Budget Update – House Orientation

December 7, 2018

JLBC
Presentation Summary

- Revenues
- Spending
- Cash and Structural Balances
Key Points About Our Current Budget Status

- JLBC Baseline annually compares a consensus revenue estimate to statutory funding requirements.
- Strong economic growth has substantially improved the state’s fiscal condition.
- The General Fund is forecast to have a structural balance of $200 M +
- In addition, the state is expected to have a 1-time balance of $900 M + in ’20
Revenue Forecast
Current Expansion Exceeds Historical Average
- Will Exceed Prior Record in July 2019

Length of US Economic Expansions

Expansion: time period without 2 consecutive quarters of GDP decline
Divergence in National Forecasts

Fed Chair:
- “Remarkably positive” period that pairs “steady, low inflation and very low unemployment”

Polls of economic forecasters differ on chances of a recession by end of CY ‘20
- 50% (53 economists, NABE)
- 35% (70 economists, Reuters)
Arizona Ranks 6\textsuperscript{th} in Economic Momentum
- 5\textsuperscript{th} in April

<table>
<thead>
<tr>
<th>Momentum Calculation</th>
<th>AZ Rate</th>
<th>AZ Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Personal Income (June)</td>
<td>5.6%</td>
<td>6</td>
</tr>
<tr>
<td>Change in Population (July)</td>
<td>1.6%</td>
<td>6</td>
</tr>
<tr>
<td>Change in Employment (August)</td>
<td>2.9%</td>
<td>6</td>
</tr>
</tbody>
</table>

Momentum calculations via State Policy Reports – Joint NGA/NCSL Project
‘19 General Fund Revenue – Where It Comes From

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>$ in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and Use Tax</td>
<td>5,055.2</td>
</tr>
<tr>
<td>Individual Income Tax</td>
<td>4,826.5</td>
</tr>
<tr>
<td>Insurance Premium Tax</td>
<td>510.8</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>360.1</td>
</tr>
<tr>
<td>Other Ongoing</td>
<td>599.1</td>
</tr>
<tr>
<td>One-Time Revenues</td>
<td>100.7</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>11,452.4</strong></td>
</tr>
</tbody>
</table>

* Reflects October 4-Sector Forecast prior to distribution of $675 M to cities

**NOTE: Fiscal Year 2019 = July 2018 - June 2019**


‘19 YTD: 9.9% Growth/$163 M Above Forecast
- ‘18 Was $212 M Above Budget

<table>
<thead>
<tr>
<th>% Growth Above Prior Year</th>
<th>‘18 Actual</th>
<th>‘19 YTD</th>
<th>‘19 +/- Forecast ($ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>6.2%</td>
<td>6.7%</td>
<td>$ 50</td>
</tr>
<tr>
<td>Individual Income</td>
<td>10.0</td>
<td>8.4</td>
<td>46</td>
</tr>
<tr>
<td>Corporate Income</td>
<td>1.3</td>
<td>69.6</td>
<td>62</td>
</tr>
<tr>
<td>Insurance Premium</td>
<td>1.0</td>
<td>(2.5)</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>(2.3)</td>
<td>61.9</td>
<td>2</td>
</tr>
<tr>
<td>Overall *</td>
<td>6.9%</td>
<td>9.9%</td>
<td>$ 163</td>
</tr>
</tbody>
</table>

* Revenues exclude fund transfers and Urban Revenue Sharing.
YTD = Year to Date through October.
How Does JLBC Forecast Revenues?
- Four-Sector Consensus Forecast

4-sector forecast equally weights:
- UofA model – base
- UofA model – low
- FAC average
- JLBC Staff forecast

Model Includes:
- Sales Tax
- Individual Income Tax
- Corporate Income Tax
- Insurance Premium Tax
- Remaining revenues (5% of total) are staff forecast

* The Finance Advisory Committee is a 13-member panel of public and private sector economists that publicly meets 3 times a year to advise the Legislature on the state of the Arizona economy.
Strong ‘19 Growth, then Modest Gains

Represents Net Growth
- After tax law changes

Chance of Exceeding Forecast
- 60%

Long Run Average Growth
- 4.25%

October 4-Sector Forecast

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent Change</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>'19</td>
<td>6.0%</td>
<td>Year Over Year Percentage Change</td>
</tr>
<tr>
<td>'20</td>
<td>4.1%</td>
<td>Percent change in net revenues excluding balance forward, one-time transfers and urban revenue sharing</td>
</tr>
<tr>
<td>'21</td>
<td>3.7%</td>
<td>See Appendix A</td>
</tr>
<tr>
<td>'22</td>
<td>4.0%</td>
<td></td>
</tr>
</tbody>
</table>

See Appendix A
AZ Has 8th Most Volatile Revenue System *
- Individual & Corporate Income Tax Are the Main Contributors

* Based on Pew Foundation Report
Revenue Reached Pre-Recession Level in ‘18

General Fund

Excludes balance forward and other one-time revenues. Includes tax law changes and urban revenue sharing.
## Current State of Tax Credit Policy
### - ‘18 Actual Credits Taken

<table>
<thead>
<tr>
<th>Credit</th>
<th>IIT</th>
<th>CIT</th>
<th>IPT</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Tuition Organizations</td>
<td>113</td>
<td>34</td>
<td>34</td>
<td>181</td>
</tr>
<tr>
<td>Charitable Organizations</td>
<td>89</td>
<td>0</td>
<td>0</td>
<td>89</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>13</td>
<td>71</td>
<td>0</td>
<td>84</td>
</tr>
<tr>
<td>Public School Extracurricular</td>
<td>46</td>
<td>0</td>
<td>0</td>
<td>46</td>
</tr>
<tr>
<td>Other</td>
<td>18</td>
<td>15</td>
<td>4</td>
<td>37</td>
</tr>
<tr>
<td>New Employment</td>
<td>1</td>
<td>8</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Renewable Energy / Solar</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>287</td>
<td>128</td>
<td>42</td>
<td>457</td>
</tr>
</tbody>
</table>

| $ in M |

IIT = Individual Income Tax  
CIT = Corporate Income Tax  
IPT = Insurance Premium Tax
The State Shares $3.5 B With Local Governments

- 15% of income tax to cities
- 23% of base sales tax to cities/counties
- HURF $ also go to locals
- Excludes spending support
The Conformity Issue

- Starting 1/1/18, federal government cut income taxes by $1.5 Trillion over 10 years
- Feds reduced both individual and corporate income tax rates
- Offset some of loss with broader base (for example, eliminate/cap deductions)
- AZ uses income on the federal form as the starting point for our own income tax
How Will Federal Tax Law Changes Affect AZ?

- Conformity is not automatic – state needs to enact legislation

- If state conforms:
  - JLBC Estimate: $133 M
  - DOR Estimate: $236 M (Range of $50 M - $250 M)

- Conformity affects Tax Year 2018 forms
  - DOR makes forms available in January 2019
Spending Overview
‘19 Total Spending is $40.6 Billion  
- General and Non-General Fund

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>$ in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>AHCCCS</td>
<td>12,787.7</td>
</tr>
<tr>
<td>Education (K-12)</td>
<td>6,899.2</td>
</tr>
<tr>
<td>Universities</td>
<td>6,330.0</td>
</tr>
<tr>
<td>Economic Security</td>
<td>4,305.3</td>
</tr>
<tr>
<td>Corrections</td>
<td>1,221.1</td>
</tr>
<tr>
<td>Other Agencies/Distributions</td>
<td>7,226.8</td>
</tr>
<tr>
<td>Capital</td>
<td>1,796.6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>40,566.7</td>
</tr>
</tbody>
</table>

- AHCCCS 31%
- Education (K-12) 17%
- Universities 16%
- Economic Security 11%
- Corrections 10%
- Other Agencies/Distributions 18%
- Capital 4%

19 Total Spending is $40.6 Billion - General and Non-General Fund

$ in Millions

AHCCCS 12,787.7  
Education (K-12) 6,899.2  
Universities 6,330.0  
Economic Security 4,305.3  
Corrections 1,221.1  
Other Agencies/Distributions 7,226.8  
Capital 1,796.6  
TOTAL 40,566.7
The $10.4 B General Fund Share is 26% of Total Funds  
- GF Share Down from 43% in ‘02

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>$ in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>10,434.5</td>
</tr>
<tr>
<td>Other Appropriated Funds</td>
<td>4,453.4</td>
</tr>
<tr>
<td>Non-Appropriated Funds</td>
<td>9,567.3</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>16,111.6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$40,566.7</td>
</tr>
</tbody>
</table>

- **General Fund**: 26%  
- **Federal Funds**: 40%  
- **Non-Appropriated Funds**: 23%  
- **Other Appropriated Funds**: 11%
## ‘19 General Fund Appropriations – Where It Goes

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>$ in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education (ADE)</td>
<td>4,704.7</td>
</tr>
<tr>
<td>AHCCCS</td>
<td>1,777.1</td>
</tr>
<tr>
<td>Corrections (ADC)</td>
<td>1,099.7</td>
</tr>
<tr>
<td>Universities</td>
<td>725.5</td>
</tr>
<tr>
<td>Economic Security (DES)</td>
<td>650.9</td>
</tr>
<tr>
<td>Child Safety (DCS)</td>
<td>375.8</td>
</tr>
<tr>
<td>Other Agencies</td>
<td>1,100.8</td>
</tr>
<tr>
<td><strong>Total Spending</strong></td>
<td><strong>10,434.5</strong></td>
</tr>
</tbody>
</table>

![Pie chart showing budget allocations]

- **ADE** 45%
- **AHCCCS** 17%
- **ADC** 10%
- **Universities** 7%
- **DES** 6%
- **DCS** 4%
- **Other Agencies** 11%
Statutory Formulas/Debt Service Represent 69% of General Fund Spending
- $6.9 Billion in Statutory Spending Excludes $456 M in Suspended Formulas

Examples of Formulas:

- K-12 Operating
- Medicaid
- Debt Service

$10.4 B GF Budget

Statutory $6.9 B
Non-Statutory $3.2 B
Debt Service $347 M
Public School Funding Overview
- ADE Only Versus Total K-12 Resources

- **State**: $5,904 M
- **Federal**: $1,408 M
- **Local**: $4,154 M
- **General Fund**: $4,705 M
- **Land Trust**: $277 M
- **Prop 301**: $671 M
- **Federal**: $1,159 M
- **Other**: $87 M

ADE = $6.9 B

ADE/LOCAL = $11.5 B
### K-12 General Fund Spending Levels

- Current K-12 Enrollment Is 1.1 Million Students

<table>
<thead>
<tr>
<th></th>
<th>‘19</th>
<th>‘20</th>
<th>‘21</th>
<th>‘22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formula Spending</td>
<td>$126</td>
<td>$316</td>
<td>$530</td>
<td>$724</td>
</tr>
<tr>
<td>Additional Assistance</td>
<td>100</td>
<td>168</td>
<td>236</td>
<td>304</td>
</tr>
<tr>
<td>Teacher Pay Plan – 20% Increase</td>
<td>240</td>
<td>405</td>
<td>530</td>
<td>516</td>
</tr>
<tr>
<td>Other</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total Additional Spending</strong></td>
<td><strong>$477</strong></td>
<td><strong>$900</strong></td>
<td><strong>$1,306</strong></td>
<td><strong>$1,554</strong></td>
</tr>
<tr>
<td><strong>Total General Fund</strong></td>
<td><strong>$4,705</strong></td>
<td><strong>$5,128</strong></td>
<td><strong>$5,534</strong></td>
<td><strong>$5,782</strong></td>
</tr>
</tbody>
</table>

Assumes 0.6-cent education sales tax pays $14 million more of teacher pay plan cost in FY ‘22.
10 Year University General Fund/Tuition Trend

From ’09 to ’19:
- Enrollment grew from 117k to 170k
- Student growth of 45%
- $ growth of 68%
- $/Student grew from $15.5K to $17.8K

*Net tuition represents amount received by universities after subtracting university funded scholarships and tuition waivers.*
Arizona Community Colleges
- FY 2019 Funding Is $1.7 Billion

- State support is 5% of total budget
- Maricopa and Pima receive no state aid
- Current enrollment: 113,426 FTSE
Medicaid Spending Occurs in 2 Agencies
- Serves 1.8 Million Individuals

'19 Medicaid Total Funds = $14.1 B

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counties</td>
<td>$319 M</td>
</tr>
<tr>
<td>Hospital Assessment</td>
<td>$310 M</td>
</tr>
<tr>
<td>Tobacco Monies</td>
<td>$211 M</td>
</tr>
<tr>
<td>Drug Rebates</td>
<td>$148 M</td>
</tr>
<tr>
<td>Political Subdivision</td>
<td>$102 M</td>
</tr>
<tr>
<td>Nursing Fac. Assessment</td>
<td>$33 M</td>
</tr>
</tbody>
</table>

General Fund $2.2 B
$1.1 B
Federal $10.8 B
Physical/Mental Health Accounts for 74% of Spending
- 1-Time Factors Artificially Lowers ‘20 Growth

**Spending By Program**

- Admin. $257 M
- Elderly $1.6 B
- Dev. Disability $1.7 B
- General Health $10.5 B

Total Funds = $14.1 B

**GF Above Prior Year ($ in M)**

<table>
<thead>
<tr>
<th></th>
<th>‘20</th>
<th>‘21</th>
<th>‘22</th>
</tr>
</thead>
<tbody>
<tr>
<td>AHCCCS</td>
<td>28</td>
<td>198</td>
<td>116</td>
</tr>
<tr>
<td>DES</td>
<td>38</td>
<td>47</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>245</td>
<td>166</td>
</tr>
</tbody>
</table>
DCS Administers Child Protective Services in AZ

- Foster Care
  - Was: 19,044
  - Now: 14,187
- Backlog
  - Was: 13,024
  - Now: 275

DCS ($ in M)

<table>
<thead>
<tr>
<th></th>
<th>'14</th>
<th>'18</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>261</td>
<td>379</td>
</tr>
<tr>
<td>Total</td>
<td>711</td>
<td>933</td>
</tr>
</tbody>
</table>

DCS Placements

- Was: 19,044
- Now: 14,187
- Was: 13,024
- Now: 275
Department of Corrections
- Inmate Population Has Decreased Since 2016

Total Inmate Population (2008-2018)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Inmate Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-08</td>
<td>37,000</td>
</tr>
<tr>
<td>Jan-09</td>
<td>38,000</td>
</tr>
<tr>
<td>Jan-10</td>
<td>39,000</td>
</tr>
<tr>
<td>Jan-11</td>
<td>40,000</td>
</tr>
<tr>
<td>Jan-12</td>
<td>41,000</td>
</tr>
<tr>
<td>Jan-13</td>
<td>42,000</td>
</tr>
<tr>
<td>Jan-14</td>
<td>43,000</td>
</tr>
<tr>
<td>Jan-15</td>
<td>44,000</td>
</tr>
<tr>
<td>Jan-16</td>
<td>43,000</td>
</tr>
<tr>
<td>Jan-17</td>
<td>42,000</td>
</tr>
<tr>
<td>Jan-18</td>
<td>41,000</td>
</tr>
</tbody>
</table>

General Fund by Function (FY ‘19) ($ in M)

- State Operated Prisons/Community Corrections: 810.3
- Private Prisons: 137.1
- Private Health Contract: 152.3
- Total: 1,099.7
General Fund Debt Payments Will Cost $347 M In ‘19
- Equivalent to 7th Largest Budget Unit

- $6.8 B in outstanding debt/lease-purchases
- General Fund share is $1.9 B
  - $710 M Sale/Leaseback
  - $367 M SFB Schools
  - $305 M Univ. Building

GF Debt Payments = $347 M
Spending Forecast
‘20 – ‘22 Baseline Spending Projections

- Baseline reflects changes to active statutory and other funding formulas - no discretionary additions
- Continues annual suspension of $456 M of inactive statutory formulas
- Continues $930 M in K-12 “rollover” payments
- Assumes spending classified as one-time or expiring in ‘19 budget does not continue
Projected Baseline Spending Increases by $352 M

<table>
<thead>
<tr>
<th>‘20 Ongoing Spending Changes</th>
<th>$ in M</th>
<th>‘20 One-Time Spending Deletions</th>
<th>$ in M</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADE – K12 Formula</td>
<td>424</td>
<td>SFB Fewer New Buildings</td>
<td>(38)</td>
</tr>
<tr>
<td>DES – Medicaid Formula</td>
<td>51</td>
<td>SFB Building Repairs</td>
<td>(34)</td>
</tr>
<tr>
<td>AHCCCS – Medicaid Formula</td>
<td>28</td>
<td>DES Prop 206 Costs</td>
<td>(13)</td>
</tr>
<tr>
<td>Judiciary – Maricopa Judges</td>
<td>7</td>
<td>Counties</td>
<td>(13)</td>
</tr>
<tr>
<td>Sec. of State – Presidential Primary</td>
<td>5</td>
<td>Universities</td>
<td>(11)</td>
</tr>
<tr>
<td>Commerce Authority</td>
<td>(6)</td>
<td>Employee Health</td>
<td>(10)</td>
</tr>
<tr>
<td>DPS – Highway Fee Shift</td>
<td>(22)</td>
<td>Capital Projects</td>
<td>(5)</td>
</tr>
<tr>
<td>Other</td>
<td>(6)</td>
<td>Other</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>481</td>
<td><strong>Total</strong></td>
<td>(129)</td>
</tr>
</tbody>
</table>

| **Total Spending Changes**   | $352 M |
| **Total Spending**           | $10,755 |
| **% Change**                 | 3.4%   |
Cash and Structural Balance Forecast
‘20 Cash Balance Exceeds Structural Balance - Excludes $460 M Rainy Day Fund Balance

<table>
<thead>
<tr>
<th></th>
<th>FY ‘20</th>
<th>FY ‘22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural Balance</td>
<td>442</td>
<td>233</td>
</tr>
<tr>
<td>Cash Balance</td>
<td>1,150</td>
<td>210</td>
</tr>
</tbody>
</table>

- Structural balance compares ongoing revenues and spending
- Permanently committing more than $200 + M in ‘20 creates ‘22 shortfall
Long Run Budget Permits $200+ M in Ongoing Initiatives
- Assumes No Discretionary Changes

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Balance</th>
<th>Structural Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>'19</td>
<td>$825 M</td>
<td>$521 M</td>
</tr>
<tr>
<td>'20</td>
<td>$1,150 M</td>
<td>$442 M</td>
</tr>
<tr>
<td>'21</td>
<td>$75 M</td>
<td>$211 M</td>
</tr>
<tr>
<td>'22</td>
<td>$210 M</td>
<td>$233 M</td>
</tr>
</tbody>
</table>
Options for Allocating 1-Time Monies

- Continue the $80 M in reoccurring “1-time” ‘19 monies
- Budget Stabilization Fund Deposit (aka Rainy Day Fund)
- K-12 Building Repairs
- Transportation Projects
- Debt Repayment
- Buy down of $930 M K-12 Rollover
- State Buildings
Director…………………………………………………………………………………………………………………………….Richard Stavneak
Office Manager…………………………………………………………………………………………………………………Linda Monsanto
Deputy Directors……………………………………………………………………………………………………………….Steve Schimpp
………..……………………………………………………………………………………………………………………………………….Stefan Shepherd
Assistant Director…………………………………………………………………………………………………………………………Jack Brown
Chief Economist…………………………………………………………………………………………………………………………Hans Olofsson
Senior Fiscal Analysts……………………………………………………………………………………………………………Steve Grunig
…………………………………………………………………………………………………………………………………………….Chris Gustafson
…………………………………………………………………………………………………………………………………………….Micaela Larkin
…………………………………………………………………………………………………………………………………………….Patrick Moran
…………………………………………………………………………………………………………………………………………….Rebecca Perrera
Fiscal Analysts…………………………………………………………………………………………………………………………Sam Beres
…………………………………………………………………………………………………………………………………………….Elizabeth Dagle
…………………………………………………………………………………………………………………………………………….Morgan Dorcheus
…………………………………………………………………………………………………………………………………………….Henry Furtick
…………………………………………………………………………………………………………………………………………….Jeremy Gunderson
…………………………………………………………………………………………………………………………………………….Josh Hope
…………………………………………………………………………………………………………………………………………….Jordan Johnston
…………………………………………………………………………………………………………………………………………….Ben Murphy
…………………………………………………………………………………………………………………………………………….Geoffrey Paulsen
Assistant Fiscal Analyst………………………………………………………………………………………………………………Adam Golden
Administrative Assistant / JLBC & JCCR Clerk…………………………………………………………………………….Kristy Paddack
# Appendix A: October 2018 4-Sector Forecast

<table>
<thead>
<tr>
<th>Sales Tax</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>JLBC Forecast</td>
<td>5.5%</td>
<td>5.0%</td>
<td>4.5%</td>
<td>4.3%</td>
</tr>
<tr>
<td>UA – Low</td>
<td>5.2%</td>
<td>2.2%</td>
<td>1.6%</td>
<td>4.4%</td>
</tr>
<tr>
<td>UA – Base</td>
<td>5.7%</td>
<td>5.0%</td>
<td>4.6%</td>
<td>4.6%</td>
</tr>
<tr>
<td>FAC</td>
<td>6.0%</td>
<td>5.0%</td>
<td>3.7%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Average</td>
<td>5.6%</td>
<td>4.3%</td>
<td>3.6%</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual Income Tax</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>JLBC Forecast</td>
<td>6.9%</td>
<td>4.9%</td>
<td>4.0%</td>
<td>3.3%</td>
</tr>
<tr>
<td>UA – Low</td>
<td>5.0%</td>
<td>3.8%</td>
<td>2.7%</td>
<td>4.4%</td>
</tr>
<tr>
<td>UA – Base</td>
<td>5.4%</td>
<td>5.5%</td>
<td>4.9%</td>
<td>5.0%</td>
</tr>
<tr>
<td>FAC</td>
<td>7.6%</td>
<td>5.8%</td>
<td>4.5%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Average</td>
<td>6.2%</td>
<td>5.0%</td>
<td>4.0%</td>
<td>4.3%</td>
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</table>

<table>
<thead>
<tr>
<th>Corporate Income Tax</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>JLBC Forecast</td>
<td>6.5%</td>
<td>3.6%</td>
<td>2.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>UA – Low</td>
<td>-14.1%</td>
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<td>4.2%</td>
</tr>
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<td>UA – Base</td>
<td>-12.7%</td>
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<td>4.9%</td>
</tr>
<tr>
<td>FAC</td>
<td>6.4%</td>
<td>2.5%</td>
<td>2.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Average</td>
<td>-3.5%</td>
<td>1.5%</td>
<td>2.9%</td>
<td>3.3%</td>
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</table>

<table>
<thead>
<tr>
<th>Insurance Premium Tax</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>JLBC Forecast</td>
<td>0.0%</td>
<td>1.0%</td>
<td>2.0%</td>
<td>1.3%</td>
</tr>
<tr>
<td>UA – Low</td>
<td>0.3%</td>
<td>-2.0%</td>
<td>2.0%</td>
<td>0.7%</td>
</tr>
<tr>
<td>UA – Base</td>
<td>0.4%</td>
<td>-1.4%</td>
<td>1.9%</td>
<td>1.6%</td>
</tr>
<tr>
<td>FAC</td>
<td>0.5%</td>
<td>1.8%</td>
<td>1.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Average</td>
<td>0.3%</td>
<td>-0.2%</td>
<td>1.9%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

| JLBC Weighted Average | 5.9% | 4.7% | 4.1% | 3.7% |
| UA Low Weighted Average | 4.2% | 2.6% | 2.1% | 4.2% |
| UA Base Weighted Average | 4.6% | 4.8% | 4.6% | 4.7% |
| FAC Consensus Weighted Average | 6.4% | 5.1% | 4.0% | 3.8% |
| “Big-4” Weighted Average | 5.3% | 4.3% | 3.7% | 4.1% |
| Consensus Weighted Average* | 6.0% | 4.1% | 3.7% | 4.0% |

* Represents ongoing revenue adjusted for small revenue categories.
GLOSSARY OF TERMS

ADOA
Arizona Department of Administration

ADC
Arizona Department of Corrections

ADE
Arizona Department of Education

ADOT
Arizona Department of Transportation

ADM
Average daily membership, a method of counting K-12 students which adjust for absences and withdrawals.

AHCCCS
Arizona Health Care Cost Containment System (State Medicaid agency)

Appropriation
Money that is budgeted for a state agency or program.

ASRS
The Arizona State Retirement System, of which most state employees are members.

B
Billions

Baseline
JLBC Baseline annually compares a consensus revenue estimate to statutory funding requirements
**BRB**
Budget Reconciliation bill, it is commonly pronounced as “burb”. These series of bills include statutory changes necessary to enact the budget. They do not typically include appropriations.

**Budget Stabilization Fund**
Otherwise known as the “Rainy Day Fund”, it is essentially the state’s savings account. Statute limits the balance of the fund to 7 percent of total General Fund Revenues.

**CORP**
Correctional Officer Retirement Fund

**DCS**
Department of Child Safety

**DES**
Department of Economic Security

**DEQ**
Department of Environmental Quality

**DHS**
Department of Health Services

**DPS**
Department of Public Safety

**DOR**
Department of Revenue
Ending Balance
The amount of money a budget leaves unspent.

ERE
Employee related expenditures. This represents the state’s share of the cost of employee benefits (i.e., health, life and dental).

Executive
Refers to the governor. (Usage: “The Executive budget was released.”)

FAC
Financial Advisory Committee

Feed Bill
The general appropriations bill provides the annual funding level for each state agency in a single bill.

Fiscal Note
The JLBC Staff’s estimate of the fiscal impact of a bill. (Usage: “Does this bill have a fiscal note?”)

Fiscal Year
The state budget year, which runs from July 1 to June 30.

Footnote
Narrative statements in the General Appropriation Act that establish conditions for expenditures, reporting requirements, and legislative intent.

Formula Spending
Funding levels for state programs that are mandated by voter-approved ballot measures or other state law. These formulas define eligibility for a program and may also determine the spending per person.
**FTE Positions**
State employment is measured by Full-Time Equivalent (FTE) Positions. Two 20-hour employees equal 1 FTE Position.

**General Fund**
The portion of state revenues that are not dedicated for a specific purpose. The money primarily comes from sales, individual income and corporate income tax.

**HURF**
Highway User Revenue Fund, which is used primarily for state transportation projects. The money primarily comes from gas taxes and license fees.

**JLBC**
May reference two entities, either the Joint Legislative Budget Committee itself, or the committee staff. The JLBC is a 16 member committee responsible for oversight of all facets of the state budget. Non-partisan JLBC staff members assist the committee in fulfilling its duties.

**JCCR**
Joint Committee on Capital Review is a 14 member committee responsible for oversight of capital projects. The JLBC Staff also provides support to this committee.

**K**
Thousands

**Line-item Veto**
A veto that strikes only an appropriation but allows the remainder of the bill to become law.
**Lump Sum**
An appropriation format where an agency is given a single amount of funding, which it can spend across line items without further legislative review.

**M**
Millions

**Matching funds**
Money given to the state by the federal government contingent upon state funding for a program. (Usage: “The state receives three-to-one matching funds for this appropriation.”)

**One-time**
Refers either to revenues or expenditures, and denotes budget items that will only have an impact for one fiscal year.

**Ongoing**
Refers either to revenues or expenditures. Ongoing items – sometimes called permanent – are expected to impact budgets for several years, if not indefinitely.

**OSPB**
The Governor’s Office of Strategic Planning and Budgeting.

**Prop 105**
Proposition 105 was an initiative passed by voters in 1998. The Legislature may only modify voter-approved ballot measures if it furthers the purpose of the initiative and 75% of each house approves the change.

**Prop 108**
Proposition 108 was an initiative passed by voters in 1992. It requires a two-thirds vote in both chambers to approve certain legislation that increases state revenues.
**Rainy Day Fund**
Technically called the Budget Stabilization Fund, it is essentially the state’s savings account. Statute limits the balance of the fund to 7 percent of total General Fund Revenues.

**SFB**
School Facilities Board

**SLI**
Special Line Item, which delineates funds apart from normal agency operating expenditures for monies involved with programs that provide benefits to individuals or contracted services.

**Structural Balance**
A comparison of permanent revenues versus permanent spending in a given year. (Usage: “Funding that program will create a structural shortfall in three years”)

**Supplemental**
An appropriation that adds funding to an agency’s existing current fiscal year budget. (Usage: “The Legislature approved a supplemental for the Department of Corrections.”)

**Trigger**
A spending provision in the budget that will not occur unless revenues reach a specified level.

**VLT**
Vehicle License Tax

**90/10**
Pronounced “ninety-ten”, it is a regulatory board funded by user fees, with 90 percent of revenues retained by the board and 10 percent being transferred to the General Fund.

Source: Arizona Capitol Times and JLBC Staff