

Major Policy Issues

FY 2002 and FY 2003 Increases Above the FY 2001 Budget

MAJOR ISSUES	APPROVED BUDGET
General Fund Budget	<p>Total Biennial Budget: \$13.6 Billion without Proposition 301 / \$14.5 Billion with 301 FY 02: \$6.5 Billion without Proposition 301; \$7.0 Billion with 301 FY 03: \$7.0 Billion without Proposition 301; \$7.5 Billion with 301</p> <ul style="list-style-type: none"> Proposition 301 authorized a 0.6% Education Sales Tax. These monies are in a dedicated portion of the General Fund and do not require appropriation.
General Fund Baseline Revenue Growth	<p>FY 01 – FY 03: 6.8% Average Annual Growth 7.1% in FY 01, 6.3% in FY 02, and 7.0% in FY 03</p>
General Fund Spending Growth	<p>FY 02: \$170.4 Million Above FY 01 without Prop. 301 / \$631.4 Million Above with 301</p> <ul style="list-style-type: none"> 2.7% Above FY 01 without 301; 9.9% Above FY 01 with 301 <p>FY 03: \$629.5 Million Above FY 01 without 301; \$1,129.2 Million Above with 301</p> <ul style="list-style-type: none"> 9.5% Above FY 01 without 301; 17.8% Above FY 01 with 301 <p>FY 03: \$459.1 Million Above FY 02 without 301; \$497.8 Million Above FY 02 with 301</p> <ul style="list-style-type: none"> 7.1% Above FY 02 without 301; 7.1% Above FY 02 with 301
General Fund - Tax Reductions	<p>FY 02 and FY 03: \$7.5 M Below FY 01</p> <ul style="list-style-type: none"> \$7.5 M guaranteed tax cut to increase the standard deduction by \$450 for single filers and \$900 for joint filers. \$13.1 M triggered cut to decrease the lowest Personal Income Tax rate from 2.87% to 2.81% if all triggers are met. Could start in FY 02 or FY 03. \$34 M in FY 03 triggered cut to Corporate Income Tax rates if all triggers are met.
Triggered Appropriations	<p>FY 02 and FY 03: 3 levels of triggered appropriations (<i>See page BH-14 for details</i>):</p> <ul style="list-style-type: none"> Triggers based on exceeding forecasted FY 01 or FY 02 revenue. First \$50 M by which revenues exceed the forecast remains in the Ending Balance. Trigger 1: Revenue must exceed forecast by \$79.7 M if based on FY 01 revenue and by \$73.5 M if based on FY 02 revenue. Trigger 2: Revenue must exceed forecast by \$104.1 M if based on FY 01 revenue and by \$91.4 M if based on FY 02 revenue. Trigger 3: Revenue must exceed forecast by \$138.1 M if based on FY 01 revenue and by \$125.4 M if based on FY 02 revenue.
General Fund - Vetoed Appropriations	<p>FY 02: \$(77.1) M in Vetoes</p> <ul style="list-style-type: none"> \$(34.4) M in Capital expenditures, including \$(27.5) M for Universities' Building Renewal. \$(5.5) M for the 5% provider rate increase scheduled to begin April 1, 2002. \$(3.4) M for Secretary of State Optical Scan voting equipment. \$(2.5) M for the Water Protection Fund \$(15.0) M for Premium Sharing and Healthcare Group in the AHCCCS budget. \$(1.0) M for Universities' salary adjustments
	<p>FY 03: \$(63.1) M in Line Item Vetoes</p> <ul style="list-style-type: none"> \$(32.6) M in Capital expenditures, including \$(29.7) M for Universities' Building Renewal. \$(15.0) M for Premium Sharing and Healthcare Group \$(2.0) M for Universities' salary adjustments.

Arnold v. Sarn	<p>FY 02: \$39.2 M</p> <ul style="list-style-type: none"> \$27.5 M GF appropriations for either Title XIX or Non-Title XIX SMI. \$11.7 M for SMI Title XIX Enrollment and Inflation. Proposition 204 will provide significant additional funding from the Tobacco Settlement and Federal funds. <p>FY 03: \$69.2 M</p> <ul style="list-style-type: none"> \$54.9 M GF appropriations for either Title XIX or Non-Title XIX SMI. \$14.3 M for SMI Title XIX Enrollment and Inflation. Proposition 204 will provide significant additional funding from the Tobacco Settlement and Federal funds.
Proposition 204	<p>FY 01: \$0 Net Impact</p> <ul style="list-style-type: none"> Includes technical changes to the Disproportionate Share Hospitals (DSH) program. <p>FY 02: \$(12.0) M</p> <ul style="list-style-type: none"> \$(167.0) M in MNMI savings are used to offset other General Fund costs. \$12 M to the Arizona State Hospital for DSH losses was line item vetoed resulting in a net savings for the bill. <p>FY 03: \$(12.0) M</p> <ul style="list-style-type: none"> \$(174.6) M in MNMI savings are used to offset other General Fund costs. \$12 M to the Arizona State Hospital for DSH losses was line item vetoed resulting in a net savings for the bill.
Salary Adjustments	<p>FY 02: \$24.2 M</p> <ul style="list-style-type: none"> 5% across the board increase for all state employees beginning April 1, 2002. \$1,500 minimum for employees learning less than \$30,000 per year. <p>FY 03: \$119.8 M</p> <ul style="list-style-type: none"> Further 5% across the board increase beginning April 1, 2003. \$1,500 minimum for employees learning less than \$30,000 per year.
State Employee Health Insurance	<p>FY 02: \$20.3 M</p> <p>FY 03: \$45.5 M</p> <ul style="list-style-type: none"> Statewide average employer premium increase of 32%; includes 16% urban increase, 92% rural increase.
Provider Rate Increase	<p>FY 02: \$3.7M</p> <ul style="list-style-type: none"> 3.7% increase for AHCCCS Long-Term Care providers for salary increases to direct care staff on October 1, 2001, plus 3.5% for medical inflation. \$5.5 M for 5% increase on April 1, 2002 for non-AHCCCS providers was-vetoed. <p>FY 03: \$24.4 M</p> <ul style="list-style-type: none"> 3.7% increase for AHCCCS Long-Term Care providers on October 1, 2002; plus 3.5% for medical inflation. 5% increase in community treatment provider rates on July 1, 2002. Further 5% increase on January 1, 2003 for DD providers and April 1, 2003 for other non-AHCCCS providers. For salary increases to direct care staff earning less than \$13 per hour and in some DES providers, targeted to the lowest paid providers.
Alternative Fuels / BSF Payback	<p>FY 01 – FY 03: \$16 Million annually</p> <ul style="list-style-type: none"> General Fund budget sets aside \$16 M annually to repay the Budget Stabilization Fund (BSF) for alternative fuel vehicle (AFV) tax credits. The BSF is required to pay for the cost of any AFV tax credits and consumer loss recovery payments, up to a level of \$200 M.
Capital Outlay	<p>FY 02: \$8.7 M</p> <ul style="list-style-type: none"> 0% ABOR and 27% ADOA (from Other Funds) building renewal due to vetoes. \$3.4 M Advance Appropriations (Parks, DEMA, UofA) \$4.0 M ASU/UofA Digital Television Conversion <p>FY 03: \$5.6 M</p> <ul style="list-style-type: none"> 0% ABOR and 28% ADOA (from Other Funds) building renewal due to vetoes. \$2.3 M Lease-Purchase to construct a new State Health Laboratory \$1.6 M Lease-Purchase to construct a new State Archives Building