

---

# **Budget Update and Orientation**

**December 15, 2010**

**JLBC**

# Summary of the Current Budget Status

## Still Weak – But Better Than Last Year

---

- ❑ General Fund revenues have declined by one-third in the last 3 years – but are beginning to grow
- ❑ 280,000 lost jobs and 40,000 foreclosures will delay full recovery
- ❑ FY '11 shortfall estimated at up to \$(825) M followed by \$(1.4) B in FY '12 – excludes more than \$1 B in suspended funding formulas
- ❑ 80% of our prior year budget shortfall solutions have been one-time – while not preferred, some temporary measures still available.
- ❑ Federal restrictions may affect spending options

---

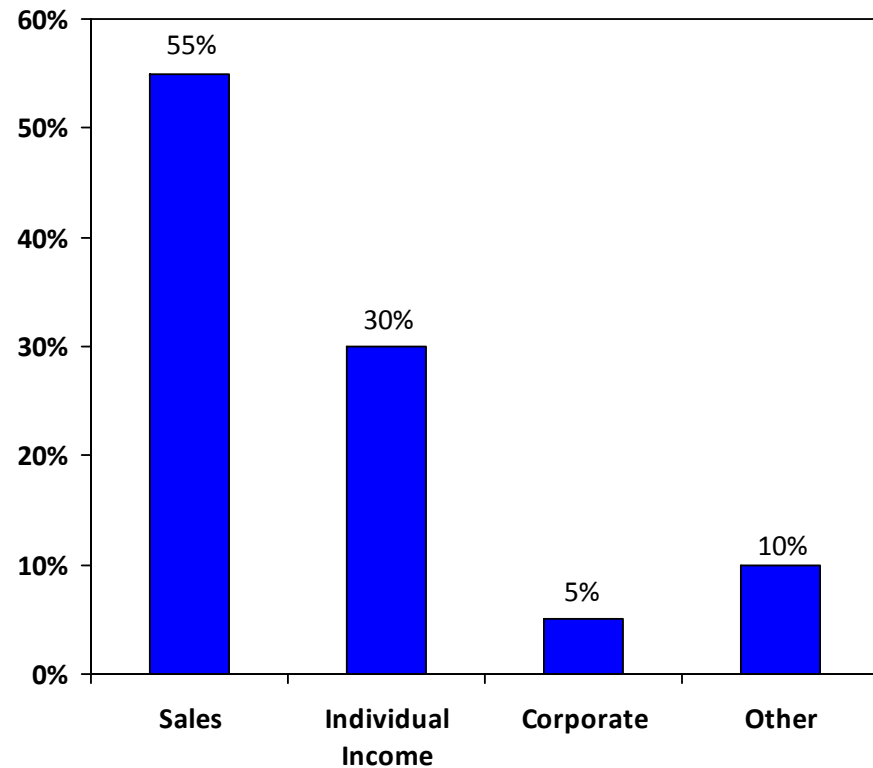
# Revenue Overview

JLBC

# FY 2011 General Fund Revenue

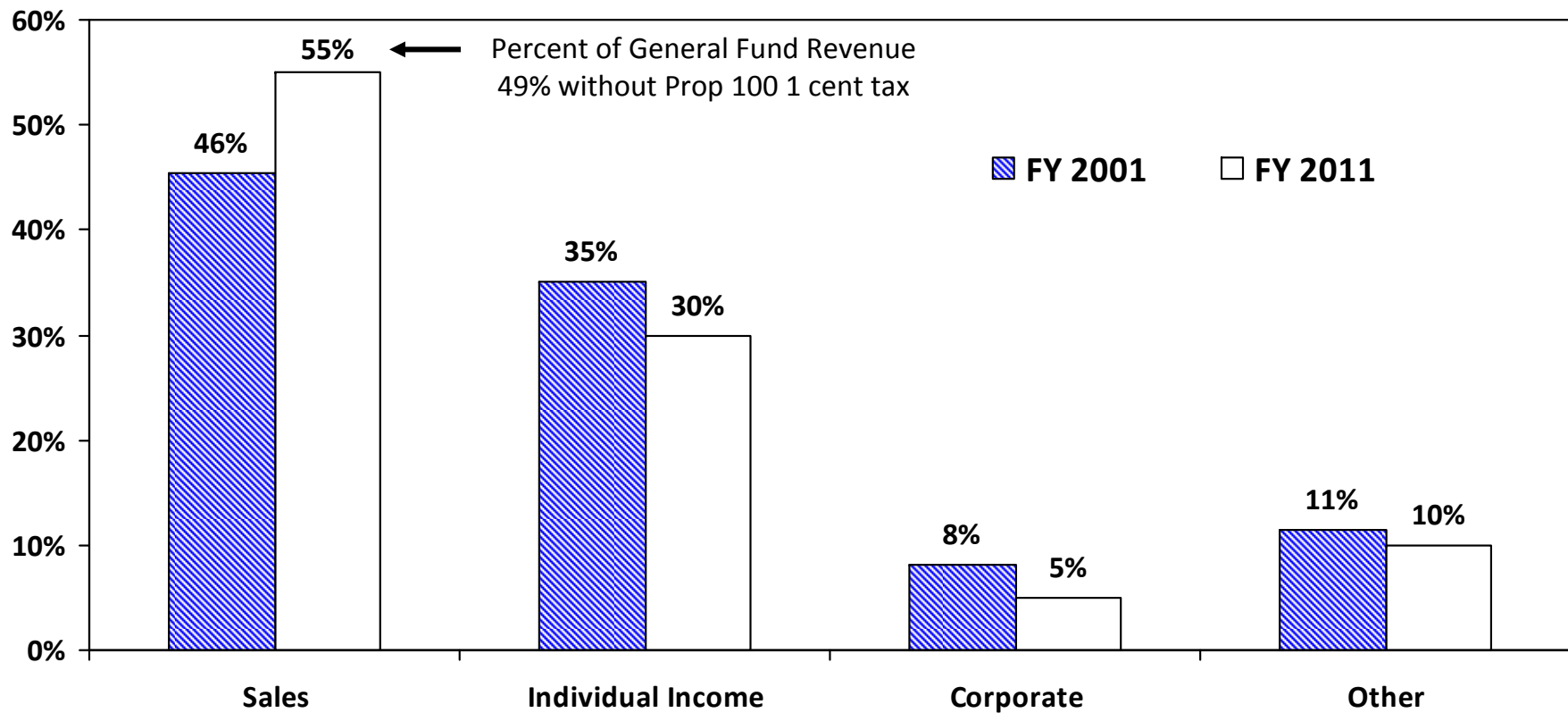
## - 90% Generated by 3 Taxes

<u>Source</u>	<u>(Millions)</u>
Sales and Use Tax	\$ 4,519.7
Individual Income Tax	2,470.9
Corporate Income Tax	446.3
Other	<u>871.1</u>
<b>TOTAL REVENUE</b>	<b>\$ 8,308.0 <sup>1/</sup></b>

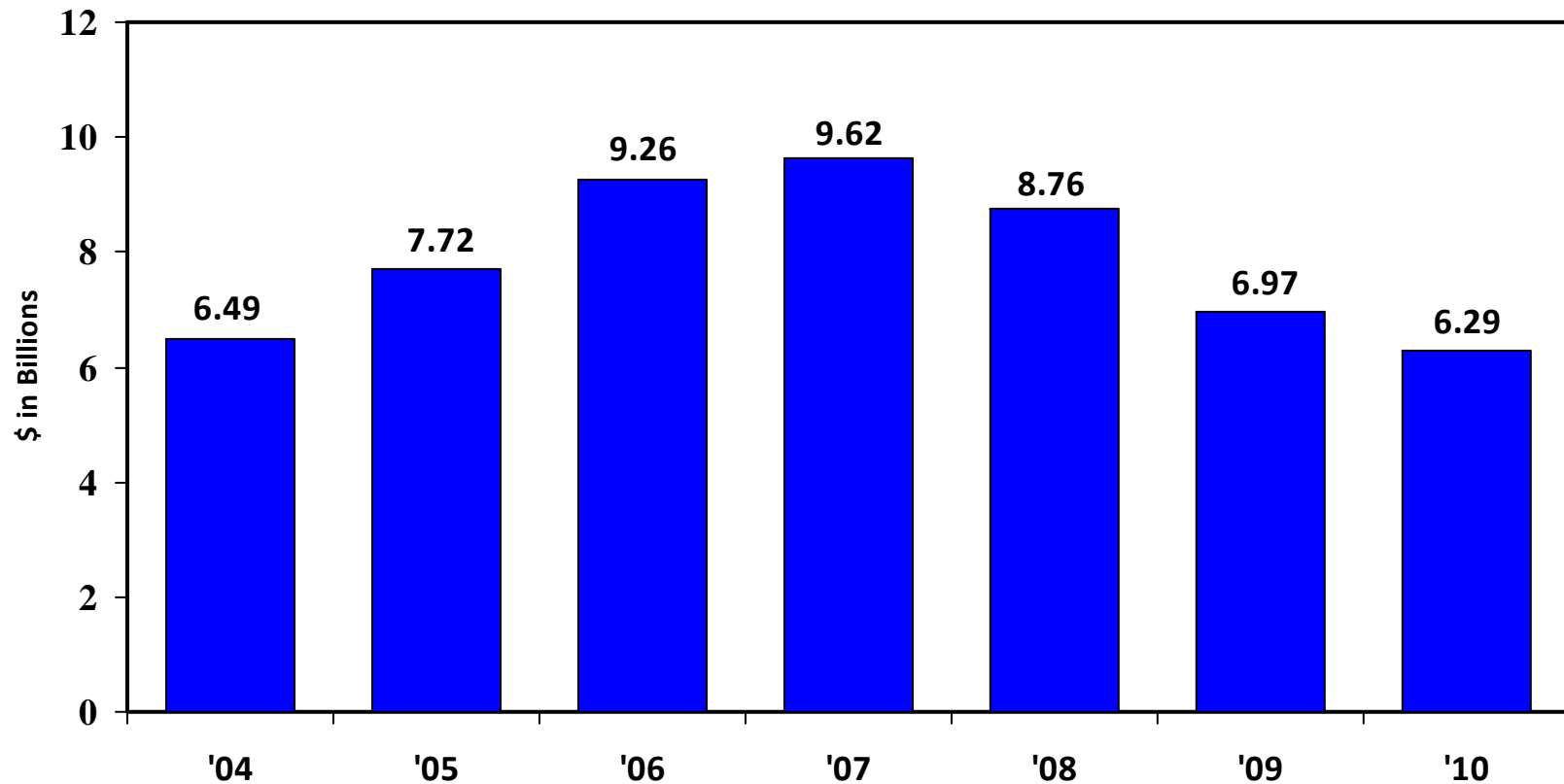


<sup>1/</sup> Excludes beginning balance, urban revenue sharing, and one-time revenue adjustments.

# Since '01, Greater Reliance on Sales Tax Due to 1 Cent Tax Increase



# Unprecedented 3 Year General Fund Revenue Decline Of (33)%



- Excludes statutory and one-time changes.



# Revenue Update Since FAC: Still Volatile

## - FY '11 Base Growth Of 4.2% Through October

---

	YTD FY '11 Over <u>YTD FY '10</u>
Sales Tax	-1.8%*
Individual Income Tax	9.1%
Corporate Income tax	42.1%

\* Without 1 Cent

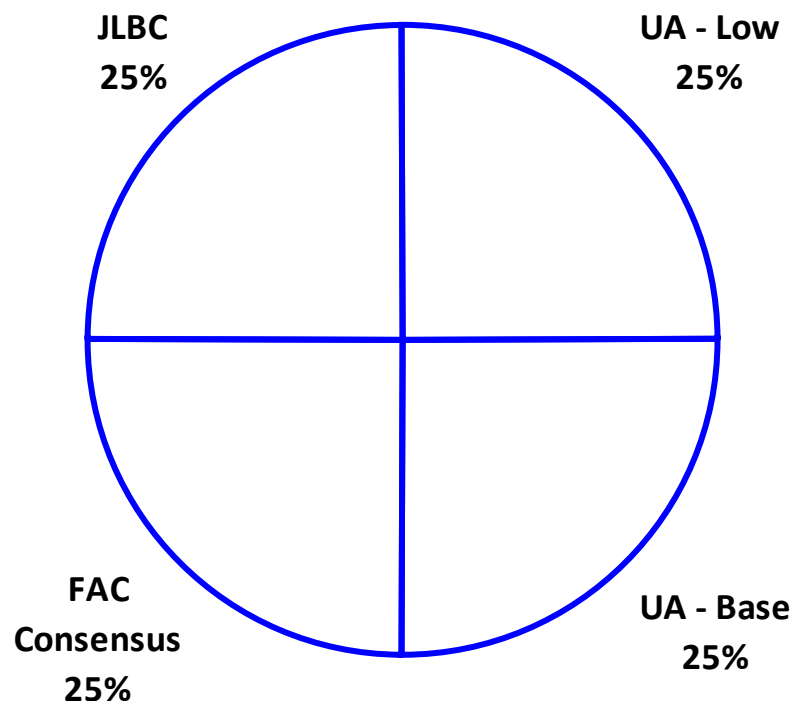
- ❑ Higher business profits boosted corporate tax receipts
- ❑ Individual Income Tax artificially high due to withholding change
- ❑ No recovery without consumers and their sales taxes
- ❑ Overall, revenues \$(41) M below forecast

# How Does JLBC Forecast Revenues?

- A Consensus Process with 4 Inputs
- Focuses on Sales and Income Tax

4-sector forecast equally weights:

- FAC average
- UofA model – base
- UofA model – low
- JLBC Staff forecast
- Remaining revenues (10% of total) are staff forecast



\* The Finance Advisory Committee is a 15-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.



# Any Revenue Forecast Will Have Significant Constraints In Predicting the Next 18 Months

---

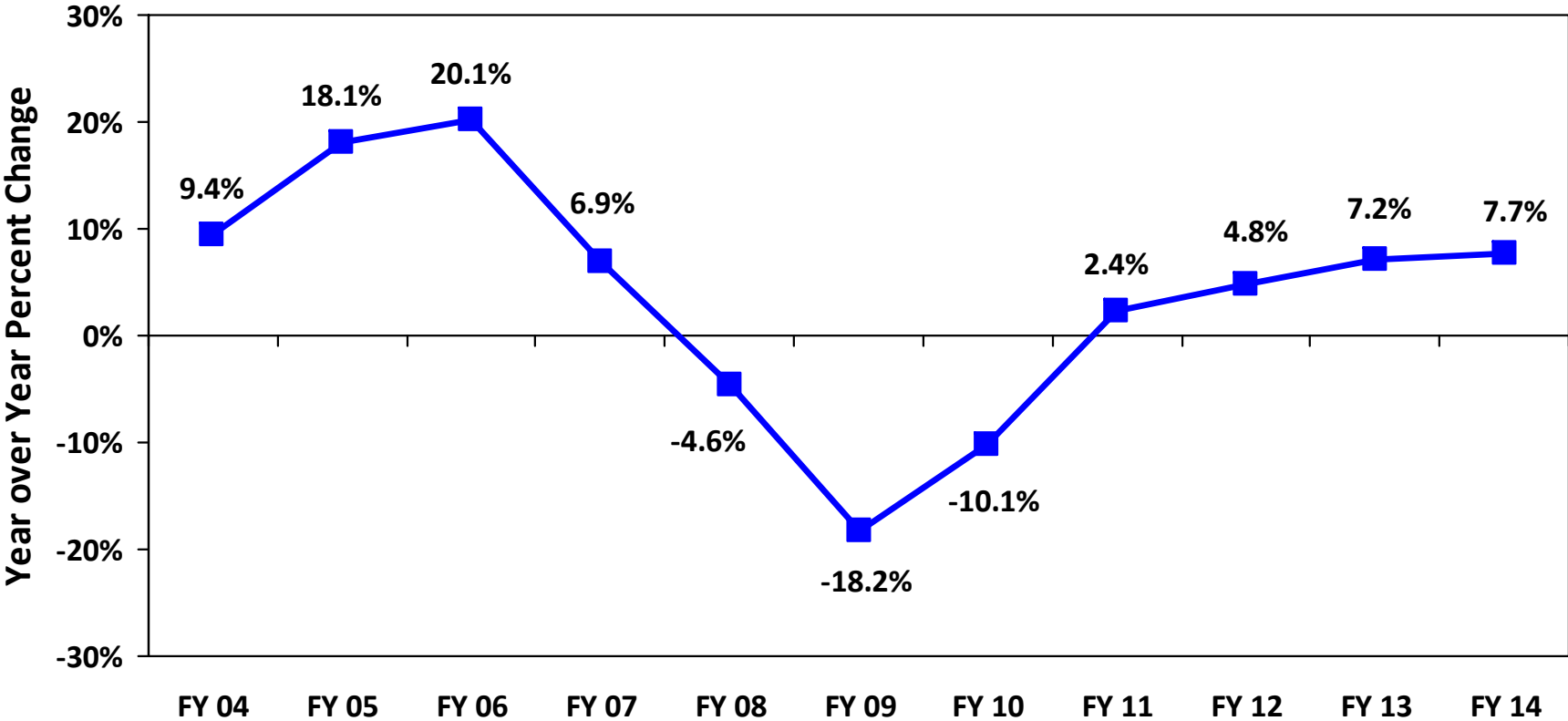
- ❑ Current economic instability makes forecasting especially challenging.
- ❑ Current forecasts are most useful in determining the direction of the economy, not its precise landing point.
- ❑ Certain structural factors limit potential for rapid growth.

# The Road to Recovery Will Still Be Long

---

- ❑ 281,000 jobs lost since December 2007
  - 32% of lost jobs were in construction
  
- ❑ Housing problems persist
  - While pending Valley foreclosures declined from 51,000 in December, there are still 42,000 in the pipeline
  - 49% of Arizona-wide mortgages “underwater”

# Consensus Forecasts Base Revenue Growth Rate to Increase Above 5% Thru FY '14

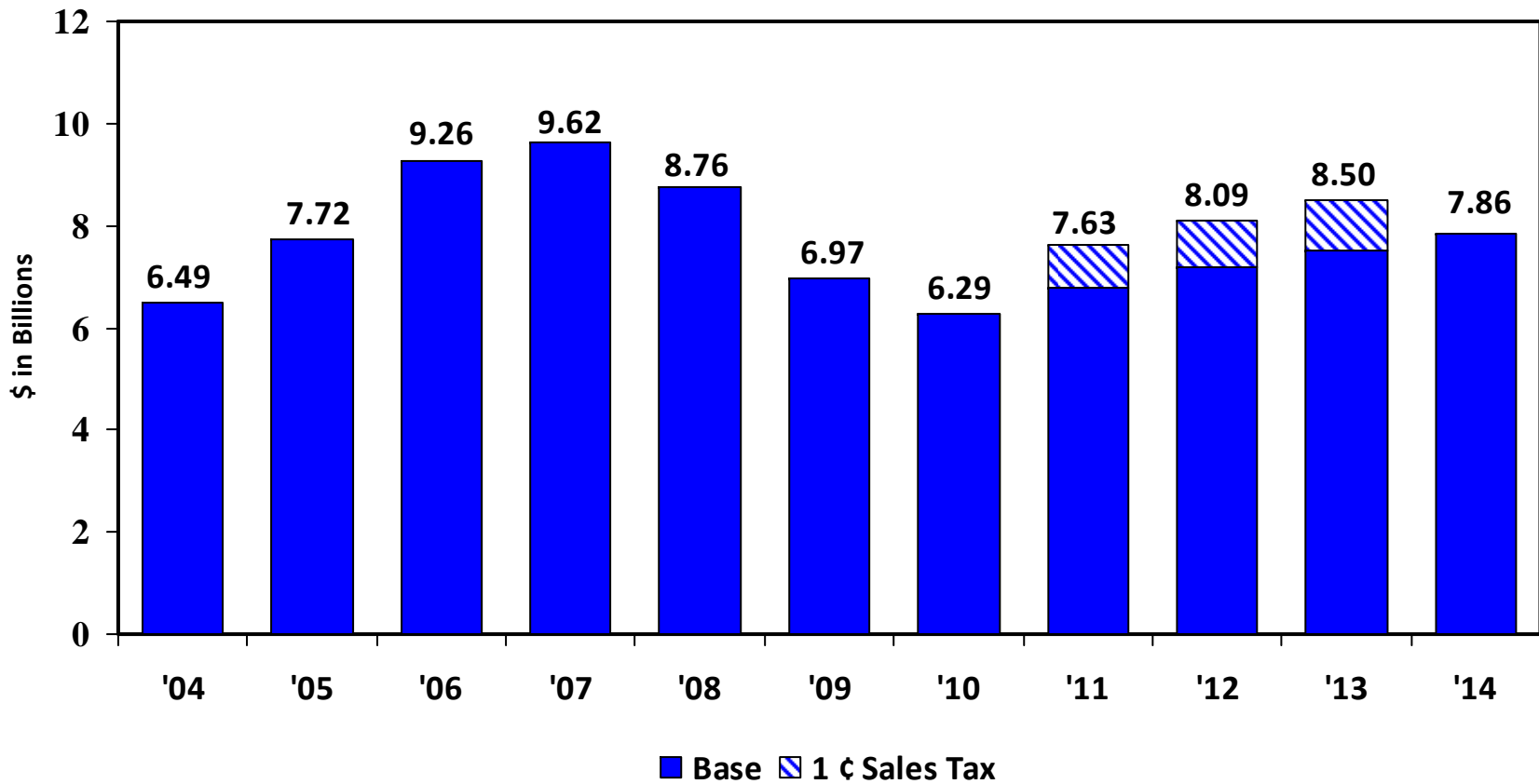


- Excludes balance forward, tax law changes, one-time revenues, and urban revenue sharing



# Consensus Forecasts Gradual Recovery In Revenue

## - Still Below FY '07 Level Through FY '14



- Excludes balance forward and other one-time revenues

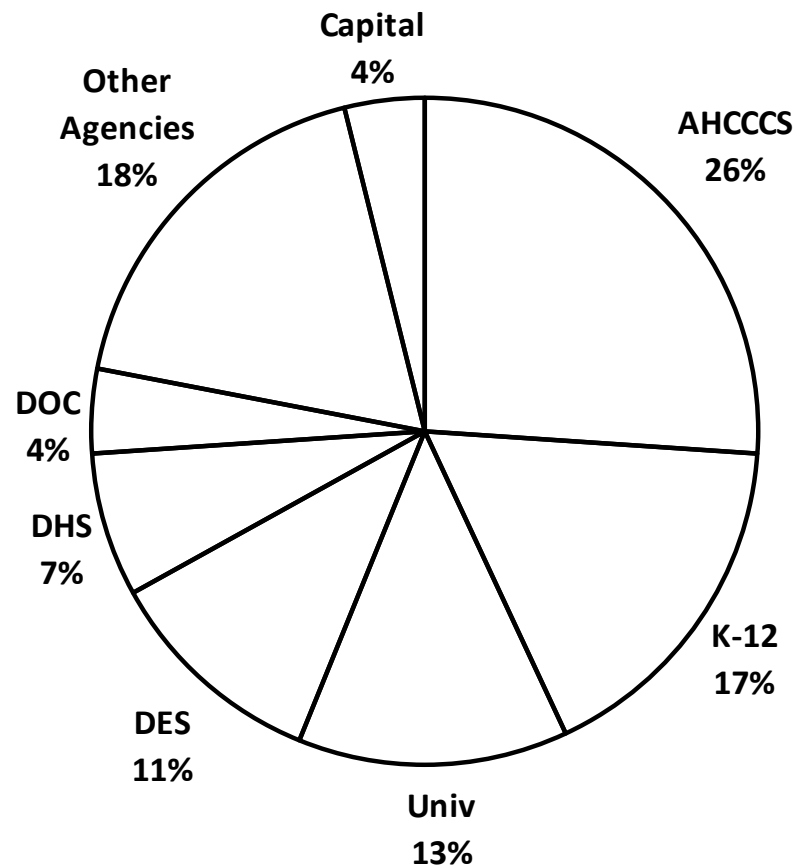
---

# Spending Overview

# FY 2011 Total Spending is \$29 Billion

- General and Non-General Fund

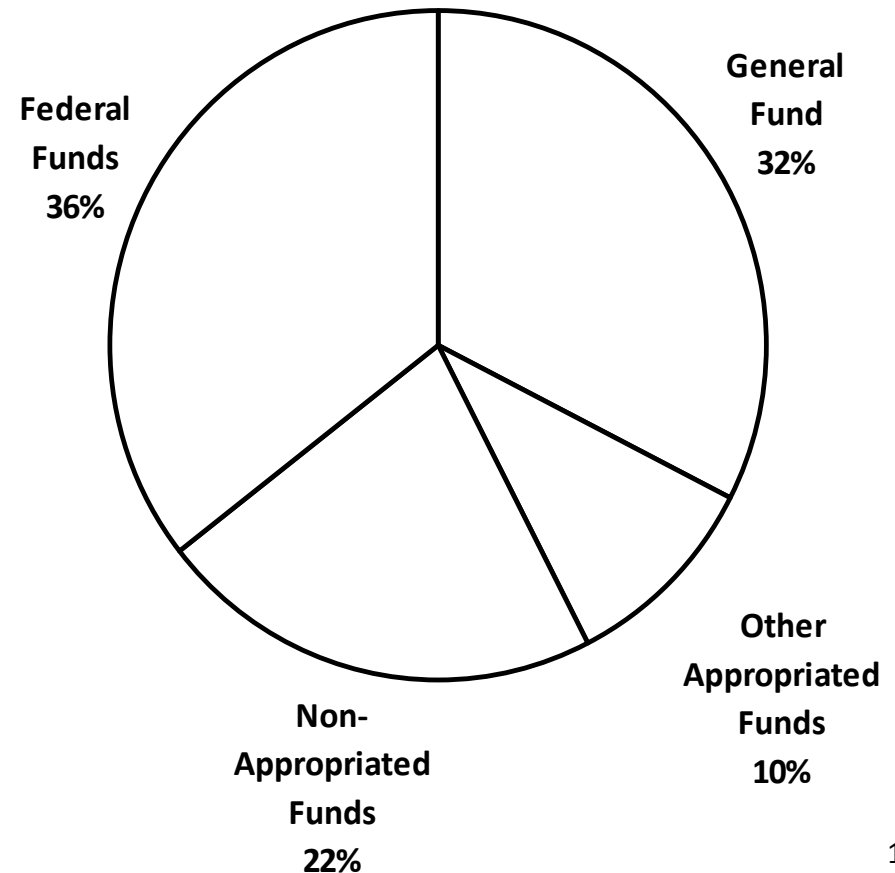
<u>Budget Unit</u>	<u>(Millions)</u>
AHCCCS	\$ 7,855.6
Education (K-12)	5,059.1
Universities	3,916.1
Economic Security	3,237.2
Health Services	1,999.1
Corrections	1,052.4
Other Agencies	5,197.7
Capital	<u>1,082.8</u>
<b>TOTAL</b>	<b>\$ 29,400.0</b>



# The \$9.5 B General Fund Share is 32% of Total Funds

- General Fund Share Down from 39% in '08
- Represents On-Going Spending

<u>Fund Source</u>	<u>(Millions)</u>
General Fund	\$ 9,524.3
Other Appropriated Funds	2,928.4
Non-Appropriated Funds	6,479.6
Federal Funds	<u>10,467.7</u>
 TOTAL	 \$ 29,400.0



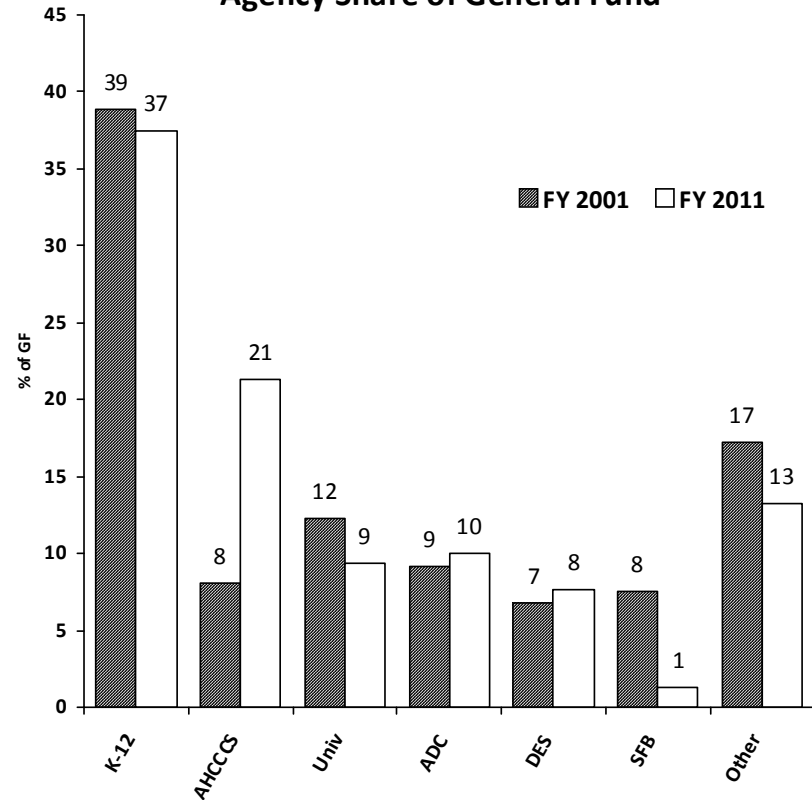
# 10 Year History of General Fund Spending By Agency

Comparison of 9 Largest General Fund Operating Budgets 1/  
(\$ in Millions)

	FY 01 Actuals	FY 11 On-Going	\$ Change FY 01-11	% Change FY 01-11
Education (K-12)	\$ 2,443.1	\$ 3,584.0	\$ 1,140.9	46.7
AHCCCS	506.0	2,029.6	1,523.6	301.1
Corrections	571.6	948.7	377.1	66.0
Universities	772.8	890.2	117.4	15.2
Economic Security	427.3	679.2	251.9	59.0
Health Services	246.7	581.7	335.0	135.8
Community Colleges	137.4	135.3	(2.1)	(1.5)
School Facilities Board	474.0	127.6	(346.4)	NA
Public Safety	76.2	43.1	(33.1)	(43.4)
Other	624.4	504.9	(119.5)	(19.1)
<b>TOTAL</b>	<b>\$ 6,279.5</b>	<b>\$ 9,524.3</b>	<b>\$ 3,244.8</b>	<b>51.7%</b>

1/ Represents individual agency on-going General Fund spending only and adjusts FY 2011 estimates for one-time Federal and other savings

Agency Share of General Fund





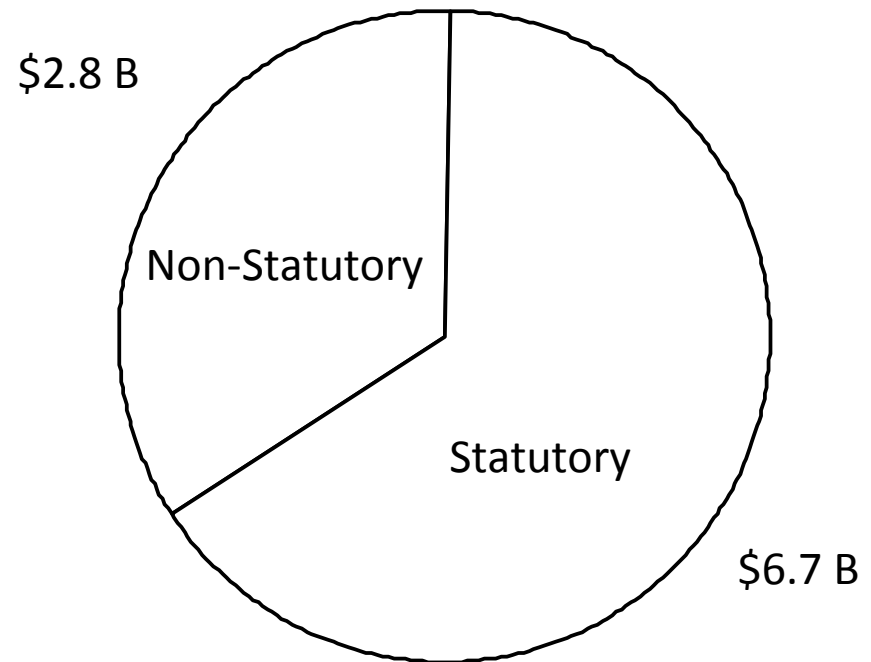
# Statutory Formulas Determine 70% of General Fund Spending

- \$6.7 Billion in Statutory Spending Excludes over \$1B in Suspended Formulas

---

Examples of Formulas:

- K-12 Operating
- K-12 Construction
- Medicaid



\$9.5 B GF Budget  
On-Going \$

---

# What Is the Current Status of the Budget?

# FY '11 Shortfall Could Be Up to \$(825) M

- Will Likely Improve When Re-Estimated in January

---

## □ 4 Problems:

- Failure of November ballot props – \$469 M
- Lower Federal Matching Funds - \$158 M
- Possible revenue shortfall with Sept. forecast – \$206 M
- \$100 M K-12 shortfall – offset with federal funds

## **Baseline FY '12 Spending is Projected to Grow \$900 M - Represents Funding of Active Formula Requirements**

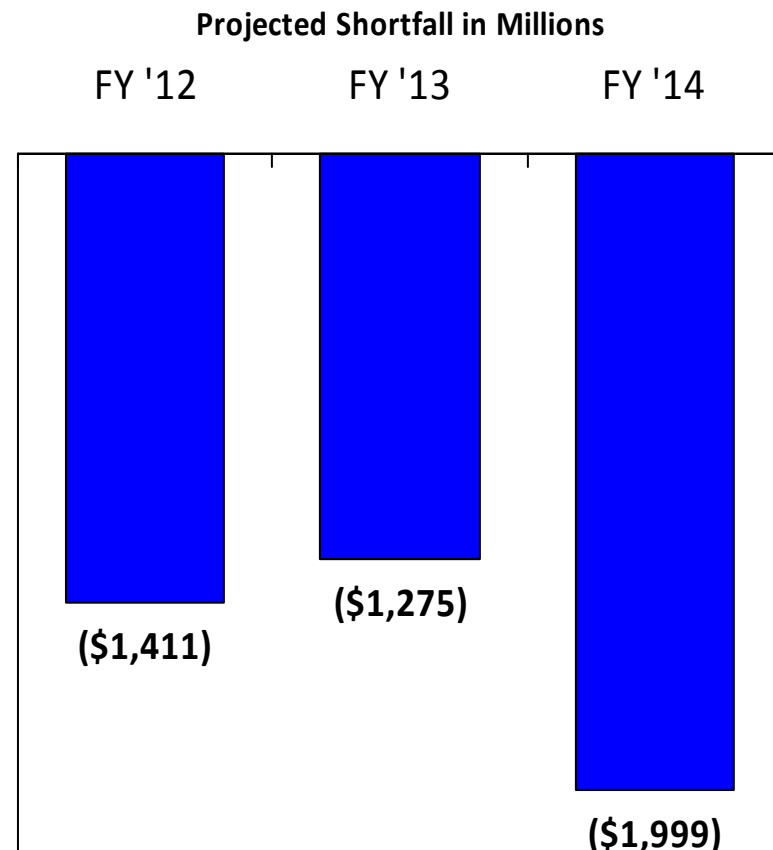
---

- Most of the growth due to elimination of one-time federal assistance for Medicaid and K-12
  
- K-12 and AHCCCS normal formula growth expected to be relatively limited
  - Population growth moderated
  - Assumes continuation of limited inflation policy
  
- SFB debt service requirements will increase \$94 M due to one-time FY '11 savings

# A Projected Cash Shortfall Of \$1.4 B In FY '12

- Any Permanent Solutions in FY '12 Reduce FY '13 and FY '14 Gaps

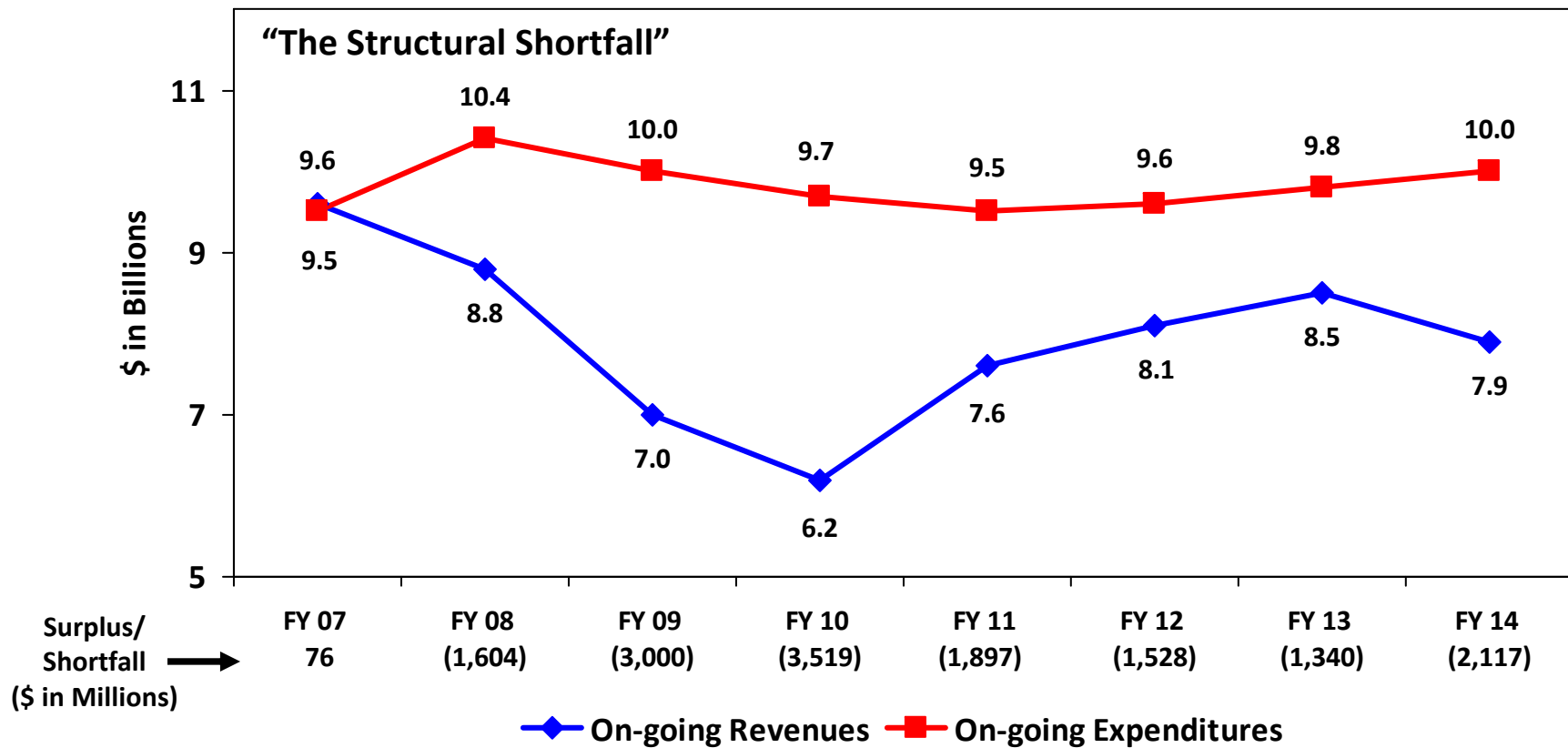
- Based on consensus revenues and active formula growth
- FY '12: Federal assistance expires
- FY '14: Sales tax expires and increases shortfall
- Does not include \$1 B+ In suspended formulas (Appendix)



Prop 302 Failure Increases Shortfall Another \$80 M

# Structural Gap Exceeds Cash Gap

- Represents On-Going Revenues Versus On-Going Expenditures



## State Fiscal Policy As Measured By Its Credit Rating - Rating Is Lower Than Most Other States

---

- ❑ Still Investment Grade – 5<sup>th</sup> highest level (out of 10) for GF-backed financing
- ❑ Recent downgrade due to:
  - Economic and financial weakness
  - Structural imbalance and reliance on one-time solutions
  - Constitutional limits on raising revenues and reducing spending
- ❑ But outlook has shifted from “negative” to “stable” reflecting:
  - Recent revenue improvement
  - Recent efforts to reduce structural deficit

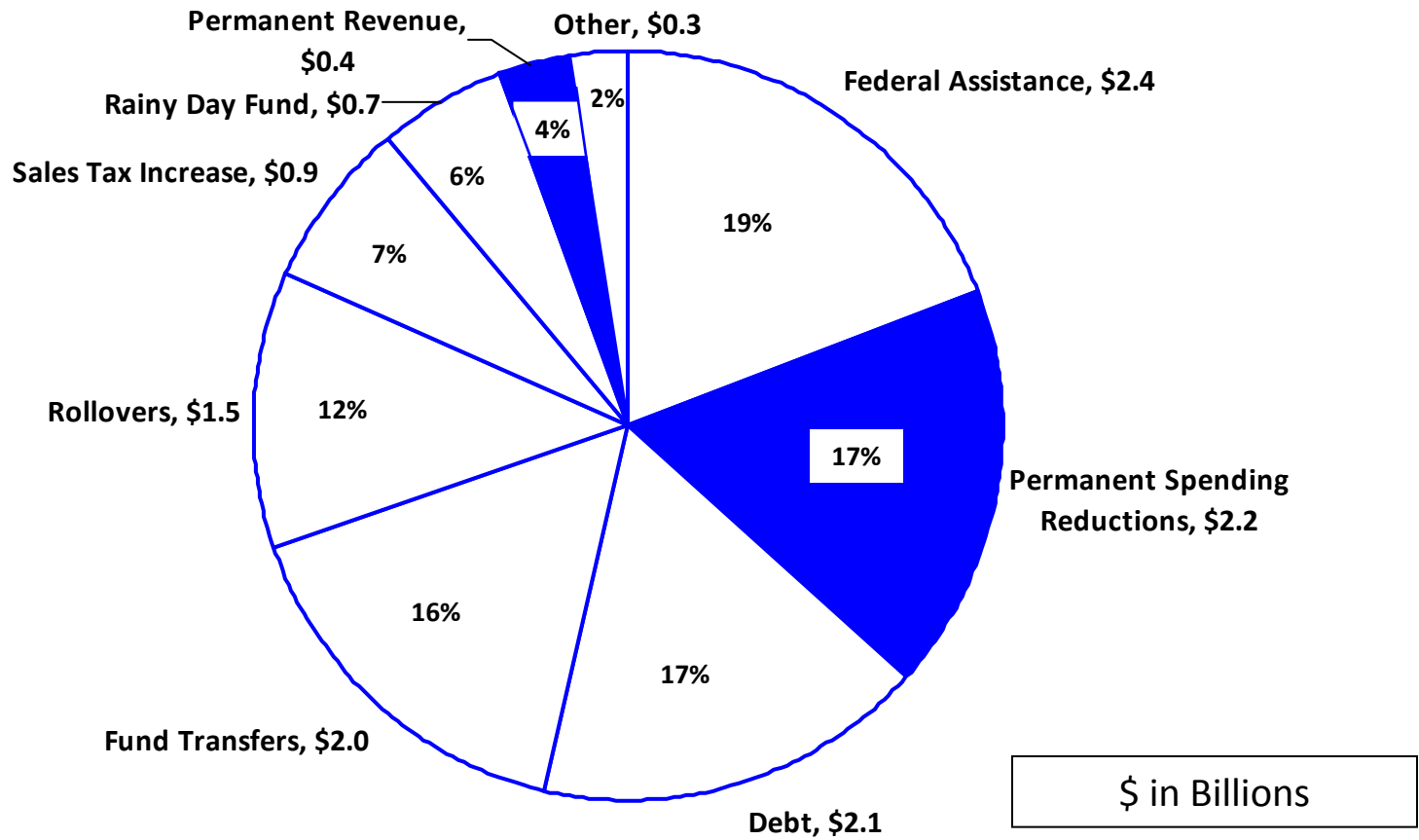
---

**Where Do We Go From Here?**



# Since FY '08, State Has Used Mostly Temporary Solutions to Resolve Budget Shortfalls

## - \$12.5 B In Cumulative Solutions



## Can We Eliminate FY '11 Shortfall By Using The \$862 M In Contingency Reductions? - Originally Linked To Failure Of 1-Cent Sales Tax

---

- ❑ Cuts include \$429 M for K-12, \$122 M for Higher Ed., and \$114 M for AHCCCS.
- ❑ Would reduce education spending below federal minimum – could have to pay back \$1.2 B
- ❑ Statutory changes needed for \$600 M of \$862 M in cuts – reenacting mid-year would significantly reduce savings
  - Without an emergency clause, savings would be \$100 M rather than \$600 M.

# Federal Maintenance of Effort (MOE) Requirements May Limit State's Flexibility

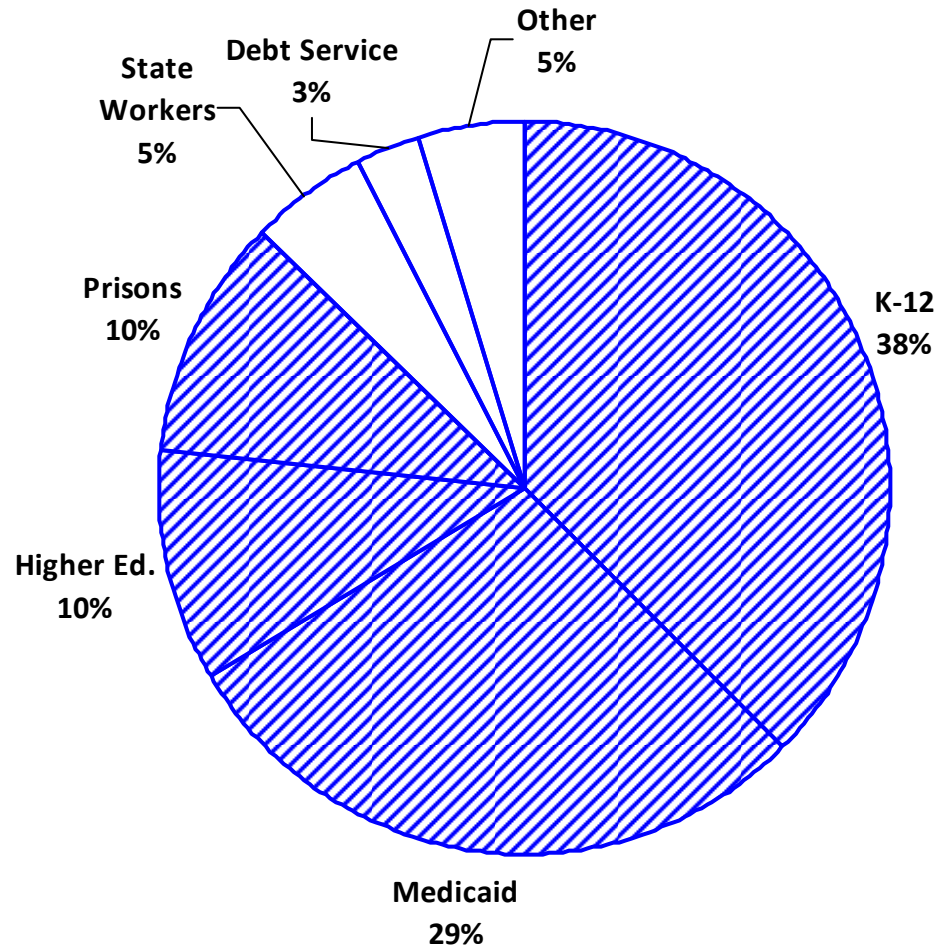
---

- ❑ Federal health care legislation prevents state from changing most Medicaid eligibility
  - Changes could result in loss of \$7 B in federal matching
  - Can still modify rates at any time
  
- ❑ Federal education stimulus prevents state from reducing spending below FY '06 level
  - K-12 and Higher Education already at FY '06 level
  - Requirement expires at end of FY '11

# The 3 Main Drivers of General Fund Spending Are Education, Health, and Prisons

- Represents 87% of On-Going General Fund Budget

	(FY '11 \$ in Millions)
Education (K-12)	\$ 3,559.1
Medicaid	2,749.7
Higher Education	990.9
Prisons	985.8
State Workers	509.0
Debt Service	270.7
Other	<u>459.1</u>
<b>TOTAL</b>	<b>\$ 9,524.3</b>

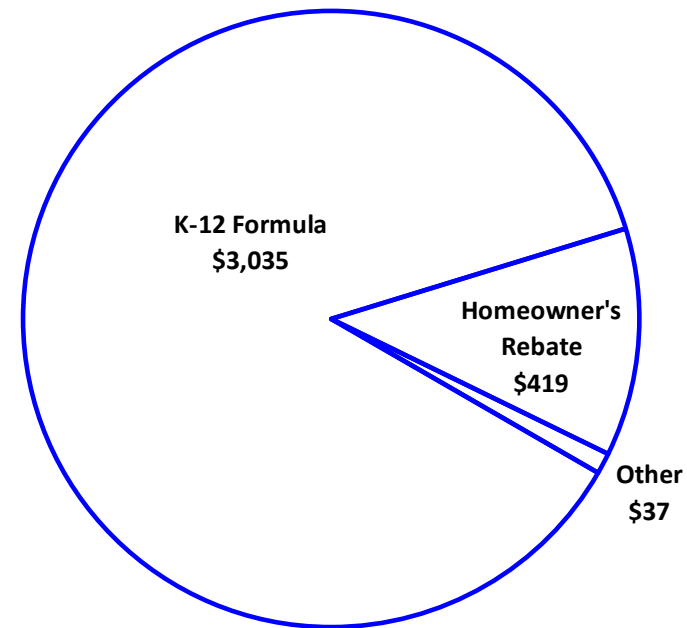


# K-12 Remains Single Largest General Fund Function

## - Supplemented with \$2.3 B in Local Property Taxes

---

- ❑ 12% of K-12 Budget is Property Tax Relief
- ❑ K-12 Currently Funded at '06 Level – Required Federal Minimum
- ❑ Federal Maintenance of Effort Expires in June

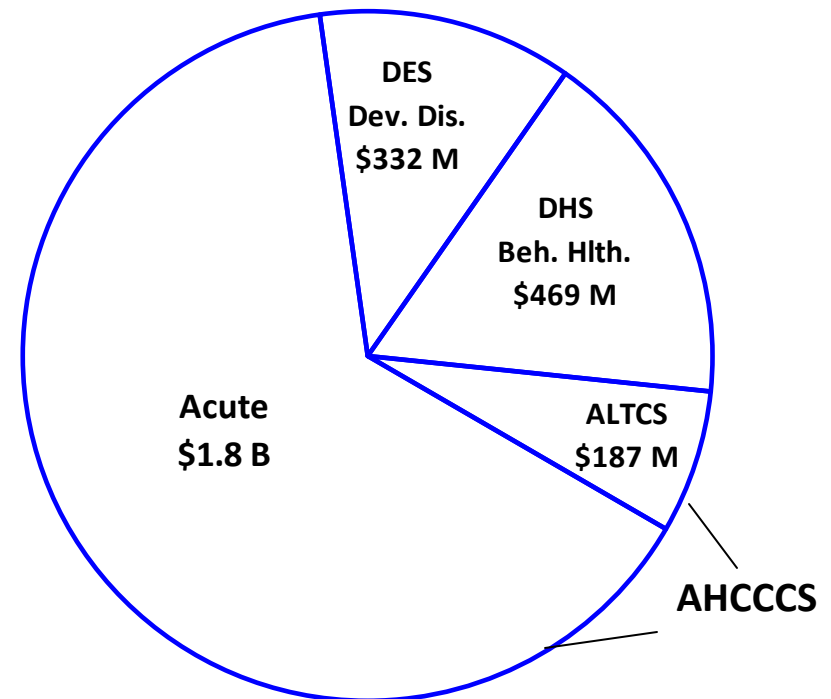


FY '11 Ongoing GF - \$3.56 B

# Medicaid Spending of \$2.7B Occurs in 3 Agencies

## - Draws Down \$7 B in Federal Matching \$

- ❑ Prop 204 increased eligibility from 30% to 100% of Poverty Level
- ❑ Feds Require state to maintain current eligibility or possibly lose match \$
- ❑ In '12, Prop 204 is estimated to cost \$750 M



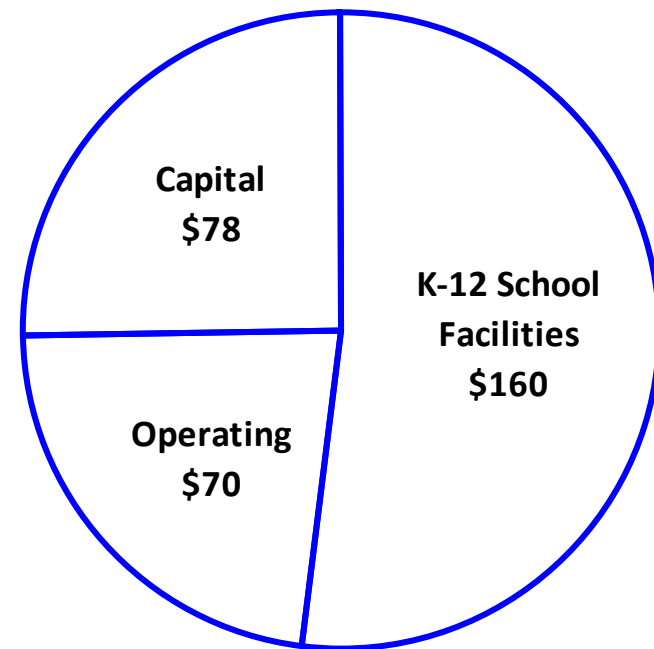
State Medicaid On-Going - \$2.7 B

# General Fund Debt Service Will Cost \$308 M In FY '12

- Equivalent to 7th Largest Budget Unit

---

- State has \$8.9 B in outstanding debt and lease-purchases
- General Fund share is \$3.9 B



FY 12 Debt Service \$ in M

# How Does Employee Retirement Affect Spending?

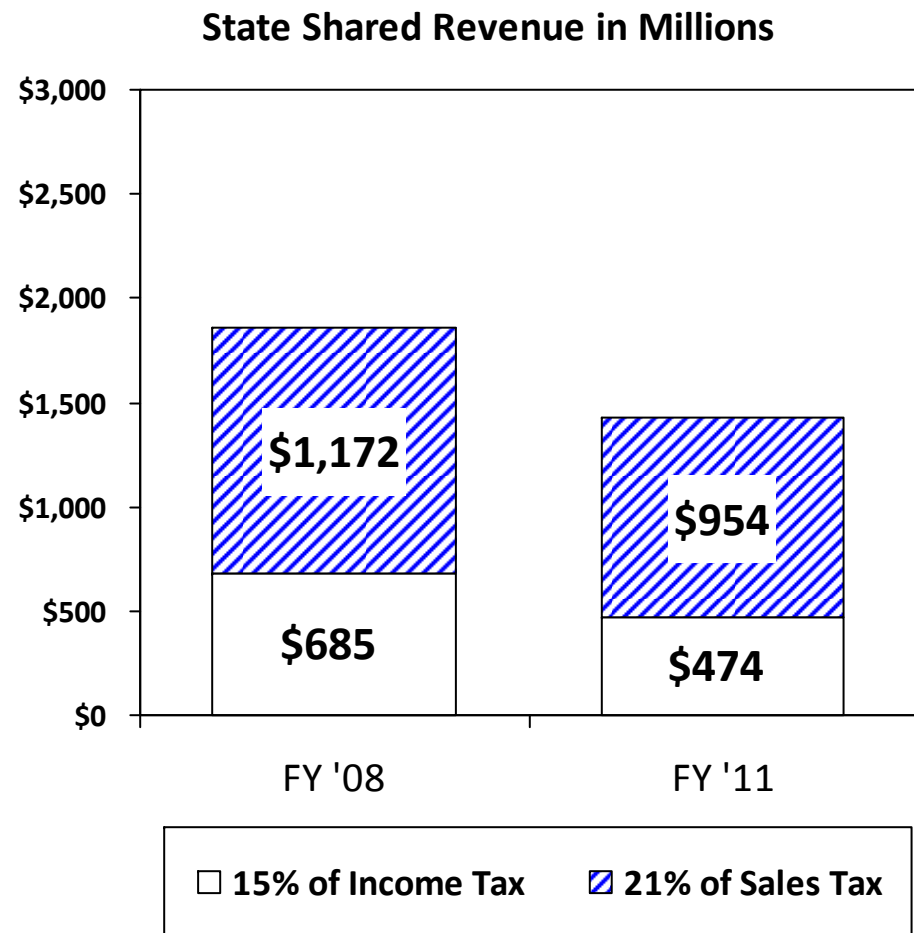
---

- ❑ Annual General Fund Cost is \$130 M
  - \$1.3 B Cost Reflects all State/Local Fund Sources
  - Included in Higher Education, Prisons and State Worker Shares.
- ❑ ASRS Cost Expected to Increase by \$14 M Over Next Several Years
  - Other Retirement Systems Will Also Cost More
- ❑ Retirement Systems Have Constitutional Protections
  - Benefits Cannot Be Reduced
  - Assumptions Must Be Actuarially Sound



# The State Shares \$1.4 B With Local Governments

- ❑ Does Not Show Up as Spending – Represents Revenue Diversion
- ❑ 15% of Income Tax to Cities
- ❑ 21% of Base Sales Tax to Cities/Counties
- ❑ HURF \$ Also Go To Locals



---

# Budget Process

# What Information Will Be Available on the Upcoming Budget?

---

- The Governor will release a budget proposal shortly after the Regular Session convenes.
- The JLBC will release an estimate of baseline shortfall under existing statutory formulas and technical adjustments.

# JLBC Baseline Provides Line Item Detail on Individual Agencies

## State Mine Inspector

JLBC: Ted Nelson  
OSPB: Melissa Harto

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	17.0	15.0	14.0
Personal Services	551,300	614,000	614,000
Employee Related Expenditures	212,100	177,200	177,200
Professional and Outside Services	66,000	45,600	45,600
Travel - In State	133,100	84,600	84,600
Travel - Out of State	8,400	0	0
Other Operating Expenditures	180,700	144,700	144,700
Equipment	10,800	2,700	2,700
<b>OPERATING SUBTOTAL</b>	<b>1,162,400</b>	<b>1,068,800</b>	<b>1,068,800</b>
<b>SPECIAL LINE ITEMS</b>			
Abandoned Mines Safety Fund Deposit	173,000	182,000	182,000
Aggregate Mined Land Reclamation	56,500	155,800	269,800
5th Special Session Reduction	0	(89,100)	(89,100)
<b>AGENCY TOTAL</b>	<b>1,391,900</b>	<b>1,317,500</b>	<b>1,431,500</b>
<b>FUND SOURCES</b>			
General Fund	1,335,400	1,161,700	1,161,700
<b>Other Appropriated Funds</b>			
Aggregate Mining Reclamation Fund	56,500	155,800	269,800
SUBTOTAL - Other Appropriated Funds	56,500	155,800	269,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,391,900</b>	<b>1,317,500</b>	<b>1,431,500</b>
Other Non-Appropriated Funds	35,500	115,000	115,000
Federal Funds	317,700	282,800	282,800
<b>TOTAL - ALL SOURCES</b>	<b>1,745,100</b>	<b>1,715,300</b>	<b>1,829,300</b>

### CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	114,000	73.2%
Total Appropriated Funds	114,000	8.7%
Non-Appropriated Funds	0	0.0%
Total - All Sources	114,000	6.6%

**AGENCY DESCRIPTION** — The State Mine Inspector is an elected constitutional officer. 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.

### Operating Budget

The Baseline includes \$1,068,800 and 14 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

### Abandoned Mines Safety Fund Deposit

In addition to General Fund appropriations, deposits can be made into the Abandoned Mines Safety Fund from sources such as intergovernmental agreements and donations.

\*\*\*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

### FOOTNOTES

#### Standard Footnotes

All Aggregate Mining Reclamation Fund receipts received by the State Mine Inspector in excess of \$269,800 in FY 2011 are appropriated to the Aggregate Mined Land Reclamation line item. Before the expenditure of any Aggregate Mining Reclamation Fund receipts in excess of \$269,800 in FY 2011, the State Mine Inspector shall report the intended use of the monies to the Joint Legislative Budget Committee.

### OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

#### 5% FTE Position Reduction

The State Mine Inspector was budgeted 15 General Fund FTE Positions in FY 2010. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the State Mine Inspector to reduce no additional General Fund FTE Positions in FY 2010 and 1 General Fund FTE Position in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

### Aggregate Mined Land Reclamation

The Baseline includes \$269,800 from the Aggregate Mining Reclamation Fund for the Aggregate Mined Land Reclamation Special Line Item in FY 2011. FY 2011 adjustments would be as follows:

#### Increased Workload OF \$114,000

The Baseline includes an increase of \$114,000 from the Aggregate Mining Reclamation Fund in FY 2011 for increased workload. The department estimates it will receive between 20 and 30 new reclamation plans for review. This increase will allow the department to expend the fees paid for the review.

Monies in this special 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.

### 5<sup>th</sup> Special Session Reduction

The Baseline includes \$(89,100) from the General Fund in FY 2011 to continue the 5<sup>th</sup> Special Session FY 2010 Lump Sum Reduction. This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

### SUMMARY OF FUNDS

	FY 2009 Actual	FY 2010 Estimate
<b>Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants and contributions. The Legislature may appropriate matching monies.		
<b>Purpose of Fund:</b> To locate, inventory, classify and eliminate public safety hazards at abandoned mines.		
<b>Funds Expended</b>	35,500	115,000
<b>Year-End Fund Balance</b>	191,300	76,300
<b>Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected from exploration and aggregate mining operations.		
<b>Purpose of Fund:</b> To review aggregate mined land reclamation plans and to enforce compliance with the plans.		
<b>Funds Expended</b>	56,500	155,800
<b>Year-End Fund Balance</b>	154,000	9,600

# What Does A Budget Adoption Include?

---

- Number of personnel.
- Funding level by year.
- Budget format – detailed lines or lump sum.
- Footnotes – sets conditions on spending or requires reports.
- Statutory changes if related to budget (BRB's – Budget Reconciliation Bills).

---

# **JLBC – Member and Staff Role**

**JLBC**

# What is the Joint Legislative Budget Committee?

---

- ❑ 8 members from each house.
- ❑ Chairmanship rotates between 2 Appropriations Committee Chairmen.
- ❑ Committee has 178 statutory responsibilities.
- ❑ During the interim between sessions, the JLBC provides legislative oversight of state fiscal issues.
- ❑ The Joint Committee on Capital Review is comparable committee for capital issues.

# What is the JLBC Staff Role?

---

- ❑ 20-person non-partisan staff that provides the Legislature with assistance on all state fiscal issues.
  - Includes analysts assigned to review the budgets of over 100 state agencies.
  - Includes economists responsible for revenue forecasts.
- ❑ Develops baseline estimates released at beginning of session.
- ❑ Provides briefing materials and analysis for JLBC and JCCR committees.
- ❑ Responds to information requests from all legislators.



# JLBC Staff Develops Cost Estimates of Proposed Legislation

- ❑ Cost estimates are known as “Fiscal Notes”.
- ❑ Members can request a note on their own bills or other members’ bills.
- ❑ Goal is a 18-day turnaround.

## Fiscal Note

**BILL #** HB 2711

**TITLE:** tax incentives; biodiesel; ethanol 85

**SPONSOR:** Boone

**STATUS:** As Amended by House ENV

**PREPARED BY:** Tim Everill

### FISCAL ANALYSIS

#### Description

The strike everything amendment to this bill provides that after January 1, 2007, real and personal property and improvements used specifically to produce ethanol or 100% biodiesel fuels are to be classified as Class 6 property for property tax purposes rather than Class 1.

#### Estimated Impact

The bill would not have a fiscal impact relative to the current revenue base as there are no existing biodiesel or ethanol fuel production facilities in the state. There is a facility being constructed so the bill would result in future foregone increases in net assessed value (NAV). The foregone increases in NAV would have reduced the state’s K-12 education formula cost.

#### Analysis

As noted above, there are currently no biodiesel or ethanol fuel production facilities located in the state. However, construction has begun on an ethanol fuel production facility located near the city of Maricopa. The plant’s owner indicates that the plant will cost approximately \$62 million to build, and that construction will be completed by February 2007.

Based on the construction schedule, the plant would enter the property tax rolls in TY 2009, providing an increase in statewide NAV. However, assuming that under current statute, biodiesel or ethanol fuel production facilities would be classified as Class 1 (commercial) property, this bill would result in less of an increase in statewide NAV in TY 2009, as Class 1 property would be assessed at 23% of its full cash value in TY 2009, and Class 6 property is assessed at 5%. The dollar impact of the reduced assessment ratio for this property on FY 2010 property tax revenue cannot be determined. It is difficult to estimate the assessed value of commercial property based on the initial construction cost of the facility.

While this bill may result in some foregone increase in statewide NAV, it should be noted that the provisions of this bill may provide an incentive for further construction and expansion of biodiesel and ethanol production facilities in the state, resulting in further increases in NAV.

#### Local Government Impact

This bill would result in foregone property tax revenues for local governments in FY 2010 and beyond


# JLBC Staff Updates Members Monthly on Fiscal Issues

- Publishes Monthly Fiscal Highlights with updates on general budget issues, revenue collections, spending, and state agency reports.

**JLBC - Monthly Fiscal Highlights**
October 2010

1716 W. Adams  
Phoenix, AZ 85007

Phone:  
(602) 926-5491  
Fax:  
(602) 926-5416




[www.azleg.gov/jlbc.htm](http://www.azleg.gov/jlbc.htm)

*"Overall, first quarter [base revenue] growth totaled 4.1%, the highest quarterly increase since the 3<sup>rd</sup> quarter of FY 2007."*

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on October 26, 2010.

## Summary



Led by a substantial growth in Corporate Income Tax collections, adjusted September General Fund revenues grew by 10.7% over last year. Overall, first quarter growth totaled 4.1%, the highest quarterly increase since the third quarter of FY 2007.

While the General Fund revenue growth is a positive sign, the pace of the recovery remains very uneven as September sales tax collections declined for the fourth consecutive year.

September General Fund collections totaled \$800.7 million, or \$10.5 million above forecast. Given July and August losses, however, year-to-date revenues are still \$(28.7) million below budget.

In comparison, September General Fund spending was \$820 million, or \$339 million above last year. The increase was primarily due to a different monthly payment schedule for the Arizona Department of Education (ADE) and the Universities.

Year-to-date revenues of \$2.1 billion have been offset by \$3.4 billion in spending. This imbalance caused the state's operating fund balance to decline to \$236.3 million at the end of September. The state pays its bills out of the operating fund balance, which consists of General Fund monies and certain dedicated funds.

**Background**  
September is a key revenue month as the state receives both quarterly Corporate and

Individual Income tax payments. In September, Corporate collections were \$49.9 million, or 73.5%, above September 2009. Given income tax confidentiality requirements, little is known about the specifics of this rebound. There are, however, at least 2 possible reasons for the September results.

First, the 3-year Corporate collections decline has been so precipitous that it is not as difficult to generate some large gains on the recovery side. Between FY 2007 and FY 2010, Corporate tax receipts declined from \$986 million to \$413 million. While the FY 2007 revenues probably included one-time monies due to the overheated real estate market, the FY 2010 returns were likely artificially low. In the last year, companies may have taken advantage of some of their unused carry-forward tax credits on a one-time basis to improve their balance sheets.

A second factor in the Corporate tax growth is the increased profitability of businesses. At the national level, corporate profits are projected to have grown by 37% in the last year. The increased profitability may have resulted from cost-cutting measures in the last year rather than substantial revenue gains. Corporate income taxes are based on net income which reflects both revenues as well as expenses.

While the corporate sector is looking healthier, concerns remain that the consumer side may hamper the economic recovery. September Sales tax collections declined by (2.0)%

### Table of Contents

<b>Summary</b> .....	8
• Background .....	1
<b>September Revenues</b> .....	2
<b>Economic Indicators</b> .....	4
<b>JLBC Meeting</b> .....	7
<b>Summary of Recent Agency Reports</b>	
• AHCCCS – Healthcare Group .....	7
• DES – Rates for DD Program .....	8
• DES – Child Care Expenditures .....	8
• DES – TANIF Grant Diversion Program .....	8
• DEQ – Progress of WGARF .....	8
• Supreme Court – Automation Projects .....	8
• Water Resources – Interstate Water Banking .....	9
<b>September Spending</b> .....	10





# Glossary

## GLOSSARY OF TERMS

### **ADM**

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

### **Appropriation**

Money that is budgeted for a state agency or program.

### **ASRS**

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

### **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.

### **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.”)

### **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.

**FTSE**

Pronounced “footsie”, it stands for full-time student equivalent. Community college enrollment is measured by FTSE’s.

**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.

**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.

**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 any 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

**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 Shortfall**

When the state budget has more permanent spending than permanent revenue 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.")

**Title 19**

Refers to the title of the federal legislation that authorizes Medicaid, indigent health services.

**Trigger**

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

**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

# Appendix: Funding Formula Suspensions

## Statutory Funding Formula Suspensions

<u>Agency</u>	<u>Formula</u>	<u>Savings</u>
Community College	Operation and Equalization Formula	\$7,486,100
	Capital State Aid Suspension	\$20,652,500
Department of Education	Soft-Capital Formula	\$165,120,700
	New Utilities Formula	\$100,000,000
	Charter School Additional Assistance	\$10,000,000
Department of Emergency & Military Affairs	Military Installation Fund Deposit	\$2,800,000
	Governor's Emergency Fund	\$2,100,000
Department of Environmental Quality	WQARF	\$8,000,000
Judiciary	Probation Revocation Payment	\$2,410,300
School Facilities Board	Building Renewal	\$231,715,400
Tourism	Tourism Funding Formula	\$14,613,300
State Treasurer	Justice of the Peace Salaries	\$1,115,000
Universities	Financial Aid Trust	\$2,797,800
Department of Water Resources	Water Protection Fund Transfer	<u>\$5,000,000</u>
Subtotal		\$573,811,100
Future Year Cost – Department of Education	Teacher Performance Pay (by FY 2018)	\$278,000,000
Future Year Cost – School Facilities Board	New School Construction (If enrollment returns to pre-recession level)	<u>\$386,000,000</u>
Total		\$1,237,811,100

## Non-Statutory Formula Suspensions

Department of Administration	Building Renewal	\$33,400,000
Universities	Enrollment	\$32,390,800
	Building Renewal	<u>\$88,957,100</u>
Subtotal		\$154,747,900

