

## HIGHLIGHTS OF THE FY 2002 – 2003 BUDGET

**Overall Budget** — The State of Arizona’s enacted FY 2002 and FY 2003 General Fund budget is \$13.6 billion. The FY 2002 budget is \$6.5 billion and the FY 2003 budget is \$7.0 billion. In addition, voters approved a 0.6% sales tax increase in November 2000 for education programs. With the addition of these dedicated General Fund monies, the biennial budget total is \$14.5 billion. After accounting for non-General Fund monies, the state’s “all funds” biennial budget is \$33.8 billion. *See page BD-8 for information on appropriated fund spending and page BD-15 for all funds spending.*

**Revenue Estimates** — State and national economic conditions declined from the time that the Legislature began to consider the budget in January 2001 to its approval in April 2001. During the course of the session, the Legislature reduced its revenue estimates by approximately \$600 million for the FY 2001 through FY 2003 period. The final Legislative General Fund budget assumes baseline revenue growth (prior to any adjustments for tax reductions) of 6.8% over the 3 year forecast period. *See page 462 for the General Fund revenue forecast.*

**Veto**es — The enacted budget reflects \$140.3 million in gubernatorial vetoes. This amount excludes vetoes of Disproportionate Share Hospital funding, which would have been deleted in any circumstance as part of the new Proposition 204 medical assistance program. *See page BD-3 for the list of gubernatorial vetoes*

**Ending Balance** — With the Legislature’s revenue growth estimates and the vetoes, the state has a General Fund ending balance of \$145.9 million at the end of FY 2003. This estimate, however, will likely be revised later in the year as updated economic data becomes available. *See the following page for the Statement of Revenues and Expenditures.*

**Triggers** — If economic and revenue conditions improve beyond the enacted budget assumptions, the Legislature has already approved a spending plan for these added monies. The first \$50 million in “excess” revenue is dedicated to the ending balance. Up to another \$88.1 million in excess revenues would “trigger” a variety of spending increases and tax reductions. *See page BH-14 for the list of triggered appropriations.*

**Salary Adjustments** — The budget includes a 5% increase in state employee pay, with a minimum adjustment of \$1,500, on April 1, 2002 and another 5% increase and \$1500 minimum on April 1, 2003. These pay adjustments along with special adjustments for correctional officers cost \$24.2 million in FY 2002 and \$119.8 million in FY 2003. *See page GP-1 for more information on the salary adjustments.*

**Arnold v. Sarn** — The budget appropriates an additional \$27.5 million in FY 2002 and \$54.9 million in FY 2003 to address the state’s ongoing litigation concerning seriously mentally ill services. *See page 260 for the further details.*

**Proposition 301** — As noted above, the voters approved a 0.6% increase in the sales tax rate to fund a variety of education related programs. This dedicated sales tax will add \$486.0 million in new revenues in FY 2002 and \$524.7 million in FY 2003. *See page 180 for further details on Proposition 301.*

**Proposition 204** — The voters also approved Proposition 204 in the November 2000 General Election. Proposition 204 would use the state’s tobacco litigation settlement revenues to fund health care coverage for all individuals with incomes below 100 percent of the federal poverty level. *See page 50 for further details on Proposition 204.*

**Performance Measures** — The Legislature included performance measures for the first time in each state agency’s appropriation. Most agencies have at least 5 measures, including customer satisfaction and administrative cost data. *See individual agency narrative starting on page 1 for the measures.*