3,500,000. Allotments to this fund are used for administering grants to qualifying businesses for the purpose of attracting, retaining, and expanding business within the state. This fund is estimated to receive its full allocation in both FY 2020 and FY 2021.

University Capital Improvement (UCI) Fund

This fund serves as the source for up to 80% of the annual debt service associated with \$800,000,000 of University Capital construction Stimulus Plan for Economic and Educational Development (SPEED) bonds. This fund received \$39,819,400 in FY 2019. Based on ABOR data which includes current and planned SPEED bond issuances, the UCI Fund is expected to require \$40,642,800 in FY 2020 and \$40,624,800 in FY 2021 to make the expected 80% level of debt service payments. *(Please see the FY 2021 Arizona Board of Regents Capital Outlay section for more details.)*

Deferred General Fund - Part 3

The General Fund receives all remaining revenues after all statutory funding obligations have been met. Due to the timing of Lottery profit transfers, the Deferred General Fund - Part 3 transfer actually occurs in the succeeding fiscal year. In the example of the FY 2021 deferred General Fund - Part 3 allocation of \$42,128,400, that will be transferred to the General Fund in FY 2022.

Total Distributions to the General Fund

Total FY 2021 distributions to the General Fund consist of the FY 2021 General Fund Part 1 and Part 2 profit transfers plus the delayed prior year Part 3 transfer from FY 2020. With a FY 2021 Part 1 transfer of \$49,640,200, a Part 2 FY 2021 transfer of \$15,490,000 and a delayed FY 2020 Part 3 transfer of \$34,687,900, total FY 2021 distributions to the General Fund are forecast to be \$99,818,100. *(See Table 1 for more information.)*

June Lottery Forecast Update

As noted in *Table 1*, the enacted budget assumed a total Lottery General Fund profit distribution of \$103.6 million in FY 2020 and \$99.8 million in FY 2021.

As part of the June Budget Update, the JLBC Staff revised its forecast of small revenue categories, including Lottery collections. Under the June update, Lottery General Fund profit distributions were projected to be \$103.6 million in FY 2020 and \$86.7 million in FY 2021. The lower forecast in FY 2021 reflects concerns about the economic impacts of the COVID-19 pandemic and its effect on discretionary consumer spending, including the purchase of Lottery tickets.

Recent data from the Lottery Commission indicates that overall sales have actually increased during the pandemic, with April and May ticket sales increasing by 9.8% and 29.6% above the prior year, respectively. However, it is unclear what the ultimate impact may be for Lottery profits and General Fund revenues – as the Lottery Commission has reported sales may be shifting from higher profit games (Powerball and Mega Millions) to lower profit games (scratchers).

Table 1

Forecast of Lottery Revenue Distribution ^{1/}
(\$ in Millions)

<u>Sales</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Instant Sales	\$760.2	\$802.3	\$847.0
On-Line Sales	<u>316.6</u>	<u>283.1</u>	<u>283.6</u>
Total Sales	\$1,076.8	\$1,085.4	\$1,130.6
Less:			
Operating Budget	\$ 127.5	\$ 142.4	\$ 147.9
Gaming Distribution	0.3	0.3	0.3
ICACEF/VREF Sales Transfer ^{2/}	0.4	0.4	0.5
Prizes ^{3/}	<u>723.3</u>	<u>719.5</u>	<u>751.2</u>
Net Profit ^{4/ 5/}	\$225.3	\$222.8	\$230.7
Profit Transfers ^{5/}			
Debt Service Fund	\$ 37.5	\$ 34.5	\$ 34.5
Maricopa County Mass Transit	11.5	11.5	11.5
General Fund - Part 1	46.6	49.6	49.6
Heritage	10.0	10.0	10.0
Health and Welfare Programs	21.4	21.9	22.4
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2	15.5	15.5	15.5
Arizona Commerce Authority	3.5	3.5	3.5
University Capital	39.8	40.6	40.6
Deferred General Fund - Part 3	<u>38.5</u>	<u>34.7</u>	<u>42.1</u>
Total Transfers	\$225.3	\$222.8	\$230.7
General Fund			
Delayed Prior Year Transfer ^{6/}	20.8	38.5	34.7
General Fund - Part 1	46.6	49.6	49.6
General Fund - Part 2	<u>15.5</u>	<u>15.5</u>	<u>15.5</u>
Total General Fund ^{6/}	\$ 82.9	\$103.6	\$ 99.8

^{1/} The displayed sales, profit and revenue figures reflect the amounts assumed in the enacted FY 2021 budget (excluding any statewide adjustments) and do not reflect the Lottery forecast adjustment included in the June Budget Update.

^{2/} A.R.S. § 5-554H allows the commission to sell tab tickets from vending machine in age-restricted areas. Profits from these sales are distributed to the Internet Crimes Against Children Enforcement Fund (ICACEF) and the Victims' Rights Enforcement Fund (VREF), respectively. The ICACEF Fund receives up to \$900,000 and the VREF receives up to \$100,000. If net profits from age-restricted tab tickets are less than \$1.0 million, then the difference will be paid to ICACEF and VREF from unclaimed prize monies in the State Lottery Fund. In FY 2019, \$379,400 was distributed to the ICACEF/VREF from the sale of tab tickets. An estimated \$420,900 and \$467,000 will be distributed in FY 2020 and FY 2021, respectively. (See Footnote 4.)

^{3/} Prizes are estimated by subtracting net profit, operating budget expenditures, the Department of Gaming transfer, and the ICACEF/VREF sales transfer from total Lottery sales.

^{4/} To derive the profit transfer amounts, the historical rate of return for each game was applied to the current budget forecast. The total rate of return on all games in FY 2019 was 20.99%. The estimated total profit margin is 20.60% in FY 2020 and 20.48% in FY 2021.

^{5/} In addition to these listed transfers, the following monies are distributed:

- 30% of unclaimed prizes to the Court Appointed Special Advocates program.
- 15% of unclaimed prizes, not to exceed \$250,000 to the Tribal College Dual Enrollment Program Fund (This distribution was \$160,000 in FY 2016, but was increased pursuant to Laws 2016, Chapter 124).
- An estimated \$579,100 in FY 2020 and \$533,000 in FY 2021 of unclaimed prizes to ICACEF and VREF.

^{6/} Due to the timing of Lottery profit transfers, the General Fund - Part 3 transfer actually occurs in the succeeding fiscal year. As such, the General Fund total reflects deposits that actually occur within the fiscal year, whereas the Net Profit and Total Transfers lines reflect figures reported by the Lottery that are derived from ticket sales that occur during the fiscal year.

Board of Massage Therapy

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	237,100	234,400	242,000
Employee Related Expenditures	104,900	104,900	111,800
Professional and Outside Services	12,700	30,800	30,800
Travel - In State	1,400	1,500	1,500
Travel - Out of State	2,900	0	0
Other Operating Expenditures	74,500	100,000	100,000
Equipment	3,500	0	0
AGENCY TOTAL	437,000	471,600	486,100 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Massage Therapy Fund	437,000	471,600	486,100
SUBTOTAL - Other Appropriated Funds	437,000	471,600	486,100
SUBTOTAL - Appropriated Funds	437,000	471,600	486,100
TOTAL - ALL SOURCES	437,000	471,600	486,100

AGENCY DESCRIPTION — The board licenses and regulates massage therapists. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$486,100 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$14,500 from the Board of Massage Therapy Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Medical Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	61.5	61.5	61.5
Personal Services	3,034,200	3,337,200	3,499,400
Employee Related Expenditures	1,061,200	1,298,900	1,327,500
Professional and Outside Services	885,100	973,600	973,600
Travel - In State	14,500	22,500	22,500
Travel - Out of State	16,100	29,000	29,000
Other Operating Expenditures	985,100	933,800	933,800
Equipment	175,500	276,300	276,300
OPERATING SUBTOTAL	6,171,700	6,871,300	7,062,100
SPECIAL LINE ITEMS			
Employee Performance Incentive Program	154,200	165,600	165,600
AGENCY TOTAL	6,325,900	7,036,900	7,227,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Medical Board Fund	6,325,900	7,036,900	7,227,700
SUBTOTAL - Other Appropriated Funds	6,325,900	7,036,900	7,227,700
SUBTOTAL - Appropriated Funds	6,325,900	7,036,900	7,227,700
TOTAL - ALL SOURCES	6,325,900	7,036,900	7,227,700

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$7,062,100 and 61.5 FTE Positions from the Arizona Medical Board Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$190,800 from the Arizona Medical Board Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Employee Performance Incentive Program

The budget includes \$165,600 from the Arizona Medical Board Fund in FY 2021 for the Employee Performance Incentive Program. This amount is unchanged from FY 2020.

The program was previously funded by a footnote allowing the Arizona Medical Board to use up to 7% of the prior year balance from the Arizona Medical Board Fund. The FY 2019 General Appropriation Act removed that footnote and instead added a line item for the incentive program.

The board awards employees based on performance of certain agency-identified measures, such as the average number of days taken to approve a new license after receiving an application.

State Mine Inspector

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	410,400	520,000	520,000
Employee Related Expenditures	196,800	259,100	291,700
Professional and Outside Services	10,000	7,500	7,500
Travel - In State	70,200	62,400	62,400
Travel - Out of State	0	7,500	7,500
Other Operating Expenditures	188,400	214,600	214,600
Equipment	20,900	3,500	3,500
OPERATING SUBTOTAL	896,700	1,074,600	1,107,200
SPECIAL LINE ITEMS			
Abandoned Mines	187,700	194,700	194,700
Aggregate Mining Land Reclamation	49,300	112,900	112,900 ^{1/}
AGENCY TOTAL	1,133,700	1,382,200	1,414,800 ^{2/}
FUND SOURCES			
General Fund	1,084,400	1,269,300	1,301,900
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	49,300	112,900	112,900
SUBTOTAL - Other Appropriated Funds	49,300	112,900	112,900
SUBTOTAL - Appropriated Funds	1,133,700	1,382,200	1,414,800
Federal Funds	317,500	539,100	539,100
TOTAL - ALL SOURCES	1,451,200	1,921,300	1,953,900

AGENCY DESCRIPTION — The State Mine Inspector is an elected constitutional officer and may serve 4 consecutive 4-year terms. The office inspects the health conditions and safety of mining operations, investigates mining accidents, identifies abandoned mines, and conducts safety certification classes for mine employees.

FOOTNOTES

- ^{1/} All aggregate mining reclamation fund monies received by the state mine inspector in excess of \$112,900 in fiscal year 2020-2021 are appropriated to the aggregate mining land reclamation line item. Before spending any aggregate mining reclamation fund monies in excess of \$112,900 in fiscal year 2020-2021, the state mine inspector shall report the intended use of the monies to the joint legislative budget committee and the governor's office of strategic planning and budgeting. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$1,107,200 and 14 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$32,600 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Abandoned Mines

The budget includes \$194,700 from the General Fund in FY 2021 for the Abandoned Mines line item. This amount is unchanged from FY 2020.

This line item pays contractors to fill, plug, or fence abandoned mines. These monies are also used to pay administrative salaries and other costs. In addition to General Fund appropriations to the program, deposits can be made into the Abandoned Mines Safety Fund from

sources such as intergovernmental agreements and donations.

Aggregate Mining Land Reclamation

The budget includes \$112,900 from the Aggregate Mining Reclamation Fund in FY 2021 for the Aggregate Mining Land Reclamation line item. This amount is unchanged from FY 2020.

Monies in this line item are used to review legally required plans to reclaim land damaged by aggregated mining and ensure compliance with those plans.

Aggregate mining is a process whereby earth moving equipment is used to mine an area close to the surface for crushed rock or stone, granite, and sand. Aggregate Mining Reclamation Fund revenues come from fees paid by owners or operators of aggregate mining sites upon submitting a reclamation plan.

Naturopathic Physicians Medical Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	66,000	90,000	92,700
Employee Related Expenditures	36,100	50,000	51,500
Professional and Outside Services	2,000	22,000	22,000
Travel - In State	0	2,000	2,000
Other Operating Expenditures	17,500	17,400	17,400
Equipment	1,000	12,000	12,000
AGENCY TOTAL	122,600	193,400	197,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	122,600	193,400	197,600
SUBTOTAL - Other Appropriated Funds	122,600	193,400	197,600
SUBTOTAL - Appropriated Funds	122,600	193,400	197,600
TOTAL - ALL SOURCES	122,600	193,400	197,600

AGENCY DESCRIPTION — The board licenses and regulates naturopathic physicians, and naturopathic medical assistants. The board certifies physicians to dispense natural remedies, and accredits and approves naturopathic medical schools, internships, and programs. The board also investigates persons unlawfully practicing naturopathic medicine and refers them for prosecution. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$197,600 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$4,200 from the Naturopathic Physicians Medical Board Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Navigable Stream Adjudication Commission

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	71,000	70,900	70,900
Employee Related Expenditures	30,200	30,100	34,100
Professional and Outside Services	200,000	200,000	200,000
Other Operating Expenditures	17,500	28,000	28,000
Equipment	100	0	0
AGENCY TOTAL	318,800	329,000	333,000 ^{1/}

FUND SOURCES			
General Fund	118,800	129,000	133,000
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	200,000	200,000	200,000
SUBTOTAL - Other Appropriated Funds	200,000	200,000	200,000
SUBTOTAL - Appropriated Funds	318,800	329,000	333,000
TOTAL - ALL SOURCES	318,800	329,000	333,000

AGENCY DESCRIPTION — The Arizona Navigable Stream Adjudication Commission (ANSAC) is a 5-member body charged with determining the ownership of watercourses in the state by establishing whether the watercourses were navigable at the time of statehood. If navigable, title to the watercourse belongs to the state based on a series of court rulings. If non-navigable, the title to the watercourse belongs to the current title holder.

FOOTNOTES

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

Operating Budget

The budget includes \$333,000 and 2 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$133,000
Arizona Water Banking Fund	200,000

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$4,000 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue to allow use of the Water Banking Fund for the commission's legal obligations.

Background

The commission is responsible for determining the navigability of state watercourses at the time of statehood. If navigable, the watercourses are considered State Trust Land and any related proceeds from the waterbeds would be deposited in the Riparian Trust Fund, pursuant to A.R.S. § 37-1156. The monies in this fund are primarily used to acquire and maintain land adjacent to the waterbeds for conservation purposes. (Please see the [ANSAC Program Summary](#) located on the JLBC website for additional information on ANSAC related litigation.)

State Board of Nursing

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	42.2	48.5	48.5
Personal Services	2,556,800	2,327,800	2,432,100
Employee Related Expenditures	1,015,800	958,200	1,010,400
Professional and Outside Services	244,600	341,700	341,700
Travel - In State	4,900	10,000	10,000
Travel - Out of State	6,900	8,000	8,000
Other Operating Expenditures	355,200	544,500	544,500
Equipment	8,600	42,400	42,400
OPERATING SUBTOTAL	4,192,800	4,232,600	4,389,100
SPECIAL LINE ITEMS			
Certified Nursing Assistant Credentialing Program	536,700	538,400	538,400
AGENCY TOTAL	4,729,500	4,771,000	4,927,500 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Nursing Fund	4,729,500	4,771,000	4,927,500
SUBTOTAL - Other Appropriated Funds	4,729,500	4,771,000	4,927,500
SUBTOTAL - Appropriated Funds	4,729,500	4,771,000	4,927,500
Federal Funds	414,700	414,700	414,700
TOTAL - ALL SOURCES	5,144,200	5,185,700	5,342,200

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$4,389,100 and 48.5 FTE Positions from the Board of Nursing Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$156,500 from the Board of Nursing Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Certified Nursing Assistant Credentialing Program

The budget includes \$538,400 from the Board of Nursing Fund in FY 2021 for the Certified Nursing Assistant (CNA) Credentialing Program line item. This amount is unchanged from FY 2020.

The board registers CNAs at no charge to the individual and with no fingerprinting requirement. This policy meets federal requirements for having a nurse assistant (aide) registry.

Monies in this line item fund CNA Credentialing Program costs not paid by federal monies.

**Board of Examiners of Nursing Care Institution Administrators and
Assisted Living Facility Managers**

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	246,200	256,900	265,300
Employee Related Expenditures	106,000	107,900	114,900
Professional and Outside Services	1,600	4,000	4,000
Travel - In State	4,100	7,000	7,000
Travel - Out of State	400	4,000	4,000
Other Operating Expenditures	61,500	67,300	67,300
Equipment	800	7,900	7,900
AGENCY TOTAL	420,600	455,000	470,400 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	420,600	455,000	470,400
SUBTOTAL - Other Appropriated Funds	420,600	455,000	470,400
SUBTOTAL - Appropriated Funds	420,600	455,000	470,400
TOTAL - ALL SOURCES	420,600	455,000	470,400

AGENCY DESCRIPTION — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$470,400 and 6 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$15,400 from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Board of Occupational Therapy Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	92,300	96,800	99,800
Employee Related Expenditures	42,500	49,500	52,200
Travel - In State	1,000	1,300	1,300
Other Operating Expenditures	37,300	49,400	49,400
Equipment	100	2,000	2,000
AGENCY TOTAL	173,200	199,000	204,700^{1/}

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	173,200	199,000	204,700
SUBTOTAL - Other Appropriated Funds	173,200	199,000	204,700
SUBTOTAL - Appropriated Funds	173,200	199,000	204,700
TOTAL - ALL SOURCES	173,200	199,000	204,700

AGENCY DESCRIPTION — The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice.

FOOTNOTES

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

Operating Budget

The budget includes \$204,700 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$5,700 from the Occupational Therapy Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Dispensing Opticians

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	78,400	78,800	81,600
Employee Related Expenditures	24,000	25,000	26,000
Professional and Outside Services	400	1,000	1,000
Travel - In State	3,500	8,500	8,500
Travel - Out of State	400	2,000	2,000
Other Operating Expenditures	26,700	40,600	40,600
Equipment	1,400	0	0
AGENCY TOTAL	134,800	155,900	159,700 ^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Dispensing Opticians Fund	134,800	155,900	159,700
SUBTOTAL - Other Appropriated Funds	134,800	155,900	159,700
SUBTOTAL - Appropriated Funds	134,800	155,900	159,700
TOTAL - ALL SOURCES	134,800	155,900	159,700

AGENCY DESCRIPTION — The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eyeglasses. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$159,700 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,800 from the Board of Dispensing Opticians Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Optometry

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	124,900	131,200	135,700
Employee Related Expenditures	46,600	48,000	51,000
Professional and Outside Services	900	1,000	1,000
Travel - In State	600	600	600
Travel - Out of State	1,400	3,000	3,000
Other Operating Expenditures	42,100	56,900	56,900
Equipment	1,300	0	0
AGENCY TOTAL	217,800	240,700	248,200^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Optometry Fund	217,800	240,700	248,200
SUBTOTAL - Other Appropriated Funds	217,800	240,700	248,200
SUBTOTAL - Appropriated Funds	217,800	240,700	248,200
TOTAL - ALL SOURCES	217,800	240,700	248,200

AGENCY DESCRIPTION — The board licenses and regulates optometrists and issues certificates authorizing the use of diagnostic pharmaceutical agents. An optometrist examines eyes, measures vision, and prescribes corrective lenses and treatments which do not require a licensed physician. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$248,200 and 2 FTE Positions from the Board of Optometry Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$7,500 from the Board of Optometry Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Board of Osteopathic Examiners in Medicine and Surgery

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.2	8.0	8.0
Personal Services	436,700	485,900	508,700
Employee Related Expenditures	144,200	203,500	206,400
Professional and Outside Services	144,000	158,700	158,700
Travel - In State	600	2,500	2,500
Travel - Out of State	4,600	5,500	5,500
Other Operating Expenditures	142,200	156,200	156,200
Equipment	21,800	0	0
AGENCY TOTAL	894,100	1,012,300	1,038,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund	894,100	1,012,300	1,038,000
SUBTOTAL - Other Appropriated Funds	894,100	1,012,300	1,038,000
SUBTOTAL - Appropriated Funds	894,100	1,012,300	1,038,000
TOTAL - ALL SOURCES	894,100	1,012,300	1,038,000

AGENCY DESCRIPTION — The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.

FOOTNOTES

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

Operating Budget

The budget includes \$1,038,000 and 8 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$25,700 from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Parents Commission on Drug Education and Prevention

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	4,472,100	4,957,500	4,957,500
TOTAL - ALL SOURCES	4,472,100	4,957,500	4,957,500

AGENCY DESCRIPTION — The commission funds programs that increase and enhance parental involvement and education regarding the serious risks and public health problems caused by the abuse of alcohol and controlled substances. The commission typically does not receive an appropriation from the Legislature.

Arizona State Parks Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	163.0	163.0	163.0 ^{1/}
Personal Services	4,707,000	5,878,000	5,878,000
Employee Related Expenditures	2,314,000	3,101,900	3,614,700
Professional and Outside Services	232,000	232,900	232,900
Travel - In State	16,000	8,200	8,200
Other Operating Expenditures	4,556,000	4,251,600	4,251,600
Equipment	63,000	46,400	46,400
OPERATING SUBTOTAL	11,888,000	13,519,000	14,031,800 ^{2/}
SPECIAL LINE ITEMS			
Arizona Trail	0	250,000	0
Buckskin Fire District	0	225,000	0
Great Western Trail	0	692,100	0
Kartchner Caverns State Park	2,067,000	2,296,700	2,441,000
AGENCY TOTAL	13,955,000	16,982,800	16,472,800 ^{3/}

FUND SOURCES

Other Appropriated Funds

Off-Highway Vehicle Recreation Fund	0	692,100	0
State Lake Improvement Fund	0	225,000	0
State Parks Revenue Fund	13,955,000	16,065,700	16,472,800
SUBTOTAL - Other Appropriated Funds	13,955,000	16,982,800	16,472,800
SUBTOTAL - Appropriated Funds	13,955,000	16,982,800	16,472,800
Other Non-Appropriated Funds	8,754,500	13,846,100	13,846,100
Federal Funds	2,536,500	5,812,100	5,812,100
TOTAL - ALL SOURCES	25,246,000	36,641,000	36,131,000

AGENCY DESCRIPTION — The Arizona State Parks Board (ASPB) is responsible for managing the state parks system, which includes recreational parks, historical parks, and natural areas. The Parks Board consists of 7 members appointed by the Governor. Major functions of the Parks Board, through its staff, include the maintenance and development of existing parks, new parks acquisitions, statewide recreational planning, and historic preservation.

FOOTNOTES

- 1/ Includes 35.8 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ All other operating expenditures include \$26,000 from the state parks revenue fund for Fool Hollow state park revenue sharing. If receipts to Fool Hollow exceed \$260,000 in fiscal year 2020-2021, an additional ten percent of this increase of Fool Hollow receipts is appropriated from the state parks revenue fund established by section 41-511.21, Arizona Revised Statutes, to meet the revenue sharing agreement with the city of Show Low and the United States forest service. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$14,031,800 and 127.2 FTE Positions from the State Parks Revenue Fund (SPRF) in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$512,800 from SPRF in FY 2021 for statewide adjustments. (Please see the *Agency Detail and Allocations* section.)

Arizona Trail

The budget includes no funding in FY 2021 for the Arizona Trail. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(250,000) from the State Parks Revenue Fund in FY 2021 to remove one-time funding for the Arizona Trail line item.

Monies in this line item are used to employ Youth Conservation Corps members to maintain the Arizona Trail. The 800 mile-long, non-motorized trail begins at the U.S.-Mexican border and runs north-south through Arizona into Utah.

Buckskin Fire District

The budget includes no funding in FY 2021 for the Buckskin Fire District line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(225,000) from the State Lake Improvement Fund in FY 2021 to remove one-time funding for the Buckskin Fire District line item.

Monies in this line item were distributed to the Buckskin Fire District for the purchase of marine fire suppression equipment.

Great Western Trail

The budget includes no funding in FY 2021 for the Great Western Trail. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(692,100) from the Off-Highway Vehicle Recreation Fund in FY 2021 to remove one-time funding for the Great Western Trail line item.

Monies in this line item are used to connect the fragmented sections of the Great Western Trail into a single unified trail. The 4,455 mile-long, motorized trail begins near the U.S.-Canada border and runs through Idaho, Wyoming, Utah, and Arizona. The trail could potentially run 800 miles north-south through Arizona if the trail were fully connected, however the current traversable sections of the trail total to only 360 miles.

Kartchner Caverns State Park

The budget includes \$2,441,000 and 35.8 FTE Positions from the State Parks Revenue Fund in FY 2021 for Kartchner Caverns State Park. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$144,300 from the State Parks Revenue Fund in FY 2021 for statewide adjustments.

Kartchner Caverns is located in Benson, Arizona and was discovered in 1974. The State Parks Board acquired the property in 1988 and opened the caverns to the public in 1999.

Other Issues

Status of Capital Projects

For FY 2017 through FY 2019, ASPB developed capital plans at a cost of \$21.3 million, of which \$14.8 million has received JCCR review. Of the amount reviewed, \$11.0 million was allocated for major capital projects and the remaining \$3.8 million was allocated for smaller projects. In January 2020, ASPB provided an update on unfinished capital projects. In the January report, ASPB stated that as of December 2019, of the \$14.8 million, \$5.2 million had been expended on major projects, \$2.6 million on small projects, and an additional \$800,000 on statewide park maintenance. ASPB is required to provide an updated report on the status of all capital projects to the JLBC on January 31 and July 31 of each year. *Table 1* provides the status of the agency's major capital projects as of the most recent ASPB report.

The FY 2019 budget included \$400,000 from SPRF for 6 months of operational costs at Rockin' River Ranch State Park and at Cattail Cove State Park. The staff were to be hired under the agency's existing FTE authority. The adjustment funded \$200,000 for 5 park rangers, as well as utilities, equipment, and repairs at Cattail Cove, and \$200,000 for a park ranger, assistant manager, and 2 seasonal staff, utilities, equipment, and repairs at Rockin' River Ranch.

While the Cattail Cove State Park is open to the public, certain sections of the park are still undergoing repairs and remain closed for visitation and therefore does not need the full operating cost. The Rockin' River Ranch State Park is not expected to be operational in FY 2020. The FY 2021 budget retains the 6-month operational costs for Rockin' River Ranch and Cattail Cove.

State Parks Operations

As of June 2020, 29 state parks are open to the public. Twenty-three parks are funded and operated by the state with existing state funds. Six open parks are operated through agreements between the State Parks Board and local governments. (Please see the [ASPB Visitation and Revenue Program Summary](#) available on the JLBC website for additional information on the parks, visitation, and operations.)

Off-Highway Vehicle Recreation Fund Use

The budget continues an FY 2020 increase of \$692,100 from the State Parks Revenue Fund (SPRF) for ASPB's operating budget in FY 2021. The FY 2020 increase was part of a fund shift which redirected \$692,100 from the Off-Highway Vehicle Recreation Fund (OHVRF) to the Great Western Trail line item and provided a corresponding increase in SPRF funding to ASPB's operating budget.

Since the Great Western Trail appropriation was one-time for FY 2020, the overall amount of non-appropriated OHVRF monies distributed to statutory recipients in accordance with A.R.S. § 28-1176 is expected to increase by \$692,100 in FY 2021.

Table 1

Status of Major Projects as of January 2020

<u>Park Projects</u>	<u>FY Funded</u>	<u>JCCR Review</u>	<u>Appropriated/ Budgeted</u>	<u>Total Expenditures Through January 2020</u>	<u>Status</u>
Statewide Parks Maintenance	'17/'18	9/16 & 9/17	\$1,700,000	\$1,919,200 ^{1/}	Maintenance in progress
Cabin Installation	'17/'18	9/16 & 9/17	\$3,800,000	\$1,668,600 ^{2/}	Installations Completed ^{3/}
Cattail Cove Renovations	'17	9/16	\$5,307,500	\$3,550,000	Renovations in Progress
Rockin' River Ranch Renovations	'18	9/17	\$4,000,000	\$697,200	Renovations in Progress
Buckskin Mountain Renovations	'19	No ^{4/}	\$2,500,000 ^{5/}	\$3,500	Developing Renovation Plan
Oracle Renovations	'19	No ^{4/}	\$4,000,000	\$9,900	Developing Renovation Plan

- ^{1/} ASPB also used a portion of funding from canceled projects which were previously reviewed to supplement statewide health and safety maintenance work.
- ^{2/} ASPB also used a portion of its FY 2017 operating budget to supplement funding for the cabin installation project.
- ^{3/} ASPB ended the cabin installation project after completion of 25 cabins.
- ^{4/} Of the total appropriated amount, \$150,000 has been reviewed for the use of developing a master plan for the park. The remaining monies of the appropriation still require JCCR review before expenditure.
- ^{5/} Includes \$1.0 million from the non-appropriated State Lake Improvement Fund.

State Personnel Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	2.0
Personal Services	56,800	129,500	110,600
Employee Related Expenditures	27,200	53,700	37,000
Professional and Outside Services	41,000	132,600	132,600
Travel - In State	600	600	600
Other Operating Expenditures	15,900	46,700	46,700
Equipment	100	5,000	5,000
AGENCY TOTAL	141,600	368,100	332,500 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Personnel Board Subaccount of the Personnel Division Fund	141,600	368,100	332,500
SUBTOTAL - Other Appropriated Funds	141,600	368,100	332,500
SUBTOTAL - Appropriated Funds	141,600	368,100	332,500
TOTAL - ALL SOURCES	141,600	368,100	332,500

AGENCY DESCRIPTION — The State Personnel Board hears appeals for covered state employees in the State Personnel System who have been dismissed, involuntarily demoted, or suspended for more than 80 hours. The board may recommend modifying or reversing the agency decision, but the agency makes the final determination. The board also hears “whistleblower” complaints concerning reprisals against employees or former employees who disclose information to a public body. If the Personnel Board finds a reprisal occurred, the employee who committed the reprisal shall be ordered by the board to pay a civil penalty of up to \$5,000, and the board shall rescind the personnel action and order all lost pay and benefits be restored to the “whistleblower.”

FOOTNOTES

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

Operating Budget

Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

The budget includes \$332,500 and 2 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Reduction in FTE Position

The budget includes a decrease of \$(42,200) and (1) FTE Position from the Personnel Board Subaccount of the Personnel Division Fund for FY 2021. The removed FTE Position has remained vacant for over 10 years. Due to Personnel Reform in 2012, the total number of appeals has decreased. The board no longer requires 3 FTE Positions to maintain the current level of work.

Statewide Adjustments

The budget includes an increase of \$6,600 from the Personnel Board Subaccount of the Personnel Division

Arizona State Board of Pharmacy

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	19.0	22.4	22.4
Personal Services	1,175,600	1,447,300	1,515,200
Employee Related Expenditures	445,900	538,300	549,700
Professional and Outside Services	97,100	157,000	157,000
Travel - In State	37,000	65,200	65,200
Travel - Out of State	2,900	4,200	4,200
Other Operating Expenditures	336,100	344,300	344,300
Equipment	19,100	59,000	4,000
OPERATING SUBTOTAL	2,113,700	2,615,300	2,639,600
SPECIAL LINE ITEMS			
Prescriber Report Card	0	50,000	50,000
AGENCY TOTAL	2,113,700	2,665,300	2,689,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona State Board of Pharmacy Fund	2,113,700	2,665,300	2,689,600
SUBTOTAL - Other Appropriated Funds	2,113,700	2,665,300	2,689,600
SUBTOTAL - Appropriated Funds	2,113,700	2,665,300	2,689,600
Other Non-Appropriated Funds	1,636,700	1,773,100	1,773,100
TOTAL - ALL SOURCES	3,750,400	4,438,400	4,462,700

AGENCY DESCRIPTION — The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,639,600 and 22.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(55,000) from the Arizona State Board of Pharmacy Fund in FY 2021 for elimination of one-time funding to replace 17 desktop computers and 4 laptop computers. Part of the funding was also used to purchase 5 new computers to support the Controlled Substances Prescription Monitoring Program (CSPMP).

Statewide Adjustments

The budget includes an increase of \$79,300 from the Arizona State Board of Pharmacy Fund in FY 2021 for

statewide adjustments. (Please see the Agency Detail and Allocations section.)

Prescriber Report Card

The budget includes \$50,000 from the Arizona State Board of Pharmacy Fund in FY 2021 for the Prescriber Report Card program. This amount is unchanged from FY 2020.

This line item funds the development of opioid prescriber report cards as part of the CSPMP. The prescriber report cards include detailed information comparing a practitioner's history of prescribing controlled substances with peers in a similar practice.

Board of Physical Therapy

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	183,200	200,800	207,100
Employee Related Expenditures	73,300	97,900	101,800
Professional and Outside Services	65,900	68,600	68,600
Travel - In State	2,100	2,100	2,100
Other Operating Expenditures	89,800	129,300	129,300
Equipment	4,800	5,000	5,000
AGENCY TOTAL	419,100	503,700	513,900 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Physical Therapy Fund	419,100	503,700	513,900
SUBTOTAL - Other Appropriated Funds	419,100	503,700	513,900
SUBTOTAL - Appropriated Funds	419,100	503,700	513,900
TOTAL - ALL SOURCES	419,100	503,700	513,900

AGENCY DESCRIPTION — The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$513,900 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$10,200 from the Board of Physical Therapy Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Pioneers' Home

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	106.3	106.3	106.3
Personal Services	3,709,800	3,550,000	3,665,200
Employee Related Expenditures	1,725,100	1,583,800	1,690,400
Professional and Outside Services	117,400	95,800	95,800
Travel - In State	20,900	26,700	26,700
Other Operating Expenditures	816,500	1,097,800	1,097,800
Equipment	76,400	20,100	20,100
OPERATING SUBTOTAL	6,466,100	6,374,200	6,596,000
SPECIAL LINE ITEMS			
Prescription Drugs	123,200	200,000	200,000
AGENCY TOTAL	6,589,300	6,574,200	6,796,000 ^{1/2/}

FUND SOURCES

Other Appropriated Funds

Miners' Hospital for Miners with Disabilities Land Fund	2,159,700	2,059,200	2,137,500
State Charitable Fund	4,429,600	4,515,000	4,658,500
SUBTOTAL - Other Appropriated Funds	6,589,300	6,574,200	6,796,000
SUBTOTAL - Appropriated Funds	6,589,300	6,574,200	6,796,000
Other Non-Appropriated Funds	58,000	0	0
TOTAL - ALL SOURCES	6,647,300	6,574,200	6,796,000

AGENCY DESCRIPTION — The Arizona Pioneers' Home provides a home and long-term nursing care and medical care for Arizona pioneers, long-term residents, and disabled miners. The Home cares for, on average, 105 residents.

FOOTNOTES

- 1/ Earnings on state lands and interest on the investment of the permanent land funds are appropriated for the Arizona pioneers' home and the state hospital for miners with disabilities in compliance with the enabling act and the Constitution of Arizona. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$6,596,000 and 106.3 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
Miners' Hospital for Miners with Disabilities Land Fund	\$2,137,500
State Charitable Fund	4,458,500

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$221,800 in FY 2021 for statewide adjustments. This amount consists of:

Miners' Hospital for Miners with Disabilities Land Fund	78,300
State Charitable Fund	143,500

(Please see the Agency Detail and Allocations section.)

Prescription Drugs

The budget includes \$200,000 from the State Charitable Fund in FY 2021 for Prescription Drugs. This amount is unchanged from FY 2020.

Monies in this line item provide funding for prescription drugs used by residents at the Arizona Pioneers' Home.

Other Issues

Proposition 123

As a beneficiary of the Arizona State Land Trust, the Arizona Pioneers' Home receives monies generated from lease revenues and the proceeds from land sales that are invested into a "permanent fund," pursuant to Article X, Section 7 of the Arizona Constitution. The Arizona Pioneers' Home has 2 land trust funds, the Miners' Hospital Fund and the State Charitable Fund.

As approved by the voters in May 2016, Proposition 123 increased the Treasurer's annual distribution rate from the State Land Trust Permanent Fund from 2.5% to 6.9% from FY 2016 through FY 2025.

The JLBC Staff projects that the Miners' Hospital Fund will have an FY 2020 ending balance of \$6,527,100. FY 2020 ongoing revenues are projected to be \$4,110,300 compared to an FY 2021 appropriation of \$2,137,500. Monies in the Miners' Hospital Fund may only be used for purposes related to the Pioneers' Home.

The JLBC Staff projects that the State Charitable Fund will have an FY 2020 ending balance of \$9,061,500. FY 2020 ongoing revenues are projected to be \$5,697,500 compared to an FY 2021 appropriation of \$4,658,500. The State Charitable Fund may be used for any charitable purpose within a state institution.

State Board of Podiatry Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	63,000	78,000	80,700
Employee Related Expenditures	19,300	30,000	30,800
Professional and Outside Services	700	5,500	5,500
Travel - In State	3,000	2,200	2,200
Travel - Out of State	200	1,500	1,500
Other Operating Expenditures	40,700	50,900	50,900
Equipment	100	0	0
AGENCY TOTAL	127,000	168,100	171,600 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Podiatry Fund	127,000	168,100	171,600
SUBTOTAL - Other Appropriated Funds	127,000	168,100	171,600
SUBTOTAL - Appropriated Funds	127,000	168,100	171,600
TOTAL - ALL SOURCES	127,000	168,100	171,600

AGENCY DESCRIPTION — The board licenses and regulates Doctors of Podiatric Medicine. A podiatrist must take specialized training, serve an internship and pass a qualifying examination prior to licensure to diagnose and treat foot ailments. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$171,600 and 1 FTE Position from the Podiatry Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,500 from the Podiatry Fund in FY 2021 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Commission for Postsecondary Education

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0 ^{1/}
Personal Services	106,600	118,900	125,100
Employee Related Expenditures	27,600	53,900	53,900
Other Operating Expenditures	6,200	47,700	47,700
OPERATING SUBTOTAL	140,400	220,500	226,700
SPECIAL LINE ITEMS			
Arizona College and Career Guide	0	21,300	21,300 ^{2/}
Arizona Minority Educational Policy Analysis Center	16,700	99,900	100,700 ^{2/}
Arizona Teacher Student Loan Program	426,000	426,000	426,000
Leveraging Educational Assistance Partnership	2,319,500	2,319,500	2,319,500 ^{3/}
Twelve Plus Partnership	6,000	130,400	130,500 ^{2/}
AGENCY TOTAL	2,908,600	3,217,600	3,224,700 ^{4/5/6/}
FUND SOURCES			
General Fund	1,646,800	1,680,900	1,680,900
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	1,261,800	1,536,700	1,543,700
SUBTOTAL - Other Appropriated Funds	1,261,800	1,536,700	1,543,700
SUBTOTAL - Appropriated Funds	2,908,600	3,217,600	3,224,600
Other Non-Appropriated Funds	979,600	1,091,200	1,091,200
Federal Funds	170,400	168,000	168,000
TOTAL - ALL SOURCES	4,058,600	4,476,800	4,483,800

AGENCY DESCRIPTION — The Commission for Postsecondary Education reviews and recommends higher education policies, while providing a discussion forum for public and private postsecondary educational institutions and their stakeholders on issues of mutual interest. The 16 commissioners are authorized to administer certain federal and state student financial aid programs.

FOOTNOTES

- 1/ Includes 0.5 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ The appropriations for the Arizona college and career guide, Arizona minority educational policy analysis center and twelve plus partnership are estimates representing all monies distributed to these programs, including balance forward, revenue and transfers, during fiscal year 2020-2021. The appropriations shall be adjusted as necessary to reflect actual final monies credited to the postsecondary education fund. (General Appropriation Act footnote)
- 3/ In order to be eligible to receive state matching monies under the leveraging educational assistance partnership for grants to students, each participating institution, public or private, shall provide an amount of institutional matching monies that equals the amount of monies provided by this state to the institution for the leveraging educational assistance partnership. Administrative expenses incurred by the commission for postsecondary education shall be paid from institutional matching monies and may not exceed twelve percent of the monies in fiscal year 2020-2021. (General Appropriation Act footnote)
- 4/ Any unencumbered balance remaining in the postsecondary education fund established by section 15-1853, Arizona Revised Statutes, on June 30, 2020, and all grant monies and other revenues received by the commission for postsecondary education, when paid into the state treasury, are appropriated for the specific purposes designated by line items and for additional responsibilities prescribed in sections 15-1851 and 15-1852, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ The addition of the line items in the General Appropriation Act yield a result \$100 more than the total line in the General Appropriation Act.
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$226,700 and 4.5 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$34,100
Postsecondary Education Fund	192,600

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$6,200 from the Postsecondary Education Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona College and Career Guide

The budget includes \$21,300 from the Postsecondary Education Fund in FY 2021 for the Arizona College and Career Guide line item. This amount is unchanged from FY 2020.

This line item funds costs associated with the Arizona College and Career Guide, which is an annual publication that lists Arizona's public and private postsecondary educational institutions. The guide describes each institution's available degree and certificate programs, course lengths, and costs of attendance.

Arizona Minority Educational Policy Analysis Center

The budget includes \$100,700 and a 0.2 FTE Position from the Postsecondary Education Fund in FY 2021 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) line item. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$800 from the Postsecondary Education Fund in FY 2021 for statewide adjustments.

AMEPAC promotes minority students' access to Arizona's postsecondary educational institutions.

Arizona Teacher Student Loan Program

The budget includes \$426,000 from the General Fund in FY 2021 for the Arizona Teacher Student Loan Program (ATSLP). This amount is unchanged from FY 2020.

The program, previously known as the Math, Science, and Special Education Teacher Loan Forgiveness Program (MSSE), offers forgivable loans to resident students pursuing a teaching degree at a public or private postsecondary institution and who agree to teach math, science, or special education at an Arizona public school upon graduation. Students in the program are required to teach for 1 year for each year that they receive the loan, plus 1 additional year. Teachers must practice in rural, low-income, or tribal schools.

A.R.S. § 15-1784 allows the commission to retain up to 10% of the annual fund deposit for administration costs. The commission may also use the interest deposited into the fund for administration costs of the loan repayment portion of the program. *(Please see the Other Issues section for more information.)*

Leveraging Educational Assistance Partnership

The budget includes \$2,319,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2021. This amount consists of:

General Fund	1,220,800
Postsecondary Education Fund	1,098,700

These amounts are unchanged from FY 2020.

LEAP is a state and institutional partnership that provides financial assistance to students demonstrating substantial financial need. To be eligible, students must attend, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution (including public universities, public community colleges, private collegiate institutions, and proprietary schools). The federal portion of these funds was eliminated in FY 2012.

In FY 2018, awards were provided through 37 postsecondary institutions. Of the total funding distributed, 33% went to public universities, 51% to community colleges, and 16% to private institutions.

Twelve Plus Partnership

The budget includes \$130,500 and a 0.3 FTE Position from the Postsecondary Education Fund in FY 2021 for the Twelve Plus Partnership (TPP).

TPP is an early education awareness initiative with 3 components: Best Education Practices Conference and Awards Recognition, Think College, and College Goal Sunday. Approximately 70% of this line item funds College Goal Sunday, 25% of the monies go to Best

Education Practices Conference and Awards Recognition, and the remaining 5% funds Think College. Private gifts, donations of service, and corporate sponsorships support TPP.

Other Issues

ATA and ATSLP Comparison

The Arizona Board of Regents oversees the Arizona Teachers Academy (ATA), which offers tuition waivers for resident and non-resident students enrolled in education and non-education majors at one of the 3 in-state universities, community college, post-baccalaureate students seeking a teacher certification and national board certification students.

The Arizona Student Teacher Loan Program (ATSLP) offers up to \$7,000 in loans per student each year funded by a \$426,000 General Fund appropriation. The ATA offers scholarships of \$10,000 for graduate students, \$5,000 for undergraduate students, \$3,000 for community college students, and \$2,500 for national board certification students. The ATA receives an annual General Fund appropriation of \$15.0 million.

For each year that a student receives an ATA tuition waiver, they are required to teach 1 year in a public school in Arizona. For each year a student receives an ATSLP loan, they must teach 1 year in a rural, low-income, or tribal school in Arizona plus 1 additional year.

Students are eligible for the ATSLP for 5 years, while the ATA has a tuition waiver limit of 2 years for graduate students, 4 years for undergraduate students, 2 years for community college students, and one-time-only for national board certification.

As of FY 2018, there were 56 participants in the ATSLP and the average student age 29-30 years old. In FY 2018, 75% of ATSLP students were enrolled in public institutions in Arizona. In FY 2018 there were 221 students enrolled in the ATA. [\(See Arizona Teachers Academy Program Summary for more information.\)](#)

Arizona Power Authority

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	22,081,000	23,098,000	23,098,000
TOTAL - ALL SOURCES	22,081,000	23,098,000	23,098,000

AGENCY DESCRIPTION - The Arizona Power Authority (APA) manages Arizona's allocation of hydroelectric power from Hoover Dam for the benefit of the state. Within the scope of that management, APA cooperates with federal, state, and non-governmental agencies to address regulatory and environmental matters that impact electric and water uses of the Colorado River. In addition, the APA serves as an informational resource for its customers on electricity utilization. APA is not subject to appropriation.

State Board for Private Postsecondary Education

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	216,100	234,500	245,500
Employee Related Expenditures	81,700	89,800	91,800
Professional and Outside Services	20,600	27,400	27,400
Travel - Out of State	300	2,000	2,000
Other Operating Expenditures	61,300	63,800	63,800
Equipment	1,300	5,800	5,800
AGENCY TOTAL	381,300	423,300	436,300 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board for Private Postsecondary Education Fund	381,300	423,300	436,300
SUBTOTAL - Other Appropriated Funds	381,300	423,300	436,300
SUBTOTAL - Appropriated Funds	381,300	423,300	436,300
Other Non-Appropriated Funds	372,800	250,300	250,300
TOTAL - ALL SOURCES	754,100	673,600	686,600

AGENCY DESCRIPTION — The board licenses and regulates 203 private postsecondary education institutions that service approximately 236,510 students annually. The board processes license applications, determines compliance, investigates complaints and violations, and takes disciplinary action on all private postsecondary institutions that offer vocational and/or degree programs. However, the board does not have jurisdiction over cosmetology, barber, real estate, or professional driving schools. In addition to regulatory duties, the board administers the Student Tuition Recovery Fund, which provides restitution to students financially injured by private postsecondary institutional closures.

FOOTNOTES

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

Operating Budget

The budget includes \$436,300 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$13,000 from the Board for Private Postsecondary Education Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Psychologist Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	229,300	243,000	251,100
Employee Related Expenditures	93,500	99,100	104,800
Professional and Outside Services	23,000	47,000	47,000
Travel - In State	6,100	6,200	6,200
Travel - Out of State	5,700	5,000	5,000
Other Operating Expenditures	71,700	109,800	109,800
Equipment	5,000	6,000	6,000
AGENCY TOTAL	434,300	516,100	529,900 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Psychologist Examiners Fund	434,300	516,100	529,900
SUBTOTAL - Other Appropriated Funds	434,300	516,100	529,900
SUBTOTAL - Appropriated Funds	434,300	516,100	529,900
TOTAL - ALL SOURCES	434,300	516,100	529,900

AGENCY DESCRIPTION — The board licenses and regulates psychologists and behavior analysts. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$529,900 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$13,800 from the Board of Psychologist Examiners Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Department of Public Safety

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,966.7	2,014.7	2,014.7 ^{1/}
Personal Services	101,263,900	118,858,300	123,254,100
Employee Related Expenditures	89,583,100	110,506,200	118,167,300
Professional and Outside Services	2,092,500	2,111,400	2,111,400
Travel - In State	497,900	505,000	505,000
Travel - Out of State	514,800	522,500	522,500
Other Operating Expenditures	38,549,200	33,829,200	32,801,900
Equipment	11,639,300	17,064,200	10,405,600
OPERATING SUBTOTAL	244,140,700	283,396,800	287,767,800
SPECIAL LINE ITEMS			
ACTIC	1,400,600	1,450,000	1,450,000
Border Strike Task Force Local Support	1,127,900	1,261,700	1,261,700 ^{2/3/4/}
Border Strike Task Force Ongoing	6,672,900	7,916,400	8,623,900
Civil Air Patrol	150,000	150,000	150,000
GIITEM	23,175,700	24,938,800	27,083,300 ^{5/6/}
GIITEM Subaccount	2,066,100	2,396,100	2,411,600
Motor Vehicle Fuel	4,827,700	5,454,600	5,454,600
Peace Officer Training Equipment	197,800	1,047,800 ^{2/}	0
Pharmaceutical Diversion and Drug Theft Task Force	630,100	631,200	660,800
Public Safety Equipment	2,798,000	2,890,000	2,890,000
Public Safety Interoperability Fund Deposit	0	1,500,000	0
AGENCY TOTAL	287,187,500	333,033,400	337,753,700 ^{8/9/}
FUND SOURCES			
General Fund	102,560,200	92,350,300	91,138,000
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	116,321,400	194,968,500	200,822,700
Concealed Weapons Permit Fund	3,372,500	2,719,700	2,831,200
Criminal Justice Enhancement Fund	2,377,400	2,936,800	2,999,700
DPS Forensics Fund	22,555,100	22,554,200	23,235,600
Drug and Gang Prevention Resource Center Fund	630,100	0	0
Fingerprint Clearance Card Fund	936,100	1,556,400	1,596,100
Gang and Immigration Intelligence Team Enforcement	3,483,700	2,541,200	2,411,600
Mission Border Security and Law Enforcement			
Subaccount			
Highway User Revenue Fund	15,508,700	0	0
Motor Vehicle Liability Insurance Enforcement Fund	1,250,000	1,250,900	1,302,700
Motorcycle Safety Fund	205,000	205,000	205,000
Parity Compensation Fund	3,451,500	3,990,500	4,175,500
Peace Officer Training Equipment Fund	197,800	1,047,800	0
Public Safety Equipment Fund	2,798,000	2,893,700	2,893,700
Risk Management Revolving Fund	1,345,300	1,349,300	1,408,600
Safety Enforcement and Transportation Infrastructure	1,327,600	1,650,900	1,715,100
Fund - Department of Public Safety Subaccount			
State Aid to Indigent Defense Fund	698,000	700,000	700,000
State Highway Fund	8,169,100	318,200	318,200
SUBTOTAL - Other Appropriated Funds	184,627,300	240,683,100	246,615,700
SUBTOTAL - Appropriated Funds	287,187,500	333,033,400	337,753,700

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
Other Non-Appropriated Funds	39,168,600	38,768,200	38,768,200
Federal Funds	58,711,900	76,473,100	76,473,100
TOTAL - ALL SOURCES	385,068,000	448,274,700	452,995,000

AGENCY DESCRIPTION — The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.

FOOTNOTES

- 1/ Includes 173.8 GF FTE Positions and 3 OF FTE Positions funded from Special Line Items in FY 2021.
- 2/ Of the \$1,261,700 appropriated for the border strike task force local support line item, \$761,700 shall be used to fund local law enforcement officer positions within the border strike task force. Any city, town, county or other entity that enters into an agreement with the department to participate in the border strike task force shall provide at least twenty-five percent of the cost of the services, and the department shall provide not more than seventy-five percent of personal services and employee-related expenditures for each agreement or contract. The department may fund all capital-related equipment. (General Appropriation Act footnote)
- 3/ On or before September 1, 2020, the department of public safety shall submit an expenditure plan for the border strike task force local support line item to the joint legislature budget committee and the governor's office of strategic planning and budgeting. (General Appropriation Act footnote)
- 4/ Of the \$1,261,700 appropriated for the border strike task force local support line item, \$500,000 shall be used for grants to cities, towns or counties for costs associated with prosecuting and imprisoning individuals charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes. (General Appropriation Act footnote)
- 5/ Of the \$27,083,300 appropriated to the GIITEM line item, only \$1,403,400 is deposited in the GIITEM fund established by section 41-1724, Arizona Revised Statutes, and is appropriated for the purposes of that section. The \$1,403,400 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. This state recognizes that states have inherent authority to arrest a person for any immigration violation. (General Appropriation Act footnote, as adjusted for statewide allocations).
- 6/ Of the \$27,083,300 appropriated to the GIITEM line item, \$10,356,900 shall be used for one hundred department of public safety GIITEM personnel. The additional staff shall include at least fifty sworn department of public safety positions to be used for immigration enforcement and border security and fifty department of public safety positions to assist GIITEM in various efforts, including:
 1. Strictly enforcing all federal laws relating to illegal aliens and arresting illegal aliens.
 2. Responding to or assisting any county sheriff or attorney in investigating complaints of employment of illegal aliens.
 3. Enforcing Arizona's law known as the Legal Arizona Workers Act, strictly enforcing Arizona's SB 1070, Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act" and investigating crimes of identity theft in the context of hiring illegal aliens and the unlawful entry into this country.
 4. Taking strict enforcement action.
 Any change in the GIITEM mission or allocation of monies shall be approved by the joint legislative budget committee. The department shall submit an expenditure plan to the joint legislative budget committee for review before expending any monies not identified in the department's previous expenditure plans. (General Appropriation Act footnote, as adjusted for statewide allocations).
- 7/ Notwithstanding Laws 2019, chapter 263, section 80, the \$1,047,500 appropriated to the department of public safety by Laws 2019, chapter 263, section 80 for the peace officer training equipment line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2021. Any monies remaining unexpended on June 30, 2021 revert to the fund from which the monies were appropriated. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ Any monies remaining in the department of public safety joint account on June 30, 2021 revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. (General Appropriation Act footnote)

Operating Budget

The budget includes \$287,767,800 and 1,837.9 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$49,209,100
Arizona Highway Patrol Fund	198,901,600
Concealed Weapons Permit Fund	2,831,200
Criminal Justice Enhancement Fund (CJEF)	2,865,400
DPS Forensics Fund	23,235,600
Fingerprint Clearance Card Fund	1,596,100
Motor Vehicle Liability Insurance Enforcement Fund	1,302,700
Motorcycle Safety Fund	205,000
Parity Compensation Fund	4,175,500
Public Safety Equipment Fund	3,700
Risk Management Revolving Fund	1,408,600
Safety Enforcement and Transportation Infrastructure Fund (SETIF) DPS Subaccount	1,715,100
State Highway Fund	318,200

FY 2021 adjustments are as follows:

Remove One-Time Loop 202 Freeway Extension Troopers Funding

The budget includes a decrease of \$(1,519,200) from the General Fund in FY 2021 to remove equipment and other one-time costs associated with additional highway patrol troopers. The new troopers patrol the extended Loop 202 South Mountain "Congressman Ed Pastor" Freeway.

Remove One-Time Maricopa County Troopers Funding

The budget includes a decrease of \$(379,800) from the General Fund in FY 2021 to remove equipment and other one-time costs associated with additional highway patrol troopers. The new troopers patrol during the "Night Watch" shift from 8 p.m. to 6 a.m. in the Maricopa County Metropolitan area.

Remove One-Time Southern Arizona Troopers Funding

The budget includes a decrease of \$(759,600) from the General Fund in FY 2021 to remove equipment and other one-time costs associated with expanding the highway patrol coverage in southern Arizona.

Salary Increase Budget Shift

The budget includes a decrease of \$(38,200) from the General Fund in FY 2021 and a corresponding increase of \$38,200 from the Concealed Weapons Permit Fund in FY 2021 for a budget shift.

The FY 2020 budget provided a 5% salary increase to all DPS civilian employees from the General Fund. Of the total amount appropriated, \$38,200 supports positions in the Concealed Weapons Permit Unit, which is funded from the Concealed Weapons Permit Fund. The budget shifts the salary increase funding from the General Fund to the Concealed Weapons Permit Fund so that the unit may be entirely funded from the same funding source.

Remove One-Time Vehicle Replacement Funding

The budget includes a decrease of \$(4,000,000) from the General Fund in FY 2021 to remove one-time funding for highway patrol vehicle replacement. The funding is expected to replace approximately 70 highway patrol vehicles.

Remove One-Time AZPOST Funding

The budget includes a decrease of \$(1,027,300) from the Highway Patrol Fund in FY 2021 to remove one-time funding for the Arizona Peace Officers Standards and Training Board (AZPOST) reimbursements. AZPOST provides reimbursements to law enforcement training academies throughout the state to assist with training costs, as well as provides direct law enforcement training.

AZPOST is funded through the DPS budget through the agencies' non-appropriated CJEF distribution. AZPOST provides curriculum and standards for all certified law enforcement training facilities (8 regional facilities and 4 community college academies). This includes state correctional officer training curriculum and standards for corrections officers. AZPOST also performs compliance audits, police officer misconduct investigations, and advanced in-service training.

Statewide Adjustments

The budget includes an increase of \$12,056,900 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	4,134,600
Arizona Highway Patrol Fund	6,704,700
Concealed Weapons Permit Fund	73,300
Criminal Justice Enhancement Fund (CJEF)	62,900
DPS Forensics Fund	681,400
Fingerprint Clearance Card Fund	39,700
Motor Vehicle Liability Insurance Enforcement Fund	51,800
Parity Compensation Fund	185,000
Risk Management Revolving Fund	59,300
Safety Enforcement and Transportation Infrastructure Fund (SETIF) DPS Subaccount	64,200

(Please see the Agency Detail and Allocations section.)

ACTIC

The budget includes \$1,450,000 in FY 2021 for the operation of the Arizona Counter Terrorism Information Center (ACTIC). This amount consists of:

General Fund	750,000
State Aid to Indigent Defense Fund	700,000

These amounts are unchanged from FY 2020.

Created in FY 2005, ACTIC is a joint effort between federal, state, and local law enforcement agencies to combat terrorism, gang violence, and other crimes through information sharing. The salaries of participants are funded by their respective agencies, but DPS pays for the operational costs of the 40,000 square foot building in which ACTIC is housed. These monies fund those costs.

Border Strike Task Force Local Support

The budget includes \$1,261,700 from the General Fund in FY 2021 for the costs of BSTF Local Support. This amount is unchanged from FY 2020.

The BSTF is a multi-agency task force established to target drug and human trafficking organizations and activities along the Arizona-Mexico border. Of the \$1,261,700 total appropriation, the budget requires that \$761,700 be used to fund 75% of the costs for 8 local law enforcement officers that will participate in the BSTF. The participating local law enforcement agency will be responsible for providing a 25% match to these amounts. The remaining \$500,000 shall be used for grants to local governments for the prosecution and imprisonment of individuals that are charged with drug trafficking, human smuggling, illegal immigration and other border-related crimes.

Border Strike Task Force Ongoing

The budget includes \$8,623,900 and 37 FTE Positions from the General Fund in FY 2021 for the Border Strike Task Force (BSTF). FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$707,500 from the General Fund in FY 2021 for statewide adjustments.

The BSTF is a multi-agency law enforcement task force that targets drug and human trafficking organizations and activities along the Arizona-Mexico border.

Civil Air Patrol

The budget includes \$150,000 from the General Fund in FY 2021 for funding of the Civil Air Patrol (CAP). This amount is unchanged from FY 2020.

This line item partially offsets the costs of operations and maintenance of aircraft used by CAP to aid in search and rescue and other emergency missions. *(Please see the FY 2018 Appropriations Report for more information.)*

GIITEM

The budget includes \$27,083,300 and 136.8 FTE Positions in FY 2021 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts consist of:

General Fund	26,679,700
Arizona Highway Patrol Fund	403,600
GIITEM Border Security and Law Enforcement Subaccount	0

FY 2021 adjustments are as follows:

PSPRS Employer Contribution Budget Shift

The budget includes a decrease of \$(145,100) from the GIITEM Border Security and Law Enforcement Subaccount in FY 2021 and a corresponding increase of \$145,100 from the Arizona Highway Patrol Fund in FY 2021 for a budget shift.

Statewide Adjustments

The budget includes an increase of \$2,144,500 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	2,134,400
Arizona Highway Patrol Fund	10,100

The GIITEM line item is comprised of monies for the following GIITEM functions, including: 1) \$10,050,500 for gang enforcement, investigation, and interdiction; 2) \$15,029,400 for at least 50 sworn DPS positions to be used for immigration enforcement and border security and up to 50 DPS positions to expand GIITEM's public awareness, investigation, and intelligence efforts; 3) \$1,403,400 for local gang and immigration enforcement grants; and 4) \$600,000 for crime analysts associated with the state gang intelligence database (GangNet).

Monies deposited in the GIITEM Fund can be used for employer sanctions, smuggling, gang, and immigration enforcement. Local grants are distributed to county sheriffs and do not require further approval by the county board of supervisors. The local entity provides at least 25% of the cost of services.

Permanent law prohibits Maricopa County from receiving any monies from the fund and allocates \$500,000 in revenues to Pinal County. The FY 2021 Criminal Justice Budget Reconciliation Bill (BRB) allocated \$400,000 to the Pima County Sheriff's Office in FY 2021. The remaining \$503,400 may be used for agreements with cities, counties, and other entities at a 3:1 match rate. Pinal County is excluded from the matching requirements. *(Please see the FY 2018 Appropriations Report for more information.)*

A.R.S. § 41-1724C requires DPS to distribute the monies in the GIITEM Fund as soon after July 1 of every year as practicable. Prior to distribution, DPS must submit an expenditure plan to JLBC for review regarding any monies not identified in the previous expenditure plans. *(For more information, please see the [State Immigration Enforcement Assistance to Local Governments](#) program summary on the JLBC website.)*

GIITEM Subaccount

The budget includes \$2,411,600 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2021 for the GIITEM Subaccount, to be used for equipment and supplies for border security. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$15,500 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2021 for statewide adjustments.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$2,061,700 in FY 2021. The monies in the GIITEM Subaccount are for border security personnel and public safety equipment. The monies are to be provided directly to county sheriffs without approval by the respective Board of Supervisors. The authorizing legislation does not specify any particular distribution by county.

At its June 24, 2020 meeting, the JLBC gave a favorable review to a partial GIITEM Subaccount expenditure plan for FY 2021. The plan includes \$456,800 for detention liaison officers, \$539,300 for county sheriff deputies and municipal police department officers to augment the GIITEM Task Force's border district unit, and \$350,000 for the Pima County Border Crimes Unit. DPS intends to seek Committee review at a later date for the remaining \$1,050,000 expenditure plan in FY 2021 for grants to county sheriffs for border security. *(For more information, please see the [State Immigration Enforcement Assistance to Local Governments](#) program summary on the JLBC website.)*

Motor Vehicle Fuel

The budget includes \$5,454,600 in FY 2021 for Motor Vehicle Fuel. This amount consists of:

General Fund	4,384,200
Arizona Highway Patrol Fund	936,100
CJEF	134,300

These amounts are unchanged from FY 2020.

The Motor Vehicle Fuel line item centralizes monies appropriated to DPS for motor vehicle fuel.

Peace Officer Training Equipment

The budget includes no funding in FY 2021 for Peace Officer Training Equipment. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,047,800) from the Peace Officer Training Equipment Fund in FY 2021 to remove one-time funding for peace officer equipment.

Laws 2018, Chapter 312 appropriated a one-time appropriation of \$3,073,000 from the Peace Officer Training Equipment Fund in FY 2019. This amount includes the following non-lapsing appropriations:

1. The first \$500,000 in revenue is appropriated to DPS for employee overtime pay;
2. The next \$2,300,000 in revenue is appropriated to DPS for 10 virtual firing ranges, 3 virtual training simulators (one for the Tucson Police Department, one for the Pinal County Sheriff's Office, and one for the Glendale Regional Training Academy); Laws 2019, Chapter 283 modified the appropriation by replacing Yuma County Sheriff's Office with the Glendale Regional Training Academy as the third recipient of the virtual training simulators.
3. The next \$203,000 in revenue is appropriated to DPS to maintain and service the 7 existing virtual training simulators;
4. The next \$50,000 in revenue is appropriated to the Governor's Office of Highway Safety to provide public service announcements that educate drivers on how to act when stopped by a peace officer.
5. The next \$20,000 in revenue is appropriated to the Supreme Court to cover the programming costs of implementing the new fees.

The FY 2020 budget also appropriated \$1,047,800 from the fund.

The State Treasurer administers the fund and disburses the monies to the recipients listed above. These appropriations will be made in the above order as revenue is received in the fund. *(Please see the Supreme Court section for more information.)*

Laws 2018, Chapter 312 increases the assessment on civil traffic violations, local motor vehicle citations, and criminal motor vehicle citations by \$4. This new revenue is to be deposited into the new Peace Officer Training Equipment Fund.

Current revenue projections from the department estimate annual revenues of \$1,224,000. By the end of FY 2021, the fund will have collected a total of approximately \$2,753,500, compared to an appropriated spending amount of \$4,120,800 (\$3,073,000 in FY 2019 and \$1,047,800 in FY 2020). Since the fund's total revenues through the end of FY 2021 are not projected to exceed the \$4,120,800 in appropriations, the budget includes no new funding. The budget, however, makes the FY 2020 appropriation non-lapsing through FY 2021.

Once these appropriations are completed, the new Peace Officer Training Equipment Advisory Commission will make annual recommendations on how the funding should be spent. Before spending any of the FY 2020 appropriation from the fund, DPS must submit an expenditure plan to JLBC for review.

The Peace Officer Training Equipment Fund is appropriated and may only be used for peace officer equipment.

Pharmaceutical Diversion and Drug Theft Task Force

The budget includes \$660,800 and 3 FTE Positions in FY 2021 for the Pharmaceutical Diversion and Drug Theft Task Force. These amounts consist of:

General Fund	79,400
Arizona Highway Patrol Fund	581,400

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$29,600 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	\$8,000
Arizona Highway Patrol Fund	21,600

This line item funds a task force to combat the abuse and trafficking of prescription drugs and inappropriate prescriber behavior.

Public Safety Equipment

The budget includes \$2,890,000 from the Public Safety Equipment Fund in FY 2021 to equip DPS officers. This amount is unchanged from FY 2020.

The Public Safety Equipment Fund receives \$4 of a \$13 surcharge on fines, violations and penalties for criminal offenses and civil motor vehicle violations. In addition, DPS receives another \$4 of the surcharge if its officer issued the citation. These revenue sources are subject to appropriation.

Additionally, the fund receives the first \$1,200,000 collected from an assessment of up to \$1,500 on driving under the influence (DUI) offenses. This \$1,200,000 is not subject to appropriation.

The Public Safety Equipment line item monies can be used to purchase vehicles, protective armor, electronic stun devices and other safety equipment for DPS officers.

Public Safety Interoperability Fund Deposit

The budget includes no funding from the General Fund in FY 2021 to the Public Safety Interoperability Fund. FY 2021 adjustments are as follows:

Remove One-Time Interoperability Funding

The budget includes a decrease of \$(1,500,000) from the General Fund in FY 2021 to remove one-time funding for interoperable communication systems.

Given the deposit made in FY 2020, the Public Safety Interoperability Fund contains a \$1,500,000 balance. Those monies cannot be spent without an appropriation. The fund may be used only for interoperable communication systems.

Other Issues

Statutory Changes

The Criminal Justice BRB makes the following statutory changes:

- As permanent law, continue to allow the Concealed Weapons Permit Fund to be used for DPS operating expenses. This provision has previously been authorized as session law.
- As permanent law, continue to allow DPS to use the Arizona Highway Patrol Fund for the Pharmaceutical

Diversion and Drug Theft Task Force. This provision has previously been authorized as session law.

- As permanent law, continue to require DPS to receive JLBC review of the expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount appropriation prior to its expenditure. This provision has previously been authorized as session law.
- As session law, continue to allow the State Aid to Indigent Defense Fund to be used for DPS operating expenses.
- As session law, continue to allocate \$400,000 from the GIITEM General Fund distribution to the Pima County Sheriff's Office.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, DPS General Fund costs are projected to increase by \$160.7 million in FY 2022 above FY 2021 and remain unchanged in FY 2023 above FY 2022.

These estimates are based on:

FY 2022 Changes

- An increase of \$160.7 million to backfill the DPS Highway Patrol budget after the repeal of the Highway Safety Fee on June 30, 2021.

Fund Transfers

The budget includes \$23,343,200 in fund transfers for the General Fund in FY 2021. This amount consists of:

- \$15,492,300 of "Excess" Highway Safety Fee revenue. While the statutory calculation for the Highway Safety Fee has been repealed (110% of the Highway Patrol Budget), this is the extra 10% of the Highway Safety Fee base amount assumed in the enacted FY 2020 budget. These monies will be transferred to the State Highway Fund then transferred to the General Fund.
- \$7,850,900 from a State Highway Fund Vehicle License Tax (VLT) transfer.

These transfers were a part of the FY 2020 budget's 3-year spending plan.

Highway Safety Fee/HURF Shift

Recent History of HURF/SHF Usage

The budget eliminated the remaining DPS HURF appropriation in FY 2020. This funding was replaced by the Highway Safety Fee (*see the section below for more information on the Highway Safety Fee in FY 2020 and see the FY 2019 Appropriations Report for more historical information on the HURF shift*).

The usage of HURF and State Highway Fund monies in the DPS budget in prior years resulted in monies being diverted from local government road construction and state highway construction. (*For more detail see Long-Term Budget Impacts: HURF Funding in the Other Issues section of the FY 2019 Appropriations Report.*)

HURF monies are used to fund state and local road construction. Roughly 50.5% of HURF revenue goes to state highway construction and 49.5% goes to cities and counties for local road construction.

Highway Safety Fee – FY 2020 Budget

The FY 2020 Criminal Justice BRB made several modifications to the Highway Safety Fee: 1) The fee is no longer based on the 110% Highway Patrol budget calculation; 2) ADOT's rulemaking exemption for the fee was eliminated; and 3) The fee is repealed at the end of FY 2021 (June 30, 2021).

Given these changes, the FY 2020 budget assumed the Highway Safety Fee would remain at \$32 for FY 2020 and FY 2021, and the fee would continue to generate annual revenue of \$185 million during those 2 years (*see discussion below*).

In FY 2020, the \$32 fee is expected to pay the complete cost of the Highway Patrol budget. As a result, current funding for Highway Patrol was redirected. This includes:

- Elimination of a full year of \$99 million in HURF for DPS expenses, which was redirected to state and local road construction.
- The elimination of an additional \$54.1 million in General Fund for DPS fund expenses which was replaced by the Highway Safety Fee. This amount consists of 2 parts: 1) \$30 million that was added to the DPS General Fund budget in FY 2015 and 2) \$24.1 million of eligible highway patrol expenses that were identified by the department.
- Reduction of \$7.9 million in State Highway Fund spending for Highway Patrol, which was replaced by funding from the Highway Safety Fee. These freed up monies in the State Highway Fund were transferred to the General Fund through VLT revenues. (*See below.*)

- Continued funding of the \$7.3 million in new troopers added in FY 2019.
- Deposit of the excess \$15.5 million in Highway Safety Fee funds to the General Fund. While the statutory calculation for the Highway Safety Fee has been repealed (110% of the Highway Patrol Budget), this is the extra 10% of the Highway Safety Fee base amount assumed in the enacted FY 2020 budget. These monies were first transferred to the State Highway Fund and then transferred to the General Fund through VLT revenues.

(Please see Table 3 below for more detail on the components of the Highway Safety Fee in FY 2020.)

In total, the General Fund benefited by \$107.4 million:

- \$30.0 million from eliminating a planned increase in funding to support local HURF.
- \$54.1 million from the DPS budget shift.
- \$23.4 million of transfers to the General Fund: \$15.5 million from the "Excess" Highway Safety Fee revenue transferred to the General Fund and \$7.9 million of General Fund revenue from a State Highway Fund VLT transfer. These freed up monies in the State Highway Fund were transferred to the General Fund through VLT revenues. (See below.)

Transportation spending increased by \$69 million, including \$19 million to local HURF and \$50 million to the State Highway Fund.

Highway Safety Fee – FY 2021 Budget

The budget continues the changes made in the FY 2020 budget. The budget will continue to eliminate the usage of HURF monies, reduce the State Highway Fund and General Fund spending, and deposit the excess Highway Safety Fee funds to the General Fund in FY 2021. The fee is expected to remain at \$32. The long-term budget estimates incorporate the enacted repeal of the fee on June 30, 2021.

Highway Patrol Fund Balances

In their FY 2021 budget request, DPS forecasts that the Highway Safety Fee will generate annual revenues in FY 2020 and FY 2021 of \$217 million, up from a previous estimate of \$185 million. As a result, the Highway Patrol Fund is projected to have an estimated cash balance of \$96.9 million at the time of the Highway Safety Fee repeal in June 2021 (see Table 2 below).

The most recent forecast used by DPS accounts for the current revenues generated since the fee was implemented in December 2018. Setting aside the first 2 months of deposits, the fee has consistently generated weekly revenues of about \$4.2 million. This weekly trend of revenues has remained steady since March 2019. The forecast does not take into consideration factors other

than the current trend, such as population growth, that would affect the Highway Safety Fee revenues.

Table 1 displays the difference between the enacted forecasted Highway Safety Fee revenues and the revised projections from DPS. As detailed in the table, from FY 2019 through FY 2021, the difference between the 2 estimates would ultimately result in approximately \$80 million in revenue gain above the enacted forecast. The above forecasted revenues will have an impact on the overall amount available for the Highway Patrol budget within DPS, which is funded entirely from the Highway Patrol Fund in FY 2020 and FY 2021. Table 2 below highlights how the various revenue projections impact the Highway Patrol Fund and result in a cash balance of \$96.9 million in FY 2021.

As displayed in Table 2, the Highway Patrol Fund currently receives revenues from several sources, the foremost revenues coming from the Highway Safety Fee in Line 2 and the Insurance Premium Tax (IPT) in Line 3. Line 5 represents transfers of \$(15.5) million in FY 2020 and FY 2021, from the "Excess" 10% of Highway Safety Fee revenue to the General Fund as required by the 3-year spending plan from the FY 2020 budget. Lines 7 and 8 reflect the ongoing and one-time amounts of the Highway Patrol budget funded from the Highway Patrol Fund. Line 9 is a one-time transfer made for IT project costs in FY 2019.

Highway Safety Fee monies can be spent only on Article 9, Section 14 uses, which consists of highway patrol costs and transportation projects.

Due to the ongoing COVID-19 pandemic and resulting economic impact, actual Highway Safety Fee revenues could differ from the forecast displayed in Table 1 and impact the projected FY 2021 ending balance of \$96.9 million displayed in Table 2.

Table 1

Highway Safety Fee Revenues (\$ in Millions)

	Enacted Forecast	Revised Projections	Revenue Gain
Fiscal Year			
FY 2019 (Actual)	\$ 91.1	\$ 107.2	\$ 16.1
FY 2020	185.4	217.1	31.7
FY 2021	<u>185.4</u>	<u>217.1</u>	<u>31.7</u>
Total	\$461.9	\$541.4	\$79.5

Table 2

Highway Patrol Fund – Sources and Uses (\$ in Millions)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
(1) Beginning Balance	7.3	23.3	58.9
<u>Revenue</u>			
(2) Highway Safety Fee	107.2	217.1	217.1
(3) Insurance Premium Tax	25.6	27.4	29.0
(4) Other Revenues	2.3	1.5	1.5
(5) Enacted Transfers		<u>(15.5)</u>	<u>(15.5)</u>
(6) <i>Total - Revenue</i>	<u>142.4</u>	<u>253.8</u>	<u>291.0</u>
<u>Spending</u>			
(7) DPS Budget - Ongoing	116.3	193.9	194.1
(8) DPS Budget - One-Time		1.0	
(9) DPS Automation Transfer	<u>2.8</u>		
(10) <i>Total - Spending</i>	<u>119.1</u>	<u>194.9</u>	<u>194.1</u>
(11) Cash Balance	23.3	58.9	96.9

Table 3

FY 2020 and FY 2021 Components of Highway Safety Fee
(\$ in Millions)

	<u>Total</u>	<u>Components</u>			
		<u>DPS</u>	<u>GF</u>	<u>Local Roads</u>	<u>State Roads</u>
Reduce DPS HURF and Replace with HS Fee	\$ 99			\$ 49	\$ 50
Reduce DPS GF and Replace with HS Fee	54		54		
New Troopers and Retirement	7	7			
Shift State Highway Fund via VLT Transfer	8		8		
Transfer "Excess" Fee to General Fund via VLT Transfer	16		16		
Unused Highway Safety Fee Revenues	1				
Foregone Local HURF Backfill			<u>30</u>	<u>(30)</u>	
Total	\$185	\$7	\$108	\$19	\$50

Public Safety Personnel Retirement System

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
SPECIAL LINE ITEMS			
EORP Fund Deposit	5,000,000	5,000,000	5,000,000
Prescott Fire Employer Group Deposit	2,000,000	1,000,000	1,000,000 ^{1/}
AGENCY TOTAL	7,000,000	6,000,000	6,000,000
FUND SOURCES			
General Fund	7,000,000	6,000,000	6,000,000
SUBTOTAL - Appropriated Funds	7,000,000	6,000,000	6,000,000
Other Non-Appropriated Funds	13,236,100	15,132,300	15,132,300
TOTAL - ALL SOURCES	20,236,100	21,132,300	21,132,300

AGENCY DESCRIPTION — The Public Safety Personnel Retirement System (PSPRS) provides retirement, survivors, health, and disability benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters. In addition, PSPRS staff administers the Correctional Officers Retirement Plan (CORP) and the Elected Officials Retirement Plan (EORP), which provide the same benefits to specified populations at the state and local level. PSPRS is not subject to appropriation. The EORP was closed to new enrollees as of January 1, 2014, at which time newly-elected officials are to be enrolled in the Elected Officials Defined Contribution Retirement System (EODC System).

FOOTNOTES

^{1/} The FY 2020 General Appropriation Act appropriated \$1,000,000 from the state General Fund in each of FY 2020, FY 2021, FY 2022, FY 2023, FY 2024, FY 2025 and FY 2026 to the Public Safety Personnel Retirement System to be deposited in the employer account of the Prescott Fire Department Group to offset increased pension liability.

EORP Fund Deposit

The budget includes \$5,000,000 from the General Fund in FY 2021 as part of the closure of the Elected Officials Retirement Plan (EORP). This amount is unchanged from FY 2020. (See the FY 2017 Appropriations Report and the Consolidated Retirement Report section in the FY 2020 Appropriations Report for more information.)

The annual \$5,000,000 General Fund appropriation is authorized in permanent law (A.R.S § 38-810). As a result, monies in the line item are not included in the General Appropriation Act.

Prescott Fire Employer Group Deposit

The budget includes \$1,000,000 from the General Fund in FY 2021 for deposit into the employer account of the Prescott Fire Department group. This amount is unchanged from FY 2020.

The FY 2020 budget appropriated \$1,000,000 from the General Fund for deposit into the employer account of

the Prescott Fire Department each year from FY 2020 through FY 2026 to offset increased pension liabilities associated with the Yarnell Hill Fire. Because these funds were already appropriated in the FY 2020 budget, this amount did not appear in the FY 2021 General Appropriation Act.

In June 2013, 19 firefighters employed by the Prescott Fire Department died in the line of duty while fighting the Yarnell Hill Fire. The survivors of 10 firefighters ultimately qualified for PSPRS benefits. Their survivors qualify for ongoing payments equal to 100% of the employees' average monthly wages, including overtime. The increased liability resulting from these benefit payments is funded from the PSPRS employer account of the Prescott Fire Department through an increase in employer contribution rates. The funding in the FY 2015, FY 2019, and FY 2020 budgets were intended to offset these increased pension liabilities.

The original estimated liability resulting from the Yarnell Hill fire was \$5,200,000. As of June 2019, PSPRS re-estimated this liability to be \$10,840,000.

See the *Consolidated Retirement Report* section for more information on PSPRS membership and actuarial data.

State Real Estate Department

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	37.0	37.0	37.0
Personal Services	1,402,000	1,612,600	1,688,200
Employee Related Expenditures	521,000	656,200	668,700
Professional and Outside Services	99,100	99,100	99,100
Travel - In State	12,200	13,000	13,000
Travel - Out of State	3,300	3,500	3,500
Other Operating Expenditures	386,300	434,600	434,600
Equipment	75,800	90,500	90,500
AGENCY TOTAL	2,499,700	2,909,500	2,997,600 ^{1/}
FUND SOURCES			
General Fund	2,499,700	2,909,500	2,997,600
SUBTOTAL - Appropriated Funds	2,499,700	2,909,500	2,997,600
Other Non-Appropriated Funds	43,900	203,300	203,300
TOTAL - ALL SOURCES	2,543,600	3,112,800	3,200,900

AGENCY DESCRIPTION — The department issues licenses for real estate, cemetery, and membership campground sales. The department also regulates the real estate industry, including licensees, developers, subdividers, and real estate schools. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation. Beginning in FY 2017, the responsibilities relating to the dispute resolutions process for condominium and planned community associations were transferred from the Department of Fire, Building and Life Safety to the Arizona Department of Real Estate.

FOOTNOTES

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

Operating Budget

The budget includes \$2,997,600 and 37 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$88,100 from the General Fund in FY 2021 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Residential Utility Consumer Office

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	577,700	757,700	757,700
Employee Related Expenditures	214,800	253,700	294,000
Professional and Outside Services	0	2,400	2,400
Travel - In State	1,500	8,600	8,600
Travel - Out of State	7,100	7,000	7,000
Other Operating Expenditures	167,700	174,200	174,200
OPERATING SUBTOTAL	968,800	1,203,600	1,243,900
SPECIAL LINE ITEMS			
Professional Witnesses	7,500	145,000	145,000 ^{1/}
AGENCY TOTAL	976,300	1,348,600	1,388,900 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Residential Utility Consumer Office Revolving Fund	976,300	1,348,600	1,388,900
SUBTOTAL - Other Appropriated Funds	976,300	1,348,600	1,388,900
SUBTOTAL - Appropriated Funds	976,300	1,348,600	1,388,900
TOTAL - ALL SOURCES	976,300	1,348,600	1,388,900

AGENCY DESCRIPTION — The Residential Utility Consumer Office (RUCO) serves as an advocate for residential customers of public utilities in rate hearings held before the Arizona Corporation Commission. Through its technical staff and expert consultants, RUCO analyzes utility company data to determine appropriate positions to take and present on behalf of residential ratepayers. The RUCO Director is appointed by the Governor.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$1,243,900 and 11 FTE Positions from the RUCO Revolving Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$40,300 from the RUCO Revolving Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Professional Witnesses

The budget includes \$145,000 from the RUCO Revolving Fund in FY 2021 for Professional Witnesses. This amount is unchanged from FY 2020.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

Board of Respiratory Care Examiners

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	173,400	179,500	185,600
Employee Related Expenditures	72,900	65,700	70,300
Professional and Outside Services	500	6,500	6,500
Travel - In State	1,200	1,500	1,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	52,900	67,400	67,400
AGENCY TOTAL	300,900	322,600	333,300 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Respiratory Care Examiners Fund	300,900	322,600	333,300
SUBTOTAL - Other Appropriated Funds	300,900	322,600	333,300
SUBTOTAL - Appropriated Funds	300,900	322,600	333,300
TOTAL - ALL SOURCES	300,900	322,600	333,300

AGENCY DESCRIPTION — The board licenses and regulates respiratory care practitioners. A respiratory therapist performs inhalation therapy and respiratory therapy, which includes administering pharmacological, diagnostic, and therapeutic agents, as directed by a physician.

FOOTNOTES

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

Operating Budget

The budget includes \$333,300 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$10,700 from the Board of Respiratory Care Examiners Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona State Retirement System

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	245.9	240.9	240.9
Personal Services	12,545,800	13,025,000	13,635,900
Employee Related Expenditures	4,659,000	5,321,900	5,437,800
Professional and Outside Services	3,420,000	3,055,400	3,055,400
Travel - In State	26,400	30,000	30,000
Travel - Out of State	28,900	49,000	49,000
Other Operating Expenditures	2,788,900	2,323,200	2,323,200
Equipment	159,900	389,500	389,500
OPERATING SUBTOTAL	23,628,900	24,194,000	24,920,800
SPECIAL LINE ITEMS			
One-Time IT Expenses	500,000	0	0
AGENCY TOTAL	24,128,900	24,194,000	24,920,800^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Long-Term Disability Trust Fund Administration Account	1,504,100	1,800,000	1,800,000
Arizona State Retirement System Administration Account	22,624,800	22,394,000	23,120,800
SUBTOTAL - Other Appropriated Funds	24,128,900	24,194,000	24,920,800
SUBTOTAL - Appropriated Funds	24,128,900	24,194,000	24,920,800
Other Non-Appropriated Funds	15,283,400	17,790,400	18,323,700
TOTAL - ALL SOURCES	39,412,300	41,984,400	43,244,500

AGENCY DESCRIPTION — The Arizona State Retirement System (ASRS) provides retirement, survivors, health and disability benefits to employees of most public employers in Arizona, including public schools, most local and county governments, and the State of Arizona. Funding for the agency is appropriated except for investment management and consulting fees, rent, actuarial consulting fees, legal counsel costs, retiree payroll and health insurance program administration.

FOOTNOTES

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

Operating Budget

The budget includes \$24,920,800 and 240.9 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
Arizona State Retirement System Administration Account	\$23,120,800
Long-Term Disability (LTD) Trust Fund Administration Account	1,800,000

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$726,800 from the State Retirement System Administration Account in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

See the Consolidated Retirement Report section for more information on ASRS membership and actuarial data.

Department of Revenue

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	880.8	880.8	880.8 ^{1/}
Personal Services	24,652,300	28,474,700	28,474,700
Employee Related Expenditures	9,868,300	11,944,300	13,552,600
Professional and Outside Services	9,394,400	9,472,800	9,472,800
Travel - In State	79,700	134,600	134,600
Travel - Out of State	43,800	126,800	126,800
Other Operating Expenditures	13,073,600	14,815,100	14,815,100
Equipment	1,257,900	943,600	943,600
OPERATING SUBTOTAL	58,370,000	65,911,900	67,520,200 ^{2/}
SPECIAL LINE ITEMS			
BRITS Operational Support	6,155,800	7,560,300	7,723,700
Out of State TPT Administration	0	2,000,000	0
Prime Contracting Noncompliance Study	75,000	0	0
Tax Fraud Prevention	3,070,200	3,150,000	3,150,000 ^{3/4/}
TPT Simplification	1,095,900	984,300	1,020,000
Unclaimed Property Administration and Audit	1,479,200	1,368,800	1,368,800 ^{5/}
Veterans' Income Tax Settlements	224,800	0	0
AGENCY TOTAL	70,470,900	80,975,300	80,782,700 ^{6/7/8/}
FUND SOURCES			
General Fund	28,681,300	31,245,200	31,799,500
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	40,463,900	48,243,000	47,473,000
Liability Setoff Program Revolving Fund	709,000	805,600	815,500
Residential Contractors' Recovery Fund	75,000	0	0
Tobacco Tax and Health Care Fund	541,700	681,500	694,700
SUBTOTAL - Other Appropriated Funds	41,789,600	49,730,100	48,983,200
SUBTOTAL - Appropriated Funds	70,470,900	80,975,300	80,782,700
Other Non-Appropriated Funds	1,016,300	1,594,100	1,594,100
TOTAL - ALL SOURCES	71,487,200	82,569,400	82,376,800

AGENCY DESCRIPTION — The Department of Revenue (DOR) administers and enforces the collection of personal and corporate income, sales, withholding, luxury and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes, nor the insurance premium tax.

FOOTNOTES

- ^{1/} Includes 70 GF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} The operating lump sum appropriation includes \$2,000,000 and 25 FTE positions for additional audit and collections staff. (General Appropriation Act footnote)
- ^{3/} The department may not transfer any monies to or from the tax fraud prevention line item without prior review by the joint legislative budget committee. (General Appropriation Act footnote)
- ^{4/} On or before November 1, 2020, the department shall report the results of private fraud prevention investigation services during fiscal year 2019-2020 to the joint legislative budget committee. The report shall include the total number of fraudulent returns prevented and the total dollar amount of fraudulent returns prevented during fiscal year 2019-2020. (General Appropriation Act footnote)
- ^{5/} If the total value of properties retained by unclaimed property contract auditors exceeds \$1,368,800, the excess amount is transferred from the state general fund to the department of revenue administrative fund, established by section 42-

1116.01, Arizona Revised Statutes, and is appropriated to the department for contract auditor fees. (General Appropriation Act footnote)

- 6/ The department shall report the department's general fund revenue enforcement goals for fiscal year 2020-2021 to the joint legislative budget committee on or before September 30, 2020. On or before September 30, 2021, the department shall provide an annual progress report to the joint legislative budget committee as to the effectiveness of the department's overall enforcement and collections program for fiscal year 2020-2021. The reports shall compare projected and actual state general fund, total state tax, total county tax and total municipal tax revenue enforcement collections for fiscal year 2019-2020 and fiscal year 2020-2021, including the amount of projected and actual enforcement collections for all tax types. The reports shall also include the total number of transaction privilege tax delinquent accounts, the total dollar value of those accounts classified by age of account and the total dollar amount of delinquent account write-offs determined to be uncollectible for fiscal year 2019-2020. (General Appropriation Act footnote)
- 7/ On or before March 31, 2021, the department shall submit a report to the joint legislative budget committee for its review on the progress of the department's implementation of recommendations included in the auditor general's March 2019 report regarding transaction privilege tax administration and enforcement. The report shall assess the effectiveness of the department's efforts to reduce the risk of misreporting and underreporting transaction privilege tax through information technology controls and data analysis and the department's progress in identifying and fixing errors in the department's tax system TPT licensing information. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$67,520,200 and 810.8 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$25,530,000
DOR Administrative Fund	40,480,000
Liability Setoff Program Revolving Fund	815,500
Tobacco Tax and Health Care Fund	694,700

FY 2021 changes are as follows:

Statewide Adjustments

The budget includes an increase of \$1,608,300 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	452,100
DOR Administrative Fund	1,133,100
Liability Setoff Program Revolving Fund	9,900
Tobacco Tax and Health Care Fund	13,200

(Please see the Detail and Allocations section.)

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The budget includes \$7,723,700 and 51 FTE Positions in FY 2021 for operational support of BRITS. These amounts consist of:

General Fund	2,099,500
DOR Administrative Fund	5,624,200

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$163,400 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	66,500
DOR Administrative Fund	96,900

This line item funds the annual server and printer replacement costs, increased BRITS data storage requirements, and information technology personnel to operate and maintain the BRITS system. BRITS is the state's computer system for collecting and processing tax data.

Out of State TPT Administration

The budget includes no funding from the DOR Administrative Fund in FY 2021 for Out-of-State Transaction Privilege Tax (TPT) Administration. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,000,000) from the DOR Administrative Fund in FY 2021 to remove one-time costs to administer and collect TPT on out-of-state businesses.

In June 2018, the United States Supreme Court overruled in *South Dakota v. Wayfair Inc.* a 1992 ruling made by the same court in *Quill Corp v. North Dakota*, which had held that only out-of-state businesses with a physical presence inside a state could be required to collect and remit sales

tax in that state. As a result of the *Wayfair* ruling, the physical presence requirement was effectively replaced by an economic nexus requirement.

Laws 2019, Chapter 273 established the economic nexus thresholds under which an out-of-state business is required to collect and remit tax on retail sales in Arizona. DOR established the new filing process and began accepting out-of-state returns under the new economic nexus categories October 1, 2019.

Tax Fraud Prevention

The budget includes \$3,150,000 from the General Fund in FY 2021 for Tax Fraud Prevention. This amount is unchanged from FY 2020.

These monies are used to contract with a vendor to provide fraud prevention investigation services, make programming changes to the Taxpayer Accounting System (TAS), and provide audit and investigative support.

DOR reported that these services prevented \$7.7 million in fraudulent returns in Individual Income Tax returns in FY 2019, compared to \$11.3 million in FY 2018, \$25.0 million in FY 2017 and \$78.5 million in FY 2016. DOR has also expanded the program to include other tax types.

TPT Simplification

The budget includes \$1,020,000 and 19 FTE Positions from the General Fund in FY 2021 for TPT Simplification responsibilities. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$35,700 from the General Fund in FY 2021 for statewide adjustments.

Laws 2013, Chapter 255 and Laws 2014, Chapter 263 created a unified TPT audit and collections system under the auspices of DOR. As a result, DOR assumed the responsibility for the audit and collection of TPT taxes for all municipalities including the 14 “Non-Program” cities which previously administered their own TPT taxes. These monies allow DOR to fund the additional staffing associated with these TPT oversight responsibilities.

Unclaimed Property Administration and Audit

The budget includes \$1,368,800 from the DOR Administrative Fund in FY 2021 for Unclaimed Property Administration and Audit. This amount is unchanged from FY 2020.

Monies in this line item are used for the administrative costs of unclaimed or abandoned property. Contract auditors retain 10.25% to 12.5% of the value of properties they recover.

Other Issues

Statutory Changes

The Revenue Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue legislative intent statement that local fees to fund the Department of Revenue (DOR) are not to exceed \$20,755,835 and are to be allocated between cities and towns, counties, the Maricopa Association of Governments and the Pima Association of Governments based on the prorated share of all revenues distributed to them (excluding Highway User Revenue Fund money).

Tobacco Tax/Master Settlement Agreement

The budget transfers \$836,000 from the Traditional Medicaid Services line item in AHCCCS in FY 2021 to DOR to fund staff to help enforce the provisions of the Master Settlement Agreement. These monies are provided in a footnote in the AHCCCS budget.

The transfer funds maintenance costs on the electronic tobacco tax system and to fund personnel to perform luxury tax enforcement and audit duties. *(Please see AHCCCS for more information regarding this transfer.)*

Auditor General TPT Reports

The Auditor General released 2 audit reports in March 2019 regarding DOR's TPT administration and enforcement work, and a Sunset Report in June 2019. The reports concluded that DOR must improve in several areas related to TPT administration, particularly in TPT licensing and data controls. For example, the report recommended that DOR improve its program to determine if businesses operating within the state have active TPT licenses after Auditor General staff determined 7 of the 30 businesses reviewed did not have an active TPT license.

The report also recommended DOR improve data controls in its online filing system after Auditor General staff discovered 15 of the 24 active TPT licenses reviewed contained data errors, which can limit DOR's ability to perform audit and collections work. Additionally, the staff also determined limitations in the data controls cause some filing errors to go unnoticed. As a result, the Auditor General staff identified possible underreporting or

misreporting TPT revenue in 20 of the 24 businesses reviewed.

The budget includes a new footnote requiring DOR to report to JLBC for committee review by March 31, 2021 on the progress of the department's efforts to implement the recommendations included in the audit report.

School Facilities Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	911,000	965,000	999,000
Employee Related Expenditures	299,100	322,200	340,800
Professional and Outside Services	161,900	160,000	160,000
Travel - In State	17,400	13,000	13,000
Travel - Out of State	8,900	5,000	5,000
Other Operating Expenditures	201,800	251,300	251,300
Equipment	7,600	2,000	2,000
OPERATING SUBTOTAL	1,607,700	1,718,500	1,771,100
SPECIAL LINE ITEMS			
New School Facilities			
New School Facilities (FY 2019 Authorizations)	49,636,700	36,726,700	0
New School Facilities (FY 2020 Authorizations)	0	75,875,800	45,805,900 ^{1/}
New School Facilities (FY 2021 Authorizations)	0	0	12,980,900 ^{2/}
New School Facilities Debt Service	134,287,300	131,870,500	67,177,800 ^{3/}
Other Programs			
Building Renewal Grants	76,085,800	107,458,800	107,500,000
AGENCY TOTAL	261,617,500	353,650,300	235,235,700 ^{4/5/}
FUND SOURCES			
General Fund	261,617,500	353,650,300	235,235,700
SUBTOTAL - Appropriated Funds	261,617,500	353,650,300	235,235,700
Other Non-Appropriated Funds	64,904,200	65,378,700	9,250,700
TOTAL - ALL SOURCES	326,521,700	419,029,000	244,486,400

AGENCY DESCRIPTION — The School Facilities Board (SFB) is composed of 9 gubernatorial appointments and the Superintendent of Education. The board administers the New School Facilities Fund, the Building Renewal Grant Fund, and the Emergency Deficiencies Correction Fund to provide capital funding for K-12 school districts. In addition, SFB Staff provides support to the Credit Enhancement Eligibility Board, which operates the Arizona Public School Credit Enhancement program for district and charter schools.

FOOTNOTES

- ^{1/} Laws 2019, Chapter 263 appropriated \$45,805,900 from the General Fund in FY 2021 for the New School Facilities FY 2020 authorizations.
- ^{2/} Pursuant to section 15-2041, Arizona Revised Statutes, the amount appropriated for new school facilities shall be used only for facilities and land costs for school districts that received final approval from the school facilities board on or before December 15, 2019. (General Appropriation Act footnote)
- ^{3/} At least thirty days before any monies are transferred out of the new school facilities debt service line item, the school facilities board shall report the proposed transfer to the director of the joint legislative budget committee. (General Appropriation Act footnote)
- ^{4/} Pursuant to section 35-142.01, Arizona Revised Statutes, any reimbursement received by or allocated to the school facilities board under the federal qualified school construction bond program in fiscal year 2020-2021 shall be deposited in or revert to the state general fund. (General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$1,771,100 and 17 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of 52,600 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

New School Facilities

The budget includes \$58,786,800 from the General Fund in FY 2021 for New School Facilities, which is a decrease of \$(53,815,700) from FY 2020. The FY 2021 funding amount for New School Facilities includes the following:

- \$45,805,900 for the remaining 50% of construction funding to complete 10 projects which were authorized to begin construction in FY 2020.
- \$12,980,900 for the land costs and the first 50% of construction costs for 2 projects that will be authorized to begin construction in FY 2021. This amount includes \$1,250,000 for land, and \$11,730,900 for construction.

All new school construction is labeled as one-time rather than ongoing.

(Please see [Table 3](#) for a summary of FY 2020 through FY 2023 New School Facilities Funding.)

Background – The New School Facilities line item provides funding for school districts to build new K-12 school facilities. The board distributes the monies to school districts as work is completed on approved projects. The amounts allocated to each school district are determined by statute. A school district qualifies for new construction funding when the districtwide square feet per student is predicted to fall below the statutory minimum within the next 2 years. Funding is then provided to the district at a statutorily prescribed dollar amount per square foot.

The dollar amount per square foot is adjusted annually based on a construction market index identified by the JLBC. At its December 11, 2019 meeting, the JLBC approved a 5.29% adjustment in the cost per square foot. This inflation adjustment is based on measure of construction costs since December 2018 when the Committee last adopted an adjustment. This adjustment applies to all new FY 2021 authorizations in the budget. (Please see [Table 1](#) for statutory funding guidelines.)

In addition, the board distributes money for land acquisition and site conditions. Site conditions funding is used by SFB for extraordinary site-specific construction needs such as: 1) Earth moving costs beyond normal requirements (such as dynamite blasting); 2) Building footings that must be deeper than standard code (in excess of 3 feet below grade); and 3) Replacing poor/collapsing soil which cannot support buildings with other materials such as engineered fill. Site conditions do not include the costs of utilities placement or complying with standard local building codes.

Table 1

New School Facilities Statutory Funding Guidelines

Type of School	Square Feet Per Student	Funding Per Square Foot ^{1/2/}
K-6	90	\$164.36
7-8	100	\$173.52
9-12 (<1,800 pupils)	134	\$200.90
9-12 (≥1,800 pupils)	125	\$200.90

^{1/} Increased by 5% for rural school districts.

^{2/} Adjusted annually for inflation.

In addition to the state funding formula, school districts may generate additional funding through the issuance of bonds (see [Other Issues for K-12 Capital Bonding](#)).

New School Facilities (FY 2019 Authorization)

The budget includes no funding in FY 2021 for New School Facilities which were authorized to start construction in FY 2019. FY 2021 adjustments are as follows:

New School Funding Completion

The budget includes a decrease of \$(36,726,700) from the General Fund in FY 2021 for the completion of the following projects:

- [Chandler Unified \(9-12\)](#) – for an addition at Chandler High School
- [Chandler Unified \(9-12\)](#) – for an addition at Perry High School.
- [Chandler Unified \(9-12\)](#) – for an addition at Camille Casteel High School.
- [Chandler Unified \(9-12\)](#) – for an addition at Basha High School.
- [Queen Creek Unified \(K-5\)](#) – for a new elementary school.
- [Tolleson UHSD \(9-12\)](#) – for a new high school including land.

New School Facilities (FY 2020 Authorization)

The budget includes \$45,805,900 from the General Fund in FY 2021 for New School Facilities projects which are authorized to start construction in FY 2020. FY 2021 adjustments are as follows:

Continue New School Construction Projects

The budget includes a decrease of \$(30,069,900) from the General Fund in FY 2021 to continue construction for 10 new school projects authorized to start construction in FY 2020.

The FY 2020 budget provided 50% of construction costs and 100% of land costs for each project with the exception of the Pima Unified and Somerton projects which received 100% of construction funding in FY 2020. The FY 2021 budget eliminates the land acquisition costs and funds the remaining construction costs for the following projects:

- Chandler Unified (9-12) – for a new high school.
- Douglas Unified (9-12) – for a new high school.
- Laveen Elementary (K-8) – for a new elementary school.
- Maricopa Unified (9-12) – for a new high school.
- Pima Unified (K-6) – for a new elementary school. There is no land required. The FY 2020 budget funded 100% of this project in FY 2020.
- Safford Unified (K-6) – for a new elementary school.
- Santa Cruz Valley Unified (9-12) – for additional high school space.
- Somerton Elementary (K-6) – for a new elementary school. The FY 2020 budget funded 100% of this project in FY 2020.
- Somerton Elementary (K-6) – for a new elementary school. The FY 2020 budget funded 100% of this project in FY 2020.
- Vail Unified (K-5) – for a new elementary school.

The FY 2020 General Appropriation Act already appropriated the remaining \$45,805,900 of funding in FY 2021 for these projects. As a result, these monies did not appear in the FY 2021 General Appropriation Act. (See [Table 3](#) and the [Long-Term Budget Impacts](#) section for more information.)

New School Facilities (FY 2021 Authorization)

The budget includes \$12,980,900 from the General Fund in FY 2021 for New School Facilities projects which are authorized to start construction in FY 2021. FY 2021 adjustments are as follows:

Begin New School Construction Projects

The budget includes an increase of \$12,980,900 from the General Fund in FY 2021 to begin construction for 2 new school projects authorized to start construction in FY 2021. These school districts are projected to be at capacity in FY 2022. The enacted FY 2021 budget includes 100% of the land costs and 50% of the construction costs. The projects are as follows:

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

In addition, the FY 2021 General Appropriation Act appropriated the remaining \$11,730,900 of funding in FY 2022 for these projects. (See [Table 3](#) and the [Long-Term Budget Impacts](#) section for more information.)

New School Facilities Debt Service

The budget includes \$67,177,800 from the General Fund in FY 2021 for New School Facilities Debt Service. FY 2021 adjustments are as follows:

Lease-Purchase Payment

The budget includes a decrease of \$(64,692,700) from the General Fund in FY 2021 for decreased lease-purchase payments. This reflects the variations in SFB's existing lease-purchase schedule.

Background – In FY 2003 - FY 2005, FY 2008, FY 2009, and FY 2011, SFB entered into lease-purchase agreements to finance the costs of new school construction. For each agreement, SFB issued Certificates of Participation (COPs) that are typically repaid over a period of 15 years. At the end of FY 2021, the outstanding amount of General Fund lease-purchase principal to be paid will be \$196,737,200.

The FY 2021 budget includes \$9,938,100 for the entire debt service requirement for the Qualified School Construction Bonds (QSCB) issuance in FY 2021. The lease-purchase agreement associated with the QSCBs requires the state to appropriate the entire debt service amount for the payment, as opposed to deducting the expected federal subsidy from the payment. The state is expected to receive a federal subsidy of \$3,976,500 in FY 2021 related to the lease-purchase payment. The subsidy is deposited into the General Fund.

Pursuant to A.R.S. § 35-142.01, these funds will be deposited as revenue into the state General Fund, thereby leaving a net debt service obligation of \$5,961,600.

Other Programs

Building Renewal Grants

The budget includes \$107,500,000 from the General Fund in FY 2021 for Building Renewal Grants. FY 2021 adjustments are as follows:

Additional One-Time Funding

The budget includes an increase of \$41,200 from the General Fund in FY 2021 for additional one-time funding for building renewal grants.

Since FY 2014, the state has funded an ongoing "base" amount of Building Renewal Grant funding of \$16,667,900. *(Please see Table 2 for FY 2013 through FY 2021 Building Renewal Appropriations.)*

The FY 2020 budget appropriated a total \$79,458,800 in FY 2020 for building renewal grants. The FY 2021 budget included a \$28,000,000 FY 2020 supplemental appropriation for building renewal grants. Therefore, the total available funding in FY 2020 was \$107,458,800 of which \$90,790,900 is designated as one-time. For FY 2021, the Legislature continued the additional \$90,790,900 and further increased building renewal grants by \$41,200, resulting in a one-time funding total of \$90,832,100 in FY 2021. *(Please see [Other Issues](#) for more information.)*

Background – The Building Renewal Grant Fund was created in FY 2009 to provide grant-based funding for building renewal projects. The fund consists of legislative appropriations and is administered by SFB.

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

Pursuant to A.R.S. § 15-2022, SFB is required to transfer excess funds in the New School Facilities (NSF) Fund to the Emergency Deficiencies Correction (EDC) Fund to the extent that the transfer does not affect or disrupt any approved new construction projects. NSF Fund revenues are derived from legislative appropriations and lease-purchase proceeds. SFB estimates the EDC Fund to have a \$0 balance at the beginning of FY 2020.

Table 2

Building Renewal Appropriations FY 2013 - FY 2021

<u>Fiscal Year</u>	<u>Ongoing</u>	<u>One-Time</u>
2013	2,667,900	0
2014	16,667,900	0
2015	16,667,900	0
2016	16,667,900	15,000,000
2017	16,667,900	15,000,000
2018	16,667,900	27,167,900
2019	16,667,900	59,417,900
2020	16,667,900	90,790,900
2021	16,667,900	90,832,100

The EDC Fund is used in a similar manner as the Building Renewal Grants program, where districts apply to SFB for funding to correct facilities emergencies that pose health or safety concerns. If there are insufficient monies in the EDC Fund for district requests, A.R.S. § 15-907 allows a district to levy an additional primary property tax to fund the repairs, with the approval of the respective County Board of Supervisors. SFB can transfer unallocated funds from the New School Facilities Fund to the EDC Fund.

Other Issues

This section includes information on the following topics:

- FY 2020 Supplemental
- Long-Term Budget Impacts - Enacted Budget
- New School Construction - Conceptual Approvals
- K-12 Capital Bonding
- Public School Credit Enhancement Program
- Minimum Adequacy Guidelines

FY 2020 Supplemental

The FY 2021 budget includes an FY 2020 supplemental appropriation of \$28,000,000 from the General Fund for Building Renewal Grants *(Please see the [Building Renewal Grants](#) section for further details.)*

Long-Term Budget Impacts - Enacted Budget

As part of the budget's 3-year spending plan, SFB's General Fund costs are projected to decrease by \$(105,654,500) in FY 2022 below FY 2021 and increase by \$32,906,900 in FY 2023 above FY 2022. These estimates are based on:

Debt Service Changes

SFB debt service is expected to decrease by \$(1,000) in FY 2022 and \$(4,400) in FY 2023.

New School Construction

The long-term estimates assume 2 types of new school construction funding: 1) Providing the remaining funding in FY 2022 for the schools which were authorized to begin construction in FY 2021; and 2) Conceptual approval made by SFB as part of the agencies' long-term planning process.

In FY 2022, new school construction spending is projected to decrease by \$(14,821,400). In addition, FY 2023 new school construction spending is projected to increase by \$32,911,300 above FY 2022. *(Please see Table 3 for more detail on Long-Term New School Facilities funding projections.)*

Long-term budget estimates are subject to change depending on SFB's future awards of new school construction and any changes to the inflation adjustment for new school construction costs. Long-term estimates include land costs when SFB indicates land is required which is not already available to the district. Unless a land cost estimate was specifically provided by SFB, land costs are estimated using median acreage required by SFB policy per school type/size and estimated land market values.

One-Time Building Renewal Grant Funding

SFB building renewal grant costs funding would decrease by \$(90,832,100) in FY 2022 and remain unchanged for FY 2023. The enacted budget 3-year spending plan labeled \$90,832,100 as one-time and discontinues it being in FY 2022, which would return SFB building renewal grant funding to the ongoing "base" level of \$16,667,900.

New School Construction - Conceptual Approvals

As noted in Table 3, the enacted budget assumed SFB would begin construction on projects with a total cost of \$57.3 million in FY 2022. After the enactment of the budget, SFB completed its conceptual approval process, where the Board revises its long-term forecast of new school construction projects. Under the revised projections, the total project costs (across all years) of FY 2022 Authorizations would be \$50.3 million. This does not represent formal approval of these projects.

SFB will continue to analyze data for FY 2022 construction starts until the projects are reviewed for final approval by December 15. In addition to standard demographic changes in the projections, school district enrollment may be impacted by shifts due to the COVID-19 pandemic, including increased online instruction attendance.

K-12 Capital Bonding

A.R.S. § 15-1021 authorizes school districts to issue voter-approved bonds for long-term capital needs, such as school construction and renovation to be paid for with local property tax revenues. Article IX, Sections 8 and 8.1 of the Arizona Constitution limit non-unified and unified school district bonded indebtedness to no more than 15% or 30% of the district's assessed valuation, respectively.

However, A.R.S. § 15-1021 sets statutory limits below the constitutional limits for "Class B" bonds (for those issued after December 31, 1999). School district Class B bonding is limited to 10% and 20% of property values for non-unified and unified districts, respectively.

As of the end of FY 2019, the total amount of voter-approved school district bonds outstanding was approximately \$3.8 billion.

A.R.S. § 15-2002 requires each school district to report Class B bond approvals to SFB by December 1 of each year and requires SFB to annually report to JLBC by December 31 on all Class B bond approvals by school districts in that year. Based on JLBC Staff estimates, there were 15 districts with Class B bond approvals in 2019 for a total of \$1.3 billion.

Public School Credit Enhancement Program

The Arizona Public School Credit Enhancement Program assists achievement district schools in obtaining financing by guaranteeing the payment of principal and interest. The program is currently operated by the Governor's Office of Education.

As of March 30, 2020, 12 schools have been approved financing through the program – Academy of Math and Science (2 projects), Arizona Agribusiness and Equine Center, BASIS Schools (2 projects), Candeco Schools, Great Hearts Academies (2 projects), Highland Prep, Legacy Traditional Schools, Paradise Schools, and Vista College Preparatory. The total outstanding principal amount is \$233.5 million. To date, there are no guaranteed financings for which the program has been required to disperse funds. The Credit Enhancement Fund balance is \$107.1 million and has a leverage ratio of 2.18 (based only on the outstanding principal of issued financing). The statutory limit for the program's leverage ratio is 3.5.

Minimum Adequacy Guidelines

The FY 2019 K-12 Education Budget Reconciliation Bill (BRB) requires the board to submit a report to the JCCR

for review on the fiscal impact of any changes made to the minimum adequacy guidelines. The minimum adequacy guidelines are established in SFB rule and set standards for school facilities. As of December 2019, the board has initiated the rulemaking process and convened a stakeholder group to develop a proposal to update the minimum adequacy guidelines. The board intends to publish the proposed rules by mid-2020 and will seek Committee review prior to finalizing the rules. The board expects the rules to be effective in October 2020.

Table 3

Long-Term New School Facilities Funding

	Type	Sq. Ft.	Student Capacity	FY 2020	FY 2021	FY 2022	FY 2023
FY 2019 Starts							
Chandler 9-12	Addition	25,000	266	\$ 2,178,100			
Chandler 9-12	Addition	40,000	426	3,485,000			
Chandler 9-12	Addition	15,000	160	1,306,900			
Chandler 9-12	Addition	15,000	160	1,306,900			
Queen Creek K-5	New	63,000	788	4,490,400			
Tolleson 9-12	New	275,000	2,926	<u>23,959,400</u>			
Subtotal - FY 2019 Starts				\$36,726,700			
FY 2020 Starts ^{2/}							
Chandler 9-12	New	100,000	800	\$ 8,984,500	\$ 8,984,500		
Chandler Land				12,000,000			
Douglas 9-12	New	87,502	653	8,254,500	8,254,500		
Douglas Land				3,125,000			
Laveen K-8 (accelerated)	New	92,400	1,000	7,307,000	7,307,000		
Maricopa 9-12	New	125,000	1,000	11,230,700	11,230,700		
Maricopa Land				3,750,000			
Pima K-6	New	8,550	95	1,319,700			
Safford K-6	New	42,210	469	3,257,600	3,257,600		
Safford Site Conditions/Demo				1,010,200			
Santa Cruz Valley 9-12 (accelerated)	Addition	26,800	200	2,556,900	2,556,900		
Somerton K-6	New	22,500	281	3,307,500			
Somerton K-6	New	22,500	281	3,307,500			
Somerton Land				375,000			
Vail K-5 (accelerated)	New	54,000	675	4,214,700	4,214,700		
Vail K-5 Land				<u>1,875,000</u>			
Subtotal - FY 2020 Starts				\$75,875,800	\$45,805,900		
FY 2021 Starts							
Chandler 9-12	Addition	87,500	700		\$ 8,789,500	\$ 8,789,500	
Tanque Verde 7-12	New	30,675	250		2,941,400	2,941,400	
Tanque Verde Land					<u>1,250,000</u>		
Subtotal - FY 2021 Starts					\$12,980,900	\$11,730,900	
FY 2022 Starts ^{3/}							
Buckeye K-8	New	87,780	950			\$ 7,308,900	\$ 7,308,900
Buckeye Land						2,500,000	
Laveen K-8	New	92,400	1,000			7,693,500	7,693,500
Laveen Land						2,500,000	
Tanque Verde K-6 ^{4/}	New	7,830	87			1,286,900	
Tanque Verde Land						900,000	
Yuma Union 9-12	New	100,000	800			<u>10,045,200</u>	<u>10,045,200</u>
Subtotal - FY 2022 Starts						\$ 32,234,500	\$ 25,047,600
FY 2023 Starts ^{3/}							
Colorado City K-12 ^{4/}	New	15,746	149				\$ 2,795,200
Liberty K-8	New	73,920	800				6,154,800
Liberty Land							2,500,000
Queen Creek K-6	New	67,500	750				5,547,100
Queen Creek 9-12	New	125,000	1,000				12,556,500
Sahuarita 9-12	New	100,000	800				10,045,200
Sahuarita Land							4,375,000
Vail 6-8	New	62,836	650				5,355,300
Vail Land							<u>2,500,000</u>
Subtotal - FY 2023 Starts							\$51,829,100
Total				\$112,602,500	\$58,786,800	\$43,965,400	\$76,876,700

^{1/} FY 2019 Starts also received a total of \$49,636,700 in FY 2019.

^{2/} The FY 2020 budget accelerated new school construction for schools that are projected to be over capacity in the next 2 years. "Accelerated" indicates schools that were accelerated due to the FY 2020 budget legislation.

^{3/} Reflects the long-term new school construction cost estimates used in the enacted budget, based on SFB conceptual approvals as of December 2019.

^{4/} Assumes 100% of construction costs would be funded in the first year due to the small school size.

Department of State - Secretary of State

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	141.1	143.1	143.1
Personal Services	5,245,900	5,528,200	5,784,200
Employee Related Expenditures	1,994,900	1,753,800	1,803,600
Professional and Outside Services	1,857,300	853,800	853,800
Travel - In State	9,200	13,400	13,400
Travel - Out of State	31,200	60,900	60,900
Other Operating Expenditures	4,569,000	4,638,900	4,638,900
Equipment	119,500	6,200	6,200
OPERATING SUBTOTAL	13,827,000	12,855,200	13,161,000 ^{1/}
SPECIAL LINE ITEMS			
Election Services	3,610,000	0	4,000,000 ^{2/}
HAVA - Help America Vote Act (2002)	263,300	0	0
HAVA - Other Help America Vote Act Projects	1,483,000	0	0 ^{3/}
HAVA - Statewide Voter Registration System	923,700	0	0
HAVA - December 2019 Grant - County Allocation	0	5,352,200 ^{4/}	0
HAVA - December 2019 Grant - SOS Allocation	0	1,338,100 ^{4/}	0
Presidential Preference Election	0	7,025,000 ^{5/6/7/8/9/} ^{10/11/}	0
Special Election	1,190,200	0	0
Uniform State Laws Commission	0	99,000	99,000
Library Grants-in-Aid	605,000	651,400	651,400 ^{12/}
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	21,999,200	27,417,900	18,008,400 ^{13/}
FUND SOURCES			
General Fund	18,185,500	19,984,800	17,263,600
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	2,670,000	6,690,300	0
Records Services Fund	1,143,700	742,800	744,800
SUBTOTAL - Other Appropriated Funds	3,813,700	7,433,100	744,800
SUBTOTAL - Appropriated Funds	21,999,200	27,417,900	18,008,400
Other Non-Appropriated Funds	1,089,700	1,103,700	1,103,700
Federal Funds	3,670,300	3,470,400	3,470,400
TOTAL - ALL SOURCES	26,759,200	31,992,000	22,582,500

AGENCY DESCRIPTION — The Secretary of State is an elected Constitutional Officer. The Department of State is responsible for recordings and filings under the Uniform Commercial Code (U.C.C.); coordinating statewide elections; receiving campaign filings; registering trade names, trademarks and limited partnerships; appointing notaries public; and certifying certain telemarketing and charitable solicitation organizations and provides administrative support for the Commission on Uniform State Laws. In addition, the department is the archival authority and designated repository for historical records and documents of state and local governments, as well as a designated federal document regional repository.

FOOTNOTES

- 1/ Included in the operating lump sum appropriation of \$13,161,000 for fiscal year 2020-2021 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 2/ Before transferring any monies in or out of the election services line item, the secretary of state shall submit a report for review by the joint legislative budget committee. (General Appropriation Act footnote)

- 3/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$5,400,400 to the secretary of state for other help America vote act projects made by Laws 2018, chapter 276, section 85 that remains unexpended on June 30, 2022 reverts to the fund from which the monies were appropriated. (General Appropriation Act footnote)
- 4/ The sum of \$6,690,300 is appropriated from the election systems improvement fund established by section 41-129, Arizona Revised Statutes, in fiscal year 2019-2020 to the secretary of state to be allocated as follows:
1. \$5,352,200 shall be distributed to the counties for election systems improvements. Each county shall receive \$50,000 and the remainder of the monies allocated shall be distributed to each county based on the county's population according to the 2010 United States decennial census.
 2. \$1,338,100 shall be used by the secretary of state for election systems improvements. Before spending the monies, the secretary of state shall submit an expenditure plan for review by the joint legislative budget committee. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (General Appropriation Act footnote)
- 5/ In addition to monies appropriated pursuant to Laws 2019, chapter 263, section 87, the sum of \$2,616,900 is appropriated from the state general fund in fiscal year 2019-2020 to the secretary of state to reimburse expenses incurred by counties to administer the 2020 presidential preference election. (General Appropriation Act footnote)
- 6/ The secretary of state shall reimburse counties based on the number of active registered voters in that county on January 2, 2020 as follows:
1. For counties with an official active voter registration total of five hundred thousand persons or more, in the amount of the actual expenses incurred or \$1.74 for each active registered voter in the county, whichever is less.
 2. For counties with an official active voter registration total of two hundred thousand persons or more and less than five hundred thousand persons, in the amount of the actual expenses incurred or \$1.60 for each active registered voter in the county, whichever is less.
 3. For counties with an official active voter registration total of one hundred thousand persons or more and less than two hundred thousand persons, in the amount of the actual expenses incurred or \$1.90 for each active registered voter in the county, whichever is less.
 4. For counties with an official active voter registration total of fifty thousand persons or more and less than one hundred thousand persons, in the amount of the actual expenses incurred or \$2.00 for each active registered voter in the county, whichever is less.
 5. For counties with an official active voter registration total of twelve thousand persons or more and less than fifty thousand persons, in the amount of the actual expenses incurred or \$2.10 for each active registered voter in the county, whichever is less.
 6. For counties with an official active voter registration total of less than twelve thousand persons, in the amount of the actual expenses incurred or \$2.40 for each active registered voter in the county, whichever is less.
- (General Appropriation Act footnote)
- 7/ A county shall submit its certified claims to the secretary of state not later than May 18, 2020. (General Appropriation Act footnote)
- 8/ On or before December 31, 2020, the secretary of state shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting regarding reimbursements made pursuant to this section. (General Appropriation Act footnote)
- 9/ The appropriation and reimbursement rates prescribed do not set a precedent that the costs of administering any process to select party nominees for a presidential election held after March 17, 2020 will be reimbursed by the state at any particular level. (General Appropriation Act footnote)
- 10/ Notwithstanding Laws 2019, chapter 263, section 87, the \$4,408,100 appropriated for the presidential preference election line item by Laws 2019, chapter 263, section 87 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until December 31, 2020. (General Appropriation Act footnote)
- 11/ The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until December 31, 2020. (General Appropriation Act footnote)
- 12/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 13/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
-

Operating Budget

The budget includes \$13,161,000 and 143.1 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$12,416,200
Record Services Fund	744,800

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$305,800 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	303,800
Record Services Fund	2,000

(Please see the Agency Detail and Allocations section.)

Election Services

The budget includes \$4,000,000 from the General Fund in FY 2021 for the Election Services line item. FY 2021 adjustments are as follows:

Election Year Funding

The budget includes an increase of \$4,000,000 from the General Fund in FY 2021 for election year funding. This adjustment funds the statewide primary election on August 4, 2020, and the General Election on November 3, 2020.

For traditional state elections, statute requires the Secretary of State (SOS) to: 1) reimburse counties for the costs of printing, labeling, and postage for sample ballots; 2) pay the cost of any recount of votes; 3) reimburse the County Recorder for the costs of certifying petition and referendum signatures; 4) print and mail a publicity pamphlet to every household with a registered voter for any initiative or referendum; 5) review and process initiative and referendum signatures; and 6) process challenges to candidate eligibility.

The FY 2017 General Appropriation Act transferred ongoing annual elections services costs into the agency's operating budget. This line item is intended only to cover variable election costs in an election year.

In FY 2020, the Presidential Preference Election is funded in a separate line item.

HAVA - Other Help America Vote Act (HAVA) Projects

The budget includes no funding from the Election Systems Improvement Fund in FY 2021 for this line item. This amount is unchanged from FY 2020.

HAVA is federal election reform legislation from 2002 that imposes several requirements on the states with respect to the conduct of federal elections. Arizona received \$7,463,700 from a new allocation from the federal government in FY 2018 to fulfill projects that further the goals of HAVA or improve election security. Of the \$7,463,700, the FY 2019 budget allocated \$5,400,400 to this line item. The other \$2,063,300 from the allocation is discussed in the next line item.

An FY 2019 General Appropriation Act footnote required SOS to submit an expenditure plan for review by the Joint Legislative Budget Committee (JLBC) for the monies in this line item. On June 18, 2019, JLBC reviewed a revised version of the [expenditure plan](#). The revised expenditure plan included \$2,735,000 for county grants, \$935,800 for voter registration system development costs, and \$211,600 for voter registration database maintenance costs in FY 2020.

Because this appropriation was scheduled to lapse at the end of FY 2020, the budget includes a new footnote extending the lapse date for Other HAVA Projects monies until June 30, 2022, which follows the standard 2-year appropriation schedule for prior HAVA funding.

On June 24, 2020, JLBC reviewed the FY 2021 [expenditure plan](#) for these monies, which included voter registration database development costs and county subgrants that had been delayed from FY 2020. In addition, funding was allocated to maintenance costs for the voter registration database and IT security enhancements.

This line item only contains funding from the March 2018 HAVA allocation from the federal government and does not include any additional HAVA monies from the Consolidated Appropriations Act of 2020 (December 2019 allocation) or the recent March 2020 federal Coronavirus Aid, Relief, and Economic Security (CARES) Act COVID-19 relief legislation. *(For a discussion of the 2020 HAVA Supplemental, please see the Other Issues section.)*

HAVA - Statewide Voter Registration System

The budget includes no funding from the Election Systems Improvement Fund in FY 2021 for development of a new statewide voter registration system. This amount is unchanged from FY 2020.

The voter registration database will replace technology from the late 1990s that facilitates the exchange of voter registration data between the counties and the Secretary of State. This new system will serve as the primary database for 13 counties and will connect to the Pima County and the Maricopa County databases.

At the June 19, 2018 JLBC Meeting, the Committee reviewed the expenditure of \$2,063,300 for the new system and provided a favorable review of an additional \$235,500 in the Other HAVA Projects line item to be spent on project management. At the June 18, 2019 JLBC meeting, the Committee reviewed the FY 2020 expenditure of \$935,800 in additional "Other Help America Vote Act" funds to complete the new system.

Due to project delays, the vendor billing of these remaining funds to complete the system was delayed into FY 2021 and a similar funding amount for FY 2021 was reviewed at the June 24, 2020 JLBC meeting. *(Please see the Other Help America Vote Act Projects line item for a discussion of these monies.)*

In December 2019, the agency completed testing and transitioned to the new Arizona Voter Information Database (AVID).

This line item only contains funding from the March 2018 HAVA allocation from the federal government and does not include any additional HAVA monies from the Consolidated Appropriations Act of 2020 (December 2019 allocation) or the recent March 2020 federal CARES Act COVID-19 relief legislation. *(For a discussion of the 2020 HAVA Grant Supplemental, please see the Other Issues section).*

HAVA - December 2019 Grant - County Allocation

The budget includes no funding from the Election Systems Improvement Fund in FY 2021 for the HAVA - December 2019 Grant - County Allocation line item. FY 2021 adjustments are as follows:

Remove Supplemental County Appropriation

The budget includes a decrease of \$(5,352,200) from the Election Systems Improvement Fund in FY 2021 for removing the one-time county funding allocated from the HAVA election security grant included in the federal Consolidated Appropriations Act of 2020 (enacted in December 2019).

The enacted budget included an FY 2020 supplemental that allocated \$5,352,200 of HAVA funding to the counties for election systems improvements. Each county received a base amount of \$50,000, with remaining monies

allocated based on population according to the 2010 decennial census. Pursuant to a General Appropriation Act footnote, these monies are scheduled to lapse on June 30, 2022. *(For a discussion of the 2020 HAVA Supplemental, please see the Other Issues section.)*

HAVA - December 2019 Grant - SOS Allocation

The budget includes no funding from the Election Systems Improvement Fund in FY 2021 for the HAVA - December 2019 Grant - SOS Allocation line item. FY 2021 adjustments are as follows:

Remove Supplemental SOS Appropriation

The budget includes a decrease of \$(1,338,100) from the Election Systems Improvement Fund in FY 2021 for removing the one-time SOS funding allocated from the HAVA election security grant included in the federal Consolidated Appropriations Act of 2020 (enacted in December 2019).

The enacted budget included an FY 2020 supplemental that allocated \$1,338,100 of HAVA funding to SOS for election systems improvements, subject to JLBC review of the SOS expenditure plan. On June 24, 2020, JLBC reviewed the expenditure plan for these monies, including a provision requiring that any expenditures for a public information campaign only be made in the form of grants to county recorders for that purpose and shall be distributed as follows: \$50,000 to each of the 5 largest counties according to the 2010 decennial census and \$25,000 to each of the remaining counties. Pursuant to a General Appropriation Act footnote, these monies are scheduled to lapse on June 30, 2022. *(For a discussion of the 2020 HAVA Supplemental, please see the Other Issues section).*

Presidential Preference Election (PPE)

The budget includes no funding from the General Fund in FY 2021 for the Presidential Preference Election (PPE) line item. FY 2021 adjustments are as follows:

Remove One-Time PPE Funding

The budget includes a decrease of \$(7,025,000) from the General Fund in FY 2021 to remove one-time funding for the PPE held on March 17, 2020. Of this funding amount, \$7,000,000 would be allocated toward county reimbursement based on the per registered voter costs assumed in the budget, leaving the remaining \$25,000 for SOS costs related to the testing of PPE voting equipment.

During a PPE, voters affiliated with a political party express their preference for a presidential candidate of their political party. Voters registered with no party

designation or of a party not conducting a PPE do not participate. The conduct of the election differs from other contests in that there is a separate ballot for each recognized political party conducting a PPE and no other election may appear on the PPE ballot. The Republican Party opted out of the March 2020 Presidential Preference Election.

A.R.S. § 16-250 allows counties to be reimbursed up to \$1.25 per each active registered voter in the county as of the January of the PPE year.

While the budget opts to reimburse counties at a higher rate than the statutory requirement of \$1.25 per active registered voter, the Budget Procedures Budget Reconciliation Bill (BRB) includes an intent clause stating that the appropriation and reimbursement rates for the 2020 PPE do not set a precedent for reimbursement levels of future PPEs. *(For a discussion of the FY 2020 PPE Supplemental, please see the Other Issues section.)*

Uniform State Laws Commission

The budget includes \$99,000 from the General Fund in FY 2021 for costs associated with the state's participation in the Uniform State Laws Commission. This amount is unchanged from FY 2020.

The Uniform State Laws Commission attempts to provide states with non-partisan legislation that creates consistency from state to state in areas of state law. Monies in this line item may be used to cover travel and other expenses related to Arizona's participation in the Commission.

Library Grants-in-Aid

The budget includes \$651,400 from the General Fund in FY 2021 for Library Grants-in-Aid. This amount is unchanged from FY 2020.

This line item funds a portion of the state maintenance of effort (MOE) that is required for receipt of federal dollars under the Library Services and Technology Act (LSTA). Receipt of LSTA monies is dependent on the state's ability to meet an MOE requirement, which is tied to the state contribution made in each of the 3 prior years.

Statewide Radio Reading Service for the Blind

The budget includes \$97,000 from the General Fund in FY 2021 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2020.

These monies are used to provide information access services for blind and visually impaired individuals. Services include radio information broadcasts, a telephone and web-based news reading service, and internet radio broadcasting for individuals who are outside the range of the radio broadcast.

Other Issues

This section includes information on the following topics:

- FY 2024 Electronic Document Repository Funding
- FY 2020 PPE Supplemental
- FY 2020 HAVA Supplemental
- COVID-19 Federal Legislation – Election Funding
- Coronavirus Relief Fund – SOS Allocation
- Statutory Changes
- Long-Term Budget Impacts

FY 2024 Electronic Document Repository Funding

Laws 2019, Chapter 275 appropriated \$70,000 and 1 FTE Position from the General Fund in FY 2024 for the establishment of an electronic repository of state archives and documents.

FY 2020 PPE Supplemental

The FY 2021 budget includes an FY 2020 supplemental appropriation of \$2,616,900 from the General Fund for reimbursing county elections divisions for the expenses incurred for the administration of the 2020 PPE, bringing total FY 2020 PPE funding to \$7,025,000. The budget requires a county to be reimbursed in the amount of actual expenses, subject to the following limits:

- Counties with an active voter registration as of January 1, 2020 of 500,000 or more persons to be reimbursed at a rate of \$1.74 per active registered voter or in the amount of the actual expenses incurred, whichever is less.
- Counties with an active voter registration between 200,000-500,000 persons to be reimbursed at a rate of \$1.60 per active registered voter or in the amount of the actual expenses incurred, whichever is less.
- Counties with an active voter registration between 100,000-200,000 persons to be reimbursed at a rate of \$1.90 per active registered voter or in the amount of the actual expenses incurred, whichever is less.
- Counties with an active voter registration between 50,000-100,000 persons to be reimbursed at a rate of

\$2.00 per active registered voter or in the amount of the actual expenses incurred, whichever is less.

- Counties with an active voter registration between 12,000-50,000 persons to be reimbursed at a rate of \$2.10 per active registered voter or in the amount of the actual expenses incurred, whichever is less.
- Counties with an active voter registration of less than 12,000 persons to be reimbursed at a rate of \$2.40 per active registered voter or in the amount of the actual expenses incurred, whichever is less.

Pursuant to a General Appropriation Act footnote, counties must have submitted reimbursement claims to the Secretary of State by May 18, 2020. *(Please see Presidential Preference Election line item for further details.)*

FY 2020 HAVA Supplemental

The FY 2021 budget includes an FY 2020 supplemental appropriation of \$6,690,300 from the Election Systems Improvement Fund for federal HAVA grant monies allocated to the state in December 2019.

The Consolidated Appropriations Act of 2020 allocated \$8,362,700 in HAVA funds to Arizona for the purpose of improving election administration for federal offices as well as enhancing election technology and improving election security. After the technical reallocation of funding by the federal Election Assistance Commission (EAC), Arizona's final allocation from the CARES Act HAVA grant is \$8,397,300. These funds are deposited into the Elections Systems Improvement Fund and require a legislative appropriation.

To receive the full \$8,397,300 allocation, Arizona must provide a 20% match of \$1,672,500 within 2 years of the grant's start date (with the 20% match based on the original funding allocation).

The penalty for not providing a 20% state match is such that only the portion of the grant that is matched can be used. Previous guidance had suggested that if the state provided no match, a penalty in the amount of the match would be deducted, leaving the state with 80% of its allocation. Based on this premise, the enacted budget appropriated \$6,690,300 of these HAVA monies in total to the counties and SOS for election systems improvements (the original allocation of \$8,362,700 less the 1,672,500 required match, adjusted for rounding).

After the enactment of the budget, SOS reported that in-kind spending from Maricopa County allowed Arizona to meet the 20% match requirement, allowing the state to access the entire grant amount. Given that \$6,690,300

was appropriated as an FY 2020 supplemental, there is \$1,707,000 of unallocated funding from the December 2019 HAVA grant. *(Please see HAVA - December 2019 Grant - County Allocation and HAVA - December 2019 Grant - SOS Allocation for further details.)*

COVID-19 Federal Legislation – Election Funding

In March 2020, the CARES Act allocated \$7,842,100 in election security grants to Arizona for the purpose of preventing, preparing for, and responding to coronavirus in the FY 2020 federal election cycle. After the technical reallocation of funding by the federal Election Assistance Commission (EAC), Arizona's final allocation from the CARES Act HAVA grant is \$7,874,800.

To use funds, Arizona must provide a full accounting of how funds were spent to the EAC within 20 days of each election in the 2020 federal election cycle. Funds unobligated by December 31, 2020, would revert to the Treasury. In addition, the EAC has released guidance outlining potential uses of the funds that would comply with the CARES Act requirements of "preventing, preparing for, and responding to coronavirus" in the upcoming election cycle.

EAC has indicated these funds also require a 20% state match. Under the standard HAVA guidelines, this match could be fulfilled through a direct appropriation to SOS or through eligible in-kind contributions at the state or county level.

The CARES Act funding is subject to legislative appropriation, and the funds were not appropriated during the 2020 Regular Session. However, SOS was allocated monies from the Coronavirus Relief Fund by the Executive in July 2020 *(see the Coronavirus Relief Fund – SOS Allocation section below for additional information)*.

Coronavirus Relief Fund – SOS Allocation

In July 2020, the Executive announced it would allocate \$9.4 million from the Coronavirus Relief Fund (CRF) for additional pandemic-related costs associated with the FY 2020 election cycle. *Table 1* outlines the spending plan for these monies, which includes \$1.8 million for state program costs and another \$7.6 million for county support. No legislative appropriation is required for these monies to be spent.

Under the spending plan, \$5,000,000 of the monies would be distributed to counties to improve COVID-19 response efforts. Each county would receive a base amount of \$100,000, with remaining monies distributed based on the county's share of registered voters as of January 2,

Table 1**FY 2021 Elections Spending Plan – CRF Allocation**

	FY 2021
<u>State Programs</u>	
COVID-19 Related Expenses	\$ 349,800
Public Education Campaign	<u>1,500,000</u>
Subtotal – State Programs	\$1,849,800
<u>County Assistance</u>	
PPE and Sanitation Supplies	1,000,000
Hand Washing Stations	100,000
County Subgrants – Tribal/Rural Communities	1,500,000
County Subgrants – Voter Registration Totals	<u>5,000,000</u>
Subtotal – County Assistance	\$7,600,000
Total	\$9,449,800

2020. Counties would be able to use subgrants for safety initiatives such as hiring temporary staff and poll workers, securing ballot drop boxes, and expanding curbside voting. Please see *Table 2* for a breakdown of each county's individual allocation.

Table 2**County Subgrants Distribution – CRF Allocation**

	FY 2021
<u>County</u>	
Apache	\$ 145,700
Cochise	166,600
Coconino	177,500
Gila	127,500
Graham	117,100
Greenlee	104,200
La Paz	109,300
Maricopa	2,237,500
Mojave	211,000
Navajo	158,600
Pima	611,300
Pinal	295,200
Santa Cruz	123,800
Yavapai	230,400
Yuma	<u>184,300</u>
Total	\$5,000,000

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As session law, notwithstanding the \$1.25 per voter county reimbursement for the 2020 presidential preference election and instead establish reimbursement methodology in the General Appropriation Act.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, SOS' General Fund costs are projected to decrease by \$(4,000,000) in FY 2022 below FY 2021 and increase by \$4,000,000 in FY 2023 above FY 2022. These estimates are for the Election Services line item and are based on no scheduled statewide election during FY 2022. In FY 2023, funding for the Elections Services line item would be restored to \$4,000,000 for the 2022 statewide Primary/General election.

State Board of Tax Appeals

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	170,100	179,000	187,400
Employee Related Expenditures	64,000	57,700	59,700
Travel - In State	300	400	400
Other Operating Expenditures	40,600	44,600	44,600
Equipment	200	100	100
AGENCY TOTAL	275,200	281,800	292,200 ^{1/}
FUND SOURCES			
General Fund	275,200	281,800	292,200
SUBTOTAL - Appropriated Funds	275,200	281,800	292,200
TOTAL - ALL SOURCES	275,200	281,800	292,200

AGENCY DESCRIPTION — The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.

FOOTNOTES

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

Operating Budget

The budget includes \$292,200 and 4 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$10,400 from the General Fund in FY 2021 for statewide adjustments.
(Please see *Agency Details and Allocations* section.)

State Board of Technical Registration

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	969,400	1,106,400	1,143,000
Employee Related Expenditures	439,600	461,800	488,800
Professional and Outside Services	65,600	191,600	191,600
Travel - In State	5,300	5,000	5,000
Travel - Out of State	21,400	17,200	17,200
Other Operating Expenditures	506,700	417,500	417,500
Equipment	26,600	0	0
AGENCY TOTAL	2,034,600	2,199,500	2,263,100 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Technical Registration Fund	2,034,600	2,199,500	2,263,100
SUBTOTAL - Other Appropriated Funds	2,034,600	2,199,500	2,263,100
SUBTOTAL - Appropriated Funds	2,034,600	2,199,500	2,263,100
Other Non-Appropriated Funds	30,000	0	0
TOTAL - ALL SOURCES	2,064,600	2,199,500	2,263,100

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, engineers, geologists, home inspectors, land surveyors, and landscape architects.

FOOTNOTES

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

Operating Budget

The budget includes \$2,263,100 and 25 FTE Positions from the Technical Registration Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$63,600 from the Technical Registration Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Office of Tourism

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	28.0	28.0	28.0
Personal Services	1,836,000	1,909,000	1,909,000
Employee Related Expenditures	648,000	667,300	788,400
Professional and Outside Services	2,372,200	1,928,600	1,928,600
Travel - In State	19,200	20,700	20,700
Travel - Out of State	160,200	170,000	170,000
Other Operating Expenditures	2,564,500	2,365,400	2,365,400
Equipment	43,000	53,000	53,000
OPERATING SUBTOTAL	7,643,100	7,114,000	7,235,100
SPECIAL LINE ITEMS			
Arizona Promotion	0	1,000,000	1,000,000
Wine Promotion	0	100,000	100,000
AGENCY TOTAL	7,643,100	8,214,000	8,335,100 ^{1/}
FUND SOURCES			
General Fund	7,643,100	8,214,000	8,335,100
SUBTOTAL - Appropriated Funds	7,643,100	8,214,000	8,335,100
Other Non-Appropriated Funds	15,862,800	17,737,400	17,737,400
TOTAL - ALL SOURCES	23,505,900	25,951,400	26,072,500

AGENCY DESCRIPTION — The office is responsible for promoting tourism within the state, which includes planning and developing an information campaign, advertising, exhibitions, and operating a visitors' center. The agency receives a transfer from the Arizona Sports and Tourism Authority (AZSTA), a portion of tribal gaming contributions, and General Fund appropriations to the Tourism Fund.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$7,235,100 and 28 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$121,100 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Promotion

The budget includes \$1,000,000 from the General Fund in FY 2021 for Arizona Promotion funding. This amount is unchanged from FY 2020.

Monies in this line item are used to fund the marketing, advertisement, and promotion of the tourism industry and tourism efforts in the state.

Wine Promotion

The budget includes \$100,000 from the General Fund in FY 2021 for Wine Promotion funding. This amount is unchanged from FY 2020.

Monies in this line item will fund the marketing and promotion of the Arizona wine industry.

Other Issues

Funding Sources

The Office of Tourism receives funding from 3 primary sources: 1) a General Fund appropriation; 2) a transfer from AZSTA, generated from partial allocations of a bed tax and car rental tax in Maricopa County (A.R.S. § 5-835), to fund Maricopa County tourism promotion; and 3) a portion of tribal gaming contributions (A.R.S. § 5-601.02) to fund statewide tourism promotion. *(For further details on agency revenues, please see Table 1.)*

Long-Term Budget Impacts

Special Sporting Event Promotion

As part of the budget's 3-year spending plan, the Office of Tourism's General Fund costs are projected to increase by \$1.5 million in FY 2022 above FY 2021 and remain the same in FY 2023 compared to FY 2022. These estimates are based on A.R.S. § 41-2308, which provides an annual General Fund appropriation of \$1.5 million from FY 2022 through FY 2051 to the State Treasurer for distribution to the Office of Tourism related to the promotion and marketing of a special sporting event hosted in Arizona. *(Please see the State Treasurer narrative for additional information on the Special Sporting Event Promotion funding.)*

Table 1

Office of Tourism Revenues ^{1/}

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$7,112,000	\$8,214,000	\$8,214,000
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	9,083,200	9,537,400 ^{2/}	9,973,700 ^{2/}
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>6,988,300</u>	<u>6,700,000</u> ^{2/}	<u>7,200,000</u> ^{2/}
Total		\$23,183,500	\$24,451,400	\$25,387,700

^{1/} The numbers displayed represent revenues to the agency and may not correspond directly to the agencies' actual expenditure or appropriation amounts.

^{2/} The Sports and Tourism Authority amounts and the Tribal Gaming amounts for FY 2020 and FY 2021 are estimates provided by the Office of Tourism in January 2020 prior to the onset of the COVID-19 pandemic.

Department of Transportation

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	4,552.0	4,554.0	4,554.0 ^{1/}
Personal Services	104,232,600	110,989,000	114,535,600
Employee Related Expenditures	46,218,500	51,478,700	54,519,600
Professional and Outside Services	5,292,100	4,840,000	4,840,000
Travel - In State	783,800	622,200	622,200
Travel - Out of State	247,300	259,100	259,100
Other Operating Expenditures	32,515,100	35,840,400	34,213,900
Equipment	2,808,600	2,862,600	2,862,600
OPERATING SUBTOTAL	192,098,000	206,892,000	211,853,000
SPECIAL LINE ITEMS			
Attorney General Legal Services	3,458,200	3,623,700	3,623,700 ^{2/}
Authorized Third Parties	2,014,100	2,020,200	2,088,400
Driver Safety and Livestock Control	174,300	800,000	800,000
Highway Damage Recovery Account	3,920,400	8,000,000	8,000,000
Highway Maintenance	136,696,800	141,744,600	145,211,300 ^{3/4/}
Northwest Valley Transit System Planning	65,000	0	0
Preventive Surface Treatments	0	36,142,000	36,142,000
Vehicle Replacement	12,313,900	15,300,000	15,300,000 ^{5/}
Vehicles and Heavy Equipment	17,808,100	18,654,800	19,167,800
AGENCY TOTAL	368,548,800	433,177,300	442,186,200 ^{6/-11/}
FUND SOURCES			
General Fund	65,000	0	0
<u>Other Appropriated Funds</u>			
Air Quality Fund	300,900	324,200	326,000
Driving Under the Influence Abatement Fund	151,000	0	0
Highway Damage Recovery Account	3,920,400	8,000,000	8,000,000
Highway User Revenue Fund	651,800	658,000	679,900
Ignition Interlock Device Fund	146,800	320,300	332,800
Motor Vehicle Liability Insurance Enforcement Fund	1,646,800	2,675,200	1,781,800
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	1,172,500	880,500	896,000
State Aviation Fund	1,626,300	2,010,900	2,064,800
State Highway Fund	339,601,000	397,585,400	406,793,900
Transportation Department Equipment Fund	17,808,100	18,654,800	19,167,800
Vehicle Inspection and Certificate of Title Enforcement Fund	1,458,200	2,068,000	2,143,200
SUBTOTAL - Other Appropriated Funds	368,483,800	433,177,300	442,186,200
SUBTOTAL - Appropriated Funds	368,548,800	433,177,300	442,186,200
Other Non-Appropriated Funds	40,932,000	36,156,500	33,304,200
Federal Funds	23,369,800	27,415,200	27,415,200
TOTAL - ALL SOURCES	432,850,600	496,749,000	502,905,600

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

FOOTNOTES

^{1/} Includes 1,152 OF FTE Positions funded from Special Line Items in FY 2021.

^{2/} All expenditures made by the department of transportation for attorney general legal services shall be funded only from the attorney general legal services line item. Monies in the operating lump sum appropriation or other line items

intended for this purpose shall be transferred to the attorney general legal services line item before expenditure. (General Appropriation Act footnote)

- 3/ Of the total amount appropriated, \$145,211,300 in fiscal year 2020-2021 for highway maintenance is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to their fund of origin, either the state highway fund established by section 28-6991, Arizona Revised Statutes, or the safety enforcement and transportation infrastructure fund – department of transportation subaccount established by section 28-6547, Arizona Revised Statutes, on August 31, 2021. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ In accordance with section 35-142.01, Arizona Revised Statutes, reimbursements for monies expended from the highway maintenance line item may not be credited to the account out of which the expenditure was incurred. The department shall deposit all reimbursements for monies expended from the highway maintenance line item in the highway damage recovery account established by section 28-6994, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ Expenditures made by the department of transportation for vehicle and heavy equipment replacement shall be funded only from the vehicle replacement line item. Monies in the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the vehicle replacement line item before expenditure. (General Appropriation Act footnote)
- 6/ The legislature intends that the department of transportation not include any administrative overhead expenditures in duplicate driver license fees charged to the public. (General Appropriation Act footnote)
- 7/ Of the total amount appropriated, the department of transportation shall pay \$15,981,300 in fiscal year 2020-2021 from all funds to the department of administration for its risk management payment. (General Appropriation Act footnote)
- 8/ The department shall submit an annual report to the joint legislative budget committee on progress in improving motor vehicle division wait times and vehicle registration renewal by mail turnaround times in a format similar to prior years. The report is due on or before July 31, 2021 for fiscal year 2020-2021. (General Appropriation Act footnote)
- 9/ The department of transportation shall contract with an independent third-party consultant for the duration of the motor vehicle division legacy system replacement project. On or before February 1, 2021, the independent third-party consultant shall submit an annual progress report for review by the joint legislative budget committee. The annual report shall:
 1. Evaluate and assess the project's success in meeting and incorporating the tenets of the project investment justification, including the goals and objectives, technology approach, deliverables and outcomes, project scope and timeline.
 2. Address any potential project deficiencies, including deficiencies identified in the auditor general's April 2015 recommendations.
 3. Provide updated plans for spending the department-dedicated portion of the authorized third-party electronic service partner's fee retention on completion of the motor vehicle modernization project in fiscal year 2020-2021, including any amounts for stabilization, maintenance, ongoing operations, support and enhancements for the motor vehicle modernization solution, maintenance of legacy mainframe processing and support capability, and other system projects outside the scope of the motor vehicle modernization project. (General Appropriation Act footnote)
- 10/ On or before August 1, 2020, the department shall report to the director of the joint legislative budget committee the state's share of fees retained by the service Arizona vendor in the prior fiscal year. The report shall also include the amount spent by the service Arizona vendor on behalf of this state in the prior fiscal year, as well as a list of the projects funded with those monies. (General Appropriation Act footnote)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$211,853,000 and 3,402 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
Air Quality Fund	\$326,000
Highway User Revenue Fund	473,700
Ignition Interlock Device Fund	332,800
Motor Vehicle Liability Insurance Enforcement Fund	1,679,600

Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	336,000
State Aviation Fund	2,064,800
State Highway Fund	204,587,300
Vehicle Inspection and Certificate of Title Enforcement Fund	2,052,800

FY 2021 adjustments are as follows:

Remove One-Time Plate Production Funding

The budget includes a decrease of \$(675,000) from the State Highway Fund in FY 2021 for the elimination of one-time funding for the implementation and production of

the 19 new special plates established in the 2019 Legislative Session.

Remove One-Time Security Improvement Funding

The budget includes a decrease of \$(951,500) from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2021 for the elimination of one-time funding for security improvements at 10 ports of entry statewide.

Statewide Adjustments

The budget includes an increase of \$6,587,500 in FY 2021 for statewide adjustments. This amount consists of:

Air Quality Fund	1,800
Highway User Revenue Fund	15,200
Ignition Interlock Device Fund	12,500
Motor Vehicle Liability Insurance Enforcement Fund	55,500
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	15,500
State Aviation Fund	53,900
State Highway Fund	6,360,500
Vehicle Inspection and Certificate of Title Enforcement Fund	72,600

(Please see the Agency Detail and Allocations section.)

Attorney General Legal Services

The budget includes \$3,623,700 from the State Highway Fund in FY 2021 for Attorney General Legal Services. This amount is unchanged from FY 2020.

This line item funds the department's interagency services agreement with the Attorney General for costs of providing legal services to the department, such as litigating cases, reviewing legal documents and proposed administrative rules, and issuing legal opinions.

Authorized Third Parties

The budget includes \$2,088,400 and 20 FTE Positions in FY 2021 for Authorized Third Parties. These amounts consist of:

Highway User Revenue Fund	206,200
Motor Vehicle Liability Insurance Enforcement Fund	102,200
State Highway Fund	1,689,600
Vehicle Inspection and Certificate of Title Enforcement Fund	90,400

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$68,200 in FY 2021 for statewide adjustments. This amount consists of:

Highway User Revenue Fund	6,700
Motor Vehicle Liability Insurance Enforcement Fund	2,600
State Highway Fund	56,300
Vehicle Inspection and Certificate of Title Enforcement Fund	2,600

This line item funds the oversight of authorized third-parties (ATPs), which can include training and educating ATPs, reviewing ATP transactions for accuracy, and evaluating ATP applications. ATPs offer services for vehicle titles, registrations, and driver licenses, either through 160 brick-and-mortar locations or through the online ServiceArizona portal.

While this line item funds oversight of the department's ATP program, it is not representative of the program's full cost to the state. Pursuant to statute, ATPs retain a portion of each fee for its transactions, resulting in revenue deductions that otherwise would have been deposited into the Highway User Revenue Fund (HURF) and State Highway Fund (SHF). Credit card processing fees are also withheld from HURF as required by statute. In FY 2019, ATPs retained \$21.5 million in fees that otherwise would have been deposited to HURF and \$32.3 million in fees that otherwise would have been deposited to SHF. *(Please see Table 6 in the ADOT Capital Outlay section for more detail.)*

Driver Safety and Livestock Control

The budget includes \$800,000 from the State Highway Fund in FY 2021 for Driver Safety and Livestock Control. This amount is unchanged from FY 2020.

This line item funds the annual maintenance and repair of statewide cattle guard grills. To prevent livestock movement from harming drivers and bicyclists, ADOT has installed over 12,800 cattle guard grills across the state. The grills are designed to discourage livestock passage while not impeding road users.

Highway Damage Recovery Account

The budget includes \$8,000,000 from the Highway Damage Recovery Account in FY 2021 for the Highway Damage Recovery Account. This amount is unchanged from FY 2020.

This line item funds the maintenance of the state highway system beyond that which is provided by the Highway

Maintenance line item. The Highway Damage Recovery Account collects all monies received as reimbursements for highway damage caused by liable third parties; those monies are used for highway maintenance that would otherwise have been deferred.

Highway Maintenance

The budget includes \$145,211,300 and 932 FTE Positions in FY 2021 for Highway Maintenance. These amounts consist of:

Safety Enforcement and Transportation	560,000
Infrastructure Fund - Department of Transportation Subaccount	
State Highway Fund	144,651,300

FY 2021 adjustments are as follows:

South Mountain Loop 202 Maintenance Costs

The budget includes an increase of \$1,086,500 from the State Highway Fund in FY 2021 for maintenance of new lane miles for the new South Mountain Loop 202 freeway that was opened in December 2019. The 22-mile freeway was designed and built through a public private partnership, where the contract provides specific terms for highway maintenance provided by the developer and ADOT. This contract is unique to the state in that both parties will be responsible for different aspects of the freeway maintenance.

The developer is responsible for routine maintenance of the freeway. The routine maintenance includes tasks such as replacement of lighting, repair of guardrails and cable barriers, sweeping, litter removal, landscaping, and maintaining and repairing pavement. ADOT is responsible for intelligent traffic system maintenance, emergency response expenses, and electrical utilities. Details of the maintenance costs are provided in *Table 1* below.

Table 1

South Mountain Loop 202 Maintenance

	<u>4 Months</u>	<u>Annual</u>
Routine Maintenance	\$930,700	\$2,792,100
Intelligent Traffic System	83,300	250,000
Emergency Response	21,700	65,000
Electrical Utilities	<u>50,800</u>	<u>152,400</u>
Subtotal	\$1,086,500	\$3,259,500

Based on an opening date in November 2019, the FY 2020 budget provided 8 months' worth of maintenance funding. The budget provides the remaining 4 months' worth of maintenance funding.

Remove One-Time Funding

The budget includes a decrease of \$(75,000) from the State Highway Fund in FY 2021 for the elimination of one-time funding for new highway signs.

Statewide Adjustments

The budget includes an increase of \$2,455,200 from the State Highway Fund in FY 2021 for statewide adjustments.

This line item funds the maintenance of the state highway system, including pavements, bridges, landscaping, drainage, signals, lights, fences, signs, striping, and snow removal. The monies also fund the freeway management system and the traffic operations center.

In addition to the \$145,211,300 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$13,188,000 available in FY 2021 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Preventive Surface Treatments

The budget includes \$36,142,000 from the State Highway Fund in FY 2021 for Preventive Surface Treatments. This amount is unchanged from FY 2020.

This line item funds the proactive treatment of road surfaces to maintain the useful life of roads and avoid more expensive surface replacement/repair costs. The treatments consist of fog seals, or spraying liquid asphalt, and chip seals, or laying down gravel layers.

In addition to the \$36,142,000 included for Preventive Surface Treatments, ADOT has \$15,000,000 in Federal Funds available for treatments.

Vehicle Replacement

The budget includes \$15,300,000 from the State Highway Fund in FY 2021 for Vehicle Replacement. This amount is unchanged from FY 2020.

This line item funds the financing of replacements for the department's Vehicle and Heavy Equipment fleet through 5-year third-party lease agreements. A General Appropriation Act footnote requires vehicle and heavy equipment replacement to be funded only from this line item.

In addition to the amount in this line item, of the \$56,600,000 in the state's Volkswagen Settlement monies, ADOT will use \$12,523,500 to finance purchases

of efficient diesel fuel vehicles over a multi-year period. In FY 2019, ADOT expended \$9,188,900 of these funds.

Vehicles and Heavy Equipment

The budget includes \$19,167,800 and 200 FTE Positions from the Transportation Department Equipment Fund in FY 2021 for Vehicles and Heavy Equipment. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$513,000 from the Transportation Department Equipment Fund in FY 2021 for statewide adjustments.

This line item funds the maintenance and repair of the department's vehicle and equipment fleet.

Other Issues

Statutory Changes

The Budget Procedures Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, delay the effective date of the Motor Vehicle Pool Consolidation Fund to July 1, 2021.

State Motor Vehicle Fleet Consolidation

The FY 2020 Budget Procedures BRB established the appropriated Motor Vehicle Pool Consolidation Fund consisting of monies transferred to the fund from the Motor Vehicle Pool Revolving Fund. The fund may be used only for reimbursing the department for costs related to implementing an intergovernmental agreement with ADOA to operate the state motor vehicle fleet. The fund is effective beginning in FY 2021. The FY 2020 Budget Procedures BRB also required ADOA and ADOT to submit a report to the JLBC on the transitioning of the operation of the state motor vehicle fleet and identify suggested legislative changes necessary to fully implement the transition.

In their report submitted on October 1, 2019, ADOA and ADOT reported on the suggested legislative changes required to fully implement the transition of the state fleet operations from ADOA to ADOT. The agencies recommended that 3 statutes be repealed and redrafted and 3 additional statutes be conformed. The report, however, did not comment on any progress the agencies had made transitioning the operations.

ADOT has expressed some concerns with the current operation of the state motor fleet. Some of these concerns include but are not limited to: vehicles not being replaced on time, recent purchase prices of new vehicles, and vehicles not receiving adequate maintenance. The foremost amongst these issues concern current rates, which ADOT claims are not covering the full cost of operations.

The budget includes a provision in the Budget Procedures BRB that delays the effective date of the Motor Vehicle Pool Consolidation Fund to July 1, 2021.

MvM Project Status

The Motor Vehicle Modernization (MvM) Project is a custom software development project designed to enhance ADOT's Motor Vehicle Division operations. The project is funded through an agreement between ADOT and the ServiceArizona vendor, where the vendor retains a portion of each transaction fee, keeps roughly half of the retention for its own compensation and deposits the remaining half into an account to be spent on the MvM project at ADOT's discretion.

The project is expected to be completed by June 2020 with a maximum extension date of March 2022. A significant feature of the upgrade is the implementation of a new vehicle registration portal, AZ MVD Now, which ADOT plans to account for most vehicle registration transactions. The modified agreement also alters the compensation structure to account for the new retention earned from AZ MVD Now fees. Upon conclusion of the modified agreement, ADOT will enter into a new agreement. ADOT has stated they plan to continue improvements and enhancements to the MvM project beyond June 2020 using the ServiceArizona fee retention.

In February 2020, ADOT informed the Information Technology Authorization Committee that the department plans to increase the project budget from \$57.6 million to \$63.1 million to add driver's license security measures. At its April 2020 meeting, the JLBC favorably reviewed ADOT's progress report on the project and included in that review a provision requiring ADOT to report on its estimates for IT project resources. As of April 2020, \$59.7 million had been spent on the project out of a \$63.1 million budget.

Real ID Extension

Laws 2015, Chapter 294 required ADOT to comply with federal driver license standards in the REAL ID Act of 2005. Absent this legislative action, Arizona driver licenses would have no longer been accepted at federally-

regulated facilities, such as airports and federal buildings. By issuing Arizonans a voluntary travel ID that will be available as both a driver license and identification card, the new federal documentation requirements will be met. To facilitate Arizona's compliance with federal law while ADOT develops the new travel IDs, the U.S. Department of Homeland Security granted Arizona an extension and will accept existing Arizona driver licenses until September 30, 2021.

Special Plates

For more information, please see the [Special License Plates](#) program summary on the JLBC website.

State Treasurer

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	31.4	34.4	34.4
Personal Services	2,047,400	2,282,600	2,282,600
Employee Related Expenditures	754,800	810,000	955,500
Professional and Outside Services	19,300	19,300	19,300
Travel - In State	1,900	7,500	7,500
Travel - Out of State	10,400	20,000	20,000
Other Operating Expenditures	307,600	480,800	480,800
Equipment	36,500	35,000	35,000
OPERATING SUBTOTAL	3,177,900	3,655,200	3,800,700
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	1,205,100	1,205,100	1,205,100
Law Enforcement/Boating Safety Fund Grants	2,183,800	2,183,800	2,183,800
AGENCY TOTAL	6,566,800	7,044,100	7,189,600 ^{1/2/}

FUND SOURCES			
General Fund	1,205,100	1,205,100	1,548,800
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	2,183,800
State Treasurer Empowerment Scholarship Account Fund	304,400	304,400	0
State Treasurer's Management Fund	295,600	0	0
State Treasurer's Operating Fund	2,577,900	3,350,800	3,457,000
SUBTOTAL - Other Appropriated Funds	5,361,700	5,839,000	5,640,800
SUBTOTAL - Appropriated Funds	6,566,800	7,044,100	7,189,600
Other Non-Appropriated Funds	3,926,300	3,930,300	3,930,300
TOTAL - ALL SOURCES	10,493,100	10,974,400	11,119,900

AGENCY DESCRIPTION — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

FOOTNOTES

- 1/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 2/ On or before June 30, 2021, the state treasurer shall report to the joint legislative budget committee staff on the state treasurer's current fiscal year and estimated next fiscal year expenditures of interest earnings spent pursuant to sections 35-315 and 35-318, Arizona Revised Statutes, for the state treasurer's banking service contract, external investment management agreement, administrative and information technology costs and any other costs. (General Appropriation Act footnote)

Operating Budget

The budget includes \$3,800,700 and 34.4 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$343,700
State Treasurer's Operating Fund	3,457,000

FY 2021 adjustments are as follows:

ESA Administration Fund Shift

The budget includes a \$304,400 increase from the General Fund and a corresponding decrease of \$(304,400) from the State Treasurer Empowerment Scholarship Account (ESA) Fund in FY 2021 to shift ESA administration from the State Treasurer ESA Fund to the General Fund. *(Please see the Other Issues section for more information.)*

Statewide Adjustments

The budget includes an increase of \$145,500 in FY 2021 for statewide adjustments. These amounts consist of:

General Fund	39,300
State Treasurer's Operating Fund	106,200

(Please see the Agency Detail and Allocations section.)

Justice of the Peace Salaries

The budget includes \$1,205,100 from the General Fund in FY 2021 for Justice of the Peace (JP) salaries. This amount is unchanged from FY 2020.

A.R.S. § 22-117 requires the state to pay 19.25% of the salary for each Justice of the Peace, with the county paying the remainder. This provision does not apply to Maricopa County, which pays 100% of its JP costs. A.R.S. § 22-117 also limits the amount that the state can reimburse to the counties to the amount appropriated.

Justice of the Peace salaries are based on a proportion of the annual compensation for a Superior Court judge as determined by the guidelines for Judicial Productivity Credits (JPCs) outlined in statute. JPCs are calculated every year and are based on the total and type of cases that a Justice of the Peace hears and whether or not the Justice receives clerical help. An annual average JPC total is compared against the salary ranges in statute to determine an individual Justice's compensation.

Law Enforcement/Boating Safety Fund Grants

The budget includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2021 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2020.

A.R.S. § 5-383 requires the State Treasurer to administer LEBSF monies. However, the allocation determinations are made by the Arizona Game and Fish Commission. The Treasurer disburses monies to county law enforcement agencies in Apache, Coconino, Gila, La Paz, Maricopa, Mohave, Navajo, and Yuma Counties in accordance with the distribution formula developed by the Arizona Game and Fish Commission. The FY 2019 and year-to-date FY

2020 allocations are included in *Table 1*. The distributions are less than the appropriations due to insufficient revenues.

Table 1

Allocation of LEBSF Grants

County	FY 2019	FY 2020 Thru Mar 24 th
Apache	\$ 90,700	\$ 64,100
Coconino	237,600	163,500
Gila	142,700	113,400
La Paz	344,400	236,500
Maricopa	401,500	273,800
Mohave	510,000	348,700
Navajo	34,000	21,000
Yuma	183,800	117,300
Total	\$1,944,700	\$1,338,300

Other Issues

Additional Legislation

Peace Officer Training Equipment Fund

Laws 2018, Chapter 312 appropriated a one-time appropriation of \$3,073,000 from the Peace Officer Training Equipment Fund in FY 2019. The State Treasurer administers the fund and disburses the monies to the recipients.

The fund earns revenues from a \$4 fee for any criminal violation of motor vehicle statutes relating to the stopping, standing or operation of a vehicle, civil traffic violations, and local motor vehicle citations.

The fees took effect January 1, 2019 and were previously estimated to bring annual revenue of \$2,747,000. The previously estimated FY 2019 revenue combined with the estimated annual revenue of FY 2020 would result in a total revenue of \$4,120,500. With the one-time non-lapsing FY 2019 appropriation of \$3,073,000 (\$3,053,000 to DPS and \$20,000 to the Supreme Court), the remaining \$1,047,800 was allocated from the fund to DPS for the FY 2020 budget.

Current revenue projections from the department estimate annual revenues of \$1,224,000. The FY 2021 budget made the FY 2020 DPS appropriation non-lapsing through FY 2021.

(Please see the Department of Public Safety section and Supreme Court section for more information.)

Empowerment Scholarship Accounts

Prior to FY 2021, the State Treasurer ESA Fund was funded with monies retained from students' ESAs pursuant to A.R.S. § 15-2402C. Laws 2020, Chapter 12 eliminates the provision in A.R.S. § 15-2402 that permitted ADE to deposit an amount equivalent to 5% of the amount of ESA award monies in the ESA Fund, of which one-fifth was distributed to the State Treasurer.

Previously, A.R.S. § 15-2402C allowed the Arizona Department of Education (ADE) to retain 5% of each student's ESA funding for program administration, which for FY 2021 is estimated to be as much as \$6,183,600 (an estimated \$123,671,800 ESA cost for the year X 5%). A.R.S. § 15-2402C required ADE to transfer one-fifth of the 5%, estimated to be \$1,236,700 in FY 2021, to the State Treasurer ESA Fund for the costs of ESA fund processing. The actual expenditure, however, was subject to legislative appropriation.

The elimination of the deposit by Chapter 12 therefore results in removing the \$(304,400) appropriation from the State Treasurer's ESA Fund for the State Treasurer's share of ESA administrative costs. These savings are offset by an equivalent increase of the State Treasurer's General Fund appropriation to fund ESA administrative costs. *(Please see the Arizona Department of Education narrative for more information on ESAs.)*

Long-Term Budget Impacts

Special Sporting Event Promotion

As part of the budget's long-term estimates, the Office of Tourism's General Fund costs are projected to remain the same in FY 2021 compared to FY 2020 and increase by \$1.5 million in FY 2022 above FY 2021. These estimates are based on A.R.S. § 41-2308, which provides an annual General Fund appropriation of \$1.5 million from FY 2022 through FY 2051 to the State Treasurer for distribution to the Office of Tourism if certain conditions are met. The funds are to be used to promote an auto racing sporting event.

Prior to the release of any monies, between December 31, 2016 and December 31, 2020, the eligible auto racing sporting event must spend at least \$100.0 million on land acquisitions, construction, improvements, or renovations of their facilities. Once these investments are made, the bill requires the eligible auto racing sporting event to receive JLBC certification of their expenditures. After certification is received, the Treasurer is then

appropriated \$1.5 million in General Fund monies annually for distribution to the Office of Tourism from FY 2022 through FY 2051, for a total General Fund cost of \$45.0 million.

Additionally, the bill requires the Office of Tourism to provide an annual report on or before October 1 to the JLBC that includes the amounts and purposes of all expenditures made from these monies in the previous fiscal year.

In November 2016, the parent company of Phoenix International Raceway (PIR), International Speedway Corporation, announced plans to make \$178.0 million in renovations to the raceway. PIR was renamed ISM Raceway in January 2018.

Located in Avondale, ISM Raceway hosts 2 annual NASCAR events in addition to various other auto-racing competitions. Renovations to ISM Raceway began in February 2017 and were completed in October 2018.

At the June 2019 JLBC meeting, the Committee certified these expenditures as meeting the required \$100.0 million threshold.

Governor's Office on Tribal Relations

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	32,000	31,500	32,700
Employee Related Expenditures	11,900	13,700	14,300
Travel - In State	0	500	500
Travel - Out of State	900	0	0
Other Operating Expenditures	10,600	17,200	17,200
Equipment	2,900	0	0
AGENCY TOTAL	58,300	62,900	64,700 ^{1/}

FUND SOURCES

General Fund	58,300	62,900	64,700
SUBTOTAL - Appropriated Funds	58,300	62,900	64,700
Other Non-Appropriated Funds	22,300	18,500	18,500
TOTAL - ALL SOURCES	80,600	81,400	83,200

AGENCY DESCRIPTION — The agency assists and supports tribal nations and communities and enhances government-to-government relations between the 22 tribal nations in this state.

FOOTNOTES

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

Operating Budget

The budget includes \$64,700 and 3 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,800 from the General Fund in FY 2021 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Board of Regents

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,511,800	1,416,600	1,492,000
Employee Related Expenditures	484,000	526,500	533,400
Professional and Outside Services	28,900	75,500	75,500
Other Operating Expenditures	337,300	380,700	380,700
Equipment	1,400	3,700	3,700
OPERATING SUBTOTAL	2,363,400	2,403,000	2,485,300
SPECIAL LINE ITEMS			
Adaptive Athletics	0	160,000	160,000 ^{1/}
Arizona Teachers Academy	0	15,000,000	15,000,000
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Washington D.C. Internships	0	300,000	300,000 ^{2/}
Western Interstate Commission Office	153,000	153,000	153,000
WICHE Student Subsidies	4,078,000	4,078,000	4,078,000
AGENCY TOTAL	6,898,100	22,397,700	22,480,000 ^{3/4/5/}
FUND SOURCES			
General Fund	6,898,100	22,397,700	22,480,000
SUBTOTAL - Appropriated Funds	6,898,100	22,397,700	22,480,000
Other Non-Appropriated Funds	7,137,800	7,532,500	7,532,500
Federal Funds	600	250,000	250,000
TOTAL - ALL SOURCES	14,036,500	30,180,200	30,262,500

AGENCY DESCRIPTION — Article 11 of the Arizona Constitution creates the Arizona Board of Regents (ABOR). ABOR governs the 3 state institutions comprising the Arizona University System: Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). The board is legally, fiscally, and strategically responsible for the state universities.

FOOTNOTES

- ^{1/} The Arizona board of regents shall distribute monies appropriated for the adaptive athletics line item to each university under the jurisdiction of the board to maintain and operate an intercollegiate adaptive athletics program that provides opportunities for competitive wheelchair and adaptive sports to students and community members with disabilities. The monies may be spent only when the university collects matching monies of gifts, grants and donations for the intercollegiate adaptive athletics program from sources other than this state. Universities may spend the monies only on scholarships, equipment, uniforms, travel expenses and tournament fees for participants in the intercollegiate adaptive athletics program. The monies may not be used for administrative costs, personal services or employee related expenditures. (General Appropriation Act footnote)
- ^{2/} The Arizona board of regents shall distribute monies appropriated for Washington, D.C. Internships in equal amounts to each of the three universities under the jurisdiction of the board to provide student internships in Washington, D.C. in partnership with a third-party organization selected by the Arizona board of regents. (General Appropriation Act footnote)
- ^{3/} Within ten days after the acceptance of the universities' semiannual all funds budget reports, the Arizona board of regents shall submit a current year expenditure plan to the joint legislative budget committee for review. The expenditure plan shall include the use of all projected tuition and fee revenues by expenditure category, including operating expenses, plant fund, debt service and financial aid. The plan shall include the amount by which each expenditure category is projected to increase over the prior year and shall provide as much detail as the university budget requests. The plan shall include the total revenue and expenditure amounts from all tuition and student fee

revenues, including base tuition, differential tuition, program fees, course fees, summer session fees and other miscellaneous and mandatory student fee revenues. (General Appropriation Act footnote)

- 4/ When determining any statewide adjustments, the joint legislative budget committee staff shall use the overall allocation of state general fund and appropriated tuition monies for each university in determining that university's specific adjustment. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,485,300 and 25.9 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$82,300 from the General Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Adaptive Athletics

The budget includes \$160,000 from the General Fund in FY 2021 for Adaptive Athletics. This amount is unchanged from FY 2020.

ABOR is required to distribute monies in this line item to the 3 state universities for intercollegiate adaptive athletics programs for students with physical challenges. These programs may only use this appropriation when matching monies are collected, and may only use monies for scholarships, equipment, uniforms, travel expenses, and tournament fees for program participants. ABOR distributed monies in this line item to the University of Arizona in FY 2020.

Arizona Teachers Academy

The budget includes \$15,000,000 from the General Fund in FY 2021 for the Arizona Teachers Academy. This amount is unchanged from FY 2020.

The Arizona Teachers Academy provides tuition and fee awards to university students enrolled in education and non-education majors, community college students enrolled in post-baccalaureate teacher certification programs, and teachers seeking national board certification. For every year of receipt, students agree to teach 1 year in an Arizona public school.

ABOR provides centralized administrative processes for the academy, including distributing appropriated monies to eligible postsecondary institutions. Statute sets the following annual award amounts, to be distributed after all other aid received by the student:

- \$10,000 for non-resident university students
- \$5,000 for resident university students
- \$3,000 for community college students
- \$2,500 for national board certification students

Laws 2020, Chapter 85 amended the programs to allow academy graduates to fulfill their service commitment by teaching in schools primarily serving public school students with disabilities, require universities to admit freshman and sophomore students to the academy, add accelerated models for teachers who are currently teaching dual enrollment courses, and allow colleges that are owned, operated or chartered by an Indian tribe to participate in the academy.

Monies appropriated in this line item are deposited to the Arizona Teachers Academy Fund. Statute also requires the annual appropriation for the academy to be reduced each fiscal year by the amount of monies remaining in the fund at the end of the prior fiscal year. While the budget includes \$15,000,000 for the academy in FY 2021, this amount will ultimately be reduced by the amount of unspent monies at the end of FY 2020.

ABOR is required to submit a report to JLBC by March 1 of each year, which includes current academy enrollment and estimated monies committed from the appropriation. A second report is due September 1, which includes data for the number of students completing the academy, students continuing in the academy, students in repayment, and ABOR's methodology for distributing monies appropriated for the academy.

As of March 1, 2020, total academy enrollment for full-time equivalent students was 3,221, of which 1,822 are undergraduate students, 375 are graduate students, 476 are community college post-baccalaureate students, 340 are teachers seeking a national board certification, and 208 are academy graduates receiving induction services in their first year of teaching. In addition, ABOR reports a total of \$16.0 million in funds are committed for the costs of the academy in FY 2021, of which \$15.6 million is for scholarships and \$450,000 is for administration and marketing expenses.

Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund in FY 2021 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2020.

Laws 1990, Chapter 340 mandated that ABOR establish and administer a loan program for students of deaf and blind education at the UA College of Education. Students may earn forgiveness for their loans by teaching in an Arizona deaf and blind program for a time equal to their period of loan support. ATIP distributes \$50,000 in loans among 10 students each year, as well as \$40,000 to the UA College of Education for deaf and blind instructional resources.

Arizona Transfer Articulation Support System

The budget includes \$213,700 from the General Fund in FY 2021 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2020.

A.R.S. § 15-1824 establishes ATASS as a joint initiative, among the public community colleges and universities, to facilitate efficient transfer of course curricula and credits. ATASS is also developing a shared statewide student and financial information database. The tribal colleges and community college districts overall also contribute \$277,200 to the system each year.

Washington D.C. Internships

The budget includes \$300,000 from the General Fund in FY 2021 for Washington D.C. Internships. This amount is unchanged from FY 2020.

ABOR distributes monies in this line item in equal amounts to each of the 3 state universities to provide internships in partnership with a third-party organization. These monies fund approximately 40 student internships each year.

Western Interstate Commission Office

The budget includes \$153,000 from the General Fund in FY 2021 for the Western Interstate Commission Office. This amount is unchanged from FY 2020.

Monies in this line item pay the state's share of administrative expenditures for the Western Interstate Commission on Higher Education (WICHE), in accordance with A.R.S. § 15-1742. The WICHE central office sets the administrative fee.

WICHE Student Subsidies

The budget includes \$4,078,000 from the General Fund in FY 2021 for WICHE student subsidies. This amount is unchanged from FY 2020.

Monies in this line item provide subsidies to Arizona students participating in the WICHE Professional Student Exchange Program (PSEP). Since the Arizona University System does not currently offer programs in dentistry, optometry, osteopathy, or podiatry, PSEP allows interested students to enroll in these programs at private in-state institutions or other public western universities.

In FY 2019, ABOR provided subsidies to 167 Arizona students. Participating students receive admissions preference and subsidized tuition. A.R.S. § 15-1745 requires graduates to practice 1 year in Arizona, or 6 months in an under-served Arizona community, for each year of WICHE support. Participants who fail to meet their service requirements must repay 100% of their subsidies, plus interest.

The WICHE central office determines subsidy amounts for each program through negotiations with participating institutions. As rough guidance, WICHE subsidies are intended to cover the difference between resident and non-resident tuition at a public university or approximately half the private university tuition rate.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Long-Term Budget Impacts
- FY 2022 27th Pay Period Funding
- Land Trust Funds
- Arizona Financial Aid Trust
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- One-Time Funding
- Higher Education Emergency Relief Fund
- University System Summary Tables

Statutory Changes

The Higher Education BRB makes the following statutory changes:

- As session law, continues to suspend the statutory requirement that the state provide a 2:1 ratio of state

funding to student fees deposited into the Arizona Financial Aid Trust (AFAT).

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, universitywide General Fund costs are projected to increase by \$703,100 in FY 2022 below FY 2021, and increase by \$847,100 in FY 2023 above FY 2022. These estimates are based on:

- Increases of \$150,900 and \$275,500 in FY 2022 and FY 2023, respectively, to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$552,200 and \$571,600 in FY 2022 and FY 2023, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation by 1.97% in FY 2022 and 2% in FY 2023. (The GDP inflator is currently projected at 1.97% for FY 2022 and 2.31% for FY 2023; statute funds the lesser of 2% or the actual rate). *(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

FY 2022 27th Pay Period Funding

The enacted budget included funding to state agencies for an additional 27th pay period that will occur in FY 2021. Due to differences in pay periods, the Universities will have a 27th pay period one year after the rest of state government. In total, the Universities were allocated \$20,052,100 General Fund and \$36,887,300 Other Appropriated Funds for 27th pay period costs in FY 2022.

Section 118 of the FY 2021 General Appropriation Act appropriated funding for this issue in FY 2022 as follows:

- ASU – \$28,386,400, which includes \$9,115,000 from the General Fund and \$19,271,400 from the University Collections Fund (appropriated tuition revenue)
- NAU – \$7,798,100, which includes \$2,939,500 from the General Fund and \$4,858,600 from the University Collections Fund
- UA Main Campus – \$16,483,100, which includes \$5,540,800 from the General Fund and \$10,942,300 from the University Collections Fund
- UA Health Sciences Center – \$4,271,800, which includes \$2,456,800 from the General Fund and \$1,815,000 from the University Collections Fund

Land Trust Funds

As a beneficiary of the Arizona State Land Trust, ABOR receives monies generated from lease revenues and the proceeds from land sales that are invested into “permanent funds,” pursuant to Article X, Section 7 of the Arizona Constitution.

ABOR distributes state land trust monies to the universities from 6 funds. These distributions are allocated to the universities in accordance with A.R.S. § 15-1662, 15-1663, and ABOR Policy 3-606. The universities’ land trust monies are non-appropriated. ABOR may expend them “as it deems expedient,” with 1 exception: the Universities Land Fund. This fund is comprised of the University Land Code and the UA Land - 1881 Fund. All proceeds in the Universities Land Fund, including the UA Land - 1881 Fund, are distributed proportionately among the 3 universities based upon the total student credit hours in the fall semester of the previous year. The Universities Land Fund provides matching funds for the interest earned on nonpublic endowment monies donated to attract and retain faculty, otherwise known as the Eminent Scholars Program. ABOR amended Board Policy 3-606 in 2017 to direct all Universities Land Fund incremental revenues from Proposition 123 (distributions beyond the first 2.5% distribution rate) to the universities for general use, rather than the Eminent Scholars Grant.

Table 1 compares university land trust revenues from FY 2015 (prior to Proposition 123) and FY 2021. The funds will have estimated revenues of \$13,008,300 in FY 2021. *(Please see the Land Department narrative for more information.)*

Table 1

State Land Trust Revenues: Universities ^{1/}

	<u>FY 2015</u>	<u>FY 2021</u>
Military Institute	\$ 83,800	\$ 118,100
Normal Schools	296,600	590,700
A&M Colleges	445,100	1,210,100
School of Mines ^{2/}	499,800	1,194,500
Universities Land Fund	3,834,800	9,894,900
University Land Code	2,175,400	2,594,100
U of A Land - 1881	<u>1,659,400</u>	<u>7,300,800</u>
Total	\$ 5,160,100	\$ 13,008,300

- ^{1/} Includes income from the Treasurer's distribution and lease revenues from the universities' state land trust property.
- ^{2/} Only the University of Arizona receives monies from the School of Mines Fund.

Table 2

FY 2018 – 2031 Research Infrastructure Appropriations

<u>Fiscal Year</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
2018	\$ 13,481,000	\$ 5,896,500	\$ 14,249,300	\$ 33,626,800
2019	13,478,700	5,896,200	14,251,000	33,625,900
2020	13,456,300	5,899,500	14,250,200	33,606,000
2021	13,458,700	4,879,500	14,251,500	32,589,700
2022	13,451,900	5,039,800	14,248,900	32,740,600
2023	13,462,100	5,301,500	14,252,500	33,016,100
2024	13,468,200	5,302,900	14,255,300	33,026,400
2025	13,459,300	4,885,500	14,247,300	32,592,100
2026	13,453,900	4,884,500	14,248,400	32,586,800
2027	13,450,100	4,884,300	14,251,300	32,585,700
2028	13,436,200	4,894,000	14,254,100	32,584,300
2029	13,430,800	4,888,400	14,251,500	32,570,700
2030	13,423,500	4,892,000	14,252,500	32,568,000
2031	<u>13,428,800</u>	<u>4,889,300</u>	<u>14,255,800</u>	<u>32,573,900</u>
2018 - 2031	\$188,339,500	\$72,433,900	\$199,519,600	\$460,293,000

1/ FY 2018 – 2031 research infrastructure General Fund appropriations as specified in A.R.S. § 15-1670, as amended by the FY 2017 Higher Education BRB.

Arizona Financial Aid Trust

Pursuant to A.R.S. § 15-1642, General Fund monies match financial aid tuition surcharges collected from university students for the Arizona Financial Aid Trust (AFAT). The AFAT fee is 1% of the full-time resident undergraduate base tuition rate, or \$58-\$120 in FY 2020 on the main campuses, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee.

The budget continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2020. The budget also maintains each university's allocation of General Fund AFAT appropriations at their FY 2020 level, which appears in the individual university budgets.

Based on student fees contributed to AFAT in FY 2019, the state's match would be \$38,337,000, or an increase of \$28,295,800 over the \$10,041,200 appropriation in FY 2021.

Each university retains 25% of its annual AFAT student fees and state contributions in an AFAT endowment account. The remaining 75% of the student fees and state contributions, as well as 75% of the endowment's annual interest earnings, are used to provide immediate assistance for needy in-state students.

In addition to student fee revenue, the FY 2020 Higher Education Budget Reconciliation Bill (BRB) requires universities to deposit 20% of cumulative net income from the sale of transfer of intellectual property exceeding \$1.0 million to AFAT. Universities previously deposited a portion of income to the General Fund.

In FY 2019, AFAT disbursed \$26,301,800. *(Please see Table 7 for additional information on financial aid.)*

2003 Research Infrastructure Refinancing

Laws 2003, Chapter 267, which established A.R.S. § 15-1670, appropriated for FY 2008 to FY 2031 monies to the universities each year for lease-purchase capital financing of research infrastructure projects such as installations and facilities for the continuance and growth of scientific and technological research activities.

Due to subsequent refinancing, the FY 2017 Higher Education BRB amended A.R.S. § 15-1670 to revise the FY 2018 to FY 2031 research infrastructure appropriations to correspond to the universities' current debt service schedules. *(Please see Table 2 for more information.)*

The budget includes a decrease of \$(1,016,300) from the General Fund in FY 2021 to adjust appropriations for research infrastructure lease-purchase payments to the universities' actual debt service obligations. Of this amount, the General Fund appropriations are adjusted \$2,400 for ASU, \$(1,020,000) for NAU, and \$1,300 for UA.

Since this funding appears in A.R.S. § 15-1670, this funding does not appear in the FY 2021 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects.

2017 University Capital Infrastructure Funding

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. The law appropriated \$27,000,000 to the universities in FY 2019 and increases the appropriation each year thereafter by the lesser of 2.0% or inflation.

The budget includes an increase of \$487,400 from the General Fund in FY 2021, or 1.77%, for the inflation adjustment. Of this amount, the General Fund appropriations are adjusted \$215,300 for ASU, \$81,600 for NAU, and \$190,500 for UA.

The original FY 2019 allocated amounts are based on each university's share of the systemwide transaction privilege tax (TPT) collections in FY 2016.

One-Time Funding

The universities received One-Time Funding appropriations from FY 2017 to FY 2020 for one-time capital improvements or operating expenditures. The FY 2021 budget does include monies for One-Time Funding.

See *Table 3* for a history of the allocation by university.

Table 3 History of One-Time University Funding (\$ in millions)				
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
ASU	\$ 7.0	\$ 6.6	\$ 4.2	\$18.9
NAU	4.0	3.2	1.6	6.7
UA	8.0	3.2	2.2	9.5
Total	\$19.0	\$13.0	\$ 8.0	\$35.0 ^{1/}
^{1/} Numbers do not add due to rounding.				

Higher Education Emergency Relief Fund

Section 18004(a)(1) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. The CARES Act requires that

50% of monies received under this section be distributed to students as emergency financial aid grants.

Section 18004(a)(2) of the CARES Act requires additional monies be distributed according the above formula to Historically Black Colleges and Universities, American Indian Tribally Controlled Colleges and Universities, Minority Servings Institutions, and Strengthening Institutions Program participants.

Arizona's public universities have received a total of \$121,536,979 from the Higher Education Emergency Relief Fund. *(Please see Table 4 for distributions by university and the Budget Highlights section for more information on federal CARES Act funding).*

Table 4

Higher Education Emergency Relief Fund Distribution

	<u>Section</u> <u>18004(a)(1)</u>	<u>Section</u> <u>18004(a)(2)</u>	<u>Total</u>
ASU	\$ 63,533,137	-	\$ 63,533,137
NAU	23,577,854	\$1,157,111	24,734,965
UA	30,953,447	2,315,430	33,268,877
Total	\$118,064,438	\$3,472,541	\$121,536,979

University System Summary Tables

The University Summary Tables address the following:

- Total Spending Authority
- Tuition Distribution
- Tuition Rates
- Financial Aid
- Enrollment

Total Spending Authority

In total, the universities' total projected spending authority in FY 2021 is \$7.1 billion, including \$741.6 million from the General Fund and \$3.3 billion of tuition/fee collections. This latter amount is not adjusted for any FY 2021 tuition rate changes. *Table 5* summarizes the FY 2021 expenditure authority amounts for the Arizona University System.

Tuition Distribution

A.R.S. § 15-1626 allows the universities to retain a portion of tuition collections for expenditures, as approved by ABOR. These "locally" retained tuition monies are considered non-appropriated and are deposited into accounts labeled as "Designated" funds. Any remaining tuition revenues are deposited to university "Collections" funds as part of the appropriated budget. While Financial Aid and Debt Service are primarily non-appropriated,

Table 5

FY 2021 Summary of Spending Authority

	Appropriated Funds			Non-Appropriated Funds		Total ^{3/}
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds ^{2/}	
ABOR	\$ 22,480,000	\$ 0	\$ 0	\$ 250,000	\$ 7,532,500	\$ 30,262,500
ASU	324,717,400	657,196,000	3,600,000	467,982,100	2,078,448,500	3,531,944,000
NAU	109,804,600	156,298,700	0	118,654,000	366,753,700	751,511,000
UA-Main	207,722,200	354,801,800	0	223,726,700	1,265,837,800	2,052,088,500
UA-Health Sciences	<u>76,897,700</u>	<u>55,697,400</u>	<u>0</u>	<u>159,096,800</u>	<u>395,628,300</u>	<u>687,320,200</u>
Total	\$741,621,900	\$1,223,993,900	\$3,600,000	\$969,709,600	\$4,114,200,800	\$7,053,126,200

1/ This amount excludes FY 2021 tuition rate changes.

2/ Expenditures of non-appropriated funds include transfers of funds to non-operating accounts for capital and debt service expenses. The total expenditures of gross non-appropriated tuition are estimated to be \$2,068,340,100 based on FY 2020 amounts, as reflected in Table 5. This amount excludes FY 2021 enrollment growth and tuition rate changes.

3/ Total universitywide funding includes gross tuition revenues.

general operating expenses are paid from both appropriated and non-appropriated tuition accounts.

ABOR's July 2019 tuition revenue report projects FY 2020 gross tuition and fees to be \$3.3 billion systemwide. Of this amount, \$1.2 billion is appropriated while \$2.1 billion is non-appropriated.

The reported gross tuition revenues reflect the amounts the universities would receive if all students paid full published tuition and fee rates. The actual amounts paid by students after accounting for tuition waivers and other gift aid awarded by the universities would constitute net tuition. The universities project \$851.1 million in tuition

waivers and awards in FY 2020, for a total net tuition of \$2.4 billion. (See Table 6).

FY 2020 and FY 2021 revenues are expected to be impacted by changes in enrollment due to the COVID-19 pandemic. The total impact on university revenue is unknown at this time.

Tuition Rates

ABOR approved FY 2021 tuition rates on May 7, 2020. There were no tuition increases for resident students. Non-resident tuition increases are as follows:

Table 6

Use of FY 2020 Tuition/Fees by University ^{1/}

	ASU	NAU	UA	Total
<u>Appropriated</u>				
Operating Budget ^{2/}	\$ 654,596,600	\$156,154,500	\$409,127,500	\$1,219,878,600
<u>Non-Appropriated</u>				
Operating Budget ^{3/}	\$ 747,537,500	\$ 84,537,600	\$252,489,600	\$ 1,084,564,700
Financial Aid ^{4/}	485,399,900	145,393,900	220,326,200	851,120,000
Plant Fund	20,000,000	1,000,000	4,000,000	25,000,000
Debt Service	<u>62,503,000</u>	<u>17,000,000</u>	<u>28,152,400</u>	<u>107,655,400</u>
Subtotal	\$1,315,440,400	\$247,931,500	\$ 504,968,200	\$2,068,340,100
Total Gross Tuition ^{5/}	\$1,970,037,000	\$404,086,000	\$914,095,700	\$3,288,218,700
Net Tuition ^{5/}	\$1,484,637,100	\$258,692,100	\$693,769,500	\$2,437,098,700

1/ As reported in FY 2020 Tuition Revenue Report submitted by ABOR in July 2019.

2/ Appropriated tuition includes \$(39.9) million adjustment made by ABOR to the amounts originally included as part of the FY 2020 state budget to reflect estimated revenue adjustments resulting from the tuition setting process in spring 2019.

3/ Includes non-appropriated tuition revenues to be expended on instruction, organized research, public service, student services, auxiliary enterprises, and institutional support.

4/ Financial aid represents scholarship allowances provided by the universities (excluding federal loans, private grants, etc.) to offset the cost of tuition. Amounts include scholarship awards and tuition waivers except employee tuition reductions, which are recorded as employee benefit expenses.

5/ The reported gross tuition revenues reflect the amounts the universities would receive if all students paid full published tuition and fee rates. The actual amounts paid by students after accounting for tuition waivers and other gift aid awarded by the universities constitutes net tuition.

- ASU increased tuition for all non-resident students by up to 5.0%. The actual tuition increase will be determined at a later date but may not exceed 5.0%.
- Since FY 2009, NAU has maintained a guaranteed tuition model for incoming freshmen. As a result, NAU did not increase tuition for current students, but increased tuition and mandatory fees by 0.5% for incoming non-resident undergraduate students, and 4.8% for non-resident graduate students.
- UA began a similar tuition guarantee program in FY 2015. UA did not increase tuition for non-resident students for FY 2021.

Table 7 only includes major tuition categories at main university campuses. A comprehensive list can be found on the [ABOR website](#).

Financial Aid

The Arizona University System distributed \$2.9 billion in financial aid in FY 2019. Of the \$2.9 billion total financial aid distributions in FY 2019, the federal government financed \$1.2 billion and university institutional sources provided \$1.1 billion. The latter includes \$864 million of foregone tuition collections in the form of waivers and awards. (Please see Table 8 for details.)

Enrollment

Between fall 2018 and fall 2019, university enrollment increased from 178,426 FTE to 185,622, or 4.0%, as displayed in Table 9. Spring enrollment is traditionally lower than the fall.

	<u>Resident Undergraduate</u>		<u>Resident Graduate</u>		<u>Non-Resident Undergraduate</u>		<u>Non-Resident Graduate</u>	
	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>
ASU	\$11,338	0.0%	\$12,608	0.0%	\$29,428 - \$30,868 ^{2/}	0.0% - 5.0%	\$32,288 - \$33,858	0.0% - 5.0%
NAU	\$11,896	0.0%	\$11,726	0.0%	\$26,642	0.5%	\$26,954	4.8%
UA	\$12,671	0.0%	\$13,207	0.0%	\$36,698	0.0%	\$33,334	0.0%

^{1/} Reflects tuition rates for new students at NAU and UA and all classes at ASU. NAU and UA provide a guaranteed tuition rate for each incoming class, whereas ASU does not.

^{2/} ABOR also approved a rate increase of up to 5% for international undergraduate students at ASU, which will be set between \$31,828 and \$33,388.

	<u>Federal</u>	<u>State ^{2/}</u>	<u>Institutional ^{3/}</u>	<u>Private/Other ^{4/}</u>	<u>Total</u>
Grants	\$336,118.0	\$746.4	\$863,800.3	\$232,864.3	\$1,433,529.0
Loans	838,677.6	383.7	0.0	369,938.2	1,208,999.5
Employment	<u>12,462.5</u>	<u>0.0</u>	<u>214,504.5</u>	<u>0.0</u>	<u>226,967.0</u>
Total	\$1,187,258.1	\$1,130.1	\$1,078,304.8	\$602,802.5	\$2,869,495.5

^{1/} Information from ABOR FY 2019 Financial Aid Report.

^{2/} State sources of aid include revenues from the Commission for Postsecondary Education.

^{3/} Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

^{4/} Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

Table 9

Arizona University System 45th Day Enrollment ^{1/}

	Fall 2018	Spring 2019	Fall 2019	Fall 2018 To Fall 2019	Fall 2019 Residents
ASU-Tempe	66,526	63,432	72,896	9.6%	37,664
ASU-DPC	19,284	19,890	21,672	12.4%	11,329
ASU-East	7,570	6,202	7,618	0.6%	4,201
ASU-West	<u>10,348</u>	<u>10,306</u>	<u>8,707</u>	<u>-15.9%</u>	<u>4,646</u>
ASU Subtotal	103,728	99,830	110,893	6.9%	57,840
 NAU	 29,274	 27,092	 29,011	 -0.9%	 19,052
UA-Main	39,632	37,273	39,881	0.6%	23,837
UA-Health Sciences	<u>5,792</u>	<u>5,326</u>	<u>5,837</u>	<u>0.8%</u>	<u>4,483</u>
UA Subtotal	45,424	42,599	45,718	0.6%	28,320
 Total	 178,426	 169,521	 185,622	 4.0%	 105,212

^{1/} Adjusted FTE counts as reported by ABOR and the universities include both graduate and undergraduate students and exclude excess credit hours taken by students. Spring enrollment figures are the average of the full academic year (spring and fall semesters).

Arizona State University

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	8,030.3	7,790.8	7,790.8 ^{1/}
Personal Services	533,184,000	523,208,500	523,208,500
Employee Related Expenditures	154,309,400	155,204,500	158,746,000
Professional and Outside Services	16,357,300	30,868,700	30,868,700
Travel - In State	167,500	99,400	99,400
Travel - Out of State	3,212,500	770,800	770,800
Other Operating Expenditures	128,731,000	113,215,100	113,215,100
Equipment	2,010,600	1,323,000	1,323,000
OPERATING SUBTOTAL	837,972,300	824,690,000	828,231,500
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	13,478,700	13,456,300	13,458,700 ^{2/}
2017 Capital Infrastructure Funding	11,927,400	12,165,900	12,381,200 ^{3/}
Arizona Financial Aid Trust	5,985,800	5,985,800	5,985,800
Biomedical Informatics	3,766,300	3,707,200	3,725,700
Downtown Phoenix Campus	107,517,500	114,599,300	115,105,800
Economic Development	250,000	0	0
One-Time Funding	4,245,000	18,900,000	0
School of Civic and Economic Thought and Leadership	3,707,200	3,008,900	3,024,700 ^{4/}
TRIF - Lease Purchase Payment	3,464,300	3,600,000	3,600,000
AGENCY TOTAL	992,314,500	1,000,113,400	985,513,400 ^{5/6/7/}
FUND SOURCES			
General Fund	328,775,800	341,916,800	324,717,400 ^{8/9/10/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	3,464,300	3,600,000	3,600,000
University Collections Fund	660,074,400	654,596,600	657,196,000 ^{11/}
SUBTOTAL - Other Appropriated Funds	663,538,700	658,196,600	660,796,000
SUBTOTAL - Appropriated Funds	992,314,500	1,000,113,400	985,513,400
Other Non-Appropriated Funds	1,812,652,900	1,990,148,100	2,078,448,500
Federal Funds	446,092,900	467,982,100	467,982,100
TOTAL - ALL SOURCES	3,251,060,300	3,458,243,600	3,531,944,000

AGENCY DESCRIPTION — Established in 1885, Arizona State University (ASU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR).

FOOTNOTES

- ^{1/} Includes 511.7 GF and 614 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} A.R.S. § 15-1670 appropriates \$13,458,700 to ASU from the General Fund in FY 2021 to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$12,381,200 to ASU from the General Fund in FY 2021 for capital infrastructure projects.
- ^{4/} The appropriated amount for the school of civic and economic thought and leadership line item shall be used to operate a single stand-alone academic entity within Arizona state university. The appropriated amount may not supplant any existing state funding or private or external donations to the existing centers or to the school. The appropriated monies and all private and external donations to the school, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the school and may not be used for indirect costs of the university. On or before October 1, 2020, the school shall submit a report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education committee and the house of representatives education committee and the director of the joint legislative budget committee that includes at least the following information for the school:

1. The total amount of funding received from all sources.
2. A description of faculty positions and courses offered.
3. The total undergraduate and graduate student enrollment.
4. Significant community events, initiatives or publications.

The chairpersons of the senate education committee and the house of representatives education committee may request the director of the school to appear before the committees to report on the school's annual achievements. (General Appropriation Act footnote)

- 5/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 6/ The appropriated monies may not be used by the Arizona state university college of law legal clinic for any lawsuits involving inmates of the state department of corrections in which this state is the adverse party. (General Appropriation Act footnote)
- 7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 9/ The FY 2021 General Fund budget is \$324,717,400. This amount would include \$297,394,600 in ASU's individual section of the FY 2021 General Appropriation Act, \$13,458,700 in A.R.S. § 15-1670 lease-purchase appropriations, \$12,381,200 in A.R.S. § 15-1671 capital infrastructure appropriations, and \$1,482,900 for statewide adjustments.
- 10/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 11/ Any unencumbered balances remaining in the university collections fund on June 30, 2020 and all collections received by the university during the fiscal year are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the enabling act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The budget includes \$828,231,500 and 6,665.1 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	<u>FY 2021</u>
General Fund	\$237,293,300
University Collections Fund	590,938,200

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$3,541,500 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	1,192,800
University Collections Fund	2,348,700

(Please see the Agency Detail and Allocations section.)

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(Please see the ABOR section for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The budget includes \$13,458,700 from the General Fund in FY 2021 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2021 adjustments are as follows:

Refinance Adjustment

The budget includes an increase of \$2,400 from the General Fund in FY 2021 to adjust the Certificates of Participation (COPs) payment.

As amended by the FY 2017 Higher Education Budget Reconciliation Bill (BRB), A.R.S. § 15-1670 appropriates an annual amount from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006.

Since this funding appears in A.R.S. § 15-1670, this funding does not appear in the FY 2021 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, ASU has issued \$206,200,000 in COPs.

(Please see the Long-Term Budget Impacts narrative below and the 2003 Research Infrastructure Funding narrative in the ABOR section for more information.)

2017 Capital Infrastructure Funding

The budget includes \$12,381,200 from the General Fund in FY 2021 for the 2017 Capital Infrastructure Funding line item. FY 2021 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$215,300 from the General Fund in FY 2021 for a 1.77% increase in capital infrastructure funding.

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. Since this funding appears in A.R.S. § 15-1671, this funding does not appear in the FY 2021 General Appropriation Act. A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation.

(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)

Arizona Financial Aid Trust

The budget includes \$5,985,800 from the General Fund in FY 2021 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2020. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

Biomedical Informatics

The budget includes \$3,725,700 and 23.2 FTE Positions in FY 2021 for the Biomedical Informatics Department. These amounts consist of:

General Fund	1,888,100
University Collections Fund	1,837,600

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$18,500 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	10,400
University Collections Fund	8,100

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data. In 2014, Biomedical Informatics moved from the Downtown Phoenix Campus (DPC) to Mayo Clinic's hospital in Phoenix.

Downtown Phoenix Campus

The budget includes \$115,105,800 and 1,076 FTE Positions in FY 2021 for programs headquartered at the Downtown Phoenix Campus. These amounts consist of:

General Fund	50,685,600
University Collections Fund	64,420,200

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$506,500 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	263,900
University Collections Fund	242,600

The DPC offers undergraduate and graduate programs in disciplines including health, nursing, journalism, mass communication, teaching and public programs. The campus opened in 2006.

One-Time Funding

The budget includes no funding from the General Fund in FY 2021 for the One-Time Funding line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(18,900,000) from the General Fund in FY 2021 for the elimination of one-time funding.

The FY 2020 budget included \$18,900,000 of one-time funding for ASU for capital improvements or operating expenditures. ASU used its FY 2020 one-time funding for faculty salaries and benefits.

This one-time allocation was also funded in FY 2017 (\$7,000,000), FY 2018 (\$6,639,500), and FY 2019 (\$4,245,000).

School of Civic and Economic Thought and Leadership

The budget includes \$3,024,700 and 26.5 FTE Positions from the General Fund in FY 2021 for the School of Civic and Economic Thought and Leadership (SCETL) line item. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$15,800 from the General Fund in FY 2021 for statewide adjustments.

SCETL began matriculating students in fall 2017. The school currently offers a bachelor of arts program with coursework focused in 4 areas: history of moral and political thought, political economy and the history of economic thought, American political and economic thought, and the theories and practice of leadership. The school has also submitted a plan to approve a master of arts in classical education and leadership, and it hosts community lecture series and events related to public affairs.

TRIF Lease-Purchase Payment

The budget includes \$3,600,000 from the Technology and Research Initiative Fund (TRIF) in FY 2021 for lease-purchase payment requirements. This amount is unchanged from FY 2020.

Laws 2000, 5th Special Session, Chapter 1 appropriated \$2,500,000 from TRIF to make the initial lease-purchase payment in FY 2002 on \$49,100,000 in infrastructure development at the ASU - East and ASU - West campuses. Beginning in FY 2003, the lease-purchase payment increased to \$3,600,000, which will be the annual lease-purchase payment through FY 2021.

Other Issues

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- Higher Education Emergency Relief Fund
- University Collections and FTE Positions Adjustments

Summary

ASU's FY 2021 General Fund budget is \$324,717,400. Of this amount:

- \$297,394,600 is included in ASU's individual section of the FY 2021 General Appropriation Act.
- \$13,458,700 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$12,381,200 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- \$1,482,900 is for statewide adjustments.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ASU's General Fund costs are projected to increase by \$237,100 in FY 2022 above FY 2021, and increase by \$262,700 in FY 2023 above FY 2022.

These estimates are based on:

- A \$(6,800) decrease in FY 2022 and a \$10,200 increase in FY 2023 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$243,900 in FY 2022 and \$252,500 in FY 2023 to increase the university's annual Capital Infrastructure Funding appropriation by 1.97% in FY 2022 and 2% in FY 2023. (The GDP inflator is currently projected at 1.97% for FY 2022 and 2.31% for FY 2023; statute funds the lesser of 2% or the actual rate.) *(Please see the 2017 University Capital Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

Higher Education Emergency Relief Fund

The Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. The CARES Act requires that 50% of monies received under this section be distributed to students are emergency financial aid grants.

ASU has received a total of \$63,533,137 from the Higher Education Emergency Relief Fund. *(Please see the [Arizona Board of Regents narrative](#), Other Issues section for more information).*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2020 General Appropriation Act appropriated \$659,582,400 from the University Collections Fund to ASU. The Collections Fund for ASU represents a portion of tuition, fees and a portion of land earnings. *(Please see ABOR Other Issues for more information.)* If collections differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2020 to the Joint Legislative Budget Committee in July 2019, and ASU incorporated the adjusted FY 2020 amounts as part of their FY 2021 budget submission. Accordingly, the estimated FY 2020 amount has been adjusted downward by \$(4,985,800) to \$654,596,600.

The FY 2020 FTE Position count has also been adjusted. The FY 2020 General Appropriation Act originally appropriated 7,699.9 FTE Positions in FY 2020 for ASU. The General Fund accounted for 2,431.9 FTE Positions and the University Collections Fund accounted for the remaining 5,268 FTE Positions. The estimated number of FY 2020 FTE Positions has been adjusted by 90.9 to 7,790.8. The General Fund accounts for 2,419.9 FTE Positions and the University Collections Fund accounts for the remaining 5,370.9 FTE Positions.

Northern Arizona University

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,358.2	2,360.1	2,360.1 ^{1/}
Personal Services	162,551,000	164,680,100	164,959,700
Employee Related Expenditures	51,799,300	49,560,900	49,560,900
Professional and Outside Services	12,408,500	8,895,200	8,895,200
Travel - In State	266,800	502,800	502,800
Travel - Out of State	401,000	0	0
Other Operating Expenditures	22,901,100	22,090,900	22,090,900
Equipment	530,500	325,500	325,500
OPERATING SUBTOTAL	250,858,200	246,055,400	246,335,000
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	5,896,200	5,899,500	4,879,500 ^{2/}
2017 Capital Infrastructure Funding	4,520,900	4,611,300	4,692,900 ^{3/}
Arizona Financial Aid Trust	1,326,000	1,326,000	1,326,000
Biomedical Research	3,000,000	3,000,000	3,000,000 ^{4/}
Economic Policy Institute	500,000	500,000	500,300 ^{5/}
One-Time Funding	1,590,200	6,650,000	0
NAU - Yuma	3,071,400	3,071,400	3,076,600
Teacher Training	2,291,700	2,291,800	2,293,000 ^{6/}
AGENCY TOTAL	273,054,600	273,405,400	266,103,300 ^{7/8/}
FUND SOURCES			
General Fund	112,095,700	117,250,900	109,804,600 ^{9/10/11/}
<u>Other Appropriated Funds</u>			
University Collections Fund	160,958,900	156,154,500	156,298,700 ^{12/}
SUBTOTAL - Other Appropriated Funds	160,958,900	156,154,500	156,298,700
SUBTOTAL - Appropriated Funds	273,054,600	273,405,400	266,103,300
Other Non-Appropriated Funds	329,799,100	370,765,900	366,753,700
Federal Funds	116,315,600	117,478,900	118,654,000
TOTAL - ALL SOURCES	719,169,300	761,650,200	751,511,000

AGENCY DESCRIPTION — Established in 1899, Northern Arizona University (NAU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). The university's primary focus is undergraduate residential education.

FOOTNOTES

- ^{1/} Includes 34.4 GF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} A.R.S. § 15-1670 appropriates \$4,879,500 to NAU from the General Fund in FY 2021 to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$4,692,900 to NAU from the General Fund in FY 2021 for capital infrastructure projects.
- ^{4/} The biomedical research funding shall be distributed to a nonprofit medical research foundation in this state that collaborates with universities, hospitals, biotechnology and health research centers. A nonprofit foundation that receives monies shall submit an expenditure and performance report to Northern Arizona university. The university shall transmit the report to the joint legislative budget committee on or before February 1, 2021. The report must include at least the following: 1) The type and amount of expenditures from all state sources of monies, including the amount leveraged for local, state, federal, and private grants, 2) A description of each grant received as well as the percentage and locations of positions funded solely or partly by state monies and the nonprofit foundation's projects with which these positions are associated, 3) Performance measures, including: (a) Outcomes that are specifically related to the use of state monies; (b) Progress that has been made toward achieving each outcome, including activities, resources and other evidence of progress; (c) Reportable inventions or discoveries related to each outcome; (d) Publications,

presentations and narratives related to each outcome and how the expenditures from all state sources of monies that the nonprofit foundation received have benefited the state. (General Appropriation Act footnote)

- 5/ The appropriated amount for the economic policy institute line item may not supplant any existing state funding or private or external donations to the institute or to the university. The appropriated monies and all private and external donations to the institute, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the institute and may not be used for indirect costs of the university. On or before October 1, 2020, the institute shall submit to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education committee and the house of representatives education committee and the director of the joint legislative budget committee a report that includes at least the following information for the institute: 1) The total amount of funding received from all sources; 2) A description of the faculty positions and courses offered; 3) The total undergraduate and graduate student participation; 4) Significant community events, initiatives or publications. The chairpersons of the senate education committee and the house of representatives education committee may request the director of the institute to appear before the committees to report on the institute's annual achievements. (General Appropriation Act footnote)
- 6/ The appropriated amount for the teacher training line item shall be distributed to the Arizona K-12 center for program implementation and mentor training for the Arizona mentor teacher program prescribed by the state board of education. (General Appropriation Act footnote)
- 7/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 10/ The FY 2021 General Fund budget is \$109,804,600. This amount would include \$100,090,100 in NAU's individual section of the FY 2021 General Appropriation Act, \$4,879,500 in A.R.S. § 15-1670 lease-purchase appropriations, \$4,692,900 in A.R.S. § 15-1671 capital infrastructure appropriations, and \$142,100 for statewide adjustments.
- 11/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 12/ Any unencumbered balances remaining in the university collections fund on June 30, 2020 and all collections received by the university during the fiscal year are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the enabling act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The budget includes \$246,335,000 and 2,325.7 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$90,036,300
University Collections Fund	156,298,700

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$279,600 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	135,400
University Collections Fund	144,200

(Please see the Agency Detail and Allocations section.)

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. (Please see the ABOR section for more information.)

2003 Research Infrastructure Lease-Purchase Payment

The budget includes \$4,879,500 from the General Fund in FY 2021 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2021 adjustments are as follows:

Refinance Adjustment

The budget includes a decrease of \$(1,020,000) from the General Fund in FY 2021 to adjust the Certificates of Participation (COPs) payment.

As amended by the FY 2017 Higher Education Budget Reconciliation Bill (BRB), A.R.S. § 15-1670 appropriates an

annual amount from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006.

Since this funding appears in A.R.S. § 15-1670, this funding does not appear in the FY 2021 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, NAU has issued \$42,210,000 in COPs.

(Please see the Long-Term Budget Impacts narrative below and the 2003 Research Infrastructure narrative in the ABOR section for more information.)

2017 Capital Infrastructure Funding

The budget includes \$4,692,900 from the General Fund in FY 2021 for the 2017 Capital Infrastructure Funding line item. FY 2021 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$81,600 from the General Fund in FY 2021 for a 1.77% increase in capital infrastructure funding.

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. Since this funding appears in A.R.S. § 15-1671, this funding does not appear in the FY 2021 General Appropriation Act. A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation.

(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)

Arizona Financial Aid Trust

The budget includes \$1,326,000 from the General Fund in FY 2021 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2020. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

Biomedical Research

The budget includes \$3,000,000 from the General Fund in FY 2021 for the Biomedical Research line item. This amount is unchanged from FY 2020.

Funding is allocated to a nonprofit medical research foundation that specializes in biotechnology and that collaborates with universities, hospitals, biotechnology and health science research centers. Previously, NAU awarded the funding to the Translational Genomics Research Institute (TGen). *(Please see the Department of Health Services section for additional information on nonprofit medical research funding.)*

Economic Policy Institute

The budget includes \$500,300 from the General Fund in FY 2021 for the Economic Policy Institute line item. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$300 from the General Fund in FY 2021 for statewide adjustments.

The funding for the Economic Policy Institute is used to support the institute's mission of rural economic development, financial literacy, and entrepreneurialism.

One-Time Funding

The budget includes no funding from the General Fund in FY 2021 for the One-Time Funding line item. FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(6,650,000) from the General Fund in FY 2021 for the elimination of one-time funding.

The FY 2020 budget included \$6,650,000 of one-time funding for NAU for capital improvements or operating expenditures. As reviewed at the September 2019 JCCR meeting, NAU reported that it is using \$5,000,000 of its one-time funds in FY 2020 for underground utility infrastructure improvements and academic building improvements, with the remaining \$1,650,000 allocated to personnel costs.

This one-time allocation was also funded in FY 2017 (\$4,000,000), FY 2018 (\$3,202,800) and FY 2019 (\$1,590,200).

NAU - Yuma

The budget includes \$3,076,600 and 25.9 FTE Positions from the General Fund in FY 2021 for NAU-Yuma. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$5,200 from the General Fund in FY 2021 for statewide adjustments.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

Teacher Training

The budget includes \$2,293,000 and 8.5 FTE Positions from the General Fund in FY 2021 for Teacher Training. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,200 from the General Fund in FY 2021 for statewide adjustments.

The Teacher Training program serves to increase the number of teachers serving as mentors under the Teacher Training ("Master Teacher") program. The Arizona K-12 Center is affiliated with NAU and is located in downtown Phoenix.

Other Issues

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- Higher Education Emergency Relief Fund
- University Collections and FTE Positions Adjustments

Summary

NAU's FY 2021 General Fund budget is \$109,804,600. Of this amount:

- \$100,090,100 would be included in NAU's individual section of the FY 2021 General Appropriation Act.
- \$4,879,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$4,692,900 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- \$142,100 is for statewide adjustments.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, NAU's General Fund costs are projected to increase by \$252,800 in FY 2022 above FY 2021 and \$357,400 in FY 2023 above 2022.

These estimates are based on:

- Increases of \$160,300 in 2022 and \$261,700 in FY 2023 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$92,500 in FY 2022 and \$95,700 in FY 2023 to increase the university's annual Capital Infrastructure Funding appropriation by 1.97% in FY 2022 and 2% in FY 2023. (The GDP inflator is currently projected at 1.97% for FY 2022 and 2.31% for FY 2023; statute funds the lesser of 2% or the actual rate.) *(Please see the 2017 University Capital Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

Higher Education Emergency Relief Fund

The Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. The CARES Act requires that 50% of monies received under this program be distributed to students as emergency financial aid grants.

NAU has received a total of \$24,734,965 from the Higher Education Emergency Relief Fund. *(Please see the [Arizona Board of Regents narrative](#), Other Issues section for more information).*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2020 General Appropriation Act appropriated \$161,100,200 from the University Collections Fund to NAU. The Collections Fund for NAU represents a portion of tuition, fees and a portion of land earnings. *(Please see ABOR Other Issues for more information.)* If collections differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2020 to the Joint Legislative Budget Committee in July 2019, and NAU incorporated the adjusted FY 2020 amounts as part of their FY 2021

budget submission. Accordingly, the estimated FY 2020 amount has been adjusted downward by \$(4,945,700) to \$156,154,500.

The FY 2020 FTE Position count has also been adjusted. The FY 2020 General Appropriation Act originally appropriated 2,316.5 FTE Positions in FY 2020 for NAU. The General Fund accounted for 852.2 FTE Positions and the University Collections Fund accounted for the remaining 1,464.3 FTE Positions. The estimated number of FY 2020 FTE Positions has been adjusted by 43.6 to 2,360.1. The General Fund accounts for 884.1 FTE Positions and the University Collections Fund accounts for the remaining 1,476 FTE Positions.

University of Arizona - Main Campus

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6,092.5	6,021.3	6,021.3 ^{1/}
Personal Services	325,833,700	308,814,300	308,814,300
Employee Related Expenditures	111,459,900	105,776,900	107,870,200
Professional and Outside Services	8,790,700	5,490,500	5,490,500
Travel - In State	116,400	105,300	105,300
Travel - Out of State	1,056,000	45,500	45,500
Other Operating Expenditures	80,065,600	41,767,600	41,767,600
OPERATING SUBTOTAL	527,322,300	462,000,100	464,093,400
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	14,251,000	14,250,200	14,251,500 ^{2/}
2017 Capital Infrastructure Funding	10,551,700	10,762,700	10,953,200 ^{3/}
Agriculture	46,050,500	43,828,700	44,099,100
Arizona Cooperative Extension	16,121,400	14,563,200	14,676,400
Arizona Financial Aid Trust	2,729,400	2,729,400	2,729,400
Arizona Geological Survey	948,500	948,500	948,500
Center for the Philosophy of Freedom	3,526,500	2,526,500	2,556,800 ^{4/}
Mining, Mineral and Natural Resources Educational Museum	185,200	428,800	428,800
One-Time Funding	2,164,800	9,450,000	0
Sierra Vista Campus	8,420,100	7,750,900	7,786,900
AGENCY TOTAL	632,271,400	569,239,000	562,524,000 ^{5/6/}
FUND SOURCES			
General Fund	208,836,400	215,808,900	207,722,200 ^{7/8/9/}
<u>Other Appropriated Funds</u>			
University Collections Fund	423,435,000	353,430,100	354,801,800 ^{10/}
SUBTOTAL - Other Appropriated Funds	423,435,000	353,430,100	354,801,800
SUBTOTAL - Appropriated Funds	632,271,400	569,239,000	562,524,000
Other Non-Appropriated Funds	1,160,700,900	1,241,945,700	1,265,837,800
Federal Funds	215,931,500	220,250,200	223,726,700
TOTAL - ALL SOURCES	2,008,903,800	2,031,434,900	2,052,088,500

AGENCY DESCRIPTION — Established in 1885, The University of Arizona (UA) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). Upon its establishment, UA received the federal land grant for Arizona, allowing the creation of agricultural and mining programs that continue today.

FOOTNOTES

- ^{1/} Includes 950.6 GF and 333.4 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} A.R.S. § 15-1670 appropriates \$14,251,500 to UA-Main from the General Fund in FY 2021 to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$10,953,200 to UA-Main from the General Fund in FY 2021 for capital infrastructure projects.
- ^{4/} The appropriated amount for the center for the philosophy of freedom line item may not supplant any existing state funding or private or external donations to the center or the philosophy department of the university of Arizona. The appropriated monies and all private and external donations to the center, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the center and may not be used for indirect costs of the university. On or before October 1, 2020, the center shall submit a report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education

committee and the house of representatives education committee and the director of the joint legislative budget committee that includes at least the following information for the center:

1. The total amount of funding received from all sources.
2. A description of faculty positions and courses offered.
3. The total undergraduate and graduate student participation.
4. Significant community events, initiatives or publications.

The chairpersons of the senate education committee and the house of representatives education committee may request the director of the center to appear before the committees to report on the center's annual achievements. (General Appropriation Act footnote)

- 5/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 8/ The FY 2021 General Fund budget is \$207,722,200. This amount includes \$181,346,000 in UA - Main's individual section of the FY 2021 General Appropriation Act, \$14,251,500 in A.R.S. § 15-1670 lease-purchase appropriations, \$10,953,200 in A.R.S. § 15-1671 capital infrastructure appropriations, and \$1,171,500 for statewide adjustments.
- 9/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 10/ Any unencumbered balances remaining in the university collections fund on June 30, 2020 and all collections received by the university during the fiscal year are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the enabling act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The budget includes \$464,093,400 and 4,737.3 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$129,601,200
University Collections Fund	334,492,200

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,093,300 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	805,700
University Collections Fund	1,287,600

(Please see the Agency Detail and Allocations section.)

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(Please see the ABOR section for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The budget includes \$14,251,500 from the General Fund in FY 2021 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2021 adjustments are as follows:

Refinance Adjustment

The budget includes an increase of \$1,300 from the General Fund in FY 2021 to adjust the Certificates of Participation (COPs) payment.

As amended by the FY 2017 Higher Education Budget Reconciliation Bill (BRB), A.R.S. § 15-1670 appropriates an annual amount from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006.

Since this funding appears in A.R.S. § 15-1670, this funding does not appear in the FY 2021 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, UA has issued \$201,300,000 in COPs.

(Please see the Long-Term Budget Impacts narrative below and the 2003 Research Infrastructure narrative in the ABOR section for more information.)

2017 Capital Infrastructure Funding

The budget includes \$10,953,200 from the General Fund in FY 2021 for the 2017 Capital Infrastructure Funding line item. FY 2021 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$190,500 from the General Fund in FY 2021 for a 1.77% increase in Capital Infrastructure Funding.

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. Since this funding appears in A.R.S. § 15-1671, this funding does not appear in the FY 2021 General Appropriation Act. A.R.S. § 15-1671 increases the appropriation annually by the lesser of 2% or inflation.

(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)

Agriculture

The budget includes \$44,099,100 and 814.9 FTE Positions in FY 2021 for the Agriculture Programs. These amounts consist of:

General Fund	28,799,100
University Collections Fund	15,300,000

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$270,400 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	204,900
University Collections Fund	65,500

This line item supports agricultural academic programs in Animal Systems; Environment and Natural Resources; Family, Youth, and Community; Human Nutrition, Food Safety and Health; Marketing, Trade, and Economics; and Plant Systems.

Arizona Cooperative Extension

The budget includes \$14,676,400 and 353.7 FTE Positions from the General Fund in FY 2021 for the Arizona Cooperative Extension. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$113,200 from the General Fund in FY 2021 for statewide adjustments.

This line item supports Agriculture Experiment Stations and Cooperative Extension services that provide non-credit community outreach seminars and youth programs throughout the state.

Arizona Financial Aid Trust

The budget includes \$2,729,400 from the General Fund in FY 2021 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2020. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information).*

Arizona Geological Survey

The budget includes \$948,500 from the General Fund in FY 2021 for the Arizona Geological Survey. This amount is unchanged from FY 2020.

The Geological Survey investigates Arizona's geology and provides technical advice and assistance to state and local government agencies, industry and other members of the public concerning the geologic environment and the development and use of mineral resources in Arizona.

Center for the Philosophy of Freedom

The budget includes \$2,556,800 and 36.5 FTE Positions from the General Fund in FY 2021 for the Center for the Philosophy of Freedom (CPF). FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$30,300 from the General Fund in FY 2021 for statewide adjustments.

This line item supports the CPF, which is within the UA Department of Political Economy and Moral Science. The CPF's functions include publishing research, undergraduate education, graduate education, and community outreach.

Mining, Mineral and Natural Resources Educational Museum

The budget includes \$428,800 and 1 FTE Position from the General Fund in FY 2021 for the Mining, Mineral, and Natural Resources Educational Museum. These amounts are unchanged from FY 2020.

This line item funds a curator and monies that will be used by the University to pay for repairs to the building.

One-Time Funding

The budget includes no funding from the General Fund in FY 2021 for the One-Time Funding line item. FY 2021 adjustments are as follows.

Remove One-Time Funding

The budget includes a decrease of \$(9,450,000) from the General Fund in FY 2021 for the elimination of one-time funding.

The FY 2020 budget included \$9,450,000 of one-time funding for UA for capital improvements or operating expenditures. UA used its FY 2020 one-time funding on information technology infrastructure, library access projects, and student support services.

This one-time allocation was also funded in FY 2017 (\$8,000,000), FY 2018 (\$3,157,700) and FY 2019 (\$2,164,800).

Sierra Vista Campus

The budget includes \$7,786,900 and 77.9 FTE Positions in FY 2021 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,777,300
University Collections Fund	5,009,600

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$36,000 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	17,400
University Collections Fund	18,600

UA - Sierra Vista offers upper-division undergraduate programs in 16 disciplines for community college transfer students. While ABOR authorized this UA branch campus for Sierra Vista in 1995, the Legislature has not formally established the campus in statute.

Other Issues

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts

- Higher Education Emergency Relief Fund
- University Collections and FTE Positions Adjustments

Summary

UA - Main's FY 2021 General Fund budget is \$207,722,200. Of this amount:

- \$181,346,000 would be included in UA - Main's individual section of the FY 2021 General Appropriation Act.
- \$14,251,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$10,953,200 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- \$1,171,500 for statewide adjustments.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, UA - Main's General Fund costs are projected to increase by \$213,200 in FY 2022 above FY 2021, and increase by \$227,000 in FY 2023 above FY 2022.

These estimates are based on:

- A \$(2,600) decrease in FY 2022 and a \$3,600 increase in FY 2023 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$215,800 in FY 2022 and \$223,400 in FY 2023 to increase the university's annual Capital Infrastructure Funding appropriation by 1.97% in FY 2022 and 2% in FY 2023. (The GDP inflator is currently projected at 1.97% for FY 2022 and 2.31% for FY 2023; statute funds the lesser of 2% or the actual rate.) *(Please see the 2017 University Capital Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

Higher Education Emergency Relief Fund

The Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. The CARES Act requires that 50% of monies received under this program be distributed to students as emergency financial aid grants.

UA has received a total of \$33,268,877 from the Higher Education Emergency Relief Fund. *(Please see the [Arizona Board of Regents narrative](#), Other Issues section for more information).*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2020 General Appropriation Act appropriated \$386,248,600 from the University Collections Fund to UA - Main. The Collections Fund for UA - Main represents a portion of tuition, fees and a portion of land earnings. *(Please see ABOR Other Issues for more information.)* If collections differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2020 to the Joint Legislative Budget Committee in July 2019, and UA incorporated the adjusted FY 2020 amounts as part of their FY 2021 budget submission. Accordingly, the estimated FY 2020 amount has been adjusted downward by \$(32,818,500) to \$353,430,100.

The FY 2020 FTE Position count has also been adjusted. The FY 2020 General Appropriation Act originally appropriated 6,092.5 FTE Positions in FY 2020 for UA - Main. The General Fund accounted for 2,156.6 FTE Positions and the University Collections Fund accounted for the remaining 3,935.9 FTE Positions. The estimated number of FY 2020 FTE Positions has been adjusted by (71.2) to 6,021.3. The General Fund accounts for 2,271.2 FTE Positions and the University Collections Fund accounts for the remaining 3,750.1 FTE Positions.

University of Arizona - Health Sciences Center

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,226.3	1,366.4	1,366.4 ^{1/}
Personal Services	52,197,100	58,551,500	58,551,500
Employee Related Expenditures	16,727,500	18,771,300	18,771,300
Professional and Outside Services	813,800	332,600	332,600
Travel - In State	50,000	25,800	25,800
Travel - Out of State	207,700	14,700	14,700
Other Operating Expenditures	6,073,400	3,265,500	3,265,500
OPERATING SUBTOTAL	76,069,500	80,961,400	80,961,400
SPECIAL LINE ITEMS			
Clinical Rural Rotation	353,600	353,600	353,600
Clinical Teaching Support	8,587,000	8,587,000	8,587,000
Liver Research Institute	440,400	440,400	440,400
Phoenix Medical Campus	33,173,000	40,582,700	40,582,700 ^{2/}
Telemedicine Network	1,670,000	1,670,000	1,670,000
AGENCY TOTAL	120,293,500	132,595,100	132,595,100 ^{3/4/}
FUND SOURCES			
General Fund	68,897,700	76,897,700	76,897,700 ^{5/6/}
<u>Other Appropriated Funds</u>			
University Collections Fund	51,395,800	55,697,400	55,697,400 ^{7/}
SUBTOTAL - Other Appropriated Funds	51,395,800	55,697,400	55,697,400
SUBTOTAL - Appropriated Funds	120,293,500	132,595,100	132,595,100
Other Non-Appropriated Funds	434,547,400	388,270,700	395,628,300
Federal Funds	152,919,200	155,977,300	159,096,800
TOTAL - ALL SOURCES	707,760,100	676,843,100	687,320,200

AGENCY DESCRIPTION — The University of Arizona's Health Sciences Center (UA-HSC) includes its Colleges of Medicine Tucson and Phoenix, Nursing, Pharmacy, and Public Health. UA-HSC also currently operates a medical campus in Phoenix that opened in FY 2006.

FOOTNOTES

- ^{1/} Includes 471.9 GF and 68.4 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} The legislature intends that \$8,000,000 appropriated to the Phoenix medical campus line item be used to expand the university of Arizona Phoenix medical school and to provide tuition waivers. The legislature intends that the \$8,000,000 not be annualized in future years. (General Appropriation Act footnote)
- ^{3/} Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- ^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{5/} The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- ^{6/} The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- ^{7/} Any unencumbered balances remaining in the university collections fund on June 30, 2020 and all collections received by the university during the fiscal year are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the enabling act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

Operating Budget

The budget includes \$80,961,400 and 826.1 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$34,576,900
University Collections Fund	46,384,500

These amounts are unchanged from FY 2020.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(Please see the ABOR section for more information.)*

Clinical Rural Rotation

The budget includes \$353,600 and 6.2 FTE Positions from the General Fund in FY 2021 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2020.

This line item funds the Rural Health Professions Program, which enables nurse practitioner, medical, and pharmacy students to plan and complete clinical practice rotations in rural and medically under-served sites throughout the state.

Clinical Teaching Support

The budget includes \$8,587,000 and 214.2 FTE Positions from the General Fund in FY 2021 for Clinical Teaching Support. These amounts are unchanged from FY 2020.

Clinical Teaching Support provides hospital training, through internships and residencies, for medical, nursing, clinical, and other health students in a wide variety of specialty areas. Students fill all the above-mentioned FTE Positions.

Liver Research Institute

The budget includes \$440,400 and 6.6 FTE Positions from the General Fund in FY 2021 for the Liver Research Institute. These amounts are unchanged from FY 2020.

The Liver Research Institute conducts clinical studies on all liver diseases, focusing on chemical and natural agents that may offer a cure for such ailments. The line item also supports a research development program that actively pursues outside grants and donations.

Phoenix Medical Campus

The budget includes \$40,582,700 and 298 FTE Positions in FY 2021 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	31,269,800
University Collections Fund	9,312,900

These amounts are unchanged from FY 2020.

Laws 2008, Chapter 287 authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities of which ABOR is required to allocate \$376,000,000 for the Phoenix Medical Campus. Of that amount, the JCCR has reviewed \$283,445,000. *(For additional information on university lottery bonding, please see the Capital Outlay - ABOR Building Systems section of this report. For historical information, please see the FY 2015 Appropriations Report.)*

Telemedicine Network

The budget includes \$1,670,000 and 15.3 FTE Positions from the General Fund in FY 2021 for the Telemedicine Network. These amounts are unchanged from FY 2020.

Telemedicine is the use of computers, video imaging, broadband Internet, and other telecommunication technologies to diagnose and treat patients in rural communities.

Other Issues

Higher Education Emergency Relief Fund

The Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. The CARES Act requires that 50% of monies received under this program be distributed to students as emergency financial aid grants.

UA has received a total of \$33,268,877 from the Higher Education Emergency Relief Fund. *(Please see the [Arizona Board of Regents narrative](#), Other Issues section for more information).*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2020 General Appropriation Act appropriated \$53,623,800 from the University Collections Fund to UA - HSC. The Collections Fund for UA - HSC represents a portion of tuition, fees and a portion of land earnings. *(Please see ABOR Other Issues for more information.)* If collections differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2020 to the Joint Legislative Budget Committee in July 2019, and UA incorporated the adjusted FY 2020 amounts as part of their FY 2021 budget submission. Accordingly, the estimated FY 2020 amount has been adjusted upward by \$2,073,600 to \$55,697,400.

The FY 2020 FTE Position count has also been adjusted. The FY 2020 General Appropriations Act originally appropriated 1,226.3 FTE Positions in FY 2020 for the UA - HSC. The General Fund accounted for 727 FTE Positions and the University Collections Fund accounted for the remaining 499.3 FTE Positions. The estimated number of FY 2020 FTE Positions has been adjusted by 140.1 to 1,366.4. The General Fund accounts for 824.7 FTE Positions and the University Collections Fund accounts for the remaining 541.7 FTE Positions.

Department of Veterans' Services

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	497.3	497.3	760.3 ^{1/}
Personal Services	1,203,200	1,187,100	1,226,100
Employee Related Expenditures	400,000	445,000	470,200
Professional and Outside Services	8,200	50,000	50,000
Travel - In State	20,300	25,000	25,000
Travel - Out of State	12,600	7,000	7,000
Other Operating Expenditures	415,100	579,600	579,600
Equipment	116,000	50,000	50,000
OPERATING SUBTOTAL	2,175,400	2,343,700	2,407,900
SPECIAL LINE ITEMS			
Arizona State Veterans' Cemeteries	801,200	931,300	962,900
Arizona State Veterans' Homes	34,525,500	35,607,900	39,887,100
Veterans' Benefit Counseling	2,722,000	2,842,400	2,934,300
Veterans' Suicide Prevention	0	1,225,500	1,228,400 ^{2/}
Veterans' Trauma Treatment Services	0	450,000	450,000 ^{3/}
AGENCY TOTAL	40,224,100	43,400,800	47,870,600 ^{4/}
FUND SOURCES			
General Fund	5,698,600	7,792,900	7,983,500
<u>Other Appropriated Funds</u>			
State Homes for Veterans Trust Fund	34,525,500	35,607,900	39,887,100
SUBTOTAL - Other Appropriated Funds	34,525,500	35,607,900	39,887,100
SUBTOTAL - Appropriated Funds	40,224,100	43,400,800	47,870,600
Other Non-Appropriated Funds	4,840,500	4,093,300	4,093,300
Federal Funds	872,000	18,767,400	18,767,400
TOTAL - ALL SOURCES	45,936,600	66,261,500	70,731,300

AGENCY DESCRIPTION — The agency supervises and operates 2 skilled nursing homes for Arizona veterans in Phoenix and Tucson, assists veterans in developing and filing claims for federal entitlements, and operates 3 veterans' memorial cemeteries in Sierra Vista, Marana, and Flagstaff.

FOOTNOTES

- ^{1/} Includes 69.5 GF and 644 OF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} The amount appropriated for veterans' suicide prevention line item shall be distributed to a nonprofit veterans' services organization that provides services related to reducing suicides among this state's military and veteran population. The department may spend up to \$78,600 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization. Before the expenditure of the monies, the department shall submit an expenditure report for review by the joint legislative budget committee that includes the status of non-state matching grant monies. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{3/} Monies appropriated for the veterans' trauma treatment services line item shall be used to provide grants to contractors as defined in section 36-2901, Arizona Revised Statutes, that provide trauma treatment services training to any of the following health professionals licensed pursuant to title 32, Arizona Revised Statutes: 1. Physicians. 2. Registered nurse practitioners. 3. Physician assistants. 4. Psychologists. 5. Behavioral health professionals who are either licensed for individual practice or supervised by a psychologist, registered nurse practitioner or behavioral health professional licensed pursuant to title 32, Arizona Revised Statutes, for independent practice. (General Appropriation Act footnote)
- ^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,407,900 and 46.8 FTE Positions from the General Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$64,200 from the General Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona State Veterans' Cemeteries

The budget includes \$962,900 and 12.5 FTE Positions from the General Fund in FY 2021 for the Arizona State Veterans' Cemeteries. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$31,600 from the General Fund in FY 2021 for statewide adjustments.

Monies in this line item are used to partially offset the operating and maintenance costs for the 3 veteran cemeteries in Sierra Vista, Marana, and Bellmont. The department also receives interment fees from the federal government, which are deposited into the non-appropriated Arizona State Veterans' Cemetery Trust Fund.

Arizona State Veterans' Homes

The budget includes \$39,887,100 and 644 FTE Positions from the State Home for Veterans' Trust Fund in FY 2021 for the Arizona State Veterans' Homes. FY 2021 adjustments are as follows:

Operating Costs for New Veterans' Homes

The budget includes an increase of \$3,397,300 and 263 FTE Positions from the State Home for Veterans' Trust Fund in FY 2021 for initial operating costs for new veterans' homes in Flagstaff and Yuma which are expected to open in FY 2021.

Statewide Adjustments

The budget includes an increase of \$881,900 from the State Home for Veterans' Trust Fund in FY 2021 for statewide adjustments.

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes in Phoenix and Tucson. Monies in this line item are from fees and reimbursements received from residents, the Department

of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.

The Phoenix Veterans' Home is a 200-bed facility currently serving 166 individuals. The Tucson Veterans' Home currently serves 120 individuals and has a 120-bed capacity. In addition to these facilities, construction is currently underway for 2 new 80-bed homes in Flagstaff and Yuma.

Construction for both homes began in June 2019 and is scheduled to be completed by June 2021. *(Please see the FY 2020 Appropriations Report for more history.)*

Veterans' Benefit Counseling

The budget includes \$2,934,300 and 57 FTE Positions from the General Fund in FY 2021 for Veterans' Benefit Counseling. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$91,900 from the General Fund in FY 2021 for statewide adjustments.

The monies in this line item are used to assist Arizona veterans with questions about benefit eligibility, completion and filing of U.S. Department of Veterans' Affairs claims, and in obtaining earned benefits.

Veterans' Suicide Prevention

The budget includes \$1,228,400 from the General Fund in FY 2021 for Veterans' Suicide Prevention. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$2,900 from the General Fund in FY 2021 for statewide adjustments.

Funding for this line item shall be distributed to a nonprofit veterans' services organization that provides services related to reducing suicides among Arizona's military and veteran population. The department may spend up to \$78,600 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization.

The FY 2020 General Appropriation Act required the department to provide an expenditure plan to the JLBC which was favorably reviewed at the September 2019 JLBC meeting. The FY 2021 budget continues this review requirement.

Veterans' Trauma Treatment Services

The budget includes \$450,000 from the General Fund in FY 2021 for Veterans' Trauma Treatment Services. This amount is unchanged from FY 2020.

Monies appropriated for this line item shall be used to provide grants to contractors as defined in A.R.S. § 36-2901, that provide trauma treatment services training to any of the following health professionals licensed pursuant to Title 32, Arizona Revised Statutes: Physicians, Registered Nurse Practitioners, Physician Assistants, Psychologists, and Behavioral Health Professionals who are either licensed for individual practice or supervised by a psychologist, registered nurse practitioner, or behavioral health professional licensed pursuant to Title 32, Arizona Revised Statutes, for independent practice.

Other Issues

Hyperbaric Oxygen Therapy Fund Deposit

Laws 2018, Chapter 98 created the Hyperbaric Oxygen Therapy Fund and made an initial deposit of \$25,000 from the General Fund.

Monies in the Hyperbaric Oxygen Therapy Fund are non-appropriated and non-lapsing. The bill requires an advisory committee to provide financial assistance from the fund to veterans for hyperbaric oxygen therapy. The Department of Veterans' Services may seek reimbursement to the fund if the therapy is fully or partially covered by private insurance.

As of June 30, 2020, the department had not spent any of the appropriation. The department is in the process of recruiting volunteers to sit on the advisory committee. Laws 2018, Chapter 98 advanced appropriated \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund to the General Fund in FY 2023.

Arizona State Veterinary Medical Examining Board

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	237,400	363,200	376,000
Employee Related Expenditures	73,000	119,000	124,500
Professional and Outside Services	23,200	25,000	25,000
Travel - In State	6,200	8,500	8,500
Travel - Out of State	100	200	200
Other Operating Expenditures	98,900	83,600	83,600
Equipment	9,700	500	500
AGENCY TOTAL	448,500	600,000	618,300 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Veterinary Medical Examining Board Fund	448,500	600,000	618,300
SUBTOTAL - Other Appropriated Funds	448,500	600,000	618,300
SUBTOTAL - Appropriated Funds	448,500	600,000	618,300
TOTAL - ALL SOURCES	448,500	600,000	618,300

AGENCY DESCRIPTION — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The budget includes \$618,300 and 6 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2021 for the operating budget. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$18,300 from the Veterinary Medical Examining Board Fund in FY 2021 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Department of Water Resources

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	139.0	145.0	145.0 ^{1/}
Personal Services	4,718,600	5,684,000	5,937,800
Employee Related Expenditures	1,754,600	2,290,100	2,340,100
Professional and Outside Services	155,600	400,500	400,500
Travel - In State	92,500	90,200	90,200
Travel - Out of State	68,000	50,300	50,300
Other Operating Expenditures	1,999,000	1,807,700	1,607,700
Equipment	139,200	84,900	84,900
OPERATING SUBTOTAL	8,927,500	10,407,700	10,511,500
SPECIAL LINE ITEMS			
Adjudication Support	1,731,300	1,742,900	1,814,400 ^{2/}
Assured and Adequate Water Supply Administration	1,943,100	1,995,100	2,074,700 ^{3/}
Automated Groundwater Monitoring	402,300	411,800	418,600
Arizona Water Protection Fund Deposit	650,000	750,000	250,000
Colorado River Legal Expenses	198,500	500,000	500,000 ^{4/5/}
Conservation and Drought Program	220,800	410,700	427,700
Northwest Basins Groundwater Study	48,300	0	0
Rural Water Studies	1,141,600	1,164,000	1,201,500 ^{6/}
Drought Contingency Plan Programs			
Arizona System Conservation Fund Deposit	0	30,000,000	0
Augmentation and Conservation Assistance Fund Deposit	0	2,000,000	0
Temporary Groundwater and Irrigation Efficiency Projects Fund Deposit	9,000,000	20,000,000	0
AGENCY TOTAL	24,263,400	69,382,200	17,198,400 ^{7/}
FUND SOURCES			
General Fund	23,030,000	66,937,700	14,731,600
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	612,000	1,212,200	1,212,400
Assured and Adequate Water Supply Administration Fund	0	268,600	276,700
Water Resources Fund	621,400	963,700	977,700
SUBTOTAL - Other Appropriated Funds	1,233,400	2,444,500	2,466,800
SUBTOTAL - Appropriated Funds	24,263,400	69,382,200	17,198,400
Other Non-Appropriated Funds	14,220,300	10,021,300	10,021,300
Federal Funds	507,100	550,200	550,200
TOTAL - ALL SOURCES	38,990,800	79,953,700	27,769,900

AGENCY DESCRIPTION — The Department of Water Resources administers and enforces Arizona's groundwater and surface water law, as well as legally representing the state's water rights. The department also participates in surveying water level and quality and planning flood control.

FOOTNOTES

- ^{1/} Includes 60 GF FTE Positions funded from Special Line Items in FY 2021.
- ^{2/} Monies in the adjudication support line item may be used only for the exclusive purposes prescribed in section 45-256 and section 45-257, subsection B, paragraph 4, Arizona Revised Statutes. The department of water resources may not transfer any monies into or out of the adjudication support line item. (General Appropriation Act footnote)
- ^{3/} Monies in the assured and adequate water supply administration line item may be used only for the exclusive purposes prescribed in sections 45-108 and 45-576 through 45-579, Arizona Revised Statutes. The department of water resources

may not transfer any monies into or out of the assured and adequate water supply administration line item. (General Appropriation Act footnote)

- 4/ The department of water resources may not transfer any monies from the Colorado River legal expenses line item without prior review by the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 6/ The legislature intends that monies in the rural water studies line item be spent only to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's active management areas and not be made available for other department operating expenditures. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$10,511,500 and 85 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$8,821,400
Water Banking Fund	1,212,400
Water Resources Fund	477,700

FY 2021 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(200,000) from the General Fund in FY 2021 to remove one-time funding for document digitization. Statute requires the department to maintain a Central Information Repository of all adjudications. The funds were used to digitize those documents.

Statewide Adjustments

The budget includes an increase of \$303,800 in FY 2021 for statewide adjustments. This amount consists of:

General Fund	\$289,600
Water Banking Fund	200
Water Resources Fund	14,000

(Please see the Agency Details and Allocations section.)

Adjudication Support

The budget includes \$1,814,400 and 21 FTE Positions from the General Fund in FY 2021 for Adjudication Support. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$71,500 from the General Fund in FY 2021 for statewide adjustments.

A.R.S. § 45-256 requires the Department of Water Resources to provide technical and administrative support

to judicial proceedings involving water rights claims in the Gila River and Little Colorado River watersheds, which include approximately two-thirds of the land within the state.

Assured and Adequate Water Supply Administration

The budget includes \$2,074,700 and 21 FTE Positions in FY 2021 for the Assured and Adequate Water Supply (AAWS) Administration Program. These amounts consist of:

General Fund	1,798,000
AAWS Administration Fund	276,700

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$79,600 from in FY 2021 for statewide adjustments. This amount consists of:

General Fund	71,500
AAWS Administration Fund	8,100

Within the state's 5 Active Management Areas (AMAs), all new subdivisions must either obtain a Certificate of Assured Water Supply from the Department of Water Resources or obtain a commitment of water service from a municipal provider designated as having an Assured Water Supply. An applicant for a Certificate of Assured Water Supply or a Designation of Assured Water Supply must demonstrate the availability of water for the next 100 years.

New developers outside the 5 AMAs may obtain a commitment of water service from a municipal water provider designated as having an Adequate Water Supply or developers must obtain from the department a report of the water available to the new subdivision for 100 years before any lots may be sold. In most areas outside the AMAs, if the water supply report determined the water supply to be inadequate, lots may still be sold, but buyers must be notified of the determination. In certain

areas outside the AMAs, lots may not be sold unless the water supply is determined to be adequate for 100 years.

Automated Groundwater Monitoring

The budget includes \$418,600 and 2 FTE Positions from the General Fund in FY 2021 for Automated Groundwater Monitoring. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$6,800 from the General Fund in FY 2021 for statewide adjustments.

This line item funds automated measuring instruments, which provide daily measurements of groundwater levels. This information is used to support the administration of all the water management programs that the department is responsible for, including but not limited to, determining assured and adequate water supply, implementation and evaluation of recharge activities, rural water budgets, and water supply studies.

Arizona Water Protection Fund Deposit

The budget includes \$250,000 from the General Fund in FY 2021 for the Arizona Water Protection Fund Deposit line item. FY 2021 adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of \$(500,000) from the General Fund in FY 2021 to remove a one-time deposit to the Water Protection Fund.

The Water Protection Fund has received an ongoing annual General Fund deposit of \$250,000 since FY 2017. In FY 2019, Laws 2018, Chapter 330 appropriated an additional one-time General Fund amount of \$400,000. The FY 2020 budget included an additional one-time General Fund amount of \$500,000.

The Water Protection Fund provides grants for projects that protect water quality and quantity, as well as to maintain, enhance and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determine annual recipients.

Colorado River Legal Expenses

The budget includes \$500,000 from the Water Resources Fund in FY 2021 for Colorado River Legal Expenses. This amount is unchanged from FY 2020.

This line item is for the Department of Water Resources to use for legal expenses related to the Colorado River. The FY 2019 budget expanded the uses by changing the name from the Lower Colorado River Litigation Expenses line item. Before FY 2019, this line item paid for litigation costs associated with the *Navajo Nation v. United States Department of the Interior* case, in which the Department of Water Resources is an intervening defendant. This case involves the Navajo Nation's claims to water from the Lower Colorado River and challenges operations that were put in place after the initial lawsuit was filed in 2003. The Navajo Nation filed an amended complaint on June 3, 2013 to begin litigating the case.

On August 23, 2019, the United States District Court for the District of Arizona dismissed the Navajo Nation's claim. The Navajo Nation filed an appeal of the decision before the United States Court of Appeals for the Ninth Circuit which is currently pending. Subsequent litigation is expected to continue for several years.

Conservation and Drought Program

The budget includes \$427,700 and 5 FTE Positions from the General Fund in FY 2021 for the Conservation and Drought Program. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$17,000 from the General Fund in FY 2021 for statewide adjustments

This line item funds assistance to local communities to assess conservation needs and assists rural communities in the development of conservation programs, promote water education throughout the state, create guidelines for more efficient use of water, and provide suggestions for funding and implementing conservation programs. This line item also funds the department administering the requirements of the Community Water Systems program, including but not limited to annual water use reporting (mailings, electronic notification, and submittals), improvements to increase efficiencies of reporting and data collection, data analysis, and compliance.

Northwest Basins Groundwater Study

The budget includes no funding from the General Fund in FY 2021 for a Northwest Basins Groundwater Study. This amount is unchanged from FY 2020.

This line item was previously used to fund a contracted independent study that estimated: 1) the rate of groundwater depletion in the Northwest Basins Planning Area; and 2) the number of years of groundwater

remaining in the basins. The department selected a vendor for the study, which was released in December 2019.

The study concluded that of the studied regions, areas without agricultural pumping appear to have stable groundwater levels. The study also notes that if several subareas in the Hualapai and Sacramento basins increase agricultural pumping, significant groundwater depletion will occur. The report also commented that subareas within the Kingman and Hualapai basins show reduced number of years of groundwater remaining.

Rural Water Studies

The budget includes \$1,201,500 and 11 FTE Positions from the General Fund in FY 2021 for Rural Water Studies. FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$37,500 from the General Fund in FY 2021 for statewide adjustments.

This line item funds the department's administration, data collection, and evaluation of rural water studies. The monies are also used to provide assistance to local communities to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs. The current AMAs are Prescott, Phoenix, Pinal, Tucson, and Santa Cruz.

These studies are administered, in most cases, through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts, although if a community has a significant need the department can waive this requirement. The studies are primarily conducted by the local entity, with the department providing technical advice and financial assistance. The department is currently involved in 10 studies.

Drought Contingency Plan Programs

Arizona System Conservation Fund Deposit

The budget includes no funding from the General Fund in FY 2021 for the Arizona System Conservation Fund Deposit. FY 2021 adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of \$(30,000,000) from the General Fund in FY 2021 to remove one-time funding for deposit into the Arizona System Conservation Fund.

The Drought Contingency Plan established the non-appropriated Arizona System Conservation Fund. Monies in the fund may be used to contract with Colorado River water users in Arizona who hold entitlements to Colorado River water to forego water deliveries or diversions for creating system conservation.

(Please see the Drought Contingency Plan narrative in the Other Issues section.)

Augmentation and Conservation Assistance Fund Deposit

The budget includes no funding from the General Fund in FY 2021 for the Augmentation and Conservation Assistance Fund Deposit. FY 2021 adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2021 to remove one-time funding for deposit into the Augmentation and Conservation Assistance Fund.

Monies in this line item were originally appropriated to the 2017 Drought Contingency Program by the 2018 General Appropriation Act. The Drought Contingency Plan repurposed these monies for deposit into the Augmentation and Conservation Assistance Fund to provide additional monies for grants for conservation of groundwater in active management areas.

(Please see the FY 2020 Appropriations Report for more information on the 2017 Drought Contingency Program and the Drought Contingency Plan narrative in the Other Issues section.)

Temporary Groundwater and Irrigation Efficiency Projects Fund Deposit

The budget includes no funding from the General Fund in FY 2021 for the Temporary Groundwater and Irrigation Efficiency Projects Fund Deposit. FY 2021 adjustments are as follows:

Remove One-Time Deposit

The budget includes a decrease of \$(20,000,000) from the General Fund in FY 2021 to remove one-time funding used to construct, rehabilitate, and lease wells and infrastructure related to the withdrawal and efficient delivery of groundwater by qualified irrigation districts. The appropriated monies must be fully reimbursed to the General Fund on or before December 31, 2021.

The Drought Contingency Plan established the Temporary Groundwater and Irrigation Efficiency Projects Fund for the funding of projects that construct and rehabilitate infrastructure related to the efficient withdrawal and delivery of groundwater. Laws 2019, Chapter 1 appropriated a \$7,000,000 supplemental from the General Fund into the new fund for FY 2019 and repurposed an additional \$2,000,000 for FY 2019 to the fund that was originally appropriated for the 2017 Drought Contingency Program line item by the FY 2018 General Appropriation Act. Laws 2020, Chapter 2 modified the list of requirements for irrigation districts to qualify for monies from the fund.

As of June 2020, DWR has distributed \$196,400 of the \$9,000,000 in non-loan grant monies from this fund. DWR reports that none of the \$20,000,000 in loan monies have been distributed.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Drought Contingency Plan
- Dam Safety

Statutory Changes

The Environment BRB makes the following statutory changes:

- As session law, continue to allow the department's Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2021.
- As session law, continue to allow the department non-municipality special fee authority, including an intent clause that limits additional revenue up to \$100,200, and exempt the department from rulemaking for this purpose.

Drought Contingency Plan

The Colorado River system supplies water to 7 states and to Mexico. The use of water from the river was established by a compact between the states signed in 1922 and subsequent agreements about the delivery, storage, and use of water. A 2007 agreement mandated a series of reductions to the state's allocation as the water levels decrease in the Colorado River system, measured by the water level in Lake Mead.

If the water level were to fall below 1,025 feet the United States Department of Interior would control the allocation of water, and Arizona and the other states could face additional reductions to water delivery. To avoid this fate, the affected states, the federal Department of the Interior, and the Bureau of Reclamation negotiated a Drought Contingency Plan. The plan, signed on May 20, 2019 by all relevant parties, will institute more immediate reductions at amounts higher than the 2007 agreement to preserve water in Lake Mead, as well as including incentives for additional water conservation by the parties.

Prior to the multi-state agreement, Laws 2019, Chapter 1, the Drought Contingency Plan, was enacted. The DCP allowed the Director of DWR to enter into the new agreement and specified Arizona's efforts to conserve waters in the Colorado River system.

As part of the DCP, Arizona appropriated a total of \$30,000,000 for Colorado River system conservation, \$9,000,000 for more efficient groundwater removal, and \$2,000,000 for the conservation of groundwater in active management areas in FY 2020.

Dam Safety

The Department of Water Resources (DWR) supervises the safety of dams in Arizona. DWR supervises 257 dams in the state.

Of the 257, 31 are labeled as "high-hazard" dams with identified safety deficiencies. Of these 31, 15 are labeled as "unsafe." The Legislature may consider utilizing one-time monies to assess the problems at these 15 dams as well as potentially set aside state match funding for the repairs themselves. These monies would supplement the monies already available in the Dam Repair Fund.

As listed in *Table 1*, the 15 dams are in the following counties:

Table 1

Number of Unsafe Dams by County

County	Number of Dams
Apache	1
Cochise	1
Coconino	3
Graham	3
Maricopa	1
Navajo	4
Pinal	2
Total	15

The owner of each dam is responsible for its repairs. The assessment and design repair cost can approach \$1 million, with actual construction costs being as much as \$10 million.

DWR can assist dam owners through grants or loans from the Dam Repair Fund if the dam is classified as "unsafe." The fund's revenues consist of dam inspection and permit fees. The fund generated \$183,900 in revenue for FY 2019. The fund has a current balance of \$5 million.

The federal government may also provide repair grants contingent upon a local match.

Table 2 lists dams considered to be "unsafe" and the year that it was constructed.

Fredonia presents an example of the challenge of repairing dams. While the federal government committed 65% of the estimated \$10-12 million in repair costs and DWR offered \$1 million, the town was unable to secure the remaining amount as local match. Repair plans were then suspended. Local match monies would be sourced from local tax revenues, grants, or loans.

Beyond determining whether a dam is "unsafe," DWR may also make a determination that an emergency exists if a dam is dangerous to safety and there is insufficient time to take corrective action. Under that circumstance, rather than granting or loaning monies from the Dam Repair Fund, DWR may take immediate remedial action such as partially releasing water or emptying the associated reservoir. After emergency remedial action is taken, DWR maintains temporary control of the dam and may begin appropriate repair work. The costs of DWR control and emergency repairs are then charged to the dam owner by placing a lien on the dam property.

Table 2

Unsafe Dams by Construction Date

<u>Dam Name</u>	<u>Year Constructed</u>
Colter	1908
Leslie Canyon Water Users Association	N/A
Fredonia	1973
Walnut Canyon	1881
Odeil	1978
Central Detention	1948
Stockton Wash	1964
Cook Reservoir	1940
Buckeye Flood Structure #1	1974
Black Canyon	1964
Millett Swale	1958
Fool Hollow	1956
Jacques	1953
Maricopa Road Basin	1995
Green Road Basin	1995

CAPITAL OUTLAY

Capital Outlay

Summary

	FY 2021 APPROVED
BUILDING RENEWAL	
ADOA Building System	22,768,900
ADOT Building System	13,281,700
ABOR Building System	0
SUBTOTAL	36,050,600
INDIVIDUAL PROJECTS	
ADOA Building System	30,000,000
ADOT Building System	454,633,000
ABOR Building System	0
SUBTOTAL	484,633,000
DEBT AND LEASE-PURCHASE FINANCING	
ADOA Leaseback Financing ^{1/}	53,701,800
LOCAL ASSISTANCE	
Phoenix Convention Center ^{2/}	23,997,900
Rio Nuevo District ^{3/}	16,000,000
SUBTOTAL	39,997,900
TOTALS	
ADOA Building System	52,768,900
ADOT Building System	467,914,700
ABOR Building System	0
Other Funding (Lease-Purchase/Local Assistance)	93,699,700
TOTAL - ALL PROJECTS ^{4/}	614,383,300
FUND SOURCES	
General Fund	104,699,700
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	16,000,000
Arizona Correctional Industries Revolving Fund	7,000,000
Department of Corrections Building Renewal Fund	5,464,300
Corrections Fund	4,000,000
Inmate Store Proceeds Fund	2,000,000
Penitentiary Land Fund	2,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,000,000
ADC Special Services Fund	2,000,000
Game and Fish Fund	1,157,900
State Lottery Fund	146,700
State Aviation Fund	31,181,700
State Highway Fund	436,733,000
SUBTOTAL - Other Appropriated Funds	509,683,600
SUBTOTAL - Appropriated Funds	614,383,300
Other Non-Appropriated Funds	952,950,000
Federal Funds	1,033,722,000
TOTAL - ALL SOURCES	2,601,055,300

DESCRIPTION — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, enhance, or make a lease-purchase payment for the state's capital assets, which includes buildings, state parks, prisons, highways, and other facilities. For the purposes of capital management and planning, the state is divided into 3 building systems: the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. In addition, the state makes annual payments for the 2010

Leaseback agreement which was used for operating financing, along with local distributions for the Phoenix Convention Center and the Rio Nuevo District. Capital appropriations are typically made through the Capital Outlay Bill but may be made through other bills as well.

FOOTNOTES

- 1/ This amount was appropriated or allocated by the FY 2021 General Appropriation Act (Laws 2020, Chapter 58, Section 108).
- 2/ This amount was appropriated or allocated by the FY 2021 General Appropriation Act (Laws 2020, Chapter 58, Section 109).
- 3/ This amount was appropriated or allocated by the FY 2021 General Appropriation Act (Laws 2020, Chapter 58, Section 110).
- 4/ Unless otherwise noted, amounts were appropriated by the FY 2021 Capital Outlay Bill (Laws 2020, Chapter 57).

The following amounts are one-time appropriations:

Summary

The budget includes a total of \$614,383,300 from Appropriated Funds in FY 2021. Of the total, \$104,699,700 is from the General Fund and \$509,683,600 is from Other Appropriated Funds. The budget consists of 4 main categories: 1) Building Renewal, 2) Individual Projects, 3) Debt and Lease-Purchase Financing, and 4) Local Assistance.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review. The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by ADOA (or individual agencies within the ADOA Building System that have their own funding source for building renewal), ADOT, and ABOR.

The budget includes total funding of \$36,050,600 in FY 2021 for Building Renewal, which consists of Other Appropriated Funds. These amounts include:

	<u>FY 2021</u>
Arizona Department of Administration	\$16,000,000
Capital Outlay Stabilization Fund	
@ 32.6% (excludes ADC,	
Game and Fish, Lottery buildings)	
Department of Corrections	
ADC Building	5,464,300
Renewal Fund @ 20.4%	
Game and Fish Department	
Game and Fish Fund @ 100%	1,157,900
State Lottery Commission	
State Lottery Fund @ 100%	<u>146,700</u>
Subtotal - ADOA	\$22,768,900
Arizona Department of Transportation	
State Highway Fund @ 91.0%	\$13,000,000
State Aviation Fund @ 94.1%	<u>281,700</u>
Subtotal - ADOT	\$13,281,700

(See the individual building systems' section for more information.)

Individual Projects

The budget includes total funding of \$484,633,000 in FY 2021 for individual capital projects, which consists of \$11,000,000 from the General Fund and \$473,633,000 from Other Appropriated Funds. *(See the individual building systems' sections for more information.)*

Debt and Lease-Purchase Financing

The budget includes \$53,701,800 from the General Fund in FY 2021 for payments related to prior year lease-purchase financing to resolve budget shortfalls. *(See the Debt and Lease-Purchase Financing section for more information.)*

Local Assistance

The budget includes \$39,997,900 from the General Fund in FY 2021 for the state's share of the long term financing for the Phoenix Convention Center and the Rio Nuevo Multipurpose Facilities District. *(See the Local Assistance section for more information.)*

Capital Outlay

Arizona Department of Administration Building System

FY 2021
APPROVED

BUILDING RENEWAL

Department of Administration ^{1/2/}	16,000,000
Department of Corrections ^{3/}	5,464,300
Game and Fish Department ^{4/}	1,157,900
Arizona State Lottery Commission	146,700
SUBTOTAL ^{5/6/}	22,768,900

INDIVIDUAL PROJECTS

Department of Corrections

Lewis/Yuma Locks, Fire, HVAC ^{7/8/}	30,000,000
TOTAL - ALL PROJECTS	52,768,900

FUND SOURCES

General Fund	11,000,000
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	16,000,000
Arizona Correctional Industries Revolving Fund	7,000,000
Department of Corrections Building Renewal Fund	5,464,300
Corrections Fund	4,000,000
Inmate Store Proceeds Fund	2,000,000
Penitentiary Land Fund	2,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,000,000
ADC Special Services Fund	2,000,000
Game and Fish Fund	1,157,900
State Lottery Fund	146,700
SUBTOTAL - Other Appropriated Funds	41,768,900
SUBTOTAL - Appropriated Funds	52,768,900
TOTAL - ALL SOURCES ^{9/10/11/12/13/}	52,768,900

DESCRIPTION — The Arizona Department of Administration (ADOA) Building System is comprised of all state agencies except the Arizona Board of Regents (ABOR) and the Arizona Department of Transportation. Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system. The following amounts for FY 2021 are for projects within the ADOA Building System. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

FOOTNOTES

- ^{1/} The department of administration shall allocate the monies to state agencies for necessary building renewal. If monies in the capital outlay stabilization fund established by section 41-792.01, Arizona Revised Statutes, are insufficient to fund the appropriation to the department of administration for building renewal, the appropriation to the department of administration is reduced by the difference between the amount appropriated to the department of administration from the capital outlay stabilization fund and the balance in the capital outlay stabilization fund. (Capital Outlay Appropriation Act footnote)
- ^{2/} On or before January 31, 2021 and July 31, 2021, the department of administration shall report to the joint legislative budget committee staff on the status of all capital projects and capital expenditures. (Capital Outlay Appropriation Act footnote)
- ^{3/} On or before January 31, 2021 and July 31, 2021, the state department of corrections shall report to the joint legislative budget committee staff on the status of all capital projects and capital expenditures. The department may not spend any of this appropriation on personal services or overhead expenses related to managing the funded projects. (Capital Outlay Appropriation Act footnote)

- 4/ On or before January 31, 2021 and July 31, 2021, the Arizona game and fish department shall report to the joint legislative budget committee staff on the status of all capital projects and capital expenditures. (Capital Outlay Appropriation Act footnote)
- 5/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2020-2021 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with title 41, chapter 4, article 7, Arizona Revised Statutes. Of the amount appropriated to the department of administration, up to \$275,000 in personal services and employee-related expenditures for up to five FTE positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section may not be spent for personal services or employee-related expenditures or for maintenance contracts on building components and equipment without review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 6/ Notwithstanding section 35-190, Arizona Revised Statutes, each appropriation made in this section that is unexpended on June 30, 2022 reverts to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 7/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation made in subsection A of this section that is unexpended on June 30, 2022 reverts to the funds from which the monies were appropriated.
- 8/ Before spending the appropriation made in subsection A of this section, the state department of corrections shall submit the scope, purpose and estimated cost of the capital improvements to the joint committee on capital review for its review pursuant to section 41-1252, Arizona Revised Statutes.
- 9/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$3,759,000 to the department of emergency and military affairs for construction of a readiness center made by Laws 2018, chapter 277, section 8 that remains unexpended on June 30, 2022 reverts to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 10/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$3,875,000 to the department of emergency and military affairs for construction of a readiness center made by Laws 2019, chapter 264, section 6 that remains unexpended on June 30, 2023 reverts to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 11/ Pursuant to section 41-1252, Arizona Revised Statutes, the joint committee on capital review shall review the scope, purpose and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- 12/ Unless otherwise specified, the monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- 13/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

Unless otherwise specified, funding for capital projects is appropriated by Laws 2020, Chapter 57 (FY 2021 Capital Outlay Bill).

Building Renewal

The budget includes \$22,768,900 from Other Appropriated Funds in FY 2021 for Building Renewal within the ADOA Building System. These amounts consist of:

- \$16,000,000 to ADOA from the Capital Outlay Stabilization Fund (COSF). This amount funds 32.6% of the ADOA building renewal formula. The FY 2020 appropriation of \$17,000,000 from COSF represented 33.9% of the ADOA formula.
- \$5,464,300 to the Arizona Department of Corrections (ADC) from the ADC Building Renewal Fund, which funds 20.4% of the ADC building renewal formula. This amount includes a decrease of \$(1,400,000) from

FY 2020, as that level of spending included one-time monies from the fund balance. The FY 2020 appropriation of \$6,864,300 from the ADC Building Renewal Fund represented 28.3% of the ADC formula.

- \$1,157,900 to Arizona Game and Fish Department from the Game and Fish Fund which funds 100% of the Game and Fish building renewal formula. The FY 2020 appropriation of \$1,043,700 from the Game and Fish Fund also represented 100% of the Game and Fish formula.
- \$146,700 to the Arizona State Lottery Commission from the State Lottery Fund, which funds 100% of the Lottery building renewal formula. The FY 2020 appropriation of \$134,100 from the State Lottery Fund also represented 100% of the Lottery building renewal formula.

Building renewal appropriations to the Department of Administration are used for major maintenance and repair

activities for state buildings. The budget continues a footnote allowing up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed.

The budget continues the footnote requiring that unused building renewal monies revert after 2 fiscal years at the end of FY 2021.

Individual Projects

Arizona Department of Corrections Lewis/Yuma Locks, Fire, HVAC

The budget includes \$30,000,000 in FY 2021 to continue the replacement and upgrades of locking, fire and HVAC systems at select units in the Lewis and Yuma prison complexes. This amount consists of:

	<u>FY 2021</u>
General Fund	\$11,000,000
Arizona Correctional Industries Revolving Fund	7,000,000
Corrections Fund	4,000,000
Inmate Store Proceeds Fund	2,000,000
Penitentiary Land Fund	2,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,000,000
ADC Special Services Fund	2,000,000

In spring 2019 ADC identified locks, fire alarm and suppression systems and HVAC systems in Lewis and Yuma prison complexes that need replacement and allocated \$24.0 million in non-appropriated funds to begin the project. The FY 2021 budget allocated an additional \$30.0 million of appropriated funding (General Fund and Other Funds) for the project. (Please see the [ADC Agency Narrative – Other Issues Section](#) for more information.)

Other Issues

Additional Legislation

Appropriation Non-Lapsing Status

The budget extends the non-lapsing status of the following appropriations:

- The Department of Military and Emergency Affairs (DEMA) FY 2019 appropriation for Tucson Readiness Center from the end of FY 2020 to the end of FY 2022. This change would accommodate the federal award cycle for readiness center projects and allow the department additional time to receive funding for and complete construction of the center.

- The Department of Military and Emergency Affairs (DEMA) FY 2020 appropriation for West Valley Readiness Center from the end of FY 2021 to the end of FY 2023.

Rent Adjustments

In FY 2021, state building rent payments decreased by \$(480,600) which consists of \$(207,700) from the General Fund, \$(217,800) from Other Appropriated Funds, and \$(55,100) from Non-Appropriated Funds. The rent payment reduction is primarily a result the sale of a state building in Kingman. The Department of Economic Security and AHCCCS will relocate to private office space in Kingman.

Changes to the rent payments also reflect changes in rent due to renovations, agency relocations, and agency space consolidation. The FY 2021 budget did not adjust agency budgets for any changes in rental charges.

The budget includes a Summary of Rent Charges as of July 2020, which reflects updated space utilization amounts when applying the current rental rates of state building space (Office - \$17.87 per sq. ft./Storage - \$6.43 per sq. ft.). (Please see [Summary of Rent Charges](#) for additional information.)

Table 1

COSF Revenues and Expenditures (in millions)

	<u>FY 2019</u> <u>Actuals</u>	<u>FY 2020</u> <u>Estimate</u>	<u>FY 2021</u> <u>Estimate</u>
Beginning Balance	\$8.5	\$17.7	\$6.7
Revenue	<u>30.4</u>	<u>33.4</u>	<u>34.7</u>
Total Available	\$38.9	\$51.1	\$41.4
Expenditures			
COSF Operating	\$14.3	\$18.5	\$18.5
Capital Projects			
FY '18 Building Renewal	1.2	0	0
FY '19 Building Renewal	4.6	7.4	0
FY '20 Building Renewal ^{1/}	0	17.0	0
FY '21 Building Renewal ^{1/}	0	0	16.0
Department of Health Services	0.2	0	0
Admin. Adjustments	<u>0.9</u>	<u>1.5</u>	<u>0</u>
Total Expenditures	\$21.2	44.4	\$34.5
Ending Balance	\$ 17.7	\$6.7	\$6.9

^{1/} Since ADOA building renewal appropriations do not lapse for 2 years, monies appropriated in FY 2020 and FY 2021 may also be spent in the preceding fiscal year.

<i>COSF Balance</i>

COSF primarily receives revenue from rent charges to agencies occupying ADOA owned buildings. The fund is used to pay administrative, utilities, maintenance, and construction costs for state-owned buildings. *Table 1* shows actual balance, revenue, and expenditure information for FY 2019, and provides estimates for FY 2020 and FY 2021.

SUMMARY OF RENT CHARGES 1/ 2/

	Fiscal Year 2020 Appropriations Report				Fiscal Year 2021 Appropriations Report				Difference FY 2021 - FY 2020			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Acupuncture Board of Examiners												
1740 W Adams	-	11,000	-	11,000	-	13,000	-	13,000	-	2,000	-	2,000
Administration, AZ Department of												
1510 W Adams	-	-	-	-	-	-	-	-	-	-	-	-
1520 W Adams	-	-	-	-	-	-	-	-	-	-	-	-
1537 W Jackson	-	118,200	-	118,200	-	118,200	-	118,200	-	-	-	-
1616 W Adams	-	86,500	-	86,500	-	105,600	-	105,600	-	19,100	-	19,100
1802 W Jackson	-	24,000	59,500	83,500	-	24,000	59,500	83,500	-	-	-	-
1840 W Jackson	-	87,800	-	87,800	-	87,800	-	87,800	-	-	-	-
1850 W Jackson	-	60,600	-	60,600	-	60,600	-	60,600	-	-	-	-
1700 W Washington	-	159,000	-	159,000	-	159,000	-	159,000	-	-	-	-
1740 W Adams	-	36,100	-	36,100	-	45,000	-	45,000	-	8,900	-	8,900
1501 W Madison	-	82,400	-	82,400	-	82,400	-	82,400	-	-	-	-
1801 W Madison	-	29,200	-	29,200	-	29,200	-	29,200	-	-	-	-
1805 W Madison	-	33,800	-	33,800	-	33,800	-	33,800	-	-	-	-
400 W Congress, Tucson	-	65,100	-	65,100	-	65,000	-	65,000	-	(100)	-	(100)
402 W Congress, Tucson	-	77,300	-	77,300	-	77,300	-	77,300	-	-	-	-
416 W Congress, Tucson	-	3,800	-	3,800	-	3,800	-	3,800	-	-	-	-
Subtotal - AZ Dept of Administration	-	863,800	59,500	923,300	-	891,700	59,500	951,200	-	27,900	-	27,900
Administrative Hearings, Office of												
1740 W Adams	92,700	-	117,900	210,600	86,500	-	110,000	196,500	(6,200)	-	(7,900)	(14,100)
African American Affairs, AZ Commission of												
1700 W Washington	8,100	-	-	8,100	8,100	-	-	8,100	-	-	-	-
Agriculture, AZ Department of												
1688 W Adams	299,700	-	337,900	637,600	299,700	-	337,900	637,600	-	-	-	-
400 W Congress, Tucson	48,400	-	7,200	55,600	48,400	-	7,200	55,600	-	-	-	-
Subtotal - AZ Dept of Agriculture	348,100	-	345,100	693,200	348,100	-	345,100	693,200	-	-	-	-
AZ Health Care Cost Containment System												
Kingman Building	9,100	-	9,200	18,300	(100)	-	-	-	(9,200)	-	(9,200)	(18,300)
Arts, AZ Commission on the												
417 W Roosevelt	-	-	67,900	67,900	-	-	67,900	67,900	-	-	-	-
Attorney General - Department of Law												
400 W Congress, Tucson	-	-	131,500	131,500	-	-	131,500	131,500	-	-	-	-
402 W Congress, Tucson	170,500	55,400	200,300	426,200	170,500	55,400	200,300	426,200	-	-	-	-
416 W Congress, Tucson	-	-	157,700	157,700	-	-	157,700	157,700	-	-	-	-
Capitol Center	597,400	1,058,200	51,200	1,706,800	597,400	1,058,200	51,200	1,706,800	-	-	-	-
Subtotal - Attorney General - Dept of Law	767,900	1,113,600	540,700	2,422,200	767,900	1,113,600	540,700	2,422,200	-	-	-	-
Barbers, Board of												
1740 W Adams	-	25,000	-	25,000	-	25,000	-	25,000	-	-	-	-
Behavioral Health Examiners, Board of												
1740 W Adams	-	93,700	-	93,700	-	72,100	-	72,100	-	(21,600)	-	(21,600)
Charter Schools, State Board for												
1616 W Adams	96,300	-	-	96,300	96,300	-	-	96,300	-	-	-	-
Child Safety, Department of												
Kingman Building	113,700	-	-	113,700	-	-	-	-	(113,700)	-	-	(113,700)
400 W Congress, Tucson	33,200	-	-	33,200	33,200	-	-	33,200	-	-	-	-
Capitol Center	291,300	-	-	291,300	291,300	-	-	291,300	-	-	-	-
Subtotal - Department of Child Safety	438,200	-	-	438,200	324,500	-	-	324,500	(113,700)	-	-	(113,700)
Chiropractic Examiners, State Board of												
1740 W Adams	-	23,300	-	23,300	-	26,900	-	26,900	-	3,600	-	3,600
Citizens Clean Elections Commission												
1616 W Adams	-	-	74,200	74,200	-	-	74,200	74,200	-	-	-	-

	Fiscal Year 2020 Appropriations Report				Fiscal Year 2021 Appropriations Report				Difference FY 2021 - FY 2020			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Contractors, Registrar of												
400 W Congress, Tucson	-	49,300	2,600	51,900	-	49,300	2,600	51,900	-	-	-	-
1700 W Washington	-	367,300	19,300	386,600	-	335,300	17,600	352,900	-	(32,000)	(1,700)	(33,700)
Subtotal - Registrar of Contractors	-	416,600	21,900	438,500	-	384,600	20,200	404,800	-	(32,000)	(1,700)	(33,700)
Corporation Commission												
1200 W Washington	-	721,600	-	721,600	-	721,600	-	721,600	-	-	-	-
1300 W Washington	-	963,000	-	963,000	-	955,300	-	955,300	-	(7,700)	-	(7,700)
400 W Congress, Tucson	4,600	68,000	4,600	77,200	4,600	68,000	4,600	77,200	-	-	-	-
Subtotal - Corporation Commission	4,600	1,752,600	4,600	1,761,800	4,600	1,744,900	4,600	1,754,100	-	(7,700)	-	(7,700)
Corrections, State Department of												
1601 W Jefferson	1,024,500	-	-	1,024,500	1,024,600	-	-	1,024,600	100	-	-	100
1645 W Jefferson	913,100	-	-	913,100	913,100	-	-	913,100	-	-	-	-
1831 W Jefferson	363,700	-	-	363,700	363,700	-	-	363,700	-	-	-	-
Subtotal - State Dept of Corrections	2,301,300	-	-	2,301,300	2,301,400	-	-	2,301,400	100	-	-	100
Cosmetology, Board of												
1740 W Adams	-	124,800	-	124,800	-	116,200	-	116,200	-	(8,600)	-	(8,600)
Dental Examiners, State Board of												
1740 W Adams	-	51,500	-	51,500	-	56,100	-	56,100	-	4,600	-	4,600
Economic Security, Department of												
1624 W Adams	60,600	-	98,800	159,400	60,600	-	98,800	159,400	-	-	-	-
1700 W Washington	6,500	-	19,500	26,000	6,500	-	19,500	26,000	-	-	-	-
1789 W Jefferson (DES West)	1,897,200	466,500	746,400	3,110,100	1,888,300	464,300	742,900	3,095,600	(8,900)	(2,200)	(3,500)	(14,500)
Kingman Building	32,800	127,600	32,800	193,200	-	100	-	-	(32,800)	(127,500)	(32,800)	(193,200)
400 W Congress, Tucson	129,900	311,800	207,800	649,500	129,900	311,800	207,800	649,500	-	-	-	-
DES Group Homes	190,100	273,300	-	463,400	190,100	273,300	-	463,400	-	-	-	-
Capitol Center	144,900	32,600	26,500	204,000	144,900	32,600	26,500	204,000	-	-	-	-
Subtotal - Department of Economic Security	2,462,000	1,211,800	1,131,800	4,805,600	2,420,300	1,082,100	1,095,500	4,597,900	(41,700)	(129,700)	(36,300)	(207,700)
Education, Department of												
1535 W Jefferson	474,300	131,800	711,500	1,317,600	474,300	131,800	711,500	1,317,600	-	-	-	-
416 W Congress, Tucson	-	10,400	105,600	116,000	-	10,400	105,600	116,000	-	-	-	-
Subtotal - Department of Education	474,300	142,200	817,100	1,433,600	474,300	142,200	817,100	1,433,600	-	-	-	-
Education, State Board of												
1535 W Jefferson	43,200	-	-	43,200	42,900	-	-	42,900	(300)	-	-	(300)
1700 W Washington	74,100	-	-	74,100	74,100	-	-	74,100	-	-	-	-
Subtotal - State Board of Education	117,300	-	-	117,300	117,000	-	-	117,000	(300)	-	-	(300)
Emergency and Military Affairs, Department of												
400 W Congress St	8,000	-	-	8,000	8,000	-	-	8,000	-	-	-	-
Environmental Quality, Department of												
400 W Congress, Tucson	-	162,000	-	162,000	-	162,000	-	162,000	-	-	-	-
416 W Congress, Tucson	-	7,200	-	7,200	-	7,200	-	7,200	-	-	-	-
Subtotal - Dept. of Environmental Quality	-	169,200	-	169,200	-	169,200	-	169,200	-	-	-	-
Equalization, State Board of												
400 W Congress, Tucson	27,100	-	-	27,100	27,100	-	-	27,100	-	-	-	-
416 W Congress, Tucson	2,000	-	-	2,000	2,000	-	-	2,000	-	-	-	-
Subtotal - Board of Equalization	29,100	-	-	29,100	29,100	-	-	29,100	-	-	-	-
Executive Clemency, Board of												
1645 W Jefferson	116,700	-	-	116,700	117,700	-	-	117,700	1,000	-	-	1,000
Funeral Directors & Embalmers, State Board of												
1740 W Adams	-	19,500	-	19,500	-	19,600	-	19,600	-	100	-	100
Gaming, Department of												
400 W Congress, Tucson	-	19,200	-	19,200	-	19,200	-	19,200	-	-	-	-
Governor, Office of the												
1700 W Washington	858,700	-	-	858,700	858,700	-	-	858,700	-	-	-	-
1700 W Washington (Office of Highway Safety)	-	-	100,800	100,800	-	-	100,800	100,800	-	-	-	-
400 W Congress, Tucson	41,000	-	-	41,000	41,000	-	-	41,000	-	-	-	-
Subtotal - Office of the Governor	899,700	-	100,800	1,000,500	899,700	-	100,800	1,000,500	-	-	-	-

	Fiscal Year 2020 Appropriations Report				Fiscal Year 2021 Appropriations Report				Difference FY 2021 - FY 2020			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Gov's Ofc of Strategic Planning & Budgeting												
1700 W Washington	178,500	-	-	178,500	178,500	-	-	178,500	-	-	-	-
Health Services, Department of												
1740 W Adams	5,200	-	-	5,200	4,800	-	-	4,800	(400)	-	-	(400)
1818 W Adams	286,400	-	-	286,400	286,400	-	-	286,400	-	-	-	-
400 W Congress, Tucson	183,600	-	-	183,600	183,600	-	-	183,600	-	-	-	-
402 W Congress, Tucson	4,500	-	-	4,500	4,500	-	-	4,500	-	-	-	-
Subtotal - Department of Health Services	479,700	-	-	479,700	479,300	-	-	479,300	(400)	-	-	(400)
Homeland Security, AZ Dept of												
1700 W Washington	-	-	181,900	181,900	-	-	181,900	181,900	-	-	-	-
Homeopathic & Integrated Medicine Examiners, Board of												
1740 W Adams	-	11,100	-	11,100	-	3,800	-	3,800	-	(7,300)	-	(7,300)
Insurance and Financial Institutions, Department of												
1919 W Jefferson	-	-	5,400	5,400	-	-	5,400	5,400	-	-	-	-
Judiciary - Court of Appeals												
400 W Congress, Tucson	520,500	-	-	520,500	520,100	-	-	520,100	(400)	-	-	(400)
Judiciary - Supreme Court												
1501 W Washington	3,906,900	-	-	3,906,900	3,906,900	-	-	3,906,900	-	-	-	-
400 W Congress, Tucson	114,700	-	-	114,700	114,500	-	-	114,500	(200)	-	-	(200)
Subtotal - Supreme Court	4,021,600	-	-	4,021,600	4,021,400	-	-	4,021,400	(200)	-	-	(200)
Subtotal - Judiciary	4,542,100	-	-	4,542,100	4,541,500	-	-	4,541,500	(600)	-	-	(600)
Juvenile Corrections, Department of												
1624 W Adams	498,100	-	-	498,100	498,100	-	-	498,100	-	-	-	-
Land Department, State												
1616 W Adams	1,065,100	-	-	1,065,100	1,065,100	-	-	1,065,100	-	-	-	-
Liquor Licenses and Control, Department of												
402 W Congress, Tucson	-	16,000	-	16,000	-	16,000	-	16,000	-	-	-	-
Massage Therapy, Board of												
1740 W Adams	-	28,400	-	28,400	-	29,000	-	29,000	-	600	-	600
Medical Board, AZ												
1740 W Adams	-	228,500	-	228,500	-	211,400	-	211,400	-	(17,100)	-	(17,100)
Mine Inspector, State												
1700 W Washington	102,600	-	-	102,600	102,600	-	-	102,600	-	-	-	-
Naturopathic Physicians Medical Board												
1740 W Adams	-	12,900	-	12,900	-	11,000	-	11,000	-	(1,900)	-	(1,900)
Navigable Stream Adjudication Commission, AZ												
1700 W Washington	13,700	-	-	13,700	13,700	-	-	13,700	-	-	-	-
Nursing, State Board of												
1740 W Adams	-	229,300	-	229,300	-	190,800	-	190,800	-	(38,500)	-	(38,500)
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.												
1740 W Adams	-	21,700	-	21,700	-	24,000	-	24,000	-	2,300	-	2,300
Occupational Therapy Examiners, State Board of												
1740 W Adams	-	12,900	-	12,900	-	13,100	-	13,100	-	200	-	200
Opticians, State Board of Dispensing												
1740 W Adams	-	12,100	-	12,100	-	12,100	-	12,100	-	-	-	-
Optometry, State Board of												
1740 W Adams	-	13,900	-	13,900	-	13,900	-	13,900	-	-	-	-
Osteopathic Examiners in Medicine and Surgery, AZ Board of												
1740 W Adams	-	34,500	-	34,500	-	39,600	-	39,600	-	5,100	-	5,100
Parks Board, AZ State												
1100 W Washington	-	-	65,200	65,200	-	-	65,200	65,200	-	-	-	-
Personnel Board												
1740 W Adams	-	12,900	-	12,900	-	12,900	-	12,900	-	-	-	-
Pharmacy, AZ State Board of												
1616 W Adams	-	161,000	-	161,000	-	161,000	-	161,000	-	-	-	-

	Fiscal Year 2020 Appropriations Report				Fiscal Year 2021 Appropriations Report				Difference FY 2021 - FY 2020			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Physical Therapy, Board of												
1740 W Adams	-	20,600	-	20,600	-	22,500	-	22,500	-	1,900	-	1,900
Podiatry Examiners, State Board of												
1740 W Adams	-	10,900	-	10,900	-	11,000	-	11,000	-	100	-	100
Private Postsecondary Education, State Board for												
1740 W Adams	-	21,300	5,600	26,900	-	21,300	5,600	26,900	-	-	-	-
Psychologist Examiners, State Board of												
1740 W Adams	-	22,100	-	22,100	-	22,500	-	22,500	-	400	-	400
Public Safety, Department of												
14 N 18th Avenue	-	42,400	-	42,400	-	42,400	-	42,400	-	-	-	-
1700 W Washington	67,600	17,600	18,600	103,800	67,600	17,600	18,600	103,800	-	-	-	-
400 W Congress, Tucson	14,800	3,800	4,100	22,700	14,800	3,800	4,100	22,700	-	-	-	-
Subtotal - Department of Public Safety	82,400	63,800	22,700	168,900	82,400	63,800	22,700	168,900	-	-	-	-
Respiratory Care Examiners, Board of												
1740 W Adams	-	17,100	-	17,100	-	17,500	-	17,500	-	400	-	400
Revenue, Department of												
402 W Congress, Tucson	97,000	145,600	-	242,600	97,000	145,600	-	242,600	-	-	-	-
1600 W Monroe	1,242,500	1,863,800	-	3,106,300	1,242,500	1,863,800	-	3,106,300	-	-	-	-
Subtotal - Department of Revenue	1,339,500	2,009,400	-	3,348,900	1,339,500	2,009,400	-	3,348,900	-	-	-	-
Rio Nuevo Board												
400 W Congress, Tucson	-	-	15,300	15,300	-	-	15,300	15,300	-	-	-	-
School Facilities Board												
1700 W Washington	148,600	-	-	148,600	148,600	-	-	148,600	-	-	-	-
Secretary of State - Dept of State												
1700 W Washington	502,700	-	-	502,700	502,700	-	-	502,700	-	-	-	-
400 W Congress, Tucson	8,300	-	-	8,300	8,300	-	-	8,300	-	-	-	-
Polly Rosenbaum Building	2,176,300	-	-	2,176,300	2,139,600	-	-	2,139,600	(36,700)	-	-	(36,700)
Subtotal - Secretary of State - Dept of State	2,687,300	-	-	2,687,300	2,650,600	-	-	2,650,600	(36,700)	-	-	(36,700)
Transportation, Department of												
Capitol Center	-	124,400	-	124,400	-	124,400	-	124,400	-	-	-	-
Treasurer, State												
1700 W Washington	-	193,000	-	193,000	-	193,000	-	193,000	-	-	-	-
Tribal Relations, Governor's Office on												
1700 W Washington	18,000	-	-	18,000	18,000	-	-	18,000	-	-	-	-
Veterinary Medical Examining Board, AZ State												
1740 W Adams	-	36,600	-	36,600	-	34,000	-	34,000	-	(2,600)	-	(2,600)
Water Resources, Department of												
1802 W Jackson	33,800	-	-	33,800	33,800	-	-	33,800	-	-	-	-
GRAND TOTAL	19,362,800	9,352,200	3,586,800	32,301,800	19,155,100	9,134,400	3,531,700	31,821,200	(207,700)	(217,800)	(55,100)	(480,600)

1/ Reflects rental charges to agencies as of July 2020 with rental rates enacted by Laws 2020, Chapter 56, Section 5, with an office square footage rental rate of \$17.87 and storage square footage rental rate of \$6.43.

2/ Pursuant to A.R.S. § 41-792.01, agencies occupying state-owned buildings shall pay the higher of the amount reported [herein] by the Joint Legislative Budget Committee or the pro rata share based on actual occupancy.

Capital Outlay

Arizona Department of Transportation Building System

FY 2021
APPROVED

BUILDING RENEWAL

ADOT Building Renewal ^{1/2/3/}

13,281,700

SUBTOTAL

13,281,700

INDIVIDUAL PROJECTS ^{4/}

Airport Planning and Development ^{5/6/7/}

30,900,000

Controlled Access Highways ^{5/8/}

120,983,000

Debt Service ^{5/8/}

151,197,000

Interstate 17, Anthem to Sunset Point ^{5/}

45,000,000

Statewide Highway Construction ^{5/8/}

106,553,000

SUBTOTAL

454,633,000

TOTAL - ALL PROJECTS ^{9/10/11/12/13/}

467,914,700

FUND SOURCES

Other Appropriated Funds

State Aviation Fund

31,181,700

State Highway Fund

436,733,000

SUBTOTAL - Other Appropriated Funds

467,914,700

SUBTOTAL - Appropriated Funds

467,914,700

Other Non-Appropriated Funds

952,950,000

Federal Funds

1,033,722,000

TOTAL - ALL SOURCES

2,454,586,700

DESCRIPTION — The Arizona Department of Transportation (ADOT) Building System includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission.

FOOTNOTES

- ^{1/} Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2020-2021 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with title 41, chapter 4, article 7, Arizona Revised Statutes. Of the amount appropriated to the department of administration, up to \$275,000 in personal services and employee-related expenditures for up to five FTE positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section may not be spent for personal services or employee-related expenditures or for maintenance contracts on building components and equipment without review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- ^{2/} Notwithstanding section 35-190, Arizona Revised Statutes, each appropriation made in this section that is unexpended on June 30, 2022 reverts to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- ^{3/} On or before January 31, 2021 and July 31, 2021, the department of transportation shall report to the joint legislative budget committee staff on the status of all nonhighway construction capital projects and nonhighway construction capital expenditures. (Capital Outlay Appropriation Act footnote)
- ^{4/} Pursuant to section 41-1252, Arizona Revised Statutes, the joint committee on capital review shall review the scope, purpose and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- ^{5/} The appropriation made in subsection A of this section does not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)
- ^{6/} The sum of \$30,900,000 is appropriated from the state aviation fund established by section 28-8202, Arizona Revised Statutes, in fiscal year 2020-2021 to the department of transportation to plan, construct, develop and improve state,

county, city or town airports as determined by the state transportation board. Any balances and collections in the state aviation fund that exceed the specific amounts appropriated in the general appropriations act and in this act are appropriated to the department of transportation in fiscal year 2020-2021 for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)

- 7/ On or before December 31, 2020, the department of transportation shall report to the joint legislative budget committee staff on the status of all aviation grant awards and aviation grant distributions. The report shall delineate projects by individual airport and fiscal year, including any future year commitments. (Capital Outlay Appropriation Act footnote)
- 8/ The sum of \$378,733,000 is appropriated from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2020-2021 to the department of transportation to plan and construct state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, to acquire rights-of-way and to provide for the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the state highway fund that exceed the specific amounts appropriated in the general appropriations act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- 9/ On or before November 1, 2020, the department of transportation shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The report shall be in the same format as in the prior year unless modifications have been approved by the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting. (Capital Outlay Appropriation Act footnote)
- 10/ On or before November 1, 2020, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2021-2022 and the estimated debt service payment amount for each of fiscal years 2021-2022, 2022-2023, 2023-2024 and 2024-2025 to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting. This report shall include state highway fund statewide construction bonds, Arizona highway user revenue fund bonds, Maricopa association of governments and Pima association of governments controlled access bonds, Maricopa regional area road fund bonds and grant anticipation notes and is intended to be comparable to the information in the fiscal year 2019-2020 appropriations report. (Capital Outlay Appropriation Act footnote)
- 11/ On or before November 1, 2020, the department of transportation shall report capital outlay information for fiscal years 2019-2020, 2020-2021 and 2021-2022 to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting. This information shall appear in the same format as tables two, three and six, as found in the fiscal year 2019-2020 appropriations report. (Capital Outlay Appropriation Act footnote)
- 12/ Unless otherwise specified, the monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- 13/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Unless otherwise specified, funding for capital projects is appropriated by Laws 2020, Chapter 57 (FY 2021 Capital Outlay Bill).

Building Renewal

Building Renewal

The budget includes \$13,281,700 in FY 2021 for Building Renewal within ADOT's Building System. This amount consists of \$13,000,000 from the State Highway Fund (SHF) and \$281,700 from the State Aviation Fund (SAF). The SHF amount is for the ADOT Building System and the State Aviation amount is for the Grand Canyon Airport.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The formula

is based on the square footage and replacement cost of existing buildings. The amounts represent 91% funding of the highway building renewal formula and 94.1% funding of the aviation building renewal formula. The FY 2020 budget appropriated the same amount, which represented 93.5% funding of the highway building renewal formula and 100% funding of the aviation building renewal formula.

A footnote in the Capital Outlay Bill requires ADOT to biannually report on the status of all nonhighway construction capital projects, including building renewal projects and individual projects such as maintenance facility upgrades described in the Individual Projects section. The FY 2021 budget did not include any individual non-highway, non-aviation ADOT projects.

Individual Projects

Airport Planning and Development

The budget includes \$30,900,000 from the State Aviation Fund (SAF) in FY 2021 for ADOT's airport capital improvement program. Fund revenues are generated from the jet fuel tax and Grand Canyon Airport operational revenues. This amount corresponds to the programmed amount in the department's FY 2020-2024 Airport Capital Improvement Program (ACIP). ADOT develops an annual Five-Year ACIP to program airport planning and development monies, subject to the approval of the State Transportation Board. By aligning the airport planning and development appropriation with the programmed amount, the appropriation reflects the amount ADOT plans to award.

Controlled Access Highways

The budget includes an estimated urban freeway controlled access funding level of \$120,983,000 from SHF in FY 2021. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%. These amounts are deposited into 4 subaccounts of the SHF: the MAG 12.6% account, MAG 2.6% account, PAG 12.6% account, and PAG 2.6% account. The 12.6% accounts refer to the statutory HURF distribution and the 2.6% accounts refer to the State Transportation Board policy amount. ADOT spends these amounts as programmed by MAG and PAG.

Debt Service

The budget includes \$151,197,000 from SHF in FY 2021 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,198,519,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2021 debt service payments. *(Please see Table 5 for more information on debt service.)*

Interstate 17, Anthem to Sunset Point

The budget includes \$45,000,000 from SHF in FY 2021 to continue funding a project to expand capacity on Interstate 17 from Anthem to Sunset Point. The overall \$323,000,000 project consists of 2 main parts: 1) Widen Interstate 17 from 2 lanes to 3 lanes between Anthem and Black Canyon City and 2) Add flex lanes on the southbound alignment from Black Canyon City to Sunset Point with crossovers to and from the northbound alignment. With \$193,000,000 in half-cent sales tax monies and Federal Funds committed from MAG and ADOT, respectively, the FY 2020 Capital Outlay Bill appropriated \$130,000,000 over 3 years as follows: \$40,000,000 in FY 2020, \$45,000,000 in FY 2021, and \$45,000,000 in FY 2022. As a result, these monies did not appear in the FY 2021 Capital Outlay Bill.

Statewide Highway Construction

The budget includes \$106,553,000 from SHF in FY 2021 for controlled access, debt service on bonds, and new construction. Only a small portion of the state's total \$2,231,000,000 highway construction funding is appropriated. Other monies available for highway construction include beginning balances and bond revenues from SHF, Federal Funds, the Maricopa Regional Area Road Fund (MRARF), and HURF for controlled access roads. *(See the Total Highway Construction Funding discussion and Table 5 in Other Issues for additional information.)* A footnote in the FY 2021 budget appropriates any additional monies in SHF above the appropriation to ADOT for highway construction.

Expenditure of highway construction funding is determined by the State Transportation Board, which approves a 5-Year Program developed by ADOT.

Highway construction monies represent the amount that is available for the discretionary SHF to fund the State Transportation Board's 5-Year Program after all other allocations have been made. *(Please see the Summary of Highway Construction section and Table 6 for more information.)*

Table 1 shows the allocation of the highway construction budget prior to ADOT operating and capital issues and statewide adjustments, which reduces the level of available construction funding. As displayed in Table 1, the enacted budget assumed \$106,553,000 from the SHF in FY 2021 for highway construction. This amount is then adjusted for the following issues:

- \$(8,872,000) to reflect increased SHF usage in the ADOT operating budget for statewide adjustments
- \$12,800,000 to reflect a net increase in SHF resources due to the FY 2021 budget not continuing the \$30 million "off the top" local government distribution of HURF monies *(Please see the \$30 Million "Off the Top" Allocation section for additional information.)*

Table 6 displays the HURF distribution analysis, which reflects the net available SHF monies after adjusting for these issues. In FY 2021, \$110,481,000 of net SHF monies will be available for statewide highway construction in FY 2021 rather than \$106,553,000. Additionally, not including the \$30 million "off the top" local government distribution will result in \$123,146,000 of controlled access funding in FY 2021 rather than \$120,983,000. *(Please see the \$30 Million "Off the Top" Allocation section and Table 6 for additional information.)*

As noted in the HURF distribution table *(please see Table 6)*, an additional amount of \$244,780,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2021. The

Statewide Transportation Acceleration Account (STAN) is estimated to have a depleted balance.

Table 1

**State Highway Fund
FY 2021 Highway Construction & Debt Service**

	<u>Capital Outlay Bill</u>
Controlled Access	\$ 120,983,000
Debt Service	151,197,000
Highway Construction	<u>106,553,000</u>
Total	\$378,733,000

Other Issues

Summary of Non-Appropriated Capital Funds

Table 2 provides a summary of non-appropriated capital expenditures. Non-appropriated capital expenditures are expected to grow from \$1.3 billion in FY 2019 to \$1.4 billion in FY 2020 and level at \$2.0 billion in FY 2021.

Table 2

**Non-Appropriated Capital Fund Expenditures
(\$ in Thousands)**

	<u>FY 2019 Actual</u>	<u>FY 2020 Estimate</u>	<u>FY 2021 Estimate</u>
Aviation Federal Funds	\$1,302	\$1,713	\$4,458
Federal Grants	<u>632,223</u>	<u>873,791</u>	<u>1,029,264</u>
Subtotal - Federal Funds	\$633,525	\$875,504	\$1,033,722
Bond Proceeds	\$328,718	\$66,572	\$331,635
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	6,531	20,463	16,501
Maricopa Regional Area Road Fund	310,187	441,701	603,814
Subtotal - Other Non- Appropriated Funds	\$646,436	\$529,736	\$952,950
Total	\$1,279,961	\$1,405,240	\$1,986,672

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2021 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 2.

Summary of Highway Construction

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the board on June 24, 2019 includes monies from SHF, Federal Funds, MRARF, SHF for controlled access roads, and bond

Table 3

**State Highway Fund
Highway Construction Projects Beginning in FY 2021
(\$ in Thousands)**

	<u>FY 2021 ^{1/}</u>
Construction	\$175,638
Urban Controlled Access ^{2/}	559,604
Pavement Preservation Maintenance	316,949
Other ^{3/}	<u>40,794</u>
Total	\$1,092,985

^{1/} Data from ADOT's 2020-2024 5-Year Transportation Facilities Construction Program.

^{2/} Includes expenditures from SHF for controlled access, PAG, and MRARF.

^{3/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

revenues. The highway construction program adopted by the State Transportation Board totals \$1,092,985,000 for FY 2021. (Please see Table 3 for additional details.)

Total Highway Construction Funding

Only a small portion of the state's total highway construction funding is appropriated. The FY 2021 budget includes \$378,733,000 for highway construction, including \$106,553,000 of net SHF monies for statewide highway construction, prior to other adjustments as described above.

Table 5 summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2019 through FY 2021 on a cash flow basis, as provided by ADOT. Table 3, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it only shows the total dollar cost of highway projects scheduled to begin in FY 2021 by category of construction. Table 5 also includes monies from the Local Agency Deposits Fund, while Table 3 does not.

For FY 2019, Table 5 shows that total cash highway construction expenditures were \$1.1 billion while \$317.6 million was spent on debt service. In FY 2020, total estimated cash highway construction expenditures are \$1.5 billion with total debt service of \$316 million. In FY 2021, total estimated cash highway construction expenditures are \$1.8 billion with total debt service of \$387.1 million.

The major sources of highway construction funding are SHF, Federal Aid, the half-cent sales tax in Maricopa County (MRARF), bond proceeds, and the Local Agency Deposits Fund. The Local Agency Deposits Fund receives monies from the federal government and local agencies for the payment of local agency sponsored county secondary road construction projects.

Table 5 does not include highway maintenance spending of \$136.7 million in FY 2019, \$141.7 million in FY 2020, and \$145.2 million in FY 2021. Of the \$387.1 million total FY 2021 debt service amount in Table 5, only \$151.2 million is appropriated.

Highway User Revenue Fund Analysis

HURF consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax (VLT), vehicle registration, driver's license, and others. Table 4 explains the formula distribution of HURF monies between state and local governments. Table 6 presents the overall HURF distribution for FY 2019 through FY 2021. The line in Table 6 showing net SHF Available for Statewide Highway Construction, which totals \$110,481,000 for FY 2021, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, and Miscellaneous Funds available for construction. This line represents the amount that is available from the discretionary SHF to fund the State Transportation Board's 5-Year Program.

Total FY 2019 HURF collections of \$1,520,221,100 were 4.4% above FY 2018 collections. As of May 2020, HURF year-to-date collections were (1.4)% lower than the prior year collections.

The gas tax is the largest source of HURF collections, accounting for 35% of HURF revenue in FY 2019. The average price per gallon of regular gasoline in Arizona is \$2.30 in June 2020, or 64 cents per gallon lower than a year ago, according to the American Automobile Association.

VLT comprises the second largest source of HURF collections at 31%, a percentage which has been increasing in recent years. From FY 2015 to FY 2019, the gas tax share of total collections has decreased by (2.1)% while VLT's share has increased by 2.5%.

ADOT forecasts HURF collections 10 years out each summer using a model based on the state's nominal personal income, population, non-farm employment, fleet fuel efficiency and nominal gas price.

Consequent to the ongoing COVID-19 pandemic and resulting economic impact, actual HURF revenues are likely to differ from the forecast displayed in Table 6. As noted above, HURF revenues YTD through May have declined from FY 2019. ADOT has published a preliminary HURF forecast revision in April, but has decided to wait until September 2020 to publish an official updated forecast on FY 2021 HURF revenues.

Several key indicators suggest that HURF revenues will come under the current projected forecast. Vehicle miles traveled (VMT) have declined in some areas of the state up to 50% in April and May of 2020. May HURF collection data showed a (21.7)% decline in overall revenues, including a year-over-year decline in gas and VLT revenues of (38.1)% and (23.7)% respectively. April HURF collection data showed a (13.5)% decline in overall revenues. The FY 2022 Baseline will provide an updated forecast on HURF revenues for fiscal years FY 2021 and FY 2022.

Table 4

Percentage Distribution of HURF Monies

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	42.8%
Total	100.0%

^{1/} A.R.S. § 28-6538 distributes 50.5% of HURF monies to SHF, with 12.6% of the monies distributed to SHF being allocated to controlled access highways in Maricopa and Pima Counties. The State Transportation Board adds 2.6% by Board Policy to the statutory 12.6%, making a total of 15.2% of SHF monies set aside for controlled access highways (15.2% of 50.5% = 7.7% displayed in the table above). The controlled access monies are divided: 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

\$30 Million "Off the Top" Allocation

Starting in FY 2015, part of the legislative effort to keep local governments "whole" as a result of using HURF monies for DPS was to redirect \$30 million of HURF monies "off the top" of the HURF formula. A provision was included in prior budgets that allocated the \$30,000,000 entirely to local jurisdictions as follows: 33.231% to counties, 48.097% to cities and towns, 5.247% to cities with a population larger than 300,000 individuals, and 13.425% to counties with a population of more than 800,000 individuals.

This distribution among local jurisdictions reflects the same proportions as the current non-state distribution of HURF monies. Since HURF revenues are no longer used for DPS operating expenses, the FY 2021 budget does not continue the \$30 million "off the top" allocation and those monies will now go through the normal distribution process. This will result in an effective increase to the State Highway Fund of \$12.8 million.

Table 5

Highway Construction and Debt Service Expenditures by Fund Source
(\$ in Millions)

<u>Sources</u>	<u>FY 2019 Actual</u>	<u>FY 2020 Estimate</u>	<u>FY 2021 Estimate</u>
State Highway Fund (SHF)			
Appropriated			
HURF - Statewide Debt Service	\$ 99.9	\$ 105.2	\$ 119.1
HURF - MAG Debt Service	43.0	37.6	32.1
MAG/PAG 15.2% Controlled Access - Construction	16.4	305.9	79.8
Net SHF Funds Available for Statewide Highway	25.9	52.0	106.6
Total SHF - Appropriated	\$ 185.2	\$ 500.7	\$ 337.6
Non-Appropriated			
SHF Highway Construction ^{1/}	\$ 0.3	\$ -	\$ -
Total SHF - Non-Appropriated	\$ 0.3	\$ -	\$ -
Total SHF Highway Construction Expenditures	\$ 185.5	\$ 500.7	\$ 337.6
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 632.2	\$ 873.8	\$ 1,029.3
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 104.4	\$ 235.2	\$ 319.0
MRARF Debt Service	149.2	142.3	196.9
Total Maricopa Regional Area Road Fund Highway	\$ 253.6	\$ 377.5	\$ 515.9
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 2.0	\$ 0	\$ 75.5
MRARF - Highway Construction Expenditures	289.2	3.0	180.8
GAN - Highway Construction Expenditures	37.5	63.6	75.4
Total Bond Proceeds Highway Construction	\$ 328.7	\$ 66.6	\$ 331.7
Local Agency Deposits Fund			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	6.5	20.5	16.5
Total Local Agency Deposits Fund Highway	\$ 6.5	\$ 20.5	\$ 16.5
Total Highway Construction Expenditures	\$ 1,406.5	\$ 1,839.1	\$ 2,231.0
Total Debt Service			
SHF	\$ 142.9	\$ 142.8	\$ 151.2
Federal Aid	25.5	30.9	39.0
MRARF	149.2	142.3	196.9
Total Debt Service	\$ 317.6	\$ 316.0	\$ 387.1 ^{2/}
Total Cash Highway Construction Expenditures			
SHF	\$ 42.5	\$ 358.0	\$ 186.5
Federal Aid	606.6	843.0	990.3
MRARF	104.4	235.2	319.0
Bond Proceeds	328.7	66.6	331.6
Local Agency Deposits Fund	6.5	20.5	16.5
Total Cash Highway Construction Expenditures	\$ 1,088.7	\$ 1,523.3	\$ 1,843.9
Total Highway Construction Expenditures	\$ 1,406.5	\$ 1,839.1	\$ 2,231.0

^{1/} Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

^{2/} Information provided by the department. Includes \$151,197,000 for HURF bonds (\$119,104,000 for statewide program and \$32,093,000 MAG program); \$38,962,000 for Grant Anticipation Notes; and \$196,869,000 for MRARF bonds.

Table 6

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
Total HURF Collections Before Authorized Third-Party (ATP) Expenses	\$1,541,705	\$1,592,587	\$1,650,457
Less: ServiceArizona ATP Fee Retention	6,393	6,681	6,981
Brick and Mortar ATP Fee Retention	4,133	4,319	4,513
ServiceArizona ATP Credit Card Fee Reimbursements	9,622	10,584	11,643
Brick and Mortar ATP Credit Card Fee Reimbursements	<u>1,336</u>	<u>1,603</u>	<u>1,924</u>
Total HURF Collections	\$1,520,221	\$1,569,400	\$1,625,396
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	654	658	658
Dept. of Public Safety Transfer from HURF	15,509	0	0
Reversions from DPS	(327)	(50)	0
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	11,418	11,526	11,898
Cities ^{2/}	16,003	16,003	0
Counties ^{2/}	9,969	9,969	0
Controlled Access ^{2/}	<u>4,028</u>	<u>4,028</u>	<u>0</u>
Net HURF Collections	\$1,461,967	\$1,526,266	\$1,611,840
Less: Cities ^{3/}	445,900	465,511	497,826
Counties ^{3/}	277,774	289,991	310,122
VLT Transfer to General Fund ^{4/}	42,364	23,343	23,343
VLT Transfer to Parity Compensation Fund ^{5/}	3,532	3,785	3,987
VLT Transfer to General Fund (5-Year VLT) ^{6/}	1,665	1,200	1,300
VLT Transfer to General Fund (Abandoned Vehicle) ^{7/}	6,228	7,000	7,700
Controlled Access ^{8/}	<u>104,045</u>	<u>115,334</u>	<u>123,146</u>
Net SHF (Discretionary)	\$ 580,459	\$ 620,102	\$ 644,416
Plus: Other Income ^{9/}	74,650	90,050	85,214
Less: Operating Budget	339,601	397,585	406,794
Dept of Public Safety Transfer from Highway Fund	8,169	318	318
Capital Outlay	6,560	46,900	0
Building Renewal	5,250	13,000	13,000
ServiceArizona ATP VLT Retention ^{10/}	16,492	16,348	16,629
Brick and Mortar ATP VLT Retention ^{10/}	15,780	15,643	15,911
HURF Exchange Program ^{11/}	6,887	15,300	15,300
Debt Service ^{12/}	<u>142,913</u>	<u>142,745</u>	<u>151,197</u>
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{13/}	\$ 113,457	\$ 62,313	\$ 110,481
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	425,197	461,409	244,780
STAN Account Beginning Balance	<u>257</u>	<u>0</u>	<u>0</u>
Total SHF Available for Statewide Highway Construction	\$ 538,911	\$ 523,722	\$ 355,261

^{1/} Provides monies for economic strength highway projects recommended by the Commerce Authority and approved by the State Transportation Board.

^{2/} The FY 2018 Revenue BRB requires, as session law, \$30 million in FY 2019 and \$60 million in FY 2020 to be allocated directly to local governments in percentages reflecting current non-state distribution of HURF revenues. The FY 2019 Revenue BRB modified the FY 2018 Revenue BRB to allocate \$30 million in FY 2020 instead of \$60 million due to the enactment of the highway safety fee. The FY 2021 budget discontinued this policy and did not include any direct local government allocation.

^{3/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

^{4/} The FY 2019 General Appropriation Act transfers \$42,364,500 from the SHF share of VLT to the state General Fund. The FY 2020 General Appropriation Act transfers \$23,343,200 from the SHF share of VLT to the state General Fund. The FY 2021 budget continues to transfer \$23,343,200 from the SHF share of VLT to the state General Fund.

^{5/} A.R.S. § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

^{6/} A.R.S. § 28-5808E transfers the SHF share of the HURF VLT to the state General Fund that is generated from the difference between a 2-year registration and a 5-year registration.

^{7/} A.R.S. § 28-5808D also transfers the SHF share of the HURF VLT to the state General Fund that is equal to 90% of the fees collected under A.R.S. § 28-4802A and 60% of the fees collected under A.R.S. § 28-4802B to the state General Fund.

^{8/} A statutorily defined distribution of SHF monies for design, acquisition and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

^{9/} Includes transfers from the MAG 12.6% subaccount to the SHF for debt service on HURF bonds, miscellaneous receipts, rental income, sale of capital assets, underground storage tank deposits, investment income, grants from Governor's Office of Highway Safety, retained MVD fees, oversize permits, abandoned vehicle fees and an FY 2020 enacted and FY 2021 budget transfer from the Arizona Highway Patrol Fund to the SHF.

^{10/} Statutory payments to third parties from VLT collected by third parties. Non-VLT fees to ATPs are listed at the top of the chart.

^{11/} Local entities can exchange federal aid monies for State Highway Fund monies.

^{12/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

^{13/} Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

Capital Outlay

Arizona Board of Regents Building Systems

FY 2021
APPROVED

BUILDING RENEWAL

Arizona Board of Regents

TOTAL - ALL PROJECTS

0
0^{1/2}

FUND SOURCES

General Fund

TOTAL - ALL SOURCES

0
0

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by ABOR on behalf of the universities.

FOOTNOTES

- 1/ A.R.S. § 15-1670 appropriates \$32,589,700 to the universities from the General Fund in FY 2021 to finance lease-purchase payments for research infrastructure projects.
- 2/ A.R.S. § 15-1671 appropriates \$28,027,300 to the universities from the General Fund in FY 2021 for capital infrastructure projects.

Legal Structure

Pursuant to A.R.S. § 15-1682, the Arizona Board of Regents (ABOR) has the authority to lease, own, operate, and secure financing for building facilities for each of the 3 universities under its jurisdiction.

ABOR is the university system's sole legal entity created under the State Constitution. Pursuant to A.R.S. § 15-1601, ABOR maintains Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). While ABOR delegates the authority to sign contracts to the presidents of each university, all contracts are legally established under ABOR, and all properties are legally held by ABOR, not the individual universities.

When debt is issued for a university project, only revenues from the respective university are pledged for the project's debt service payments. As a result, financing terms are dependent upon each university's individual credit rating, but all debt is formally issued by ABOR.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on a formula determined by the Joint Committee on Capital Review (JCCR). As required by A.R.S. § 41-793.01, the formula takes into account the replacement value, age, and life cycle of a building. In FY

2021, ABOR reports funding 100% of the building renewal formula would be \$175.5 million. The budget includes no funding for Building Renewal in the ABOR Building System.

Summary of University Debt

ABOR estimates that as of the end of FY 2021, the universities' outstanding principal balances for bonds and lease-purchase agreements will total \$3,941,216,300. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$2,053,387,100
NAU	579,397,200
UA (all campuses)	<u>1,308,432,000</u>
Total	\$3,941,216,300

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2021 will be \$356,985,900. The debt service payments made by each of the universities would be as follows:

ASU (all campuses)	\$169,691,600
NAU	52,577,600
UA (all campuses)	<u>134,716,700</u>
Total	\$356,985,900

Of the total FY 2021 debt service payments, \$40,624,700 would be paid by Lottery monies, \$32,589,700 would be paid by the General Fund for 2003 research infrastructure

projects, and \$8,027,200 would be paid by the General Fund for 2017 Capital Infrastructure Funding projects. *(Please see the Lease-Purchase Projects, Bonding, and 2017 Capital Infrastructure Funding sections below for more information.)*

The universities' expenditures for debt service payments are included in the budget of each university's individual agency section. *(Please see the individual university sections for more information.)*

Lease-Purchase Projects

As part of the \$3,941,216,300 in FY 2021 university debt, ABOR is projected to have \$450,234,100 in outstanding lease-purchase balances, with an overall debt service payment of \$75,938,400. The FY 2021 General Fund share of the debt service is \$32,589,700. These General Fund monies pay for the 2003 Certificates of Participation (COPs) which were issued in the amount of \$482,500,000 to provide funding for a variety of research infrastructure projects. *(Please see the 2003 Research Infrastructure Refinancing section in the ABOR narrative for more information.)*

Bonding

As part of the \$3,941,216,300 in FY 2021 university debt, ABOR is projected to have \$3,490,982,200 in outstanding bond balances, including both system revenue and lottery bonds. The projected debt service is \$281,047,500.

University Lottery Bonds

One component of the \$3.5 billion balance is university lottery revenue (Stimulus Plan for Economic and Educational Development (SPEED)) bonds. Pursuant to A.R.S. § 5-522 and § 15-1682.03, ABOR is authorized to enter into bond transactions up to a maximum of \$800,000,000 to pay for new facilities. Debt service payments for SPEED bonds will total \$50,781,000 in FY 2021, of which 80% will be paid by Lottery monies and 20% with university system revenues. *(Please see the [Lottery Bonds and Capital Infrastructure Funding Program Summary](#) on the JLBC website for more information.)*

2017 Capital Infrastructure Appropriations

Another component of the \$3.5 billion balance is 2017 Capital Infrastructure funding. Pursuant to A.R.S. § 15-1671, universities receive annual General Fund appropriations from FY 2019 to FY 2043 for new university research facilities, building renewal, or other capital construction projects. The law appropriated \$27,000,000 to the universities in FY 2019 and increases the appropriation each year thereafter by 2.0% or the rate of inflation, whichever is less. The FY 2021 budget assumes

a 1.77% increase from FY 2020, or \$28,027,300. Debt service payments will total \$16,054,300 in FY 2021, of which 50% will be paid by the General Fund and 50% will be paid with university system revenues. *(Please see the [Lottery Bonds and Capital Infrastructure Funding Program Summary](#) on the JLBC website for more information.)*

University Debt Ratio Policy

In authorizing ABOR to issue bonds on behalf of the universities, A.R.S. § 15-1683 limits the debt service payments each university is allowed to make based on its financial resources.

Specifically, the statute requires that the projected debt service payments on outstanding and proposed bonds and certificates of participation (COPs) not exceed 8.0% of each institution's total projected expenditures and mandatory transfers in any fiscal year. University SPEED bonds are exempt from the debt ratio calculations.

The universities' Capital Improvement Plans project expected debt ratios through FY 2023. The rate and year in which each university is projected to have its highest debt ratio is listed below. The ratio is also displayed if the university lottery bonds were applied to the calculation.

- ASU: 5.1% (5.4% with SPEED) in FY 2022
- NAU: 6.2% (7.9% with SPEED) in FY 2021
- UA: 5.3% (6.5% with SPEED) in FY 2022

These ratios incorporate the debt service impact of planned construction projects. The universities estimate that they have the capacity to issue \$2.8 billion in additional debt beyond the planned projects based on these debt service ratios.

Capital Outlay

Debt and Lease-Purchase Financing

FY 2021
APPROVED

LEASE-PURCHASE PAYMENTS AND DISTRIBUTIONS*

Arizona Department of Administration - Leaseback Financing ^{1/2/}

\$53,701,800

TOTAL - ALL PROJECTS

\$53,701,800

* Represents only General Fund lease-purchase payments not included in individual agency budgets. All other debt and lease-purchase payments are reflected in individual agency budgets. (Please see Table 1.)

FUND SOURCES

General Fund

\$53,701,800

TOTAL - ALL SOURCES

\$53,701,800

DESCRIPTION — This section summarizes the state's debt and lease-purchase obligations.

FOOTNOTES

- 1/ The sum of \$53,701,800 is appropriated from the state general fund in fiscal year 2020-2021 to the department of administration for the purpose of making a debt service payment on the sale and leaseback of state buildings authorized by Laws 2009, third special session, chapter 6, section 32. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Leaseback Financing

Leaseback Financing

The budget includes \$53,701,800 from the General Fund in FY 2021 for lease-purchase payments related to the \$1,035,419,300 state building sale/leaseback agreements.

In January 2019, the Arizona Department of Administration (ADOA) entered into an agreement (2019A) to refinance the sale/leaseback agreements originally issued in January 2010 (2010A). (Please see the [FY 2020 Appropriations Report - Capital Section for historical background](#).) This refinancing will result in annual savings of \$6.4 million. Throughout the term of the 2010A, the total debt service reduction is \$70.4 million. The average tax-exempt interest rate of the 2019A agreements is approximately 2.5%. The financing will still be paid off in FY 2030.

This savings was achieved due to lower market interest rates, a shorter financing duration than the original 20-year issuance, and a higher credit rating. In 2010, the state had a credit rating of Aa3 with Moody's. At the time of the refinancing, it was Aa2 and in November 2019 it was Aa1 (Moody's). (Please see the [State Debt Rating section for more information](#).)

In addition, Laws 2019, Chapter 277 appropriated \$190,000,000 from the General Fund in FY 2020 to ADOA to retire the 2010B sale leaseback financing (issued in June 2010). As a result, the FY 2021 budget eliminates

scheduled 2010B debt service payments of \$24.0 million. The payoff reduces total debt service spending by \$240.0 million from FY 2021 to FY 2030.

Other Issues

State Debt Rating

In May 2015, both major credit rating agencies upgraded Arizona's credit rating. Standard & Poor's upgraded Arizona from AA- to AA, while Moody's upgraded Arizona from Aa3 to Aa2. In November 2019, Moody's further upgraded Arizona from Aa2 to Aa1. AA represents Standard & Poor's third highest rating while Aa1 represents Moody's second highest credit rating. Using Arizona's credit rating with Moody's as of November 2019, in comparison to other states' 2019 credit ratings, 14 states have a higher rating, 19 states have the same rating, and 16 states have a lower rating or are not rated due to a lack of state level debt. Along with an overall rating, credit agencies also provide an outlook in terms of the future direction of rating changes.

In November 2019, when Arizona's credit rating was increased by Moody's, Arizona was given a stable outlook. In adopting its credit ratings for Arizona in November 2019, Moody's listed some of the following concerns: 1) absence of authority for the Executive to make mid-year budget reductions on its own; and 2) reduced financial flexibility due to restrictions enacted by Proposition 105

and Proposition 108. While noting these challenges, Moody's also indicated Arizona's growing reserves, comparably decreasing debt levels, demonstrated budget discipline, and a strengthening economy as positive trends.

Since the beginning of the COVID-19 pandemic, the major credit rating agencies have published several analyses commenting on the pandemic's potential impact on overall state finances and state credit ratings. Beyond this broad commentary, no specific ratings action has been taken for Arizona.

Long-Term Financing Summary

The state's long-term financing consists of 2 different types of transactions.

Lease-Purchase Facilities

Under a traditional lease-purchase agreement, the state issues Certificates of Participation (COPs) to generate proceeds to finance capital projects. ADOA and the Universities have entered into lease-purchase agreements for the acquisition and construction of state facilities. The School Facilities Board (SFB) also entered into lease-purchase agreements for the construction of new schools prior to FY 2012.

At the end of FY 2021, the outstanding balance of lease-purchase agreements is expected to be \$1.5 billion.

Table 1 provides information related to current state lease-purchase agreements.

Bonding Summary

The Arizona Board of Regents, on behalf of the Universities, the Arizona Department of Transportation, and SFB have issued bonds to renovate, acquire, and construct facilities, as well as to purchase equipment.

Laws 2010, 6th Special Session, Chapter 4 authorized ADOA to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. Payments started in FY 2011 and have been made from the Lottery revenues that would have otherwise been deposited into the General Fund. The FY 2021 bond payment will be \$34,509,800. This results in the General Fund receiving \$(34,509,800) less in Lottery revenues in FY 2021. However, since this is not a General Fund appropriation, it does not appear in the General Fund Balance and Payment columns in *Table 1*. (Please see the *FY 2020 Appropriations Report* for more information on the 2019 Lottery Bond refinance and future debt service payments.)

January 31 JLBC Debt Report

A.R.S. § 41-1277 requires the JLBC Staff to present to the House and Senate Appropriations Committees a report on state debt and obligations. Due by January 31 of each year, the report includes the following information from the prior fiscal year:

- The statewide aggregate level of outstanding principal, by type of debt or obligation;
- The principal and interest payments on each of the state's long-term obligations;
- A description of the state's payment deferrals ("rollovers") by agency, including: the date the payment was originally scheduled to be made, interest paid to date on the deferral, and interest paid in the prior and current fiscal years; and
- Historical information on the state's overall debt balance and per capita debt obligations, based on available data.

To the extent possible, A.R.S. § 41-1277 requires data contained in the report to be based on the Department of Administration's Arizona Report of Bonded Indebtedness, which is published annually along with an online searchable database.

This report provides a current and historical summary of the state's outstanding financing obligations. In addition, it includes specific details on each of the individual financing issuances and the state's payment deferrals.

While the January 31, 2020 debt report provides debt information on FY 2019, *Table 1* includes the overall and General Fund debt payments and year-end balances for FY 2021.

Table 1

Lease-Purchase and Bonding Summary

Lease-Purchase Summary	Overall Balance	^{1/} GF Balance	Overall FY 21 Payment	^{2/} FY 21 GF Payment	Retirement FY
ADOA Building System					
2008 A Issuance					
ADC 4000 Prison Beds, Wastewater and DHS Forensic Lab	\$ 4,005,000	\$ 4,005,000	\$ 75,100	\$ 75,100	FY 28
2013 A Issuance					
PLTO Refinance - DHS Building	\$ 15,445,000	\$ -	\$ 3,678,100	\$ 2,206,860	FY 29
2013 B Issuance					
Refinance - 2002A Health Lab	\$ 3,900,000	\$ -	\$ 2,034,800	\$ -	FY 23
2015 Issuance					
Refinance - 2008A ADC and DHS	\$ 93,425,000	\$ 93,425,000	\$ 18,869,700	\$ 18,869,700	FY 28
2015 A Issuance					
PLTO Refinance - Capitol Mall	\$ 34,465,000	\$ 34,465,000	\$ 9,996,500	\$ 2,814,400	FY 28
2016 Issuance					
ADC Kingman Refinance	\$ 60,000,000	\$ 60,000,000	\$ 17,468,300	\$ 17,468,300	FY 25
2019 A Issuance					
Refinance - Sale/Leaseback	\$ 393,615,000	\$ 393,615,000	\$ 53,701,800	\$ 53,701,800	FY 30
Subtotal - ADOA	\$ 604,855,000	\$ 585,510,000	\$ 105,824,300	\$ 95,136,160	
School Facilities Board					
Federal Bonds	\$ 35,202,200	\$ 35,202,200	\$ 9,938,100 ^{3/}	\$ 9,938,100 ^{3/}	FY 28
2015 Refinance	161,535,000	161,535,000	57,239,600	57,239,600	FY 24
Subtotal - SFB	\$ 196,737,200	\$ 196,737,200	\$ 67,177,700	\$ 67,177,700	
ABOR Building System					
Arizona State University	\$ 228,247,100	\$ 113,125,000	\$ 29,964,900	\$ 13,458,700	FY 39
Northern Arizona University	39,370,000	39,370,000	4,879,500	4,879,500	FY 31
University of Arizona	182,617,000	108,295,000	41,094,000	14,251,500	FY 72
Subtotal - ABOR	\$ 450,234,100	\$ 260,790,000	\$ 75,938,400	\$ 32,589,700	
Phoenix Convention Center ^{4/}	\$ 251,498,900	\$ 251,498,900	\$ 23,997,900	\$ 23,997,900	FY 44
TOTAL - Lease-Purchase	\$ 1,503,325,200	\$ 1,294,536,100	\$ 272,938,300	\$ 218,901,460	
Bonding Summary					
Department of Transportation ^{5/}	\$ 1,492,150,000	\$ -	\$ 190,159,000	\$ -	FY 14 - 38
ABOR Building System					
Arizona State University	\$ 1,333,450,000	\$ -	\$ 112,850,600	\$ -	FY 51
Northern Arizona University	424,617,200	-	36,647,800	-	FY 44
University of Arizona	770,190,000	-	64,713,800	-	FY 48
University Lottery Bond (SPEED)	567,860,000 ^{6/}	-	50,781,000	-	FY 48
University Infrastructure (2017) ^{7/}	394,865,000	-	16,054,300	8,027,200	FY 44
Subtotal - ABOR	\$ 3,490,982,200	\$ -	\$ 281,047,500	\$ 8,027,200	
Lottery Revenue Bond Refinance (2019)	\$ 223,050,000	\$ -	\$ 34,509,800 ^{8/}	\$ -	FY 29
TOTAL - Bonding	\$ 5,206,182,200	\$ -	\$ 505,716,300	\$ 8,027,200	
TOTAL - Lease-Purchase & Bonding	\$ 6,709,507,400	\$ 1,294,536,100	\$ 778,654,600	\$ 226,928,660	

^{1/} Represents principal balances as of June 30, 2021. The "GF Balance" column represents the portion of the overall balance paid from General Fund sources.

^{2/} Represents lease-purchase or debt service payments, including the portion paid from a General Fund source, which is represented in the "FY 21 GF Payment" column.

^{3/} This type of financing originally entitled the state to a federal interest rate subsidy of 4.86% (out of the 6% due on the bonds), shortly after each payment. Taking into account prior federal budget reductions, in FY 2021 this subsidy is expected to be \$3,976,500 of the \$9,938,100 payment.

^{4/} The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000. Monies are given to the city to pay this portion of the lease-purchase payment. Laws 2015, Chapter 10 made a technical change to conform the debt service distribution in A.R.S. § 42-5030 to the distributions contained in A.R.S. § 9-602, which were modified by Laws 2011, Chapter 28 to conform to the actual debt service payments.

^{5/} Includes \$1,212,684,000 for Highway User Revenue Fund bonds and \$279,466,000 for Grant Anticipation Notes.

^{6/} Represents outstanding balance as of the end of FY 2021 from projects counted under the \$800,000,000 University Lottery bonding authority, otherwise known as SPEED. SPEED was originally authorized by Laws 2008, Chapter 287. (Please see the *Capital Outlay Arizona Board of Regents Building System* narrative for more information.)

^{7/} The universities will receive \$28,027,300 from the General Fund in FY 2021 for the 2017 Capital Infrastructure Funding program. As of June 2019, JCCR has reviewed a total of 9 projects for the program, of which 4 have issued bonds, 2 are awaiting issuance, and 3 are cash-funded. The General Fund is expected to pay \$8,027,200 in FY 2021 for debt service.

^{8/} These obligations will be repaid with foregone General Fund revenues.

LEASE-PURCHASE APPROPRIATIONS 1/ Department of Administration Building System

	Fiscal Year 2020 - Appropriations Report				Fiscal Year 2021 - Appropriations Report				Difference FY 2021 - FY 2020			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Administration, AZ Department of												
Sale/Lease-Back 2/	\$77,709,300			\$77,709,300	\$53,701,800			\$53,701,800	(\$24,007,500)	\$0	\$0	(\$24,007,500)
Arizona Department of Administration Buildings									\$0	\$0	\$0	\$0
Accountancy, State Board of		\$118,600		118,600		\$120,600		120,600	-	2,000	-	2,000
Administration, Arizona Department of	544,700	1,403,600	\$146,600	2,094,900	621,600	1,601,800	\$167,400	2,390,800	76,900	198,200	20,800	295,900
Deaf and the Hard of Hearing, Commission for the		227,600		227,600		231,400		231,400	-	3,800	-	3,800
Economic Opportunity, Office of	50,500	25,200	204,800	280,500	-	-	-	-	(50,500)	(25,200)	(204,800)	(280,500)
Equalization, State Board of	92,800			92,800	94,300			94,300	1,500	-	-	1,500
Financial Institutions, Department of	239,300	45,600		284,900	242,600	46,200		288,800	3,300	600	-	3,900
Insurance, Department of	299,600		99,900	399,500	304,700		101,600	406,300	5,100	-	1,700	6,800
Real Estate Department, State	184,500			184,500	187,600			187,600	3,100	-	-	3,100
Tax Appeals, State Board of	35,700			35,700	36,300			36,300	600	-	-	600
Subtotal - ADOA Building	\$1,447,100	\$1,820,600	\$451,300	\$3,719,000	\$1,487,100	\$2,000,000	\$269,000	\$3,756,100	\$40,000	\$179,400	(\$182,300)	\$37,100
Corrections, Arizona Department of												
4,000 Public Prison Beds	\$15,712,600			\$15,712,600	\$15,344,500			\$15,344,500	(\$368,100)	\$0	\$0	(\$368,100)
Water and Wastewater Projects	641,400			641,400	628,000			628,000	(13,400)	-	-	(13,400)
Kingman - Refinance	17,466,700			17,466,700	17,468,300			17,468,300	1,600	-	-	1,600
Subtotal - AZ Department of Corrections	\$33,820,700	\$0	\$0	\$33,820,700	\$33,440,800	\$0	\$0	\$33,440,800	(\$379,900)	\$0	\$0	(\$379,900)
Department of Environmental Quality Building												
Automobile Theft Authority		\$44,600		\$44,600		\$45,000		\$45,000	\$0	\$400	\$0	\$400
Administration, Arizona Department of	\$57,100	147,000	15,400	219,500	-	-	-	-	(57,100)	(147,000)	(15,400)	(219,500)
Criminal Justice Commission, Arizona		11,200	175,100	186,300		11,300	176,900	188,200	-	100	1,800	1,900
Environmental Quality, Department of		3,336,500		3,336,500		3,370,500		3,370,500	-	34,000	-	34,000
Forestry and Fire Management, AZ Department of	233,300		34,900	268,200	235,800		35,200	271,000	2,500	-	300	2,800
Gaming, Department of		579,200		579,200		585,100		585,100	-	5,900	-	5,900
Housing, AZ Department of	68,500	22,800	365,400	456,700	69,200	23,100	369,100	461,400	700	300	3,700	4,700
Residential Utility Consumer Office		111,600		111,600		112,800		112,800	-	1,200	-	1,200
Technical Registration, State Board of		182,200		182,200		184,100		184,100	-	1,900	-	1,900
Water Resources, Department of	792,500			792,500	1,022,300			1,022,300	229,800	-	-	229,800
Subtotal - ADEQ Building	\$1,151,400	\$4,435,100	\$590,800	\$6,177,300	\$1,327,300	\$4,331,900	\$581,200	\$6,240,400	\$175,900	(\$103,200)	(\$9,600)	\$63,100
Health Services, Department of												
Health Services Building - Refinance	\$2,133,600	\$1,422,400		\$3,556,000	\$2,206,900	\$1,471,200		\$3,678,100	\$73,300	\$48,800	\$0	\$122,100
Health Lab - Refinance		2,037,200		2,037,200		2,034,800		2,034,800	-	(2,400)	-	(2,400)
Arizona State Hospital Forensic Unit	3,047,700			3,047,700	2,972,300			2,972,300	(75,400)	-	-	(75,400)
Subtotal - Department of Health Services	\$5,181,300	\$3,459,600	\$0	\$8,640,900	\$5,179,200	\$3,506,000	\$0	\$8,685,200	(\$2,100)	\$46,400	\$0	\$44,300
GRAND TOTAL	\$119,309,800	\$9,715,300	\$1,042,100	\$130,067,200	\$95,136,200	\$9,837,900	\$850,200	\$105,824,300	(\$24,173,600)	\$122,600	(\$191,900)	(\$24,242,900)

1/ Pursuant to A.R.S. § 41-792.01, state agencies occupying buildings being lease-purchased by the Arizona Department of Administration (ADOA) shall pay the higher of the billed amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share of the lease-purchase based on actual occupancy.

2/ In January 2019, ADOA refinanced the 2010A sale/leaseback agreement. In addition, the FY 2020 budget appropriated \$190,000,000 to retire the 2010B sale/leaseback agreement.

Capital Outlay

Local Assistance

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 APPROVED
DISTRIBUTIONS			
Phoenix Convention Center	22,996,300	23,500,000	23,997,900 ^{1/}
Rio Nuevo District	14,000,000	16,000,000	16,000,000 ^{2/}
TOTAL - ALL DISTRIBUTIONS	36,996,300	39,500,000	39,997,900 ^{3/}
FUND SOURCES			
General Fund	36,996,300	39,500,000	39,997,900
TOTAL - ALL SOURCES	36,996,300	39,500,000	39,997,900

AGENCY DESCRIPTION — The State Treasurer makes distributions to the City of Phoenix to service debt on the Phoenix Convention Center and to the Rio Nuevo Multipurpose Facility District for use in authorized development projects and to service debt issued by the district.

FOOTNOTES

- 1/ Pursuant to section 9-602, Arizona Revised Statutes, \$23,997,900 of state general fund revenue is allocated in fiscal year 2020-2021 to the Arizona convention center development fund established by section 9-601, Arizona Revised Statutes. (General Appropriation Act footnote)
- 2/ Pursuant to section 42-5031, Arizona Revised Statutes, a portion of the state transaction privilege tax revenues will be distributed to a multipurpose facility district. The Rio Nuevo multipurpose facility district is estimated to receive \$16,000,000 in fiscal year 2020-2021. The actual amount of the distribution will be made pursuant to section 42-5031, Arizona Revised Statutes. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Phoenix Convention Center

The budget includes \$23,997,900 from the General Fund in FY 2021 for state participation in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. FY 2021 adjustments are as follows:

Distribution Increase

The budget includes an increase of \$497,900 from the General Fund in FY 2021 to increase the distribution to the City of Phoenix pursuant to A.R.S. § 9-602.

Background — In FY 2005, the City of Phoenix issued \$600,000,000 in Certificates of Participation (COPs) to finance expansion of the Phoenix Convention Center. Of that amount, \$300,000,000 will be repaid by the state. The project was completed in January 2009.

There is a statutory debt service schedule for these payments. Under this schedule, the state's annual contribution is scheduled to gradually increase from \$23,997,900 in FY 2021 to \$29,998,900 by FY 2044.

Table 1

Phoenix Convention Center Debt Service

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Fiscal Year</u>	<u>Debt Service</u>
FY 2021	\$23,997,900	FY 2033	\$29,999,150
FY 2022	24,498,450	FY 2034	29,996,250
FY 2023	24,999,400	FY 2035	29,995,775
FY 2024	25,498,550	FY 2036	29,999,975
FY 2025	25,998,700	FY 2037	29,995,825
FY 2026	26,497,375	FY 2038	29,995,850
FY 2027	26,997,100	FY 2039	29,996,750
FY 2028	27,495,125	FY 2040	29,995,225
FY 2029	27,998,700	FY 2041	29,997,975
FY 2030	28,499,525	FY 2042	29,996,150
FY 2031	28,999,575	FY 2043	29,996,175
FY 2032	29,495,550	FY 2044	29,998,925

Statute requires that cumulative payments to the City of Phoenix do not exceed cumulative estimated revenue resulting from the project. (See *Other Issues* section for estimated revenues from the project.)

Rio Nuevo District

The budget includes \$16,000,000 from the General Fund in FY 2021 for distributions to finance the development of a multipurpose facility and supporting projects in the Rio Nuevo Multipurpose Facilities District. This amount is unchanged from FY 2020.

The FY 2020 General Appropriation Act displays a \$14,000,000 estimated distribution in FY 2020. This amount was based on the FY 2017 actual distribution. While the General Appropriation Act displays a projected amount for information purposes, the actual amount distributed to the district will reflect allocations required by A.R.S. § 42-5031.

Subsequent to the passage of the FY 2020 General Appropriation Act, the actual FY 2019 distribution was determined to be \$16,000,000. Since the distribution is unlikely to decline, the FY 2020 estimate has been adjusted to \$16,000,000 and is assumed to remain the same for FY 2021.

Background – Tucson voters approved Proposition 400 in November 1999, establishing the Rio Nuevo Multipurpose Facilities District from 1999 to 2009. The district receives a diversion of state Transaction Privilege Tax (TPT) revenue to finance the development of a multipurpose facility and supporting projects. The district stretches east from Downtown Tucson along the retail-intensive Broadway Corridor. (See Table 2 for the history of TPT payments)

Table 2

State TPT Payments to the Rio Nuevo District

<u>Fiscal Year</u>	<u>Distributions</u>
FY 2019	\$ 15,958,879
FY 2018	13,562,702
FY 2017	13,988,471
FY 2016	13,088,813
FY 2015	6,958,022
FY 2014	9,486,100
FY 2013	9,755,752
FY 2012	11,957,943
FY 2011	14,099,949
FY 2010	8,727,318
FY 2009	10,399,336
FY 2008	15,456,187
FY 2007	14,974,923
FY 2006	10,968,178
FY 2005	7,469,632
FY 2004	5,081,197
Total	\$181,933,402

A.R.S. § 48-4203 requires that any construction project (or other improvement to real property) with a cost of more than \$500,000 be reviewed by the Joint Committee on Capital Review (JCCR).

At the April 2019 JCCR meeting, the Committee gave a favorable review of 3 projects that were approved by the Rio Nuevo Board of Directors and have executed development agreements in place. The board agreed to spend up to a total of \$12,400,000 on these projects.

Other Issues

Net Revenues of Convention Center Project

Statute requires the Auditor General to estimate annually how the amounts of General Fund revenues resulting from the Convention Center expansion compare to debt service payments made by the state since the project's calendar year (CY) 2009 completion. If the cumulative estimated revenues from the project fail to meet the state's cumulative debt service, the state is to reduce its payments to the City of Phoenix by the shortfall amount.

The latest study found that estimated General Fund revenues exceeded the state's debt service payments by \$47,408,800 through CY 2018 (see Table 3). As a result, the state has not reduced payments to the City of Phoenix during this time.

Table 3

Project Revenue and Debt Service Payments (\$ in Millions)

<u>Year</u> ^{1/}	<u>Gross Revenue</u>	<u>Debt Service</u>	<u>Annual Net Revenues</u> ^{2/}	<u>Cumulative Net Revenues</u>
2018	\$23.5	\$23.0	0.0	\$46.4
2017	19.0	22.5	\$(4.0)	46.4
2016	20.6	20.4	0.2	50.4
2015	20.5	20.4	0.1	50.2
2014	15.0	20.4	(5.4)	50.1
2013	9.1	20.4	(11.3)	55.5
2012	13.6	5.6	8.0	66.8
2011	15.4	0.0	15.4	58.8
2010	14.7	10.0	4.7	43.4
2009	17.3	5.0	12.3	38.7
2004-2008	26.4	0.0	26.4	26.4

^{1/} Statute requires the Auditor General study to include estimates by calendar year but specifies the state's debt service obligation by fiscal year. Debt service payments for fiscal years are listed in the calendar year they were made.

^{2/} Represents gross revenue less debt service for each fiscal year.

Source: Auditor General report, *An Economic and Fiscal Impact Analysis Update, Phoenix Convention Center (2019)*

ECONOMIC AND REVENUE FORECAST

GENERAL FUND REVENUE

Summary of General Fund Forecast

The FY 2021 budget enacted in March 2020 was based on the January Baseline forecast. The only difference from the January Baseline forecast was that the FY 2020 ending balance was \$(80.6) million lower under the March enacted budget. (For more details on the January Baseline forecast, see pages 491 - 502 of the FY 2021 Baseline Book.)

The revenue outlook for the state worsened considerably following the declaration of the coronavirus outbreak as a pandemic on March 11, 2020. For this reason, the General Fund revenue forecast was revised in both April and June of 2020. The discussion in the *General Fund Revenue* section reflects the revised June forecast ("June Budget Update").

The forecast under the June Budget Update assumes total net General Fund revenues of \$11.05 billion in FY 2021. This is \$(1.44) billion below the amount assumed in the March enacted budget.

The \$(1.44) billion revenue reduction under the June Budget Update relative to the March enacted budget is attributable to: (1) a projected decrease of \$(873.8) million in "Ongoing Revenues," as discussed below and (2) an estimated \$(562.3) million reduction of the FY 2021 beginning balance. The March enacted budget assumed a FY 2021 beginning balance of \$562.3 million. Under the June Update, the FY 2021 General Fund was estimated to have a beginning balance of \$(190) million. Subsequent to that update, preliminary June 2020 revenues were reported to be \$207 million above the June update forecast. While a final FY 2020 has yet to be determined, we believe that FY 2020 will not end in a shortfall. As a result, our estimates now assume a \$0 beginning balance for FY 2021.

"Ongoing Revenues" reflect the underlying growth in the economy, including the impact of enacted tax law changes, but exclude one-time adjustments and Urban Revenue Sharing. Under the June Update, FY 2021 ongoing revenue is projected to be \$11.87 billion, which is \$(873.8) million below the amount in the March enacted budget, as noted above.

FY 2021 ongoing revenues are forecast to increase by 4.4% compared to the amount projected for FY 2020. This growth rate, however, reflects the impact of the deferral of the income tax filing due date from April 15 to July 15, which is discussed in more detail below. Without the deferral, ongoing revenues would decline by an estimated

(5.9)% in FY 2021 relative to the projected amount for FY 2020.

The detailed General Fund revenue forecast appears at the end of this section. *Table 7* compares the FY 2021 June Budget Update to the corresponding FY 2020 forecast. *Table 8* compares the FY 2023 revenue planning estimates under the June Budget Update to the corresponding FY 2022 estimates.

General Fund Revenue Forecast

FY 2020

Table 1

Ongoing Revenue Change Over Prior Year

	% Change
FY 2020	
May 2019 Enacted Budget ^{1/}	2.5%
January Baseline ^{1/2/}	3.6%
April FAC ^{1/3/}	(8.5)%
June Budget Update ^{1/3/4/}	(3.7)%
FY 2021	
January Baseline ^{1/2/}	4.1%
April FAC ^{1/3/}	(11.0)%
June Budget Update ^{1/3/}	4.4%
FY 2022	
January Baseline ^{1/2/}	3.3%
April FAC ^{1/3/}	1.9%
June Budget Update ^{1/3/}	4.4%
FY 2023	
January Baseline ^{1/2/}	4.1%
April FAC ^{1/3/}	5.4%
June Budget Update ^{1/3/}	5.1%

^{1/} Incorporates all tax law changes prior to the 2020 Legislative Session.

^{2/} March 2020 enacted budget was based on the January Baseline.

^{3/} Includes the impact of deferring the income tax filing due date from April 15 to July 15 of calendar year 2020.

^{4/} The FY 2020 forecast under the June Budget Update was based on the JLBC Staff's projections. FY 2021 – FY 2023 forecasts were based on the 4-sector process.

In the original FY 2020 budget enacted in May 2019, ongoing revenues (including the impact of enacted tax legislation but excluding Urban Revenue Sharing) were forecast to be \$11.84 billion in FY 2020, or 2.5% above the projected amount for FY 2019. In January 2020, the JLBC Baseline increased the FY 2020 ongoing revenue growth rate to 3.6% over the actual amount collected in FY 2019. The JLBC Baseline projection was based on the "4-sector" forecast (see below for more information on the 4-sector

process). As noted earlier, the January Baseline was used as the basis for the March enacted budget.

Due to the COVID-19 pandemic, the enacted budget forecast was revised twice: on April 9 and June 19. Under the June Budget Update, ongoing revenues were forecast to be \$11.37 billion in FY 2020, a decline of (3.7)% relative to FY 2019. The FY 2020 forecast under the June Update was based on the JLBC Staff's projections whereas the FY 2021 through FY 2023 forecasts were based on the 4-sector process. The reason that the JLBC Staff forecast was used for FY 2020 is that we had access to more timely data than the other 3 sectors when the forecast update was prepared in mid-June.

At the time of this writing, final FY 2020 revenues have not yet been finalized. As noted above, The JLBC Staff reported on July 8 that preliminary June revenues for the largest categories were \$207 million above the forecast under the June Budget Update.

FY 2020 ongoing revenue under the June Update is \$(468.2) million below the amount assumed in the original May 2019 enacted budget and \$(863.6) million below the amount in the adopted March 2020 budget.

The Governor issued an order in late March to allow individuals and corporations to defer the filing of their tax returns from April 15 to July 15 of 2020. The changes were similar to those implemented by the federal government. As a result, an estimated \$600 million in state income taxes that would have been collected in FY 2020 were deferred to FY 2021. Absent the deferral, the ongoing revenue growth in FY 2020 would have been 1.4%.

Table 3 includes additional details with respect to the January and June 2020 4-sector projected growth rates by major revenue categories.

FY 2021

Under the June Budget Update, total net General Fund revenues are projected to be \$11.05 billion in FY 2021. Excluding one-time revenues and Urban Revenue Sharing, ongoing revenues are projected to be \$11.87 billion. This is 4.4% above the projected amount for FY 2020. Absent the impact of the tax filing deferral, ongoing revenues would decline by an estimated (5.9)% in FY 2021. In terms of ongoing revenue, the June Budget Update is \$(873.8) million below the January Baseline.

Table 1 above summarizes the changing revenue picture in FY 2020 to FY 2023 through the phases of budget development and subsequent forecast revisions. The growth rates in the table reflect ongoing revenues.

Long-Term Projections

The June Budget Update also incorporates revenue planning estimates for FY 2022 and FY 2023, which are shown in Table 8. The ongoing revenue growth rates included in the FY 2022 and FY 2023 revenue planning estimates under the June Budget Update are 4.4% in FY 2022 and 5.1% in FY 2023. Without deferral, the FY 2022 growth rate would be an estimated 9.9%.

4-Sector Forecast

The projected growth rates for the "Big 4" revenue categories of sales, individual income, corporate income and insurance premium taxes are initially developed and revised using a 4-sector consensus process. This process is based on averaging the results of the following 4 forecasts:

- Finance Advisory Committee panel forecast. Consisting of 12 public and private sector economists, this independent panel normally meets 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.
- The University of Arizona Economic and Business Research (EBR) General Fund Baseline model. The model is a simultaneous-equation model consisting of more than 100 equations that are updated on a regular basis to reflect changes in the economy. The model uses more than 200 variables related to Arizona's economy and is updated quarterly.
- EBR's conservative forecast model, and
- JLBC Staff projections.

The estimates for the remaining revenue categories, which constitute about 5% of the total, were based on JLBC Staff projections.

Revenue Adjustments

Table 2 provides an overview of ongoing and total revenue growth for FY 2020 and FY 2021. Ongoing revenue represents net General Fund revenue, including the impact of enacted tax legislation but excluding Urban Revenue Sharing and one-time financing sources. Under the June Budget Update, ongoing revenue is projected to decline by (3.7)% in FY 2020, followed by an increase of 4.4% in FY 2021. As noted earlier, these growth rates reflect the impact of the income tax filing deferral from April 15 to July 15 of 2020. Total revenue, which represents all General Fund revenue sources, including the beginning balance, is estimated to remain essentially unchanged in FY 2020, followed by a decline of (5.4)% in FY 2021.

Ongoing Budget Legislation

Each year there are statutory tax law and other revenue changes that affect the state's net revenue collections. These may include tax rate or tax exemption changes,

conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

As shown in *Table 2* below, the June Budget Update projects an ongoing revenue decline of (3.7)% in FY 2020, followed by an increase of 4.4% in FY 2021. Ongoing revenue includes the impact of both previously and newly enacted budget legislation. After including Urban Revenue Sharing and one-time financing sources, the June Budget Update projects that total General Fund revenue will remain essentially unchanged in FY 2020 followed by a decline of (5.4)% in FY 2021.

The next section provides a detailed description of previously enacted legislation with an ongoing revenue impact in FY 2020 through FY 2023. There was no legislation with an ongoing revenue impact enacted during the 2020 Legislative Session. (See *Table 5* for a complete list of statutory changes affecting ongoing revenue collections in FY 2020 through FY 2023.)

Table 2 FY 2020 and FY 2021 General Fund Revenue Based on the June Budget Update (\$ in Millions)				
	<u>FY 2020</u>	<u>%</u>	<u>FY 2021</u>	<u>%</u>
Ongoing Revenue ^{1/2/}	\$11,371.0	(3.7)%	\$11,866.0	4.4%
Urban Revenue Sharing	(737.6)		(828.5)	
One-Time Financing Sources:				
Balance Forward	957.2		0.0	
Previously Enacted Fund Transfers	1.8		0.0	
Prescription Drug Rebate Fund Transfer	69.0		16.7	
Wells Fargo Settlement Fund Transfer	<u>20.0</u>		<u>0.0</u>	
Subtotal	1,048.0		16.7	
Total Revenue	<u>\$11,681.5</u>	0.0%	<u>\$11,054.2</u>	(5.4)%
^{1/} Ongoing revenue represents net General Fund revenue, including the impact of previously and newly enacted tax law changes. It excludes Urban Revenue Sharing and one-time financing sources. ^{2/} Includes the impact of deferring the income tax filing due date from April 15 to July 15 of 2020.				

As shown in *Table 5*, ongoing budget legislation enacted prior to the 2020 Regular Session is estimated to reduce ongoing revenue by \$(301.7) million in FY 2020, followed by an additional reduction of \$(0.9) million in FY 2021, \$(40.3) million in FY 2022, and \$(6.0) million in FY 2023. All revenue impacts in *Table 5* are stated relative to the prior year.

Each of the previously enacted tax law and revenue changes is described in more detail below. Budget legislation with a one-time impact is shown in *Table 6*.

Ongoing Budget Legislation

1) Corporate School Tuition Tax Credit – Laws 2006, Chapter 14 established a tax credit available for contributions by regular ("Subchapter C") corporations to private school tuition organizations that provide scholarships and tuition grants to students of low-income families. Chapter 14 established a cap on this credit of \$5 million per year and included a sunset date of June 30, 2011. Laws 2006, Chapter 325 increased the credit cap to \$10 million per year, and provided that the cap be increased by 20% annually, beginning in FY 2008. Laws 2009, Chapter 168 expanded the credit by making it available to insurers and repealed the June 30, 2011 sunset date. Laws 2015, Chapter 301 expanded the credit to include businesses classified as Subchapter S corporations. (For tax purposes, credits earned by an S corporation must be pro-rated, passed through to its shareholders, and applied to each shareholder's individual income tax liability.) As described in more detail under *item 2*, Laws 2019, Chapter 281 limits the annual increase of the credit cap, beginning in FY 2021.

In terms of credit history, credit donations were made up to the cap each fiscal year from FY 2013 through FY 2019. According to the Department of Revenue, as of late June, less than \$4,700 in available credits remained under the FY 2020 credit cap of \$107.0 million.

Under Laws 2006, Chapter 325 the credit cap would increase to \$128.4 million in FY 2021, \$154.1 million in FY 2022, and \$184.9 million in FY 2023. Absent Laws 2019, Chapter 281, which limits the growth of future credit use as described below, the JLBC Staff assumes that the credit cap under Laws 2006, Chapter 325 would have been reached in each of the next 3 fiscal years for the following reasons. First, the credit cap was reached in each of the last 7 fiscal years (and is expected to be reached in the current fiscal year) despite increasing by 20% annually. Absent Chapter 281, credit history suggests that this trend would have continued for several more years. Second, while the credit originally could be claimed only against corporate income tax liability, it can now be used to also offset insurance premium and individual income tax liability. Data from the Department of Revenue indicates that less than 30% of total credit use in FY 2019 was attributable to C corporations. This suggests that absent Chapter 281, there would have been enough combined corporate, individual, and insurance premium tax liability for the credit to be fully utilized through FY 2023.

Table 3

4-Sector Estimates
Forecast Percentages (FY 2020 - FY 2023)
Ongoing Revenue

	FY 2020 ^{1/}					FY 2021				
	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>
<u>Sales Tax</u>										
January	6.7%	6.5%	7.0%	6.2%	6.6%	4.8%	2.9%	5.9%	4.5%	4.5%
June	3.6%	0.8%	1.4%	3.6%	2.3%	1.7%	(2.7)%	1.5%	(0.7)%	(0.1)%
<u>Individual Income Tax</u> ^{2/}										
January	3.3%	(1.4)%	0.2%	4.3%	1.6%	6.0%	2.7%	5.1%	5.2%	4.8%
June	(11.8)%	(13.1)%	(12.5)%	(13.7)%	(12.8)%	17.6%	13.0%	17.1%	11.3%	14.7%
<u>Corporate Income Tax</u>										
January	10.3%	4.3%	5.7%	11.0%	7.8%	3.5%	0.0%	1.7%	4.7%	2.5%
June	(2.0)%	(4.0)%	(3.8)%	(4.0)%	(3.4)%	(15.5)%	(19.8)%	(13.0)%	1.2%	(11.8)%
<u>Insurance Premium Tax</u>										
January	1.6%	2.7%	3.2%	1.6%	2.3%	1.7%	1.8%	2.1%	1.0%	1.6%
June	(2.4)%	(4.2)%	(3.8)%	(4.6)%	(3.8)%	(2.0)%	(2.8)%	(2.4)%	(1.6)%	(2.2)%
<u>Overall</u> ^{3/}										
January	4.5%	2.2%	3.2%	4.7%	3.6%	4.8%	2.4%	4.9%	4.4%	4.1%
June	(3.7)%	(5.6)%	(5.1)%	(4.7)%	(4.8)%	6.1%	2.1%	6.0%	3.2%	4.4%
	FY 2022					FY 2023				
	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>
<u>Sales Tax</u>										
January	4.2%	0.8%	4.2%	3.4%	3.2%	3.9%	2.9%	4.0%	3.9%	3.6%
June	9.1%	8.5%	9.5%	5.1%	8.0%	5.1%	5.2%	5.3%	4.5%	5.0%
<u>Individual Income Tax</u> ^{2/}										
January	5.9%	1.4%	4.9%	4.1%	4.1%	5.4%	4.3%	4.9%	4.3%	4.7%
April	(2.4)%	(0.3)%	1.8%	5.4%	1.1%	6.9%	4.2%	4.6%	5.4%	5.3%
<u>Corporate Income Tax</u>										
January	4.1%	(1.2)%	4.9%	3.0%	2.8%	4.8%	3.8%	5.3%	3.7%	4.4%
June	18.0%	10.1%	12.7%	4.0%	10.9%	8.4%	10.4%	13.5%	5.0%	9.2%
<u>Insurance Premium Tax</u>										
January	1.8%	0.8%	1.2%	1.5%	1.3%	3.1%	0.7%	1.7%	1.9%	1.8%
June	2.5%	2.4%	3.2%	3.0%	2.8%	3.0%	2.5%	3.3%	3.6%	3.1%
<u>Overall</u> ^{3/}										
January	4.6%	0.9%	4.2%	3.4%	3.3%	4.6%	3.5%	4.3%	3.9%	4.1%
June	3.6%	3.9%	5.4%	4.7%	4.4%	5.8%	4.8%	5.2%	4.8%	5.1%

^{1/} The FY 2020 projected growth rate under the June Budget Update is based on the JLBC Staff forecast of (3.7)%.

^{2/} The individual income tax growth rates under the June Budget Update reflect the impact of income tax deferral from April 15 to July 15 of 2020.

^{3/} The growth rates for each sector represent the weighted average of Big-4 revenue estimates plus JLBC Staff estimates of other revenue categories.

Therefore, absent Chapter 281, the JLBC Staff assumes that the credit would have reduced General Fund revenue by \$(21.4) million in FY 2021, followed by additional reductions of \$(25.7) million in FY 2022, and \$(30.8) million in FY 2023.

2) Limits the Increase of the Corporate STO Credit – Laws 2019, Chapter 281 limits the annual increase of the cap for the corporate school tuition tax credit to 15% in FY 2021, 10% in FY 2022, and 5% in FY 2023. Beginning in FY 2024, the increase of the credit cap is limited to the greater of 2% or the annual change of the Metropolitan Phoenix consumer price index. In dollar terms, Chapter 281 reduces the credit cap to \$123.0 million in FY 2021, \$135.3 million in FY 2022, and \$142.1 million in FY 2023, which has the effect of limiting the year-over-year revenue loss to \$(16.0) million in FY 2021, \$(12.3) million in FY 2022, and \$(6.8) million in FY 2023.

Relative to the estimated revenue reductions under Laws 2006, Chapter 325, the changes under Laws 2019, Chapter 281 will result in savings of \$5.4 million in FY 2021, \$13.3 million in FY 2022, and \$24.0 million in FY 2023. The combined impact of Laws 2006, Chapter 325 and Laws 2019, Chapter 281 is a net revenue reduction of \$(16.0) million in FY 2021, \$(12.4) million in FY 2022, and \$(6.8) million in FY 2023.

3) Phase-Down of Insurance Premium Tax Rate – Laws 2015, Chapter 220 provided a gradual reduction of the insurance premium tax rate from 2.0% in Calendar Year (CY) 2015 to 1.7% in CY 2026 and subsequent years. Laws 2016, Chapter 358 replaced the rate schedule under Laws 2015, Chapter 220 with an accelerated schedule that gradually reduces the premium tax rate to 1.7% in CY 2021, or 5 years earlier than previously enacted. The phase-down of the premium tax rate to 1.7% is estimated to decrease insurance premium tax collections to the General Fund by \$(4.7) million in FY 2020, followed by further decreases of \$(5.0) million in FY 2021, and \$(5.4) million in FY 2022.

4) Additional Angel Investor Credit Authorization – The angel investment credit is provided to ("angel") investors that make qualified investments in small businesses certified by the Arizona Commerce Authority (ACA). The credit is equal to 30% of the qualified investment unless the investment is made in a rural or bioscience company, in which case the credit is 35%. The credit must be claimed in equal installments over 3 years. The credit program's original \$20 million cap (established under Laws 2005, Chapter 316) was reached in June 2015.

Laws 2017, Chapter 319 authorizes the ACA to issue an additional \$10 million in angel investment tax credits from July 1, 2017 through June 30, 2021. Chapter 319 prohibits

the ACA from authorizing more than \$2.5 million in tax credits in any fiscal year, plus any unused credit capacity carried forward from the prior year. Chapter 319 is expected to reduce individual income tax revenue by \$(0.8) million in FY 2020. While Chapter 319 is estimated to have no revenue impact in FY 2021, individual income tax revenue is projected to increase (relative to the prior year) by \$0.8 million in FY 2022 for technical reasons, followed by an additional increase of \$0.8 million in FY 2023.

5) Extension and Expansion of Job Tax Credit Laws 2011, 2nd Special Session, Chapter 1 created a 3-year \$3,000 annual insurance premium, individual and corporate income tax credit for each net new qualifying job added by an employer in the state. The Arizona Commerce Authority (ACA) is authorized to issue first-year credits for up to 10,000 new employees (\$30 million) each year. Laws 2017, Chapter 340 extended the job tax credit (which otherwise would have expired at the end of FY 2017) through FY 2025. Moreover, Chapter 340 expanded the credit by providing additional minimum investment and wage requirements, beginning in TY 2018. The expansion of the job tax credit is estimated to reduce General Fund revenue by \$(0.9) million in FY 2020, followed by an additional reduction of \$(0.8) million in FY 2021.

6) Increase of Military Pension Exemption – The FY 2019 Revenue Budget Reconciliation Bill (BRB) (Laws 2018, Chapter 283) increased the individual income tax exemption for military pensions from \$2,500 to \$3,500, beginning in TY 2019. Chapter 283 is estimated to reduce General Fund revenue by \$(2.0) million annually, beginning in FY 2020.

7) Reduction of Liquor Licenses Fund Transfer – Any monies remaining in the Liquor Licenses Fund in excess of \$700,000 at the end of each fiscal year is deposited in the General Fund. The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) provides several changes to the Department of Liquor Licenses and Control's operating budget, which result in the appropriation from the Liquor Licenses Fund to the department being increased by \$181,300 in FY 2020. Since these changes reduce the excess fund balance by the same amount, General Fund revenue is reduced by \$(181,300) annually, beginning in FY 2020.

8) Reduction of State Treasurer Transfer – Pursuant to A.R.S. § 35-316, the State Treasurer is required to deposit any management fees on investment earnings in excess of its Operating Fund appropriation to the General Fund. The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) increased the State Treasurer's Operating Fund appropriation by \$380,000 to fund 3 new FTE

Positions associated with portfolio management, legal services, and procurement. Since the increased \$380,000 appropriation reduces the excess fund balance by the same amount on an ongoing basis, General Fund revenue, is reduced by \$(380,000) annually, beginning in FY 2020.

9) Reduction of Public Safety Transfers – Laws 2018, Chapter 265 established a new highway safety fee charged on vehicle registrations. Chapter 265 requires the Director of the Arizona Department of Transportation (ADOT) to set the fee on car registrations sufficient to fund 110% of the Department of Public Safety's (DPS) highway patrol budget for each upcoming year, less any unencumbered balance in the Highway Patrol Fund exceeding 10% of the prior year deposit. The highway safety fee, set at \$32 per vehicle, went into effect January 1, 2019.

The new highway safety fee established by Laws 2018, Chapter 265 changed the funding of DPS such that it resulted in transfers (hereafter referred to as "public safety transfers") of \$72.4 million to the General Fund, beginning in FY 2019.

The FY 2020 Criminal Justice BRB (Laws 2019, Chapter 268) eliminates the highway safety fee on July 1, 2021 and repeals the statutory requirement that the ADOT Director sets the fee at 110% of the highway patrol budget. As a result, the current highway safety fee of \$32 per vehicle will be levied through FY 2021.

Relative to Laws 2018, Chapter 265, the changes under Laws 2019, Chapter 268 have the effect of reducing public safety transfers to the General Fund from \$72.4 million to \$23.3 million in FY 2020 and FY 2021, and from \$72.4 million to \$0 in FY 2022 and FY 2023. Therefore, the revenue impact of Laws 2019, Chapter 268 relative to Laws 2018, Chapter 265 is \$(49.0) million in FY 2020 and FY 2021, and \$(72.4) in FY 2022 and FY 2023. As shown in *Table 5*, this means that relative to the prior year, Laws 2019, Chapter 268 reduces public safety transfers by \$(49.0) million in FY 2020, \$0 in FY 2021, \$(23.3) million in FY 2022, and \$0 in FY 2023.

Laws 2019, Chapter 273 Omnibus Tax Provisions

Laws 2019, Chapter 273 contains numerous provisions related to individual income tax, corporate income tax, and transaction privilege tax (TPT), as described under *items 10 – 12* below. In FY 2019, Chapter 273 resulted in a General Fund revenue increase of \$155.0 million. The FY 2019 revenue gain was solely attributable to conforming Arizona to the federal income tax code (*for more detail, see item 10 below*) for TY 2018. Conformity is estimated to result in additional revenues of \$62.0 million annually, beginning in FY 2020, for a total of \$217.0 million.

Apart from conformity, Chapter 273 makes several changes to the state's individual income tax statutes, beginning in TY 2019 (*for more detail, see item 11 below*). While some of these changes will result in increased revenues, beginning in FY 2020, other provisions will reduce revenues. On a net basis, the changes to the state individual income tax code described under *item 11* below are estimated to reduce revenues by \$(326.0) million annually, beginning in FY 2020.

As discussed in more detail under *item 12* below, Chapter 273 includes several provisions that enable the state to collect sales tax from out-of-state businesses, beginning on October 1, 2019. These provisions are expected to result in an ongoing General Fund revenue increase of \$85.0 million annually. However, due to the October 1, 2019 effective date, the revenue gain in FY 2020 is limited to \$57 million. This is followed by an additional revenue gain of \$28 million, beginning in FY 2021, for an annual total of \$85 million.

Table 4

Chapter 273 Ongoing Impact (\$ in Millions)

<u>Revenue Additions</u>	<u>Impact</u>
Conformity	\$217.0
Wayfair	85.0
Eliminate Personal/Dependent Exemptions	353.9
Eliminate Lottery Winning Subtraction	0.1
Total, Additional Revenue	\$656.0
<u>Revenue Subtractions</u>	<u>Impact</u>
Increase Standard Deduction	\$(404.0)
Dependent Tax Credit	(144.0)
Bracket/Rate Reduction	(108.0)
25% Charitable Deduction	(24.0)
Total, Reduced Revenue	\$(680.0)
Net Ongoing Impact	\$ (24.0)

The ongoing annual impact of Chapter 273, by major provision, is summarized in *Table 4* above. On a net basis, Chapter 273 is estimated to result in an ongoing revenue loss of \$(24.0) million annually. This amount represents \$217 million gain from conformity plus \$85 million gain from Wayfair legislation offset by \$(326) million in new income tax reductions.

Income Tax Provisions

10) TY 2018 and TY 2019 Conformity – Chapter 273 conforms Arizona to the federal definition of adjusted gross income as of January 1, 2018 for tax year (TY) 2018, and January 1, 2019 for TY 2019.

11) Changes to Arizona Individual Income Tax Statutes – Beginning in TY 2019, Chapter 273 makes several changes to the state's individual income tax statutes, as described below.

- Reduces the number of individual income tax brackets from 5 to 4 and reduces the marginal tax rates by between (0.04) and (0.29) percentage points. (For more details, see page 433 in the FY 2020 Appropriations Report.)
- Removes the Arizona subtraction from taxable income for lottery winnings.
- Almost doubles the standard deduction and indexes the standard deduction to the same inflation measure used to calculate the federal standard deduction.
- Eliminates the state personal and dependent exemptions.
- Allows taxpayers that take the standard deduction to increase their standard deduction by 25% of their charitable contributions that otherwise would have been deductible had they itemized their tax returns.
- Establishes a dependent tax credit of \$100 for each dependent under 17 years old and \$25 for each dependent age 17 and above. This credit is phased out for singles with over \$200,000 of adjusted gross income and \$400,000 for married couples filing jointly.

TPT Provisions

12) Enactment of Wayfair Legislation – In June 2018, the United States Supreme Court overruled in *South Dakota v. Wayfair Inc.* a 1992 ruling made by the same court in *Quill Corp v. North Dakota*, which had held that only out-of-state ("remote") businesses with a physical presence ("nexus") inside a state could be required to collect and remit sales tax in that state. As a result of the Wayfair ruling, the physical presence requirement was effectively replaced by an economic nexus requirement.

Beginning October 1, 2019, Chapter 273 establishes the economic nexus thresholds under which an out-of-state business is required to collect and remit tax on retail sales in Arizona, which are as follows:

- If the out-of-state business does not conduct sales through a marketplace facilitator, economic nexus applies if sales in Arizona exceed \$200,000 in calendar year (CY) 2019, \$150,000 in CY 2020, and \$100,000 in CY 2021 and thereafter.
- If the out-of-state business is a marketplace facilitator, economic nexus applies if sales in Arizona from the marketplace facilitator's own business or on

behalf of at least one marketplace seller exceed \$100,000 in the calendar year.

Besides establishing the state's economic nexus threshold requirements, Chapter 273 also added new language in state statutes with respect to the municipal tax treatment of retail sales. (For more details, see page 433 in the FY 2020 Appropriations Report.)

13) Expands TPT Exemption for Propagative Materials – Under current law, propagative materials such as seeds, roots, bulbs, and cuttings are exempt from state TPT and use tax. Beginning on December 1, 2019, Laws 2019, Chapter 288 expands this exemption to include fertilizers, insecticides and similar materials. Chapter 288 is estimated to reduce General Fund revenues by \$(7.4) million in FY 2020, followed by an additional reduction of \$(7.4) million, beginning in FY 2021.

14) TPT Estimated Payment Threshold Change – A business with a combined tax liability for transaction privilege, telecommunication services excise, and county excise taxes above a certain amount, as provided in statute, is required to make a single estimated advance payment in June of each year. From FY 2013 through FY 2019, the annual liability threshold for making the June advance payment was \$1.0 million. The estimated payment, which is in addition to the regular June sales tax bill, is required to equal either: (1) one-half of the actual tax liability for May, or (2) the actual tax liability for the first 15 days of June. In July of each year, those taxpayers that made an estimated payment in the prior month can subtract that amount from their July tax bill. While the June estimated payment does not result in any increase of a business' sales tax liability on a calendar year basis, it has the effect of advancing a portion of next fiscal year's General Fund revenue into the current fiscal year.

Laws 2019, Chapter 290 increases the liability threshold for the June estimated payment to \$1.6 million in 2020, \$2.3 million in 2021, \$3.1 million in 2022, and \$4.1 million in 2023 and each year thereafter. Chapter 290 is estimated to reduce General Fund revenues by \$(10.3) million in FY 2020. Relative to FY 2020, Chapter 290 is expected to result in a revenue gain of \$0.3 million in FY 2021. On a year-over-year basis, there is no anticipated revenue gain or loss in FY 2022 and FY 2023.

15) Expands the Charitable Tax Credit – Under current law, taxpayers can claim an individual income tax credit for cash contributions made to charitable organizations that provide services to children who have chronic illness or physical disability. Laws 2019, Chapter 297 expands this credit to include all persons who have chronic illness or physical disability, including adults. Chapter 297 is

estimated to reduce General Fund revenues by \$(1.2) million annually, beginning in FY 2020.

Urban Revenue Sharing

The Urban Revenue Sharing (URS) program provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and towns within the state. The amount that is currently distributed to cities and towns is 15% of net income tax collections from 2 years prior. As indicated in *Table 7*, total URS distributions will increase from \$737.6 million in FY 2020 to \$828.5 million in FY 2021. This URS increase results in a FY 2021 General Fund revenue loss of \$(90.9) million relative to FY 2020. As shown in *Table 8*, under the June Budget Update, URS distributions are projected to decrease to \$738.4 million in FY 2022, which would result in a net General Fund gain of \$90.1 million in FY 2022 relative to FY 2021. The URS decrease in FY 2022 is due to the deferral of the tax filing due date from April 15 to July 15 in calendar year 2020. In FY 2023, URS distributions are estimated to increase to \$827.1 million, which would result in a net General Fund loss of \$(88.7) million in FY 2023 relative to FY 2022.

One-Time Financing

As shown in *Table 6*, one-time financing sources are available in FY 2020. While there are budgeted one-time financing sources in FY 2021 through FY 2023, they are insufficient to offset the large cash shortfalls projected under the June Budget Update.

The following is a discussion of the one-time financing sources.

FY 2020

The \$1.05 billion in one-time financing sources for FY 2020 includes:

Previously Enacted Fund Transfers

As a result of a settlement between the Attorney General and Volkswagen related to the car maker's vehicle emissions violations, the budget enacted in May 2018 provides for a total of \$1.8 million in transfers from the Department of Environmental Quality's Air Quality Fund and the Department of Public Safety's Joint Fund to the General Fund in FY 2020.

Prescription Drug Rebate Fund Transfer

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) requires the Arizona Health Care Cost Containment System (AHCCCS) to transfer \$69.0 million from the Prescription Drug Rebate Fund established by A.R.S. § 36-2930 to the General Fund on or before June 30, 2020. The Prescription Drug Rebate Fund consists of federally-mandated and state-negotiated rebates paid by

drug manufacturers to AHCCCS for prescription drugs used by AHCCCS enrollees. The \$69.0 million transfer consists of higher-than-budgeted rebate receipts from prior years. Based on rebate growth trends, the multi-year spending plan associated with the FY 2020 enacted budget further assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund through FY 2023.

Wells Fargo Settlement

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) requires the transfer of \$20.0 million to the General Fund from the monies received by the Attorney General (AG) pursuant to a settlement with Wells Fargo & Company. The AG, along with 49 other states, brought a lawsuit against Wells Fargo for alleged misconduct, including accounts opened without customer knowledge and improperly charged mortgage fees. As a result of the settlement, the AG received \$37.1 million, of which \$17.1 million was deposited into the Consumer Protection – Consumer Fraud Revolving Fund. The remaining \$20.0 million is to be transferred to the General Fund by June 30, 2020.

Balance Forward

The FY 2019 General Fund ending balance carried forward into FY 2020 was \$957.2 million.

FY 2021

The \$16.7 million in one-time financing sources for FY 2021 includes:

Prescription Drug Rebate Fund Transfer

As noted earlier, the multi-year spending plan associated with the FY 2020 enacted budget assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund in FY 2021.

Balance Forward

The General Fund is projected to have an ending balance of \$0 million in FY 2020, which means that \$0 will be carried into FY 2021.

FY 2022

The \$36.7 million in one-time financing sources for FY 2022 includes:

Prescription Drug Rebate Fund Transfer

As noted earlier, the multi-year spending plan associated with the FY 2020 enacted budget assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund in FY 2022.

Table 5

Previously Enacted Budget Legislation with Ongoing Revenue Impact in FY 2020 through FY 2023
(\$ in Millions) ^{1/2/}

<u>Prior Year Legislation / Description of Provision</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<u>Laws 2006, Ch. 14 & Ch. 325</u>				
1) Corporate school tuition credit for low-income students	\$(17.8)	\$(21.4)	\$(25.7)	\$(30.8)
<u>Laws 2019, Ch. 281</u>				
2) Phases down annual increase of the corporate tuition credit from 20% to 5% over 3 years, beginning in FY 2021	0.0	5.4	13.3	24.0
Net Impact of Laws 2006, Ch. 14 & 325 and Laws 2019, Ch. 281	(17.8)	(16.0)	(12.4)	(6.8)
<u>Laws 2015, Ch. 220 & Laws 2016, Ch. 358</u>				
3) Phases down insurance premium tax rate from 2.0% to 1.7% over 6 years, beginning in FY 2017	(4.7)	(5.0)	(5.4)	0.0
<u>Laws 2017, Ch. 319</u>				
4) Adds a total of \$10 million in new angel investment credits	(0.8)	0.0	0.8	0.8
<u>Laws 2017, Ch. 340</u>				
5) Modifies eligibility requirements for job tax credit and extends credit through FY 2025	(0.9)	(0.8)	0.0	0.0
<u>Laws 2018, Ch. 283</u>				
6) Increases military pension exemption from \$2,500 to \$3,500, beginning in TY 2019	(2.0)	0.0	0.0	0.0
<u>Laws 2019, Ch. 263</u>				
7) Reduces Liquor Licenses Fund transfers to General Fund	(0.2)	0.0	0.0	0.0
<u>Laws 2019, Ch. 263</u>				
8) Reduces State Treasurer transfer to General Fund	(0.4)	0.0	0.0	0.0
<u>Laws 2019, Ch. 268</u>				
9) Reduces Public Safety Transfers to General Fund	(49.0)	0.0	(23.3)	0.0
<u>Laws 2019, Ch. 273</u>				
10) Conforms state tax statutes to Internal Revenue Code for TY 2018 and TY 2019	62.0	0.0	0.0	0.0
11) Makes following changes to Arizona Individual Income Tax statutes, beginning TY 2019:				
Eliminates personal and dependent exemptions	353.9	0.0	0.0	0.0
Eliminates lottery winning subtraction	0.1	0.0	0.0	0.0
Increases standard deduction	(404.0)	0.0	0.0	0.0
Creates a dependent tax credit	(144.0)	0.0	0.0	0.0
Reduces the number of tax brackets/lowers marginal rates	(108.0)	0.0	0.0	0.0
<u>Additional std. deduction on 25% of charitable contributions</u>	<u>(24.0)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal – Individual Income Tax Changes	(326.0)	0.0	0.0	0.0
12) Enacts Arizona's Wayfair Legislation on Remote Sales	57.0	28.0	0.0	0.0
Subtotal – Laws 2019, Chapter 273	(207.0)	28.0	0.0	0.0
<u>Laws 2019, Ch. 288</u>				
13) Expands TPT exemption on propagative materials (including fertilizers), beginning December 1, 2019.	(7.4)	(7.4)	0.0	0.0
<u>Laws 2019, Ch. 290</u>				
14) Increases the June estimated payment threshold from \$1 million to \$4.1 million over 4 years, beginning in FY 2020	\$(10.3)	\$0.3	\$0.0	\$0.0
<u>Laws 2019, Ch. 297</u>				
15) Expands charitable tax credit to include adults with chronic illness or physical disability, beginning in TY 2019	(1.2)	0.0	0.0	0.0
Revenue Impact over Prior Year	\$(301.7)	\$(0.9)	\$(40.3)	\$(6.0)

^{1/} Represents marginal pricing: All revenue impacts are stated relative to the prior year.

^{2/} No legislation with an ongoing revenue impact was enacted during the 2020 Legislative Session.

Table 6

FY 2020 through FY 2023 One-Time Financing Sources
(\$ in Millions)

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Balance Forward	\$957.2	\$0	--- ^{1/}	--- ^{1/}
Budget Legislation:				
Previously Enacted Fund Transfers	1.8	0.0	0.0	0.0
Prescription Drug Rebate Fund Transfer	69.0	16.7	16.7	16.7
Wells Fargo Settlement	20.0	0.0	0.0	0.0
Water Infrastructure Repayment	<u>0.0</u>	<u>0.0</u>	<u>20.0</u>	<u>0.0</u>
Total One-Time Financing	<u>\$1,048.0</u>	<u>\$16.7</u>	<u>\$36.7</u>	<u>\$16.7</u>

^{1/} Under the June Budget Update, there is an estimated cash shortfall (negative ending balance) of \$(518.0) million in FY 2021, \$(719.9) million in FY 2022 and \$(292.9) million in FY 2023. Any permanent solutions to the FY 2021 shortfall would reduce the FY 2022 and FY 2023 cash shortfalls by a corresponding amount. For this reason, the amount of balance forward in FY 2022 and FY 2023 cannot be estimated in advance.

DWR Infrastructure Repayment

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) appropriates \$20.0 million from the General Fund to the Department of Water Resources' (DWR) Temporary Groundwater and Irrigation Efficiency Projects Fund to construct, rehabilitate and lease wells and infrastructure related to the withdrawal and efficient delivery of groundwater by qualified irrigation districts. The appropriated monies must be fully reimbursed to the General Fund on or before December 31, 2021.

Balance Forward

The balance forward in FY 2022 depends on the extent to which permanent solutions are used to reduce the FY 2021 projected cash shortfall of \$(518.0) million under the June Budget Update.

FY 2023

The \$16.7 million in one-time financing sources for FY 2023 includes:

Prescription Drug Rebate Fund Transfer

As noted earlier, the multi-year spending plan associated with the FY 2020 enacted budget assumes that \$16.7 million of rebate monies will be available for transfer to the General Fund in FY 2023.

Table 7

GENERAL FUND REVENUE - FY 2019 - FY 2021

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2019	% CHANGE PRIOR YR	FORECAST FY 2020	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2021	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	5,096,879.9	6.5%	5,279,871.6	3.6%	182,991.8	5,276,240.9	-0.1%	(3,630.7)
Income - Individual	5,009,020.6	10.2%	4,418,772.3	-11.8%	(590,248.3)	5,069,595.4	14.7%	650,823.0
- Corporate	514,264.1	37.8%	503,866.2	-2.0%	(10,397.9)	444,610.0	-11.8%	(59,256.2)
Property	29,683.3	-23.3%	24,855.1	-16.3%	(4,828.2)	25,001.8	0.6%	146.7
Luxury - Tobacco	21,040.8	-4.3%	21,764.0	3.4%	723.3	21,796.8	0.2%	32.8
- Liquor	37,259.4	3.4%	36,909.4	-0.9%	(350.0)	36,538.0	-1.0%	(371.4)
Insurance Premium	549,760.6	7.9%	536,453.6	-2.4%	(13,306.9)	524,627.6	-2.2%	(11,826.0)
Other Taxes	13,539.4	77.0%	13,568.2	0.2%	28.8	15,129.9	11.5%	1,561.7
Subtotal - Taxes	11,271,448.0	9.2%	10,836,060.5	-3.9%	(435,387.5)	11,413,540.4	5.3%	577,479.9
Other Non-Tax Revenues:								
Lottery	82,886.1	21.1%	103,594.7	25.0%	20,708.6	86,671.5	-16.3%	(16,923.2)
Licenses, Fees and Permits	32,019.5	-15.7%	32,188.9	0.5%	169.4	33,343.3	3.6%	1,154.4
Interest	53,106.7	141.3%	33,090.5	-37.7%	(20,016.2)	15,471.8	-53.2%	(17,618.6)
Sales and Services	24,054.0	-29.5%	22,019.3	-8.5%	(2,034.6)	21,228.8	-3.6%	(790.6)
Other Miscellaneous	111,313.8	2.8%	120,272.8	8.0%	8,959.0	121,153.1	0.7%	880.3
Transfers and Reimbursements	63,365.2	56.1%	96,204.3	51.8%	32,839.1	55,852.6	-41.9%	(40,351.6)
Public Safety Transfers	72,364.5	N/A	23,343.2	-67.7%	(49,021.3)	23,343.2	0.0%	0.0
Disproportionate Share Revenue	95,552.6	14.2%	104,253.8	9.1%	8,701.3	95,417.3	-8.5%	(8,836.5)
Subtotal - Other Non-Tax	534,662.3	35.3%	534,967.5	0.1%	305.2	452,481.7	-15.4%	(82,485.8)
Net Ongoing Revenue	11,806,110.3	10.2%	11,371,028.0	-3.7%	(435,082.3)	11,866,022.1	4.4%	494,994.1
Urban Revenue Sharing (URS)	(674,804.4)	N/A	(737,561.2)	N/A	(62,756.7)	(828,492.7)	N/A	(90,931.5)
Net Ongoing Revenue w/ URS	11,131,305.9	10.9%	10,633,466.8	-4.5%	(497,839.1)	11,037,529.4	3.8%	404,062.6
One-Time Financing Sources:								
Pre-2019 Enacted Fund Transfers	100,425.9	35.0%	1,840.7	-98.2%	(98,585.2)	0.0	-100.0%	(1,840.7)
Prescription Drug Rebate Fund Transfer	0.0	N/A	69,000.0	N/A	69,000.0	16,700.0	-75.8%	(52,300.0)
Wells Fargo Settlement Fund Transfer	0.0	N/A	20,000.0	N/A	20,000.0	0.0	-100.0%	(20,000.0)
Water Infrastructure Repayment	0.0	N/A	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	100,425.9	35.0%	90,840.7	-9.5%	(9,585.2)	16,700.0	-81.6%	(74,140.7)
Subtotal - Revenues	11,231,731.8	11.1%	10,724,307.5	-4.5%	(507,424.2)	11,054,229.4	3.1%	329,921.9
Balance Forward	449,632.0	198.0%	957,241.0	112.9%	507,609.0	-	-100.0%	(957,241.0)
Total - Resources	11,681,363.8	13.9%	11,681,548.5	0.0%	184.8	11,054,229.4	-5.4%	(627,319.1)

Table 8

GENERAL FUND REVENUE - FY 2022 - FY 2023

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2022	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2023	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	5,701,339.1	8.1%	425,098.2	5,988,462.7	5.0%	287,123.6
Income - Individual	5,124,281.6	1.1%	54,686.2	5,394,836.2	5.3%	270,554.7
- Corporate	493,023.4	10.9%	48,413.4	538,479.2	9.2%	45,455.8
Property	25,150.6	0.6%	148.8	25,301.6	0.6%	151.0
Luxury - Tobacco	21,466.1	-1.5%	(330.7)	21,147.1	-1.5%	(319.0)
- Liquor	39,574.4	8.3%	3,036.4	40,653.3	2.7%	1,078.9
Insurance Premium	539,131.5	2.8%	14,503.8	555,871.1	3.1%	16,739.6
Other Taxes	16,878.6	11.6%	1,748.7	18,837.2	11.6%	1,958.6
Subtotal - Taxes	11,960,845.3	4.8%	547,304.9	12,583,588.4	5.2%	622,743.1
Other Non-Tax Revenues:						
Lottery	91,194.3	5.2%	4,522.8	101,387.7	11.2%	10,193.5
Licenses, Fees and Permits	34,064.1	2.2%	720.8	34,827.4	2.2%	763.2
Interest	10,181.9	-34.2%	(5,289.9)	8,288.4	-18.6%	(1,893.5)
Sales and Services	20,558.5	-3.2%	(670.3)	19,999.9	-2.7%	(558.5)
Other Miscellaneous	117,315.6	-3.2%	(3,837.5)	120,903.9	3.1%	3,588.2
Transfers and Reimbursements	57,679.8	3.3%	1,827.2	59,628.7	3.4%	1,948.9
Public Safety Transfers	0.0	-100.0%	(23,343.2)	0.0	N/A	0.0
Disproportionate Share Revenue	95,474.3	0.1%	57.0	95,644.9	0.2%	170.6
Subtotal - Other Non-Tax	426,468.6	-5.7%	(26,013.2)	440,681.0	3.3%	14,212.5
Net Ongoing Revenue	12,387,313.8	4.4%	521,291.7	13,024,269.4	5.1%	636,955.6
Urban Revenue Sharing (URS)	(738,395.8)	N/A	90,096.9	(827,130.8)	N/A	(88,735.0)
Net Ongoing Revenue w/ URS	11,648,918.0	5.5%	611,388.6	12,197,138.6	4.7%	548,220.6
One-Time Financing Sources:						
Pre-2019 Enacted Fund Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Prescription Drug Rebate Fund Transfer	16,700.0	0.0%	0.0	16,700.0	0.0%	0.0
Wells Fargo Settlement Fund Transfer	0.0	N/A	0.0	0.0	N/A	0.0
Water Infrastructure Repayment	20,000.0	N/A	20,000.0	0.0	-100.0%	(20,000.0)
Subtotal - One-Time Financing Sources	36,700.0	119.8%	20,000.0	16,700.0	-54.5%	(20,000.0)
Subtotal - Revenues	11,685,618.0	5.7%	631,388.6	12,213,838.6	4.5%	528,220.6
Balance Forward	-	N/A	0.0	-	N/A	0.0
Total - Resources	11,685,618.0	5.7%	631,388.6	12,213,838.6	4.5%	528,220.6

BUDGET STABILIZATION FUND

Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The BSF is also known as the "Rainy Day Fund."

The Formula

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The formula is based on total annual Arizona personal income (excluding transfer payments) adjusted for inflation.

The January budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of real adjusted state personal income, its trend growth rate over the past 7 years, and the calculated appropriation to or transfer from the BSF. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. In practice, the formula has only served as a general guideline and has rarely been used to determine the actual deposit or withdrawal.

Key features of the BSF can be summarized as follows:

- The deposit into or withdrawal from the BSF for a given fiscal year is determined by comparing the annual growth rate of real adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to its 7-year trend growth rate.
- Real adjusted personal income in the BSF formula is defined as Arizona personal income less transfer payments, adjusted by the gross domestic product price deflator index.
- Trend growth rate is defined as the average annual growth rate of real adjusted personal income for the most recent 7 calendar years.
- If the annual growth rate exceeds the trend growth rate, the "excess" percent multiplied by General Fund revenue of the prior fiscal year would equal the amount to be deposited into the BSF.
- If the annual growth rate of real adjusted personal income is both less than 2% and less than the trend growth rate, the deficiency when multiplied by the General Fund revenue of the prior year would equal the amount to be withdrawn from the BSF. This 2% floor avoids withdrawing monies from the BSF when economic conditions are slowing but there is not a recession.
- By a two-thirds majority, the Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.
- The BSF's total balance cannot be larger than 10.0% of the current year's General Fund revenues, excluding the beginning balance. Prior to Laws 2019, Chapter 54, the percentage was set at 7.0%.
- In addition to the fixed income investments, the Treasurer is allowed to invest up to 25% of the BSF in equity securities (A.R.S. § 35-314.02).

Deposits/Withdrawals

FY 2019

In CY 2018, Arizona adjusted personal income increased by 3.31%, with a trend growth rate of 3.29%. Since the CY 2018 "excess" growth rate was 0.02%, the formula recommend a deposit of \$2.0 million in FY 2019. A deposit requires the most recent calendar year growth rate to exceed the trend growth rate. The Legislature did not authorize any deposit or withdrawal. However, independent of the formula, the FY 2020 General Appropriation Act (Laws 2019, Chapter 263) appropriated \$271.1 million for deposit into the BSF in FY 2019.

Beginning in FY 2016, A.R.S. § 35-144 authorizes BSF monies to be used by the State Forester to pay wildland fire suppression claims. When a federal agency makes payment on the claim, the State Forester must reimburse the State Treasurer for that amount within 45 days. Through FY 2019, the State Forester's outstanding unreimbursed claims balance could not exceed \$10.0 million. Beginning in FY 2020, Laws 2019, Chapter 269 increases the cap to \$20.0 million. The balance consists of the cumulative amount the State Forester has used for fire suppression claims less the amount it has reimbursed to the State Treasurer.

In FY 2019, the State Forester repaid \$6.0 million to the BSF, leaving an FY 2019 ending balance of \$4.0 million.

Laws 2018, Chapter 276 appropriated \$2.0 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2019.

Laws 2018, Chapter 276 also allowed the Department of Public Safety to use up to \$23.3 million from the BSF in FY 2019 to provide temporary operating funding. Chapter 276 requires the BSF to be fully reimbursed by September 1, 2019. In August and September 2018, DPS withdrew \$10.0 million and \$13.3 million, respectively. DPS reimbursed the State Treasurer at the end of FY 2019.

FY 2020

In CY 2019, Arizona adjusted personal income increased by 3.50%, with a trend growth rate of 3.38%. Since the CY 2019 "excess" growth rate was 0.12%, the formula is expected to recommend a deposit of \$13.4 million in FY 2020. The Legislature did not authorize the deposit. However, independent of the formula, the FY 2020 General Appropriation Act (Laws 2019, Chapter 263) appropriated \$271.1 million for deposit into the BSF in FY 2020.

Laws 2019, Chapter 269 increases the maximum outstanding unreimbursed claims balance from \$10.0 million to \$20.0 million. By increasing the maximum balance, the State Forester will be able to pay any new claims until its outstanding balance reaches \$20.0 million. In FY 2020, the State Forester repaid \$2.3 million to the BSF, leaving an FY 2020 ending usage balance of \$1.7 million.

Chapter 263 also authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2020. DES intends to spend the full \$25.0 million authorized by Chapter 263 to pay the immediate grant costs prior to reimbursement. Chapter 263 requires the BSF to be fully reimbursed by September 1, 2020.

Laws 2019, Chapter 54 adjusts the limit on the fiscal year-end BSF balance from 7.0% of General Fund revenues for the fiscal year to 10.0% of General Fund revenues for the fiscal year.

Laws 2020, Chapter 6 appropriated \$55.0 million from the BSF to the Public Health Emergencies Fund in FY 2020 to address the public health emergency related to COVID-19. Any monies that are unspent as of June 30, 2021, up to \$50.0 million, will revert to the BSF.

FY 2021

The University of Arizona's Economic and Business Research Center (EBR) currently projects that Arizona real

adjusted income will decrease by (4.50)% in CY 2020. Since this is (7.17)% below the estimated trend growth rate of 2.67% and below 2.0%, the formula is projected to recommend a withdrawal of from the BSF in FY 2021 in the amount of \$(762.4) million.

Laws 2020, Chapter 58 also authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2021. Chapter 58 requires the BSF to be fully reimbursed by September 1, 2021.

STATUTORY CHANGES

The Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2020, Chapter 58) makes the following statutory changes:

- As session law, continue to notwithstanding the requirements for any deposit to or withdrawals from the Budget Stabilization Fund through FY 2023.

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

	Actual FY 2018	Actual FY 2019	Estimate FY 2020	Estimate FY 2021
General Fund Revenues				
Adjusted Revenues	\$10,036,152.7 ^{2/}	\$11,131,305.9	\$10,633,466.8	\$11,037,529.4
Statutory Limit of Revenues	7.0%	7.0%	10.0% ^{3/}	10.0% ^{3/}
Maximum Balance	702,530.7	779,191.4	1,063,346.7	1,103,752.9
Arizona Personal Income in Prior CY				
Real Adjusted Annual Income Growth	2.61%	3.31%	3.50%	(4.50)%
7-Year Average Income Growth	<u>3.15%</u>	<u>3.29%</u>	<u>3.38%</u>	<u>2.67%</u>
Annual Difference	(0.54)%	0.02%	0.12%	(7.17)%
BSF Transactions				
Beginning BSF Balance	461,446.9	457,786.0	742,968.0	978,364.8
BSF Formula Recommendation	0.0	2,007.2	13,357.6	(762,419.6)
Actual Transfer In				
General Fund Appropriation	0.0	271,107.0 ^{4/}	271,107.0 ^{4/}	0.0
Actual Transfer Out				
State Forester Claims ^{5/6/}	(6,498.3)	6,028.8	2,281.0	0.0
Arts Commission ^{7/8/}	(1,500.0)	(2,000.0)	0.0	0.0
ADE Rural Assistance ^{9/}	(2,600.0)	0.0	0.0	0.0
DPS Operating Funding ^{10/}	0.0	0.0	0.0	0.0
DHS Public Health Emergencies Fund ^{11/}	0.0	0.0	(55,000.0)	0.0
DES Reimbursement Grants ^{12/13/14/}	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	(10,598.3)	4,028.8	(52,719.0)	0.0
Balance	450,848.6	732,921.8	961,356.0	978,364.8
Interest Earnings & Equity Gains/Losses ^{15/}	6,937.4	10,046.2	17,008.8	15,000.0
Ending BSF Balance	\$457,786.0	\$742,968.0	\$978,364.8	\$993,364.8
Percent of Revenues	4.6%	6.4%	9.2%	9.0%

^{1/} BSF history prior to FY 2018 can be found on the JLBC website.

^{2/} Actual General Fund revenue for FY 2018, as determined by the Economic Estimates Commission.

^{3/} Laws 2019, Chapter 54 adjusts the limit on the fiscal year-end BSF balance from 7.0% to 10.0% of General Fund revenues for the fiscal year.

^{4/} Laws 2019, Chapter 263 appropriates \$271.1 million from the General Fund in each of FY 2019 and FY 2020 for deposit into the BSF.

^{5/} Laws 2016, Chapter 219 authorizes BSF monies to be used by the State Forester to pay certain wildland fire suppression claims, not to exceed \$10.0 million. The monies must be reimbursed to the State Treasurer within 45 days of a federal agency's payment on the claim.

^{6/} Laws 2019, Chapter 269 increases the maximum outstanding balance to \$20.0 million beginning in FY 2020.

^{7/} Laws 2017, Chapter 305 appropriated \$1.5 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2018.

^{8/} Laws 2018, Chapter 276 appropriated \$2.0 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2019.

^{9/} Laws 2017, Chapter 305 appropriated \$2.6 million from BSF interest earnings to the Department of Education for rural assistance in FY 2018.

^{10/} Laws 2018, Chapter 276 authorized the Department of Public Safety (DPS) to use up to \$23.3 million in BSF monies for temporary operating funding in FY 2019. DPS reimbursed this amount prior to September 2019, as required by Chapter 276.

^{11/} Laws 2020, Chapter 6 appropriated \$55.0 million in FY 2020 from the BSF to DHS Public Health Emergencies Fund for costs to address the COVID-19 public health emergency. Any unspent monies as of June 30, 2021 up to \$50.0 million of the total will revert to the BSF.

^{12/} Laws 2018, Chapter 276 authorized the Department of Economic Security (DES) to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2018. Chapter 276 required the BSF to be fully reimbursed by September 1, 2018. DES did not use any of these monies.

^{13/} Laws 2019, Chapter 263 authorizes the DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2020. Chapter 263 requires the BSF to be fully reimbursed by September 1, 2020. DES intends to spend the full \$25.0 million authorized by Chapter 263.

^{14/} Laws 2020, Chapter 58 authorizes the DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2021. Chapter 58 requires the BSF to be fully reimbursed by September 1, 2021.

^{15/} Interest earnings for FY 2020 and FY 2021 were estimated by the JLBC Staff based on information provided by the State Treasurer's Office.

CONSOLIDATED RETIREMENT REPORT

CONSOLIDATED RETIREMENT REPORT

Summary

The Consolidated Retirement Report (CRR) provides financial information on the state's retirement systems, including the total state cost of the retirement systems and estimated cost of annual changes in the employer contribution rates.

Most public employees in Arizona are enrolled in one of the 5 following state retirement systems.

- The Arizona State Retirement System (ASRS), which provides retirement, survivors, health, and disability benefits to employees of most public employers, including public schools, most local and county governments, and the State of Arizona.
- The Public Safety Personnel Retirement System (PSPRS), which provides similar benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters.
- The Corrections Officers Retirement Plan (CORP), which provides similar benefits to correctional officers at state-run facilities, detention officers at county jails, and certain public safety dispatcher positions.
- The Elected Officials' Retirement Plan (EORP), which provides similar benefits to elected officials. The population of elected officials includes state officials, county/city officials and judges. EORP is now closed to new enrollees. Elected officials who are elected after January 1, 2014 will be enrolled in the Elected Officials' Defined Contribution Retirement System (EODCRS), which provides a defined contribution retirement benefit.

- The University Optional Retirement Plan (UORP). Some university employees are eligible to choose between ASRS or UORP. Unlike ASRS, UORP is a defined contribution plan where the employee and employer each contribute 7% of gross earnings.

The PSPRS Board of Trustees manages the PSPRS, CORP and EORP plans. The Arizona Board of Regents (ABOR) separately oversees the UORP plan.

FY 2021 Impacts and Total Funding

Based on data provided by state agencies in their budget requests under A.R.S. § 35-115, JLBC estimates the General Fund cost associated with all retirement systems in FY 2021 is estimated to be \$253.6 million and the Total State Funds cost is \$701.0 million. *(Please see Table 1 for the total costs.)*

Employer contribution rate for the retirement systems change each year depending on the latest actuarial valuation. Some of the retirement costs may be covered by agencies' non-appropriated funding sources.

The enacted FY 2021 budget appropriated \$21 million to state agencies for additional costs related to FY 2021 rate increases. This consists of \$18.8 million from the General Fund and \$2.1 million from Other Appropriated Funds. *Table 2* shows the total appropriation in the FY 2021 budget for pension related increases. Of the amounts displayed in *Table 2*, \$1.9 million was allocated directly to the Superior Court budget to continue retirement funding that was previously labeled one-time in the budget. The remainder of the funding in *Table 2* was distributed to agencies as part of the statewide adjustments process.

Table 1

Arizona Public Retirement FY 2021 System Employer Cost

	<u>FY 2021 Total Cost 1/</u>		
	<u>General Fund</u>	<u>All Other Funds 2/</u>	<u>Total</u>
Arizona State Retirement System	\$ 70,355,500	\$ 286,412,800	\$356,768,300
Public Safety Personnel Retirement System	27,884,000	102,911,300	130,795,300
Corrections Officer Retirement Plan	121,152,900	2,499,500	123,652,400
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	13,868,200	287,200	14,155,400
University Optional Retirement Plan	20,319,100	55,324,600	75,643,700
Grand Total	\$ 253,579,700	\$ 447,435,400	\$701,015,100

1/ Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2021 enacted budget changes in Personal Services costs. These estimates are based on Tier 1 and Tier 2 employer contribution rates, and do not include the impact of Tier 3 employer contribution rates.

2/ Includes both Other Appropriated Funds and Non-Appropriated Funds (including Federal Funds).

Table 2

FY 2021 Budgeted Employer Cost Change	
	FY 2021 Rate Increase
<i>Department of Corrections</i>	
General Fund	\$ 11,256,200
Other Appropriated Funds	10,600
Subtotal	\$ 11,266,800
<i>Department of Public Safety</i>	
General Fund	\$ 4,360,200
Other Appropriated Funds	36,500
Subtotal	\$ 4,396,700
<i>Superior Court</i>	
General Fund	\$ 1,934,200
Other Appropriated Funds	1,000
Subtotal	\$ 1,935,200
<i>All Other Agencies</i>	
General Fund	\$ 1,286,800
Other Appropriated Funds	2,072,000
Subtotal	\$ 3,358,800
<u>Total</u>	
General Fund	\$ 18,837,400
Other Appropriated Funds	2,120,100
Grand Total	\$ 20,957,500

ASRS

The General Fund cost associated with ASRS in FY 2021 is estimated to be \$70.4 million and the Total State Funds cost is \$356.8 million.

At its November 2019 meeting, the ASRS Board of Trustees increased the pension contribution rate to 12.04% of Personal Services in FY 2021. The FY 2020 rate was 11.94%. The employer contribution rate for disability insurance increased from 0.17% to 0.18%, for a total overall employer contribution rate of 12.22% (compared to 12.11% last year).

While ASRS reported a strong gain in this year's actuarial valuation, the system projects slower growth in future years that will result in lower investment returns. (See Table 5 below).

Table 3

ASRS Contribution Rates (Excludes Disability)			
Fiscal Year	Rate 1/	Fiscal Year	Rate 1/
FY 1983	7.00	FY 2002	2.00
FY 1984	7.00	FY 2003	2.00
FY 1985	6.27	FY 2004	5.20
FY 1986	5.67	FY 2005	5.20
FY 1987	5.53	FY 2006	6.90
FY 1988	4.00	FY 2007	8.60
FY 1989	2/	FY 2008	9.10
FY 1990	2/	FY 2009	8.95
FY 1991	2/	FY 2010	9.00
FY 1992	2/	FY 2011	9.60
FY 1993	2/	FY 2012	10.50
FY 1994	2/	FY 2013	10.90
FY 1995	2/	FY 2014	11.30
FY 1996	3.36	FY 2015	11.48
FY 1997	3.20	FY 2016	11.35
FY 1998	3.05	FY 2017	11.34
FY 1999	2.85	FY 2018	11.34
FY 2000	2.17	FY 2019	11.64
FY 2001	2.17	FY 2020	11.94
		FY 2021	12.04

1/ As a percent of salary, employee and employer each pay this rate except for FY 2012, when employers paid 9.87% and employees 11.13%. This non-50/50 split was repealed by Laws 2012, Chapter 304, which refunded excess contributions to employees.

2/ Long Term Disability not broken out of the contribution rate from FY 1989 - FY 1995. Rates for these years reflect amounts estimated to be attributable solely to retirement component.

PSPRS

The PSPRS system consists of numerous state and local subgroups, each with its own contribution rate.

The General Fund cost associated with PSPRS in FY 2021 is estimated to be \$27.9 million and the Total State Funds cost is \$130.8 million.

In aggregate, the Tier 1 and Tier 2 PSPRS employer contribution rate is 2.21% higher (see Table 5 below). Most of the rate increase in the PSPRS system is because the assumed earnings rate was decreased from 7.40% to 7.30% and actuarial mortality tables were updated to reflect longer projected lifespans for members. While the aggregate change in PSPRS systemwide is 2.21%, state entities will see varying changes in their contribution rate.

Retirement System	Employer				Employee		
	FY 2020		FY 2021		FY 2021		
	Tier 1 and 2	Tier 3 ^{1/}	Tier 1 and 2	Tier 3 ^{1/}	Tier 1	Tier 2	Tier 3 ^{1/}
<u>Public Safety Personnel Ret. System</u>							
Liquor License Investigators	97.54	94.26	112.83	107.21	7.65	7.65	9.80
Department of Public Safety ^{2/}	97.58	93.13	102.87	99.04	7.65	7.65	9.78
Northern Arizona University Police	65.93	63.49	53.60	52.87	7.65	7.65	9.80
University of Arizona Police	49.27	44.68	50.12	45.26	7.65	7.65	9.80
Arizona State University Police	44.17	39.03	45.48	40.66	7.65	7.65	9.80
Game and Fish Department	116.79	114.4	130.29	125.22	7.65	7.65	9.80
Attorney General Investigators	64.17	60.31	63.91	53.42	7.65	7.65	9.80
DEMA Firefighters	35.66	33.67	41.77	37.01	7.65	7.65	9.80
Parks Police	87.88	84.85	114.87	110.44	14.37	14.37	9.21
<u>Corrections Officer Ret. Plan</u>							
Corrections Officer - ADC	27.51	25.53	30.72	29.25	8.41	8.41	7.65
Corrections Officer - DJC	44.65	42.61	48.94	48.11	8.41	8.41	7.65
DPS Dispatchers ^{3/}	42.26	40.82	47.58	51.06	7.96	7.96	7.65
Probation Officers	31.24	28.37	33.14	34.11	8.41	8.41	8.10
^{1/} FY 2020 rates for Tier 3 for PSPRS based on Defined Benefit Plan and based on Defined Contribution for CORP.							
^{2/} The displayed rates reflect that 5% of the DPS member contribution is paid by the state.							
^{3/} Dispatchers hired after November 24, 2009 are ASRS members.							

CORP

The General Fund cost associated with CORP is \$121.2 million in FY 2021 and the Total State Funds cost is \$123.7 million.

In aggregate, the Tier 1 and Tier 2 CORP employer contribution rate is 3.45% higher (*see Table 5*). The largest reasons for the increase in CORP costs were lower-than-expected overall payroll growth and the assumed earnings rate decreasing from 7.40% to 7.30%.

Several state entities will see similar increases in their contribution rate. For example, the Department of Corrections' Tier 1 and Tier 2 rate will increase from 27.51% in FY 2020 to 30.92% in FY 2021.

EORP and EODCRS System

The General Fund cost associated with EORP and the EODCRS in FY 2021 is estimated to be \$13.9 million and the Total State Funds cost is \$14.2 million. These amounts exclude court fees used to offset the cost of the system, as those fees are deposited directly into the EORP Fund.

Laws 2018, Chapter 343 requires the state to pay the actuarially required employer rate for EORP. Previously, the rate had been capped in statute at 23.50%. The rate change began in FY 2019 resulting in an employer contribution rate of 61.50%. In FY 2020, the EORP employer contribution rate was 61.43%. In FY 2021, the actuarially calculated employer contribution rate is

55.21%, however, the PSPRS Board elected to maintain the rate at 61.43% for FY 2021.

For EODCRS members, the total employer contribution rate is the same as EORP, with 6.0% of the employer contribution rate is deposited into the individual employees' retirement investment account and the remainder being deposited into the EORP Fund.

UORP

The General Fund cost associated with UORP in FY 2021 is estimated to be \$20.3 million and the Total State Funds cost is \$75.6 million.

While some university employees are members of ASRS, others participate in the optional retirement plan. In this latter plan, employees and their employers each contribute 7% of the employee's gross earnings, which is then invested by the employee. These contribution rates are fixed in statute and do not change in FY 2021.

Table 5

Reasons for Change in the Employer Contribution Rate ^{1/}			
	ASRS	PSPRS	CORP
FY 2020 Contribution Rate	11.94%	52.47%	27.59%
Asset (Gain)/Loss	0.18%	0.26%	0.15%
Payroll ^{2/}	0.00%	0.37%	2.20%
Liability Experience	N/A	-1.98%	-3.19%
Disability Rate Change	0.10%	0.00%	N/A
Tier 2 Employee Benefits	0.00%	0.00%	0.00%
COLA Adjustment	0.00%	0.00%	0.40%
Benefit Changes	N/A	0.00%	0.00%
Assumption Changes	N/A	2.33%	1.67%
Amortization Change	N/A	0.00%	N/A
Other	0.00%	1.23%	2.22%
FY 2020 Contribution Rate	12.22%	54.68%	31.04%
Net Change	0.28%	2.21%	3.45%

^{1/} Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the contribution rates may vary for each employer group. Actuaries did not calculate EORP.

^{2/} Actual payroll growth for PSPRS/CORP was lower than the assumed rate of 3.5%, requiring a higher employer contribution rate on the smaller than projected salary base.

- 72.3% for ASRS;
- 44.9% for PSPRS;
- 51.4% for CORP; and
- 30.1% for EORP.

The above percentages exclude the retiree health portion of the pension plan.

Long-Term Contribution Rate Estimates

A.R.S. § 38-848 requires PSPRS to annually report on estimated contribution rates for the next 10 fiscal years. These estimates are required to include both aggregate rates for PSPRS and CORP, in addition to rates for each state employer group within those systems. (See Table 7 for more information.)

Retirement System Summary

Recent court rulings, as well as changes passed by the Legislature, have resulted in various tiers of benefits and contribution rates for both employers and employees. Table 8 shows information on each retirement system and employer tier.

2020 Session Legislation

The retirement systems were affected by legislation relating to the following issues in the 2020 Regular Session:

Prefunding Plans

Laws 2020, Chapter 79 establishes the Arizona Employers' Pension Prefunding Plan (AEPP Plan) to allow certain employers to prefund their required pension contributions and outlines AEPP Plan requirements. Additionally, it allows the governing body of an employer who has established a defined benefit retirement plan (DB Plan) to authorize and request the State Treasurer to invest pension prefunding plan monies.

Funded Status

As of June 30, 2019, there were 662,477 active, inactive, retired, and DROP members enrolled in ASRS, PSPRS, CORP, and EORP. Most employees (91%) are enrolled in ASRS (Please see Table 6 for more information.)

To calculate the unfunded liability of each plan, actuaries use a modified amount for asset values to reflect certain plan assumptions. The funded status, or the amount of actuarial assets relative to the amount of liabilities, of each plan is:

Arizona Public Retirement System Valuation Data as of June 30, 2019									
Membership	ASRS			PSPRS			CORP		
	FY 2020	FY 2021	FY 2020	FY 2020	FY 2021	FY 2020	FY 2020	FY 2021	FY 2020
Active (working and contributing)	207,199	208,244	18,698	18,146	12,113	14,335	12,113	579	485
State Active Members	25,909	25,586	1,331	1,248	7,116	8,498	7,116	89	N/A
Other Active Members ^{1/}	181,290	182,658	17,367	16,898	4,997	5,837	4,997	490	N/A
Inactive	232,568	239,073	2,523	2,223	3,639	3,001	3,639	150	166
Retired Members, Disabled and Survivor Beneficiaries	153,908	155,067	12,823	13,270	5,721	5,395	5,721	1,203	1,240
Deferred Retirement Option Plan	N/A	N/A	1,409	1,832	N/A	N/A	N/A	N/A	N/A
Total	593,675	602,384	35,453	35,471	21,473	22,731	21,473	1,932	1,891
Funding Status (dollar values in millions) ^{2/}									
Market Value of Assets	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2019	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2019
Total Actuarial Liability	\$38,491	\$41,557	\$7,286	\$7,811	\$1,857	\$1,857	\$1,996	\$275	\$286
Unfunded Actuarial Liability ^{3/}	\$52,438	\$56,126	\$16,276	\$17,394	\$3,506	\$3,506	\$3,884	\$905	\$949
Funded Status ^{3/}	\$13,947	\$15,559	\$8,990	\$9,583	\$1,649	\$1,649	\$1,888	\$630	\$663
	73.4%	72.3%	44.8%	44.9%	53.0%	53.0%	51.4%	30.4%	30.1%
N/A=Not Available									
^{1/} Includes city, county, political subdivision, higher education and other education active members. ^{2/} Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the funded status may vary for each employer group. ^{3/} Calculated on market, not actuarial, value of assets. Excludes the funded status of the retiree health portion of the plan.									

Arizona Public Retirement System Contribution Rate Historical and Trend Data																
	Actual							Projected								
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
ASRS																
Employer	11.60%	11.47%	11.48%	11.50%	11.80%	12.11%	12.22%	12.70%	12.73%	12.57%	12.52%	12.52%	12.52%	12.34%	12.34%	12.34%
Employee	11.60%	11.47%	11.48%	11.50%	11.80%	12.11%	12.22%	12.70%	12.73%	12.57%	12.52%	12.52%	12.52%	12.34%	12.34%	12.34%
Total 1/	23.20%	22.94%	22.96%	23.00%	23.60%	24.22%	24.44%	25.39%	25.45%	25.13%	25.03%	25.03%	25.03%	24.67%	24.67%	24.67%
PSPRS																
Employer 2/4/5/	32.54%	41.37%	42.61%	52.09%	52.10%	51.47%	54.38%	51.83%	51.96%	51.96%	51.70%	51.61%	51.49%	51.37%	51.24%	51.13%
Employee 4/																
-Tier 1	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
-Tier 2	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%
Total Tier 1	40.19%	49.02%	50.26%	59.74%	59.75%	59.12%	62.03%	59.48%	59.61%	59.61%	59.35%	59.26%	59.14%	59.02%	58.89%	58.78%
Total Tier 2	44.19%	53.02%	54.26%	63.74%	63.75%	63.12%	66.03%	63.48%	63.61%	63.61%	63.35%	63.26%	63.14%	63.02%	62.89%	62.78%
CORP																
Employer 2/3/4/	14.46%	18.21%	18.71%	20.98%	28.78%	27.59%	30.92%	27.20%	27.17%	27.01%	26.63%	26.36%	26.06%	25.74%	25.39%	25.04%
Employee 4/5/	8.40%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%
Total	22.86%	26.62%	27.12%	29.39%	37.19%	36.00%	39.33%	35.61%	35.58%	35.42%	35.04%	34.77%	34.47%	34.15%	33.80%	33.45%
EORP																
Employer 4/	23.50%	23.50%	23.50%	23.50%	61.50%	61.43%	55.21%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employee 4/																
-Tier 1	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
-Tier 2	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
Total Tier 1	30.50%	30.50%	30.50%	30.50%	68.50%	68.43%	62.21%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Tier 2	36.50%	36.50%	36.50%	36.50%	74.50%	74.43%	68.21%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A=Not Available																
1/ The ASRS contribution rate for each year includes the contribution rate for long term disability, which is split evenly between the employer and employee.																
2/ The employer contribution rate displayed for years FY 2021 through FY 2030 excludes the contribution rate associated with retiree health in PSPRS and CORP. This amount, however, is expected to be minimal in each year (approximately 0.25%).																
3/ The employer contribution rate displayed for all years excludes the contribution rate associated with supplemental long term disability insurance.																
4/ PSPRS, CORP and EORP projected employer and employee contribution rates reflect those published in the FY 2021 actuarial valuations. PSPRS employee rates from FY 2012 to FY 2017 reflect refunds given to PSPRS members.																
5/ Projections for Tier 3 members were not included in the most recent PSPRS actuarial valuation for PSPRS and CORP. The contribution rates displayed only reflect an aggregate rate for Tier 1 and Tier 2.																

State Retirement Plan Summary									
	PSRS			CORP			EORP		ASRS
Hire Date	Tier 1 Before 1/1/12	Tier 2 1/1/12 thru 7/1/17	Tier 3/DC After 7/1/17	Tier 1 Before 1/1/12	Tier 2 1/1/12 thru 7/1/18	Tier 3/DC 1/ After 7/1/18	Tier 1 Before 1/1/12	Tier 2 1/1/12 thru 1/1/14	DC Plan After 1/1/14
Normal Retirement Age	None	52.5	55; 52.5 with reduced pension	25 years of Service with no age or; years of Service and Age must equal 80	52.5		None	62	Years of Service and Age must equal 80
Minimum Years of Service	20 years; 15 years if aged 62 or older	15 years	15 years		25 years		20 years	10 years	
Multiplier	50%+ <20 years: -4.00% 20 to <25 years: 2.00% 25+ years: 2.50%	62.5%+ <25 years: -4.00% 25+ years: 2.50% May use Tier 3 multiplier if better	15 to <17 years: 1.50% 17 to <19 years: 1.75% 19 to <22 years: 2.00% 22 to <25 years: 2.25% 25+ years: 2.50%	50%+ 20+ years: 2.50% If 80 point rule is used for hires prior to 8/9/2001: Average Salary X years of service X 2.5%	62.5%+ 25+ years: 2.50% (Max 7 years) If less than 25 years: Avg. Salary X Yrs of svc X 2.5%		4% of average salary x years of service	3% of average salary x years of service	<20 years: 2.10% 20 to <25 years: 2.15% 25 to <30 years: 2.20% 30+ years: 2.30%
PBI or COLA	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	COLA eligible after 7 years or age 60; COLA dependent on plan funded status	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	Not Applicable	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	PBI if fund exceeds growth estimate for 10 years, only for members hired before 9/13/13.
Benefit Cap	Adjusted by IRS	Adjusted by IRS	\$110,000	Adjusted by IRS	Adjusted by IRS		Adjusted by IRS	Adjusted by IRS	Adjusted by IRS
Normal Cost Split	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)	50/50; Employer Pays Legacy Cost Balance	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)		Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)	50/50
Assumed Rate of Return	7.40%	7.40%	7.40%	7.40%	7.40%		7.40%	7.40%	7.50%
Employee Rate	7.65%	11.65%	9.85% DC: 9.00%	8.41%	8.41%	7.00%	7.00%	13.00%	12.11%
Aggregate Employer Rate	52.47%	52.47%	DB 47.75% (Normal+Legacy Costs) DC: 9.00%+Legacy Costs	27.55%	27.59%	5%+Legacy Cost	61.43%	61.43%	12.11% (6.00% to employer account)
1/ CORP includes a Tier 3 Defined Benefit plan, however essentially all state workers in CORP would only be eligible for the Defined Contribution Plan.									

**GENERAL PROVISIONS OF THE
GENERAL APPROPRIATION ACT
AND OTHER OVERALL ISSUES**

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GENERAL PROVISIONS OF THE GENERAL APPROPRIATION ACT AND OTHER OVERALL ISSUES

In addition to the specific appropriations to agencies, departments and institutions, the FY 2021 General Appropriation Act provides direction regarding several general provisions.

General Provisions

Statewide Adjustments — Each individual agency narrative refers to the allocation of statewide adjustments. The *Agency Detail and Allocations* section includes the specific adjustments for each agency.

Section 115 of the General Appropriation Act makes statewide adjustments totaling \$71,494,300 from the General Fund and \$46,272,300 from Other Appropriated Funds in FY 2021 for changes in 4 areas:

- **Employer Health Insurance Contribution Reduction:** \$(10,492,900) General Fund and \$(9,764,300) Other Appropriated Funds for a reduction in the employer contribution rates for employee health insurance. This amount backs out the FY 2020 one-time premium adjustment. *(Please see Health Insurance discussion below for more details.)*
- **Employer Health Insurance Contribution Increase:** \$22,000,000 General Fund and \$21,500,000 Other Appropriated Funds for a one-time increase in the employer contribution rates for employee health insurance. *(Please see Health Insurance discussion below for more details.)*
- **Retirement Adjustments:** \$16,908,600 General Fund and \$3,000,000 Other Appropriated Funds for retirement contribution rate adjustments. *(Please see State Retirement Systems below for more details.)*
- **27th Pay Period:** \$43,078,600 General Fund and \$31,536,600 Other Appropriated Funds for the 27th pay period in FY 2021 for non-university employees. In addition, Section 118 of the General Appropriation Act includes \$20,052,100 General Fund and \$36,887,300 Other Appropriated Funds for University 27th pay period costs in FY 2022.

Expenditure Reporting — Section 119 continues to state that it is the intent of the Legislature that all budget units receiving appropriations continue to report actual, estimated and requested expenditures by budget programs and classes in a format similar to the one used for budgetary purposes in prior years. The purpose of this section is to ensure stability and consistency in the expenditure reporting regardless of yearly changes in appropriation formats. A different format may be used if agreed to by the Director of the JLBC and incorporated

into the budget instructions issued by the Governor's Office of Strategic Planning and Budgeting.

FTE Position Reporting — Section 120 continues to state that the Full-Time Equivalent (FTE) Positions contained in the General Appropriation Act sections are subject to appropriation. The section directs the Director of the Arizona Department of Administration (ADOA) to account for the utilization of all appropriated and non-appropriated FTE Positions, excluding FTE Positions in the Universities. The Director shall submit the FY 2021 report by October 1, 2021 to the Director of the JLBC.

The reports shall compare the level of FTE Position usage in each fiscal year to the appropriated level. This section defines FTE Positions as total number of hours worked, including both regular and overtime hours as well as hours taken as leave, divided by the number of hours in a work year. The ADOA Director shall notify the director of each budget unit if the budget unit has exceeded its number of appropriated FTE Positions. The Universities shall report to the JLBC Director in a manner comparable to the ADOA report.

Filled FTE Position Reporting — Section 121 continues to state that by October 1, 2020 each agency, including the Judiciary and the Universities, shall submit a report to the JLBC Director on the number of filled, appropriated and non-appropriated FTE Positions by fund source. The report shall reflect the number of filled, appropriated FTE Positions as of September 1, 2020.

Transfer Authority — Section 122 continues to require ADOA to provide a monthly report to the JLBC Staff on any agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements — Section 123 continues to require the Executive Branch to provide to the JLBC a preliminary estimate of the FY 2020 General Fund ending balance by September 15, 2020. Based on this information, JLBC Staff shall report to JLBC by October 15, 2020 as to whether FY 2021's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections. Section 123 states the revenues are forecasted to be \$12,545,000,000 for FY 2020 and \$12,540,200,000 for FY 2021 (these figures are now estimated at \$11,681,548,500 and \$11,054,229,400 after the June budget update). While both figures include one-time revenues, the FY 2020 figure also includes the beginning balance.

Section 123 also provides revenue and expenditure estimates for FY 2022 and FY 2023 pursuant to A.R.S. § 35-125, which requires the General Appropriation Act to delineate the revenue and expenditure estimates for the budget year and the following 2 years based on existing statutory funding requirements. *(Please see the Budget Highlights section for more details on FY 2022 and FY 2023 estimates.)*

Expenditure Authority — Section 125 continues to state that for purposes of the General Appropriation Act, “expenditure authority” means that the fund sources are continuously appropriated monies that are included in the individual line items of appropriations.

JLBC Review — Section 126 continues to state that for purposes of the General Appropriation Act, “review by the Joint Legislative Budget Committee” means a review by a vote of a majority of a quorum of the members.

Statewide Standard Changes

In addition to the adjustments to agency budgets and general provisions outlined previously, the FY 2021 budget reflects the adoption of technical assumptions. These technical assumptions are incorporated into each agency’s individual appropriation in the FY 2021 General Appropriation Act. Statewide adjustment amounts are mentioned in any relevant agency narrative, but do not have additional discussion.

Employee Related Expenditures

Health Insurance — The state continues to self-insure state employee health benefits. Under self-insurance, the state assumes the risk of providing health coverage to state employees and pays the health claims directly. Therefore, if the costs of employee health coverage exceed estimates, the state will be responsible for those losses. Similarly, if the costs are less than estimated, the state will retain the savings.

ADOA has made significant changes to employee health insurance for Plan Year (PY) 2021 (which begins January 1, 2021). In 2021, employees will have a choice between 2 plans: a "Triple Option Plan" or a Health Savings Account (HSA). Under the Triple Option, employees will select providers from a narrow network, full network, or out-of-network with varying deductible levels. An HSA allows for pre-tax contributions and healthcare-related withdrawals, combined with a high-deductible coinsurance plan.

Employee and employer premiums for PY 2021 reflect the FY 2021 health insurance contribution increase discussed above and are shown in *Table 1*.

Dental Insurance — Employees have a choice between one Dental PPO plan and one Dental HMO plan. Plans and contributions are unchanged from Plan Year 2020. Employee and employer premiums for FY 2021 are shown in *Table 2*.

(Please see the Health Insurance Trust Fund section in the ADOA narrative for more details on overall HITF balances.)

Table 1 Health Insurance State Employee and Employer Monthly Contributions ^{1/} PY 2021		
	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<u>Triple Option Plan</u>		
Employee	\$ 56.70	\$ 605.50
Employee Plus One Adult	154.90	1,249.6
Employee Plus One Child	124.15	816.47
Family	263.49	1,383.5
<u>Health Spending Account (HSA) Option</u>		
Employee	22.00	454.06 ^{2/}
Employee Plus One Adult	66.00	936.72 ^{2/}
Employee Plus One Child	56.10	653.89 ^{2/}
Family	122.10	1,029.94 ^{2/}
^{1/} PY 2021 employer rates are effective July 2020 to June 2021. PY employee rates are effective January 2021 to December 2021.		
^{2/} Includes deposit of \$60 into Single Employee account and \$120 into all other Employee accounts.		

Table 2

**Dental Insurance
State Employee and Employer Monthly Contributions
PY 2021**

	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<u>DHMO</u>		
Employee	\$3.56	\$4.96
Employee + 1 Adult	7.12	9.92
Employee + 1 Child	6.67	9.92
Family	11.84	13.70
<u>PPO</u>		
Employee	30.98	4.96
Employee + 1 Adult	65.71	9.92
Employee + 1 Child	50.56	9.92
Family	104.56	13.70

In addition to health and dental insurance, the following items are components of an agency's Employee Related Expenditures.

Employer Contribution Rates — Table 3 provides a list of budgeted state employer contribution rates for state employee benefits during FY 2021. These rates may be different from actual funded charges (e.g., the Social Security FICA maximum may increase.) Except for life insurance, these rates are calculated as a percent of Personal Services. Except as noted, the budget does not include funding for the changes in rates.

Life Insurance - \$7.28 per employee per year, a decrease from CY 2019 rates of \$17.94 per employees per year rate set by ADOA. The FY 2021 budget does not adjust agency budgets for this change.

Unemployment Insurance - 0.10% of Personal Services for each agency, unchanged from the FY 2020 rate set by ADOA.

Personnel Division Pro Rata - 0.86% of Personal Services for each agency in the State Personnel System, unchanged from the FY 2020 rate established in statute. Of this amount, 0.83% is used to fund the ADOA Human Resources Division while the other 0.03% is used to fund the State Personnel Board.

The following agencies are not incorporated into state personnel system oversight and are therefore exempt from paying the pro rata charge:

- Arizona State Schools for the Deaf and the Blind
- Legislative agencies (House of Representatives, Senate, Legislative Council, Auditor General, Joint Legislative Budget Committee)

- Judiciary (Supreme Court, Court of Appeals, Superior Court)
- Department of Public Safety
- Universities (including Arizona Board of Regents)

Disability Insurance - For Arizona State Retirement System (ASRS) employees, the employer pays 0.18% of Personal Services for disability insurance, a 0.01% increase over the FY 2020 rate. The employee rate will also increase to 0.18%.

Employer rates in the Public Safety Personnel Retirement System (PSPRS) and the Corrections Officer Retirement Plan (CORP) vary depending on whether the employee is participating in the defined benefit plan or defined contribution plans. For PSPRS defined-benefit employees, the employer-only disability insurance rate will be 2.14% in FY 2021, unchanged from FY 2020; the rate for defined-contribution employees will be 1.41% (a decrease from 1.51%). For CORP defined-benefit employees, the employer-only rate is 0.32%; the rate for defined-contribution employees will be 0.65% (a decrease from 0.70%). The FY 2021 budget does not adjust agency budgets for these changes.

Information Technology Planning - 0.43% of Personal Services for each agency, unchanged from the FY 2020 rate established in statute. Statewide cyber security controls and the government information technology review function in ADOA's budget is funded from an assessment on the payroll of all state agencies except the Universities. (Please refer to *Statewide Adjustments above and the Arizona Department of Administration narrative for more details.*)

Table 3

FY 2021 Employer Contribution Rates

<u>Category</u>	<u>Rate</u>
Life Insurance (per FTE Position)	\$7.28
Unemployment Insurance	0.10%
Personnel Division Pro Rata	0.86%
Disability (ASRS)	0.18%
Disability (PSPRS Defined Benefit)	2.41%
Disability (PSPRS Defined Contribution)	1.41%
Disability (CORP Defined Benefit)	0.32%
Disability (CORP Defined Contribution)	0.65%
Information Technology Planning and Security	0.43%
Retiree Accumulated Sick Leave	0.40%
Workers' Compensation	Varies
<u>Federal Insurance Contributions Act (FICA)</u>	
Social Security (salary max \$137,700)	6.20%
Medicare (no salary cap)	1.45%

Retirement System

1/

1/ See Consolidated Retirement Report section for contribution rates.

Retiree Accumulated Sick Leave - 0.40% of Personal Services for each agency, unchanged from the FY 2020 rate established in statute. The Retiree Accumulated Sick Leave Fund is funded from an assessment on the payroll of all state agencies. The fund is used to make payments to state employees who retire with 500 or more hours of sick leave. Employees' payments depend on the number of hours of sick leave and their salary, with the payment capped at 50% of 1,500 hours of sick leave, or \$30,000 maximum.

Workers' Compensation - The rates calculated by ADOA vary by individual agency and are unchanged from the FY 2020 workers' compensation rates. ADOA estimates the average statewide rate is 0.97% in FY 2021. Monies are deposited into the Risk Management Fund for payment of costs associated with Workers' Compensation losses. *(Please see the ADOA narrative for more details.)*

Federal Insurance Contributions Act (FICA) – Effective Social Security taxes are paid at a rate of 6.20% up to \$137,700 of an employee's salary, an increase from the previous maximum of \$132,900. The rate is unchanged from FY 2020. The FY 2021 budget does not adjust agency budgets for this change.

In addition, Medicare employer taxes are applied at a rate of 1.45% on the full level of an employee's salary. This rate is unchanged from FY 2020. Effective January 1, 2013, the federal Affordable Care Act imposed an additional 0.9% Medicare withholding on employees for the amount of salaries above \$200,000. Employees will continue to be withheld at 1.45% for salaries below \$200,000. This additional 0.9% withholding does not apply to the employer-paid portion of the Medicare tax.

State Retirement Systems - There are 5 state employee retirement systems -- ASRS, PSPRS, CORP, the Elected Officials' Retirement Plan (EORP), and the Elected Officials' Defined Contribution (EODC) System. In addition, the Universities operate their own defined contribution plan. FY 2021 rates as determined by the state's retirement systems have changed from the FY 2020 rates. *(Please see the Consolidated Retirement Report for more details on retirement contribution rates, enrollment and funded status, and litigation impacts.)*

Other Operating Expenditures

The following items are included in agencies' Other Operating Expenditures.

Risk Management — Individual agency budgets' Other Operating Expenditures include funding to pay the Risk Management charges billed to agencies by the ADOA Risk Management Program. The billings vary by individual

agency and are unchanged from FY 2020. FY 2021 rates are set based on ADOA's actuarial assessment of each agency's risk. *(Please see the Risk Management Charges table following this section for more details on overall charges.)*

Monies are deposited into an ADOA fund for payment of costs associated with Risk Management losses. The state self-insures for Risk Management services by assessing agencies charges based on actuarial projections and paying claims against the state.

Attorney General — Section 116 outlines \$1,798,500 in charges to selected state agencies for Attorney General services, unchanged from the FY 2020 amount. *(Please see the Attorney General narrative for details.)*

Building Payments — The Other Operating Expenditures line of individual agency budgets includes rental charges for both state-owned and privately-owned space, lease-purchase payments, and privatized lease-to-own (PLTO) payments for certain buildings.

Rent charges in state-owned office space will remain at \$17.87/square foot, with the charge for state-owned storage space remaining at \$6.43/square foot. These rates are set in statute and are based upon usable square feet. *(Please see the ADOA Capital Outlay section for more details.)*

Funding is also included in budgets for all agencies housed in buildings acquired by lease-purchase or PLTO, including changes to those payments. *(Please refer PLTO schedules in the Capital Outlay section for more details.)*

Other Budget Issues

Administrative Adjustments — The budget assumes that state agencies will expend \$146,000,000 in FY 2021 for FY 2020 obligations. Agencies are permitted to make "administrative adjustments" for expenditures obligated in FY 2020 but for which the state was unbilled until FY 2021. An agency's administrative adjustments cannot exceed its prior year reversionment, or unused appropriation authority.

The enacted FY 2021 budget assumed FY 2020 administrative adjustments of \$128,000,000, which was unchanged from the original FY 2020 budget. The June budget update, however, revised this FY 2020 estimate down to \$28,000,000, which is based on updated data of administrative adjustment spending through April.

Reversionments — The budget assumes that state agencies will revert \$(184,000,000) of FY 2021 appropriations back to the General Fund because the agencies will not spend

their entire appropriation. In comparison, the enacted FY 2021 assumed FY 2020 reverts of \$(173,000,000). The June budget update revised this FY 2020 estimate to \$(184,000,000).

The original FY 2020 budget assumed the FY 2020 reversion total would be \$(173,000,000).

Budget Format — The format governs how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are the following:

Lump Sum - The appropriation for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review.

Lump Sum with Special Line Items - The appropriation for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include FTE Positions. Agencies are typically permitted to transfer funding between line items with Executive Branch approval but without further Legislative Branch review. Footnotes may require JLBC review, however, prior to transfers between certain line items.

90/10 Agencies — The following 28 regulatory agencies are called "90/10" agencies for the fact that these agencies retain 90% of their revenues and deposit the other 10% into the General Fund:

Arizona State Board of Accountancy
Acupuncture Board of Examiners
Board of Athletic Training
Board of Barbers
Board of Behavioral Health Examiners
State Board of Chiropractic Examiners
Registrar of Contractors
Board of Cosmetology
State Board of Dental Examiners
State Board of Funeral Directors and Embalmers
Board of Homeopathic and Integrated Medicine Examiners
Board of Massage Therapy
Arizona Medical Board
Naturopathic Physicians Medical Board
State Board of Nursing
Board of Examiners of Nursing Care Institution
Administrators and Assisted Living Facility Managers
Board of Occupational Therapy Examiners

State Board of Dispensing Opticians
State Board of Optometry
Arizona Board of Osteopathic Examiners in Medicine and Surgery
Arizona State Board of Pharmacy
Board of Physical Therapy
State Board of Podiatry Examiners
State Board for Private Postsecondary Education
State Board of Psychologist Examiners
Board of Respiratory Care Examiners
State Board of Technical Registration
Arizona State Veterinary Medical Examining Board

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GENERAL FUND SALARY ADJUSTMENTS FOR STATE EMPLOYEES SINCE FY 2011 (Shown in Nominal Dollars)

Fiscal Year	General Salary Adjustments					Additional Increases for Selected Classes		
	Dollars Appropriated	Effective Date	Annual Cost	% Salary Adjustment	% Performance Adjustment	Dollars Appropriated	Effective Date	Annual Cost
FY 2011	\$(33,464,400) <u>1/</u>	July 1	\$(33,464,400)	-2.30% <u>2/</u>	-2.75% <u>2/</u>	\$0	NA	\$0
FY 2012	\$(3,390,700) <u>3/</u>	July 1	\$(3,390,700)	-0- <u>3/</u>	-0-	\$0	NA	\$0
FY 2013	\$16,633,400 <u>4/</u>	Sept 29	\$23,500,000	5.00% <u>4/</u>	-0-	\$0	NA	\$0
FY 2014	\$0	NA	\$0	0.00%	-0-	\$0	NA	\$0
FY 2015	\$0	NA	\$0	0.00%	-0-	\$3,300,000	July 1	\$3,300,000 <u>5/</u>
FY 2016	\$0	NA	\$0	0.00%	-0-	\$0	NA	\$0
FY 2017	\$0	NA	\$0	0.00%	-0-	\$4,696,400	Varies	\$4,791,700 <u>6/7/</u>
FY 2018	\$0	NA	\$0	0.00%	-0-	\$97,700	January 1	\$195,300 <u>8/</u>
FY 2019	\$0	NA	\$0	0.00%	-0-	\$97,600	January 1	\$0 <u>9/</u>
FY 2020	\$0	NA	\$0	0.00%	-0-	\$69,735,100	July 1	\$69,735,100 <u>10/</u>
FY 2021	\$0	NA	\$0	0.00%	-0-	\$0	NA	\$0

- 1/ Represents General Fund savings from the pay reduction that were budgeted in FY 2011, along with uncaptured furlough savings realized in FY 2011 during the FY 2012 budget process.
- 2/ Represents 6 furlough days (2.3%) except for certain exempted positions and a (2.75)% pay reduction. Where possible, the (2.75)% reduction was intended to eliminate the FY 2007 and FY 2008 Performance Adjustments. The furlough was originally authorized for FY 2011 and FY 2012 only, while the salary reduction was permanent.
- 3/ Represents General Fund savings from the prior enacted mandatory 6 day furlough, less additional funding to restore the furlough for several smaller agencies. The FY 2011 General Appropriation Act assumed a fixed level of General Fund savings associated with the furlough - savings were actually \$3.5 million greater and were reflected in the FY 2012 budget. Laws 2011, Chapter 26 eliminated one of the 6 mandatory furlough days in FY 2011 and all furlough days in FY 2012, but the budget did not restore any of the associated funding except for \$158,800 from the General Fund to several smaller agencies in FY 2012.
- 4/ Originally represented a one-time critical retention payment to state employees in FY 2013. The payments were made to non-university state employees who were uncovered on the effective date of September 29, 2012, and were equal to 5% of an employee's annual salary level prorated for the remainder of the fiscal year, increasing an employee's annual salary by an effective rate of 3.75%. This adjustment included payments to employees who converted from covered to uncovered status as a result of the 2012 omnibus personnel bill (Laws 2012, Chapter 321). The FY 2014 budget subsequently made the 5% adjustment permanent.
- 5/ Funds a 2.0% pay increase for all employees at the Arizona Department of Public Safety (DPS).
- 6/ Funds a 3.0% pay increase for all sworn officers and civilian staff within the Highway Patrol division at DPS, effective July 1, 2016.
- 7/ Funds the first half-year of a 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The pay raise became effective on January 1, 2017 and will be followed by another 1.5% increase effective on January 1, 2018.
- 8/ Funds the first half-year of a second 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The second year pay raise becomes effective January 1, 2018.
- 9/ Funds the annualization of the second-year 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The second year pay raise became effective January 1, 2018. Annual cost of \$195,300 reflected in FY 2018.
- 10/ Funds salary increases for select state employees in the Department of Agriculture, Attorney General, Department of Child Safety, Corporation Commission, Department of Corrections, Game and Fish Department, Department of Health Services, Department of Insurance, Judiciary, Department of Juvenile Corrections, Department of Liquor Licenses and Control, Arizona State Parks Board, Department of Public Safety, and Department of Transportation. See General Provisions section in FY 2020 Appropriations Report for more information.

SALARY ADJUSTMENTS FOR ELECTED OFFICIALS

	Jan. 1, 2002 *	Jan. 1, 2007 *	Jan. 1, 2009	Jan. 1, 2018
Governor	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000
Secretary of State	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Treasurer	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Attorney General	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000
Superintendent of Public Instruction	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
Corporation Commissioners	\$ 79,500	\$ 79,500	\$ 79,500	\$ 79,500
Mine Inspector	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Supreme Court Chief Justice	\$ 129,150	\$ 145,294	\$ 160,000	\$ 164,800
Other Supreme Court Justices	\$ 126,525	\$ 142,341	\$ 155,000	\$ 159,650
Appellate Judges	\$ 123,900	\$ 139,388	\$ 150,000	\$ 154,500
Superior Court Judges	\$ 120,750	\$ 135,844	\$ 145,000	\$ 149,400
Legislators	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000

* There were no changes in elected officials' salaries between January 1, 2002 and January 1, 2007 and January 1, 2007 and January 1, 2009.

AGENCY DETAIL AND ALLOCATIONS

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2020 GF JLBC Baseline	FY 2020 Changes	FY 2020 GF Revised	FY 21 Baseline 1/ Above FY 20	FY 2021 Changes	FY 2021 GF June Update
OPERATING SPENDING CHANGES						
DOA - Arizona Department of Administration	8,147,600		8,148,500			8,209,900
DOA - Statewide Adjustments					333,300	
DOA - Remove One-Time Sierra Vista Public Safety Communications				(271,000)		
DOA - Named Claimants (Ch. 20)		900				
APF - Automation Projects Fund/ADOA	11,100,000		11,100,000			0
APF - Remove DCS Automation (\$5.0 M Ongoing/\$5.1 M One-Time)				(10,100,000)		
APF - Remove One-Time Business One-Stop Shop Web Portal				(1,000,000)		
OAH - Office of Administrative Hearings	889,800		889,800			921,500
OAH - Statewide Adjustments					31,700	
AAM - Commission of African-American Affairs	128,100		128,100			133,200
AAM - Statewide Adjustments					5,100	
AGR - Department of Agriculture	10,865,500		10,865,500			10,492,200
AGR - Statewide Adjustments					307,100	
AGR - Remove One-Time Industrial Hemp Licensing				(750,000)		
AGR - AG Lab Relocation Annualization				69,600		
AXS - AHCCCS	1,760,748,100		1,806,726,700			1,951,981,100
AXS - Statewide Adjustments					987,500	
AXS - Formula Changes		45,978,600		179,995,500		
AXS - Rural Graduate Medical Education				1,666,700		
AXS - Urban Graduate Medical Education				1,333,300		
AXS - Remove One-Time North Country Graduate Medical Education				(750,000)		
AXS - Children's Beh. Health Services Fund Deposit (Ch. 4)					8,000,000	
ART - Arizona Commission on the Arts	2,200,000		2,200,000			0
ART - One-Time Funding				(2,000,000)		
ART - Remove One-Time Nonprofit Theater Capital Support				(200,000)		
ATT - Attorney General	26,082,400		26,082,400			25,411,000
ATT - Statewide Adjustments					828,600	
ATT - Remove One-Time Criminal Division Funding				(1,500,000)		
CHA - State Board for Charter Schools	1,714,500		1,714,500			2,152,100
CHA - Statewide Adjustments					44,800	
CHA - Additional FTE Positions (Enacted)				392,800		
DCS - Department of Child Safety	384,653,400		384,653,400			387,893,000
DCS - Statewide Adjustments					3,239,600	
ACA - Arizona Commerce Authority	19,275,000		19,275,000			16,175,000
ACA - Remove One-Time Rural Development Broadband Grants				(3,000,000)		
ACA - Remove One-Time Trade Office Funding				(100,000)		
CCO - Arizona Community Colleges	97,431,800		97,431,800			64,895,400
CCO - Formula Changes (with Tribal CC Adjustment)				2,226,200		
CCO - Formula Changes (FY 21 Rural County Allocation)					237,400	
CCO - Remove One-Time Maricopa CCD Healthcare Specialty Expansion				(5,800,000)		
CCO - Remove One-Time Pima CCD Aviation Center				(15,000,000)		
CCO - Remove One-Time Rural Funding (By Student Count)				(14,200,000)		
COR - Corporation Commission	620,800		620,800			647,100
COR - Statewide Adjustments					26,300	
ADC - Department of Corrections	1,167,111,300		1,167,212,700			1,205,396,200
ADC - Statewide Adjustments					38,284,900	
ADC - Named Claimants (Ch. 20)		101,400				
CF - County Funding	10,650,700		10,650,700			10,650,700
SDB - Arizona State Schools for the Deaf and the Blind	23,214,400		23,214,400			23,865,500
SDB - Statewide Adjustments					651,100	
OEC - Office of Economic Opportunity	968,300		968,300			485,500
OEC - Statewide Adjustments					17,200	
OEC - WIFA - Remove One-Time Small Water Systems Funding				(500,000)		
DES - Department of Economic Security	749,708,200		749,708,200			812,054,300
DES - Statewide Adjustments					3,606,200	
DES - Formula Adjustments				59,739,900		

	FY 2020 GF JLBC Baseline	FY 2020 Changes	FY 2020 GF Revised	FY 21 Baseline 1/ Above FY 20	FY 2021 Changes	FY 2021 GF June Update
DES - Remove One-Time Caregiver Grants				(1,000,000)		
BOE - State Board of Education	1,158,900		1,158,900			1,334,300
BOE - Statewide Adjustments					25,400	
BOE - Additional ESA Admin. Funding (1 FTE) - Ch. 12					150,000	
ADE - Arizona Department of Education	5,200,184,900		5,200,184,900			5,599,591,900
ADE - Statewide Adjustments					448,000	
ADE - Formula Adjustments (Incl. Teacher Salary/Add'l Assistance)				335,632,500	(6,643,800)	
ADE - Remove One-Time American Civics Funding				(500,000)		
ADE - Remove One-Time Gifted Education Funding				(1,000,000)		
ADE - One-Time CTED Incentive Program (\$5 M in '21; \$5 M in '22)				5,000,000		
ADE - Remove One-Time Mingus Unified Consolidation Costs				(50,000)		
ADE - Remove One-Time Yuma Elementary School Construction Costs				(800,000)		
ADE - Additional Assistance Restoration					67,774,700	
ADE - Remove BSA Funding Allocated to ADE/Treasurer ESA Admin.					(2,687,800)	
ADE - Shift ADE ESA Admin. Funding to Direct GF Appropriation (Ch. 12)					1,283,400	
ADE - Increase ADE ESA Admin. Funding (13 FTE) (Ch. 12)					950,000	
EMA - Department of Emergency & Military Affairs	12,201,600		12,201,600			12,373,000
EMA - Statewide Adjustments					171,400	
DEQ - Department of Environmental Quality	200,000		200,000			15,000,000
DEQ - WQARF (Ongoing Funding)					10,000,000	
DEQ - WQARF (One-Time Funding)					5,000,000	
DEQ - Remove One-Time Maricopa County Dust Suppression Pilot				(200,000)		
EQU - State Board of Equalization	659,000		659,000			673,200
EQU - Statewide Adjustments					14,200	
EXE - Board of Executive Clemency	1,150,000		1,150,000			1,184,500
EXE - Statewide Adjustments					34,500	
DFI - Dept of Financial Institutions	1,980,900		1,980,900			0
DFI - Agency Consolidation				(1,980,900)		
FOR - Department of Forestry and Fire Management	15,917,400		15,917,400			13,399,600
FOR - Statewide Adjustments					232,200	
FOR - Remove One-Time Fire Training Center (Taylor)				(1,000,000)		
FOR - Remove One-Time Non-Native Vegetation Eradication				(1,000,000)		
FOR - Remove One-Time Mount Lemmon Fire District Water Line				(750,000)		
GAM - Department of Gaming	2,509,500		2,509,500			2,509,500
GOV - Office of the Governor	8,699,900		58,699,900			8,924,800
GOV - Statewide Adjustments					224,900	
GOV - Crisis Contingency and Safety Net Deposit Supplemental		50,000,000				
OSP - Gov's Office of Strategic Planning & Budgeting	2,684,100		2,684,100			2,765,100
OSP - Statewide Adjustments					81,000	
DHS - Department of Health Services	97,158,300		97,158,300			95,897,900
DHS - Statewide Adjustments					2,546,200	
DHS - Remove One-Time Prenatal Services Funding				(500,000)		
DHS - Remove One-Time Public Health Emergency Fund Backfill				(106,600)		
DHS - Remove Benson and Northern Cochise Hospitals One-Time Funding				(1,500,000)		
DHS - Remove One-Time Primary Care Clinic - Colorado City Funding				(700,000)		
DHS - Remove One-Time Loan Repayment Program Funding				(750,000)		
DHS - Remove One-Time Vulnerable Caregiver Workshops Funding				(250,000)		
AZH - Arizona Historical Society	3,107,700		3,107,700			3,195,600
AZH - Statewide Adjustments					87,900	
PAZ - Prescott Historical Society	837,200		837,200			867,700
PAZ - Statewide Adjustments					30,500	
DOH - Department of Housing	15,000,000		15,000,000			0
DOH - Remove Housing Trust Fund Deposit (One-Time)				(15,000,000)		
IND - Independent Redistricting Commission	0		0			500,000
IND - 2020 Redistricting Cycle Start-up Funding				500,000		
INS - Department of Insurance	5,663,200		5,663,200			0
INS - Agency Consolidation				(5,663,200)		
DIF - Department of Insurance and Financial Institutions	0		0			8,090,700
DIF - Statewide Adjustments					196,600	

	FY 2020 GF JLBC Baseline	FY 2020 Changes	FY 2020 GF Revised	FY 21 Baseline 1/ Above FY 20	FY 2021 Changes	FY 2021 GF June Update
DIF - Agency Consolidation				7,644,100		
DIF - Mental Health Parity Implementation Costs (One-Time) (Ch. 4)					250,000	
SPA - Judiciary - Supreme Court	20,875,000		20,875,000			21,399,300
SPA - Statewide Adjustments					524,300	
COA - Judiciary - Court of Appeals	16,765,000		16,765,000			17,179,600
COA - Statewide Adjustments - Division I					298,600	
COA - Statewide Adjustments - Division II					116,000	
SUP - Judiciary - Superior Court	92,596,500		92,596,500			98,194,300
SUP - Statewide Adjustments					253,500	
SUP - Maricopa County Judges Phase-In (Enacted)				6,019,400		
SUP - Remove One-Time Digitization/Case Management System				(250,000)		
SUP - Remove One-Time CORP Retirement Cost Increase				(2,354,000)		
SUP - CORP '20 Rate Increase					1,928,900	
DJC - Department of Juvenile Corrections	36,926,500		36,926,500			30,616,200
DJC - Statewide Adjustments					2,140,600	
DJC - One-Time Maricopa/Pima County Cost Sharing Offset				(8,450,900)		
LAN - State Land Department	11,654,300		12,135,400			12,563,800
LAN - Statewide Adjustments					428,400	
LAN - CAP Rate Adjustment		481,100		481,100		
Legislature						
AUD - Auditor General	20,629,300		20,629,300			20,991,500
AUD - Statewide Adjustments					762,200	
AUD - Remove One-Time CTED Study Funding				(400,000)		
HOU - House of Representatives	16,407,500		16,407,500			16,830,000
HOU - Statewide Adjustments					422,500	
JLBC - Joint Legislative Budget Committee	2,834,200		2,834,200			2,934,700
JLBC - Statewide Adjustments					100,500	
LEG - Legislative Council	8,814,900		8,814,900			9,026,600
LEG - Statewide Adjustments					211,700	
SEN - Senate	12,948,900		12,948,900			13,253,900
SEN - Statewide Adjustments					305,000	
MIN - State Mine Inspector	1,269,300		1,269,300			1,301,900
MIN - Statewide Adjustments					32,600	
NAV - Arizona Navigable Steam Adjudication Comm.	129,000		129,000			133,000
NAV - Statewide Adjustments					4,000	
POS - Commission for Postsecondary Education	1,680,900		1,680,900			1,680,900
DPS - Department of Public Safety	92,350,300		92,350,300			91,138,000
DPS - Statewide Adjustments					6,984,500	
DPS - Remove One-Time Equipment - 6 Maricopa FTE				(379,800)		
DPS - Remove One-Time Equipment - 12 Trooper FTE Southern AZ				(759,600)		
DPS - Remove One-Time Equipment - Loop 202 South Mountain Patrol				(1,519,200)		
DPS - Salary Increase Budget Shift				(38,200)		
DPS - Remove One-Time Highway Patrol Vehicle Replacement Funding				(4,000,000)		
DPS - Remove One-Time Interoperability Project Funding				(1,500,000)		
PSP - Public Safety Personnel Retirement System	6,000,000		6,000,000			6,000,000
REA - State Real Estate Department	2,909,500		2,909,500			2,997,600
REA - Statewide Adjustments					88,100	
REV - Department of Revenue	31,245,200		31,245,200			31,799,500
REV - Statewide Adjustments					554,300	
SFB - School Facilities Board	325,650,300		353,650,300			235,235,700
SFB - Statewide Adjustments					52,600	
SFB - Remove New School Funding Completion (FY 19 Starts)				(36,726,700)		
SFB - Continue New School Construction Projects (FY 20 Starts)				(30,069,900)		
SFB - Begin New School Construction Projects (FY 21 Starts)				12,980,900		
SFB - Lease-Purchase Adjustment				(64,692,700)		
SFB - One-Time Building Renewal Funding				(62,790,900)		
SFB - Building Renewal Funding (\$107.5 M including Baseline)		28,000,000			90,832,100	
SOS - Secretary of State	17,367,900		19,984,800			17,263,600

	FY 2020 GF JLBC Baseline	FY 2020 Changes	FY 2020 GF Revised	FY 21 Baseline 1/ Above FY 20	FY 2021 Changes	FY 2021 GF June Update
SOS - Statewide Adjustments					303,800	
SOS - Remove One-Time Presidential Preference Election Funding				(4,408,100)		
SOS - Presidential Preference Election Supplemental		2,616,900				
SOS - Election Services (2020 Primary/General Election)				4,000,000		
TAX - State Board of Tax Appeals	281,800		281,800			292,200
TAX - Statewide Adjustments					10,400	
TOU - Office of Tourism	8,214,000		8,214,000			8,335,100
TOU - Statewide Adjustments					121,100	
TRE - State Treasurer	1,205,100		1,205,100			1,548,800
TRE - Statewide Adjustments					39,300	
TRE - Shift ESA Admin. Funding to Direct GF Appropriation - Ch. 12					304,400	
OTR - Governor's Office on Tribal Relations	62,900		62,900			64,700
OTR - Statewide Adjustments					1,800	
UNI - Universities						
UNI - Arizona Board of Regents	22,397,700		22,397,700			22,480,000
UNI - Statewide Adjustments					82,300	
UNI - ASU	341,916,800		341,916,800			324,717,400
UNI - Statewide Adjustments					1,482,900	
UNI - Lease Purchase Adjustment				2,400		
UNI - Inflation Adjustment (2017 Capital Infrastructure)				215,300		
UNI - One-Time Operating Funding				(18,900,000)		
UNI - Northern Arizona University	117,250,900		117,250,900			109,804,600
UNI - Statewide Adjustments					142,100	
UNI - Lease Purchase Adjustment				(1,020,000)		
UNI - Inflation Adjustment (2017 Capital Infrastructure)				81,600		
UNI - One-Time Operating Funding				(6,650,000)		
UNI - UA - Main Campus	215,808,900		215,808,900			207,722,200
UNI - Statewide Adjustments					1,171,500	
UNI - Lease Purchase Adjustment				1,300		
UNI - Inflation Adjustment (2017 Capital Infrastructure)				190,500		
UNI - One-Time Operating Funding				(9,450,000)		
UNI - UA - Health Sciences Center	76,897,700		76,897,700			76,897,700
VSC - Department of Veterans' Services	7,792,900		7,792,900			7,983,500
VSC - Statewide Adjustments					190,600	
WAT - Department of Water Resources	66,937,700		66,937,700			14,731,600
WAT - Statewide Adjustments					493,900	
WAT - Remove One-Time Augmentation and Conservation Assistance				(2,000,000)		
WAT - Remove One-Time Digitization Funding				(200,000)		
WAT - Remove One-Time Water System Conservation Funding				(30,000,000)		
WAT - Remove One-Time Agriculture Infrastructure Projects Loan				(20,000,000)		
WAT - Remove One-Time Water Protection Fund Deposit				(500,000)		
OTH - Other						
OTH - AHCCCS - Formula Supplemental (See Agency Above)	45,978,600	(45,978,600)	0	(45,978,600)		0
OTH - Land Dept - CAP Water Fees Supplemental (See Agency Above)	481,100	(481,100)	0	(481,100)		0
OTH - 27th Pay Period (State Agencies Only, Universities in '22)	0		0	43,078,600	(43,078,600)	0
OTH - Enhanced FMAP/Caseload Adjustments	0		0		(189,000,000)	(189,000,000)
OTH - Debt Service Payments	77,709,300		77,709,300	(24,007,500)		53,701,800
OTH - Phoenix Convention Center Debt Service	23,500,000		23,500,000	497,900		23,997,900
OTH - 2010B Sale/Leaseback Payoff (Laws 2019, Ch. 277)	190,000,000		190,000,000	(190,000,000)		0
OTH - Rio Nuevo District	16,000,000		16,000,000			16,000,000
OTH - Remove One-Time Budget Stabilization Fund Deposit	271,107,000		271,107,000	(271,107,000)		0
OTH - Remove One-Time '20 Agency Health Insurance Adjustments	0		0	(10,492,900)	10,492,900	0
OTH - Unallocated One-Time '21 Agency Health Insurance Adjustments	0		0		1,718,900	1,718,900
OTH - Unallocated HITF One-Time Employer Premium	51,500		51,500	(51,500)		0
OTH - Unallocated '21 Retirement Rate Adjustment	0		0		100	100
OTH - Administrative Adjustments	128,000,000	(100,000,000)	28,000,000	18,000,000		146,000,000
OTH - Reversions	(173,000,000)	(11,000,000)	(184,000,000)	(11,000,000)		(184,000,000)
TOTAL - OPERATING SPENDING CHANGES	11,802,270,900	(30,280,800)	11,771,990,100	(268,350,700)	27,287,900	11,561,208,100
CAPITAL SPENDING						
Agriculture - Mariposa Port of Entry Cold Inspection Facility	700,000		700,000	(700,000)		0
DEMA - West Valley Readiness Center	3,875,000		3,875,000	(3,875,000)		0
DOT - Interstate 17 Expansion (Enacted)	Other Fund		Other Fund			Other Fund
ADOA - State Route 24 Bridge	6,500,000		6,500,000	(6,500,000)		0

	FY 2020 GF JLBC Baseline	FY 2020 Changes	FY 2020 GF Revised	FY 21 Baseline 1/ Above FY 20	FY 2021 Changes	FY 2021 GF June Update
DOT - I-10 Widening Study	10,000,000		10,000,000	(10,000,000)		0
DOT - Aviation Fund Deposit	10,000,000		10,000,000	(10,000,000)		0
ADOA - Kingman I-40 Interchange	20,000,000		20,000,000	(20,000,000)		0
DOT - US 95 Yuma Road Widening	28,000,000		28,000,000	(28,000,000)		0
DOT - Local Road Construction Distribution	18,000,000		18,000,000	(18,000,000)		0
ADOA - Globe Bridge Repair	2,810,000		2,810,000	(2,810,000)		0
ADC - Lewis/Yuma Locks, Fire A/C	0		0		11,000,000	11,000,000
TOTAL - CAPITAL SPENDING	99,885,000	0	99,885,000	(99,885,000)	11,000,000	11,000,000
TOTAL - ALL SPENDING	11,902,155,900	(30,280,800)	11,871,875,100	(368,235,700)	38,287,900	11,572,208,100
REVENUE CHANGES						
Ongoing Revenue						
REV - Ongoing Revenue	11,497,037,000	(863,570,200)	10,633,466,800	414,312,000	(873,819,600)	11,037,529,400
One-Time Revenue						
REV - Beginning Balance	957,241,000		957,241,000	(314,278,200)	(642,962,800)	0
Fund Transfers						
REV - Prescription Drug Rebate Transfer	69,000,000		69,000,000	(52,300,000)		16,700,000
REV - One-Time Wells Fargo Settlement	20,000,000		20,000,000	(20,000,000)		0
REV - DEQ - One-Time Air Quality Fund Transfer	993,900		993,900	(993,900)		0
REV - DPS - One-Time Joint Fund Transfer	846,800		846,800	(846,800)		0
TOTAL - REVENUE CHANGES 2/	12,545,118,700	(863,570,200)	11,681,548,500	25,893,100	(1,516,782,400)	11,054,229,400
ENDING BALANCE	642,962,800	(833,289,400)	(190,326,600)	394,128,800	(1,555,070,300)	(517,978,700)

1/ Represents FY 2021 Baseline cost above FY 2020 Baseline.

2/ Represents all revenue changes, including fund transfers.

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2020 OF 1/ JLBC Baseline	FY 2020 Changes	FY 2020 OF Revised	FY 21 Baseline 2/ Above FY 20	FY 2021 Changes	FY 2021 OF June Update
OPERATING SPENDING CHANGES						
SBA - State Board of Accountancy	2,045,300		2,045,300			2,098,500
SBA - Statewide Adjustments					53,200	
ACU - Acupuncture Board of Examiners	176,000		176,000			180,700
ACU - Statewide Adjustments					4,700	
DOA - Arizona Department of Administration	204,836,500		208,809,600			206,181,600
DOA - Statewide Adjustments					1,595,100	
DOA - Delay Transfer of State Motor Vehicle Fleet Operations to ADOT				(10,191,200)	10,191,200	
DOA - Remove One-Time Government Website Support				(250,000)		
DOA - Federal Financial Participation Repayment Supplemental		3,933,100				
DOA - Named Claimants (Ch. 20)		40,000				
APF - Automation Projects Fund/ADOA	17,311,000		17,311,000			4,992,800
APF - ADOA Business One-Stop Portal				(1,000,000)		
APF - Remove One-Time Dept. of Agr. Weights/Measures IT Assessment				(200,000)		
APF - Child Safety - CHILDS Replacement (Funds at \$5.0 M in '21)				(5,107,200)		
APF - ADE - School Finance System Replacement				(3,000,000)		
APF - Remove One-Time Medical Board - Cloud Migration				(300,000)		
APF - Remove One-Time DPS - Concealed Weapons Tracking System				(410,000)		
APF - Remove One-Time DPS - Criminal Justice System Updates				(2,301,000)		
AGR - Department of Agriculture	1,750,200		1,750,200			1,779,600
AGR - Statewide Adjustments					50,300	
AGR - Realign Nuclear Emergency Management Fund Assessment				(20,900)		
AXS - AHCCCS	339,302,400		344,411,600			317,938,900
AXS - Statewide Adjustments					103,400	
AXS - Formula Changes		5,109,200		(19,398,900)		
AXS - IT System Costs (One-Time)				(2,068,000)		
BAT - Board of Athletic Training	127,000		127,000			130,500
BAT - Statewide Adjustments					3,500	
ATT - Attorney General	55,235,900		55,235,900			51,932,200
ATT - Statewide Adjustments					1,446,300	
ATT - Realign Criminal Division CPRF: \$950k '21; \$2.3 M '22 & '23				100,000		
ATT - Remove One-Time Police Equipment Grants				(2,500,000)		
ATT - Remove One-Time Child and Family Advocacy Centers (CPCF)				(400,000)		
ATT - Remove One-Time Arizona Peace Officer Memorial Fund Deposit				(1,000,000)		
ATT - Remove One-Time Survivors of Human Trafficking				(300,000)		
ATT - Remove One-Time First Responder Mental Health Training				(400,000)		
ATT - Remove One-Time Multidisciplinary Youth Program				(250,000)		
ATA - Automobile Theft Authority	5,312,100		5,312,100			0
ATA - Agency Consolidation				(5,312,100)		
BAR - Board of Barbers	406,300		406,300			419,200
BAR - Statewide Adjustments					12,900	
BHE - Board of Behavioral Health Examiners	1,770,000		1,770,000			1,818,200
BHE - Statewide Adjustments					48,200	
DCS - Department of Child Safety	193,495,200		193,495,200			198,769,400
DCS - Statewide Adjustments					1,672,200	
DCS - Additional Child Care Funding					1,000,000	
DCS - Litigation					2,602,000	
BCE - State Board of Chiropractic Examiners	438,600		438,600			450,600
BCE - Statewide Adjustments					12,000	
ACA - Arizona Commerce Authority	2,500,000		2,500,000			0
ACA - Remove One-Time Blockchain Research				(1,250,000)		
ACA - Remove One-Time Wearable Technology Applied Research				(750,000)		
ACA - Remove One-Time Institute for Automated Mobility				(500,000)		
ROC - Registrar of Contractors	12,368,800		12,368,800			12,690,000
ROC - Statewide Adjustments					321,200	
COR - Corporation Commission	27,148,000		27,148,000			27,993,000
COR - Statewide Adjustments					845,000	
ADC - Department of Corrections	53,280,600		53,280,600			53,344,600
ADC - Statewide Adjustments					64,000	
COS - Board of Cosmetology	1,949,100		1,949,100			1,897,400

	FY 2020 OF 1/ JLBC Baseline	FY 2020 Changes	FY 2020 OF Revised	FY 21 Baseline 2/ Above FY 20	FY 2021 Changes	FY 2021 OF June Update
COS - Statewide Adjustments					52,500	
COS - Remove One-time Digitization				(70,000)		
COS - Remove One-Time Annual Leave Payouts [Non-Lapsing to '23]				(34,200)		
CF - County Funding	500,000		500,000			500,000
JUS - Arizona Criminal Justice Commission	7,815,400		7,815,400			7,096,300
JUS - Statewide Adjustments					30,900	
JUS - Remove One-Time Yavapai Felony Pretrial Intervention				(750,000)		
SDB - AZ State Schools for the Deaf and the Blind	12,921,700		12,921,700			13,388,300
SDB - Statewide Adjustments					426,800	
SDB - Base Level Increase - Formula				39,800		
HEA - Comm for the Deaf & the Hard of Hearing	4,624,900		4,624,900			4,685,900
HEA - Statewide Adjustments					61,000	
DEN - Board of Dental Examiners	1,229,800		1,229,800			1,261,200
DEN - Statewide Adjustments					31,400	
DES - Department of Economic Security	336,309,000		336,309,000			359,892,000
DES - Statewide Adjustments					1,284,600	
DES - Child Care 3-5 Star Rate Increases					1,500,000	
DES - Increase Child Care Caseload by 3,000					20,798,400	
ADE - Arizona Department of Education	304,065,200		304,065,200			312,983,300
ADE - Statewide Adjustments					78,000	
ADE - Land Trust Distribution				10,123,500		
ADE - ESA Admin. Shift to GF Appropriation/Eliminate % (Ch. 12)					(1,283,400)	
EMA - Department of Emergency & Military Affairs	1,458,700		1,458,700			1,506,100
EMA - Nuclear Emergency Management Fund Assessment				47,400		
DEQ - Department of Environmental Quality	84,881,600		84,881,600			70,907,900
DEQ - Statewide Adjustments					1,153,700	
DEQ - Remove VW Settlement Air Quality Backfill				993,900		
DEQ - Remove One-Time Wastewater Infrastructure - Nogales				(2,569,300)		
DEQ - Remove One-Time WQARF Funding					(13,552,000)	
OEO - Governor's Office of Equal Opportunity	190,200		190,200			197,700
OEO - Statewide Adjustments					7,500	
COL - Arizona Exposition and State Fair Board	13,282,200		13,282,200			13,523,700
COL - Statewide Adjustments					241,500	
DFI - Department of Financial Institutions	4,037,200		4,037,200			0
DFI - Agency Consolidation				(4,037,200)		
EMB - Board of Funeral Directors and Embalmers	399,700		399,700			401,100
EMB - Statewide Adjustments					12,700	
EMB - Remove One-Time Annual Leave Payout				(11,300)		
FIS - Arizona Game and Fish Department	43,979,100		43,979,100			46,070,400
FIS - Statewide Adjustments					2,091,300	
GAM - Department of Gaming	16,054,000		16,054,000			16,288,300
GAM - Statewide Adjustments					144,100	
GAM - Align Gaming Division Funding w/ Increased Revenues				90,200		
DHS - Department of Health Services	56,170,300		111,170,300			55,118,700
DHS - Statewide Adjustments					948,400	
DHS - Remove One-Time Alzheimer's Funding				(2,000,000)		
DHS - Public Health Emergencies Fund Deposit Supplemental (Ch. 6)		55,000,000				
HOM - Board of Homeopathic & Integrated Medicine Examiners	46,100		46,100			46,600
HOM - Statewide Adjustments					500	
DOH - Department of Housing	322,200		322,200			332,500
DOH - Statewide Adjustments					10,300	
IND - Industrial Commission	20,055,500		20,059,100			20,593,100
IND - Statewide Adjustments					537,600	
IND - Named Claimants (Ch. 20)		3,600				
DIF - Department of Insurance and Financial Institutions	0		0			9,537,700
DIF - Statewide Adjustments					188,400	
DIF - Agency Consolidation				9,349,300		

	FY 2020 OF 1/ JLBC Baseline	FY 2020 Changes	FY 2020 OF Revised	FY 21 Baseline 2/ Above FY 20	FY 2021 Changes	FY 2021 OF June Update
SPA - Judiciary - Supreme Court	30,536,600		30,536,600			31,095,900
SPA - Statewide Adjustments					559,300	
SUP - Judiciary - Superior Court	11,973,200		11,973,200			11,994,400
SUP - Statewide Adjustments					21,200	
DJC - Department of Juvenile Corrections	6,405,600		6,405,600			15,000,100
DJC - Statewide Adjustments					143,600	
DJC - Local Cost Sharing (Maricopa & Pima)				8,450,900		
LAN - State Land Department	8,042,300		8,042,300			8,080,700
LAN - Statewide Adjustments					38,400	
LIQ - Department of Liquor Licenses & Control	3,373,800		3,373,800			3,498,200
LIQ - Statewide Adjustments					166,400	
LIQ - Remove One-Time Information Technology Funding				(42,000)		
LOT - Arizona State Lottery Commission	142,394,100		142,394,100			148,164,900
LOT - Statewide Adjustments					277,300	
LOT - Tab Tickets				104,200		
LOT - On-Line Vendor Fees				20,700		
LOT - Instant Ticket Sales				1,608,600		
LOT - Retailer Commissions				3,760,000		
BMT - Board of Massage Therapy	471,600		471,600			486,100
BMT - Statewide Adjustments					14,500	
MED - Arizona Medical Board	7,036,900		7,036,900			7,227,700
MED - Statewide Adjustments					190,800	
MIN - State Mine Inspector	112,900		112,900			112,900
NAT - Naturopathic Physicians Medical Board	193,400		193,400			197,600
NAT - Statewide Adjustments					4,200	
NAV - Navigable Stream Adjudication Commission	200,000		200,000			200,000
NUR - State Board of Nursing	4,771,000		4,771,000			4,927,500
NUR - Statewide Adjustments					156,500	
NCI - Nursing Care Inst. Administrators Board	455,000		455,000			470,400
NCI - Statewide Adjustments					15,400	
OCC - Board of Occupational Therapy Examiners	199,000		199,000			204,700
OCC - Statewide Adjustments					5,700	
DIS - State Board of Dispensing Opticians	155,900		155,900			159,700
DIS - Statewide Adjustments					3,800	
OPT - State Board of Optometry	240,700		240,700			248,200
OPT - Statewide Adjustments					7,500	
OST - AZ Board of Osteopathic Examiners in Medicine/Surgery	1,012,300		1,012,300			1,038,000
OST - Statewide Adjustments					25,700	
SPB - Arizona State Parks Board	16,982,800		16,982,800			16,472,800
SPB - Statewide Adjustments					657,100	
SPB - Remove One-Time Great Western Trail (OHV)				(692,100)		
SPB - Remove One-Time Arizona Trail				(250,000)		
SPB - Remove One-Time Buckskin Fire District Equipment				(225,000)		
PER - Personnel Board	368,100		368,100			332,500
PER - Statewide Adjustments					6,600	
PER - Reduction in FTE Position				(42,200)		
PHA - Arizona State Board of Pharmacy	2,665,300		2,665,300			2,689,600
PHA - Statewide Adjustments					79,300	
PHA - Remove One-Time New Office Equipment				(55,000)		
PHY - Board of Physical Therapy Examiners	503,700		503,700			513,900
PHY - Statewide Adjustments					10,200	
PIO - Arizona Pioneers' Home	6,574,200		6,574,200			6,796,000
PIO - Statewide Adjustments					221,800	
POD - State Board of Podiatry Examiners	168,100		168,100			171,600
POD - Statewide Adjustments					3,500	

	FY 2020 OF 1/ JLBC Baseline	FY 2020 Changes	FY 2020 OF Revised	FY 21 Baseline 2/ Above FY 20	FY 2021 Changes	FY 2021 OF June Update
POS - Commission for Postsecondary Education	1,536,700		1,536,700			1,543,700
POS - Statewide Adjustments					7,000	
PRI - Board for Private Postsecondary Education	423,300		423,300			436,300
PRI - Statewide Adjustments					13,000	
PSY - State Board of Psychologist Examiners	516,100		516,100			529,900
PSY - Statewide Adjustments					13,800	
DPS - Department of Public Safety	240,683,100		240,683,100			246,615,700
DPS - Statewide Adjustments					7,969,500	
DPS - Concealed Weapons Fund Shift - '20 Salary Adjustment				38,200		
DPS - Remove One-Time AZPOST Funding (Highway Patrol Fund)				(1,027,300)		
DPS - Adjust Peace Officer Training Equipment [Non-Lapsing thru '21]				(1,047,800)		
RUC - Residential Utility Consumer Office	1,348,600		1,348,600			1,388,900
RUC - Statewide Adjustments					40,300	
RES - Board of Respiratory Care Examiners	322,600		322,600			333,300
RES - Statewide Adjustments					10,700	
RET - Arizona State Retirement System	24,194,000		24,194,000			24,920,800
RET - Statewide Adjustments					726,800	
REV - Department of Revenue	49,730,100		49,730,100			48,983,200
REV - Statewide Adjustments					1,253,100	
REV - Remove One-Time Wayfair Administration				(2,000,000)		
SOS - Secretary of State	742,800		7,433,100			744,800
SOS - Statewide Adjustments					2,000	
SOS - HAVA Election Funding Supplemental		6,690,300				
TEC - State Board of Technical Registration	2,199,500		2,199,500			2,263,100
TEC - Statewide Adjustments					63,600	
DOT - Department of Transportation	433,177,300		433,177,300			442,186,200
DOT - Statewide Adjustments					9,623,900	
DOT - Delay Fleet Consolidation (with ADOA/ASDB)				5,675,100	(5,675,100)	
DOT - Remove One-Time Plate Production				(675,000)		
DOT - Remove One-Time Signs				(75,000)		
DOT - New South Mountain Freeway Maintenance				1,086,500		
DOT - Remove One-Time Security Systems - Ports of Entry				(951,500)		
TRE - State Treasurer	5,839,000		5,839,000			5,640,800
TRE - Statewide Adjustments					106,200	
TRE - Shift ESA Admin. to General Fund - (Ch. 12)					(304,400)	
UNI - Universities						
UNI - ASU	658,196,600		658,196,600			660,796,000
UNI - Statewide Adjustments					2,599,400	
UNI - Northern Arizona University	156,154,500		156,154,500			156,298,700
UNI - Statewide Adjustments					144,200	
UNI - UA - Main Campus	353,430,100		353,430,100			354,801,800
UNI - Statewide Adjustments					1,371,700	
UNI - UA - Health Sciences Center	55,697,400		55,697,400			55,697,400
VSC - Department of Veterans' Services	35,607,900		35,607,900			39,887,100
VSC - Statewide Adjustments					881,900	
VSC - Operating Costs for New Veterans' Homes					3,397,300	
VME - Veterinary Medical Examining Board	600,000		600,000			618,300
VME - Statewide Adjustments					18,300	
WAT - Department of Water Resources	2,444,500		2,444,500			2,466,800
WAT - Statewide Adjustments					22,300	
OTH - Other						
OTH - ADOA Federal Financial Participation Repayment Supplemental	3,933,100	(3,933,100)	0	(3,933,100)		0
OTH - AHCCCS Supplemental	5,109,200	(5,109,200)	0	(5,109,200)		0
OTH - Unallocated HITF One-Time Employer Premium Reduction	(1,307,100)		(1,307,100)	1,307,100		0
OTH - Unallocated HITF One-Time Employer Premium Increase	235,700		235,700	(235,700)		0
OTH - Unallocated Remove '20 HITF One-Time Employer Premium	0		0	(9,764,300)	9,688,400	(75,900)
OTH - Unallocated One-Time HITF Employer Premium Increase					3,215,700	3,215,700
OTH - Unallocated ADOA Shared Services	30,000		30,000	(30,000)		0
OTH - Unallocated State Rent - Agency Relocation	(14,100)		(14,100)	14,100		0

	FY 2020 OF 1/ JLBC Baseline	FY 2020 Changes	FY 2020 OF Revised	FY 21 Baseline 2/ Above FY 20	FY 2021 Changes	FY 2021 OF June Update
OTH - Unallocated State Rent Increase	159,900		159,900	(159,900)		0
OTH - Unallocated IT Rate Increase	137,600		137,600	(137,600)		0
OTH - Unallocated Retirement Adjustments	220,700		220,700	(220,700)		0
OTH - Unallocated Retirement Adjustment	0		0		986,200	986,200
OTH - Unallocated Risk Management Adjustments	700		700	(700)		0
OTH - Unallocated 27th Pay Period					1,136,600	1,136,600
TOTAL - OPERATING SPENDING CHANGES	\$4,103,982,100	\$61,733,900	\$4,165,716,000	(\$50,245,900)	\$74,710,600	\$4,128,446,800
CAPITAL SPENDING CHANGES						
Building Renewal						
Arizona Department of Administration	17,000,000		17,000,000	(1,000,000)		16,000,000
ADC Building Renewal	6,864,300		6,864,300	(1,400,000)		5,464,300
Game & Fish Department	1,043,700		1,043,700	114,200		1,157,900
Arizona Lottery Commission	134,100		134,100	12,600		146,700
Arizona Department of Transportation	13,281,700		13,281,700	0		13,281,700
New Projects						
ADOA - Air Handler Units (+ \$3.1M GF)	1,000,000		1,000,000	(1,000,000)		0
ADC - Lewis and Yuma Locks, Fire, and HVAC	0		0		19,000,000	19,000,000
State Fair Civic Building Roof	400,000		400,000	(400,000)		0
Arizona Exposition and State Fair	1,300,000		1,300,000	(1,300,000)		0
Game & Fish Department - Dam Maintenance	150,000		150,000	(150,000)		0
Game & Fish Department - Property Maintenance	300,000		300,000	(300,000)		0
Game & Fish Department - Hatchery Maintenance	400,000		400,000	(400,000)		0
State Parks Board - Tonto Bridge Repairs	1,250,000		1,250,000	(1,250,000)		0
Pioneers' Home - Building Repairs	414,000		414,000	(414,000)		0
DPS - 202 Radio Tower	309,000		309,000	(309,000)		0
DPS - Remote Officer Housing (State Highway Fund)	2,400,000		2,400,000	(2,400,000)		0
ADOT - Statewide Highway Construction	129,488,000		129,488,000	(22,935,000)		106,553,000
ADOT - Controlled Access	113,442,000		113,442,000	7,541,000		120,983,000
ADOT - Debt Service	150,502,000		150,502,000	695,000		151,197,000
ADOT - Airport Planning	33,120,000		33,120,000	(2,220,000)		30,900,000
ADOT - Seligman/Williams Maintenance Bldgs	2,300,000		2,300,000	(2,300,000)		0
ADOT - Wickenburg Maintenance Yard	4,600,000		4,600,000	(4,600,000)		0
ADOA - Interstate 17 Expansion (Enacted)	40,000,000		40,000,000	5,000,000		45,000,000
TOTAL - CAPITAL SPENDING CHANGES	\$519,698,800	0	\$519,698,800	(29,015,200)	19,000,000	\$509,683,600
TOTAL - OPERATING & CAPITAL SPENDING	\$4,623,680,900	61,733,900	\$4,685,414,800	(79,261,100)	93,710,600	\$4,638,130,400
FUND TRANSFERS						
APF/DOA - Automation Projects Fund - All For IT Projects						
APF/DCS CHILDS Replacement				4,992,800		4,992,800
APF/DOA - Agriculture Air Quality Fund	200,000			(200,000)		0
APF/DOA - ADE ESA Account Fund for AELAS	3,000,000		3,000,000	(3,000,000)		0
APF/DOA - Medical Examiners Board Fund	300,000		300,000	(300,000)		0
APF/DOA - DPS Highway Patrol Fund	2,301,000		2,301,000	(2,301,000)		0
APF/DOA - DPS Concealed Weapons Permit Fund	410,000		410,000	(410,000)		0
Other Transfers						
DPS - Highway Patrol Fund to Highway Fund (Highway Safety Fee)	15,492,300		15,492,300			15,492,300
TOTAL - FUND TRANSFERS	\$21,703,300	0	\$21,503,300	(1,218,200)	0	\$20,485,100

1/ Represents original FY 2020 appropriations adjusted for revisions in Lottery Commission and the Universities.

2/ Represents FY 2021 Baseline cost above FY 2020 Baseline.

CROSSWALK OF FY 2021 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS

GENERAL FUND 1/

	GF General Appropriation Act - Individual Agency 2/	GF HITF Premium Reduction 3/	GF HITF Premium Increase 3/	GF Retirement 3/	GF 27th Pay Period Adjustment 3/	GF FY 2021 Additional Appropriations 4/	GF Prior Year/ Statutory Appropriations 5/	GF FY 2021 Approp Rpt Total
<u>BUDGET UNITS</u>								
Administration, Arizona Department of	\$7,876,600	(\$54,200)	\$103,600	\$6,500	\$277,400			\$8,209,900
Administrative Hearings, Office of	889,800	(5,400)	10,000	600	26,500			921,500
African-American Affairs, Arizona Commission of	128,100	(500)	1,600	100	3,900			133,200
Agriculture, Arizona Department of	10,185,100	(66,000)	117,900	5,400	249,800			10,492,200
AHCCCS	1,942,993,600	(213,500)	429,000	17,700	754,300	8,000,000		1,951,981,100
Attorney General - Department of Law	24,497,400	(110,200)	221,000	(200)	718,000		85,000	25,411,000
Charter Schools, State Board for	1,714,500	(6,200)	11,200	900	38,900		392,800	2,152,100
Child Safety, Department of	384,653,400	(131,200)	210,600	74,100	3,086,100			387,893,000
Commerce Authority, Arizona	16,175,000	0	0	0	0			16,175,000
Community Colleges, Arizona	56,381,100	0	0	0	0		8,514,300	64,895,400
Corporation Commission	620,800	(5,800)	11,200	500	20,400			647,100
Corrections, State Department of	1,167,111,300	(5,119,900)	9,469,000	11,256,200	22,679,600			1,205,396,200
County Funding	10,650,700	0	0	0	0			10,650,700
Deaf and the Blind, Schools for the	23,214,400	(157,100)	268,300	12,400	527,500			23,865,500
Economic Opportunity, Office of	468,300	(1,900)	4,100	300	14,700			485,500
Economic Security, Department of	808,448,100	(555,000)	875,400	74,400	3,211,400			812,054,300
Education, State Board of	1,158,900	(1,800)	4,500	500	22,200	150,000		1,334,300
Education, Department of	4,297,866,200	(52,800)	104,600	8,200	388,000	950,000	1,300,327,700	5,599,591,900
Emergency and Military Affairs, Department of	8,111,600	(22,300)	43,000	3,500	147,200		4,090,000	12,373,000
Environmental Quality, Department of	0	0	0	0	0		15,000,000	15,000,000
Equalization, State Board of	659,000	(1,900)	3,000	200	12,900			673,200
Executive Clemency, Board of	1,150,000	(3,400)	6,900	700	30,300			1,184,500
Forestry and Fire Management, Arizona Department of	9,167,400	(28,500)	79,700	4,100	176,900		4,000,000	13,399,600
Gaming, Department of	2,509,500	0	0	0	0			2,509,500
Governor, Office of the	8,699,900	(29,500)	55,300	3,700	195,400			8,924,800
Governor's Office of Strategic Planning and Budgeting	2,684,100	(6,500)	12,100	800	74,600			2,765,100
Health Services, Department of	92,851,700	(397,400)	783,400	49,500	2,110,700		500,000	95,897,900
Historical Society, Arizona	3,107,700	(17,700)	28,700	1,500	75,400			3,195,600
Historical Society, Prescott	837,200	(7,100)	11,700	600	25,300			867,700
Independent Redistricting Commission	500,000	0	0	0	0			500,000
Insurance and Financial Institutions, Department of	7,644,100	(43,500)	59,000	4,100	177,000	250,000		8,090,700
Judiciary								
Supreme Court	20,875,000	(147,900)	289,800	3,800	378,600			21,399,300
Court of Appeals	16,765,000	(75,900)	134,800	5,100	350,600			17,179,600
Superior Court	97,940,800	0	0	5,300	248,200			98,194,300
SUBTOTAL - Judiciary	135,580,800	(223,800)	424,600	14,200	977,400	0	0	136,773,200
Juvenile Corrections, Department of	28,475,600	(231,700)	366,100	752,600	1,253,600			30,616,200
Land Department, State	12,135,400	(59,600)	112,500	8,600	366,900			12,563,800
Legislature								
Auditor General	20,229,300	(100,000)	199,400	15,200	647,600			20,991,500
House of Representatives	16,407,500	(95,400)	178,900	7,500	331,500			16,830,000
Joint Legislative Budget Committee	2,834,200	(10,700)	20,300	1,900	89,000			2,934,700
Legislative Council	8,814,900	(27,100)	55,400	3,800	179,600			9,026,600
Senate	12,948,900	(64,600)	125,800	5,600	238,200			13,253,900
SUBTOTAL - Legislature	61,234,800	(297,800)	579,800	34,000	1,485,900	0	0	63,036,700

	GF General Appropriation Act - Individual Agency 2/	GF HITF Premium Reduction 3/	GF HITF Premium Increase 3/	GF Retirement 3/	GF 27th Pay Period Adjustment 3/	GF FY 2021 Additional Appropriations 4/	GF Prior Year/ Statutory Appropriations 5/	GF FY 2021 Approp Rpt Total
Mine Inspector, State	1,269,300	(6,400)	11,200	600	27,200			1,301,900
Navigable Stream Adjudication Commission	129,000	(900)	1,500	100	3,300			133,000
Postsecondary Education, Commission for	1,680,900	0	0	0	0			1,680,900
Public Safety, Department of	84,153,500	(209,000)	561,700	4,360,200	2,271,600			91,138,000
Public Safety Personnel Retirement System	0	0	0	0	0		6,000,000	6,000,000
Real Estate Department, State	2,909,500	(13,800)	24,500	1,800	75,600			2,997,600
Revenue, Department of	31,245,200	(138,400)	178,200	11,600	502,900			31,799,500
School Facilities Board	189,377,200	(5,900)	11,900	1,300	45,300		45,805,900	235,235,700
Secretary of State	16,959,800	(56,500)	100,500	5,900	253,900			17,263,600
Tax Appeals, State Board of	281,800	(1,200)	3,000	200	8,400			292,200
Tourism, Office of	8,214,000	0	27,100	2,100	91,900			8,335,100
Treasurer, State	1,509,500	0	25,000	0	14,300			1,548,800
Tribal Relations, Governor's Office on	62,900	(300)	600	0	1,500			64,700
Universities								
Board of Regents	22,397,700	(7,800)	13,700	1,000	75,400			22,480,000
Arizona State University	297,394,600	(1,058,800)	2,495,200	46,500	0		25,839,900	324,717,400
Northern Arizona University	100,090,100	(30,200)	140,100	32,200	0		9,572,400	109,804,600
University of Arizona - Main Campus	181,346,000	(1,016,000)	2,091,800	95,700	0		25,204,700	207,722,200
University of Arizona - Health Sciences Center	76,897,700	0	0	0	0		0	76,897,700
SUBTOTAL - Universities	678,126,100	(2,112,800)	4,740,800	175,400	75,400	0	60,617,000	741,621,900
Veterans' Services, Department of	7,792,900	(26,700)	48,000	3,900	165,400			7,983,500
Water Resources, Department of	14,237,700	(68,800)	139,300	9,700	413,700			14,731,600
OPERATING BUDGET TOTAL	\$10,168,331,400	(\$10,492,900)	\$20,281,100	\$16,908,500	\$43,078,600	\$9,350,000	\$1,445,332,700	\$11,692,789,400
Remove One-Time '20 Agency Health Insurance Adjustments	(10,492,900)	10,492,900	0	0	0	0	0	0
One-Time '21 Agency Health Insurance Adjustments	22,000,000	0	(20,281,100)	0	0	0	0	1,718,900
Additional (27th) Pay Period	43,078,600	0	0	0	(43,078,600)	0	0	0
'21 Retirement Rate Adjustment	16,908,600	0	0	(16,908,500)	0	0	0	100
Enhanced FMAP/Caseload Adjustments	0	0	0	0	0	(189,000,000)	0	(189,000,000)
Capital Outlay - 2010 Leaseback Debt Service	53,701,800	0	0	0	0	0	0	53,701,800
Capital Outlay - Phoenix Convention Center Debt Service	23,997,900	0	0	0	0	0	0	23,997,900
Capital Outlay - Rio Nuevo District 4/	16,000,000	0	0	0	0	0	0	16,000,000
Capital Outlay	11,000,000	0	0	0	0	0	0	11,000,000
Administrative Adjustments	146,000,000	0	0	0	0	0	0	146,000,000
Revertments	(184,000,000)	0	0	0	0	0	0	(184,000,000)
GRAND TOTAL	\$10,306,525,400	\$0	\$0	\$0	\$0	(179,650,000)	\$1,445,332,700	\$11,572,208,100

1/ This chart provides a crosswalk between an agency's appropriation in the FY 2021 General Appropriation Act (Laws 2020, Chapter 58) and the individual agency amount as it appears in the FY 2021 Appropriations Report.

2/ Represents individual agency section of the FY 2021 General Appropriation Act and other direct appropriations in the General Appropriation Act.

3/ Section 115 of the FY 2021 General Appropriation Act appropriates statewide adjustments from the General Fund for Employer Health Insurance Contribution Reduction, Employer Health Insurance Contribution Rate Increase, Agency Retirement Adjustments, and Nonuniversity State Employee 27th Pay Period Adjustments. Section 115 requires JLBC Staff to determine the agency-by-agency distribution of these funds, which are reflected below.

4/ Appropriations separate from the FY 2021 General Appropriation Act enacted in the 54th Legislature, 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

5/ Represents ongoing statutory appropriations or appropriations enacted prior to the 54th Legislature, 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

CROSSWALK OF FY 2021 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS

OTHER FUNDS 1/

	OF General Appropriation Act - Individual Agency <u>2/</u>	OF HITF Premium Reduction <u>3/</u>	OF HITF Premium Increase <u>3/</u>	OF Retirement <u>3/</u>	OF 27th Pay Period Adjustment <u>3/</u>	OF FY 2021 Additional Appropriations <u>4/</u>	OF Prior Year/ Statutory Appropriations <u>5/</u>	OF FY 2021 Approp Rpt Total
<u>BUDGET UNITS</u>								
Accountancy, State Board of								
Board of Accountancy Fund	\$2,045,300	(\$7,700)	\$17,100	\$900	\$42,900			\$2,098,500
Acupuncture Board of Examiners								
Acupuncture Board of Examiners Fund	176,000	(100)	200	100	4,500			180,700
Administration, Arizona Department of								
Air Quality Fund	927,300	0	0	0	0			927,300
Arizona Financial Information System Collections Fund	9,418,700	(23,600)	34,300	2,700	117,000			9,549,100
Automation Operations Fund	31,040,900	(38,600)	64,500	4,800	203,800			31,275,400
Capital Outlay Stabilization Fund	18,543,600	(39,900)	73,200	4,200	168,700			18,749,800
Corrections Fund	573,700	(1,400)	2,400	400	17,900			593,000
Federal Surplus Materials Revolving Fund	465,200	(400)	800	0	1,800			467,400
Information Technology Fund	8,443,400	(10,400)	16,400	2,700	114,300			8,566,400
Motor Vehicle Pool Revolving Fund	10,191,200	0	0	0	8,500			10,199,700
Personnel Division Fund	12,723,800	(39,000)	70,800	6,900	294,300			13,056,800
Risk Management Revolving Fund	94,579,900	(27,800)	45,600	400	174,800			94,772,900
Special Employee Health Insurance Trust Fund	5,291,900	(18,700)	32,100	3,300	140,500			5,449,100
Special Services Revolving Fund	1,169,000	(5,400)	8,900	300	0			1,172,800
State Surplus Materials Revolving Fund	2,977,800	(4,600)	8,100	500	21,400			3,003,200
State Web Portal Fund	6,594,500	(4,600)	14,500	2,300	98,400			6,705,100
Telecommunications Fund	1,645,600	(5,800)	12,100	1,000	40,700			1,693,600
Total - Arizona Department of Administration	204,586,500	(220,200)	383,700	29,500	1,402,100	0	0	206,181,600
Administration, Arizona Department of - Automation Projects Fund								
Automation Projects Fund	\$4,992,800	0	0	0	0			4,992,800
Agriculture, Arizona Department of								
Air Quality Fund	1,448,800	(8,500)	19,000	900	38,900			1,499,100
Nuclear Emergency Management Fund	0	0	0	0	0		280,500	280,500
Total - Arizona Department of Agriculture	1,448,800	(8,500)	19,000	900	38,900	0	280,500	1,779,600
AHCCCS								
Budget Neutrality Compliance Fund	4,037,400	0	0	0	0			4,037,400
Children's Health Insurance Program Fund	81,245,700	0	0	0	102,500			81,348,200
Prescription Drug Rebate Fund - State	148,458,700	(100)	200	0	800			148,459,600
Substance Abuse Services Fund	2,250,200	0	0	0	0			2,250,200
Tobacco Products Tax Fund								
Emergency Health Services Account	16,216,300	0	0	0	0			16,216,300
Tobacco Tax and Health Care Fund								
Medically Needy Account	65,627,200	0	0	0	0			65,627,200
Total - AHCCCS	317,835,500	(100)	200	0	103,300	0	0	317,938,900
Athletic Training, Board of								
Athletic Training Fund	127,000	(1,200)	1,600	100	3,000			130,500
Attorney General - Department of Law								
Antitrust Enforcement Revolving Fund	148,600	(600)	1,000	100	3,400			152,500
Attorney General Legal Services Cost Allocation Fund	2,105,000	(9,200)	19,100	1,200	50,500			2,166,600
Collection Enforcement Revolving Fund	6,914,700	(23,900)	73,800	(3,800)	171,900			7,132,700
Consumer Protection-Consumer Fraud Rev. Fund	9,664,400	(14,900)	40,500	(10,300)	259,600		950,000	10,889,300
Interagency Service Agreements Fund	16,445,500	(62,200)	134,900	(3,900)	466,200			16,980,500
Internet Crimes Against Children Enforcement Fund	900,000	0	0	0	0			900,000
Risk Management Revolving Fund	9,590,000	(42,300)	90,300	6,500	282,800			9,927,300

	OF General Appropriation Act - Individual Agency 2/	OF HITF Premium Reduction 3/	OF HITF Premium Increase 3/	OF Retirement 3/	OF 27th Pay Period Adjustment 3/	OF FY 2021 Additional Appropriations 4/	OF Prior Year/ Statutory Appropriations 5/	OF FY 2021 Approp Rpt Total
Victims' Rights Fund	3,767,700	(1,200)	1,900	300	14,600			3,783,300
Total - Attorney General - Department of Law	49,535,900	(154,300)	361,500	(9,900)	1,249,000	0	950,000	51,932,200
Barbers, Board of								
Board of Barbers Fund	406,300	(1,900)	5,400	200	9,200			419,200
Behavioral Health Examiners, Board of								
Board of Behavioral Health Examiners Fund	1,770,000	(8,800)	13,800	1,000	42,200			1,818,200
Child Safety, Department of								
Child Abuse Prevention Fund	1,459,300	0	0	0	0			1,459,300
Children and Family Services Training Program Fund	207,100	0	0	200	9,700			217,000
Federal Child Care and Development Fund Block Grant	35,400,000	0	0	0	0			35,400,000
Federal Temporary Assistance for Needy Families Block Grant	157,428,800	0	0	39,300	1,623,000			159,091,100
Risk Management Revolving Fund	2,602,000	0	0	0	0			2,602,000
Total - Department of Child Safety	197,097,200	0	0	39,500	1,632,700	0	0	198,769,400
Chiropractic Examiners, State Board of								
Board of Chiropractic Examiners Fund	438,600	(2,300)	3,700	200	10,400			450,600
Contractors, Registrar of								
Registrar of Contractors Fund	12,368,800	(50,300)	99,300	6,200	266,000			12,690,000
Corporation Commission								
Arizona Arts Trust Fund	50,700	(800)	1,300	0	1,400			52,600
Investment Management Regulatory and Enforcement Fund	718,000	(4,700)	8,700	500	23,000			745,500
Public Access Fund	6,771,800	(31,900)	61,300	4,000	171,000			6,976,200
Securities Regulatory and Enforcement Fund	5,115,800	(27,500)	50,700	3,400	143,700			5,286,100
Utility Regulation Revolving Fund	14,491,700	(75,200)	119,500	8,500	388,100			14,932,600
Total - Corporation Commission	27,148,000	(140,100)	241,500	16,400	727,200	0	0	27,993,000
Corrections, State Department of								
Alcohol Abuse Treatment Fund	555,500	0	0	0	0			555,500
Corrections Fund	30,312,300	0	0	0	0			30,312,300
Inmate Store Proceeds Fund	1,341,300	0	0	0	0			1,341,300
Penitentiary Land Fund	2,780,300	0	3,100	8,100	12,500			2,804,000
Prison Construction and Operations Fund	12,500,000	0	0	0	0			12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,800	0	0	0	0			2,661,800
State Education Fund for Correctional Education	729,300	(3,900)	7,500	11,700	25,000			769,600
Transition Program Fund	2,400,100	0	0	0	0			2,400,100
Total - State Department of Corrections	53,280,600	(3,900)	10,600	19,800	37,500	0	0	53,344,600
Cosmetology, Board of								
Board of Cosmetology Fund	1,844,900	(13,000)	22,800	900	41,800			1,897,400
County Funding								
State Charitable, Penal and Reformatory Institutions Land Fund	0	0	0	0	0		500,000	500,000
Criminal Justice Commission, Arizona								
Criminal Justice Enhancement Fund	655,500	(2,600)	4,600	300	10,700			668,500
Drug and Gang Prevention Resource Center Fund	613,200	(1,700)	2,300	200	10,200			624,200
Fingerprint Clearance Card Fund	0	0	0	0	0		600,000	600,000
State Aid to County Attorneys Fund	973,700	0	0	0	0			973,700
Victim Compensation and Assistance Fund	4,223,000	(1,400)	3,700	100	4,500			4,229,900
Total - Arizona Criminal Justice Commission	6,465,400	(5,700)	10,600	600	25,400	0	600,000	7,096,300
Deaf and the Blind, Arizona Schools for the Schools for the Deaf and the Blind Fund	12,961,500	(95,300)	145,400	8,600	368,100			13,388,300

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Total - Arizona State Schools for the Deaf and the Blind	12,961,500	(95,300)	145,400	8,600	368,100	0	0	13,388,300
Deaf and the Hard of Hearing, Comm. for the								
Telecommunication Fund for the Deaf	4,624,900	(8,300)	15,800	1,200	52,300			4,685,900
Dental Examiners, State Board of								
Dental Board Fund	1,229,800	(6,700)	11,800	600	25,700			1,261,200
Economic Security, Department of								
Child Support Enforcement Administration								
Fund	17,094,700	(248,500)	464,600	5,100	215,400			17,531,300
Domestic Violence Services Fund	4,000,000	0	0	0	0			4,000,000
Federal Child Care and Development Fund								
Block Grant	181,251,300	0	0	7,000	299,500			181,557,800
Federal Temporary Assistance for Needy								
Families Block Grant	65,395,900	0	0	9,900	434,000			65,839,800
Long Term Care System Fund	26,559,600	0	0	0	4,200			26,563,800
Public Assistance Collections Fund	423,400	0	0	200	0			423,600
Special Administration Fund	4,511,200	(10,400)	8,900	900	39,400			4,550,000
Spinal and Head Injuries Trust Fund	2,326,800	(700)	5,300	200	8,600			2,340,200
Statewide Cost Allocation Plan Fund	1,000,000	0	0	0	0			1,000,000
Workforce Investment Act Grant	56,044,500	0	0	900	40,100			56,085,500
Total - Department of Economic Security	358,607,400	(259,600)	478,800	24,200	1,041,200	0	0	359,892,000
Education, Department of								
Department of Education Professional								
Development Revolving Fund	2,700,000	0	0	0	0			2,700,000
Permanent State School Fund	300,612,600	0	0	0	0			300,612,600
Proposition 301 Fund	7,000,000	0	0	0	0			7,000,000
Teacher Certification Fund	2,342,700	0	20,200	1,300	56,500			2,420,700
Tribal College Dual Enrollment Program Fund	250,000	0	0	0	0			250,000
Total - Department of Education	312,905,300	0	20,200	1,300	56,500	0	0	312,983,300
Emergency and Military Affairs, Department of								
Nuclear Emergency Management Fund	0	0	0	0	0		1,506,100	1,506,100
Environmental Quality, Department of								
Air Quality Fund	5,389,800	(13,600)	0	2,200	94,000			5,472,400
Emergency Response Fund	132,800	0	0	0	0			132,800
Emissions Inspection Fund	26,588,000	(8,500)	19,300	1,500	65,500			26,665,800
Hazardous Waste Management Fund	1,748,200	(7,800)	10,100	800	33,700			1,785,000
Indirect Cost Recovery Fund	13,615,900	(57,100)	99,600	16,400	350,700			14,025,500
Permit Administration Fund	7,155,700	(18,300)	37,500	3,500	148,700			7,327,100
Recycling Fund	1,361,800	(4,000)	8,900	700	29,400			1,396,800
Safe Drinking Water Program Fund	1,812,000	(6,400)	9,900	1,000	38,200			1,854,700
Solid Waste Fee Fund	1,247,800	(4,400)	7,500	700	29,100			1,280,700
Underground Storage Tank Fund Revolving Fund	126,700	(20,200)	49,600	4,700	0			160,800
Water Quality Fee Fund	10,575,500	(30,700)	72,300	4,300	184,900			10,806,300
Total - Department of Environmental Quality	69,754,200	(171,000)	314,700	35,800	974,200	0	0	70,907,900
Equal Opportunity, Governor's Office of								
Personnel Fund	190,200	0	1,100	100	6,300			197,700
Exposition and State Fair Board, Arizona								
Arizona Exposition and State Fair Fund	13,282,200	(15,600)	35,300	5,100	216,700			13,523,700
Funeral Directors and Embalmers, Board of								
Board of Funeral Directors' and Embalmers' Fund	388,400	(1,900)	4,900	200	9,500			401,100
Game and Fish Department, Arizona								
Capital Improvement Fund	1,001,200	0	0	0	0			1,001,200
Game and Fish Fund	37,758,600	(124,100)	253,700	860,800	954,700			39,703,700
Game, Nongame, Fish and Endangered								
Species Fund	347,700	(800)	1,500	100	9,400			357,900

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Watercraft Licensing Fund	4,855,400	(15,000)	27,900	50,100	73,000			4,991,400
Wildlife Endowment Fund	16,200	0	0	0	0			16,200
Total - Arizona Game and Fish Department	43,979,100	(139,900)	283,100	911,000	1,037,100	0	0	46,070,400
Gaming, Department of								
Tribal-State Compact Fund	2,098,300	(10,100)	20,300	1,600	66,400			2,176,500
Racing Regulation Fund	2,402,400	(4,500)	12,900	1,300	53,900			2,466,000
Racing Regulation Fund - Uarmed Combat Subaccount	100,000	(600)	0	100	2,800			102,300
State Lottery Fund	300,000	0	0	0	0			300,000
Arizona Benefits Fund	11,243,500	0	0	0	0			11,243,500
Total - Department of Gaming	16,144,200	(15,200)	33,200	3,000	123,100	0	0	16,288,300
Health Services, Department of								
Arizona State Hospital Fund	2,592,000	(18,600)	0	0	0			2,573,400
ASH Land Earnings Fund	650,000	0	0	0	0			650,000
Child Fatality Review Fund	96,100	(900)	1,800	100	2,100			99,200
Disease Control Research Fund	1,000,000	0	0	0	0			1,000,000
Emergency Medical Services Operating Fund	5,740,600	(17,600)	34,600	1,900	82,400			5,841,900
Environmental Laboratory Licensure Revolving Fund	931,100	(3,800)	8,000	400	16,300			952,000
Federal Child Care and Development Fund Block Grant	882,600	(6,700)	11,800	500	23,300			911,500
Health Services Licensing Fund	15,835,400	(71,800)	138,200	8,000	331,500			16,241,300
Health Services Lottery Monies Fund	100,000	0	0	0	0			100,000
Indirect Cost Fund	10,412,800	(35,800)	82,800	5,300	213,500			10,678,600
Newborn Screening Program Fund	7,664,200	(11,300)	24,200	1,500	62,600			7,741,200
Nuclear Emergency Management Fund	0	0	0	0	0		789,700	789,700
Nursing Care Institution Resident Protection Revolving Fund	138,200	0	0	0	0			138,200
Tobacco Tax and Health Care Fund Health Research Account	3,000,000	0	0	0	0			3,000,000
Tobacco Tax and Health Care Fund Medically Needy Account	700,000	0	0	0	0			700,000
Vital Records Electronic Systems Fund	3,637,600	(10,400)	15,800	1,300	57,400			3,701,700
Total - Department of Health Services	53,380,600	(176,900)	317,200	19,000	789,100	0	789,700	55,118,700
Homeopathic and Integrated Medicine Examiners, Board of Board of Homeopathic and Integrated Medicine Examiners' Fund	46,100	(700)	200	0	1,000			46,600
Housing, Department of Housing Trust Fund	322,200	(1,900)	3,600	0	8,600			332,500
Industrial Commission of Arizona Administrative Fund	20,055,500	(94,800)	167,200	10,600	454,600			20,593,100
Insurance and Financial Institutions, Department of Automobile Theft Authority Fund	5,312,100	(3,200)	5,000	400	15,700			5,330,000
Financial Services Fund	3,986,600	(15,700)	46,800	3,200	136,500			4,157,400
Department Revolving Fund	50,600	(300)	0	0	0			50,300
Total - Department of Insurance and Financial Institutions	9,349,300	(19,200)	51,800	3,600	152,200	0	0	9,537,700
Judiciary - Supreme Court Confidential Intermediary and Fiduciary Fund	492,100	(1,100)	3,800	300	14,300			509,400
Court Appointed Special Advocate Fund	3,601,300	(4,500)	8,600	400	21,700			3,627,500
Criminal Justice Enhancement Fund	4,399,700	(19,500)	35,800	1,200	79,900			4,497,100
Defensive Driving School Fund	4,226,100	(13,600)	27,800	1,500	75,100			4,316,900
Judicial Collection Enhancement Fund	14,872,100	(47,800)	92,300	5,500	276,600			15,198,700

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State Aid to the Courts Fund	2,945,300	(100)	300	0	800			2,946,300
Total - Judiciary - Supreme Court	30,536,600	(86,600)	168,600	8,900	468,400	0	0	31,095,900
Judiciary - Superior Court								
Criminal Justice Enhancement Fund	5,455,100	0	0	500	20,200			5,475,800
Judicial Collection Enhancement Fund	6,015,200	0	0	0	0			6,015,200
Drug Treatment and Education Fund	502,900	0	0	500	0			503,400
Total - Judiciary - Superior Court	11,973,200	0	0	1,000	20,200	0	0	11,994,400
SUBTOTAL - Judiciary	42,509,800	(86,600)	168,600	9,900	488,600	0	0	43,090,300
Juvenile Corrections, Department of								
Criminal Justice Enhancement Fund	531,500	0	0	3,900	10,800			546,200
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900	0	0	0	0			8,450,900
State Charitable, Penal and Reformatory Institutions Land Fund	4,012,400	0	4,600	0	0			4,017,000
State Education Fund for Committed Youth	1,861,700	0	14,500	49,400	60,400			1,986,000
Total - Department of Juvenile Corrections	14,856,500	0	19,100	53,300	71,200	0	0	15,000,100
Land Department, State								
Due Diligence Fund	500,000	0	0	0	0			500,000
Environmental Special Plate Fund	260,600	0	0	0	0			260,600
Trust Land Management Fund	7,281,700	(900)	0	900	38,400			7,320,100
Total - State Land Department	8,042,300	(900)	0	900	38,400	0	0	8,080,700
Liquor Licenses and Control, Department of								
Liquor Licenses Fund	3,331,800	(15,600)	28,100	71,400	82,500			3,498,200
Lottery Commission, Arizona State								
State Lottery Fund	147,887,600	(42,600)	88,900	5,300	225,700			148,164,900
Massage Therapy, Board of								
Board of Massage Therapy Fund	471,600	(2,500)	5,700	300	11,000			486,100
Medical Board, Arizona								
Arizona Medical Board Fund	7,036,900	(24,200)	49,100	3,700	162,200			7,227,700
Mine Inspector, State								
Aggregate Mining Reclamation Fund	112,900	0	0	0	0			112,900
Naturopathic Physicians Medical Board								
Naturopathic Physicians Medical Board Fund	193,400	(1,600)	1,500	100	4,200			197,600
Navigable Stream Adjudication Commission								
Arizona Water Banking Fund	200,000	0	0	0	0			200,000
Nursing, State Board of								
Board of Nursing Fund	4,771,000	(24,800)	48,900	3,300	129,100			4,927,500
Nursing Care Institution Administrators Board								
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	455,000	(2,400)	5,500	300	12,000			470,400
Occupational Therapy Examiners, Board of								
Occupational Therapy Fund	199,000	(1,300)	2,400	100	4,500			204,700
Opticians, State Board of Dispensing								
Board of Dispensing Opticians Fund	155,900	(800)	800	100	3,700			159,700
Optometry, State Board of								
Board of Optometry Fund	240,700	(900)	2,100	100	6,200			248,200
Osteopathic Examiners, Arizona Board of								
Board of Osteopathic Examiners Fund	1,012,300	(4,300)	6,700	500	22,800			1,038,000
Parks Board, Arizona State								
State Parks Revenue Fund	15,815,700	(62,000)	131,700	87,500	499,900			16,472,800
Total - Arizona State Parks Board	15,815,700	(62,000)	131,700	87,500	499,900	0	0	16,472,800
Personnel Board, State								

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Personnel Board Subaccount of the Personnel Division Fund	325,900	(1,200)	1,600	100	6,100			332,500
Pharmacy, Arizona State Board of Arizona State Board of Pharmacy Fund	2,610,300	(10,400)	20,200	1,600	67,900			2,689,600
Physical Therapy, Board of Board of Physical Therapy Fund	503,700	(2,900)	3,500	200	9,400			513,900
Pioneers' Home, Arizona Miners' Hospital for Miners with Disabilities Land Fund	2,059,200	(17,300)	37,000	1,600	57,000			2,137,500
State Charitable Fund	4,515,000	(30,500)	62,200	2,300	109,500			4,658,500
Total - Arizona Pioneers' Home	6,574,200	(47,800)	99,200	3,900	166,500	0	0	6,796,000
Podiatry Examiners, State Board of Podiatry Fund	168,100	(900)	600	100	3,700			171,600
Postsecondary Education, Commission for Postsecondary Education Fund	1,536,700	(900)	1,500	100	6,300			1,543,700
Private Postsecondary Education, Board for Board for Private Postsecondary Education Fund	423,300	(1,900)	3,600	300	11,000			436,300
Psychologist Examiners, State Board of Board of Psychologist Examiners Fund	516,100	(2,600)	4,700	300	11,400			529,900
Public Safety, Department of Arizona Highway Patrol Fund	194,086,300	(760,000)	1,314,400	18,400	6,163,600			200,822,700
Concealed Weapons Permit Fund	2,757,900	(5,800)	19,400	1,200	58,500			2,831,200
Criminal Justice Enhancement Fund	2,936,800	(13,100)	19,100	1,100	55,800			2,999,700
DPS Forensics Fund	22,554,200	(84,700)	151,500	12,300	602,300			23,235,600
Fingerprint Clearance Card Fund	1,556,400	(25,000)	61,300	3,400	0			1,596,100
GIITEM Border Security and Law Enforcement Subaccount	2,396,100	(2,000)	3,700	0	13,800			2,411,600
Motor Vehicle Liability Insurance Enforcement Fund	1,250,900	0	8,600	0	43,200			1,302,700
Motorcycle Safety Fund	205,000	0	0	0	0			205,000
Parity Compensation Fund	3,990,500	(5,700)	27,300	0	163,400			4,175,500
Public Safety Equipment Fund	2,893,700	0	0	0	0			2,893,700
Risk Management Revolving Fund	1,349,300	(4,300)	13,900	100	49,600			1,408,600
Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount	1,650,900	0	11,300	0	52,900			1,715,100
State Aid to Indigent Defense Fund	700,000	0	0	0	0			700,000
State Highway Fund	318,200	0	0	0	0			318,200
Total - Department of Public Safety	238,646,200	(900,600)	1,630,500	36,500	7,203,100	0	0	246,615,700
Residential Utility Consumer Office Residential Utility Consumer Office Revolving Fund	1,348,600	(5,600)	9,600	800	35,500			1,388,900
Respiratory Care Examiners, Board of Board of Respiratory Care Examiners Fund	322,600	(1,700)	3,800	200	8,400			333,300
Retirement System, Arizona State Long-Term Disability Trust Fund Administration Account	1,800,000	0	0	0	0			1,800,000
Arizona State Retirement System Administration Account	22,394,000	(125,100)	228,600	12,400	610,900			23,120,800
Total - Arizona State Retirement System	24,194,000	(125,100)	228,600	12,400	610,900	0	0	24,920,800
Revenue, Department of Department of Revenue Administrative Fund	46,243,000	(223,600)	377,200	24,100	1,052,300			47,473,000
Liability Setoff Program Revolving Fund	805,600	(3,400)	6,100	200	7,000			815,500
Tobacco Tax and Health Care Fund	681,500	0	4,100	0	9,100			694,700

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Total - Department of Revenue	47,730,100	(227,000)	387,400	24,300	1,068,400	0	0	48,983,200
Secretary of State								
Records Services Fund	742,800	(900)	800	0	2,100			744,800
Total - Secretary of State	742,800	(900)	800	0	2,100	0	0	744,800
Technical Registration, State Board of								
Technical Registration Fund	2,199,500	(13,700)	24,200	1,200	51,900			2,263,100
Transportation, Department of								
Air Quality Fund	324,200	(100)	500	0	1,400			326,000
Highway User Revenue Fund	658,000	(5,400)	9,100	400	17,800			679,900
Highway Damage Recovery Account	8,000,000	0	0	0	0			8,000,000
Ignition Interlock Device Fund	320,300	(1,000)	3,300	200	10,000			332,800
Motor Vehicle Liability Insurance								
Enforcement Fund	1,723,700	(8,700)	21,700	1,000	44,100			1,781,800
Safety Enforcement and Transportation								
Infrastructure Fund - Department of								
Transportation Subaccount	880,500	(8,100)	16,000	200	7,400			896,000
State Aviation Fund	2,010,900	(9,800)	16,700	800	46,200			2,064,800
State Highway Fund	397,921,900	(1,940,900)	3,660,900	160,400	6,991,600			406,793,900
Transportation Department Equipment Fund	18,654,800	(107,900)	203,500	9,600	407,800			19,167,800
Vehicle Inspection and Certificate of Title								
Enforcement Fund	2,068,000	(11,000)	22,400	1,500	62,300			2,143,200
Total - Department of Transportation	432,562,300	(2,092,900)	3,954,100	174,100	7,588,600	0	0	442,186,200
Treasurer, State								
Law Enforcement and Boating Safety Fund	2,183,800	0	0	0	0			2,183,800
State Treasurer's Operating Fund	3,350,800	(15,500)	30,100	2,100	89,500			3,457,000
Total - State Treasurer	5,534,600	(15,500)	30,100	2,100	89,500	0	0	5,640,800
Universities								
Arizona State University								
Technology and Research Initiative Fund	3,600,000	0	0	0	0			3,600,000
University Collections Fund	654,596,600	(2,405,600)	4,777,100	227,900	0			657,196,000
Total - Arizona State University	658,196,600	(2,405,600)	4,777,100	227,900	0	0	0	660,796,000
Northern Arizona University								
University Collections Fund	156,154,500	(42,300)	186,500	0	0			156,298,700
University of Arizona - Main Campus								
University Collections Fund	353,430,100	(1,736,600)	2,965,800	142,500	0			354,801,800
University of Arizona - Health Sciences Center								
University Collections Fund	55,697,400	0	0	0	0			55,697,400
SUBTOTAL - Universities	1,223,478,600	(4,184,500)	7,929,400	370,400	0	0	0	1,227,593,900
Veterans' Services, Department of								
State Home for Veterans Trust Fund	39,005,200	(151,300)	308,900	16,600	707,700			39,887,100
Total - Department of Veterans' Services	39,005,200	(151,300)	308,900	16,600	707,700	0	0	39,887,100
Veterinary Medical Examining Board								
Veterinary Medical Examining Board Fund	600,000	(1,700)	2,600	400	17,000			618,300
Water Resources, Department of								
Assured and Adequate Water Supply Admin Fund	268,600	(1,100)	0	200	9,000			276,700
Water Resources Fund	963,700	(2,600)	5,000	300	11,300			977,700
Water Banking Fund	1,212,200	0	0	200	0			1,212,400
Total - Department of Water Resources	2,444,500	(3,700)	5,000	700	20,300	0	0	2,466,800
OPERATING BUDGET TOTAL	\$4,077,548,200	(\$9,688,400)	\$18,284,300	\$2,013,800	\$30,400,000	\$0	\$4,626,300	\$4,123,184,200
Additional (27th) Pay Period	31,536,600	0	0	0	(30,400,000)			1,136,600
'21 Retirement Rate Adjustments	3,000,000	0	0	(2,013,800)	0			986,200
One-Time '21 Agency Health Insurance Adjustments	21,500,000	0	(18,284,300)	0	0			3,215,700
Remove One-Time '20 Agency Health Insurance Adjustments	(\$9,764,300)	9,688,400	0	0	0			(75,900)

	OF General Appropriation Act - Individual Agency ^{2/}	OF HITF Premium Reduction ^{3/}	OF HITF Premium Increase ^{3/}	OF Retirement ^{3/}	OF 27th Pay Period Adjustment ^{3/}	OF FY 2021 Additional Appropriations ^{4/}	OF Prior Year/ Statutory Appropriations ^{5/}	OF FY 2021 Approp Rpt Total
Capital Outlay - Building Renewal/Projects	464,683,600	0	0	0	0		45,000,000	509,683,600
GRAND TOTAL	<u>4,588,504,100</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$49,626,300</u>	<u>\$4,638,130,400</u>

CROSSWALK OF FY 2021 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS EXPENDITURE AUTHORITY

AHCCCS	\$11,751,963,400	\$0	\$0	\$0	\$1,392,300	\$0	\$0	\$11,753,355,700
Child Safety, Department of	438,393,600	(23,200)	37,200	13,100	544,600	0	0	438,965,300
Economic Security, Department of	1,587,926,100	(582,000)	962,300	91,700	3,952,400	0	0	1,592,350,500
Education, Department of	<u>747,057,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>747,057,500</u>
GRAND TOTAL	\$14,525,340,600	(\$605,200)	\$999,500	\$104,800	\$5,889,300	\$0	\$0	\$14,531,729,000

^{1/} This chart provides a crosswalk between an agency's appropriation in the FY 2021 General Appropriation Act (Laws 2020, Chapter 58) and the individual agency amount as it appears in the *FY 2021 Appropriations Report*.

^{2/} Represents individual agency section of FY 2021 General Appropriation Act and other direct appropriations in the General Appropriation Act.

^{3/} Section 115 of the FY 2021 General Appropriation Act appropriates statewide adjustments from Other Appropriated Funds for Employer Health Insurance Contribution Reduction, Employer Health Insurance Contribution Rate Increase, Agency Retirement Adjustments, and Nonuniversity State Employee 27th Pay Period Adjustments.
Section 115 requires JLBC Staff to determine the agency-by-agency distribution of these funds, which are reflected below.

^{4/} Appropriations separate from the FY 2021 General Appropriation Act enacted in the 54th Legislature, 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section. *See individual agency narrative for detail.*

^{5/} Represents ongoing statutory appropriations or appropriations enacted prior to the 54th Legislature, 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section. *See individual agency narrative for detail.*

SUMMARY OF RISK MANAGEMENT CHARGES 1/

<u>Agency</u>	<u>FY 2021 Charge</u>
Accountancy, Arizona State Board of	\$4,300
Acupuncture Board of Examiners	1,300
Administration, Arizona Department of	1,358,300
Administrative Hearings, Office of	3,800
Agriculture, Arizona Department of	106,900
AHCCCS	261,200
African-American Affairs, Arizona Commission of	1,000
Arts, Arizona Commission on the	6,200
Athletic Training, Board of	1,100
Attorney General - Department of Law	475,000
Barbers, Board of	1,500
Behavioral Health Examiners, Board of	8,800
Charter Schools, State Board for	103,700
Child Safety, Department of	2,998,700
Chiropractic Examiners, State Board of	4,000
Citizens Clean Election Commission	2,100
Commerce Authority, Arizona	24,000
Constable Ethics Standards and Training Board	1,300
Contractors, Registrar of	28,100
Corporation Commission	77,900
Corrections, State Department of	8,320,800
Cosmetology, Board of	6,700
Criminal Justice Commission, Arizona	9,500
Deaf and the Blind, Arizona State Schools for the	324,800
Deaf and the Hard of Hearing, Commission for the	5,800
Dental Examiners, State Board of	13,200
Early Childhood Development and Health Board, Arizona	88,300
Economic Opportunity, Office of	6,500
Economic Security, Department of	2,628,900
Education, Board of	1,100
Education, Department of	131,100
Emergency and Military Affairs, Department of	899,700
Environmental Quality, Department of	194,400
Equal Opportunity, Governor's Office of	1,000
Equalization, State Board of	6,600
Executive Clemency, Board of	3,600
Exposition and State Fair Board, Arizona	294,700
Forestry and Fire Management, Arizona Department of	156,700
Funeral Directors and Embalmers, State Board of	13,200
Game and Fish Department, Arizona	678,600
Gaming, Department of	41,700
Governor, Office of the	122,600
Governor's Office of Strategic Planning and Budgeting	4,500
Health Services, Department of	963,100
Historical Society, Arizona	448,600
Historical Society of Arizona, Prescott	16,900
Homeland Security, Arizona Department of	14,000
Homeopathic and Integrated Medical Examiners, Board of	1,100
Housing, Arizona Department of	19,800
Independent Redistricting Commission,	1,000
Industrial Commission of Arizona	109,700
Insurance and Financial Institutions, Department of	48,500
Judiciary - Court of Appeals, Division I	23,200
Judiciary - Court of Appeals, Division II	9,400
Judiciary - Superior Court	1,555,800
Judiciary - Supreme Court	196,200
Juvenile Corrections, Department of	261,800
Land Department, State	331,200
Legislature - Legislative Council	14,800
Legislature - Auditor General	52,700

Agency	FY 2021 Charge
Legislature - House of Representatives	106,900
Legislature - Joint Legislative Budget Committee	9,500
Legislature - Senate	88,700
Liquor Licenses and Control, Department of	13,700
Lottery Commission, Arizona State	39,400
Massage Therapy, Board of	1,700
Medical Board, Arizona	17,500
Mine Inspector, State	10,000
Naturopathic Physicians Medical Board	1,500
Navigable Stream Adjudication Commission, Arizona	1,000
Nursing, State Board of	18,500
Nursing Care Institution of Administrators and Assisted Living Facility Managers, Board of Examiners of	2,800
Occupational Therapy Examiners, Board of	1,300
Opticians, State Board of Dispensing	1,100
Optometry, State Board of	1,300
Osteopathic Examiners in Medicine and Surgery, Arizona Board of	2,600
Park Board, Arizona State	309,800
Personnel Board, State	1,300
Pharmacy, Arizona State Board of	9,000
Physical Therapy, Board of	2,100
Pioneers' Home, Arizona	44,500
Podiatry Examiners, State Board of	1,100
Postsecondary Education, Commission for	4,900
Power Authority, Arizona	20,200
Private Postsecondary Education, State Board for	2,500
Psychologist Examiners, State Board of	2,000
Public Safety, Department of	3,804,800
Public Safety Personnel Retirement System	74,200
Real Estate Department, State	11,200
Residential Utility Consumer Office	2,600
Respiratory Care Examiners, Board of	1,700
Retirement System, Arizona State	149,300
Revenue, Department of	252,600
School Facilities Board	9,400
Secretary of State, Department of State	164,400
Tax Appeals, State Board of	1,300
Technical Registration, State Board of	7,200
Tourism, Office of	9,700
Transportation, Department of <u>2/</u>	15,981,300
Treasurer, State	8,100
Tribal Relations, Governor's Office on	1,300
Universities - Arizona State University	9,879,400
Universities - Northern Arizona University	3,124,800
Universities - Regents, Arizona Board of	49,900
Universities - University of Arizona	11,782,400
Veterans' Services, Department of	378,800
Veterinary Medical Examining Board, Arizona State	2,400
Water Infrastructure Financing Agency	4,700
Water Resources, Department of	39,600
<i>Other Agencies</i>	
Central Arizona Water Conservation District	5,100
GRAND TOTAL	69,952,100

1/ Total charges reflect Arizona Department of Administration billed amounts with the exception of the Arizona Department of Transportation (ADOT).

2/ A General Appropriation Act footnote requires ADOT to pay Risk Management charges of \$15,981,300.

**BUDGET RECONCILIATION BILLS
AND MAJOR FOOTNOTE CHANGES**

FY 2021 BUDGET RECONCILIATION BILLS (BRBs) AND MAJOR FOOTNOTE CHANGES*

	<u>Page</u>
Budget Procedures BRB - Chapter 56 (SB 1690)	435
Criminal Justice BRB - Chapter 51 (SB 1683)	435
Environment BRB - Chapter 55 (SB 1689)	436
Health BRB - Chapter 54 (SB 1688)	436
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*Chapter numbers refer to Laws 2020, 2nd Regular Session.

FY 2021 BUDGET RECONCILIATION BILL PROVISIONS

The budget includes the enactment of statutory changes associated with its funding amount. The following provisions are grouped by subject into Budget Reconciliation Bills (BRBs).

BUDGET PROCEDURES – CHAPTER 56 (SB 1690)

Statewide	<u>Section</u>
1. As session law, continue to set the FY 2021 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration (ADOA) at \$17.87/square foot for rentable office space and \$6.43/square foot for rentable storage space.	BP 5
2. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.	BP 4
3. As session law, continue to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund through FY 2023.	BP 6
Local Governments	
4. As session law, state that the Legislature intends for counties, cities and towns to review their eviction policies and procedures during the state of emergency declaration by the Governor related to COVID-19 to allow individuals and families to remain in their places of residence.	BP 7
Office of the Governor	
5. As permanent law, create the Crisis Contingency and Safety Net Fund in the Office of the Governor. Monies in the fund may only be used by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. The fund is non-appropriated and monies in the fund are non-lapsing. Prior to spending monies from the fund, requires reporting on the intended use of the monies.	BP 2
6. Appropriates \$50,000,000 as a supplemental from the General Fund in FY 2020 for deposit in the newly created Crisis Contingency and Safety Net Fund. Requires that any monies unexpended and unencumbered on June 30, 2021 revert to the General Fund.	BP 8
Secretary of State	
7. As session law, notwithstanding the \$1.25 per voter county reimbursement for the 2020 presidential preference election and instead establish reimbursement methodology in the General Appropriation Act.	BP 3
Department of Transportation	
8. As permanent law, delay the effective date of the Motor Pool Consolidation Fund to July 1, 2021.	BP 1,9

CRIMINAL JUSTICE – CHAPTER 51 (SB 1683)

	<u>Section</u>
State Department of Corrections	
9. As session law, continue to require the department to report actual FY 2020, estimated FY 2021, and requested FY 2022 expenditures as delineated in the prior year when the department submits its FY 2022 budget request pursuant to A.R.S. § 35-113.	CJ 6
Department of Emergency and Military Affairs	
10. As session law, extend to FY 2022 the lapsing date of the FY 2019 appropriation of \$1,250,000 from the Military Installation Fund for the construction of a new Tucson Readiness Center.	CJ 4

Department of Public Safety

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| 11. | As permanent law, continue to require the Department of Public Safety (DPS) to receive JLBC review of the annual expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount appropriation prior to its expenditure. This provision has previously been authorized as session law. | CJ 2 |
| 12. | As permanent law, continue to allow the Concealed Weapons Permit Fund to be used for DPS operating expenses. This provision has previously been authorized as session law. | CJ 1 |
| 13. | As session law, continue to allow the State Aid to Indigent Defense Fund to be used for DPS operating expenses. | CJ 7 |
| 14. | As permanent law, continue to allow DPS to use the Arizona Highway Patrol Fund for the Pharmaceutical Diversion and Drug Theft Task Force. This provision has previously been authorized as session law. | CJ 3 |
| 15. | As session law, continue to allocate \$400,000 from the GIITEM General Fund distribution to the Pima County Sheriff's Office. | CJ 5 |

ENVIRONMENT – CHAPTER 55 (SB 1689)**Section****Department of Environmental Quality**

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| 16. | As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2021 for department administrative expenses and for sewage remediation. | ENV 2 |
| 17. | As session law, transfer \$15,000,000 from the General Fund into the Water Quality Assurance Revolving Fund (WQARF) in FY 2021. | ENV 4 |
| 18. | As session law, continue the FY 2020 level of vehicle emissions inspection fees in FY 2021 (FY 2020 fees are \$3 less than FY 2016 in Area A, which includes Maricopa County and portions of Pinal and Yavapai Counties.) | ENV 5 |

Arizona Navigable Stream Adjudication Commission

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| 19. | As session law, continue to allow use of the Water Banking Fund for the commission's legal obligations. | ENV 3 |
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Department of Water Resources

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| 20. | As session law, continue to allow the department's Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2021. | ENV 1 |
| 21. | As session law, continue to allow the department non-municipality special fee authority, including an intent clause that limits additional revenue up to \$100,200, and exempt the department from rulemaking for this purpose. | ENV 6 |

HEALTH – CHAPTER 54 (SB 1688)**Section****AHCCCS*****Rates and Services***

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| 22. | As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels. | HLTH 7 |
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Counties

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| 23. | As session law, set the FY 2021 county Arizona Long Term Care System (ALTCs) contributions at \$305,872,000. | HLTH 1 |
| 24. | As session law, set the County Acute Care contribution at \$45,819,000. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328. | HLTH 4 |

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| 25. | As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations. | HLTH 5 |
| 26. | As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2021 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act. | HLTH 3 |

Hospitals

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| 27. | As session law, continue to establish FY 2021 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (MIHS), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. Keep the MIHS distribution of \$113,818,500 in FY 2021. | HLTH 2 |
| 28. | As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow MIHS to be eligible for Pool 5 allocations. Permit local jurisdictions to provide additional local match for Pool 5 distributions. | HLTH 2 |

Available Funding

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| 29. | As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation. | HLTH 10 |
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Department of Health Services

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| 30. | As session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations. | HLTH 6 |
| 31. | As session law, continue to notwithstanding A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services. | HLTH 9 |
| 32. | As session law, continue fee raising authority and an exemption relating to establishing fees for the Bureau of Radiation Control in FY 2021. Includes an intent clause that limits additional revenues to \$1,900,000. | HLTH 8 |

HIGHER EDUCATION – CHAPTER 50 (HB 2903)

Section

Arizona Community Colleges

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| 33. | As session law, continue to suspend the Operating State Aid funding formula in FY 2021 for Maricopa and Pima Counties. | HEd 3 |
| 34. | As session law, continue to suspend Maricopa, Pima, and Pinal's Science, Technology, Engineering and Mathematics and Workforce Programs funding formula for FY 2021. The Pinal funding is specified in the General Appropriation Act and again equals \$96,500. The Maricopa and Pima distributions are already set by the FY 2020 General Appropriation Act through FY 2022. | HEd 2 |

Universities

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| 35. | As session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into Arizona Financial Aid Trust (AFAT). | HEd 1 |
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HUMAN SERVICES – CHAPTER 53 (SB 1687)

Section

Arizona Health Care Cost Containment System/Department of Economic Security

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| 36. | As session law, permit AHCCCS to provide payments to providers of behavioral health services and providers of services to developmentally disabled (DD) individuals and elderly and physically disabled (EPD) individuals to ensure they maintain capacity during the COVID-19 state of emergency, retroactive to March 10, 2020. Require that any payments ensure federal financial participation and be within AHCCCS' expenditure authority for FY 2020. | HS 5 |
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| 37. | As session law, permit the Department of Economic Security (DES) and AHCCCS to temporarily adjust provider reimbursement rates for services to DD individuals in order provider additional funding for increased overtime expenses that providers experience due to loss of staff during the COVID-19 state of emergency, retroactive to March 10, 2020. Require that any adjustments be within DES' expenditure authority. | HS 5 |
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Department of Child Safety

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| 38. | As session law, require the Auditor General to complete an audit of DCS' missing children on or before September 30, 2021. | HS 3 |
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Department of Economic Security

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| 39. | As session law, continue to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable cause to believe that the recipient uses illegal drugs. | HS 2 |
| 40. | As permanent law, continue to allow the Special Administration Fund to be used for purposes other than administration of unemployment benefits. This provision has previously been authorized as session law. | HS 1 |
| 41. | As session law, require that the department provide an exemption from the 12-month and 24-month time limits and work requirements to recipients of Temporary Assistance for Needy Families (TANF) cash assistance during the COVID-19 state of emergency, retroactive to March 10, 2020. | HS 4 |

K-12 EDUCATION – CHAPTER 49 (HB 2902)

Section

Department of Education

Formula Requirements

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| 42. | As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school "Additional Assistance" amounts (A.R.S. § 15-185B4) by 1.74% for standard inflation. | K12
1,2,3 |
| 43. | As permanent law, increase the base level by an additional \$83.08 to incorporate into Basic State Aid \$124,500,000 for teacher salary increases already appropriated for FY 2021 by Section 136 of the FY 2019 General Appropriation Act. | K12 2 |
| 44. | As permanent law, amend A.R.S. § 42-5029.02 to require, beginning in FY 2022, that \$64,100,000 of Proposition 301 monies be transferred to the Superintendent of Public Instruction to fund Basic State Aid. | K12 5 |

Results-Based Funding

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| 45. | As session law, continue to notwithstanding A.R.S. § 15-249.08 to allocate Results-Based Funding using the same formula that was used in FY 2020, but based on AzMERIT test results from spring 2019 rather than spring 2018. Under permanent law, the Results-Based Funding instead would have been distributed in FY 2021 to schools with a letter grade A under the A-F performance rating developed by the State Board of Education. | K12 8 |
| 46. | As session law, continue to make eligible for Results-Based Funding schools with AzMERIT test results in the top 13% for schools with less than 60% of students eligible for free and reduced-price lunch (FRPL) and to the top 27% for schools with 60% or higher FRPL eligibility. | K12 8 |
| 47. | As session law, continue to establish per-pupil funding levels of \$225 for qualifying schools with less than 60% FRPL eligibility and for schools with more than 60% FRPL eligibility that have AzMERIT results in the top 27%, but not the top 13% of schools with 60% or higher FRPL eligibility. Qualifying schools with greater than 60% FRPL eligibility and with AzMERIT results in the top 13% of schools with 60% or more FRPL eligibility would receive \$400. | K12 8 |

48.	As session law, continue to provide an alternative school with \$400 per student if it reported AzMERIT scores for both math and English language arts for spring 2019 testing and its average pass rate for those 2 tests combined equaled or exceeded the average combined pass rate observed for the top 27% of schools with 60% or higher free or reduced price lunch eligibility rates.	K12 8
<i>Other</i>		
49.	As session law, continue stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.	K12 9
50.	As session law, amend Laws 2018, Chapter 285, Sections 27 and 28 to increase FY 2021 District Additional Assistance (DAA) spending by an additional \$64,367,500 and Charter Additional Assistance (CAA) funding by an additional \$3,407,200. In addition, fully fund the DAA/CAA formula in FY 2022 instead of FY 2023.	K12 6,7
51.	As permanent law, update the Qualifying Tax Rate and State Equalization Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2021 under it.	K12 4

REVENUE – CHAPTER 52 (SB 1684)

	<u>Section</u>
Arizona Department of Agriculture	
52. As session law, continue fee changing authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2021. Continue an intent clause that limits additional revenues to \$357,000.	REV 6
Counties and Cities & Towns	
53. As session law, continue to allow counties with a population below 250,000 in the 2010 decennial census to use any source of county revenue to meet a county fiscal obligation for FY 2021, up to \$1,250,000 of county revenue for each county. Requires counties using this authority to report to the Director of JLBC on the intended amount and sources of funds by October 1, 2020.	REV 7
Department of Gaming	
54. As session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2021 only.	REV 5
Department of Insurance and Financial Institutions	
55. As permanent law, remove the requirement that fees collected by the department be between 95% and 110% of the department's appropriation.	REV 1,2,3,4
Department of Revenue	
56. As session law, continue legislative intent statement that local fees to fund the Department of Revenue (DOR) are not to exceed \$20,755,835 and are to be allocated between cities and towns, counties, the Maricopa Association of Governments and the Pima Association of Governments based on the prorated share of all revenues distributed to them (excluding Highway User Revenue Fund money).	REV 8

FY 2021 GENERAL APPROPRIATION ACT PROVISIONS – CHAPTER 58 (SB 1692)

The budget includes the following provisions in the General Appropriation Act. These provisions are in addition to the individual agency appropriations, but exclude supplemental appropriations, ex-appropriations, and fund transfers.

	<u>Section</u>
Department of Education	
1. As session law, continue to defer \$930,727,700 in Basic State Aid payments for FY 2021 until FY 2022. Appropriate \$930,727,700 in FY 2022 for these deferred Basic State Aid payments. Continue to exempt school districts with less than 600 students from the K-12 Rollover. Allow ADE to make the rollover payment no later than July 12, 2021.	114
2. As session law, continue to require school districts to include in the FY 2021 revenue estimates that they use for computing their FY 2021 tax rates the rollover monies that they will receive for FY 2021 in July 2021.	114
Revenues	
3. As session law, continue to specify revenue and expenditure estimates for FY 2020, FY 2021, FY 2022, and FY 2023.	123
4. As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2020 ending balances by September 15, 2020. Require JLBC Staff to report to JLBC by October 15, 2020 as to whether FY 2021 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections.	123
Statewide	
5. Adds footnote allowing the JLBC to allocate General Fund and Other fund statewide adjustments for employer health insurance contribution adjustments. The adjustments include 1) a one-time reduction to employer contribution rates. and 2) new a one-time increase employer contribution rates. The JLBC shall use the overall allocation of General Fund and appropriated tuition for each university when determining that university's specific adjustment.	115
6. Adds footnote allowing the JLBC to allocate General Fund and Other Fund statewide adjustments to state agencies, excluding the universities, for the one-time 27th pay period in FY 2021. The JLBC shall use the overall allocation for General Fund and appropriated tuition for each university when determining the university's specific adjustment for the one-time 27 th pay period in FY 2022.	115, 118
7. Adds footnote allowing the JLBC to allocate General Fund and Other Fund statewide state agency retirement adjustments. The JLBC shall use the overall allocation of General Fund and appropriated tuition for each university when determining that university's specific adjustment.	115
8. As session law, continue to state legislative intent that all budget units receiving appropriations continue to report actual, estimated and requested expenditures in a format similar to prior years.	119
9. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2021 in all agencies and provide it to the JLBC Director by October 1, 2021. The Universities are exempt from the report but are required to report separately.	120
10. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2020 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2020.	121
11. As session law, continue to require ADOA to report monthly to the JLBC Director on agency transfers of spending authority from one expenditure class to another or between programs.	122
12. As session law, continue to charge a total of \$1,798,500 from 34 state agencies in FY 2021 for general agency counsel provided by the Attorney General pursuant to A.R.S. § 41-191.09.	116
General	
13. As session law, continue to define “*” as designating an appropriation exempt from lapsing.	124
14. As session law, continue to define “expenditure authority” as continuously appropriated monies included in individual line items of appropriations.	125

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| 15. | As session law, continue to define "review by the Joint Legislative Budget Committee" as a review by a vote of a majority of a quorum of the members. | 126 |
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FY 2021 MAJOR FOOTNOTE CHANGES

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

Arizona Department of Administration

Section

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| 16. | Deletes footnote allowing the Department of Administration to use monies appropriated for building renewal for building demolition. (Capital) | CO 1 |
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AHCCCS

- | | | |
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| 17. | Modifies footnote to allow AHCCCS to use GME funding to cover indirect costs of hospitals participating in the program. | 8 |
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Department of Child Safety

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| 18. | Adds footnote exempting monies for litigation expenses from the provisions of A.R.S. 35-190, relating to lapsing of appropriations, until June 30, 2022. | 14 |
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Department of Economic Security

- | | | |
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| 19. | Adds footnote requiring the department to submit proposed changes to child care reimbursement rates to the JLBC for review. | 107 |
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Department of Emergency and Military Affairs

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| 20. | Adds footnote extending to FY 2022 the lapsing date of the FY 2019 appropriation of \$3,759,000 from the General Fund for the construction of a new Tucson Readiness Center. (Capital) | CO 6 |
| 21. | Adds footnote extending to FY 2023 the lapsing date of the FY 2020 appropriation of \$3,875,000 from the General Fund for the construction of a new West Valley Readiness Center. (Capital) | CO 6 |

Department of Health Services

- | | | |
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| 22. | Adds footnote stipulating on or before May 31, 2021, the Department of Health Services shall submit a report to the JLBC for review on the progress of the department's implementation of recommendations included in the Auditor General's September 2019 report regarding the investigation of long-term care facility complaints and self-reports. The report shall include information for staff allocated to long-term care investigations since publication of the September 2019 audit, a summary of the department's implemented investigation time frames and updates to its investigation policies and procedures, and an assessment of the department's performance in investigating long-term care facility complaints and self-reports according to audit recommendations and the implemented investigation timeframes. | 42 |
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Department of Insurance and Financial Institutions

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| 23. | Adds footnote requiring agency to set the fees required to be deposited into the General Fund at a level that will equal or exceed the department's General Fund expenditure. A similar footnote was previously included in the Department of Financial Institutions budget. | 49 |
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Department of Public Safety

- | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 24. | Adds footnote extending the lapsing date for the FY 2020 appropriation for Peace Officer Training Equipment to June 30, 2021 and reverting any unexpended monies to the fund from which the monies were appropriated. | 76 |
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Department of Revenue

25. Adds footnote stipulating that, on or before March 31, 2021, the Department shall submit a report to the JLBC for review on the progress of the department's implementation of recommendations included in the Auditor General's March 2019 report regarding transaction privilege tax administration and enforcement. The report shall include an assessment of the effectiveness of the department's efforts to reduce the risk of misreporting and underreporting transaction privilege tax through information technology controls and data analysis and the department's progress in identifying and fixing errors in the department's tax system TPT licensing information. 81

Secretary of State

26. Adds footnote extending the lapsing date of the FY 2019 appropriation for Other Help America Vote Act Projects to June 30, 2022. 83
27. Adds footnote establishing a 6-tier county reimbursement schedule for FY 2020 Presidential Preference Election based on the number of active registered voters as of January 1, 2020. States that the appropriation does not set a precedent for future reimbursement levels. Sets the appropriation lapsing date to December 31, 2020 and requires the Secretary of State to submit a report to the JLBC and OSPB on actual spending on the lapsing date. 103

**FY 2020
GENERAL FUND ADJUSTMENTS**

FY 2020 General Fund Adjustments

	FY 2019 Actual	FY 2020 Original 1/	Baseline Adjustments 2/	FY 2020 JLBC Baseline	Session and June Budget Update Changes 3/	FY 2020 June Update
REVENUES						
Ongoing Revenues	\$11,806,110,300	11,896,447,900	338,162,700	\$12,234,610,600	(863,582,600)	\$11,371,028,000
Enacted Changes		(57,221,800)	57,221,800 2/			
Urban Revenue Sharing	(674,804,400)	(737,573,600)		(737,573,600)	12,400	(737,561,200)
Net Ongoing Revenues	\$11,131,305,900	\$11,101,652,500	\$395,384,500	\$11,497,037,000	(\$863,570,200)	\$10,633,466,800
One-time Financing Sources						
Balance Forward	\$449,632,000	\$764,372,400	\$192,868,600	\$957,241,000		957,241,000
Wells Fargo Settlement		20,000,000		20,000,000		20,000,000
Other Tax Law Changes		(38,322,600)	38,322,600 2/			
Fund Transfers	100,425,900	70,840,700		70,840,700		70,840,700
Subtotal One-time Revenues	\$550,057,900	\$816,890,500	\$231,191,200	\$1,048,081,700	\$0	\$1,048,081,700
Total Revenues	\$11,681,363,800	\$11,918,543,000	\$626,575,700	\$12,545,118,700	(\$863,570,200)	\$11,681,548,500
EXPENDITURES						
Ongoing Operating Appropriations	\$10,172,104,000	\$10,836,398,100	\$2,031,100	\$10,838,429,200		\$10,838,429,200
FY 2020 Supplementals/Ex-Approp.			46,459,700	46,459,700		46,459,700
Administrative Adjustments		128,000,000		128,000,000	(100,000,000)	28,000,000
Revertments		(173,000,000)		(173,000,000)	(11,000,000)	(184,000,000)
Subtotal Ongoing Expenditures	\$10,172,104,000	\$10,791,398,100	\$48,490,800	\$10,839,888,900	(\$111,000,000)	\$10,728,888,900
One-time Expenditures						
Capital Outlay	\$4,959,000	\$4,575,000		\$4,575,000		4,575,000
Transportation Funding		95,310,000		95,310,000		95,310,000
Budget Stabilization Fund Deposit	271,107,000	271,107,000		271,107,000		271,107,000
2010B Debt Payoff		190,000,000		190,000,000		190,000,000
Operating One-Time Spending	241,996,500	501,275,000		501,275,000		501,275,000
One-Time Supplementals	33,956,300				80,719,200	80,719,200
Subtotal One-time Expenditures	\$552,018,800	\$1,062,267,000	\$0	\$1,062,267,000	\$80,719,200	\$1,142,986,200
Total Expenditures	\$10,724,122,800	\$11,853,665,100	\$48,490,800	\$11,902,155,900	(\$30,280,800)	\$11,871,875,100
Ending Balance 4/	\$957,241,000	\$64,877,900	\$578,084,900	\$642,962,800	(\$833,289,400)	(\$190,326,600) 5/
Ongoing Balance 5/	\$959,201,900	\$310,254,400	\$346,893,700	\$657,148,100	(\$752,570,200)	(\$95,422,100)

1/ Reflects FY 2020 Budget as published in the FY 2020 Appropriations Report.

2/ Reflects forecast adjustments to revenue and other technical adjustments in January 2020 as part of the FY 2021 JLBC Baseline. Baseline adjustments move enacted changes to ongoing revenue.

3/ Reflects revenue forecast adjustments and spending adjustments made in the 2020 Legislative Session and the June Budget Update.

4/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

5/ This calculation reflects the difference between ongoing revenues and ongoing expenditures and excludes one-time adjustments. The Legislature makes the ongoing and one-time classifications as part of its 3-year spending plan. Excludes any Budget Stabilization Fund balance.

6/ The Session and June Budget Update changes resulted in a projected FY 2020 ending balance shortfall of \$(190) million. Subsequent to the June Budget Update, preliminary June 2020 revenues were reported to be \$207 million above the June update forecast. While a final FY 2020 ending balance has yet to be determined, we believe that FY 2020 will not end in a shortfall.

FY 2020 GENERAL FUND ADJUSTMENTS

FY 2020 Budget Revision — The preceding chart illustrates the changes to the FY 2020 budget from the June 2019 publication of the *FY 2020 Appropriations Report* (including changes through the 54th Legislature, 1st Regular Session) to the current estimate in this *FY 2021 Appropriations Report*. The chart includes the changes from the passage of bills in the 2nd Regular Session of the 54th Legislature addressing the FY 2020 budget.

Original Budget Estimate — At the time of the publication of the *FY 2020 Appropriations Report* in June 2019, the FY 2020 budget was anticipated to have a \$65 million balance.

Mid-Year Balance — As estimated in January 2020, higher-than-expected revenues together with other changes led to the state's projected FY 2019 ending balance of \$65 million increasing to a balance of \$643 million. The components of this \$578 million shift were as follows:

	(\$ in M)
• Increased FY 2019 Carry-Forward	193
• Increase in Net FY 2020 Revenues	434
• Supplemental FY 2020 Expenditures	(48)
Total	\$578

As enacted in May 2019, the original FY 2020 budget included \$764 million in revenues from an FY 2019 carry-forward balance. The FY 2019 revenue growth at the end of the year, however, was greater than originally budgeted, which produced a FY 2019 ending balance of \$957 million, or \$193 million more than budgeted.

An upward revision to FY 2020 growth rates based on the January consensus forecast along with incorporating the higher-than-expected growth for FY 2019 increased net FY 2020 revenues by \$434 million. This amount included ongoing revenues and folded in costs associated with implementing higher June payment thresholds for transaction privilege taxes and delayed implementation of *Wayfair* remote business taxation.

Finally, the budget was estimated to require an additional \$48 million in spending, including \$46 million associated with higher-than-projected AHCCCS caseloads and capitation rates, \$481,100 for increased Central Arizona Project lease rates in the Land Department, and \$2 million in other technical re-estimates of statutory spending.

2020 Legislative Session and June Budget Update — Laws 2020, Chapter 58, the General Appropriation Act, made 4 changes totaling \$81 million to the FY 2020 budget as

outlined in the January Baseline. These appropriations included \$50 million to the Governor's Office for a deposit into the newly-created Crisis Contingency and Safety Net Fund, \$28 million for an increase in Building Renewal Grants at the School Facilities Board, \$2.6 million to the Secretary of State (SOS) for additional county costs associated with the March 2020 Presidential Preference Election, and \$102,300 for the "Named Claimants" bill (Laws 2020, Chapter 20).

The package of budget bills was signed by the Governor on March 28, 2020. Subsequent to the passage of the FY 2020 budget changes, the impact of the COVID-19 pandemic reduced the revenues anticipated to be collected by the state in FY 2020 and subsequent years. In June 2020, the JLBC Staff provided new estimates for revenues as well as for net prior-year spending.

The JLBC Staff estimated that ongoing revenues would decrease by \$(864) million compared to the enacted budget. This decrease was partially offset by an estimate of net prior-year spending that was \$(111) million less than assumed in the enacted budget.

With an estimated FY 2020 ending balance in January of \$643 million, \$81 million in supplemental spending from the 2nd Regular Session, \$(864) million in decreased General Fund revenues, and \$(111) million in decreased net prior-year spending, the June budget update assumed an ending balance shortfall of \$(190) million. Subsequent to that update, preliminary June 2020 revenues were reported to be \$207 million above the June update forecast. While a final FY 2020 ending balance has yet to be determined, we believe that FY 2020 will not end in a shortfall.

As a result, our estimates now assume a \$0 ending balance for FY 2020.

Other Fund Adjustments — The FY 2020 revisions included \$71 million in Other Fund supplementals. The largest supplemental was \$55 million from the Budget Stabilization Fund to the Department of Health Services for deposit into the Public Health Emergencies Fund. Other revisions included \$4 million from the Risk Management Fund in the Department of Administration for federal reimbursements, \$7 million to the SOS from the federal Help America Vote Act for election costs, and \$5 million to AHCCCS for non-General Fund costs associated with higher-than-anticipated caseloads.

FY 2020 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES

	GF FY 2020 Approp Rpt June 2019	GF Adjustments	GF FY 2020 Supplementals 2/	GF Enacted FY 2020
BUDGET UNITS				
Administration, Arizona Department of	\$8,147,600		900	\$8,148,500
Administration, Arizona Department of Automation Projects Fund	11,100,000			11,100,000
Administrative Hearings, Office of	889,800			889,800
African-American Affairs, Arizona Commission of	128,100			128,100
Agriculture, Arizona Department of	10,865,500			10,865,500
AHCCCS	1,760,748,100		45,978,600	1,806,726,700
Arts, Arizona Commission on the	2,200,000			2,200,000
Attorney General - Department of Law	26,082,400			26,082,400
Charter Schools, State Board for	1,714,500			1,714,500
Child Safety, Department of	384,653,400			384,653,400
Commerce Authority, Arizona	19,275,000			19,275,000
Community Colleges, Arizona	97,400,700	31,100 3/		97,431,800
Corporation Commission	620,800			620,800
Corrections, State Department of	1,167,111,300		101,400	1,167,212,700
County Funding	10,650,700			10,650,700
Deaf and the Blind, Schools for the	23,214,400			23,214,400
Economic Opportunity, Office of	968,300			968,300
Economic Security, Department of	749,708,200			749,708,200
Education, State Board of	1,158,900			1,158,900
Education, Department of	5,200,184,900			5,200,184,900
Emergency and Military Affairs, Department of	12,201,600			12,201,600
Environmental Quality, Department of	200,000			200,000
Equalization, State Board of	659,000			659,000
Executive Clemency, Board of	1,150,000			1,150,000
Financial Institutions, State Department of	1,980,900			1,980,900
Forestry and Fire Management, Arizona Department of	15,917,400			15,917,400
Gaming, Department of	2,509,500			2,509,500
Governor, Office of the	8,699,900		50,000,000	58,699,900
Governor's Office of Strategic Planning and Budgeting	2,684,100			2,684,100
Health Services, Department of	97,158,300			97,158,300
Historical Society, Arizona	3,107,700			3,107,700
Historical Society, Prescott	837,200			837,200
Housing, Department of	15,000,000			15,000,000
Insurance, Department of	5,663,200			5,663,200
Judiciary				
Supreme Court	20,875,000			20,875,000
Court of Appeals	16,765,000			16,765,000
Superior Court	92,596,500			92,596,500
SUBTOTAL - Judiciary	130,236,500	0	0	130,236,500
Juvenile Corrections, Department of	36,926,500			36,926,500

	GF FY 2020 Approp Rpt June 2019	GF Adjustments	GF FY 2020 Supplementals 2/	GF Enacted FY 2020
Land Department, State	11,654,300		481,100	12,135,400
Legislature				
Auditor General	20,629,300			20,629,300
House of Representatives	16,407,500			16,407,500
Joint Legislative Budget Committee	2,834,200			2,834,200
Legislative Council	8,814,900			8,814,900
Senate	12,948,900			12,948,900
SUBTOTAL - Legislature	61,634,800	0	0	61,634,800
Mine Inspector, State	1,269,300			1,269,300
Navigable Stream Adjudication Commission	129,000			129,000
Postsecondary Education, Commission for	1,680,900			1,680,900
Public Safety, Department of	92,350,300			92,350,300
Public Safety Personnel Retirement System	6,000,000			6,000,000
Real Estate Department, State	2,909,500			2,909,500
Revenue, Department of	31,245,200			31,245,200
School Facilities Board	325,650,300		28,000,000	353,650,300
Secretary of State	17,367,900		2,616,900	19,984,800
Tax Appeals, State Board of	281,800			281,800
Tourism, Office of	8,214,000			8,214,000
Treasurer, State	1,205,100			1,205,100
Tribal Relations, Governor's Office on	62,900			62,900
Universities				
Board of Regents	22,397,700			22,397,700
Arizona State University	341,916,800			341,916,800
Northern Arizona University	117,250,900			117,250,900
University of Arizona - Main Campus	215,808,900			215,808,900
University of Arizona - Health Sciences Center	76,897,700			76,897,700
SUBTOTAL - Universities	774,272,000	0	0	774,272,000
Veterans' Services, Department of	7,792,900			7,792,900
Water Resources, Department of	66,937,700			66,937,700
OPERATING BUDGET TOTAL	\$11,222,412,300	\$31,100	\$127,178,900	\$11,349,622,300
Unallocated FY 2020 HITF One-Time Employer Premium	51,500			51,500
Budget Stabilization Fund Deposit	271,107,000			271,107,000
Capital Outlay - 2010 Leaseback Debt Service	77,709,300			77,709,300
Capital Outlay - Phoenix Convention Center Debt Service	23,500,000			23,500,000
Capital Outlay - Rio Nuevo District 4/	14,000,000	2,000,000		16,000,000
Capital Outlay	99,885,000			99,885,000
2010B Sale/Leaseback Payoff	190,000,000			190,000,000
Administrative Adjustments	128,000,000	(100,000,000)		28,000,000
Revertments	(173,000,000)	(11,000,000)		(184,000,000)
GRAND TOTAL	\$11,853,665,100	(\$108,968,900)	\$127,178,900	\$11,871,875,100

GF
FY 2020
Approp Rpt
June 2019

GF
Adjustments

GF
FY 2020
Supplementals

GF
Enacted
FY 2020

- 1/ This chart provides a crosswalk between an agency's original appropriation in the *FY 2020 Appropriations Report* and its final FY 2020 appropriation, excluding capital appropriations.
- 2/ Reflects changes enacted in the FY 2021 General Appropriation Act (Laws 2020, Chapter 58) and additional appropriations in the 2nd Regular Session. Any supplementals enacted prior to the 2nd Regular Session are reflected in the Adjustments column. (There were no supplementals in this category for FY 2020.)
- 3/ The FY 2020 enacted budget was increased by \$31,100 to match the actual FY 2019 Transaction Privilege Tax (TPT) distribution. The actual amounts for FY 2020 will depend on TPT collections during the fiscal year.
- 4/ Represents an estimated cost.

FY 2020 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2020 Approp Rpt June 2019	OF Adjustments	OF FY 2020 Supplementals <u>2/</u>	OF FY 2020 Additional Appropriations <u>2/</u>	OF Enacted FY 2020
BUDGET UNITS					
Accountancy, State Board of					
Board of Accountancy Fund	\$2,045,300				\$2,045,300
Acupuncture Board of Examiners					
Acupuncture Board of Examiners Fund	176,000				176,000
Administration, Arizona Department of					
Air Quality Fund	927,300				927,300
Arizona Financial Information System Collections Fund	9,418,700				9,418,700
Automation Operations Fund	31,040,900				31,040,900
Capital Outlay Stabilization Fund	18,543,600		12,800		18,556,400
Corrections Fund	573,700				573,700
Federal Surplus Materials Revolving Fund	465,200				465,200
Information Technology Fund	8,443,400				8,443,400
Motor Vehicle Pool Revolving Fund	10,191,200				10,191,200
Personnel Division Fund	12,723,800				12,723,800
Risk Management Revolving Fund	94,579,900		3,959,300		98,539,200
Special Employee Health Insurance					
Trust Fund	5,291,900				5,291,900
Special Services Revolving Fund	1,169,000				1,169,000
State Surplus Materials Revolving Fund	2,977,800		1,000		2,978,800
State Web Portal Fund	6,844,500				6,844,500
Telecommunications Fund	1,645,600				1,645,600
Total - Arizona Department of Administration	204,836,500	0	3,973,100	0	208,809,600
Administration, Arizona Department of - Automation Projects Fund					
Automation Projects Fund	17,311,000				17,311,000
Agriculture, Arizona Department of					
Air Quality Fund	1,448,800				1,448,800
Nuclear Emergency Management Fund	301,400				301,400
Total - Arizona Department of Agriculture	1,750,200	0	0	0	1,750,200
AHCCCS					
Budget Neutrality Compliance Fund	3,906,400				3,906,400
Children's Health Insurance Program Fund	104,650,200				104,650,200
Prescription Drug Rebate Fund - State	150,526,700				150,526,700
Substance Abuse Services Fund	2,250,200				2,250,200
Tobacco Products Tax Fund					
Emergency Health Services Account	16,216,300				16,216,300
Tobacco Tax and Health Care Fund					
Medically Needy Account	61,752,600		5,109,200		66,861,800
Total - AHCCCS	339,302,400	0	5,109,200	0	344,411,600
Athletic Training, Board of					
Athletic Training Fund	127,000				127,000
Attorney General - Department of Law					
Antitrust Enforcement Revolving Fund	148,600				148,600
Attorney General Legal Services Cost Allocation Fund	2,105,000				2,105,000
Collection Enforcement Revolving Fund	6,914,700				6,914,700

	OF FY 2020 Approp Rpt June 2019	OF Adjustments	OF FY 2020 Supplementals 2/	OF FY 2020 Additional Appropriations 2/	OF Enacted FY 2020
Consumer Protection-Consumer Fraud Rev. Fund	15,364,400				15,364,400
Interagency Service Agreements Fund	16,445,500				16,445,500
Internet Crimes Against Children Enforcement Fund	900,000				900,000
Risk Management Revolving Fund	9,590,000				9,590,000
Victims' Rights Fund	3,767,700				3,767,700
Total - Attorney General - Department of Law	55,235,900	0	0	0	55,235,900
Automobile Theft Authority					
Automobile Theft Authority Fund	5,312,100				5,312,100
Barbers, Board of					
Board of Barbers Fund	406,300				406,300
Behavioral Health Examiners, Board of					
Board of Behavioral Health Examiners Fund	1,770,000				1,770,000
Child Safety, Department of					
Child Abuse Prevention Fund	1,459,300				1,459,300
Children and Family Services Training Program Fund	207,100				207,100
Federal Child Care and Development Fund Block Grant	34,400,000				34,400,000
Federal Temporary Assistance for Needy Families Block Grant	157,428,800				157,428,800
Total - Department of Child Safety	193,495,200	0	0	0	193,495,200
Chiropractic Examiners, State Board of					
Board of Chiropractic Examiners Fund	438,600				438,600
Commerce Authority, Arizona					
State Web Portal Fund	2,500,000				2,500,000
Contractors, Registrar of					
Registrar of Contractors Fund	12,368,800				12,368,800
Corporation Commission					
Arizona Arts Trust Fund	50,700				50,700
Investment Management Regulatory and Enforcement Fund	718,000				718,000
Public Access Fund	6,771,800				6,771,800
Securities Regulatory and Enforcement Fund	5,115,800				5,115,800
Utility Regulation Revolving Fund	14,491,700				14,491,700
Total - Corporation Commission	27,148,000	0	0	0	27,148,000
Corrections, State Department of					
Alcohol Abuse Treatment Fund	555,500				555,500
Corrections Fund	30,312,300				30,312,300
Inmate Store Proceeds Fund	1,341,300				1,341,300
Penitentiary Land Fund	2,780,300				2,780,300
Prison Construction and Operations Fund	12,500,000				12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,800				2,661,800
State Education Fund for Correctional Education	729,300				729,300
Transition Program Fund	2,400,100				2,400,100

	OF FY 2020 Approp Rpt June 2019	OF Adjustments	OF FY 2020 Supplementals 2/	OF FY 2020 Additional Appropriations 2/	OF Enacted FY 2020
Total - State Department of Corrections	53,280,600	0	0	0	53,280,600
Cosmetology, Board of					
Board of Cosmetology Fund	1,949,100				1,949,100
County Funding					
State Charitable, Penal and Reformatory					
Institutions Land Fund	500,000				500,000
Criminal Justice Commission, Arizona					
Criminal Justice Enhancement Fund	655,500				655,500
Drug and Gang Prevention Resource Center Fund	613,200				613,200
Fingerprint Clearance Card Fund	600,000				600,000
State Aid to County Attorneys Fund	973,700				973,700
Transition Program Fund	750,000				750,000
Victim Compensation and Assistance Fund	4,223,000				4,223,000
Total - Arizona Criminal Justice Commission	7,815,400	0	0	0	7,815,400
Deaf and the Blind, Arizona Schools for the					
Schools for the Deaf and the Blind Fund	12,921,700				12,921,700
Total - Arizona State Schools for the Deaf and the Blind	12,921,700	0	0	0	12,921,700
Deaf and the Hard of Hearing, Comm. for the					
Telecommunication Fund for the Deaf	4,624,900				4,624,900
Dental Examiners, State Board of					
Dental Board Fund	1,229,800				1,229,800
Economic Security, Department of					
Child Support Enforcement Administration					
Fund	17,094,700				17,094,700
Domestic Violence Services Fund	4,000,000				4,000,000
Federal Child Care and Development Fund					
Block Grant	158,952,900				158,952,900
Federal Temporary Assistance for Needy					
Families Block Grant	65,395,900				65,395,900
Long Term Care System Fund	26,559,600				26,559,600
Public Assistance Collections Fund	423,400				423,400
Special Administration Fund	4,511,200				4,511,200
Spinal and Head Injuries Trust Fund	2,326,800				2,326,800
Statewide Cost Allocation Plan Fund	1,000,000				1,000,000
Workforce Investment Act Grant	56,044,500				56,044,500
Total - Department of Economic Security	336,309,000	0	0	0	336,309,000
Education, Department of					
Department of Education Empowerment					
Scholarship Account Fund	1,283,400				1,283,400
Department of Education Professional					
Development Revolving Fund	2,700,000				2,700,000
Permanent State School Fund	290,489,100				290,489,100
Proposition 301 Fund	7,000,000				7,000,000
Teacher Certification Fund	2,342,700				2,342,700
Tribal College Dual Enrollment Program Fund	250,000				250,000
Total - Department of Education	304,065,200	0	0	0	304,065,200

	OF FY 2020 Approp Rpt June 2019	OF Adjustments	OF FY 2020 Supplementals 2/	OF FY 2020 Additional Appropriations 2/	OF Enacted FY 2020
Emergency and Military Affairs, Department of					
Nuclear Emergency Management Fund	1,458,700				1,458,700
Environmental Quality, Department of					
Air Quality Fund	8,295,900				8,295,900
Emergency Response Fund	132,800				132,800
Emissions Inspection Fund	30,657,300				30,657,300
Hazardous Waste Management Fund	1,748,200				1,748,200
Indirect Cost Recovery Fund	13,615,900				13,615,900
Permit Administration Fund	8,155,700				8,155,700
Recycling Fund	3,513,800				3,513,800
Safe Drinking Water Program Fund	1,812,000				1,812,000
Solid Waste Fee Fund	1,247,800				1,247,800
Underground Storage Tank Fund Revolving Fund	5,126,700				5,126,700
Water Quality Fee Fund	10,575,500				10,575,500
Total - Department of Environmental Quality	84,881,600	0	0	0	84,881,600
Equal Opportunity, Governor's Office of					
Personnel Fund	190,200				190,200
Exposition and State Fair Board, Arizona					
Arizona Exposition and State Fair Fund	13,282,200				13,282,200
Financial Institutions, Department of					
Revolving Fund	50,600				50,600
Financial Services Fund	3,986,600				3,986,600
Total - Department of Financial Institutions	4,037,200	0	0	0	4,037,200
Funeral Directors and Embalmers, Board of					
Board of Funeral Directors' and Embalmers' Fund	399,700				399,700
Game and Fish Department, Arizona					
Capital Improvement Fund	1,001,200				1,001,200
Game and Fish Fund	37,758,600				37,758,600
Game, Nongame, Fish and Endangered Species Fund	347,700				347,700
Watercraft Licensing Fund	4,855,400				4,855,400
Wildlife Endowment Fund	16,200				16,200
Total - Arizona Game and Fish Department	43,979,100	0	0	0	43,979,100
Gaming, Department of					
Tribal-State Compact Fund	2,098,300				2,098,300
Racing Regulation Fund	2,402,400				2,402,400
Racing Regulation Fund - Uarmed Combat Subaccount	100,000				100,000
State Lottery Fund	300,000				300,000
Arizona Benefits Fund	11,153,300				11,153,300
Total - Department of Gaming	16,054,000	0	0	0	16,054,000
Health Services, Department of					
Arizona State Hospital Fund	2,592,000				2,592,000
ASH Land Earnings Fund	650,000				650,000
Budget Stabilization Fund	0			55,000,000	55,000,000
Child Fatality Review Fund	96,100				96,100

	OF FY 2020 Approp Rpt June 2019	OF Adjustments	OF FY 2020 Supplementals 2/	OF FY 2020 Additional Appropriations 2/	OF Enacted FY 2020
Disease Control Research Fund	1,000,000				1,000,000
Emergency Medical Services Operating Fund	5,740,600				5,740,600
Environmental Laboratory Licensure Revolving Fund	931,100				931,100
Federal Child Care and Development Fund Block Grant	882,600				882,600
Health Services Licensing Fund	15,835,400				15,835,400
Health Services Lottery Monies Fund	100,000				100,000
Indirect Cost Fund	10,412,800				10,412,800
Newborn Screening Program Fund	7,664,200				7,664,200
Nuclear Emergency Management Fund	789,700				789,700
Nursing Care Institution Resident Protection Revolving Fund	138,200				138,200
Prescription Drug Rebate Fund - State	1,000,000				1,000,000
Tobacco Tax and Health Care Fund Health Research Account	4,000,000				4,000,000
Tobacco Tax and Health Care Fund Medically Needy Account	700,000				700,000
Vital Records Electronic Systems Fund	3,637,600				3,637,600
Total - Department of Health Services	56,170,300	0	0	55,000,000	111,170,300
Homeopathic and Integrated Medicine Examiners, Board of Board of Homeopathic and Integrated Medicine Examiners' Fund	46,100				46,100
Housing, Department of Housing Trust Fund	322,200				322,200
Industrial Commission of Arizona Administrative Fund	20,055,500		3,600		20,059,100
Judiciary - Supreme Court Confidential Intermediary and Fiduciary Fund	492,100				492,100
Court Appointed Special Advocate Fund	3,601,300				3,601,300
Criminal Justice Enhancement Fund	4,399,700				4,399,700
Defensive Driving School Fund	4,226,100				4,226,100
Judicial Collection Enhancement Fund	14,872,100				14,872,100
State Aid to the Courts Fund	2,945,300				2,945,300
Total - Judiciary - Supreme Court	30,536,600	0	0	0	30,536,600
Judiciary - Superior Court Criminal Justice Enhancement Fund	5,455,100				5,455,100
Judicial Collection Enhancement Fund	6,015,200				6,015,200
Drug Treatment and Education Fund	502,900				502,900
Total - Judiciary - Superior Court	11,973,200	0	0	0	11,973,200
SUBTOTAL - Judiciary	42,509,800	0	0	0	42,509,800
Juvenile Corrections, Department of Criminal Justice Enhancement Fund	531,500				531,500
State Charitable, Penal and Reformatory Institutions Land Fund	4,012,400				4,012,400

	OF FY 2020 Approp Rpt June 2019	OF Adjustments	OF FY 2020 Supplementals 2/	OF FY 2020 Additional Appropriations 2/	OF Enacted FY 2020
State Education Fund for Committed Youth	1,861,700				1,861,700
Total - Department of Juvenile Corrections	6,405,600	0	0	0	6,405,600
Land Department, State					
Due Diligence Fund	500,000				500,000
Environmental Special Plate Fund	260,600				260,600
Trust Land Management Fund	7,281,700				7,281,700
Total - State Land Department	8,042,300	0	0	0	8,042,300
Liquor Licenses and Control, Department of					
Liquor Licenses Fund	3,373,800				3,373,800
Lottery Commission, Arizona State					
State Lottery Fund	146,806,100	(4,412,000)			142,394,100
Massage Therapy, Board of					
Board of Massage Therapy Fund	471,600				471,600
Medical Board, Arizona					
Arizona Medical Board Fund	7,036,900				7,036,900
Mine Inspector, State					
Aggregate Mining Reclamation Fund	112,900				112,900
Naturopathic Physicians Medical Board					
Naturopathic Physicians Medical Board Fund	193,400				193,400
Navigable Stream Adjudication Commission					
Arizona Water Banking Fund	200,000				200,000
Nursing, State Board of					
Board of Nursing Fund	4,771,000				4,771,000
Nursing Care Institution Administrators Board					
Nursing Care Institution Administrators'					
Licensing and Assisted Living Facility					
Managers' Certification Fund	455,000				455,000
Occupational Therapy Examiners, Board of					
Occupational Therapy Fund	199,000				199,000
Opticians, State Board of Dispensing					
Board of Dispensing Opticians Fund	155,900				155,900
Optometry, State Board of					
Board of Optometry Fund	240,700				240,700
Osteopathic Examiners, Arizona Board of					
Board of Osteopathic Examiners Fund	1,012,300				1,012,300
Parks Board, Arizona State					
Off-Highway Vehicle Recreation Fund	692,100				692,100
State Lake Improvement Fund	225,000				225,000
State Parks Revenue Fund	16,065,700				16,065,700
Total - Arizona State Parks Board	16,982,800	0	0	0	16,982,800
Personnel Board, State					
Personnel Board Subaccount of the					
Personnel Division Fund	368,100				368,100
Pharmacy, Arizona State Board of					
Arizona State Board of Pharmacy Fund	2,665,300				2,665,300
Physical Therapy, Board of					

	OF FY 2020 Approp Rpt June 2019	OF Adjustments	OF FY 2020 Supplementals 2/	OF FY 2020 Additional Appropriations 2/	OF Enacted FY 2020
Board of Physical Therapy Fund	503,700				503,700
Pioneers' Home, Arizona					
Miners' Hospital for Miners with Disabilities Land Fund	2,059,200				2,059,200
State Charitable Fund	4,515,000				4,515,000
Total - Arizona Pioneers' Home	6,574,200	0	0	0	6,574,200
Podiatry Examiners, State Board of					
Podiatry Fund	168,100				168,100
Postsecondary Education, Commission for					
Postsecondary Education Fund	1,536,700				1,536,700
Private Postsecondary Education, Board for					
Board for Private Postsecondary Education Fund	423,300				423,300
Psychologist Examiners, State Board of					
Board of Psychologist Examiners Fund	516,100				516,100
Public Safety, Department of					
Arizona Highway Patrol Fund	194,968,500				194,968,500
Concealed Weapons Permit Fund	2,719,700				2,719,700
Criminal Justice Enhancement Fund	2,936,800				2,936,800
DPS Forensics Fund	22,554,200				22,554,200
Fingerprint Clearance Card Fund	1,556,400				1,556,400
GIITEM Border Security and Law Enforcement Subaccount	2,541,200				2,541,200
Motor Vehicle Liability Insurance Enforcement Fund	1,250,900				1,250,900
Motorcycle Safety Fund	205,000				205,000
Parity Compensation Fund	3,990,500				3,990,500
Peace Officer Training Equipment Fund	1,047,800				1,047,800
Public Safety Equipment Fund	2,893,700				2,893,700
Risk Management Revolving Fund	1,349,300				1,349,300
Safety Enforcement and Transportation Infrastructure Fund - Department of					
Public Safety Subaccount	1,650,900				1,650,900
State Aid to Indigent Defense Fund	700,000				700,000
State Highway Fund	318,200				318,200
Total - Department of Public Safety	240,683,100	0	0	0	240,683,100
Residential Utility Consumer Office					
Residential Utility Consumer Office Revolving Fund	1,348,600				1,348,600
Respiratory Care Examiners, Board of					
Board of Respiratory Care Examiners Fund	322,600				322,600
Retirement System, Arizona State					
Long-Term Disability Trust Fund Administration Account	1,800,000				1,800,000
Arizona State Retirement System Administration Account	22,394,000				22,394,000
Total - Arizona State Retirement System	24,194,000	0	0	0	24,194,000

	OF FY 2020 Approp Rpt June 2019	OF Adjustments	OF FY 2020 Supplementals 2/	OF FY 2020 Additional Appropriations 2/	OF Enacted FY 2020
Revenue, Department of					
Department of Revenue Administrative Fund	48,243,000				48,243,000
Liability Setoff Program Revolving Fund	805,600				805,600
Tobacco Tax and Health Care Fund	681,500				681,500
Total - Department of Revenue	49,730,100	0	0	0	49,730,100
Secretary of State					
Election Systems Improvement Fund	0		6,690,300		6,690,300
Records Services Fund	742,800				742,800
Total - Secretary of State	742,800	0	6,690,300	0	7,433,100
Technical Registration, State Board of					
Technical Registration Fund	2,199,500				2,199,500
Transportation, Department of					
Air Quality Fund	324,200				324,200
Highway User Revenue Fund	658,000				658,000
Highway Damage Recovery Account	8,000,000				8,000,000
Ignition Interlock Device Fund	320,300				320,300
Motor Vehicle Liability Insurance Enforcement Fund	2,675,200				2,675,200
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	880,500				880,500
State Aviation Fund	2,010,900				2,010,900
State Highway Fund	397,585,400				397,585,400
Transportation Department Equipment Fund	18,654,800				18,654,800
Vehicle Inspection and Certificate of Title Enforcement Fund	2,068,000				2,068,000
Total - Department of Transportation	433,177,300	0	0	0	433,177,300
Treasurer, State					
Law Enforcement and Boating Safety Fund	2,183,800				2,183,800
State Treasurer Empowerment Scholarship Account Fund	304,400				304,400
State Treasurer's Operating Fund	3,350,800				3,350,800
Total - State Treasurer	5,839,000	0	0	0	5,839,000
Universities					
Arizona State University					
Technology and Research Initiative Fund	3,600,000				3,600,000
University Collections Fund	659,582,400	(4,985,800)			654,596,600
Total - Arizona State University	663,182,400	(4,985,800)	0	0	658,196,600
Northern Arizona University					
University Collections Fund	161,100,200	(4,945,700)			156,154,500
University of Arizona - Main Campus					
University Collections Fund	386,248,600	(32,818,500)			353,430,100
University of Arizona - Health Sciences Center					
University Collections Fund	53,623,800	2,073,600			55,697,400
SUBTOTAL - Universities	1,264,155,000	(40,676,400)	0	0	1,223,478,600
Veterans' Services, Department of					

	OF FY 2020 Approp Rpt June 2019	OF Adjustments	OF FY 2020 Supplementals 2/	OF FY 2020 Additional Appropriations 2/	OF Enacted FY 2020
State Home for Veterans Trust Fund	35,607,900				35,607,900
Total - Department of Veterans' Services	35,607,900	0	0	0	35,607,900
Veterinary Medical Examining Board					
Veterinary Medical Examining Board Fund	600,000				600,000
Water Resources, Department of					
Assured and Adequate Water Supply Admin Fund	268,600				268,600
Water Resources Fund	963,700				963,700
Water Banking Fund	1,212,200				1,212,200
Total - Department of Water Resources	2,444,500	0	0	0	2,444,500
OPERATING BUDGET TOTAL	\$4,140,564,800	(\$45,088,400)	\$15,776,200	\$55,000,000	\$4,166,252,600
Unallocated FY 2020 Risk Management Adjustments	700				700
Unallocated FY 2020 IT Pro Rata Adjustments	137,600				137,600
Unallocated FY 2020 Retirement Adjustments	220,700				220,700
Unallocated FY 2020 HITF One-Time Reduction	(1,307,100)				(1,307,100)
Unallocated FY 2020 HITF One-Time Employer Premium	235,700				235,700
Unallocated FY 2020 State Rent - Agency Relocation	(14,100)				(14,100)
Unallocated FY 2020 State Rent Increase	159,900				159,900
Unallocated FY 2020 ADOA Shared Services	30,000				30,000
Capital Outlay - Building Renewal/Projects	519,698,800				519,698,800
GRAND TOTAL	\$4,659,727,000	(\$45,088,400)	\$15,776,200	55,000,000	\$4,685,414,800

FY 2020 EXPENDITURE AUTHORITY CROSSWALK - ORIGINAL TO FINAL ESTIMATES

AHCCCS	\$10,704,296,800	\$105,212,100	\$468,181,900		\$11,277,690,800
Child Safety, Department of	438,393,600	0	0		438,393,600
Economic Security, Department of	1,446,325,300	0	0		1,446,325,300
Education, Department of	743,292,100	0	0		743,292,100
GRAND TOTAL	\$13,332,307,800	\$105,212,100	\$468,181,900	\$0	\$13,905,701,800

**JLBC STAFF AND
AGENCY DIRECTORY LISTINGS**

APPROPRIATIONS COMMITTEE MEMBERS
Fifty-fourth Legislature
Second Regular Session

SENATE

David Gowan, Chairman
Vince Leach, Vice-Chairman
Lela Alston
Sean Bowie
Heather Carter
Sine Kerr
David Livingston
Lisa Otondo
Michelle Ugenti-Rita

HOUSE

Regina Cobb, Chairman
John Kavanagh, Vice-Chairman
Diego Espinoza
Charlene R. Fernandez
John Fillmore
Randall Frieze
Anthony Kern
Aaron O. Lieberman
Bret Roberts
Ben Toma
Michelle Udall

STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE

- Director Richard Stavneak
- Office Manager..... Linda Monsanto
- Deputy Directors Stefan Shepherd
- Jack Brown
- Chief Economist..... Hans Olofsson
- Senior Consultant Micaela Larkin
- Principal Fiscal Analysts..... Patrick Moran
- Rebecca Perrera
- Senior Fiscal Analysts Morgan Dorcheus
- Henry Furtick
- Steve Grunig
- Jeremy Gunderson
- Geoff Paulsen
- Fiscal Analysts Elliot Chau
- Lydia Chew
- Ryan Fleischman
- Jordan Johnston
- Nicole Lovato
- Alexis Pagel
- Maggie Rocker
- Economists David Hoffer
- Molly Murphy
- Ben Newcomb
- Senior Administrative Assistant/JLBC & JCCR Clerk Kristy Paddack

JOINT LEGISLATIVE BUDGET COMMITTEE

The Joint Legislative Budget Committee was established in 1966 pursuant to Laws 1966, Chapter 96. The primary powers and duties of the JLBC relate to ascertaining facts and making recommendations to the Legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and functions of state government. The following members served on the Committee during the 54th Legislature, 2nd Regular Session:

Representative Regina E. Cobb Vice-Chairman	Senator David M. Gowan Chairman
Representative Diego Espinoza	Senator Lela Alston
Representative Charlene R. Fernandez	Senator Sean Bowie
Representative Randall Friese	Senator Rick Gray
Representative John Kavanagh	Senator Vince Leach
Representative Warren Petersen	Senator David Livingston
Representative Bret M. Roberts	Senator J.D. Mesnard
Representative Ben Toma	Senator Lisa Otondo

The objectives and major products of the staff of the JLBC are:

- Analysis and recommendations for the state budget, which is presented in January of each year.
- Technical, analytical, and preparatory support in the development of appropriations bills considered by the Legislature.
- Periodic economic and state revenue forecasts.
- Preparation of fiscal notes on legislation and ballot propositions that have a fiscal impact on the state or any of its political subdivisions.
- An annual *Appropriations Report*, which is published shortly after the budget is completed and provides detail on the budget along with an explanation of legislative intent.
- Support to the JLBC with respect to recommendations on business items placed on the committee's agenda such as transfers of appropriations pursuant to A.R.S. § 35-173.
- Support to the Joint Committee on Capital Review (JCCR) with respect to all capital outlay issues including land acquisition, new construction, and building renewal projects.
- Analyze the state tax structure, tax burdens on individuals and businesses and tax incentives for businesses pursuant to A.R.S. § 41-1272A4.

Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007
Phone: (602) 926-5491
Email: jlbcwebmaster@azleg.gov
Website: <http://www.azleg.gov/jlbc.htm>

JOINT COMMITTEE ON CAPITAL REVIEW

The Joint Committee on Capital Review (JCCR) was first established on April 11, 1986 pursuant to Laws 1986, Chapter 85. The primary powers and duties of the Joint Committee on Capital Review relate to ascertaining facts and making recommendations to the Legislature regarding state expenditures for land, buildings and improvements. This portion of the state budget is known as "capital outlay." The following members served on the Committee during the 54th Legislature, 2nd Regular Session:

Senator David M. Gowan
Vice-Chairman

Senator Lela Alston
Senator Sean Bowie
Senator David Bradley
Senator Rick Gray
Senator Sine Kerr
Senator Vince Leach

Representative Regina E. Cobb
Chairman

Representative Charlene R. Fernandez
Representative Randall Friese
Representative John Kavanagh
Representative Aaron O. Lieberman
Representative Warren Petersen
Representative Ben Toma

The JCCR is staffed by the JLBC Staff. The objectives and major products of the JCCR are to:

- Recommend capital appropriations to the Legislature.
- Approve capital transfers within a budget unit.
- Review the scope, purpose and cost of projects before releasing appropriations.
- Develop a "Building Renewal Formula."
- Approve the use of Renewal funds for infrastructure repair.
- Approve lease-purchase agreements, and the acquisition of certain real property and buildings.
- Along with the Legislature, approve corrections and state operated juvenile facilities expenditures from the Corrections Fund.
- Review the issuance of revenue bonds by the Board of Regents.
- Approve Arizona Department of Administration land and building purchases and condemnations.
- Review "Capital Improvement Plans."
- Determine rental rates for buildings owned by the state.
- Review Community College District revenue bond projects.
- Review School Facilities Board assumptions for new school construction.
- Review School Facilities Board lease-to-own agreements.

**DIRECTORY OF JLBC ANALYSTS
AND AGENCY/DEPARTMENT HEADS
(As of July 17, 2020)**

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of	Lauren Jorgensen	Monica Petersen [Executive Director]	602-364-0870
Acupuncture Board of Examiners	Steve Grunig	David Geriminsky [Executive Director]	602-542-3095
Administration, Arizona Department of	Rebecca Perrera	Andy Tobin [Director]	602-542-1500
Administrative Hearings, Office of	Ben Newcomb	Greg Hanchett [Interim Director]	602-542-9830
African-American Affairs, Arizona Commission of	Molly Murphy	Cloves Campbell [Executive Director]	602-542-5484
Agriculture, Arizona Department of	Henry Furtick	Mark Killian [Director]	602-542-4373
Arizona Health Care Cost Containment System	Maggie Rocker	Jami Snyder [Director]	602-417-4111
Arizona State University	Morgan Dorcheus	Michael Crow, Ph.D. [President]	480-965-8972
Arts, Arizona Commission on the	Ryan Fleischman	Jaime Dempsey [Executive Director]	602-771-6520
Athletic Training, Board of	Steve Grunig	Karen Whiteford [Executive Director]	602-589-8353
Attorney General - Department of Law	Ryan Fleischman	Honorable Mark Brnovich [Attorney General]	602-542-5025
Auditor General	Steve Grunig	Lindsey Perry [Auditor General]	602-553-0333
Barbers, Board of	David Hoffer	Bruce Bueno [Executive Director]	602-542-4498
Behavioral Health Examiners, Board of	Nicole Lovato	Tobi Zavala [Executive Director]	602-542-1617
Charter Schools, State Board for	Molly Murphy	Ashley Berg [Executive Director]	602-364-3080
Child Safety, Department of	Nicole Lovato	Mike Faust [Director]	602-255-2564
Chiropractic Examiners, State Board of	Lauren Jorgensen	Martin Kollasch [Executive Director]	602-542-9101
Citizens Clean Elections Commission	Maggie Rocker	Thomas M. Collins [Executive Director]	602-364-3477
Commerce Authority, Arizona	Ben Newcomb	Sandra Watson [President and CEO]	602-845-1229
Community Colleges, Arizona	Lydia Chew		
Constable Ethics Standards and Training Board	Ryan Fleischman	Scott Blake [Chairman]	602-343-6280
Contractors, Registrar of	Ben Newcomb	Jeffrey Fleetham [Director]	602-771-6700
Corporation Commission	Jeremy Gunderson	Honorable Bob Burns [Chairman]	602-542-3682
Corrections, State Department of	Geoffrey Paulsen	David Shinn [Director]	602-542-5225
Cosmetology, Board of	David Hoffer	Kim Scoplitte [Director]	480-784-4539
Court of Appeals, Division I	Ryan Fleischman	Honorable Peter B. Swann [Chief Judge]	602-452-6780
Court of Appeals, Division II	Ryan Fleischman	Honorable Garye L. Vásquez [Chief Judge]	520-628-6949
Criminal Justice Commission, Arizona	Ryan Fleischman	Andrew LeFevre [Executive Director]	602-364-1156
Deaf and the Blind, Arizona State Schools for the	Molly Murphy	Annette Reichman [Superintendent]	520-770-3704
Deaf and the Hard of Hearing, Commission for the	Molly Murphy	Sherri L. Collins [Executive Director]	602-542-3383
Dental Examiners, State Board of	Lauren Jorgensen	Ryan Edmonson [Executive Director]	602-542-4451
Early Childhood Development and Health Board, Arizona	Nicole Lovato	Marilee Dal Pra [Executive Director]	602-771-5100
Economic Opportunity, Office of	Ben Newcomb	Sandra Watson [Director]	602-771-0484
Economic Security, Department of	Alexis Pagel/ Lauren Jorgensen	Michael Wisehart [Director]	602-542-5757
Education, State Board of	Lydia Chew	Alicia Williams [Executive Director]	602-542-5057
Education, Department of	Patrick Moran/Lydia Chew	Honorable Kathy Hoffman [Superintendent of Public Instruction]	602-364-1972
Emergency and Military Affairs, Department of	Alexis Pagel	Michael McGuire [Adjutant General]	602-267-2710
Environmental Quality, Department of	Ryan Fleischman	Misael Cabrera [Director]	602-771-2203
Equal Opportunity, Governor's Office of	Molly Murphy	Barry Wong [Executive Director]	602-542-5732
Equalization, State Board of	Lauren Jorgensen	George R. Shook [Interim Chairman]	602-364-1611
Executive Clemency, Board of	Nicole Lovato	Kathryn Blades [Executive Director]	602-542-5656
Exposition and State Fair Board, Arizona	Henry Furtick	Wanell Costello [Executive Director]	602-252-6771
Forestry and Fire Management, Arizona Department of	Henry Furtick	David Tenney [State Forester]	602-771-1400
Funeral Directors and Embalmers, State Board of	Steve Grunig	Judith Stapley [Executive Director]	602-542-8152
Game and Fish Department, Arizona	David Hoffer	Ty Gray [Director]	602-942-3000
Gaming, Department of	Henry Furtick	Ted Vogt [Director]	602-771-4263
Governor, Office of the	Steve Grunig	Honorable Doug Ducey [Governor]	602-542-4331
Governor's Office of Strategic Planning and Budgeting	Steve Grunig	Matthew Gress [Director]	602-542-5381
Health Services, Department of	Morgan Dorcheus	Dr. Cara Christ [Director]	602-542-1025
Historical Society, Arizona	Nicole Lovato	W. James Burns [Executive Director]	520-628-5774
Historical Society of Arizona, Prescott	Nicole Lovato	Fred Veil [Executive Director]	928-445-3122

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Homeland Security, Arizona Department of Homeopathic and Integrated Medicine Examiners, Board of House of Representatives Housing, Arizona Department of Independent Redistricting Commission	Alexis Pagel Steve Grunig Steve Grunig David Hoffer Molly Murphy	Gilbert M. Orrantia [Director] David Geriminsky [Executive Director] Honorable Rusty Bowers [Speaker of the House] Carol Ditmore [Director] Vacant	602-542-7013 602-542-3095 602-926-3312 602-771-1007
Industrial Commission of Arizona Insurance and Financial Institutions, Department of Joint Legislative Budget Committee Juvenile Corrections, Department of Land Department, State	David Hoffer Jeremy Gunderson Steve Grunig Ryan Fleischman Henry Furtick	James Ashley [Director] Evan Daniels [Director] Richard Stavneak [Director] Jeff Hood [Director] Lisa Atkins [Land Commissioner]	602-542-4411 602-364-3471 602-926-5491 602-542-4121 602-542-4621
Legislative Council Liquor Licenses and Control, Department of Lottery Commission, Arizona State Massage Therapy, Board of Medical Board, Arizona	Steve Grunig David Hoffer Jeremy Gunderson Steve Grunig Maggie Rocker	Mike E. Braun [Executive Director] John Cocca [Director] Gregory Edgar [Executive Director] Thomas Augheron [Interim Executive Director] Patricia McSorley [Executive Director]	602-926-4236 602-542-9020 480-921-4505 602-542-8804 480-551-2700
Mine Inspector, State Naturopathic Physicians Medical Board Navigable Stream Adjudication Commission, Arizona Northern Arizona University Nursing, State Board of	Henry Furtick Steve Grunig Henry Furtick Alexis Pagel Lauren Jorgensen	Honorable Joe Hart [State Mine Inspector] Gail Anthony [Director] George Mehnert [Executive Director] Rita Cheng, Ph.D. [President] Joey Ridenour [Executive Director]	602-542-5971 602-542-8242 602-542-9214 928-523-3232 602-771-7801
Nursing Care Institution Administrators and Assisted Living Facility Managers, Board of Examiners of Occupational Therapy Examiners, Board of Opticians, State Board of Dispensing Optometry, State Board of Osteopathic Examiners, Arizona Board of	Steve Grunig Steve Grunig Steve Grunig Steve Grunig Maggie Rocker	Allen Imig [Executive Director] Karen Whiteford [Executive Director] Megan Darian [Executive Director] Margaret Whelan [Executive Director] Justin Bohall [Executive Director]	602-542-8156 602-589-8352 602-542-8158 602-542-8155 480-657-7703
Parents Commission on Drug Education and Prevention, AZ Parks Board, Arizona State Personnel Board, State Pharmacy, Arizona State Board of Physical Therapy, Board of	Nicole Lovato Henry Furtick Molly Murphy Nicole Lovato Steve Grunig	Maria Fuentes [Director] Robert Broscheid [Executive Director] Robin Van Staeyen [Executive Director] Kamlesh Gandhi [Executive Director] Karen Donahue [Executive Director]	602-542-1773 602-542-4174 602-542-3888 602-771-2740 602-542-8157
Pioneers' Home, Arizona Podiatry Examiners, State Board of Postsecondary Education, Commission for Power Authority, Arizona Private Postsecondary Education, State Board for	Nicole Lovato Steve Grunig Alexis Pagel Ryan Fleischman Alexis Pagel	Ted Ihrman [Interim Superintendent] Heather Broadus [Executive Director] April L. Osborn [Executive Director] Edward A. Gerak [Executive Director] Kevin LaMountain [Executive Director]	928-277-2750 602-542-8151 602-542-7230 602-368-4265 602-542-2399
Psychologist Examiners, State Board of Public Safety, Department of Public Safety Personnel Retirement System Real Estate Department, State Regents, Arizona Board of	Steve Grunig Jordan Johnston Molly Murphy Ben Newcomb Morgan Dorcheus	Heidi Herbst Paakkonen [Director] Colonel Heston Silbert [Director] Michael Townsend [Administrator] Judy Lowe [Commissioner] John Arnold [Executive Director]	602-542-8162 602-223-2359 602-255-5575 602-771-7799 602-229-2507
Residential Utility Consumer Office Respiratory Care Examiners, Board of Retirement System, Arizona State Revenue, Department of School Facilities Board	Jeremy Gunderson Steve Grunig Molly Murphy Jeremy Gunderson Rebecca Perrera	Jordy Fuentes [Director] Jack Confer [Director] Paul Matson [Director] Carlton Woodruff [Director] Andy Tobin [Interim Director]	602-364-4835 602-542-5995 602-240-2000 602-716-6090 602-542-6504
Secretary of State, Department of State Senate Superior Court Supreme Court Tax Appeals, State Board of	Maggie Rocker Steve Grunig Geoffrey Paulsen Ryan Fleischman David Hoffer	Honorable Katie Hobbs [Secretary of State] Honorable Karen Fann [President of the Senate] David K. Byers [Director] Robert Brutinel [Chief Justice] Karen Rice-Brogdon [Chairperson]	602-542-4285 602-926-4371 602-452-3301 602-452-3534 602-364-1102
Technical Registration, State Board of Tourism, Office of Transportation, Department of Treasurer, State Tribal Relations, Governor's Office on	David Hoffer Henry Furtick Jordan Johnston David Hoffer Molly Murphy	Melissa Cornelius [Executive Director] Debbie Johnson [Director] John Halikowski [Director] Honorable Kimberly Yee [State Treasurer] Kristine FireThunder [Executive Director]	602-364-4930 602-364-3717 602-712-7227 602-542-7800 602-542-4421

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
University of Arizona Veterans' Services, Department of Veterinary Medical Examining Board, Arizona State Water Resources, Department of	Morgan Dorcheus Lauren Jorgensen Steve Grunig Lauren Jorgensen	Robert Robbins, M.D. [President] Colonel Wanda Wright [Director] Victoria Whitmore [Executive Director] Thomas Buschatzke [Director]	520-621-5511 602-255-3373 602-542-8150 602-771-8426
<u>OTHER ASSIGNMENTS</u> Capital Review Economic and Revenue Forecast Federal/Non-Appropriated Funds Fiscal Note Manager	Jack Brown Hans Olofsson Stefan Shepherd Stefan Shepherd		
[] Denotes Title for Information Purposes			