

FY 2020
Baseline Book

January 2019

JLBC

FY 2020 BASELINE BOOK

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FY 2020 BASELINE SUMMARY

Overview

The FY 2020 Baseline provides an estimate of the state's General Fund balances. The revenue projections reflect a consensus economic forecast while the spending estimates represent active funding formula requirements and other obligations. The Baseline does not represent a budget proposal, but an estimate of available resources after statutory requirements.

The JLBC Baseline parameters are as follows:

- Total FY 2020 General Fund revenue is projected to be \$12.12 billion. Ongoing revenues are forecast to grow by \$449 million, or 3.9%, above FY 2019. After adjusting these estimates for changes in one-time monies and Urban Revenue Sharing, however, total revenue growth would be \$783 million, or 6.9% above FY 2019.
- In comparison, FY 2020 Baseline formula spending is projected to be \$10.78 billion. This amount reflects a \$390 million, or 3.8%, increase in expenditures over FY 2019. Spending on current funding formulas would be partially offset by decreases in one-time spending.
- The projected FY 2020 cash balance is \$1.34 billion. When comparing ongoing revenues with ongoing spending, however, the structural balance in FY 2020 is \$546 million.

These estimates overstate the level of available resources in the FY 2020 budget for 3 reasons:

- Of the \$1.34 billion cash balance, the Baseline assumes that \$150 million will be reserved in the FY 2020 cash balance, reducing available resources to \$1.19 billion.
- The Baseline eliminates \$92 million of spending that was labeled as "one-time" in the FY 2019 budget. Of the \$92 million, \$81 million is for spending that has been included as one-time spending in multiple years' budgets (*see Table 1*). There may be legislative interest in retaining some of this spending, as well as in other new discretionary spending or tax decreases.
- The FY 2021 and FY 2022 budgets have a much smaller structural and cash balance. As a result, the Legislature could only add about \$200+ million in ongoing initiatives in FY 2020 without producing structural shortfalls in the FY 2021 and FY 2022 budgets. The remaining \$900+ million would be available for one-time proposals.

Table 1

Possible Retention Candidates

One-Time '19 Funding	\$ in M
SFB Building Renewal	34
Universities	11
DES - DD Prop 206/Other	13
State Employee Health	10
Counties - DJC/Other	13

FY 2019

The FY 2019 budget is currently projected to have a \$945 million balance, an increase of \$709 million from the original budget estimate of a \$236 million balance. Total revenues, including the beginning balance, are forecast to be \$11.34 billion compared to spending of \$10.39 billion. The net \$709 million adjustment has 3 components:

- Ongoing revenues are \$489 million greater than anticipated, the result of both higher actual FY 2018 and projected FY 2019 growth as compared to the original FY 2019 budget.
- One-time revenues are a net \$225 million greater than anticipated, the result a \$245 million increase in the beginning balance partially offset by a decrease of \$(20) million associated with one-time transfers.
- Spending is projected to be a net \$5 million higher than originally budgeted in FY 2019, primarily due to technical re-estimates.

FY 2020 Baseline Revenues

Both ongoing and one-time revenues are forecast to increase from FY 2019 to FY 2020. Total FY 2020 collections would increase by 6.9% to \$12.12 billion, or \$783 million above the revised FY 2019 estimate. The major adjustments are:

- Based on JLBC's 4-sector consensus, FY 2020 ongoing revenues are projected to grow by \$449 million, or 3.9%. Ongoing revenues reflect the underlying growth in the economy and exclude one-time adjustments, urban revenue sharing, but do incorporate enacted tax law changes (*see the General Fund Revenue section for more information*). This estimate excludes any impact associated with conforming to the federal tax law changes enacted in December 2017 (*see Other Major Revenue Issues section below for more details*).
- The state set-aside for urban revenue sharing formula distributions would increase from \$675 million to \$738 million, thereby decreasing state revenue by \$(63) million.
- A \$495 million increase in the balance forward between FY 2019 and FY 2020 is the third major adjustment. The state started FY 2019 with a cash balance of \$450 million, but higher-than-projected revenues as noted above are expected to produce an ending balance carried forward into FY 2020 of \$945 million.
- Elimination of one-time FY 2019 fund transfers would reduce revenues by \$(99) million.

FY 2020 Baseline Spending

Based on statutory funding formulas and other obligations, FY 2020 Baseline spending is projected to increase by 3.8% to \$10.78 billion, or \$390 million more than FY 2019. The major adjustments are:

- Department of Education formula spending would have a net increase of \$429 million due to 1.3% growth in student enrollment and a 2.0% inflation factor. The FY 2019 budget also authorized an additional 5% teacher pay adjustment and more additional assistance funding in FY 2020. These growth factors would be partially offset by savings associated with higher K-12 property tax collections.
- AHCCCS formula spending would grow by \$32 million, reflecting 1.7% caseload growth, a 3.0% capitation rate increase, increased match costs for the Children's Health Insurance Program (KidsCare), offset by use of prescription drug rebate balances.
- The Department of Economic Security (DES) budget would increase by \$37 million, primarily for Developmental Disabilities Medicaid growth.
- Department of Corrections spending would decrease \$(3) million for the elimination of a lease-purchase payment.
- University spending would decrease by \$(13) million, including the elimination of \$(11) million in one-time FY 2019 assistance and \$(3) million for NAU biomedical research funding, as authorized by Laws 2014, Chapter 18.
- School Facilities Board funding would be reduced by \$(38) million, reflecting the elimination of \$(34) million of one-time building renewal monies, \$(2) million for decreased costs of new school construction, and \$(2) million for decreased lease-purchase debt obligations. The Baseline includes a total of \$86 million for new construction, including \$37 million for the second and final year of FY 2019 authorizations and \$49 million for the first year of 7 new FY 2020 authorizations.
- Department of Public Safety (DPS) spending would decrease by \$(30) million for fund shifts to the new Highway Safety Fee authorized in the 2018 Legislative Session. (*See Highway Safety Fee discussion below.*)
- County assistance would fall by \$(13) million due to the elimination of one-time FY 2019 spending for 8 small rural counties and a Department of Juvenile Corrections cost offset. Full-year implementation of the Highway Safety Fee in the Baseline budget would continue to fully undo the local HURF "sweep" as assumed in the FY 2019 budget's 3-year spending plan.
- Agency budgets would be reduced by \$(10) million statewide to eliminate a one-time state employer health insurance increase.

The \$10.78 billion spending level would support a Full-Time Equivalent (FTE) Position ceiling of 53,082 state employees from both General Fund and Other Appropriated Funds.

Other Fiscal Challenges

There are 3 important aspects to consider in creating a budget: 1) managing risk in setting the economic and revenue forecast, 2) setting spending and revenue priorities, and 3) ensuring both a structural and cash balance through the 3-year planning period.

Managing Forecast Risk

There are both positive and negative risks to the JLBC Baseline revenue estimates:

- *Length of Expansion:* The length of the current national economic recovery is approaching the record for the longest post-World War II expansion. If the economy makes it through FY 2019 without a recession, it would tie the record at 120 months.
- *Recession Likelihood:* While recessions are more commonly the result of a "shock" rather than "old age," many economists think one could occur by the end of calendar year 2020. Approximately two-thirds of 60+ leading economists in recent *Wall Street Journal* surveys predict the onset of a recession by that time. The current Chinese trade dispute, rising interest rates and the year-end stock market drop are the primary reasons for the forecasters' pessimism.
- *Current Strong Revenue Growth:* As of now, however, Arizona's economy and its revenue growth are still strong. The state ranks fourth overall in the country in terms of its economic momentum (personal income, population, and employment growth). Arizona has experienced healthy revenue growth of 6.9% in FY 2018 and 6.8% year-to-date in FY 2019.

The four-sector forecast projects 7.0% revenue growth through the end of FY 2019, but growth in FY 2020 through FY 2022 that is less than the long-term average of 4.25%. Because small percent changes in growth assumptions can have a substantial impact – over 3 years, a 1% change in revenue growth could change available revenues by \$725 million through FY 2022 – these risks could significantly change the final results of these budgets.

Setting Priorities

As noted above, the Baseline is only a starting point for budget discussions as it reflects changes to active statutory and other funding formulas and does not include discretionary changes. The FY 2020 Baseline has a large projected ending cash balance, but with a comparatively small amount of that available for ongoing spending (*see Ensuring Long-Term Balances below*). As a result, the Legislature will also need to consider the most appropriate use for the \$900+ million available for one-time initiatives.

The Baseline reserves \$150 million in the FY 2020 ending balance to keep the FY 2021 cash balance at a sufficient level to support \$200+ million in ongoing initiatives through FY 2022. The following list of items are options for allocation of the remaining 900+ million FY 2020 ending balance:

- Continuation of the \$81 million in reoccurring "one-time" spending from FY 2019 and zeroed-out in the Baseline
- Budget Stabilization Fund deposit
- K-12 building repair spending
- Transportation projects
- Debt repayment
- "Buy down" of K-12 rollover
- New (and renovation of) state office buildings
- Automation improvements

Ensuring Long-Term Balances

While the FY 2020 Baseline has a significant structural and cash balance, these balances decline through the end of the 3-year planning period. The smaller structural balances in FY 2021 and FY 2022 limit the state's ability to dedicate more than \$200+ million to ongoing initiatives in FY 2020. Beyond new spending and revenue issues, the Legislature may also consider allocating some of the \$200+ million towards making some or all of \$81 million of the reoccurring "one-time" spending ongoing.

In addition to the spending items listed above, the state faces ongoing litigation that may impact budgets such as:

- The K-12 Capital Funding litigation in Maricopa Superior Court.
- Litigation against the Department of Child Safety in United States District Court. The case was granted class-action status.
- The Rental Car surcharge litigation has a potential one-time impact of \$150 million. A Maricopa Superior Court has ruled that the rental car surcharge used to help fund the Arizona Sports and Tourism Authority is unconstitutional as those monies are to be dedicated for transportation. The Court also ruled that the state, and not the Authority, had the initial legal responsibility to repay the collected surcharges. While the Arizona Court of Appeals overturned the

ruling in favor of the state, the Arizona Supreme Court has decided to hear the plaintiffs' appeal of the Appeals Court ruling.

Other Major Revenue Issues

In addition to these challenges, the Baseline does not address 3 major actions on the federal level from the past 13 months that could potentially impact Arizona revenues:

- **State Tax Conformity:** Major federal tax changes known as the Tax Cuts and Jobs Act (TCJA) were enacted on December 22, 2017. The changes reduced the overall federal tax burden to businesses and individuals through reductions to federal income tax rates, partly offset by a net expansion of the federal income tax base. Due to tax code conformity, these federal changes have the potential to impact state revenues.

In Arizona, state definitions of income and various deductions used in determining state individual income and corporate income tax largely conform to federal definitions. When the federal government changes these definitions, the state needs to determine whether to adopt the federal changes. Thus far, no legislation to conform to the recent federal tax law changes has been enacted for Tax Year 2018.

If the state were to conform to the federal tax law changes, the JLBC Staff estimates that Arizona would collect an additional \$133 million of General Fund revenues in FY 2019, and \$184 million in additional revenues in FY 2020. These additional revenues are not incorporated into the Baseline revenue forecast. In January 2018, the Department of Revenue estimated an impact of \$50 million to \$250 million in additional General Fund revenues, with a point-estimate of \$236 million. In December 2018, the Executive released an estimate of conformity generating between \$180 million and \$200 million of General Fund revenues.

- **Wayfair Court Case:** In June 2018, the U.S. Supreme Court overturned in *South Dakota v. Wayfair* prior rulings by the same court, which had held that only businesses with a physical presence ("nexus") inside a state be required to collect that state's sales tax. The *Wayfair* ruling essentially "paved the way" for states to start collecting sales tax from out-of-state ("remote") sellers. Prior to this ruling, buyers of goods from remote vendors were legally required to pay use tax on such purchases. In practice, however, the use tax compliance among consumers was low. Based on the prorating of national estimates, the state General Fund revenue gain from the *Wayfair* ruling could potentially be \$85 million annually. It is currently unclear, however, what legal actions that the state must take before tax from remote sellers can be collected. Due to this uncertainty, the Baseline does not include any revenues from the *Wayfair* ruling.
- **Sports Betting:** In May 2018, the U.S. Supreme Court ruled the Professional and Amateur Sports Protection Act (PASPA) of 1992 to be unconstitutional. PASPA prohibited states from authorizing sports gambling. As a result of this ruling, states (including Arizona) are now allowed to impose a tax on sports betting. The potential revenue gain for Arizona is uncertain, as it would depend on several factors, including whether sports betting would be limited to Tribal-owned casinos only or be expanded to include retail locations (e.g. off-track betting locations) and online betting. In addition, the net revenue gain would also depend on the tax rate and to what extent sports betting would displace other forms of gambling. Due to these uncertainties, the Baseline does not include any tax revenues from sports betting.

(Please see General Fund Revenue Summary Section for more information on these 3 items.)

Highway Safety Fee

The historical usage of Highway User Revenues Fund (HURF) and State Highway Fund monies in the DPS budget resulted in monies being diverted from local government road construction and state highway construction. 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.

Laws 2018, Chapter 265 establishes a new Highway Safety Fee to fund DPS's Highway Patrol budget, so that DPS would no longer be funded from HURF. Chapter 265 requires the Director of the Arizona Department of Transportation (ADOT) to set the fee on vehicle registrations to fund 110% of the Highway Patrol budget for each fiscal year.

In November 2018, ADOT announced the Highway Safety Fee, which became effective December 1, 2018 for new vehicle registrations and effective January 1, 2019 for vehicle renewals. As a first step in calculating the fee, ADOT determined the DPS Highway Patrol Budget to be \$168 million. The additional 10% required by Chapter 265 is \$16.7 million. As a result, the fee is expected to generate \$185 million on an annual basis. ADOT estimates that approximately 5.8 million vehicles will be eligible for registration in 2019. The 5.8 million estimated number of vehicle registrations, along with the \$168 million Highway Patrol budget, resulted in a \$32 fee per vehicle, with off-highway vehicles paying \$5 per vehicle per year.

Since this new fee will be effective January 1, 2019, it is expected to raise roughly half the \$185 million in FY 2019, or \$91 million.

In FY 2020, the fee will pay the complete cost of the Highway Patrol budget. As a result, current funding for Highway Patrol will be redirected. This includes:

- Elimination of a full year of \$99 million in HURF for DPS expenses, which will be redirected to state and local road construction.
- Elimination of \$30 million in General Fund for DPS expenses, which will be replaced by the Highway Safety Fee. This amount was added to the DPS General Fund budget to replace HURF dollars in FY 2015.
- Redirection of \$23.2 million of Insurance Premium Tax (IPT) from Highway Patrol Fund to the General Fund. The IPT revenues had previously been deposited into the Highway Patrol Fund to supplement the Highway Patrol budget. With the creation of the Highway Safety Fee, these monies can be directed to the General Fund. Most IPT revenues are already deposited into the General Fund. The \$23.2 million estimate is based on the actual FY 2018 distribution.
- Reduction of \$7.5 million in State Highway Fund spending for Highway Patrol, which will be replaced by funding from the Highway Safety Fee. These freed-up monies in the State Highway Fund will be transferred to the General Fund through Vehicle License Tax (VLT) revenues.
- Continued funding of the \$7.3 million in new troopers added in FY 2019.
- Deposit of the excess \$16.7 million in Highway Safety Fee funds to the General Fund. This amount reflects the extra 10% of the Highway Patrol Budget. These monies will first be transferred to the State Highway Fund and then transferred to the General Fund through VLT revenues.

In total, the General Fund will benefit by \$107.4 million:

- \$30.0 million from eliminating a planned increase in funding to support local HURF.
- \$30.0 million from the 2015 DPS budget shift.
- \$23.2 million from diverting IPT from the Highway Patrol Fund to the General Fund.
- \$24.2 million of transfers from the State Highway Fund to the General Fund: \$16.7 million is from the 10% "Excess" Highway Safety Fee revenue and \$7.5 million is from freed up State Highway Fund monies no longer used in the DPS operating budget. These monies in the State Highway Fund will be transferred to the General Fund through VLT revenues.

Transportation spending will increase by \$69 million, including \$19 million to local HURF and \$50 million to the State Highway Fund.

Debt

At the end of FY 2020, the state's projected level of lease-purchase and bonding obligations will be \$6.8 billion. The associated annual debt service payment is \$917 million.

Of the \$6.8 billion in total obligations, the General Fund share is \$1.7 billion. The General Fund annual debt service is projected to be \$317 million in FY 2020 (*see the Debt and Lease-Purchase Financing section of the Capital Outlay narrative for additional information*).

As a remnant of the Great Recession, the state also pays \$931 million of current year K-12 obligations in the next year (the "rollover"). The \$6.8 billion estimate of total obligations also does not include any unfunded retirement liability.

Arizona's credit rating was last changed 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. Both ratings represent the agencies' third highest rating out of 10 possible levels. Using Standard & Poor's credit ratings as of December 2018, in comparison to other states, 25 states have a higher rating, 15 states have the same rating, and 9 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. Since May 2015, both major agencies have maintained a stable outlook for Arizona.

More recently, Standard & Poor's upgraded its rating on Arizona's 2010 Lottery bonds to AA+ from AA. While the rating only applies to the Lottery bonds and not the state's overall rating, Standard & Poor's cited the state's broad and diverse population base and growth in the past decade as one reason for the improved outlook.

Other Funds

Besides the General Fund, the state has dedicated special revenue funds. Only a portion of these monies is subject to legislative appropriation. The Baseline includes a FY 2020 Other Fund appropriated spending level of \$4.5 billion, or 0.7% above FY 2019.

The level of FY 2020 non-appropriated state funds is expected to be \$10.0 billion, while non-appropriated Federal Funds are forecast to be \$16.7 billion. When all appropriated and non-appropriated fund sources are combined, total FY 2020 state spending would be \$41.9 billion.

JANUARY BASELINE
STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 1/
WITH ONE-TIME FINANCING SOURCES

	FY 2019 Baseline	FY 2020 Baseline	FY 2021 Baseline	FY 2022 Baseline
REVENUES				
Ongoing Revenues	\$11,464,072,000	\$11,913,347,900	\$12,319,678,400	\$12,783,663,400
Urban Revenue Sharing	(674,804,400)	(737,573,600)	(792,281,400)	(827,005,300)
Net Ongoing Revenues	\$10,789,267,600	\$11,175,774,300	\$11,527,397,000	\$11,956,658,100
One-time Financing Sources				
Balance Forward	\$449,632,000	\$945,002,300	\$150,000,000 <u>4/</u>	
Fund Transfers	100,681,700	1,840,700		
Subtotal One-time Revenues	\$550,313,700	\$946,843,000	\$150,000,000	\$0
Total Revenues	\$11,339,581,300	\$12,122,617,300	\$11,677,397,000	\$11,956,658,100
EXPENDITURES				
Operating Budget Appropriations	\$10,200,028,900	\$10,652,528,200	\$11,296,630,700	\$11,730,661,600
FY 2019 Supplementals/Ex-Approp.	(28,405,400)			
Administrative Adjustments	143,000,000	150,000,000	156,000,000	165,000,000
Revertments	(167,000,000)	(173,000,000)	(183,000,000)	(188,000,000)
Subtotal Ongoing Expenditures	\$10,147,623,500	\$10,629,528,200	\$11,269,630,700	\$11,707,661,600
One-time Expenditures				
Capital Outlay	\$4,959,000			
Operating One-Time Spending	241,996,500	154,881,700	70,402,700	28,533,700
Additional (27th) Pay Period			98,000,000	
Subtotal One-time Expenditures	\$246,955,500	\$154,881,700	\$168,402,700	\$28,533,700
Total Expenditures	\$10,394,579,000	\$10,784,409,900	\$11,438,033,400	\$11,736,195,300
Ending Balance <u>2/</u>	<u>\$945,002,300</u>	<u>\$1,338,207,400 <u>4/</u></u>	<u>\$239,363,600</u>	<u>\$220,462,800</u>
Structural Balance <u>3/</u>	<u>\$641,644,100</u>	<u>\$546,246,100</u>	<u>\$257,766,300</u>	<u>\$248,996,500</u>

- 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 expenditures and excludes one-time adjustments. Excludes any Budget Stabilization Fund balance.
- 4/ The Baseline assumes that \$150 million will be reserved in the FY 2020 cash balance, and the remainder of the projected FY 2020 cash balance is presumed to be allocated as part of the FY 2020 budget process. The \$150 million allocation results in a \$200+ million FY 2021 cash balance being available for permanent initiatives.

SUMMARY OF ONE-TIME SPENDING

	FY 2019 Baseline	FY 2020 Baseline	FY 2021 Baseline	FY 2022 Baseline
Operating				
Agriculture - Industrial Hemp	\$ -	\$ 750,000	\$ -	\$ -
Attorney General - Criminal Division	1,500,000	1,500,000		
Corporation Commission - Railway Safety Inspectors	196,600			
Counties - DJC Local Cost Sharing Offset	11,260,000			
Counties - Partial EORP Cost Offset	1,655,500			
DES - One-Time Prop 206 Funding	11,000,000			
DES - One-Time DD Room and Board	2,000,000			
DES - SNAP Benefit Match Program	400,000			
DES - Food Banks	1,000,000			
ADE - Gifted Pupils	1,000,000			
ADE - Prop 301 Bridge	64,100,000	64,100,000	14,100,000	
ADE - Civics Pilot Program		500,000		
Governor - Youth Success Fund Deposit	1,500,000			
PSPRS - Prescott Fire Deposit	1,000,000			
SFB - Building Renewal Grants	34,417,900			
SFB - New School Construction (FY 18 Authorization)	37,989,800			
SFB - New School Construction (FY 19 Authorization)	49,636,700	36,726,700		
SFB - New School Construction (FY 20 Authorization)		49,305,000	35,694,800	
SFB - New School Construction (FY 21 Authorization)			20,607,900	16,607,900
SFB - New School Construction (FY 22 Authorization)				11,925,800
Transportation - West Valley Project	65,000			
Universities - ASU	4,245,000			
Universities - NAU	1,590,200			
Universities - UA	2,164,800			
Universities - NAU Freedom School	500,000			
Universities - ASU/UA Freedom Schools	2,000,000			
Universities - Arizona/Mexico Economic Development	250,000			
Veterans' Services - Hyperbaric Oxygen Therapy	25,000			
DWR - Water Study	100,000			
DWR - Water Protection Fund Deposit	400,000			
DWR - Drought Contingency Plan	2,000,000	2,000,000		
Other - HITF Deposit	10,000,000			
Subtotal - Operating Funding	\$ 241,996,500	\$ 154,881,700	\$ 70,402,700	\$ 28,533,700
Additional (27th) Pay Period - FY 2021			\$ 98,000,000	
Capital Outlay				
Capital - DEMA - Tucson Readiness Center	3,759,000			
Capital - DPS - Modular Housing	1,200,000			
Subtotal - Capital Outlay	\$ 4,959,000	\$ -	\$ -	\$ -
Total - One-time Spending	\$ 246,955,500	\$ 154,881,700	\$ 168,402,700	\$ 28,533,700

SUMMARY OF FY 2020 BASELINE REVENUE AND SPENDING ASSUMPTIONS

The JLBC Baseline revenue estimates include the 4-sector consensus forecast and previously enacted tax law and other revenue changes, while the expenditures represent a projection of active funding formula requirements and other obligations.

General Fund Cash Balances

- Given forecasted FY 2019 General Fund revenues of \$11.34 billion and spending of \$10.39 billion, the Baseline has a projected FY 2019 cash balance of \$945 million. Given forecasted FY 2020 General Fund revenues of \$12.12 billion and spending of \$10.78 billion, the Baseline has a projected FY 2020 cash balance of \$1.34 billion.
- Under the 3-year budget projections, there would be a cash balance of \$239 million in FY 2021 and a cash balance of \$220 million in FY 2022. These estimates assume the allocation of most of the FY 2020 cash balance as part of this year's budget process.
- The ending balance projections exclude the state's Budget Stabilization Fund reserve of \$470 million.

General Fund Structural Balances

- The General Fund structural balance is the difference between ongoing General Fund revenues and expenditures.
- The Baseline has a projected FY 2019 structural balance of \$642 million in FY 2019 and \$546 million in FY 2020. Due to the long term estimates, however, the state cannot designate most of this structural balance for permanent initiatives in FY 2020 and remain balanced through FY 2022.
- Under the 3-year budget projections, the structural balance is \$258 million in FY 2021 and \$249 million in FY 2022. As a result, the state can only commit approximately \$200+ million in FY 2020 and still retain a long term structural balance.

General Fund Revenues

- Projected FY 2020 revenues are \$12.12 billion, including:
 - ⇒ Based on JLBC's 4-sector consensus, ongoing revenues are projected to grow by \$449 million, or 3.9%.
 - ⇒ The state set-aside for urban revenue sharing formula distributions would increase from \$675 million to \$738 million, thereby decreasing state revenue by \$(63) million.
 - ⇒ The beginning balance would increase by \$495 million, from \$450 million at the beginning of FY 2019 to \$945 million at the start of FY 2020.
 - ⇒ One-time fund transfers would decrease by \$(99) million.
 - ⇒ Total revenues are forecast to increase in FY 2020 by \$783 million, or 6.9%, from \$11.34 billion in FY 2019 to \$12.12 billion in FY 2020.
 - ⇒ The revenue projections do not incorporate any revenue impacts of tax conformity associated with the federal Tax Cuts and Jobs Act (TCJA) or the U.S. Supreme Court rulings on out-of-state internet sales or sports betting.

General Fund Spending

- FY 2020 General Fund spending is projected to be \$10.78 billion, an increase of \$390 million, or 3.8%, above FY 2019.
- The entire FY 2020 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$41.9 billion.

Education

Department of Education

- ADE General Fund spending increases by \$429.5 million, or 9.1%, including:
 - ⇒ \$102.3 million for 1.3% student growth, for a total student count of 1.13 million.
 - ⇒ \$127.6 million for a 2.0% inflation adjustment of per pupil base level, transportation and charter additional assistance.
 - ⇒ \$(36.3) million for an increase in property tax collections due to new construction.
 - ⇒ \$164.7 million for an additional 5% teacher salary increase as authorized in the FY 2019 budget.
 - ⇒ \$67.8 million for second year of a 5-year plan to restore additional assistance funding.
 - ⇒ \$3.4 million for other changes.
- The Baseline continues to defer \$930.7 million in General Fund spending for school district payments from FY 2020 to FY 2021.

School Facilities Board

- SFB General Fund spending decreases by \$(38.4) million, or (14.0)%, including:
 - ⇒ \$(34.4) million for a decrease in one-time building renewal grant monies.
 - ⇒ \$(2.4) million for decreased debt service associated with expiring lease-purchase agreements.
 - ⇒ \$(1.6) for decreased costs of new school construction.
- The Baseline includes a total of \$86.0 million for new construction, which includes \$36.7 million for the second and final year of new FY 2019 authorizations and \$49.3 million for the first year of 7 new FY 2020 authorizations.
- The FY 2020 authorizations include 7 new schools in Chandler, Douglas, Maricopa, Pima, Safford, and Somerton (2) that would be completed in FY 2021.

Universities

- The Universities' General Fund spending decreases by \$(13.2) million, or (1.8)%, including:
 - ⇒ \$539,900 for a 2% increase to the 2017 Capital Infrastructure Funding program's annual appropriations.
 - ⇒ \$(8.0) million for the removal of one-time funding for operating or capital expenditures.
 - ⇒ \$(2.5) million for the removal of one-time funding for the operations of the School of Civic and Economic Thought and Leadership (ASU), the Center for the Philosophy of Freedom (UA), and the Economic Policy Institute (NAU).
 - ⇒ \$(3.0) million for the removal of NAU biomedical research funding, as authorized by Laws 2014, Chapter 18.
 - ⇒ \$(269,900) for other changes.
- Total university enrollment is expected to be approximately 181,800 full-time equivalent students in FY 2020, or 2.9% above FY 2019.

Community Colleges

- Community College General Fund spending increases by \$1.4 million, or 2.5%, including:
 - ⇒ \$1.9 million for equalization formula growth.
 - ⇒ \$(543,100) for statutory state aid formulas.
- FY 2018 rural district enrollment decreased by (798) full-time equivalent students, or (2.7)%, for a total enrollment of 28,299. Including the Maricopa and Pima districts, total enrollment decreased by (2,525), or (2.2)%, for total enrollment of 113,426.

Health and Welfare

AHCCCS

- AHCCCS General Fund spending increases by \$32.4 million, or 1.9%, including:
 - ⇒ \$56.2 million for formula adjustments, including 1.7% enrollment growth and a 3.0% capitation rate increase.
 - ⇒ \$18.2 million for a decrease in the federal Children's Health Insurance Program (CHIP) match rate from 100% to 90.5%, effective October 1, 2019.
 - ⇒ \$(5.1) million to annualize the FY 2019 transfer DD children's rehabilitative services from AHCCCS to DES.
 - ⇒ \$(36.9) million to reflect the availability of a \$36.9 million balance of prescription drug rebate monies.
- Statute requires AHCCCS to freeze enrollment in the KidsCare program when the CHIP match rate falls below 100%. The Baseline assumes that the enrollment freeze would result in a KidsCare population decline from 39,800 in June 2019 to 26,200 in June 2020, or a decrease of (34.2)%.
- Excluding KidsCare, AHCCCS enrollment is projected to grow to 1.78 million by June 2020. This level represents a caseload increase of 29,500, or 1.7%, above June 2019.
- The Baseline ex-appropriates \$(28.6) million in FY 2019 for lower-than-anticipated caseload and capitation growth.

Department of Child Safety

- DCS General Fund spending is unchanged.
- DCS' current benchmark is to have fewer than 13,964 children in out-of-home care by the end of FY 2019. As of October 2018, there were 14,209 children in out-of-home care.

Department of Economic Security

- DES General Fund spending increases by \$36.6 million, or 5.6%, including:
 - ⇒ \$42.0 million for Developmental Disabilities (DD) formula adjustments, including 4.7% enrollment growth and a 3.0% capitation rate increase.
 - ⇒ \$5.1 million to annualize the FY 2019 transfer of DD children's rehabilitative services from AHCCCS to DES.
 - ⇒ \$3.9 million for Proposition 206 DD provider rate adjustments associated with minimum wage increases.

- ⇒ \$(13.0) million to eliminate one-time funding for DD providers.
- ⇒ \$(1.4) million to remove one-time funding for food banks and the SNAP Benefit Match Program.
- Medicaid DD caseloads are projected to grow to 35,547 by June 2020. This level represents a caseload increase of 1,596, or 4.7%, above June 2019.
- TANF Cash Benefits caseloads are projected to be flat in FY 2020, resulting in estimated enrollment of 14,481 by June 2020.

Criminal Justice/Public Safety

Department of Corrections

- ADC General Fund spending decreases by \$(3.1) million, or (0.3)%, for the elimination of a lease-purchase payment.
- The systemwide prison population is projected to be 42,113, with no growth above FY 2019. In June 2020, ADC would have a permanent bed shortfall of (3,259). Taking into account 5,383 temporary beds, the shortfall becomes a surplus of 2,124 beds.

Judiciary

- Judiciary General Fund spending increases by \$7.1 million, or 6.1%, including:
 - ⇒ \$7.0 million to pay for 25% of Maricopa Superior Court judges salaries and benefits as authorized in the FY 2019 budget.
 - ⇒ \$137,500 to annualize the new adult standard probation officers funded in FY 2019.
 - ⇒ \$232,100 for a higher FY 2019 employment contribution rate in the Elected Officials Retirement Plan (EORP). The Baseline also includes this amount as an FY 2019 supplemental.

Department of Public Safety

- DPS General Fund spending decreases by \$(30.0) million, or (28.9)%, for fund shifts to the new Highway Safety Fee.
- The Baseline reduces the DPS Highway User Revenue Fund (HURF) appropriation by \$(15.5) million in FY 2020 and replaces it with a new Highway Safety Fee established by Laws 2018, Chapter 265.
- The total Highway Safety Fee collection would be \$185 million, or \$32 per registered vehicle. Including General Fund revenue adjustments, the total FY 2020 General Fund gain from the Highway Safety Fee is \$107 million.

Local Issues

- The Baseline includes a decrease of \$(11.3) million to remove a one-time distribution to counties to fully offset their contributions toward the cost of the Department of Juvenile Corrections (DJC).
- The Baseline 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 Baseline includes a decrease of \$(1.7) million to remove a one-time distribution to counties to offset increased EORP liabilities.
- The Baseline includes an increase of \$63 million, or 9.3%, for higher urban revenue sharing payments to city governments. Total funding would be \$737.8 million.
- The Baseline includes an increase of \$19.0 million for local road construction through the HURF formula. This amount consists of an increase of \$49.0 million from HURF formula monies, offset by a decrease of \$(30.0) million from repealing a HELP Fund transfer.
- The Baseline includes a \$5.0 million placeholder for county reimbursements associated with the 2020 Presidential Preference Election (PPE).

General Government

Revertments

- The Baseline assumes projected revertments at \$(173) million, which is an increase of \$6 million from FY 2019. (Revertments are unspent appropriations.)
- FY 2020 administrative adjustments are forecast to be \$150 million, which is an increase of \$7 million from FY 2019.

FY 2019 General Fund Supplementals/Ex-Appropriations

- The Baseline includes a net decrease of \$(28.4) million for FY 2019 adjustments, including:
 - ⇒ \$(28.6) million from the AHCCCS budget for lower-than-anticipated caseload and capitation growth.
 - ⇒ \$287,800 across several agencies for EORP retirement expenses. Most of the cost is for the Judiciary.
 - ⇒ \$(128,300) for the Land Department's Central Arizona Project payments.

State Employee Issues

FTE Position Increases

- The Baseline increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 160.3 FTE Positions in FY 2020, including:
 - ⇒ 54 FTE Positions for additional DD case managers in DES to reflect DD enrollment growth.
 - ⇒ 98 FTE Positions in the Judiciary to reflect the state beginning to contribute to existing judges' salaries in Maricopa County as enacted in the FY 2019 budget. These are not newly created positions.
 - ⇒ 8.3 FTE Positions for other adjustments.
- These adjustments would bring the total FTE Position ceiling to 53,081.8 in FY 2020.

State Employee Health Insurance

- The Baseline includes a decrease of \$(10.0) million from the General Fund (and \$(31.2) million in Total Funds) for the removal of a one-time FY 2019 health insurance adjustment.

Capital

- The Baseline includes \$23.1 million from Other Appropriated Funds for building renewal ADC, ADOT, ADOA, Game and Fish, and the State Lottery.
- The Baseline includes no adjustment for lease-purchase and privatized lease-to-own payments changes, and also includes no adjustment for rent charges. All changes will be funded from existing agency appropriations and will have no corresponding change in agency funding levels.

FY 2020 GENERAL FUND SUMMARY BY AGENCY

	GF FY 2019 Estimate	GF FY 2020 Baseline	GF FY 2020 Baseline - FY 2019
BUDGET UNITS			
Administration, Arizona Department of	\$7,939,100	\$7,939,100	\$0
Administration, Arizona Department of Automation Projects Fund	5,000,000	5,000,000	0
Administrative Hearings, Office of	868,900	868,900	0
African-American Affairs, Arizona Commission of	127,200	127,200	0
Agriculture, Arizona Department of	9,640,000	10,390,000	750,000
AHCCCS	1,777,093,500	1,780,959,200	3,865,700
Attorney General - Department of Law	25,940,300	25,940,300	0
Charter Schools, State Board for	1,209,800	1,209,800	0
Child Safety, Department of	375,838,700	375,838,700	0
Commerce Authority, Arizona	21,800,000	15,800,000	(6,000,000)
Community Colleges, Arizona	57,205,500 1/	58,636,900	1,431,400
Corporation Commission	814,600	618,000	(196,600)
Corrections, State Department of	1,099,670,000	1,096,597,100	(3,072,900)
County Funding	20,566,200	7,650,700	(12,915,500)
Deaf and the Blind, Schools for the	21,659,300	23,259,300	1,600,000
Economic Opportunity, Office of	488,800	488,800	0
Economic Security, Department of	650,936,900	687,499,200	36,562,300
Education, State Board of	1,146,300	1,146,300	0
Education, Department of	4,704,652,000	5,134,115,900	429,463,900
Emergency and Military Affairs, Department of	11,098,200	11,098,200	0
Equalization, State Board of	652,000	652,000	0
Executive Clemency, Board of	1,137,000	1,137,000	0
Financial Institutions, State Department of	1,984,800	1,984,800	0
Forestry and Fire Management, Arizona Department of	11,156,700	11,156,700	0
Gaming, Department of	1,779,500	1,779,500	0
Governor, Office of the	8,538,800	7,038,800	(1,500,000)
Governor's Office of Strategic Planning and Budgeting	2,022,100	2,022,100	0
Health Services, Department of	89,931,200	89,931,200	0
Historical Society, Arizona	3,195,000	3,075,000	(120,000)
Historical Society, Prescott	832,700	832,700	0
Insurance, Department of	5,628,400	5,628,400	0
Judiciary			
Supreme Court	19,870,100	19,827,400	(42,700)
Court of Appeals	15,992,400	16,020,000	27,600
Superior Court	80,714,500	87,839,100	7,124,600
SUBTOTAL - Judiciary	116,577,000	123,686,500	7,109,500
Juvenile Corrections, Department of	22,734,500	22,734,500	0
Land Department, State	11,733,400	11,605,100	(128,300)
Legislature			
Auditor General	19,709,600	20,207,100	497,500
House of Representatives	13,835,000	13,835,000	0
Joint Legislative Budget Committee	2,504,800	2,504,800	0
Legislative Council	8,304,900	8,304,900	0
Senate	9,747,200	9,747,200	0
SUBTOTAL - Legislature	54,101,500	54,599,000	497,500
Mine Inspector, State	1,255,800	1,255,800	0
Navigable Stream Adjudication Commission	127,400	127,400	0
Postsecondary Education, Commission for	1,646,800	1,646,800	0
Public Safety, Department of	104,241,700	74,241,700	(30,000,000)
Public Safety Personnel Retirement System	7,000,000	5,000,000	(2,000,000)
Real Estate Department, State	2,911,700	2,911,700	0
Revenue, Department of	31,063,800	31,063,800	0
School Facilities Board	274,700,300	236,270,800	(38,429,500)
Secretary of State	15,568,800	17,218,800	1,650,000
Tax Appeals, State Board of	280,400	280,400	0
Tourism, Office of	7,112,000	7,112,000	0
Transportation, Department of	65,000	0	(65,000)
Treasurer, State	1,205,100	1,205,100	0

	GF FY 2019 Estimate	GF FY 2020 Baseline	GF FY 2020 Baseline - FY 2019
Tribal Relations, Governor's Office on Universities	60,900	60,900	0
Board of Regents	6,898,100	6,898,100	0
Arizona State University	328,775,800	323,496,900	(5,278,900)
Northern Arizona University	112,095,700	107,099,200	(4,996,500)
University of Arizona - Main Campus	208,836,400	205,881,800	(2,954,600)
University of Arizona - Health Sciences Center	68,897,700	68,897,700	0
SUBTOTAL - Universities	725,503,700	712,273,700	(13,230,000)
Veterans' Services, Department of	6,120,600	6,095,600	(25,000)
Water Resources, Department of	16,169,800	15,669,800	(500,000)
OPERATING BUDGET TOTAL	\$10,320,733,700	\$10,695,481,200	\$374,747,500
 FY 2019 Supplemental/Ex-Appropriation <u>2/</u>	(28,405,400)	0	28,405,400
Capital Outlay - Building Renewal/Projects	4,959,000	0	(4,959,000)
Capital Outlay - 2010 Leaseback Debt Service	84,112,000	84,108,500	(3,500)
Capital Outlay - Phoenix Convention Center	22,996,300	23,500,000	503,700
Capital Outlay - Rio Nuevo District <u>3/</u>	14,000,000	14,000,000	0
Remove One-Time Health Insurance Adjustment	0	(9,967,600)	(9,967,600)
Continue FY 2019 EORP Supplemental	0	287,800	287,800
Unallocated Retirement Adjustments	150,500	0	(150,500)
Unallocated Information Technology Pro Rata Adjustments	500	0	(500)
Unallocated Employer Health Insurance Contributions	32,400	0	(32,400)
Administrative Adjustments	143,000,000	150,000,000	7,000,000
Revertments	(167,000,000)	(173,000,000)	(6,000,000)
 GRAND TOTAL	\$10,394,579,000	\$10,784,409,900	\$389,830,900

1/ Includes Rural County Reimbursement, which represents an estimated cost.

2/ Please see page S-33 for individual agency detail.

3/ Represents an estimated cost.

FY 2020 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2019 Estimate	OF FY 2020 Baseline	OF FY 2020 Baseline - FY 2019
BUDGET UNITS			
Accountancy, State Board of			
Board of Accountancy Fund	\$2,037,900	\$2,037,900	\$0
Acupuncture Board of Examiners			
Acupuncture Board of Examiners Fund	171,900	171,900	0
Administration, Arizona Department of			
Air Quality Fund	927,300	927,300	0
Arizona Financial Information System Collections Fund	9,447,700	9,447,700	0
Automation Operations Fund	25,545,500	25,545,500	0
Capital Outlay Stabilization Fund	18,136,300	18,136,300	0
Corrections Fund	572,500	572,500	0
Federal Surplus Materials Revolving Fund	464,900	464,900	0
Information Technology Fund	5,547,400	5,547,400	0
Motor Vehicle Pool Revolving Fund	10,162,600	10,162,600	0
Personnel Division Fund	12,747,800	12,747,800	0
Risk Management Revolving Fund	94,569,100	94,569,100	0
Special Employee Health Insurance Trust Fund	5,283,800	5,283,800	0
Special Services Revolving Fund	1,080,100	1,080,100	0
State Surplus Materials Revolving Fund	2,963,700	2,963,700	0
State Web Portal Fund	5,548,100	5,548,100	0
State Monument and Memorial Repair Fund	25,300	0	(25,300)
Telecommunications Fund	1,916,300	1,916,300	0
Total - Arizona Department of Administration	194,938,400	194,913,100	(25,300)
Administration, Arizona Department of -			
Automation Projects Fund	23,125,100	5,000,000	(18,125,100)
Agriculture, Arizona Department of			
Air Quality Fund	1,445,200	1,445,200	0
Nuclear Emergency Management Fund	275,000	301,400	26,400
Total - Arizona Department of Agriculture	1,720,200	1,746,600	26,400
AHCCCS			
Budget Neutrality Compliance Fund	3,756,200	3,906,400	150,200
Children's Health Insurance Program Fund	87,572,700	84,286,700	(3,286,000)
Prescription Drug Rebate Fund - State	148,458,800	202,116,700	53,657,900
Substance Abuse Services Fund	2,250,200	2,250,200	0
Tobacco Products Tax Fund			
Emergency Health Services Account	17,966,100	16,216,300	(1,749,800)
Tobacco Tax and Health Care Fund			
Medically Needy Account	68,040,500	61,752,600	(6,287,900)
Total - AHCCCS	328,044,500	370,528,900	42,484,400
Arts, Arizona Commission on the			
Budget Stabilization Fund	2,000,000	0	(2,000,000)
Athletic Training, Board of			
Athletic Training Fund	123,500	123,500	0
Attorney General - Department of Law			
Antitrust Enforcement Revolving Fund	148,500	148,500	0
Attorney General Legal Services Cost Allocation Fund	2,102,800	2,102,800	0
Collection Enforcement Revolving Fund	6,904,500	6,904,500	0
Consumer Protection-Consumer Fraud Rev. Fund	7,213,600	7,213,600	0
Consumer Restitution and Remediation Revolving Fund - Consumer Remediation Subaccount	1,489,000	0	(1,489,000)
Interagency Service Agreements Fund	16,428,600	16,428,600	0
Internet Crimes Against Children Enforcement Fund	900,000	900,000	0
Risk Management Revolving Fund	10,070,000	9,570,000	(500,000)
Victims' Rights Fund	3,766,800	3,766,800	0
Total - Attorney General - Department of Law	49,023,800	47,034,800	(1,989,000)
Automobile Theft Authority			
Automobile Theft Authority Fund	5,308,900	5,308,900	0
Barbers, Board of			
Board of Barbers Fund	401,100	401,100	0

	OF FY 2019 Estimate	OF FY 2020 Baseline	OF FY 2020 Baseline - FY 2019
Behavioral Health Examiners, Board of			
Board of Behavioral Health Examiners Fund	1,772,300	1,772,300	0
Child Safety, Department of			
Child Abuse Prevention Fund	1,459,300	1,459,300	0
Children and Family Services Training Program Fund	207,100	207,100	0
Federal Child Care and Development Fund Block Grant	27,000,000	27,000,000	0
Federal Temporary Assistance for Needy Families Block Grant	157,279,300	157,279,300	0
Risk Management Revolving Fund	3,770,000	0	(3,770,000)
Total - Department of Child Safety	189,715,700	185,945,700	(3,770,000)
Chiropractic Examiners, State Board of			
Board of Chiropractic Examiners Fund	429,700	429,700	0
Contractors, Registrar of			
Registrar of Contractors Fund	12,300,100	12,300,100	0
Corporation Commission			
Arizona Arts Trust Fund	50,700	50,700	0
Investment Management Regulatory and Enforcement Fund	714,700	714,700	0
Public Access Fund	6,713,000	6,713,000	0
Securities Regulatory and Enforcement Fund	5,038,200	5,038,200	0
Utility Regulation Revolving Fund	14,449,300	14,449,300	0
Total - Corporation Commission	26,965,900	26,965,900	0
Corrections, State Department of			
Alcohol Abuse Treatment Fund	555,500	555,500	0
Corrections Fund	30,312,300	30,312,300	0
Inmate Store Proceeds Fund	1,340,400	1,340,400	0
Penitentiary Land Fund	2,507,400	2,507,400	0
Prison Construction and Operations Fund	12,500,000	12,500,000	0
State Charitable, Penal and Reformatory Institutions Land Fund	3,079,500	2,661,500	(418,000)
State Education Fund for Correctional Education	727,900	727,900	0
Transition Program Fund	2,940,100	2,400,100	(540,000)
Total - State Department of Corrections	53,963,100	53,005,100	(958,000)
Cosmetology, Board of			
Board of Cosmetology Fund	1,926,300	1,851,300	(75,000)
County Funding			
State Charitable, Penal and Reformatory Institutions Land Fund	500,000	500,000	0
Criminal Justice Commission, Arizona			
Criminal Justice Enhancement Fund	650,000	650,000	0
Drug and Gang Prevention Resource Center Fund	812,000	612,000	(200,000)
Fingerprint Clearance Card Fund	600,000	600,000	0
State Aid to County Attorneys Fund	973,700	973,700	0
Victim Compensation and Assistance Fund	4,222,400	4,222,400	0
Total - Arizona Criminal Justice Commission	7,258,100	7,058,100	(200,000)
Deaf and the Blind, Arizona Schools for the			
Schools for the Deaf and the Blind Fund	11,537,900	12,799,200	1,261,300
Telecommunication Fund for the Deaf	2,070,000	0	(2,070,000)
Total - Arizona State Schools for the Deaf and the Blind	13,607,900	12,799,200	(808,700)
Deaf and the Hard of Hearing, Comm. for the			
Telecommunication Fund for the Deaf	4,613,500	4,613,500	0
Dental Examiners, State Board of			
Dental Board Fund	1,300,500	1,212,700	(87,800)
Economic Security, Department of			
Child Support Enforcement Administration Fund	16,973,100	16,973,100	0
Domestic Violence Services Fund	4,000,000	4,000,000	0
Federal Child Care and Development Fund Block Grant	110,518,600	110,518,600	0
Federal Temporary Assistance for Needy			

	OF FY 2019 Estimate	OF FY 2020 Baseline	OF FY 2020 Baseline - FY 2019
Families Block Grant	65,324,900	65,324,900	0
Long Term Care System Fund	26,559,600	26,559,600	0
Public Assistance Collections Fund	422,500	422,500	0
Special Administration Fund	5,677,300	4,506,300	(1,171,000)
Spinal and Head Injuries Trust Fund	4,254,400	2,354,400	(1,900,000)
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	0
Workforce Investment Act Grant	56,044,500	56,044,500	0
Total - Department of Economic Security	290,774,900	287,703,900	(3,071,000)
Education, Department of			
Department of Education Empowerment			
Scholarship Account Fund	1,246,100	1,246,100	0
Department of Education Professional			
Development Revolving Fund	2,700,000	2,700,000	0
Permanent State School Fund	277,115,300	289,915,300	12,800,000
Proposition 301 Fund	7,000,000	7,000,000	0
State Web Portal Fund	500,000	0	(500,000)
Teacher Certification Fund	2,342,700	2,342,700	0
Tribal College Dual Enrollment Program Fund	250,000	250,000	0
Total - Department of Education	291,154,100	303,454,100	12,300,000
Emergency and Military Affairs, Department of			
Nuclear Emergency Management Fund	1,461,600	1,458,800	(2,800)
Environmental Quality, Department of			
Air Quality Fund	9,382,900	9,382,900	0
Emergency Response Fund	132,800	132,800	0
Emissions Inspection Fund	33,087,700	33,087,700	0
Hazardous Waste Management Fund	1,742,400	1,742,400	0
Indirect Cost Recovery Fund	13,524,900	13,524,900	0
Permit Administration Fund	7,146,800	7,146,800	0
Recycling Fund	3,411,300	3,411,300	0
Safe Drinking Water Program Fund	1,802,100	1,802,100	0
Solid Waste Fee Fund	1,245,800	1,245,800	0
Underground Storage Tank Fund Revolving Fund	30,200	30,200	0
Water Quality Fee Fund	10,556,600	10,556,600	0
Total - Department of Environmental Quality	82,063,500	82,063,500	0
Equal Opportunity, Governor's Office of			
Personnel Fund	190,700	190,700	0
Exposition and State Fair Board, Arizona			
Arizona Exposition and State Fair Fund	12,549,300	12,549,300	0
Financial Institutions, Department of			
Revolving Fund	50,000	50,000	0
Financial Services Fund	3,962,600	3,950,600	(12,000)
Total - Department of Financial Institutions	4,012,600	4,000,600	(12,000)
Funeral Directors and Embalmers, Board of			
Board of Funeral Directors' and Embalmers' Fund	443,400	368,400	(75,000)
Game and Fish Department, Arizona			
Capital Improvement Fund	1,001,200	1,001,200	0
Game and Fish Fund	36,558,300	36,558,300	0
Game, Nongame, Fish and Endangered			
Species Fund	347,200	347,200	0
Watercraft Licensing Fund	4,829,700	4,829,700	0
Wildlife Endowment Fund	16,200	16,200	0
Total - Arizona Game and Fish Department	42,752,600	42,752,600	0
Gaming, Department of			
Tribal-State Compact Fund	2,091,300	2,091,300	0
Racing Regulation Fund	2,151,100	2,151,100	0
Racing Regulation Fund - Uarmed Combat			
Subaccount	0	126,500	126,500
State Lottery Fund	300,000	300,000	0
Arizona Benefits Fund	11,115,300	11,115,300	0
Total - Department of Gaming	15,657,700	15,784,200	126,500
Health Services, Department of			
Arizona State Hospital Fund	2,590,300	2,590,300	0
ASH Land Earnings Fund	650,000	650,000	0

	OF FY 2019 Estimate	OF FY 2020 Baseline	OF FY 2020 Baseline - FY 2019
Capital Outlay Stabilization Fund	230,100	230,100	0
Child Fatality Review Fund	95,700	95,700	0
Disease Control Research Fund	1,000,000	1,000,000	0
Emergency Medical Services Operating Fund	5,731,300	5,731,300	0
Environmental Laboratory Licensure Revolving Fund	929,200	929,200	0
Federal Child Care and Development Fund Block Grant	879,900	879,900	0
Health Services Licensing Fund	10,937,200	10,937,200	0
Health Services Lottery Monies Fund	100,000	100,000	0
Indirect Cost Fund	10,141,700	10,141,700	0
Newborn Screening Program Fund	7,660,200	7,660,200	0
Nuclear Emergency Management Fund	789,700	789,700	0
Nursing Care Institution Resident Protection Revolving Fund	138,200	138,200	0
Tobacco Tax and Health Care Fund Health Research Account	5,000,000	1,000,000	(4,000,000)
Tobacco Tax and Health Care Fund Medically Needy Account	700,000	700,000	0
Vital Records Electronic Systems Fund	3,630,200	3,630,200	0
Total - Department of Health Services	51,203,700	47,203,700	(4,000,000)
Homeopathic and Integrated Medicine Examiners, Board of Board of Homeopathic and Integrated Medicine Examiners' Fund	90,700	90,700	0
Housing, Department of Housing Trust Fund	322,200	322,200	0
Industrial Commission of Arizona Administrative Fund	20,001,800	20,001,800	0
Judiciary - Supreme Court Confidential Intermediary and Fiduciary Fund	491,300	491,300	0
Court Appointed Special Advocate Fund	3,597,700	3,597,700	0
Criminal Justice Enhancement Fund	4,384,500	4,384,500	0
Defensive Driving School Fund	4,208,200	4,208,200	0
Judicial Collection Enhancement Fund	14,800,000	14,800,000	0
Peace Officer Training Equipment Fund	20,000	0	(20,000)
State Aid to the Courts Fund	2,945,200	2,945,200	0
Total - Judiciary - Supreme Court	30,446,900	30,426,900	(20,000)
Judiciary - Superior Court Criminal Justice Enhancement Fund	5,440,000	5,440,000	0
Judicial Collection Enhancement Fund	6,015,200	6,015,200	0
Drug Treatment and Education Fund	502,900	502,900	0
Total - Judiciary - Superior Court	11,958,100	11,958,100	0
SUBTOTAL - Judiciary	42,405,000	42,385,000	(20,000)
Juvenile Corrections, Department of Criminal Justice Enhancement Fund	531,400	531,400	0
Department of Juvenile Corrections Local Cost Sharing Fund	11,260,000	11,260,000	0
State Charitable, Penal and Reformatory Institutions Land Fund	4,011,600	4,011,600	0
State Education Fund for Committed Youth	1,854,400	1,854,400	0
Total - Department of Juvenile Corrections	17,657,400	17,657,400	0
Land Department, State Due Diligence Fund	500,000	500,000	0
Environmental Special Plate Fund	260,600	260,600	0
Trust Land Management Fund	7,288,200	7,288,200	0
Total - State Land Department	8,048,800	8,048,800	0
Liquor Licenses and Control, Department of Liquor Licenses Fund	3,086,000	3,086,000	0
Lottery Commission, Arizona State State Lottery Fund	138,586,200 ^{1/}	146,787,100	8,200,900
Massage Therapy, Board of Board of Massage Therapy Fund	460,900	460,900	0

	OF FY 2019 Estimate	OF FY 2020 Baseline	OF FY 2020 Baseline - FY 2019
Medical Board, Arizona			
Arizona Medical Board Fund	6,987,100	6,987,100	0
Mine Inspector, State			
Aggregate Mining Reclamation Fund	112,900	112,900	0
Naturopathic Physicians Medical Board			
Naturopathic Physicians Medical Board Fund	187,400	187,400	0
Navigable Stream Adjudication Commission			
Arizona Water Banking Fund	200,000	200,000	0
Nursing, State Board of			
Board of Nursing Fund	4,738,200	4,738,200	0
Nursing Care Institution Administrators Board			
Nursing Care Institution Administrators'			
Licensing and Assisted Living Facility			
Managers' Certification Fund	443,600	443,600	0
Occupational Therapy Examiners, Board of			
Occupational Therapy Fund	190,100	190,100	0
Opticians, State Board of Dispensing			
Board of Dispensing Opticians Fund	149,100	149,100	0
Optometry, State Board of			
Board of Optometry Fund	243,800	233,800	(10,000)
Osteopathic Examiners, Arizona Board of			
Board of Osteopathic Examiners Fund	903,500	903,500	0
Parks Board, Arizona State			
State Parks Revenue Fund	14,771,400	14,771,400	0
Personnel Board, State			
Personnel Board Subaccount of the			
Personnel Division Fund	361,000	318,800	(42,200)
Pharmacy, Arizona State Board of			
Arizona State Board of Pharmacy Fund	2,190,000	2,190,000	0
Physical Therapy, Board of			
Board of Physical Therapy Fund	499,600	494,600	(5,000)
Pioneers' Home, Arizona			
Miners' Hospital for Miners with Disabilities Land Fund	2,178,800	2,178,800	0
State Charitable Fund	4,505,200	4,505,200	0
Total - Arizona Pioneers' Home	6,684,000	6,684,000	0
Podiatry Examiners, State Board of			
Podiatry Fund	161,900	161,900	0
Postsecondary Education, Commission for			
Postsecondary Education Fund	1,537,200	1,537,200	0
Private Postsecondary Education, Board for			
Board for Private Postsecondary Education			
Fund	417,800	417,800	0
Psychologist Examiners, State Board of			
Board of Psychologist Examiners Fund	495,000	495,000	0
Public Safety, Department of			
Arizona Highway Patrol Fund	116,321,400	168,122,000	51,800,600
Concealed Weapons Permit Fund	3,554,700	2,717,700	(837,000)
Criminal Justice Enhancement Fund	2,927,300	2,927,300	0
DPS Forensics Fund	22,495,800	22,495,800	0
Drug and Gang Prevention Resource Center Fund	758,100	559,500	(198,600)
Fingerprint Clearance Card Fund	1,502,500	1,502,500	0
GIITEM Border Security and Law			
Enforcement Subaccount	2,540,700	2,540,700	0
Highway User Revenue Fund	15,508,700	0	(15,508,700)
Motor Vehicle Liability Insurance			
Enforcement Fund	1,250,000	1,250,000	0
Motorcycle Safety Fund	205,000	205,000	0
Parity Compensation Fund	3,451,500	3,451,500	0
Peace Officer Training Equipment Fund	3,053,000	1,047,500	(2,005,500)
Public Safety Equipment Fund	2,893,700	2,893,700	0
Risk Management Revolving Fund	1,345,300	1,345,300	0
Safety Enforcement and Transportation			
Infrastructure Fund - Department of			

	OF FY 2019 Estimate	OF FY 2020 Baseline	OF FY 2020 Baseline - FY 2019
Public Safety Subaccount	1,643,500	1,643,500	0
State Aid to Indigent Defense Fund	700,000	700,000	0
State Highway Fund	8,169,100	686,300	(7,482,800)
Total - Department of Public Safety	188,320,300	214,088,300	25,768,000
Residential Utility Consumer Office			
Residential Utility Consumer Office			
Revolving Fund	1,342,600	1,342,600	0
Respiratory Care Examiners, Board of			
Board of Respiratory Care Examiners Fund	314,400	314,400	0
Retirement System, Arizona State			
Long-Term Disability Trust Fund Administration			
Account	2,200,000	1,800,000	(400,000)
Arizona State Retirement System Administration			
Account	22,830,300	22,330,300	(500,000)
Total - Arizona State Retirement System	25,030,300	24,130,300	(900,000)
Revenue, Department of			
Department of Revenue Administrative Fund	45,713,900	45,864,200	150,300
Department of Revenue Empowerment Scholarship			
Account Fund	50,000	0	(50,000)
Liability Setoff Program Revolving Fund	802,800	802,800	0
Residential Contractors' Recovery Fund	75,000	0	(75,000)
Tobacco Tax and Health Care Fund	681,500	681,500	0
Total - Department of Revenue	47,323,200	47,348,500	25,300
Secretary of State			
Data Processing Acquisition Fund	115,500	115,500	0
Election Systems Improvement Fund	7,463,700	0	(7,463,700)
Records Services Fund	1,244,400	1,244,400	0
Total - Secretary of State	8,823,600	1,359,900	(7,463,700)
Technical Registration, State Board of			
Technical Registration Fund	2,291,700	2,291,700	0
Transportation, Department of			
Air Quality Fund	324,100	324,100	0
Driving Under the Influence Abatement Fund	153,100	153,100	0
Highway User Revenue Fund	654,400	654,400	0
Highway Damage Recovery Account	4,000,000	4,000,000	0
Ignition Interlock Device Fund	150,000	150,000	0
Motor Vehicle Liability Insurance			
Enforcement Fund	1,720,600	1,720,600	0
Safety Enforcement and Transportation			
Infrastructure Fund - Department of			
Transportation Subaccount	1,482,000	1,482,000	0
State Aviation Fund	1,829,000	1,829,000	0
State Highway Fund	384,073,200	381,639,000	(2,434,200)
Transportation Department Equipment Fund	18,609,300	18,609,300	0
Vehicle Inspection and Certificate of Title			
Enforcement Fund	1,462,600	1,462,600	0
Total - Department of Transportation	414,458,300	412,024,100	(2,434,200)
Treasurer, State			
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	0
State Treasurer Empowerment Scholarship			
Account Fund	304,400	304,400	0
State Treasurer's Operating Fund	2,645,800	2,645,800	0
State Treasurer's Management Fund	295,600	295,600	0
Total - State Treasurer	5,429,600	5,429,600	0
Universities			
Arizona State University			
Technology and Research Initiative Fund	3,600,000	3,600,000	0
University Collections Fund	660,074,600 2/	660,074,600	0
Total - Arizona State University	663,674,600	663,674,600	0
Northern Arizona University			
University Collections Fund	160,958,900 2/	160,958,900	0
University of Arizona - Main Campus			
University Collections Fund	385,101,700 2/	385,101,700	0

	OF FY 2019 Estimate	OF FY 2020 Baseline	OF FY 2020 Baseline - FY 2019
University of Arizona - Health Sciences Center			
University Collections Fund	53,623,800 ^{2/}	53,623,800	0
SUBTOTAL - Universities	1,263,359,000	1,263,359,000	0
Veterans' Services, Department of			
State Home for Veterans Trust Fund	35,414,100	35,414,100	0
Total - Department of Veterans' Services	35,414,100	35,414,100	0
Veterinary Medical Examining Board			
Veterinary Medical Examining Board Fund	605,500	591,100	(14,400)
Water Resources, Department of			
Assured and Adequate Water Supply Admin Fund	268,500	268,500	0
Water Resources Fund	946,400	946,400	0
Water Banking Fund	1,212,200	1,212,200	0
Total - Department of Water Resources	2,427,100	2,427,100	0
OPERATING BUDGET TOTAL	\$3,980,584,800	\$4,023,427,100	\$42,842,300
FY 2019 Supplemental/Ex-Appropriation ^{3/}	9,168,400	0	(9,168,400)
Unallocated Elected Officials Retirement Adjustments	22,300	0	(22,300)
Unallocated Retirement Adjustments	416,000	0	(416,000)
Unallocated State Building Rent Increases	246,500	0	(246,500)
Unallocated Agency Rent Adjustments	(3,700)	0	3,700
Unallocated Information Technology Pro Rata Adjustments	72,200	0	(72,200)
Unallocated Employer Health Insurance Contributions	1,306,900	0	(1,306,900)
Capital Outlay - Building Renewal/Projects	439,989,500	439,686,100	(303,400)
GRAND TOTAL	\$4,431,802,900	\$4,463,113,200	\$31,310,300

^{1/} Revised Lottery forecast.

^{2/} Reflects tuition collections receipts above the amount appropriated by the Legislature in FY 2019. A footnote in the FY 2019 General Appropriation Act appropriated any tuition collections receipts above the appropriated amount to the university.

^{3/} Please see page S-33 for individual agency detail.

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2019 GF JLBC Baseline	FY 20 Baseline 1/ Above FY 19	FY 2020 GF JLBC Baseline
OPERATING SPENDING CHANGES			
DOA - Arizona Department of Administration	7,939,100		7,939,100
APF - Automation Projects Fund/ADOA	5,000,000		5,000,000
OAH - Office of Administrative Hearings	868,900		868,900
AAM - Commission of African-American Affairs	127,200		127,200
AGR - Department of Agriculture	9,640,000		10,390,000
AGR - Industrial Hemp Licensing (Enacted)		750,000	
AXS - AHCCCS	1,777,093,500		1,780,959,200
AXS - Formula Changes		38,999,200	
AXS - Statutory Adjustments		(150,200)	
AXS - Prescription Drug Rebate One-Time Fund Shift		(36,927,800)	
AXS - Proposition 206 Rate Increase		1,944,500	
ATT - Attorney General	25,940,300		25,940,300
CHA - State Board for Charter Schools	1,209,800		1,209,800
DCS - Department of Child Safety	375,838,700		375,838,700
ACA - Arizona Commerce Authority	21,800,000		15,800,000
ACA - Competes Fund Deposit Reduction		(6,000,000)	
CCO - Arizona Community Colleges	57,205,500		58,636,900
CCO - Formula Changes		1,431,400	
COR - Corporation Commission	814,600		618,000
COR - Remove One-Time Railroad Safety Inspector Funding		(196,600)	
ADC - Department of Corrections	1,099,670,000		1,096,597,100
ADC - Remove Lease Purchase Payment		(3,072,900)	
CF - County Funding	20,566,200		7,650,700
CF - Remove One-Time DJC Offset		(11,260,000)	
CF - Remove One-Time EORP Offset		(1,655,500)	
SDB - Arizona State Schools for the Deaf and the Blind	21,659,300		23,259,300
SDB - Early Childhood Services Fund Shift		1,600,000	
OEC - Office of Economic Opportunity	488,800		488,800
DES - Department of Economic Security	650,936,900		687,499,200
DES - Formula Adjustments		50,962,300	
DES - Remove One-time Proposition 206 Assistance		(11,000,000)	
DES - Remove One-Time Food Bank Funding		(1,000,000)	
DES - Remove One-Time Medical Room and Board		(2,000,000)	
DES - Remove One-Time SNAP Benefit Match Funding		(400,000)	

	FY 2019 GF JLBC Baseline	FY 20 Baseline 1/ Above FY 19	FY 2020 GF JLBC Baseline
BOE - State Board of Education	1,146,300		1,146,300
ADE - Arizona Department of Education	4,704,652,000		5,134,115,900
ADE - Formula Adjustments		197,489,200	
ADE - Additional Assistance Increase (Enacted)		67,774,700	
ADE - Teacher Salary Increases (Enacted)		164,700,000	
ADE - One-Time American Civics Funding (Enacted)		500,000	
ADE - Eliminate One-Time Gifted Education Funding		(1,000,000)	
EMA - Department of Emergency & Military Affairs	11,098,200		11,098,200
EQU - State Board of Equalization	652,000		652,000
EXE - Board of Executive Clemency	1,137,000		1,137,000
DFI - Dept of Financial Institutions	1,984,800		1,984,800
FOR - Department of Forestry and Fire Management	11,156,700		11,156,700
GAM - Department of Gaming	1,779,500		1,779,500
GOV - Office of the Governor	8,538,800		7,038,800
GOV - Remove One-Time Foster Youth Education Funding		(1,500,000)	
OSP - Gov's Office of Strategic Planning & Budgeting	2,022,100		2,022,100
DHS - Department of Health Services	89,931,200		89,931,200
AZH - Arizona Historical Society	3,195,000		3,075,000
AZH - Risk Management Adjustment		(120,000)	
PAZ - Prescott Historical Society	832,700		832,700
INS - Department of Insurance	5,628,400		5,628,400
SPA - Judiciary - Supreme Court	19,870,100		19,827,400
SPA - Risk Management Shift		(42,700)	
COA - Judiciary - Court of Appeals	15,992,400		16,020,000
COA - Risk Management Shift		27,600	
SUP - Judiciary - Superior Court	80,714,500		87,839,100
SUP - Risk Management Shift		15,100	
SUP - Maricopa County Judges Phase-In (Enacted)		6,972,000	
SUP - Annualize New Probation Officers		137,500	
DJC - Department of Juvenile Corrections	22,734,500		22,734,500
LAN - State Land Department	11,733,400		11,605,100
LAN - CAP Rate Adjustment		(128,300)	
Legislature			
AUD - Auditor General	19,709,600		20,207,100

	FY 2019 GF JLBC Baseline	FY 20 Baseline 1/ Above FY 19	FY 2020 GF JLBC Baseline
AUD - Increase Staffing for Performance Audit Division (Enacted)		497,500	
HOU - House of Representatives	13,835,000		13,835,000
JLBC - Joint Legislative Budget Committee	2,504,800		2,504,800
LEG - Legislative Council	8,304,900		8,304,900
SEN - Senate	9,747,200		9,747,200
MIN - State Mine Inspector	1,255,800		1,255,800
NAV - Arizona Navigable Steam Adjudication Comm.	127,400		127,400
POS - Commission for Postsecondary Education	1,646,800		1,646,800
DPS - Department of Public Safety	104,241,700		74,241,700
DPS - Highway Safety Fee Fund Shift		(30,000,000)	
PSP - Public Safety Personnel Retirement System	7,000,000		5,000,000
PSP - Remove One-Time Prescott Fire Dept. Funding		(1,000,000)	
PSP - Expiration of Multi-Year Prescott Fire Dept. Funding		(1,000,000)	
REA - State Real Estate Department	2,911,700		2,911,700
REV - Department of Revenue	31,063,800		31,063,800
SFB - School Facilities Board	274,700,300		236,270,800
SFB - New School Funding Completion (FY 18 Starts)		(37,989,800)	
SFB - Continue New School Construction Projects (FY 19 Starts)		(12,910,000)	
SFB - Begin New School Construction Projects (FY 20 Starts)		49,305,000	
SFB - Lease-Purchase Adjustment		(2,416,800)	
SFB - Eliminate One-Time Building Renewal Funding		(34,417,900)	
SOS - Secretary of State	15,568,800		17,218,800
SOS - Presidential Preference Election		1,650,000	
TAX - State Board of Tax Appeals	280,400		280,400
TOU - Office of Tourism	7,112,000		7,112,000
DOT - Department of Transportation	65,000		0
DOT - Remove One-Time Transit Planning Funding		(65,000)	
TRE - State Treasurer	1,205,100		1,205,100
OTR - Governor's Office on Tribal Relations	60,900		60,900
UNI - Universities			
UNI - Arizona Board of Regents	6,898,100		6,898,100
UNI - ASU	328,775,800		323,496,900
UNI - Lease Purchase Adjustment		(22,400)	
UNI - Inflation Adjustment (2017 Capital Infrastructure)		238,500	

	FY 2019 GF JLBC Baseline	FY 20 Baseline 1/ Above FY 19	FY 2020 GF JLBC Baseline
UNI - Remove One-Time Operating Funding		(4,245,000)	
UNI - Remove One-Time Economic Development Funding		(250,000)	
UNI - Remove One-Time Freedom School Funding		(1,000,000)	
UNI - Northern Arizona University	112,095,700		107,099,200
UNI - Lease Purchase Adjustment		3,300	
UNI - Inflation Adjustment (2017 Capital Infrastructure)		90,400	
UNI - Remove Multi-Year Biomedical Research Funding		(3,000,000)	
UNI - Remove One-Time Freedom School Funding		(500,000)	
UNI - Remove One-Time Operating Funding		(1,590,200)	
UNI - UA - Main Campus	208,836,400		205,881,800
UNI - Inflation Adjustment (2017 Capital Infrastructure)		211,000	
UNI - Lease Purchase Adjustment		(800)	
UNI - Remove One-Time Operating Funding		(2,164,800)	
UNI - Remove One-Time Freedom School Funding		(1,000,000)	
UNI - UA - Health Sciences Center	68,897,700		68,897,700
VSC - Department of Veterans' Services	6,120,600		6,095,600
VCS - Remove One-Time Hyperbaric Therapy Funding		(25,000)	
WAT - Department of Water Resources	16,169,800		15,669,800
WAT - Remove One-Time Northwest Basins Study Funding		(100,000)	
WAT - Remove One-Time Water Protection Fund Deposit		(400,000)	
OTH - Other			
OTH - FY 19 Supplementals/Ex-Appropriations	(28,405,400)	28,405,400	0
OTH - Debt Service Payments	84,112,000	(3,500)	84,108,500
OTH - Phoenix Convention Center Debt Service	22,996,300	503,700	23,500,000
OTH - Rio Nuevo District	14,000,000		14,000,000
OTH - Remove One-Time Agency Health Insurance Adjustments	0	(9,967,600)	(9,967,600)
OTH - Continue FY 2019 EORP Supplemental	0	287,800	287,800
OTH - Unallocated IT Pro-Rata Charge Increase	500	(500)	0
OTH - Unallocated Retirement Rate Adjustment	150,500	(150,500)	0
OTH - Unallocated HITF One-Time Employer Premium	32,400	(32,400)	0
OTH - Administrative Adjustments	143,000,000	7,000,000	150,000,000
OTH - Revertments	(167,000,000)	(6,000,000)	(173,000,000)
TOTAL - OPERATING SPENDING CHANGES	10,389,620,000	394,789,900	10,784,409,900
CAPITAL SPENDING			
DEMA - Tucson Readiness Center - One-Time Funding	3,759,000	(3,759,000)	0
DPS - Modular Housing - One-Time Funding	1,200,000	(1,200,000)	0
TOTAL - CAPITAL SPENDING	4,959,000	(4,959,000)	0
TOTAL - ALL SPENDING	10,394,579,000	389,830,900	10,784,409,900
REVENUE CHANGES			
Ongoing Revenue			
REV - Ongoing Revenue	10,789,267,600	386,506,700	11,175,774,300
One-Time Revenue			

	FY 2019 GF JLBC Baseline		FY 20 Baseline <u>1/</u> Above FY 19	FY 2020 GF JLBC Baseline
REV - Beginning Balance	449,632,000		495,370,300	945,002,300
Prior-Year Enacted Fund Transfers				
REV - FY 2019 Fund Transfers	100,681,700		(100,681,700)	0
REV - DEQ - Air Quality Fund	0		993,900	993,900
REV - DPS - Joint Fund	0		846,800	846,800
TOTAL - REVENUE CHANGES <u>2/</u>	11,339,581,300		783,036,000	12,122,617,300
ENDING BALANCE	945,002,300		393,205,100	1,338,207,400

1/ Represents FY 2020 Baseline cost above FY 2019 Baseline.

2/ Represents all revenue changes, including fund transfers.

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2019 OF 1/ JLBC Baseline	FY 20 Baseline 2/ Above FY 19	FY 2020 OF JLBC Baseline
OPERATING SPENDING CHANGES			
SBA - State Board of Accountancy	2,037,900		2,037,900
ACU - Acupuncture Board of Examiners	171,900		171,900
DOA - Arizona Department of Administration	194,938,400		194,913,100
DOA - Remove One-Time Monument/Memorial Repair Funding		(25,300)	
APF - Automation Projects Fund/ADOA	23,125,100		5,000,000
APF - Expenditure Alignment ASET Office Projects ((15) FTEs)		(6,018,900)	
APF - Remove One-Time Statewide Board e-Licensing Project Funding		(450,000)	
APF - Remove One-Time DPS Microwave Backbone Funding		(1,250,000)	
APF - Remove One-Time DPS Crim. Justice Information System Funding		(2,806,200)	
APF - Eliminate One-Time DEQ e-Licensing Funding		(3,200,000)	
APF - Eliminate One-Time DFI e-Licensing Funding		(1,400,000)	
APF - Remove One-Time ADOA e-Procurement System Funding		(3,000,000)	
AGR - Department of Agriculture	1,720,200		1,746,600
AGR - Nuclear Emergency Management Fund Assessment		26,400	
AXS - AHCCCS	328,044,500		370,528,900
AXS - Formula Changes		5,406,400	
AXS - Statutory Adjustments		150,200	
AXS - Prescription Drug Rebate One-Time Fund Shift		36,927,800	
ART - Arizona Commission on the Arts	2,000,000		0
ART - Remove One-Time Budget Stabilization Fund		(2,000,000)	
BAT - Board of Athletic Training	123,500		123,500
ATT - Attorney General	49,023,800		47,034,800
ATT - Remove One-Time Sec. of State Litigation Funding		(500,000)	
ATT - Remove One-Time Case Management IT Upgrade Funding		(1,489,000)	
ATA - Automobile Theft Authority	5,308,900		5,308,900
BAR - Board of Barbers	401,100		401,100
BHE - Board of Behavioral Health Examiners	1,772,300		1,772,300
DCS - Department of Child Safety	189,715,700		185,945,700
DCS - Remove One-Time Litigation Funding		(3,770,000)	
BCE - State Board of Chiropractic Examiners	429,700		429,700
ROC - Registrar of Contractors	12,300,100		12,300,100
COR - Corporation Commission	26,965,900		26,965,900

	FY 2019 OF 1/ JLBC Baseline	FY 20 Baseline 2/ Above FY 19	FY 2020 OF JLBC Baseline
ADC - Department of Corrections	53,963,100		53,005,100
ADC - Remove One-Time Equipment Funding		(958,000)	
COS - Board of Cosmetology	1,926,300		1,851,300
COS - Remove One-Time Document Scanning Funding		(75,000)	
CF - County Funding	500,000		500,000
JUS - Arizona Criminal Justice Commission	7,258,100		7,058,100
JUS - Remove One-time Criminal Justice Statistics Pilot Funding		(200,000)	
SDB - AZ State Schools for the Deaf and the Blind	13,607,900		12,799,200
SDB - Base Level Increase - Formula		1,261,300	
SDB - Early Childhood Services Fund Shift		(1,600,000)	
SDB - Remove One-Time Equipment Funding		(470,000)	
HEA - Comm for the Deaf & the Hard of Hearing	4,613,500		4,613,500
DEN - Board of Dental Examiners	1,300,500		1,212,700
DEN - Remove One-Time Document Scanning		(87,800)	
DES - Department of Economic Security	290,774,900		287,703,900
DES - Remove One-Time Early Intervention Funding		(1,900,000)	
DES - Remove One-Time Adult Services Funding		(1,171,000)	
ADE - Arizona Department of Education	291,154,100		303,454,100
ADE - Land Trust Distribution		12,800,000	
ADE - Remove One-Time Code Writing Funding		(500,000)	
EMA - Department of Emergency & Military Affairs	1,461,600		1,458,800
EMA - Nuclear Emergency Management Fund Assessment		(2,800)	
DEQ - Department of Environmental Quality	82,063,500		82,063,500
OEO - Governor's Office of Equal Opportunity	190,700		190,700
COL - Arizona Exposition and State Fair Board	12,549,300		12,549,300
DFI - Dept of Financial Institutions	4,012,600		4,000,600
DFI - Remove One-Time Equipment Funding		(12,000)	
EMB - Board of Funeral Directors and Embalmers	443,400		368,400
EMB - Remove One-Time Document Scanning Funding		(75,000)	
FIS - Arizona Game and Fish Department	42,752,600		42,752,600
GAM - Department of Gaming	15,657,700		15,784,200
GAM - Unarmed Combat Subaccount (Now Appropriated Fund)		126,500	
DHS - Department of Health Services	51,203,700		47,203,700
DHS - Remove One-Time Alzheimer's Funding		(2,000,000)	
DHS - Remove Multi-Year Biomedical Research Funding		(2,000,000)	

	FY 2019 OF 1/ JLBC Baseline	FY 20 Baseline 2/ Above FY 19	FY 2020 OF JLBC Baseline
HOM - Board of Homeopathic & Integrated Medicine Examiners	90,700		90,700
DOH - Department of Housing	322,200		322,200
IND - Industrial Commission	20,001,800		20,001,800
SPA - Judiciary - Supreme Court	30,446,900		30,426,900
SPA - Remove One-Time IT Programming Funding		(20,000)	
SUP - Judiciary - Superior Court	11,958,100		11,958,100
DJC - Department of Juvenile Corrections	17,657,400		17,657,400
LAN - State Land Department	8,048,800		8,048,800
LIQ - Department of Liquor Licenses & Control	3,086,000		3,086,000
LOT - Arizona State Lottery Commission	138,586,200		146,787,100
LOT - Tab Ticket Increase		175,900	
LOT - On-Line Sales Decrease		(1,301,100)	
LOT - Instant Ticket Sales Increase		2,693,100	
LOT - Retailer Commissions Increase		6,633,000	
BMT - Board of Massage Therapy	460,900		460,900
MED - Arizona Medical Board	6,987,100		6,987,100
MIN - State Mine Inspector	112,900		112,900
NAT - Naturopathic Physicians Medical Board	187,400		187,400
NAV - Navigable Stream Adjudication Commission	200,000		200,000
NUR - State Board of Nursing	4,738,200		4,738,200
NUR - FTE Position Increase (6.3 FTEs)		Yes	
NCI - Nursing Care Inst. Administrators Board	443,600		443,600
OCC - Board of Occupational Therapy Examiners	190,100		190,100
DIS - State Board of Dispensing Opticians	149,100		149,100
OPT - State Board of Optometry	243,800		233,800
OPT - Remove One-Time Document Scanning Funding		(10,000)	
OST - AZ Board of Osteopathic Examiners in Medicine/Surgery	903,500		903,500
SPB - Arizona State Parks Board	14,771,400		14,771,400
PER - Personnel Board	361,000		318,800
PER - Reduction in FTE Position ((1) FTE)		(42,200)	

	FY 2019 OF 1/ JLBC Baseline	FY 20 Baseline 2/ Above FY 19	FY 2020 OF JLBC Baseline
PHA - Arizona State Board of Pharmacy	2,190,000		2,190,000
PHY - Board of Physical Therapy Examiners	499,600		494,600
PHY - Remove One-Time Document Scanning Funding		(5,000)	
PIO - Arizona Pioneers' Home	6,684,000		6,684,000
POD - State Board of Podiatry Examiners	161,900		161,900
POS - Commission for Postsecondary Education	1,537,200		1,537,200
PRI - Board for Private Postsecondary Education	417,800		417,800
PSY - State Board of Psychologist Examiners	495,000		495,000
DPS - Department of Public Safety	188,320,300		214,088,300
DPS - Remove One-Time Maricopa County Troopers Funding		(397,000)	
DPS - Remove One-Time Southern Arizona Troopers Funding		(793,900)	
DPS - Remove One-Time AZPOST Funding		(837,000)	
DPS - Adjust Peace Officer Training Equipment Funding		(2,005,500)	
DPS - Highway Safety Fee Fund Shift		30,000,000	
DPS - HURF Reduction/Highway Safety Fee Shift (\$15.5 M)		Yes	
DPS - State Highway Fund/Highway Safety Fee Shift (\$7.5 M)		Yes	
DPS - Remove One-Time Phar. Diversion Task Force Funding		(198,600)	
RUC - Residential Utility Consumer Office	1,342,600		1,342,600
RES - Board of Respiratory Care Examiners	314,400		314,400
RET - Arizona State Retirement System	25,030,300		24,130,300
RET - Long Term Disability Contract Savings		(400,000)	
RET - Remove One-Time IT Funding		(500,000)	
REV - Department of Revenue	47,323,200		47,348,500
REV - Remove ESA Administration Funding (Prop 305)		(50,000)	
REV - Increase Unclaimed Property Audit Funding		150,300	
REV - Remove One-Time TPT Contracting Study Funding		(75,000)	
SOS - Secretary of State	8,823,600		1,359,900
SOS - Remove Voter Registration System Funding		(2,063,300)	
SOS - Remove Unallocated HAVA Funding		(5,400,400)	
TEC - State Board of Technical Registration	2,291,700		2,291,700
DOT - Department of Transportation	414,458,300		412,024,100
DOT - Remove One-Time Equipment Funding		(2,434,200)	
TRE - State Treasurer	5,429,600		5,429,600
UNI - Universities			
UNI - ASU	663,674,600		663,674,600

	FY 2019 OF 1/ JLBC Baseline	FY 20 Baseline 2/ Above FY 19	FY 2020 OF JLBC Baseline
UNI - Northern Arizona University	160,958,900		160,958,900
UNI - UA - Main Campus	385,101,700		385,101,700
UNI - UA - Health Sciences Center	53,623,800		53,623,800
VSC - Department of Veterans' Services	35,414,100		35,414,100
VME - Veterinary Medical Examining Board	605,500		591,100
VME - Remove One-Time E-Licensing Upgrade Funding		(14,400)	
WAT - Department of Water Resources	2,427,100		2,427,100
OTH - Other			
OTH - FY 19 Supplementals/Ex-Appropriations	9,168,400	(9,168,400)	0
OTH - Unallocated HITF One-Time Employer Premium	1,306,900	(1,306,900)	0
OTH - Unallocated State Rent - Agency Relocation	(3,700)	3,700	0
OTH - Unallocated State Rent Increase	246,500	(246,500)	0
OTH - Unallocated IT Rate Increase	72,200	(72,200)	0
OTH - Unallocated Retirement Adjustments	416,000	(416,000)	0
OTH - Unallocated Elected Officials Retirement Adjustments	22,300	(22,300)	0
TOTAL - OPERATING SPENDING CHANGES	\$3,991,813,400	31,613,700	\$4,023,427,100
CAPITAL SPENDING CHANGES			
Building Renewal			
Arizona Department of Administration	11,000,000		11,000,000
ADC Building Renewal	5,464,300		5,464,300
Game & Fish Department	981,400	62,300	1,043,700
Arizona Lottery Commission	126,300	7,800	134,100
Arizona Department of Transportation	5,492,000		5,492,000
New Projects			
ADOA - 1275 W. Washington Demolition	1,000,000	(1,000,000)	0
ADOA - Capitol Mall Consolidation Fund	10,000,000	(10,000,000)	0
Arizona Exposition and State Fair	1,000,000	(1,000,000)	0
Game & Fish Department - Dam Maintenance	150,000	(150,000)	0
Game & Fish Department - Property Maintenance	300,000	(300,000)	0
State Parks Board Capital Projects	2,000,000	(2,000,000)	0
State Parks Board - Buckskin Mountain (+ \$1M SLIF)	1,500,000	(1,500,000)	0
State Parks Board - Oracle State Park	4,000,000	(4,000,000)	0
Pioneers' Home - Building Repairs	600,000	(600,000)	0
DPS - Remote Officer Housing (Highway Patrol)	800,000	(800,000)	0
ADOT - Statewide Highway Construction	114,952,000	14,536,000	129,488,000
ADOT - Controlled Access	103,833,000	9,609,000	113,442,000
ADOT - Debt Service	144,232,000	6,270,000	150,502,000
ADOT - Airport Planning	18,798,500	4,321,500	23,120,000
ADOT - Spreader Racks - Replacing 17	1,720,000	(1,720,000)	0
ADOT - Keams Canyon Truck Barn/Office	1,790,000	(1,790,000)	0
ADOT - New Materials Test Lab	2,250,000	(2,250,000)	0
Veterans' Services - Flagstaff/Yuma Homes Additional Costs	8,000,000	(8,000,000)	0

	FY 2019 OF <u>1</u> / JLBC Baseline		FY 20 Baseline <u>2</u> / Above FY 19	FY 2020 OF JLBC Baseline
TOTAL - CAPITAL SPENDING CHANGES	\$439,989,500		(303,400)	\$439,686,100
TOTAL - OPERATING & CAPITAL SPENDING	\$4,431,802,900		31,310,300	\$4,463,113,200
FUND TRANSFERS				
APF/DOA - Automation Projects Fund - All For IT Projects				
APF/DOA - ADOA Automation Operations for IT	5,330,000		(5,330,000)	0
APF/DOA - ADOA State Web Portal for IT	3,517,000		(3,517,000)	0
APF/DOA - ADOA Personnel Fund for IT	171,900		(171,900)	0
APF/DOA - Behavioral Health Examiners for e-Licensing	450,000		(450,000)	0
APF/DOA - DEQ Permit Administration for IT	1,800,000		(1,800,000)	0
APF/DOA - DEQ Underground Storage Tank for IT	1,400,000		(1,400,000)	0
APF/DOA - Public Safety Equipment Fund for DPS IT	1,250,000		(1,250,000)	0
APF/DOA - DPS Highway Patrol Fund for IT	2,806,200		(2,806,200)	0
APF/DOA - DFI Receivership Revolving Fund for e-Licensing	1,400,000		(1,400,000)	0
TOTAL - FUND TRANSFERS	\$18,125,100		(18,125,100)	\$0

1/ Represents original FY 2019 appropriations adjusted for revisions in Lottery Commission and the Universities.

2/ Represents FY 2020 Baseline cost above FY 2019 Baseline.

FY 2019 SUPPLEMENTALS

	Change to Original '19 Budget
General Fund	
AHCCCS - Lower-than-Budgeted Caseload Growth	(\$28,564,900)
State Land Department - CAP User Fee Rate	(128,300)
EORP Contribution Adjustment	287,800
General Fund - Total	(\$28,405,400)
Other Funds	
Arizona Department of Administration - Federal Financial Participation Repayment	\$9,168,400
Arizona Department of Administration - Automation Projects Fund (APF)	(450,000)
- e-Licensing Project	
Board of Behavioral Health Examiners - e-Licensing Project	450,000
Other Funds - Total	\$9,168,400

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES

For Fiscal Years 2018, 2019 and 2020 1/

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
BUDGET UNITS			
Department of Administration (ADA)			
Administration - AFIS II Collections (4203)	\$0	\$0	\$0
Certificate of Participation (5005)	138,121,400	139,036,700	139,036,700
Construction Insurance (4219)	2,237,700	6,952,800	4,795,800
Co-Op State Purchasing Agreement (4213)	2,973,100	3,200,000	3,200,000
Emergency Telecommunication Services Revolving (2176)	16,944,500	17,400,000	17,400,000
Employee Related Expenditures/Benefits Admin (ITA3035)	33,276,600	33,942,600	33,942,600
Federal Grants (2000)	2,408,700	1,109,100	580,000
IGA and ISA (2500)	10,311,500	7,203,500	7,139,200
Oil Overcharge (GVA3171)	226,400	4,900	0
Payroll Administration (9200)	23,900	43,100	62,300
Retiree Accumulated Sick Leave (3200)	15,155,300	15,701,000	15,701,000
Special Employee Health Insurance Trust (3015)	899,580,700	913,837,300	978,932,900
Special Events (2503)	7,400	12,600	12,600
Special Services Revolving (4208)	692,900	660,000	660,000
State Employee Travel Reduction (2261)	787,200	534,900	534,900
State Web Portal (2531)	0	0	0
Statewide ARRA Administration SWCAP (GVA2950)	571,500	0	0
Statewide Donations (2025)	51,300	10,000	10,000
Text to 911 Services (2177)	0	681,300	681,300
Transparency Website (2955)	25,600	24,000	24,000
VW Diesel Emissions Environment Migration Trust (3917)	0	36,289,800	20,310,200
Total - Department of Administration	\$1,123,395,700	\$1,176,643,600	\$1,223,023,500
Office of Administrative Hearings (HGA)			
IGA and ISA (2500)	\$858,900	\$793,900	\$793,900
Video Service Provider Complaint (1111)	0	0	0
Total - Office of Administrative Hearings	\$858,900	\$793,900	\$793,900
Arizona Commission of African-American Affairs (AMA)			
African-American Affairs, Arizona Commission of (2397)	\$9,700	\$15,000	\$15,000
Arizona Department of Agriculture (AHA)			
Administrative Support (2436)	\$37,500	\$41,700	\$41,700
Agricultural Consulting and Training Trust (1239)	900	3,200	3,200
Agricultural Products Marketing (2368)	596,500	543,700	543,700
Aquaculture Trust (2297)	0	9,900	9,900
Beef Council (2083)	343,900	344,000	344,000
Citrus, Fruit and Vegetable Trust (2260)	302,100	384,500	384,500
Citrus Trust (2299)	58,900	41,800	41,800
Commercial Feed Trust (2012)	252,000	396,500	271,000
Commodity Promotion (2458)	13,400	8,000	8,000
Cotton Research and Protection Council (2013)	2,986,400	3,603,500	4,148,800
Dangerous Plants, Pests and Diseases Trust (2054)	121,600	94,000	94,000
Designated (3011)	637,300	834,400	834,400
Egg Inspection Trust (2022)	1,641,200	1,590,500	1,590,500
Equine Inspection (2489)	1,100	0	0
Federal (2000)	5,500,400	5,978,300	5,978,300
Federal-State Inspection (2113)	3,368,500	3,457,000	3,457,000
Fertilizer Materials Trust (2081)	325,900	447,800	322,300
Grain Trust (2201)	144,100	172,700	172,700
Iceberg Lettuce Trust (2259)	97,300	100,000	100,000
Indirect Cost Recovery (9000)	244,500	373,200	373,200
Industrial Hemp (NA)	0	0	0
Livestock and Crop Conservation (2378)	204,100	181,100	181,100
Livestock Custody Trust (2065)	94,500	154,000	154,000
Pest Management Trust (2050)	1,566,000	1,751,500	1,626,000
Pesticide Trust (2051)	245,700	657,700	532,200
Produce Safety Trust (NA)	0	0	0
Protected Native Plant Trust (2298)	77,600	81,800	81,800
Seed Law Trust (2064)	56,300	192,100	66,600
Total - Arizona Department of Agriculture	\$18,917,700	\$21,442,900	\$21,360,700
AHCCCS (HCA)			

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
AHCCCS Restitution (2586)	\$0	\$0	\$0
County Funds (2120/2223)	315,700,800	315,067,700	326,809,700
Delivery System Reform Incentive Payment (2130)	6,149,500	21,773,100	28,062,400
Employee Recognition (2025)	500	200	200
Federal - Medicaid Direct Services (2120)	53,633,300	57,476,600	57,878,000
Federal (2000)	64,991,000	87,583,800	87,583,800
Federal Grants - American Recovery and Reinvestment Act (2999)	13,557,900	48,000,000	48,000,000
Federal Medicaid Authority (2120/2223)	8,408,942,600	9,039,581,900	9,156,048,300
Hospital Assessment (9692)	255,421,000	310,023,300	325,424,900
Hospital Loan Residency (2532)	0	0	0
IGA for County Behavioral Health Services (4503)	64,672,700	67,529,200	67,529,200
Intergovernmental Service (2438)	6,542,000	8,713,900	8,713,900
Nursing Facility Provider Assessment (2567)	32,501,500	32,989,400	32,989,600
Political Subdivision (1111)	114,602,300	138,077,400	113,909,700
Prescription Drug Rebate (2546)	548,393,900	550,507,200	609,060,300
Proposition 202 - Trauma and Emergency Services (2494)	23,274,500	23,500,000	23,500,000
Seriously Mentally Ill Housing Trust (2555)	849,700	4,100,000	4,100,000
Substance Use Disorder Services (2325)	248,000	4,906,000	4,906,000
Third Party Liability and Recovery (3791/3019)	1,527,600	1,693,000	1,693,000
Tobacco Litigation Settlement, Arizona (TRA2561)	101,761,000	87,000,000	102,000,000
Tobacco Tax and Health Care - Medically Needy Account (1306)	0	0	0
Tobacco Products Tax Fund - Proposition 204 Protection Account (1303)	37,016,700	37,728,900	34,054,300
Total - AHCCCS	\$10,049,786,500	\$10,836,251,600	\$11,032,263,300
Arizona Commission on the Arts (HUA)			
Arts Special Revenues (2116)	\$272,700	\$306,900	\$306,900
Arts Trust, Arizona (3043)	1,263,800	1,295,700	1,295,700
Federal Grants (2000)	866,600	830,800	830,800
State Poet Laureate (2569)	0	0	0
Total - Arizona Commission on the Arts	\$2,403,100	\$2,433,400	\$2,433,400
Attorney General - Department of Law (AGA)			
Anti-Racketeering Revolving (2131)	\$7,444,400	\$8,000,000	\$8,000,000
Attorney General Expendable Trust (3102)	1,186,400	1,257,100	1,257,100
Child and Family Advocacy Center (2540)	0	0	0
CJEF Distribution to County Attorneys (2068)	3,190,800	3,660,800	3,660,800
Colorado River Land Claims Revolving (2430)	0	0	0
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving (2573)	1,687,200	3,500,000	3,500,000
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving (2573)	5,059,300	5,000,000	5,000,000
Court-Ordered Trust (3180)	2,454,100	0	0
Criminal Case Processing (2461)	40,900	102,000	102,000
Federal Grants (2000)	5,980,300	7,628,500	7,628,500
Indirect Cost Recovery (9000)	9,736,600	10,412,300	10,412,300
Intergovernmental Agreements (2500)	29,331,400	27,750,900	27,750,900
Motor Carrier Safety Revolving (2380)	0	0	0
Prosecuting Attorneys' Advisory Council Training (2057)	1,013,700	1,118,900	1,118,900
Victim Witness Assistance (2228)	5,400	0	0
Total - Attorney General - Department of Law	\$67,130,500	\$68,430,500	\$68,430,500
Automobile Theft Authority (ATA)			
Settlement (1991)	\$12,400	\$8,000	\$8,000
State Board for Charter Schools (CHA)			
Charter Arizona Online Instruction Processing (2319)	\$3,000	\$3,000	\$3,000
Implementation Project (2025)	0	0	0
New Charter Application Processing (2568)	58,100	58,500	58,500
Total - State Board for Charter Schools	\$61,100	\$61,500	\$61,500
Department of Child Safety (CHA)			
Child Restraint (2192)	\$0	\$0	\$0
Child Safety Expedited Substance Abuse Treatment (2421)	0	0	0
Child Safety Expenditure Authority (2009)	371,745,000	437,430,200	437,430,200
Client Trust (3152)	3,013,000	3,500,000	3,500,000
Economic Security Donations (3145)	0	0	0
Joint Substance Abuse Treatment (2429)	0	0	0
Total - Department of Child Safety	\$374,758,000	\$440,930,200	\$440,930,200

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
Citizens Clean Elections Commission (ECA)			
Citizens Clean Elections (2425)	\$4,851,000	\$11,662,200	\$3,562,200
Arizona Commerce Authority (CAA)			
Application Fees (3005)	\$597,500	\$799,600	\$799,600
Commerce Authority, Arizona (2547)	0	0	0
Commerce Authority Carryover, Arizona (1001)	973,800	1,416,200	1,041,400
Competes, Arizona (2548)	0	0	0
Donations (3189)	55,700	66,000	66,000
Federal (2000)	1,612,600	1,490,600	1,165,800
Innovation Accelerator, Arizona (9507)	194,000	355,000	355,000
Job Training (1237)	2,955,300	5,400,000	5,400,000
Mexico Trade Office (9972)	2,600	0	0
RevAZ (9971)	180,300	612,500	612,500
Total - Arizona Commerce Authority	<u>\$6,571,800</u>	<u>\$10,139,900</u>	<u>\$9,440,300</u>
Arizona Community Colleges (CMA)			
Tribal Assistance (NA)	\$772,700	\$772,700	\$772,700
Workforce Development Accounts (varies by account)	19,348,900	19,348,900	19,348,900
Total - Arizona Community Colleges	<u>\$20,121,600</u>	<u>\$20,121,600</u>	<u>\$20,121,600</u>
Constable Ethics Standards and Training Board (CNA)			
Constable Ethics Standards and Training (2346)	\$203,500	\$442,100	\$442,100
Registrar of Contractors (RGA)			
Residential Contractors' Recovery (3155)	\$1,860,300	\$4,666,800	\$7,366,800
Corporation Commission (CCA)			
Federal (2000)	\$693,500	\$825,000	\$825,000
IGA and ISA (2500)	0	0	0
Utility Siting (2076)	0	0	0
Total - Corporation Commission	<u>\$693,500</u>	<u>\$825,000</u>	<u>\$825,000</u>
State Department of Corrections (DCA)			
Correctional Industries Revolving, Arizona (4002)	\$41,612,000	\$40,397,500	\$40,397,500
Community Corrections Enhancement (2395)	196,100	503,600	503,600
Corrections Donations (3147)	1,100	0	0
Federal (2000)	1,375,400	9,251,100	9,039,700
Indirect Cost Recovery (9000)	394,100	343,900	343,900
Inmate Store Proceeds (2505)	4,147,700	4,626,900	4,626,900
Interagency Service Agreement (2500)	71,900	54,300	54,300
Special Services (3187)	5,335,500	8,775,900	8,235,900
State DOC Revolving (2515)	2,318,700	2,803,500	2,803,500
Statewide Employee Recognition Gifts/Donations (2449)	0	0	0
Total - State Department of Corrections	<u>\$55,452,500</u>	<u>\$66,756,700</u>	<u>\$66,005,300</u>
Arizona Criminal Justice Commission (JCA)			
Drug and Gang Enforcement (2516)	\$4,942,900	\$4,703,200	\$4,703,200
Federal Grants (2000)	6,854,900	8,143,800	8,143,800
Total - Arizona Criminal Justice Commission	<u>\$11,797,800</u>	<u>\$12,847,000</u>	<u>\$12,847,000</u>
Arizona State Schools for the Deaf and the Blind (SDA)			
ASDB Classroom Site (2486)	\$912,900	\$913,000	\$913,000
Enterprise (4222)	53,000	53,100	53,100
Federal Grants (2000)	1,952,400	2,094,600	2,094,600
IGA and ISA (2500)	0	0	0
Instructional Improvement (2492)	0	0	0
Regional Cooperatives (4221)	15,216,600	15,433,000	15,433,000
State Grants (2011)	176,600	771,600	556,400
Trust (3148)	85,900	111,600	111,600
Total - Arizona State Schools for the Deaf and the Blind	<u>\$18,397,400</u>	<u>\$19,376,900</u>	<u>\$19,161,700</u>
Commission for the Deaf and the Hard of Hearing (DFA)			
Private Grants (3000)	\$0	\$0	\$0
Arizona Early Childhood Development and Health Board			
Early Childhood Development and Health (2542)	\$134,414,400	\$143,329,800	\$146,792,600
Federal Grants (2000)	8,876,500	9,596,100	345,300
Total - Arizona Early Childhood Development and Health Board	<u>\$143,290,900</u>	<u>\$152,925,900</u>	<u>\$147,137,900</u>
Office of Economic Opportunity (EOA)			
Clean Water Revolving (FAA2254)	\$168,741,800	\$43,864,700	\$43,864,700
Drinking Water Revolving (FAA2307)	48,265,500	25,488,000	25,488,000
Economic Development (3337)	0	800	0
Economic Opportunity Operations, Office of (9903)	557,000	2,898,600	2,898,600
Federal Grants (2000)	24,186,600	44,776,800	44,776,800

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
Finance Authority Operations, Arizona (FAA5352)	8,200	8,000	8,000
Greater Arizona Development Authority Revolving (FAA2311)	31,000	33,000	33,000
IGA and ISA (2500)	2,467,800	934,800	934,800
Industrial Development Authority, Arizona (FAA9973)	0	0	0
Small Drinking Water Systems (FAA2225)	0	0	0
Total - Office of Economic Opportunity	\$244,257,900	\$118,004,700	\$118,003,900
Department of Economic Security (DEA)			
Child Support Enforcement Administration (2091)	\$35,024,300	\$42,299,500	\$42,299,500
Client Trust (3152)	11,600	0	0
Developmentally Disabled Client Investment (3146)	17,400	17,400	17,400
Developmentally Disabled Client Services Trust (2019)	3,200	34,900	34,900
Donations (3145)	16,300	30,800	30,800
Economic Security Capital Investment (2093)	64,700	64,700	64,700
Employee Recognition (2449)	4,300	4,300	4,300
Federal Grants (2000)	1,741,347,200	1,673,880,100	1,673,480,100
Industries for the Blind, Arizona (4003)	224,100	0	0
IGA and ISA (2500)	1,069,000	483,400	0
Job Training, Arizona (1237)	0	0	0
Long Term Care System - Federal Match (2225)	988,034,900	1,173,446,100	1,272,757,500
Neighbors Helping Neighbors (2348)	34,300	35,000	35,000
Special Olympics Tax Refund (3207)	87,900	87,900	87,900
Unemployment Insurance Benefits (7510)	243,189,900	241,100,000	241,100,100
Unemployment Special Assessment (2558)	1,802,200	0	0
Total - Department of Economic Security	\$3,010,931,300	\$3,131,484,100	\$3,229,912,200
Department of Education (EDA)			
Agricultural Youth Organization Special Plate, Arizona (2650)	\$167,000	\$165,000	\$165,000
Assistance for Education (2420)	21,800	31,300	31,300
Broadband Expansion (2145)	0	0	0
Character Education Special Plate (2522)	26,900	25,500	25,500
Computer Science Professional Development Program (9999)	0	0	0
Department of Education Empowerment Scholarship Account (2570)	0	0	0
Early Literacy Grant Program (2181)	0	0	0
Education Commodity (4210)	288,100	507,900	507,900
Education Donations (2025)	50,700	61,800	61,800
Education Learning and Accountability (2552)	0	0	0
Federal (2000)	1,121,804,100	1,206,177,500	1,206,177,500
Golden Rule Special Plate (2366)	200,700	200,700	200,700
IGA and ISA (2500)	4,667,700	1,882,100	1,882,100
Indirect Cost Recovery (9000)	5,994,700	7,881,500	7,881,500
Internal Services (4209)	3,943,800	4,385,400	4,385,400
Production Revolving (4211)	1,143,700	1,415,600	1,415,600
Proposition 301 (9001)	515,445,800	531,057,900	531,057,900
Proposition 301/Classroom Site - Carry-Forward (9003)	0	36,292,100	36,292,100
Proposition 301/Classroom Site - Land Trust (9002)	92,163,700	103,425,500	103,425,500
Results-Based Funding (2151)	0	0	0
Rural STEM Program (3046)	0	0	0
Special Education (1009)	0	0	0
Structured English Immersion, Arizona (2535)	0	0	0
Tribal Gaming (9004)	27,337,800	45,000,000	45,000,000
Youth Farm Loan, Arizona (2136)	0	26,000	26,000
Total - Department of Education	\$1,773,256,500	\$1,938,535,800	\$1,938,535,800
Department of Emergency and Military Affairs (MAA)			
Camp Navajo (2106)	\$11,955,300	\$18,412,300	\$17,368,100
Emergency Management Assistance Compact Revolving (2602)	52,300	0	0
Federal - Emergency (2000)	7,018,700	14,033,000	9,215,900
Federal - Military (2000)	37,142,600	45,891,200	36,386,900
Indirect Cost Recovery (9000)	691,800	1,005,700	1,005,700
Interagency Service Agreement (2500)	971,300	668,700	668,700
Military Installation (1010)	0	0	0
Morale, Welfare and Recreational (2124)	21,200	210,000	53,200
National Guard (2140)	10,700	0	0
State Armory Property (2146)	0	0	0
Total - Department of Emergency and Military Affairs	\$57,863,900	\$80,220,900	\$64,698,500
Department of Environmental Quality (EVA)			
Donations (2449)	\$7,900	\$8,400	\$8,400

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
Federal (2000)	16,569,400	16,675,600	16,675,600
IGA and ISA (2500)	6,335,600	7,946,700	7,946,700
Institutional and Engineering Control (2563)	37,800	50,500	50,500
Monitoring Assistance (2308)	664,300	753,500	753,500
Specific Site Judgment (3006)	31,300	12,600	12,600
Underground Storage Tank Revolving Summary (2271)	17,796,600	36,284,800	36,284,800
Voluntary Remediation (2564)	211,700	256,500	256,500
Voluntary Vehicle Repair and Retrofit Program (2365)	107,300	1,005,000	1,005,000
Water Quality Assurance Revolving (2221)	15,051,600	19,400,000	19,400,000
Total - Department of Environmental Quality	\$56,813,500	\$82,393,600	\$82,393,600
Board of Executive Clemency (PPA)			
IGA and ISA (2500)	\$23,800	\$30,100	\$30,100
State Department of Financial Institutions (BDA)			
Appraisal Subcommittee (2004)	\$0	\$0	\$0
IGA and ISA (2500)	0	0	0
Mortgage Recovery (1997)	0	0	0
Receivership Revolving (3023)	303,600	102,000	102,000
Revolving (2126)	836,600	561,000	561,000
Total - State Department of Financial Institutions	\$1,140,200	\$663,000	\$663,000
Arizona Department of Forestry and Fire Management (FFM)			
Arson Detection Reward (2169)	\$0	\$0	\$0
Cooperative Forestry (2232)	6,915,400	6,472,700	6,472,700
Fire Suppression Revolving (2360)	42,658,200	45,077,100	45,077,100
Indirect Cost Recovery (9000)	648,600	675,400	675,400
Trampoline Court Safety (2578)	0	0	0
Total - Arizona Department of Forestry and Fire Management	\$50,222,200	\$52,225,200	\$52,225,200
Arizona Game and Fish Department (GFA)			
Big Game Permit (3712)	\$0	\$0	\$0
Conservation Development (2062)	6,500	1,626,500	1,626,500
Federal (2000)	0	0	0
Federal Grants - American Recovery and Reinvestment Act (2999)	0	0	0
Federal Revolving (2028)	41,618,200	49,429,500	49,429,500
Firearms Safety and Ranges (2442)	20,900	0	0
Game and Fish Federal Duck Stamps (3711)	0	0	0
Game and Fish In-Lieu Fee Program Restoration			
Endowment Trust (3167)	0	139,900	139,900
Game and Fish Publications Revolving (4007)	177,900	168,600	168,600
Game and Fish Special Stamp Collection (3709)	0	0	0
Game and Fish Stamps (3708)	0	0	0
Game and Fish Trust (3111)	3,697,500	3,583,600	3,583,600
Heritage (2295)	11,589,400	9,987,100	9,987,100
IGA and ISA (2500)	0	0	0
Indirect Cost Recovery (9000)	6,130,200	8,015,500	8,015,500
Kaibab Co-op (3714)	0	0	0
Livestock Compensation (3103)	0	0	0
Off Highway Vehicle Recreation (2253)	1,615,000	1,667,100	1,667,100
Wildlife Conservation (2497)	6,440,600	10,569,600	10,569,600
Wildlife Conservation Enterprise (2029)	1,314,100	312,600	312,600
Wildlife Theft Prevention (2080)	207,800	220,300	220,300
Total - Arizona Game and Fish Department	\$72,818,100	\$85,720,300	\$85,720,300
Department of Gaming (GMA)			
Breeders Award, Arizona (2206)	\$31,500	\$30,000	\$30,000
DPS-FBI Fingerprint (2159)	33,400	50,000	50,000
Greyhound and Retired Racehorse Adoption (2015)	1,500	1,400	1,400
IGA and ISA (2500)	487,600	1,320,000	1,320,000
Racing Commission Bond Deposit (3720)	0	0	0
Racing Investigation (2369)	0	0	0
Racing Regulation - Unarmed Combat Subaccount (2393)	91,000	126,500	0
Rural County Fair Racing (NA)	0	0	0
Total - Department of Gaming	\$645,000	\$1,527,900	\$1,401,400
Office of the Governor (GVA)			
County Fairs Livestock and Agriculture Promotion (2037)	\$0	\$0	\$0
Federal Grants (2000)	23,270,900	30,727,200	30,727,200
Foster Youth Education Success (1400)	0	0	0
Governor's Endowment Partnership (3206)	278,700	294,900	294,900

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
IGA and ISA (2500)	1,059,500	1,182,600	1,182,600
Indirect Cost Recovery (9000)	1,093,600	1,759,600	1,759,600
Prevention of Child Abuse (2439)	224,900	231,700	231,700
Total - Office of the Governor	\$25,927,600	\$34,196,000	\$34,196,000
Department of Health Services (HSA)			
Arizona State Hospital Charitable Trust (9985)	\$0	\$90,000	\$90,000
Breast and Cervical Cancer Screening and Diagnostic Special Plate (2513)	190,000	525,000	525,000
Disease Control Research (2090)	2,427,200	2,380,300	2,380,300
Donations - DHS (3010/2025)	549,100	124,100	124,100
Donations - Statewide (2025)	3,900	2,000	2,000
Drug Disposal Education and Awareness (2230)	0	0	0
Federal (2000)	259,808,100	259,555,300	259,555,300
Health Services Lottery Monies (4250)	11,605,300	7,751,800	7,751,800
IGA and ISA (4500)	16,259,200	16,130,800	16,130,800
Interagency Service Agreement for Behavioral Health Services (4502)	0	0	0
Internal Services (4202)	27,000	22,700	22,700
Laser Safety (2388)	44,100	40,000	40,000
Medical Marijuana (2544)	12,623,400	17,898,800	17,898,800
Medical Student Loan (3306)	64,000	59,200	59,200
Oral Health (3038)	246,000	482,000	482,000
Public Health Emergencies (2775)	106,600	0	0
Risk Assessment (2427)	46,800	46,400	46,400
Smoke-Free Arizona (2541)	2,779,300	3,000,000	3,000,000
Tobacco Tax and Health Care - Health Education Account (1308)	19,056,700	18,696,800	18,696,800
Tobacco Tax and Health Care - Health Research Account (2096)	5,127,300	5,103,000	5,103,000
Tobacco Tax and Health Care - Medically Needy Account (1306)	0	0	0
Total - Department of Health Services	\$330,964,000	\$331,908,200	\$331,908,200
Arizona Historical Society (HIA)			
Exposition Museum Centennial, Arizona (2650)	\$0	\$0	\$0
Federal Grants (2000)	0	0	0
Permanent Arizona Historical Society Revolving (2900)	572,500	669,600	637,200
Preservation and Restoration (2125)	32,000	85,700	83,700
Private (9447)	388,100	583,200	558,400
Trust (9450)	15,200	1,000	1,000
Total - Arizona Historical Society	\$1,007,800	\$1,339,500	\$1,280,300
Prescott Historical Society of Arizona (PHA)			
Sharlot Hall Historical Society (9505)	\$536,400	\$625,100	\$625,100
Department of Homeland Security (HLA)			
Federal (2000)	\$19,363,500	\$23,114,800	\$23,114,800
Arizona Department of Housing (HDA)			
Consumer Recovery (3090)	\$3,300	\$3,400	\$3,400
DPS-FBI Fingerprint (2159)	5,700	0	0
Federal (2000)	77,359,000	91,284,100	88,784,100
Federal Grants - American Recovery and Reinvestment Act (2999)	0	0	0
Housing Program (2200)	7,891,100	9,695,400	9,674,000
Housing Trust (2235)	4,587,000	13,701,000	13,851,000
IGA and ISA (2500)	3,794,700	3,113,200	3,155,700
Manufactured Housing Cash Bond (3722)	0	0	0
Mobile Home Relocation (2237)	191,200	487,400	487,400
Total - Arizona Department of Housing	\$93,832,000	\$118,284,500	\$115,955,600
Industrial Commission of Arizona (ICA)			
Federal Grants (2000)	\$2,911,800	\$3,098,600	\$3,098,600
Revolving (2002)	118,100	147,000	147,000
Special (2180)	16,215,600	17,269,200	17,269,200
Total - Industrial Commission of Arizona	\$19,245,500	\$20,514,800	\$20,514,800
Department of Insurance (IDA)			
Assessment Fund for Voluntary Plans (2316)	\$0	\$133,700	\$133,700
Captive Insurance Regulatory/Supervision (2377)	257,900	434,300	434,300
Federal (2000)	149,400	691,600	0
Financial Surveillance (2473)	478,700	479,600	479,600
Health Care Appeals (2467)	253,900	240,100	240,100

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
IGA and ISA (2500)	0	0	0
Insurance Examiners' Revolving (2034)	2,406,500	2,917,100	2,917,100
Life and Disability Insurance Guaranty (2154)	15,754,200	12,251,700	12,251,700
Property and Casualty Insurance Guaranty, Arizona (2114)	12,620,800	12,338,500	12,338,500
Receivership Liquidation (3104)	93,100	66,800	66,800
Total - Department of Insurance	\$32,014,500	\$29,553,400	\$28,861,800
Judiciary - Supreme Court (SPA)			
Alternative Dispute Resolution (3245)	\$190,400	\$400,600	\$400,600
Certified Reporters (2440)	65,100	102,300	102,300
Drug Treatment and Education (2277)	513,600	712,200	712,200
Grants and Special Revenue (2084)	18,551,300	22,373,400	22,373,400
Juvenile Probation Services (2193)	0	0	0
Lengthy Trial, Arizona (2382)	545,200	729,900	729,900
Public Defender Training (3013)	562,300	617,000	617,000
Total - Judiciary - Supreme Court	\$20,427,900	\$24,935,400	\$24,935,400
Judiciary - Superior Court (SPA)			
Community Punishment Program Fines (2119)	\$0	\$125,000	\$125,000
Drug and Gang Enforcement Account (2074)	1,053,100	1,058,300	1,058,300
Drug Treatment and Education (2277)	4,194,200	3,966,700	3,966,700
Grants and Special Revenue (2084)	550,000	1,147,400	1,147,400
Health Services Lottery Monies (9999)	0	0	0
Juvenile Probation Services (2193)	0	0	0
Total - Judiciary - Superior Court	\$5,797,300	\$6,297,400	\$6,297,400
Department of Juvenile Corrections (DJA)			
DJC Restitution (2476)	\$48,500	\$48,500	\$48,500
Employee Recognition (2449)	3,300	3,300	3,300
Federal (2000)	929,500	1,023,700	1,023,700
Indirect Cost Recovery (9000)	73,400	0	0
Juvenile Corrections (3024)	32,300	23,700	23,700
State Education System for Committed Youth Classroom Site (2487)	154,800	154,800	154,800
Statewide Donations (2025)	4,000	1,900	1,900
Total - Department of Juvenile Corrections	\$1,245,800	\$1,255,900	\$1,255,900
State Land Department (LDA)			
CAP Municipal and Industrial Repayment (2129)	\$0	\$0	\$0
Federal (2000)	0	0	0
Federal Reclamation Trust (2024)	0	0	0
Interagency Agreements (2212)	0	0	0
IGA and ISA (2500)	0	0	0
Off-Highway Vehicle Recreation (2253)	121,800	255,000	255,000
Resource Analysis Division Revolving (4009)	49,100	80,000	80,000
Riparian Acquisition Trust (3201)	0	0	0
State Land Department (2451)	294,800	375,000	375,000
Statewide Employee Recognition Gifts/Donations (2449)	800	1,000	1,000
Total - State Land Department	\$466,500	\$711,000	\$711,000
Legislature - Auditor General (AUA)			
Audit Services Revolving (2242)	\$1,937,700	\$1,971,700	\$1,971,700
Department of Liquor Licenses and Control (LLA)			
Anti-Racketeering Revolving (2131)	\$20,500	\$23,500	\$23,500
Audit Surcharge (3010)	187,600	187,600	187,600
Direct Shipment License Issuance (3017)	0	47,700	47,700
Direct Shipment License Renewal (3018)	0	0	0
DPS - FBI Fingerprint (2159)	0	0	0
Enforcement Surcharge - Enforcement Unit (3012)	381,000	381,000	381,000
Enforcement Surcharge - Multiple Complaints (3011)	438,600	438,600	438,600
Federal Grants (2000)	298,900	50,000	50,000
IGA and ISA (2500)	0	0	0
Liquor Licenses (1996)	0	0	0
Total - Department of Liquor Licenses and Control	\$1,326,600	\$1,128,400	\$1,128,400
Arizona State Lottery Commission (LOA)			
State Lottery (2122)	\$664,014,500	\$720,491,500	\$754,866,200
Debt Service (NA)	37,500,800	37,502,900	34,511,900
University Capital Improvement (NA)	39,610,200	39,889,000	40,924,200
Mass Transit (NA)	11,529,000	11,529,000	11,529,000
Total - Arizona State Lottery Commission	\$752,654,500	\$809,412,400	\$841,831,300

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
State Mine Inspector (MIA)			
Abandoned Mines Safety (2408)	\$0	\$0	\$0
Federal Education and Training (2400)	24,100	68,100	68,100
Federal Grants (2000)	329,900	564,100	564,100
Total - State Mine Inspector	\$354,000	\$632,200	\$632,200
State Board of Nursing (BNA)			
Nurse Aide Training and Registration (2000)	\$414,700	\$414,700	\$414,700
Statewide Donations (2025)	0	0	0
Total - State Board of Nursing	\$414,700	\$414,700	\$414,700
Arizona Parents Commission on Drug Education and Prevention (PCA)			
Drug Treatment and Education (2277)	\$4,907,300	\$5,246,400	\$5,246,400
Arizona State Parks Board (PRA)			
Arizona Trail (2525)	\$29,900	\$41,800	\$41,800
Federal (2000)	2,141,200	6,078,600	6,078,600
Land Conservation - Administration Account (2432)	0	250,000	250,000
Land Conservation - Donation Account (2432)	0	0	0
Land Conservation - Public Conservation Account (2432)	0	0	0
Off Highway Vehicle Recreation (2253)	2,196,200	3,215,400	3,215,400
Partnership (2448)	2,965,600	2,696,900	2,696,900
State Lake Improvement (2105)	10,860,600	8,322,300	8,322,300
State Parks (3117)	0	350,000	350,000
Sustainable State Parks and Roads (3125)	0	190,000	190,000
Yarnell Hill Memorial (3124)	0	0	0
Total - Arizona State Parks Board	\$18,193,500	\$21,145,000	\$21,145,000
Arizona State Board of Pharmacy (PMA)			
Controlled Substances Prescription Monitoring Program (2359)	\$1,709,700	\$575,000	\$575,000
Federal Grants (2000)	0	1,104,500	1,104,500
Total - Arizona State Board of Pharmacy	\$1,709,700	\$1,679,500	\$1,679,500
Arizona Pioneers' Home (PIA)			
Pioneers' Home (Cemetery Proceeds) (3144)	\$37,500	\$36,500	\$36,500
Pioneers' Home (Donations) (3143)	3,300	4,300	4,300
Statewide Employee Recognition Gifts (2449)	10,900	1,600	1,600
Total - Arizona Pioneers' Home	\$51,700	\$42,400	\$42,400
Commission for Postsecondary Education (PEA)			
Family College Savings Program Trust (3121)	\$805,300	\$1,066,300	\$1,066,300
Federal Grants (2000)	510,800	256,400	256,400
Postsecondary Education (2405)	38,100	97,600	97,600
Private Postsecondary Education Grant (2530)	0	0	0
Private Postsecondary Education Student Financial Assistance (2128)	0	0	0
Teacher Student Loan, Arizona (2358)	0	0	0
Teachers Incentive Program (2249)	0	0	0
Total - Commission for Postsecondary Education	\$1,354,200	\$1,420,300	\$1,420,300
Arizona Power Authority (PAA)			
Hoover Upgrading (1113)	\$23,928,800	\$21,442,600	\$21,442,600
Interest Income (1112)	104,600	60,000	60,000
Power Authority, Arizona (9506)	6,348,100	5,611,500	5,611,500
Total - Arizona Power Authority	\$30,381,500	\$27,114,100	\$27,114,100
State Board for Private Postsecondary Education (PVA)			
Student Tuition Recovery (3027)	\$270,700	\$249,000	\$249,000
Department of Public Safety (PSA)			
Anti-Racketeering Revolving (3123)	\$3,265,600	\$4,291,700	\$4,291,700
Capitol Police Administrative Towing (1999)	0	0	0
Conferences, Workshops, and Other Education (2700)	16,100	28,000	28,000
Criminal Justice Enhancement (3702)	0	0	0
DPS Administration (2322)	2,072,300	2,351,000	2,351,000
DPS Licensing (2490)	1,088,200	1,230,900	1,230,900
Driving Under the Influence Abatement (2422)	1,615,200	1,588,800	1,588,800
Families of Fallen Police Officers Special Plate (2386)	250,000	250,000	250,000
Federal Grants and Reimbursements (2000)	50,928,900	72,283,200	72,283,200
Fingerprint Clearance Card (2433)	5,558,600	6,895,300	6,895,300
Fingerprinting, Board of (2435)	589,000	618,700	643,600
IGA and ISA (2500)	11,203,900	11,460,500	11,460,500

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
Indirect Cost Recovery (9000)	2,060,400	1,802,900	1,802,900
Motor Carrier Safety Revolving (2380)	1,800	1,800	1,800
Peace Officers' Training (2049)	4,937,100	6,354,200	6,354,200
Public Safety Equipment (2391)	2,022,300	3,198,900	1,744,900
Records Processing (2278)	4,730,300	5,065,200	5,065,200
State Highway Work Zone Safety (2480)	86,500	29,200	29,200
Statewide Donations (2025)	0	0	0
Victims' Rights Enforcement (2519)	933,200	899,200	899,200
Total - Department of Public Safety	\$91,359,400	\$118,349,500	\$116,920,400
Public Safety Personnel Retirement System (NA)			
Disability Program Trust (NA)	\$0	\$0	\$0
Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program Account (NA)	32,200	35,300	35,300
Investment and Administrative Expenses (NA)	12,192,200	13,353,400	13,353,400
Retiree Pool Account (NA)	0	0	0
Total - Public Safety Personnel Retirement System	\$12,224,400	\$13,388,700	\$13,388,700
State Real Estate Department (REA)			
Condominium and Planned Community Hearing Office (2537)	\$32,400	\$33,000	\$33,000
Education Revolving (4011)	2,300	13,500	13,500
Recovery (3119)	131,500	309,500	309,500
Total - State Real Estate Department	\$166,200	\$356,000	\$356,000
Arizona State Retirement System (RSA)			
Administrative Account - Investment Expenses (1407)	\$13,793,200	\$17,625,300	\$18,129,300
Department of Revenue (RVA)			
Escheated Estates (3745)	\$0	\$0	\$0
Estate and Unclaimed Property (1520)	0	0	0
I Didn't Pay Enough (6001)	0	0	0
IGA and ISA (2500)	955,600	1,925,900	1,925,900
Revenue Publications Revolving (2166)	23,700	10,600	10,600
Special Collections (2168)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	2,800	2,000	2,000
Veterans' Income Tax Settlement (1601)	0	0	0
Waste Tire (2356)	0	0	0
Total - Department of Revenue	\$982,100	\$1,938,500	\$1,938,500
School Facilities Board (SFA)			
Building Renewal Grant (2392)	\$0	\$0	\$0
Emergency Deficiencies Correction (2484)	393,500	1,883,900	0
Land Trust Bond Debt Service (5030)	49,625,000	9,800	0
Lease-to-Own Debt Service (2373)	0	0	0
New School Facilities (2460)	0	0	0
Public School Credit Enhancement, Arizona (9999)	0	0	0
School Improvement Revenue Bond Debt Service (5020)	61,134,500	64,119,900	64,135,300
Total - School Facilities Board	\$111,153,000	\$66,013,600	\$64,135,300
Secretary of State - Department of State (STA)			
Address Confidentiality Program (2557)	\$406,100	\$407,700	\$407,700
Blue Book Revolving, Arizona (2006)	0	0	0
Data Processing Acquisition (2265)	31,800	0	0
Election Training (2521)	3,400	20,000	20,000
Federal Grants (LAA2000)	3,533,100	3,771,800	3,771,800
IGA and ISA (2500)	479,800	600,000	600,000
Museum Gift Shop Revolving (LAA4008)	69,400	13,500	13,500
Notary Bond (2387)	125,200	82,800	82,800
Standing Political Committee Administrative (2426)	0	0	0
State Library (LAA2115)	233,300	222,500	222,500
Total - Secretary of State - Department of State	\$4,882,100	\$5,118,300	\$5,118,300
State Board of Technical Registration (TEA)			
Technical Registration Board of Investigations (2072)	\$16,900	\$0	\$0
Office of Tourism (TOA)			
Tourism (2236)	\$13,820,800	\$15,151,900	\$15,151,900
Department of Transportation (DTA)			
Abandoned Vehicle Administration (2150)	\$96,000	\$686,200	\$980,200
Highways Magazine, Arizona (2031)	4,932,900	5,274,700	5,274,700
Cash Deposits (2266)	800	0	0
Contract Counsel (4212)	0	0	0
Federal Grants (2097)	22,335,200	26,990,000	27,415,200

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
Highway Expansion and Extension Loan Program (2417)	0	0	0
IGA and ISA (2500)	242,400	21,535,500	9,012,000
Local Agency Deposits (3701)	0	0	0
Maricopa Regional Area Road (2029)	12,079,900	13,500,000	13,700,000
Motor Carrier Safety Revolving (2380)	11,600	5,000	5,000
Rental Tax and Bond Deposit (3737)	900	0	0
Shared Location and Advertising Agreements Expense (2414)	4,900	28,000	56,000
Statewide Employee Recognition Gifts/Donations (2449)	13,400	13,000	13,000
Statewide Special Plates (2650)	2,720,600	3,171,000	3,568,800
Underground Storage Tank Revolving (3728)	0	0	0
Total - Department of Transportation	\$42,438,600	\$71,203,400	\$60,024,900
State Treasurer (TRA)			
Criminal Justice Enhancement (3702)	\$3,922,100	\$3,922,100	\$3,922,100
Fallen Firefighter Memorial, Arizona (3033)	0	0	0
Public Deposit Administration (2574)	85,000	100,000	100,000
Public School Credit Enhancement, Arizona (2675)	0	0	0
Total - State Treasurer	\$4,007,100	\$4,022,100	\$4,022,100
Governor's Office on Tribal Relations (IAA)			
Indian Town Hall, Arizona (4014)	\$0	\$0	\$0
Statewide Donations (2025)	15,500	18,500	18,500
Total - Governor's Office on Tribal Relations	\$15,500	\$18,500	\$18,500
Arizona Board of Regents (BRA)			
Health Education Center Program, Arizona (BRA2)	\$0	\$0	\$0
Federal (2000)	356,500	700	0
Regents Local (BRA1)	4,224,700	5,069,500	4,974,700
Technology and Research Initiative (2472)	1,636,600	3,605,900	2,000,000
Trust Land (3131/3132/3134/3136)	0	0	0
Total - Arizona Board of Regents	\$6,217,800	\$8,676,100	\$6,974,700
Arizona State University (ASA)			
Auxiliary (UNI8906)	\$187,599,900	\$251,077,400	\$251,077,400
Capital Infrastructure (UNI3001)	0	0	0
Designated (UNI8905)	1,163,537,000	1,239,119,100	1,298,420,300
Endowment and Life Income (UNI8904)	1,808,100	750,000	750,000
Federal Grants (UNI8903)	369,662,000	431,216,000	431,216,000
Federal Indirect Cost Recovery (UNI8902)	62,478,400	62,527,300	62,527,300
Indirect Cost Recovery (Non-Federal) (UNI8900)	7,107,100	10,636,500	10,636,500
Loan (UNI8901)	318,800	0	0
Restricted (Excluding Federal Funds) (UNI8907)	187,211,200	205,281,400	205,281,400
University Capital Improvement Lease-to-Own and Bond (BRA3042)	11,925,100	11,914,700	11,922,600
Total - Arizona State University	\$1,991,647,600	\$2,212,522,400	\$2,271,831,500
Northern Arizona University (NAA)			
Auxiliary (UNI8906)	\$103,370,600	\$110,203,500	\$117,544,400
Capital Infrastructure (UNI3002)	0	0	0
Designated (UNI8905)	158,941,400	169,546,900	180,949,600
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	91,744,900	92,662,500	93,589,200
Federal Indirect Cost Recovery (UNI8902)	9,519,100	9,614,200	9,710,300
Indirect Cost Recovery (Non-Federal) (UNI8900)	368,900	798,300	1,256,300
Loan (UNI8901)	764,500	700,000	700,000
Restricted (Excluding Federal Funds) (UNI8907)	25,172,400	24,854,600	24,881,100
University Capital Improvement Lease-to-Own and Bond (BRA3042)	11,073,400	11,072,500	11,063,600
Total - Northern Arizona University	\$400,955,200	\$419,452,500	\$439,694,500
University of Arizona - Main Campus (UAA)			
Auxiliary (UNI8906)	\$291,637,600	\$290,787,300	\$300,964,700
Capital Infrastructure (UNI3003)	0	0	0
Designated (UNI8905)	638,542,900	643,845,900	666,427,600
Endowment and Life Income (UNI8904)	1,674,100	1,724,300	1,784,600
Federal Grants (UNI8903)	208,548,300	215,005,400	222,559,700
Federal Indirect Cost Recovery (UNI8902)	45,979,100	47,358,500	49,016,000
Geological Survey (UNI3030)	361,200	380,000	380,000
Geological Survey Federal Grants (UNI3031)	1,001,800	831,600	831,600
Geological Survey - Mining, Mineral and Natural Resources Educational Museum Account (UNI9999)	28,600	70,000	70,000
Indirect Cost Recovery (Non-Federal) (UNI8900)	9,817,000	10,111,400	10,465,200

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
Loan (UNI8901)	55,200	56,800	58,900
Restricted (Excluding Federal Funds) (UNI8907)	91,861,500	104,655,500	108,323,300
University Capital Improvement Lease-to-Own and Bond (BRA3042)	26,890,800	26,874,000	26,869,100
Total - University of Arizona - Main Campus	<u>\$1,316,398,100</u>	<u>\$1,341,700,700</u>	<u>\$1,387,750,700</u>
University of Arizona - Health Sciences Center (UAA)			
Auxiliary (UNI8906)	\$8,327,700	\$8,626,800	\$8,928,700
Designated (UNI8905)	266,093,300	287,925,500	298,010,700
Endowment and Life Income (UNI8904)	19,919,600	20,517,200	21,235,300
Federal Grants (UNI8903)	89,839,700	92,534,900	95,773,500
Federal Indirect Cost Recovery (UNI8902)	32,561,800	33,538,500	34,712,400
Indirect Cost Recovery (Non-Federal) (UNI8900)	4,859,600	5,005,300	5,180,400
Restricted (Excluding Federal Funds) (UNI8907)	88,116,200	80,760,100	83,586,500
Total - University of Arizona - Health Sciences Center	<u>\$509,717,900</u>	<u>\$528,908,300</u>	<u>\$547,427,500</u>
Department of Veterans' Services (VSA)			
Federal (2000)	\$1,653,500	\$4,979,500	\$4,979,500
Hyperbaric Oxygen Therapy for Military Veterans (3219)	0	0	0
Military Family Relief (2339)	1,189,300	1,209,500	1,209,500
Post-9/11 Veteran Education Relief (2645)	0	0	0
Statewide Employee Recognition Gifts (2449)	3,100	4,000	4,000
Veterans' Cemetery (2481)	21,000	346,300	346,300
Arizona State Veterans' Cemetery Trust (2499)	309,300	271,800	249,000
Veterans' Donations (2441)	1,443,400	1,539,500	1,539,500
Veterans' Income Tax Settlement (1601)	94,500	91,800	91,800
Total - Department of Veterans' Services	<u>\$4,714,100</u>	<u>\$8,442,400</u>	<u>\$8,419,600</u>
Department of Water Resources (WCA)			
Augmentation and Conservation Assistance (2213)	617,200	750,000	750,000
Colorado River Water Use Fee Clearing Account (2538)	23,900	24,000	24,000
Dam Repair (2218)	53,000	50,000	50,000
Federal Grants (2000)	253,300	371,100	371,100
Flood Warning System (1021)	20,300	20,300	20,300
General Adjudications (2191)	11,600	11,600	11,600
Indirect Cost Recovery (9000)	117,700	141,400	141,400
Interagency Service Agreement (2500)	296,300	293,600	293,600
Production and Copying (2411)	6,300	0	0
Publication and Mailing (2410)	0	0	0
Purchase and Retirement (2474)	0	0	0
Statewide Donations (2025)	33,800	34,000	34,000
Water Banking, Arizona (2110)	11,340,200	10,637,500	10,637,500
Water Protection, Arizona (1302)	177,500	309,600	309,600
Water Quality, Arizona (2304)	40,200	86,300	86,300
Well Administration and Enforcement (2491)	80,500	85,300	85,300
Total - Department of Water Resources	<u>\$13,071,800</u>	<u>\$12,814,700</u>	<u>\$12,814,700</u>
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$23,070,513,000</u>	<u>\$24,646,475,300</u>	<u>\$25,116,462,300</u>
Subtotal - Other Funds	8,757,082,800	9,177,855,000	9,445,864,500
Subtotal - Federal Funds	14,313,430,200	15,468,620,300	15,670,597,800
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u><u>\$23,070,513,000</u></u>	<u><u>\$24,646,475,300</u></u>	<u><u>\$25,116,462,300</u></u>
CAPITAL - NON-APPROPRIATED			
Aviation Federal Funds (DTA2267)	\$1,375,000	\$2,160,000	\$2,629,000
Bond Proceeds (DTA5004/5008/2463)	54,407,000	386,981,000	120,783,000
Federal Grants (DTA2097)	801,837,000	636,958,000	988,214,000
Economic Strength Project (DTA2244)	1,000,000	1,000,000	1,000,000
Highway Expansion and Extension Loan Program (DTA2417)	0	0	0
Local Agency Deposits (DTA3701)	10,342,000	10,000,000	10,000,000
Maricopa Regional Area Road (DTA2029)	272,208,000	487,883,000	457,304,000
State Parks Board - State Lake Improvement (2105)	0	6,608,000	0
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$1,141,169,000</u>	<u>\$1,531,590,000</u>	<u>\$1,579,930,000</u>

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
Subtotal - Other Funds	337,957,000	892,472,000	589,087,000
Subtotal - Federal Funds	803,212,000	639,118,000	990,843,000
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$1,141,169,000</u>	<u>\$1,531,590,000</u>	<u>\$1,579,930,000</u>
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$24,211,682,000	\$26,178,065,300	\$26,696,392,300
Subtotal - Other Funds	9,095,039,800	10,070,327,000	10,034,951,500
Subtotal - Federal Funds	15,116,642,200	16,107,738,300	16,661,440,800
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$24,211,682,000</u>	<u>\$26,178,065,300</u>	<u>\$26,696,392,300</u>

1/ If General Fund monies are deposited into a non-appropriated fund, the expenditures of these monies are not displayed in this chart to avoid double counting.

2/ Laws 2017, Chapter 313 transfers the Arizona Radiation Regulatory Agency (ARRA) to the Department of Health Services (DHS), effective January 1, 2018. While the FY 2018 General Appropriation Act appropriated a separate budget for the ARRA, Chapter 313 states that all duties and unexpended or unencumbered monies of ARRA are transferred to DHS on the effective date. ARRA funds are displayed in ARRA in FY 2018.

NA = No Fund Number

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2019 and 2020 1/

BUDGET UNITS	Fiscal Year 2019			Fiscal Year 2020		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
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	420.9	535.1	114.2	435.9	550.1
Automation Projects Fund	0.0	15.0	15.0	0.0	0.0	0.0
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	440.9	555.1
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	188.1	17.2	205.3	191.1	17.2	208.3
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	370.1	588.7	218.6	370.1	588.7
Automobile Theft Authority	0.0	6.0	6.0	0.0	6.0	6.0
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	14.0	0.0	14.0	14.0	0.0	14.0
Child Safety, Department of <u>3/</u>	1,503.6	1,689.5	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	9,535.0	21.0	9,556.0	9,535.0	21.0	9,556.0
Cosmetology, Board of	0.0	24.5	24.5	0.0	24.5	24.5
Criminal Justice Commission, Arizona	0.0	9.0	9.0	0.0	9.0	9.0
Deaf and the Blind, Arizona State Schools for the	263.8	298.4	562.2	284.8	277.4	562.2
Deaf and the Hard of Hearing, Commission for the	0.0	16.0	16.0	0.0	16.0	16.0
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>4/</u>	1,400.2	2,923.6	4,323.8	1,416.2	2,961.6	4,377.8
Education, State Board of	6.0	0.0	6.0	6.0	0.0	6.0
Education, Department of	147.5	48.4	195.9	147.5	48.4	195.9
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>5/</u>	12.6	60.5	73.1	12.6	60.5	73.1
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	282.1	1,100.0	817.9	282.1	1,100.0
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
Industrial Commission of Arizona	0.0	235.6	235.6	0.0	235.6	235.6
Insurance, Department of	72.3	0.0	72.3	72.3	0.0	72.3
Judiciary						
Supreme Court	144.6	38.4	183.0	144.6	38.4	183.0
Court of Appeals	136.8	0.0	136.8	136.8	0.0	136.8
Superior Court	128.8	8.7	137.5	226.8	8.7	235.5
SUBTOTAL - Judiciary	410.2	47.1	457.3	508.2	47.1	555.3
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	195.8	0.0	195.8	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 2019			Fiscal Year 2020		
	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	279.8	0.0	279.8	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	42.2	42.2	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	7.2	7.2	0.0	7.2	7.2
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	19.0	19.0	0.0	19.0	19.0
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	695.7	1,271.0	1,966.7	695.7	1,271.0	1,966.7
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	245.9	245.9	0.0	240.9	240.9
Revenue, Department of	241.4	639.4	880.8	264.9	615.9	880.8
School Facilities Board	17.0	0.0	17.0	17.0	0.0	17.0
Secretary of State, Department of State	131.1	10.0	141.1	131.1	10.0	141.1
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	4,552.0	4,552.0	0.0	4,552.0	4,552.0
Treasurer, State	0.0	31.4	31.4	0.0	31.4	31.4
Tribal Relations, Governor's Office on	3.0	0.0	3.0	3.0	0.0	3.0
Universities 6/7/						
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9
Arizona State University	2,431.9	5,268.0	7,699.9	2,431.9	5,268.0	7,699.9
Northern Arizona University	852.2	1,464.3	2,316.5	852.2	1,464.3	2,316.5
University of Arizona - Main Campus	2,156.6	3,935.9	6,092.5	2,156.6	3,935.9	6,092.5
University of Arizona - Health Sciences Center	727.0	499.3	1,226.3	727.0	499.3	1,226.3
SUBTOTAL - Universities	6,193.6	11,167.5	17,361.1	6,193.6	11,167.5	17,361.1
Veterans' Services, Department of	116.3	381.0	497.3	116.3	381.0	497.3
Veterinary Medical Examining Board, Arizona State	0.0	6.0	6.0	0.0	6.0	6.0
Water Resources, Department of	133.0	6.0	139.0	133.0	6.0	139.0
TOTAL APPROPRIATED FUNDS	24,571.9	28,349.6	52,921.5	24,738.4	28,343.4	53,081.8

- 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 2019 and FY 2020 can be found in the individual agency pages.
- 2/ Includes 1,210.1 FTE Positions in FY 2019 and FY 2020 in the Other Fund FTE Positions columns funded from Federal Medicaid Expenditure Authority.
- 3/ Includes 970.3 FTE Positions in FY 2019 and FY 2020 in the Other Fund FTE Positions columns funded from Expenditure Authority.
- 4/ Includes 1,884.5 FTE Positions in FY 2019 and 1,922.5 FTE Positions in FY 2020 in the Other Fund FTE Positions columns funded from the Long Term Care System Fund and Child Support Enforcement Expenditure Authority.
- 5/ The FY 2019 FTE Position allocations have been rebased to match FY 2020 allocations.
- 6/ The FY 2019 General Appropriation Act originally appropriated 17,706.3 FTE Positions to the Universities for FY 2019. This FTE Position amount has been revised to 17,361.1 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.
- 7/ 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.

FY 2020 BUDGET RECONCILIATION BILL PROVISIONS

The Baseline includes the enactment of statutory changes associated with its funding amount. The following provisions would be grouped by subject into Budget Reconciliation Bills (BRBs). New provisions in the Baseline are noted with an asterisk (*).

Statewide

1. As session law, continue to set the FY 2020 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration (ADOA) at \$16.08/square foot for rentable office space and \$5.79/square foot for rentable storage space.
2. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.

Arizona Department of Administration

3. * As permanent law, require ADOA to report on the proposed Risk Management agency premiums by March 1 every year.
4. * As permanent law, eliminate the JLBC review requirement for the AFIS transaction fee.
5. * As permanent law, add a statutory due date of October 1 for an existing requirement that ADOA annually report on newly established, modified, or cancelled state funds.

Department of Agriculture

6. As session law, continue fee changing authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2020. The bill continues an intent clause that limits additional revenues to \$357,000.

AHCCCS

Rates and Services

7. 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

8. As session law, set the FY 2020 county Arizona Long Term Care System (ALTCs) contributions at \$280,648,000.
9. As session law, set the County Acute Care contribution at \$46,161,700. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.
10. As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
11. As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2020 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.

Hospitals

12. As session law, continue to establish FY 2020 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 2020.
13. 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.

Available Funding

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

Reports

15. As permanent law, continue to require AHCCCS and the Department of Health Services (DHS) to submit a joint report to the Legislature and the Governor by January 2 of each year on hospital costs and charges. This provision had previously been authorized as session law.

16. As permanent law, continue to require AHCCCS to report to JLBC on or before January 2 of each year on the availability of inpatient psychiatric treatment and "psychiatric boarding" in emergency rooms for children and adults enrolled in Arizona's Regional Behavioral Health Authorities. This provision had previously been authorized as session law.

Department of Child Safety

17. As permanent law, continue to require the department to report to the JLBC on or before February 1 of each year with the Early Childhood Development and Health Board on collaborative efforts on child welfare issues. This provision had previously been authorized as session law.

Community Colleges

18. As session law, continue to suspend the Operating State Aid funding formula in FY 2019 for Maricopa and Pima Counties.
19. As session law, continue to suspend Science, Technology, Engineering and Mathematics and Workforce Programs funding formula for FY 2020 and specify the funding in the General Appropriation Act, which for Pinal would again equal \$96,500.

State Department of Corrections

20. As session law, continue to require the department to report actual FY 2019, estimated FY 2020, and requested FY 2021 expenditures as delineated in the prior year when the department submits its FY 2021 budget request pursuant to A.R.S. § 35-113.

Counties and Cities & Towns

21. 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 2020, 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, 2019.

Office of Economic Opportunity

22. * As permanent law, require the Arizona Industrial Development Authority to report on its annual revenues, expenditures, and program activity by October 1 annually.

Department of Economic Security

23. 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.
24. As permanent law, continue to permit DES to reduce income eligibility levels for all child care programs. Require DES to report to the JLBC within 15 days of any change in levels. This provision had previously been authorized as session law.
25. As permanent law, continue to allow the Special Administration Fund to be used for purposes other than administration of unemployment benefits. This provision had previously been authorized as session law.
26. * As session law, notwithstanding the requirement in A.R.S. § 36-2960B to provide an inflation adjustment to the appropriation for DD Cost Effectiveness Study client services.

Department of Education

Formula Requirements

27. 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 2.0% for standard inflation.
28. As permanent law, increase the base level by an additional amount to be determined in spring 2019 to incorporate into Basic State Aid \$164,700,000 for teacher salary increases already appropriated for FY 2020 by Section 136 of the FY 2019 General Appropriation Act.

Aggregate Expenditure Limit

29. * As session law, authorize school districts to exceed the Aggregate Expenditure Limit (AEL) in the State Constitution in FY 2020 to ensure that they can spend monies appropriated for additional teacher pay

raises and additional assistance restorations for FY 2020. The Legislature can address this issue in either the 2019 or 2020 Legislative Session.

Results-Based Funding

- 30. * As session law, allocate Results-Based Funding using the same formula that was used in FY 2019, but based on AzMERIT test results from spring 2018 rather than spring 2017. Under permanent law, the Results-Based Funding instead would be distributed to schools with a letter grade A under the A-F performance rating developed by the State Board of Education.
- 31. As session law, continue to allow the department to transfer up to \$1,600,000 from the state General Fund appropriation for Basic State Aid for FY 2019 to the Results-Based Funding program for FY 2019 without review by the JLBC to address a formula shortfall for Results-Based Funding, if any, for FY 2019. Continue to require any amount transferred that exceeds the shortfall amount to revert to the state General Fund on June 30, 2019.

Other

- 32. 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.
- 33. * As permanent law, make the American Civics Education Fund a non-appropriated fund to eliminate the need for the Legislature to appropriate monies both into and out of it.
- 34. * As permanent law, delete the definition of "base level" for FY 2017 and prior years from A.R.S. § 15-901B2, as they are no longer needed. (A new definition of "base level" is added to A.R.S. § 15-901B2 each year for the upcoming fiscal year.)
- 35. * As permanent law, replace obsolete references to the Homeowners Rebate percentage in A.R.S. § 15-972B with the current rebate percentage of 47.19% that was established by DOR for FY 2017 and subsequent years pursuant to Laws 2011, 2nd Special Session, Chapter 1, Section 127.
- 36. * 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 2020 under it.
- 37. * As permanent law, amend A.R.S. § 15-249.06F to make the annual report on the College Credit by Examination Incentive Program not subject to JLBC review.

Department of Environmental Quality

- 38. As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2020 for department administrative expenses and for sewage remediation.
- 39. As session law, continue to suspend the requirement to appropriate \$15,000,000 from the state General Fund to the Water Quality Assurance Revolving Fund (WQARF). In FY 2020, appropriate \$6,500,000 from the Vehicle Emissions Inspection Fund, \$5,000,000 from the Air Quality Fund, and \$2,052,000 from the Recycling Fund to WQARF, for a total of \$13,552,000. With \$2,000,000 of non-appropriated funds, total WQARF funding would be \$15,552,000.
- 40. As session law, continue the FY 2019 level of vehicle emissions inspection fees in FY 2020 (FY 2019 fees are \$3 less than FY 2016 in Area A, which includes Maricopa County and portions of Pinal and Yavapai Counties.)
- 41. As session law, continue to include a legislative intent statement that the WQARF appropriations are being supplemented by \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.

Department of Gaming

- 42. As session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2020 only.

Department of Health Services

- 43. As permanent law, continue to require all cities and counties to pay 100% of cost of Restoration to Competency treatment. Allow counties to use any source of county revenue to make the transfers. This provision had previously been authorized as session law.
- 44. As permanent law, continue to notwithstanding A.R.S. § 36-773 to permit DHS to use Tobacco Tax and Health Care Fund - Health Research Account for Alzheimer's disease research. This provision had previously been authorized as session law.
- 45. 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.

- 46. As session law, continue fee raising authority and an exemption relating to establishing fees for the Bureau of Radiation Control in FY 2020 and continue an intent clause that limits additional revenues to \$561,000.
- 47. As permanent law, continue to allow DHS to use the Disease Control Research Fund for AIDS reporting and surveillance. This provision had previously been authorized as session law.

Department of Insurance

- 48. As session law, continue to suspend the requirement that fees collected by the department be between 95% and 110% of the department's appropriation.

Department of Juvenile Corrections

- 49. As session law, continue to state that it is the intent of the Legislature that each county pays an assessed amount determined by the county's proportional share by population of \$11,260,000.

Arizona Navigable Stream Adjudication Commission

- 50. As session law, continue to allow use of the Water Banking Fund for the commission's legal obligations.

Arizona State Parks Board

- 51. As session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs.

Department of Public Safety

- 52. As session law, continue to require the Department of Public Safety (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 FY 2020 appropriation prior to its expenditure.
- 53. As session law, continue to allow the use of the Concealed Weapons Permit Fund and the State Aid to Indigent Defense Fund for DPS operating expenses.
- 54. As session law, continue to allow DPS to utilize \$144,900 from the FY 2020 GIITEM Subaccount appropriation for costs related to an increase in the PSPRS employer contribution rate.
- 55. As session law, continue to allocate \$400,000 from the GIITEM General Fund distribution to the Pima County Sheriff's Office.
- 56. As permanent law, continue to allow DPS to use the Arizona Drug and Gang Resource Center Fund for Pharmaceutical Diversion and Drug Theft Task Force. This provision had previously been authorized as session law.
- 57. * As permanent law, eliminate the statutory authorization to use up to \$10 million from the Highway User Revenue Fund (HURF) DPS Highway Patrol costs.
- 58. * As session law, amend Laws 2018, Chapter 312 to change the requirement for the DPS purchase of virtual training simulators. Chapter 312 specified that the Yuma County Sheriff's Office would receive one of the simulators, but since the Sheriff's Office has declined because they already have one, DPS would instead choose the recipient.
- 59. * As permanent law, eliminate the deposit of certain Insurance Premium Tax revenues into the Highway Patrol Fund, and instead deposit those monies into the General Fund.

Department of Revenue

- 60. * As permanent law, continue to allow the Liability Setoff Program Revolving Fund to be used for general operating expenditures of the department. This provision had previously been authorized as session law.
- 61. 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).

Secretary of State

- 62. As session law, continue to allow the Records Services Fund and Data Processing Acquisition Fund to fund election services.
- 63. * As permanent law, create a fund for county contributions to the operational costs for the state's voter registration system.

64. * As session law, notwithstanding the requirement of A.R.S. § 16-250 that counties receive a reimbursement rate of \$1.25 for each active registered voter for Presidential Preference Election costs. This would allow the Legislature to determine the level of reimbursement for the 2020 Presidential Preference Election.

School Facilities Board

65. * As permanent law, require SFB to report to JLBC within 30 days of making a transfer into the Emergency Deficiencies Corrections Fund.

Transportation

66. * As permanent law, modify existing statute to provide greater legislative oversight of ADOT's expenditure of state funds for its authorized third-party electronic service partner.

Universities

67. 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).

Department of Water Resources

68. 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 2020.
69. 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.

Revenues

70. As session law, continue to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund through FY 2022.
71. * As permanent law, eliminate the deposit of certain Insurance Premium Tax revenues into the Highway Patrol Fund, and instead deposit those monies into the General Fund.

FY 2020 GENERAL APPROPRIATION ACT PROVISIONS

The Baseline 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. New provisions in the Baseline are noted with an asterisk (*).

Arizona Commerce Authority

72. As session law, in accordance with statute (A.R.S. § 43-409), allocate \$15,500,000 of General Fund withholding tax revenue to the Authority in FY 2020.

Counties and Cities & Towns

73. As session law, continue to appropriate \$550,050 to all counties with populations under 900,000 people according to the 2010 Census. As session law, continue to appropriate additional \$500,000 to Graham County.
74. As session law, in accordance with A.R.S. § 9-601, appropriate \$23,499,950 from the General Fund in FY 2020 for the Phoenix Convention Center.
75. As session law, in accordance with A.R.S. § 42-5031, continue to provide sales tax revenues, estimated at \$14,000,000 in FY 2020, to the Rio Nuevo Multipurpose Facility District.

Department of Education

76. As session law, continue to defer \$930,727,700 in Basic State Aid payments for FY 2020 until FY 2021. Appropriate \$930,727,700 in FY 2021 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, 2020.

77. As session law, continue to require school districts to include in the FY 2020 revenue estimates that they use for computing their FY 2020 tax rates the rollover monies that they will receive for FY 2020 in July 2020.

Debt Service

78. As session law, continue to appropriate \$84,108,500 from the General Fund to the Arizona Department of Administration in FY 2020 for a debt service payment on the 2010 sale and leaseback of state buildings. The dollar amount consists of 2 separate appropriations of \$60,098,700 and \$24,009,800.

Department of Public Safety

79. * As session law, transfer \$16,736,900 from the 10% "Excess" Highway Safety Fee in the Highway Patrol Fund to the State Highway Fund in FY 2020.
80. * As session law, transfer \$24,219,700 of Vehicle License Tax monies in the State Highway Fund to the General Fund in FY 2020.

Revenues

81. As session law, continue to specify revenue and expenditure estimates for FY 2019, FY 2020, FY 2021, and FY 2022.
82. As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2019 ending balances by September 15, 2019. Require JLBC Staff to report to JLBC by October 15, 2019 as to whether FY 2020 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections.

Statewide

83. 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.
84. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2020 in all agencies and provide it to the JLBC Director by October 1, 2020. The Universities are exempt from the report but are required to report separately.
85. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2019 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2019.
86. 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.

General

87. As session law, continue to define "*" as designating an appropriation exempt from lapsing.
88. As session law, continue to define "expenditure authority" as continuously appropriated monies included in individual line items of appropriations.
89. 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.

FY 2020 MAJOR FOOTNOTE CHANGES

The Baseline includes the following major additions, deletions or modifications of footnotes. This list does not include footnotes pertaining to one-time reports or appropriations or footnote changes conforming to enacted policy.

Arizona Department of Administration

90. Modifies footnote requiring the department to report the status of all capital projects and expenditures rather than just building renewal projects semiannually. (Capital)

Department of Corrections

- 91. Modifies footnote establishing annual bed capacity report to require ADC to provide rationale for closing permanent beds prior to temporary beds or opening new beds.
- 92. Modifies footnote requiring the department to report the status of all capital projects and expenditures rather than just building renewal projects semiannually. (Capital)

Department of Education

- 93. Modifies footnote to include the Special Education Fund line item as another potential source of, and recipient of, monies in FY 2020 to resolve FY 2019 formula funding shortfalls.

Game and Fish Department

- 94. Modifies footnote requiring the department to report the status of all capital projects and expenditures rather than just building renewal projects semiannually. (Capital)

Judiciary

- 95. Modifies footnote regarding county probation officer spending to delete duplicative provision.

Arizona State Parks Board

- 96. Adds footnote requiring the Arizona State Parks Board to report the status of all capital projects and expenditures semiannually. (Capital)

Department of Public Safety

- 97. Adds footnote requiring the department to submit an expenditure plan for the Peace Officer Training Equipment to JLBC for review prior to any expenditures in FY 2020.

School Facilities Board

- 98. Adds footnote requiring SFB to submit to JCCR by August 15, 2019 a report on the Board's criteria for evaluating if a school has outlived its useful life pursuant to A.R.S. § 15-2041G.

Department of Transportation

- 99. Modifies footnote to eliminate clause appropriating ADOT any State Aviation Fund balances and collections over the Airport Planning and Development appropriation. (Capital)
- 100. Adds footnote requiring ADOT to report to JLBC Staff by October 1, 2019 on the status of all Aviation Grant awards and distributions. (Capital)
- 101. Modifies footnote to require ADOT semiannual building renewal status update to also include all non-highway construction capital projects. (Capital)

INDIVIDUAL AGENCY ESTIMATES

Arizona State Board of Accountancy

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	734,000	831,500	831,500
Employee Related Expenditures	321,600	354,800	354,800
Professional and Outside Services	189,800	462,700	462,700
Travel - In State	1,500	12,400	12,400
Travel - Out of State	6,100	12,000	12,000
Other Operating Expenditures	212,700	346,200	346,200
Equipment	1,900	18,300	18,300
AGENCY TOTAL	1,467,600	2,037,900	2,037,900 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Accountancy Fund	1,467,600	2,037,900	2,037,900
SUBTOTAL - Other Appropriated Funds	1,467,600	2,037,900	2,037,900
SUBTOTAL - Appropriated Funds	1,467,600	2,037,900	2,037,900
TOTAL - ALL SOURCES	1,467,600	2,037,900	2,037,900

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 Baseline includes \$2,037,900 and 14 FTE Positions from the Board of Accountancy Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Accountancy Fund (ABA2001/A.R.S. § 32-705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of public accountants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.		
Funds Expended	1,467,600	2,037,900
Year-End Fund Balance	3,062,300	2,679,400

Acupuncture Board of Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	62,000	85,200	85,200
Employee Related Expenditures	14,900	33,000	33,000
Professional and Outside Services	10,400	5,000	5,000
Travel - In State	2,800	3,000	3,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	71,200	40,700	40,700
Equipment	600	0	0
AGENCY TOTAL	161,900	171,900	171,900 ^{1/}

FUND SOURCES

Other Appropriated Funds

Acupuncture Board of Examiners Fund	161,900	171,900	171,900
SUBTOTAL - Other Appropriated Funds	161,900	171,900	171,900
SUBTOTAL - Appropriated Funds	161,900	171,900	171,900
TOTAL - ALL SOURCES	161,900	171,900	171,900

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 Baseline includes \$171,900 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Acupuncture Board of Examiners Fund (ANA2412/A.R.S. § 32-3905)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of acupuncturists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate acupuncturists, and for board administration.		
Funds Expended	161,900	171,900
Year-End Fund Balance	110,200	111,100

Arizona Department of Administration

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	535.1	535.1	550.1 ^{1/}
Personal Services	26,823,500	29,411,200	29,411,200
Employee Related Expenditures	9,594,400	11,380,800	11,380,800
Professional and Outside Services	13,598,700	6,256,700	6,256,700
Travel - In State	171,400	244,600	244,600
Travel - Out of State	50,300	48,900	48,900
Other Operating Expenditures	27,080,600	40,590,800	40,590,800
Equipment	3,651,100	3,259,800	3,259,800
OPERATING SUBTOTAL	80,970,000	91,192,800	91,192,800 ^{2/}
SPECIAL LINE ITEMS			
Facilities Management			
Utilities	6,232,100	7,649,900	7,649,900
Bolin Plaza Improvements	0	25,300	0
Financial Services			
Arizona Financial Information System	9,401,300	9,447,700	9,447,700
Named Claimants	22,400	0	0
Information Technology Services			
Statewide Information Security and Privacy Controls	837,300	3,470,900	3,470,900
Information Technology Project Management and Oversight	0	1,500,000	1,500,000
Risk Management			
Federal Transfer Payment	14,482,700	0	0 ^{2/}
Risk Management Administrative Expenses	7,284,000	8,747,200	8,747,200
Risk Management Losses and Premiums	42,231,800	46,178,400	46,178,400
Workers' Compensation Losses and Premiums	24,873,400	31,830,300	31,830,300
Support Services			
Government Transformation Office	1,607,200	1,000,000	1,000,000
Grants and Federal Resources	305,200	0	0
State Surplus Property Sales Agency Proceeds	1,672,600	1,810,000	1,810,000 ^{3/}
Other			
Southwest Defense Contracts	25,000	25,000	25,000 ^{4/}
AGENCY TOTAL	189,945,000	202,877,500	202,852,200 ^{5/}
FUND SOURCES			
General Fund	10,042,600	7,939,100	7,939,100
<u>Other Appropriated Funds</u>			
Administration - AFIS II Collections Fund	305,200	0	0
Air Quality Fund	542,400	927,300	927,300 ^{5/}
Arizona Financial Information System Collections Fund	9,401,300	9,447,700	9,447,700
Automation Operations Fund	23,366,200	25,545,500	25,545,500 ^{2/}
Capital Outlay Stabilization Fund	15,397,200	18,136,300	18,136,300
Corrections Fund	409,800	572,500	572,500
Federal Surplus Materials Revolving Fund	48,000	464,900	464,900
Information Technology Fund	2,631,900	5,547,400	5,547,400
Motor Vehicle Pool Revolving Fund	6,632,000	10,162,600	10,162,600 ^{8/}
State Monument and Memorial Repair Fund	0	25,300	0
Personnel Division Fund	11,863,400	12,747,800	12,747,800
Risk Management Revolving Fund	94,952,700	94,569,100	94,569,100

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
Special Employee Health Insurance Trust Fund	5,035,100	5,283,800	5,283,800
Special Services Revolving Fund	704,100	1,080,100	1,080,100
State Surplus Materials Revolving Fund	2,778,800	2,963,700	2,963,700
State Web Portal Fund	4,368,500	5,548,100	5,548,100
Telecommunications Fund	1,465,800	1,916,300	1,916,300
SUBTOTAL - Other Appropriated Funds	179,902,400	194,938,400	194,913,100
SUBTOTAL - Appropriated Funds	189,945,000	202,877,500	202,852,200
Other Non-Appropriated Funds	1,120,987,000	1,175,534,500	1,222,443,500
Federal Funds	2,408,700	1,109,100	580,000
TOTAL - ALL SOURCES	1,313,340,700	1,379,521,100	1,425,875,700

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 46 OF FTE Positions funded from Special Line Items in FY 2020.
- ~~D/ On or before October 1, 2018, the department shall submit a report for review by the Joint Legislative Budget Committee of the expenditures to date and progress of implementation for any monies received from the State and Local Implementation Grant Program associated with the National Public Safety Broadband Network Initiative. The Joint Legislative Budget Committee may require the department to submit more frequent reports as necessary for further review. (General Appropriation Act footnote)~~
- 2/ It is the intent of the Legislature 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 A.R.S. § 38-654, unless the proposed agreements have been reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 3/ All State Surplus Materials Revolving Fund monies received by the Department of Administration in excess of \$2,963,700 in FY 2020 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund monies in excess of \$2,963,700 in FY 2020, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 4/ The amount appropriated for Southwest Defense Contracts shall be distributed to a nonprofit organization that advocates for the preservation and enhancement of critical defense missions and assets in the southwestern United States. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 6/ The amounts appropriated for the State Employee Public Transportation Service Subsidy shall be used for up to a 50% subsidy of charges payable for public transportation service expenses as provided in A.R.S. § 41-710.01, of nonuniversity state employees in a vehicle emissions control area as defined in A.R.S. § 49-541, of a county with a population of more than 400,000 persons. (General Appropriation Act footnote)
- 7/ The appropriation from the Automation Operations Fund established by A.R.S. § 41-711 is an estimate representing all monies, including balance forward, revenues and transfers during FY 2020. These monies are appropriated to the Department of Administration for the purposes established in A.R.S. § 41-711. The appropriation is adjusted as necessary to reflect monies credited to the Automation Operations Fund for automation operation center projects. Before the expenditure of any Automation Operations Fund monies in excess of \$25,545,500 in FY 2020, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 8/ It is the intent of the Legislature that the department not replace vehicles until they have an average of 80,000 miles or more. On or before August 1, 2019, 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 Baseline includes \$91,192,800 and 504.1 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$7,914,100
Air Quality Fund	927,300
Automation Operations Fund	24,045,500
Capital Outlay Stabilization Fund (COSF)	10,486,400
Corrections Fund	572,500
Federal Surplus Materials Revolving Fund	464,900
Information Technology Fund	2,076,500
Motor Vehicle Pool Revolving Fund	10,162,600
Personnel Division Fund	12,747,800
Risk Management Revolving Fund	7,813,200
Special Employee Health Insurance Trust Fund	5,283,800
Special Services Revolving Fund	1,080,100
State Surplus Materials Revolving Fund	1,153,700
State Web Portal Fund	4,548,100
Telecommunications Fund	1,916,300

These amounts are unchanged from FY 2019.

The Baseline deletes a footnote requiring ADOA to annually submit a report for JLBC review on the progress of implementation for any monies received from the State and Local Implementation Grant Program associated with the National Public Safety Broadband Network (NPSBN) Initiative. The grant is expected to be fully expended in FY 2020. The reporting requirement was established when ADOA assumed responsibility for the grant when the Public Safety Communications Advisory Commission sunset in July 2014. Since then, ADOA has developed a well-established stakeholder working group associated with planning for the implementation of the NPSBN Initiative.

Facilities Management

Utilities

The Baseline includes \$7,649,900 from the Capital Outlay Stabilization Fund in FY 2020 for Utilities. This amount is unchanged from FY 2019.

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

Bolin Plaza Improvements

The Baseline includes no funding in FY 2020 for improvements to Wesley Bolin Plaza. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(25,300) from the State Monument and Memorial Repair Fund in FY 2020 to eliminate one-time funding for improvements to Wesley Bolin Plaza.

Financial Services

Arizona Financial Information System

The Baseline includes \$9,447,700 and 28 FTE Positions from the Arizona Financial Information System Collections Fund in FY 2020 for the Arizona Financial Information System (AFIS). These amounts are unchanged from FY 2019.

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

Named Claimants

The Baseline includes no funding in FY 2020 for Named Claimants. This amount is unchanged from FY 2019.

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 2018, Chapter 215 appropriated \$22,431.44 in FY 2018 for prior year unpaid claims. (*See Other Issues for more information.*)

Information Technology Services

Statewide Information Security and Privacy Controls

The Baseline includes \$3,470,900 and 3 FTE Positions from the Information Technology (IT) Fund in FY 2020 for

Statewide Information Security and Privacy Controls. These amounts are unchanged from FY 2019.

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 0.3% pro-rata charge on agency payroll.

Information Technology Project Management and Oversight

The Baseline includes \$1,500,000 and 15 FTE Positions from the Automation Operations Fund in FY 2020 for IT Project Management and Oversight. FY 2020 adjustments are as follows:

APF FTE Positions Shift

The Baseline includes an increase of 15 FTE Positions from the Automation Operations Fund in FY 2020 for statewide IT project oversight and management. The FY 2019 budget shifted \$1,500,000 from the Automation Projects Fund (APF) to ADOA's operating budget to fund Personal Services and Employee Related Expenditures to manage and oversee IT projects statewide. This shift aligns FTE Positions with the previous funding shift. *(Please see the ADOA Automation Projects Fund narrative for a corresponding FTE Position reduction.)*

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.

Risk Management

Federal Transfer Payment

The Baseline includes no funding in FY 2020 for one-time payments to the federal government. This amount is unchanged from FY 2019.

Section 99 of the FY 2019 General Appropriation Act included an FY 2018 supplemental appropriation of \$15,802,500 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and for fund transfers in FY 2017. In addition, the FY 2019 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 section in Other Issues for more information.)*

Risk Management Administrative Expenses

The Baseline includes \$8,747,200 from the Risk Management Revolving Fund in FY 2020 for Risk Management Administrative Expenses. This amount is unchanged from FY 2019.

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 Baseline includes \$46,178,400 from the Risk Management Revolving Fund in FY 2020 for Risk Management Losses and Premiums. This amount is unchanged from FY 2019.

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 Baseline includes \$31,830,300 from the Risk Management Revolving Fund in FY 2020 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2019.

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 Baseline includes \$1,000,000 from the State Web Portal Fund in FY 2020 for the Government

Transformation Office (GTO). This amount is unchanged from FY 2019.

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

State Surplus Property Sales Agency Proceeds

The Baseline includes \$1,810,000 from the State Surplus Materials Revolving Fund in FY 2020 for State Surplus Property Sales Agency Proceeds. This amount is unchanged from FY 2019.

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

Southwest Defense Contracts

The Baseline includes \$25,000 from the General Fund in FY 2020 for Southwest Defense Contracts. This amount is unchanged from FY 2019.

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:

- Statutory Changes
- FY 2019 Supplemental
- Health Insurance Trust Fund
- Risk Management Revolving Fund
- Federal Financial Participation Repayment

Statutory Changes

The Baseline would:

- As permanent law, require ADOA to report on the proposed Risk Management agency premiums by March 1 every year. ADOA reports on proposed premiums biennially as part of its budget request. This report would notify the JLBC of changes to the proposed agency premiums.

- As permanent law, eliminate the JLBC review requirement for the AFIS transaction fee. Since the implementation of the new AFIS, the transaction fee has stabilized. ADOA would instead submit the transaction fee report to JLBC Staff. In addition, as permanent law, add a requirement that the report include AFIS transaction counts by agency and fund source.
- As permanent law, add a statutory due date of October 1 for an existing requirement that ADOA annually report on newly established, modified, or cancelled state funds.

FY 2019 Supplemental

The Baseline includes an FY 2019 supplemental appropriation of \$9,168,400 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and fund transfers in FY 2018. *(Please see the Other Issues - Federal Financial Participation Repayment section for additional information.)*

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. Prior to any legislation for FY 2018, the fund was expected to have ongoing revenues of \$820.4 million and ongoing expenditures of \$941.7 million resulting in a structural shortfall of \$(82.9) million in FY 2018. Given this potential shortfall in ongoing revenues, the FY 2018 budget included a one-time increase of \$25.0 million from the General Fund and \$76.4 million in total funds to improve the fund's overall cash balance *(see Table 1)*.

To further reduce costs, ADOA proposed changes to employee premiums and copays beginning in Plan Year (PY) 2018 (January 2018-December 2018). These changes increased premium revenue by \$7.0 million and reduced expenditures by \$(21.9) million in FY 2018. At its September 2017 meeting, the JLBC gave an unfavorable review of ADOA's proposed changes. However, ADOA proceeded with the changes as proposed. The final FY 2018 structural shortfall after the plan changes and actual experience was \$(81.5) million.

Table 1**Health Insurance Trust Fund****Balance Sheet**

(\$ in millions)

	Actual FY 2018	Estimated FY 2019	Estimated FY 2020
Beginning Balance	\$ 152.8	\$ 147.7	\$ 98.1
Baseline Receipts	\$ 816.2	\$ 828.5	\$ 846.5
Net Employee Premium Increase ^{1/}	7.0	9.9	2.4
Employer One-Time Premium Increase	76.4	31.2	0.0
Net Revenues	\$1,052.4	\$1,017.3	\$ 947.0
Baseline Expenses	\$ 926.6	\$955.5	987.2
Net Plan Revisions ^{1/}	(21.9)	(36.3)	(1.5)
Net Expenses	\$ 904.7	\$ 919.2	\$ 985.7
Structural Balance	(81.5)	(80.8)	(136.8)
Ending Cash Balance	\$ 147.7	\$ 98.1	\$ (38.7)

^{1/} Includes the net impact of PY 2018 and PY 2019 changes relative to the prior fiscal year.

The FY 2019 budget removed the FY 2018 one-time employer premium and replaced it with a new one-time employer premium increase equal to 40% of the FY 2018 statewide increase. The FY 2019 budget included \$10.0 million from the General Fund and \$31.2 million in total funds for the one-time employer premium increase.

In addition, ADOA proposed further changes to employee premiums and deductibles beginning in PY 2019 (January 2019-December 2019). In addition to the \$7.4 million of additional savings from the PY 2018 changes, PY 2019 changes increased premium revenue by \$2.5 million and reduced net expenditures by \$(36.3) million in FY 2019. At its June 2018 meeting, the JLBC again gave an unfavorable review of ADOA's proposed changes. However, ADOA proceeded with the changes as proposed. For FY 2019, the fund is projected to have a structural shortfall of \$(80.8) million, but a cash balance of \$98.1 million.

Combined with the ongoing impact of the PY 2018 and PY 2019 employee premium and copay changes, HITF has a projected structural shortfall of \$(136.8) million in FY 2020 and an ending cash balance of \$(38.7) 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**Risk Management Revolving Fund**

(\$ in thousands)

	Actual FY 2018	Estimated FY 2019	Estimated FY 2020
Beginning Balance	76,453.7	69,104.8	59,617.2
Revenues	<u>105,302.0</u>	<u>103,266.8</u>	<u>105,714.4</u>
Total Funds Available	181,755.7	172,371.6	165,331.6
Expenditures			
ADOA	79,140.6	85,400.6	118,817.1
Federal Repayment	<u>15,802.5</u>	<u>9,168.5</u>	<u>0.0</u>
ADOA Subtotal	94,943.1	94,569.1	118,817.1
Other Agencies			
DPS	1,314.2	1,345.3	1,345.3
DCS	2,471.2	3,770.0	0.0
Attorney General	<u>9,968.6</u>	<u>10,070.0</u>	<u>10,070.0</u>
Other Agencies Subtotal	13,754.0	15,185.3	11,415.3
Other Legislative			
Transfers	440.0	0.0	0.0
Admin Adjustment	<u>3,513.8</u>	<u>3,000.0</u>	<u>0.0</u>
Total Expenditures	112,650.9	112,754.4	130,232.4
Ending Balance	69,104.8	59,617.2	35,099.2
Spending Adjustment ^{1/}	-	-	(20,000.0)
Adjusted Expenditures	<u>112,650.9</u>	<u>112,754.4</u>	<u>110,232.4</u>
Revised Balance	69,104.8	47,468.7	55,099.2

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

Table 2 depicts actual balance, revenue, and expenditure information for FY 2018 as well as the estimated amounts for FY 2019 and FY 2020. 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 2020 expenditure estimate, which is closer to historical spending levels. Under this adjusted estimate, the FY 2020 ending balance would be \$51.3 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. Risk Management funds are used to pay for Department of Public Safety (DPS) Capitol Police salaries and provides funding for the Attorney General to defend the state in most risk management cases regarding agency liability. In addition, the FY 2018 budget included \$2,471,200 for Department of Child Safety (DCS) litigation expenses. The FY 2019 budget also included \$3,770,000 for DCS litigation expenses.

In addition to funding other agencies, the balance was used to refund a portion of certain fund balances to the federal government of \$14,482,700 in FY 2018. *(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 is funded by an assessment charged to each agency as a percentage of payroll expenses. The federal government disallows 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 bills the state a proportionate share if state agencies use Federal Funds to pay for these disallowed costs.

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 HITE.

FY 2018

The FY 2019 General Appropriation Act included an FY 2018 supplemental appropriation of \$15,802,500 from the Risk Management Revolving Fund to repay the federal government for restricted uses in FY 2017. This amount consists of:

- \$13,977,700 related to fund transfers in FY 2017. This amount consists of:
 - \$10,495,600, for fund transfers from the Health Insurance Trust Fund.
 - \$3,482,100 for fund transfers from 8 ADOA funds for projects funded in the Automation Projects Fund.
- \$1,630,500 related to interest on fund transfers.
- \$194,300 related to excess retained earnings in the IT Fund.

FY 2019

Based on prior year experience of federal repayment and estimates provided by ADOA, the federal government is likely to charge the state approximately \$9,168,400 for restricted uses. This amount consists of:

- \$3,419,400 related to fund transfers from 3 different funds in FY 2018.
- \$143,900 related to interest on fund transfers.
- \$5,074,400 related to payments made with 2 funds with federal financial participation.
- \$274,200 related to interest on payments.
- \$256,500 related to excess retained earnings in the IT Fund.

Amounts owed for FY 2019 will be paid in FY 2020 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.)

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Administration - AFIS II Collections Fund (ADA4203/A.R.S. § 35-142)	Partially-Appropriated	
Source of Revenue: Financial transaction processing fees.		
Purpose of Fund: To operate the Arizona Financial Information System (AFIS) II. The system was decommissioned in FY 2016. The FY 2019 General Appropriation Act transferred the balance of the fund, totaling \$772,300, to the General Fund.		
Appropriated Funds Expended	305,200	0
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	843,000	0
Air Quality Fund (ADA2226/A.R.S. § 49-551)	Appropriated	
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
Funds Expended	542,400	927,300
Year-End Fund Balance	1,003,000	846,000
Arizona Financial Information System Collections Fund (ADA1234/A.R.S. § 41-740.01)	Appropriated	
Source of Revenue: Revenues are collected from state agencies to recover pro rata costs of operating AFIS. Pro rata charges are determined by ADOA and allocated to each agency based on AFIS usage.		
Purpose of Fund: Supplements the cost of operating AFIS.		
Funds Expended	9,401,300	9,447,700
Year-End Fund Balance	337,700	337,700
Automation Operations Fund (ADA4230/A.R.S. § 41-711)	Appropriated	
Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated subaccounts for agreements made with other states and the Arizona Health Care Cost Containment System.		
Purpose of Fund: To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information. Balances reflect a transfer into the Automation Projects Fund. <i>(See the Automation Projects Fund page for more details.)</i>		
Funds Expended	23,366,200	25,545,500
Transfer to the Automation Projects Fund	6,703,000	5,330,000
Year-End Fund Balance	10,913,700	6,966,700
Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)	Appropriated	
Source of Revenue: Rental and tenant improvement charges to agencies occupy in ADOA-owned buildings.		
Purpose of Fund: To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
Funds Expended	15,397,200	18,136,300
Year-End Fund Balance	1,586,800	230,100
Capitol Mall Consolidation Fund (ADA3211/A.R.S. § 41-792.02)	Appropriated	
Source of Revenue: Monies appropriated by the Legislature. The FY 2019 Budget Procedures Budget Reconciliation Bill directs the sale proceeds from the properties at 2910 N 44th Street in Phoenix, 2163 Vickey Street in Flagstaff, and the northeast corner of South Horne Street and East Baseline Road in Mesa into the fund.		
Purpose of Fund: For repair and renovations of state-owned buildings. Monies in the fund are for capital expenses and are not displayed in the ADOA operating budget.		
Funds Expended	0	0
Year-End Fund Balance	0	6,400,000

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)		Non-Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
Purpose of Fund: To make COP lease-purchase payments on buildings under such agreements.		
Funds Expended	138,121,400	139,036,700
Year-End Fund Balance	5,683,200	2,426,800
Construction Insurance Fund (ADA4219/A.R.S. § 41-622)		Non-Appropriated
Source of Revenue: Risk management charges to agencies for state construction projects. The construction and design insurance rate is set by ADOA and reviewed by the Joint Committee on Capital Review.		
Purpose of Fund: To self-insure state construction projects against tort losses from design and construction defects.		
Funds Expended	2,237,700	6,952,800
Year-End Fund Balance	19,488,300	15,535,500
Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Annual subscription fees paid by local governments for state purchasing records, fees paid by individuals for copies of public records, and fees paid by vendors participating in the State Contract Show.		
Purpose of Fund: To operate the cooperative purchasing program and support its membership list.		
Funds Expended	2,973,100	3,200,000
Year-End Fund Balance	1,932,600	1,932,600
Corrections Fund (ADA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: To pay for construction, major maintenance, lease, purchase, renovation, or conversion of Arizona Department of Corrections (ADC) and Department of Juvenile Corrections (DJC) facilities. ADOA uses these monies to oversee construction projects benefiting ADC or DJC.		
Funds Expended	409,800	572,500
Year-End Fund Balance	0	0
Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704)		Non-Appropriated
Source of Revenue: The telecommunication services excise tax, currently 20¢ per wire or wireless account, levied on monthly telephone bills and remitted by telephone companies, as authorized by A.R.S. § 42-5252. In addition, a tax equal to 0.8% of the gross income derived from the retail sale of prepaid wireless telecommunication services, as authorized by A.R.S. § 42-5402.		
Purpose of Fund: To aid the political subdivisions of the state in implementing and operating emergency telecommunication services (911); to purchase necessary equipment and consulting services (up to 5% of revenue); to pay monthly recurring costs for capital, maintenance, and operations; and to reimburse wireless carriers for the costs of compliance.		
Funds Expended	16,944,500	17,400,000
Year-End Fund Balance	7,778,100	7,778,100
Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05)		Non-Appropriated
Source of Revenue: State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.		
Purpose of Fund: To administer state employee benefit plans and pay non-health insurance premiums.		
Funds Expended	33,276,600	33,942,600
Year-End Fund Balance	3,773,000	1,235,400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Federal Grant Fund (ADA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants, including pass through grants from the several agencies.		
Purpose of Fund: To pay for security related equipment and programs, as well as to administer monies as sub-grantee for federal projects.		
Funds Expended	2,408,700	1,109,100
Year-End Fund Balance	125,200	0
Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606)		Appropriated
Source of Revenue: Federal surplus property service and handling fees.		
Purpose of Fund: To collect, store, and administer the sale of federal surplus property. Federal regulations concerning the disposition of federal surplus property cap the year-end balance of this fund at \$50,000. When the fund exceeds this cap, the department must discount its service and handling charges for federal surplus materials transferred to agencies in the following fiscal year.		
Funds Expended	48,000	464,900
Year-End Fund Balance*	45,200	(406,600)
IGA and ISA Fund (ADA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	10,311,500	7,203,500
Year-End Fund Balance	1,818,300	0
Information Technology Fund (ADA2152/A.R.S. § 18-401)		Appropriated
Source of Revenue: A pro rata share of 0.3% of total payroll, charged to all budget units subject to oversight of information technology projects by ADOA's Arizona Strategic Enterprise Technology (ASET) Office or by the Information Technology Authorization Committee (ITAC).		
Purpose of Fund: Provides personnel funding for statewide information technology planning, coordinating, oversight, and consulting. The Statewide Strategic Information Technology Plan is prepared annually by Information Technology (IT) Fund personnel with input from state agency Chief Information Officers. Additionally, monies from the IT Fund also support the operation of the Statewide Information Security and Privacy Office (SISPO). Balances reflect a transfer into the Automation Projects Fund. <i>(See the Automation Projects Fund page for more details.)</i>		
Funds Expended	2,631,900	5,547,400
Transfer to the Automation Projects Fund	500,000	0
Year-End Fund Balance	3,558,300	3,293,900
Legislative, Executive, and Judicial Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)		Appropriated
Source of Revenue: State trust land lease revenues.		
Purpose of Fund: To support state Legislative, Executive, and Judicial buildings. The FY 2018 General Appropriation Act appropriated \$137,000 to offset a portion of the one-time General Fund reduction to the Supreme Court's operating budget.		
Funds Expended	0	0
Year-End Fund Balance	4,950,600	5,658,000
Monument and Memorial Repair Fund (ADA2338/A.R.S. § 41-1365)		Appropriated
Source of Revenue: Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
Purpose of Fund: For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the Governmental Mall.		
Funds Expended	0	25,300
Year-End Fund Balance	219,500	194,200

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Motor Vehicle Pool Revolving Fund (ADA4204/A.R.S. § 41-804)		Appropriated
Source of Revenue: Charges to agencies for the use of motor pool vehicles.		
Purpose of Fund: To operate the motor vehicle pool.		
Funds Expended	6,632,000	10,162,600
Year-End Fund Balance*	2,290,200	(1,599,900)
Oil Overcharge Fund (GVA3171/A.R.S. § 41-1509)		Non-Appropriated
Source of Revenue: Federal court settlements by oil companies who overcharged consumers during the petroleum price controls of the 1970's, and interest earnings. In FY 2016, \$731,600 was transferred from the Governor's Office to ADOA.		
Purpose of Fund: To provide restitution to the citizens of Arizona. Restitution is to be made through energy programs administered by the state.		
Funds Expended	226,400	4,900
Year-End Fund Balance	4,900	0
Payroll Administration Fund (ADA9200/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collects and pays out all monies associated with the statewide payroll functions. Fund 9200 incorporates several payroll funds (ADA9220, ADA9230, NAU9202, UAA9203, and ASU9221). Fund 9230 collects a one-time \$50 charge for setting up a garnishment, which is granted by the court, a \$5 employee fee for each non-exempt statement that is generated per payday, and a \$1 administrative fee for child and spousal support orders.		
Purpose of Fund: Generally, revenues and expenditures are not used for normal payroll activities. The only balance that accumulates in this fund is for Unemployment Tax. For Fund 9230, monies are used for administrative costs related to garnishments and child support.		
Funds Expended	23,900	43,100
Year-End Fund Balance	4,702,300	43,100
Personnel Division Fund (ADA1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.83% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund: To operate the ADOA Human Resources Division. Balances reflect a transfer into the Automation Projects Fund. <i>(See the Automation Projects Fund page for more details.)</i> The FY 2019 Budget Procedures Budget Reconciliation Bill, as permanent law, allows the Governor's Office of Equal Opportunity to use the Personnel Division Fund for operating costs.		
Funds Expended	11,863,400	12,747,800
Transfer to the Automation Projects Fund	0	171,900
Year-End Fund Balance	2,101,700	2,077,500
Retiree Accumulated Sick Leave Fund (ADA3200/A.R.S. § 38-616)		Non-Appropriated
Source of Revenue: A 0.40% charge on the total benefit-eligible payroll of each agency within the ADOA personnel system. By statute, the rate may not exceed 0.55% and is set by ADOA with Joint Legislative Budget Committee review.		
Purpose of Fund: To compensate eligible retiring state employees for accumulated sick leave, to pay insurance premiums, and to administer the program. Payments are calculated as a percentage, tiered according to accrual level of hourly salary. Payments to an individual shall not exceed \$30,000.		
Funds Expended	15,155,300	15,701,000
Year-End Fund Balance	2,620,300	2,469,300
Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to state agencies, boards, and commissions insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits. Balances reflect a transfer into the Automation Projects Fund. <i>(See the Automation Projects Fund page for more details.)</i>		
Funds Expended	94,952,700	94,569,100
Transfer to the Automation Projects Fund	440,000	0
Year-End Fund Balance	69,104,800	65,618,200

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)	Partially-Appropriated	
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. Only administrative expenditures from this fund are subject to legislative appropriation.		
Appropriated Funds Expended	5,035,100	5,283,800
Non-Appropriated Funds Expended	899,580,700	913,837,300
Year-End Fund Balance	147,666,300	98,081,900
Special Events Fund (ADA2503/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Set-up fees for special events on state property.		
Purpose of Fund: To set up special events on state property.		
Funds Expended	7,400	12,600
Year-End Fund Balance	12,600	12,000
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193.02)	Partially-Appropriated	
Source of Revenue: Payments by agencies using various centralized printing, copying, and repair services offered by ADOA. Appropriated monies are collected from 11 small regulatory boards residing in the State Boards' Office.		
Purpose of Fund: To provide centralized office services, printing, and other administrative or management services.		
Appropriated Funds Expended	704,100	1,080,100
Non-Appropriated Funds Expended	692,900	660,000
Year-End Fund Balance	145,900	32,700
State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03)	Non-Appropriated	
Source of Revenue: Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.		
Purpose of Fund: To operate and administer a ride-sharing program for the transportation of state employees between home and work.		
Funds Expended	787,200	534,900
Year-End Fund Balance	538,800	538,900
State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606)	Appropriated	
Source of Revenue: State surplus property sales revenues.		
Purpose of Fund: To collect, store, and administer the sale of state surplus property. The majority of revenues are returned to donor agencies. The department retains a service and handling fee.		
Funds Expended	2,778,800	2,963,700
Year-End Fund Balance	744,600	814,500
State Web Portal Fund (ADA2531/A.R.S. § 18-421)	Partially-Appropriated	
Source of Revenue: Grants, donations, and web portal revenues, including any fees collected from the sale of certain types of motor vehicle records to commercial customers, less revenues deposited into the Highway User Revenue Fund, as stipulated in A.R.S. § 18-421.		
Purpose of Fund: To maintain and upgrade the state’s common web portal, including enhancement of existing products and the development of new applications. Monies received from private grants or donations, as well as federal grants, are non-appropriated. Balances reflect a transfer into the Automation Projects Fund. <i>(See the Automation Projects Fund page for more details.)</i>		
Appropriated Funds Expended	4,368,500	5,548,100
Non-Appropriated Funds Expended	0	0
Transfer to the Automation Projects Fund	5,065,000	3,517,000
Year-End Fund Balance	4,078,900	3,496,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Statewide ARRA Administration SWCAP Fund (GVA2950/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Indirect federal cost recoveries associated with the statewide cost allocation plan (SWCAP). These funds were transferred to ADOA from the Governor's Office in FY 2012.		
Purpose of Fund: To defray administrative expenses of implementing the federal American Recovery and Reinvestment Act.		
Funds Expended	571,500	0
Year-End Fund Balance	0	0
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Employee donations and other miscellaneous deposits.		
Purpose of Fund: Employee donations are used to recognize outstanding employees.		
Funds Expended	51,300	10,000
Year-End Fund Balance	6,900	6,900
Telecommunications Fund (ADA4231/A.R.S. § 41-713)	Appropriated	
Source of Revenue: Administrative surcharges on telecommunications services for agencies and other political entities.		
Purpose of Fund: To operate the Telecommunications Program Office, which manages and oversees statewide contracts for telecommunications products and services. The state's contractors operate and equip telecommunications voice, data, video, and graphics systems, allowing the collection, storage, interchange, retrieval, and transmission of information.		
Funds Expended	1,465,800	1,916,300
Year-End Fund Balance	778,900	315,600
Text to 911 Services Fund (ADA2177/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Monies transferred from the Emergency Telecommunications Service Revolving Fund. In FY 2018, ADOA transferred \$1,362,700 from the fund.		
Purpose of Fund: To provide grants to political subdivisions of the state for text-to-911 services.		
Funds Expended	0	681,300
Year-End Fund Balance	1,362,700	681,400
Transparency Website Fund (ADA2955/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Charges to local governments that utilize the state's transparency website, Arizona OpenBooks.		
Purpose of Fund: To maintain the transparency website for public use.		
Funds Expended	25,600	24,000
Year-End Fund Balance	33,400	33,400
VW Diesel Emissions Environment Mitigation Trust Fund (ADA3917/ A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Monies deposited from the National Volkswagen Lawsuit Settlement. Arizona will receive approximately \$57.0 million over 10 years in settlement monies to support eligible air pollution mitigation activities.		
Purpose of Fund: To support eligible air pollution mitigation activities.		
Funds Expended	0	36,289,800
Year-End Fund Balance	0	0

* As reported by the agency. Actual ending balance will not be negative.

Arizona Department of Administration - Automation Projects Fund

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
INDIVIDUAL PROJECTS ^{1/2/3/4/5/}			
Department of Administration Subaccount			
Full Time Equivalent Positions	15.0	15.0	0
e-Procurement System Replacement	5,003,700	3,000,000	0
ASET Initiatives			
State Data Center	6,982,000	4,697,000	0
Security, Privacy, and Risk	3,588,000	0	0
Enterprise Architecture	269,300	0	0
Project Management	1,222,200	0	0
E-Government	700,800	500,000	0
HRIS Replacement Feasibility Study/Upgrade	293,500	821,900	0
ASET Initiatives Subtotal	13,055,800	6,018,900	0
Department of Administration Subtotal	18,059,500	9,018,900	0
Statewide Board e-Licensing Subaccount			
e-Licensing	595,500	450,000	0
Department of Child Safety Subaccount ^{6/}			
CHILDS Replacement	5,562,600	5,000,000	5,000,000
Department of Corrections			
AIMS Replacement	2,908,300	0	0
Department of Economic Security ^{7/}			
Information Technology Security	0	0	0
Department of Education			
Education Learning and Accountability System	7,699,800	0	0
Department of Environmental Quality Subaccount			
e-Licensing	2,765,100	3,200,000	0
Department of Financial Institutions Subaccount			
e-Licensing	0	1,400,000	0
Industrial Commission of Arizona			
Claims Processing System	1,017,400	0	0
Arizona State Lottery Commission			
Information Technology System Upgrade	2,047,400	0	0
Department of Public Safety Subaccount			
Arizona Criminal Justice Information System	2,343,000	2,806,200	0
Microwave System Upgrade	625,000	1,250,000	0
Department of Public Safety Subtotal	2,968,000	4,056,200	0
Department of Revenue			
Information Technology Infrastructure	11,000,000	0	0
TOTAL - ALL PROJECTS ^{4/8/}	54,623,600	23,125,100	5,000,000

FUND SOURCES

Other Appropriated Funds

Automation Projects Fund	54,623,600	0	0
Department of Administration APF Subaccount	0	9,018,900	0

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
Department of Child Safety APF Subaccount	0	5,000,000	5,000,000
Statewide Board e-Licensing APF Subaccount	0	450,000	0
Department of Environmental Quality APF Subaccount	0	3,200,000	0
Department of Financial Institutions APF Subaccount	0	1,400,000	0
Department of Public Safety APF Subaccount	0	4,056,200	0
SUBTOTAL - Other Appropriated Funds	54,623,600	23,125,100	5,000,000
SUBTOTAL - Appropriated Funds ^{9/}	54,623,600	23,125,100	5,000,000
TOTAL - ALL SOURCES	54,623,600	23,125,100	5,000,000

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 Non-General 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/ Beginning in FY 2019, APF is divided into subaccounts.
- 3/ Represents expenditures from the APF. The FY 2018 actual column also includes non-lapsing expenditures from FY 2015, FY 2016, and FY 2017 appropriations.
- 4/ Total excludes \$3,000,000 appropriated from the APF in FY 2018 to ADE for K-12 Broadband.
- 5/ 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)
- 6/ 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. (General Appropriation Act footnote)
- 7/ A total of \$987,400 appropriated to DES in FY 2016 and FY 2018 was unspent by the department in FY 2018 and reverted to the APF.
- 8/ The Department of Administration shall submit to the Joint Legislative Budget Committee, within 30 days after the last day of each calendar quarter, a quarterly report on implementing projects approved by the Information Technology Authorization Committee established pursuant to A.R.S § 18-121 including the projects' expenditures to date, deliverables, timeline for completion and current status. (General Appropriation Act footnote)
- 9/ The transfers into the Automation Projects Fund established by A.R.S § 41-714 as outlined in this section are not appropriations out of the Automation Projects 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.

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. The report must include project costs, deliverables timeline for completion and method of procurement.

The FY 2019 Budget Procedures Budget Reconciliation Bill required ADOA to establish subaccounts for each agency that implements an IT project funded through the APF and prohibits monies from being transferred between agency subaccounts. Previously, all agency projects were funded from the lump sum APF appropriation. The subaccounts provide transparency in the accounting of expenditures for each APF project.

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.

In addition, pursuant to A.R.S. § 18-104, any large-scale IT projects with a total cost greater than \$5,000,000 must receive relevant third-party analysis from an independent contracted vendor before receiving approval from ITAC. The third-party consultant is required to review and provide guidance on the technology approach, scope, estimated cost, timeline for completion and overall feasibility of the project. Statute also requires budget units to submit quarterly reports from the third-party consultant to ITAC and the JLBC on the project progress within 30 days after the end of the calendar quarter.

The Baseline continues a General Appropriation Act footnote requiring ADOA to submit quarterly reports, within 30 days of the end of the calendar quarter, to the JLBC on the progress of all APF projects and projects approved by ITAC, including the projects' expenditures to date, deliverables, timeline for completion, and current status.

The FY 2019 budget extended the lapsing status of FY 2018 APF appropriations through FY 2019. In addition, FY 2019 appropriations do not lapse until the end of FY 2020. The Baseline continues a footnote allowing FY 2020 appropriations to be expended in FY 2021.

Department of Administration Subaccount

e-Procurement System Replacement

The Baseline includes no funding in FY 2020 for the replacement of the state's e-Procurement system. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(3,000,000) from the ADOA APF Subaccount in FY 2020 to eliminate one-time funding to replace the state's e-procurement system.

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.

At the September 2016 JLBC meeting, the Committee favorably reviewed \$300,000 of the allocation for the project's third-party review. In September 2017, the Committee failed to pass a favorable review of ADOA's expenditure plan for the remaining \$8,700,000. ADOA proceeded with the project. In June 2018, the Committee

favorably reviewed the FY 2019 \$3,000,000 appropriation to complete the project.

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 and is scheduled to be complete in February 2019.

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.

ASET Initiatives

The Baseline includes no funding in FY 2020 for ADOA's Arizona Strategic Enterprise Technology (ASET) Office projects. FY 2020 adjustments are as follows:

Expenditure Alignment

The Baseline includes a decrease of \$(6,018,900) and (15) FTE Positions from the ADOA APF Subaccount in FY 2020 to remove one-time funding for IT projects and align staff with ongoing IT project oversight by the ASET Office in ADOA.

The 15 FTE Positions will shift to the ADOA operating budget and will assist in managing statewide IT projects. The FY 2019 budget already shifted funding for these FTE Positions to the ADOA operating budget. The Baseline continues to fund IT project management in the ADOA operating budget. *(Please see the ADOA section for more information.)*

Statewide Board e-Licensing Subaccount

E-Licensing

The Baseline includes no funding in FY 2020 for the statewide e-licensing project. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(450,000) from the Statewide Board e-Licensing APF Subaccount in FY 2020 for the development costs of the system.

The new e-Licensing system will be used to modernize the process of reviewing applications and issuing licenses at

many state "90/10" regulatory agencies. The FY 2018 appropriation added 13 agencies to the system. In addition, ADOA has continued to add additional agencies to the licensing system outside of the APF. The FY 2019 appropriation is intended to add the Board of Behavioral Health Examiners to the system.

The Director of the board has raised concerns with the e-Licensing project. The Baseline would transfer the appropriation from the APF to the Board of Behavioral Health Examiners Fund to be controlled by the board directly instead of ADOA which allows the board to proceed with its e-licensing system upgrades. This transfer should be accomplished by ex-appropriating the FY 2019 appropriation to ADOA from the APF and then appropriating \$450,000 from the Board of Behavioral Health Examiners Fund directly to the Board of Behavioral Health Examiners. *(Please see the Board of Behavioral Health Examiners section for more information)*

Department of Child Safety Subaccount

CHILDS Replacement

The Baseline includes \$5,000,000 from the DCS APF Subaccount in FY 2020 to replace the CHILDS system. This amount is unchanged from FY 2019.

The FY 2020 appropriation of \$5,000,000 will be financed by a transfer from the General Fund into the DCS APF Subaccount.

Through FY 2019, the Legislature appropriated a total of \$25,684,600 for the CHILDS Replacement project. As a result, the \$5,000,000 in the Baseline would increase cumulative state funding for the project to \$30,684,600. Including the 50% federal IV-E match, the Baseline would result in cumulative total resources for the project of \$61,369,200 through FY 2020. By comparison, DCS estimates a total project funding need of \$86,088,100.

The 3-year spending plan associated with the enacted FY 2019 budget did not provide any additional funding for CHILDS Replacement beyond FY 2020. Based on DCS' cost estimates, the department would need \$12,359,500 in additional state funding (\$24,718,900 Total Funds) above the Baseline funding level to complete the project. The precise magnitude of any additional costs will depend on how DCS' actual expenditures compare to the currently available resources. Through September 2018, DCS had only expended \$12,109,400 of its \$25,684,600 in state appropriations.

CHILDS is the management information system used to document the status, demographics, location and outcomes for every child in the care of DCS. The system assists with various business processes including hotline intake, initial assessments and investigations, case management, adoptions, eligibility determinations, staff management, provider management and payment processing.

The new system, called Guardian, will be a "synthesized solution" in which a "system integrator" will be responsible for ensuring that each subsystem of Guardian (e.g., the mobile solution, safety and risk assessment tool, hosting environment, case management, financial management, data warehouse and data environment) functions properly together.

To date, DCS has awarded a contract to a vendor to develop the mobile solution, which allows caseworkers to use a mobile device to interface with the existing CHILDS system while in the field. The mobile solution development was completed in December 2017 and will eventually interface with Guardian. DCS also completed the configuration of the Guardian platform through which the system modules will be integrated in July 2017.

In April 2018, DCS awarded a contract to a vendor that will integrate the Guardian modules with the platform (called the "technical integrator"). Because the procurement of the technical integrator was delayed 6 months beyond the original project schedule, the department expects the project to be complete in FY 2021 instead of FY 2020.

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 August 2018 indicated that the project continues to be on track.

Department of Corrections

AIMS Replacement

The Baseline includes no funding in FY 2020 for the replacement of the Adult Inmate Management System (AIMS) at the Department of Corrections (ADC). This amount is unchanged from FY 2019.

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 budget extended the appropriation through FY 2019.

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.

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 still projects the final cost will be within the original budget, and they do not expect to request additional funding. The project is expected to be completed no later than June 30, 2019.

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.

Pursuant to A.R.S. § 18-104, ADC has contracted with a third-party vendor to provide additional oversight for the project.

Department of Education

Education Learning and Accountability System

The Baseline includes no funding in FY 2020 for further development of the Education Learning and Accountability System (ELAS) at the Department of Education (ADE). ELAS is intended to allow ADE to collect, compile, maintain, and report student level data for students enrolled in public schools. This amount is unchanged from FY 2019.

ADE estimates that an additional \$9,000,000 will 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 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 (*see below*).

The FY 2019 budget provides \$5,300,000 from the General Fund directly to ADE for ELAS in FY 2019 for operating expenses and designates this funding as ongoing. (See the Department of Education - Education

Learning and Accountability System section for more information.)

Department of Environmental Quality Subaccount

e-Licensing

The Baseline includes no funding in FY 2020 for e-Licensing. FY 2020 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(3,200,000) from the ADEQ APF Subaccount in FY 2020 to eliminate one-time funding for the e-Licensing project.

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. However, DEQ did not request additional funding in FY 2020 and will use current project balances in FY 2020 to continue to the project.

In December 2018, the Committee gave a favorable review for the FY 2019 appropriation to complete Phase 5 of the project.

Department of Financial Institutions Subaccount

e-Licensing

The Baseline includes no funding in FY 2020 for e-Licensing. FY 2020 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(1,400,000) from the DFI APF Subaccount in FY 2020 to eliminate one-time funding for the e-Licensing system.

In June 2018, DFI reported that it intended to join the statewide e-Licensing project. The Committee gave a favorable review of the project. The DFI system will integrate the department's document management system and allow constituents to apply for and renew licenses online as well as submit complaints. The project also includes \$86,000 in annual ongoing costs, and is expected to be completed in March 2019.

Department of Public Safety Subaccount

Arizona Criminal Justice Information System

The Baseline includes no funding in FY 2020 for upgrades to the Arizona Criminal Justice Information System (ACJIS). FY 2020 adjustments are as follows:

Expenditure Alignment

The Baseline includes a decrease of \$(2,806,200) from the APF DPS Subaccount in FY 2020 to eliminate one-time funding for upgrades to ACJIS.

Beyond FY 2019, the estimated cost to complete the ACJIS conversion is \$2,301,000.

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 Baseline includes no funding in FY 2020 for upgrades to the statewide Microwave Radio System. FY 2020 adjustments are as follows:

Expenditure Alignment

The Baseline includes a decrease of \$(1,250,000) from the DPS APF Subaccount in FY 2020 to eliminate one-time funding for upgrades to the microwave radio system.

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.

According to the most recent DPS estimates, completing the northern loop will require \$12,500,000. At its December 2017 meeting, the JLBC favorably reviewed an engineering study of the northern loop. Upon finishing the study, which is expected to be completed in June

2019, DPS will have updated cost estimates on the completion of the microwave project which they will report to the Committee.

Other Issues

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ADOA - APF costs are projected to decrease by \$(5.0) million in FY 2021 below FY 2020. These estimates are based on continuing \$5.0 million from the General Fund for DCS' CHILDS Replacement Project in FY 2020. No projects are assumed to be funded in FY 2021. However, as noted above, the DCS will require an additional \$12.4 million to complete the CHILDS Replacement Project.

Table 1

Automation Projects Fund Transfers ^{1/}

(\$ in thousands)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
<u>Department of Administration Subaccount</u>			
Automation Operations Fund	6,703.0	5,330.0	
State Web Portal Fund	5,065.6	3,517.0	
Information Technology Fund	500.0		
Risk Management Revolving Fund	440.0		
Personnel Division Fund		171.9	
<u>Statewide Board e-Licensing Subaccount</u>			
Various Funds (See FY 2018 Appropriations Report)	595.5	450.0	
<u>Department of Child Safety Subaccount</u>			
General Fund	5,000.0	5,000.0	5,000.0
<u>Department of Education</u>			
General Fund	7,300.0		
<u>Department of Environmental Quality Subaccount</u>			
Underground Storage Tank Revolving Fund	3,200.0	1,400.0	
Permit Administration Fund		1,800.0	
<u>Department of Financial Institutions Subaccount</u>			
Receivership Fund		1,400.0	
<u>Industrial Commission of Arizona</u>			
Administrative Fund	1,017.4		
<u>State Lottery Commission</u>			
State Lottery Fund	3,497.4		
<u>Department of Public Safety Subaccount</u>			
Public Safety Equipment Fund	1,000.0	1,250.0	
Concealed Weapons Permit Fund	2,500.0		
Fingerprint Clearance Card Fund	1,343.0		
Highway Patrol Fund		2,806.2	
<u>Department of Revenue</u>			
Department of Revenue Administrative Fund	4,000.0		
Liability Setoff Program Revolving Fund	4,000.0		

^{1/} FY 2018 transfers represent transfers into the APF. FY 2019 and FY 2020 transfers represent transfers into each agency APF subaccount pursuant to Laws 2018, Chapter 279, Section 28.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Automation Projects Fund (ADA2566/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects for any state agency. The FY 2019 Budget Procedures Budget Reconciliation Bill requires ADOA to establish subaccounts for each agency that implements an Information Technology project funded through the APF.		
Funds Expended	30,745,000	0
Prior Year Appropriation Expended	23,878,600	25,016,900
Year-End Fund Balance	25,886,100	1,311,900
Department of Administration Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Administration.		
Funds Expended	0	9,018,900
Year-End Fund Balance	0	0
Department of Child Safety Automation Projects Fund Subaccount (ADA9967/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Child Safety.		
Funds Expended	0	5,000,000
Year-End Fund Balance	0	0
Statewide Board e-Licensing Automation Projects Fund Subaccount (ADA9963/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain statewide e-Licensing projects.		
Funds Expended	0	450,000
Year-End Fund Balance	0	0
Department of Environmental Quality Automation Projects Fund Subaccount (ADA9966/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Environmental Quality.		
Funds Expended	0	3,200,000
Year-End Fund Balance	0	0
Department of Financial Institutions Automation Projects Fund Subaccount (ADA9965/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Financial Institutions.		
Funds Expended	0	1,400,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Department of Public Safety Automation Projects Fund Subaccount (ADA9964/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Public Safety.		
Funds Expended	0	4,056,200
Year-End Fund Balance	0	0

Office of Administrative Hearings

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	565,000	565,000	565,000
Employee Related Expenditures	214,900	215,000	215,000
Other Operating Expenditures	91,000	88,900	88,900
AGENCY TOTAL	870,900	868,900	868,900 ^{1/}
FUND SOURCES			
General Fund	870,900	868,900	868,900
SUBTOTAL - Appropriated Funds	870,900	868,900	868,900
Other Non-Appropriated Funds	858,900	793,900	793,900
TOTAL - ALL SOURCES	1,729,800	1,662,800	1,662,800

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 Baseline includes \$868,900 and 12 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
IGA and ISA Fund (HGA2500/A.R.S. § 41-1092.01)		Non-Appropriated
Source of Revenue: Monies received by OAH for contractual, administrative law judge services provided to state agencies.		
Purpose of Fund: To cover actual expenses of providing personnel and services to state agencies on a contractual basis.		
Funds Expended	858,900	793,900
Year-End Fund Balance	0	0
Video Service Provider Complaint Fund (HGA2603/A.R.S. § 9-1451)		Non-Appropriated
Source of Revenue: Fees from administrative hearings conducted for complaints filed about alleged violations of video service statutes or agreements between local government and video service providers.		
Purpose of Fund: To cover expenses of hearings to hear disputes between local governments and video service providers.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona Commission of African-American Affairs

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	83,100	83,100	83,100
Employee Related Expenditures	32,200	24,900	24,900
Travel - Out of State	0	3,200	3,200
Other Operating Expenditures	8,400	16,000	16,000
AGENCY TOTAL	123,700	127,200	127,200 ^{1/}

FUND SOURCES

General Fund	123,700	127,200	127,200
SUBTOTAL - Appropriated Funds	123,700	127,200	127,200
Other Non-Appropriated Funds	9,700	15,000	15,000
TOTAL - ALL SOURCES	133,400	142,200	142,200

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 Baseline includes \$127,200 and 3 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona Commission of African-American Affairs Fund (AMA2397/A.R.S. § 41-533)		Non-Appropriated
Source of Revenue: Gifts, grants, and fees from the Arizona African-American town hall.		
Purpose of Fund: To pay for the operating costs of the Arizona Commission of African-American Affairs.		
Funds Expended	9,700	15,000
Year-End Fund Balance	1,200	1,200

Arizona Department of Agriculture

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	204.3	205.3	208.3 ^{1/2/}
Personal Services	5,451,700	6,005,300	6,208,800
Employee Related Expenditures	2,470,600	2,530,500	2,627,900
Professional and Outside Services	245,900	274,600	274,600
Travel - In State	498,800	634,500	706,900
Travel - Out of State	54,500	39,400	42,100
Other Operating Expenditures	1,442,100	1,329,100	1,353,100
Equipment	158,500	31,800	381,800
OPERATING SUBTOTAL	10,322,100	10,845,200	11,595,200 ^{3/}
SPECIAL LINE ITEMS			
Agricultural Consulting and Training	124,700	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	209,200	275,000	301,400 ^{4/}
Red Imported Fire Ant Control	23,200	23,200	23,200
AGENCY TOTAL	10,767,500	11,360,200	12,136,600 ^{5/}
FUND SOURCES			
General Fund	9,225,500	9,640,000	10,390,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,332,800	1,445,200	1,445,200
Nuclear Emergency Management Fund	209,200	275,000	301,400
SUBTOTAL - Other Appropriated Funds	1,542,000	1,720,200	1,746,600
SUBTOTAL - Appropriated Funds	10,767,500	11,360,200	12,136,600
Other Non-Appropriated Funds	13,172,800	15,091,400	15,009,200
Federal Funds	5,744,900	6,351,500	6,351,500
TOTAL - ALL SOURCES	29,685,200	32,803,100	33,497,300

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. The department 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 3 General Fund FTE Positions appropriated by Laws 2018, Chapter 287.
- 2/ Includes 2.88 OF FTE Positions funded from Special Line Items in FY 2020.
- 3/ Laws 2018, Chapter 287 appropriated \$750,000 and 3 FTE Positions from the General Fund in FY 2020 for the regulation and licensing of industrial hemp.
- 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 Baseline includes \$11,595,200 and 205.4 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$10,150,000
Air Quality Fund	1,445,200

FY 2020 adjustments are as follows:

Industrial Hemp Licensing

The Baseline includes an increase of \$750,000 and 3 FTE Positions from the General Fund in FY 2020 for the licensing and regulation of industrial hemp. Laws 2018, Chapter 287 authorized the production, manufacturing, and distribution of industrial hemp for commercial commerce by licensed hemp growers.

Chapter 287 appropriates \$500,000 from the General Fund in FY 2020 to the Department of Agriculture for the administrative regulation of industrial hemp. Chapter 287 also appropriates \$250,000 and 3 FTE Positions from the General Fund in FY 2020 to the Department of Agriculture's Plant Services Division for laboratory testing related to the quality regulation of industrial hemp. Chapter 287 delayed these appropriations until FY 2020 to allow for rule writing for industrial hemp regulation. Because these monies were appropriated in Chapter 287, these monies will not appear in the FY 2020 General Appropriation Act.

Chapter 287 also established the Industrial Hemp Trust Fund for the purpose of funding the licensing and regulation of industrial hemp. The fund will receive monies from legislative appropriations and licensing fees.

Agricultural Consulting and Training

The Baseline includes \$128,500 from the General Fund in FY 2020 for the Agricultural Consulting and Training line item. This amount is unchanged from FY 2019.

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 Baseline includes \$23,300 from the General Fund in FY 2020 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2019.

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 Baseline includes \$65,000 from the General Fund in FY 2020 for the Animal Damage Control line item. This amount is unchanged from FY 2019.

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 Baseline includes \$301,376 and 2.88 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2020 for the Nuclear Emergency Management Program line item. FY 2020 adjustments are as follows:

New NEMF Assessment

The Baseline includes an increase of \$26,400 from the NEMF in FY 2020 for a new NEMF assessment.

Laws 2017, Chapter 43 appropriated \$275,012 and 2.88 FTE Positions from the NEMF in FY 2018 and in FY 2019. As a result, these monies did not appear in the General Appropriation Act. The Department of Health Services (by way of the Radiation Regulatory Agency transfer), the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 43. *(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.

DEMA has provided recommendations for the FY 2020 and FY 2021 NEMF funding levels for the 3 agencies as outlined in *Table 1*. The recommendations would include an increase of \$26,400 in FY 2020 and a decrease of \$(20,900) in FY 2021 below the FY 2020 level for the Department of Agriculture. The Baseline increases NEMF funding to the department by \$26,400 in FY 2020 based on the DEMA recommendations. The final amount, which typically reflects the DEMA recommendation, will be

determined in the 2019 Legislative Session as part of separate legislation.

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 Baseline includes \$23,200 from the General Fund in FY 2020 for the Red Imported Fire Ant Control line item. This amount is unchanged from FY 2019.

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 Baseline would, as session law, continue fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2020, including legislative intent that limits additional revenues to \$357,000.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, the Department of Agriculture's General Fund costs are projected to decrease by \$(750,000) in FY 2021 below FY 2020. This estimate is based on a one-time appropriation of \$750,000 made by Laws 2018, Chapter 287 for the initial funding for licensing and regulation of industrial hemp. Beginning in FY 2021, revenue from industrial hemp licensing and regulation fees is expected to supplant the initial funding from the General Fund appropriation. *(Please see the Industrial Hemp Licensing policy issue in the Operating Budget for more information.)*

Table 1

Nuclear Emergency Management Fund

Agency	FY 2019		FY 2020		FY 2021	
	FTEs	Approp.	FTEs	Rec.	FTEs	Rec.
Emergency and Military Affairs ^{1/}	5.5	\$1,461,602	5.5	\$1,458,753	5.5	\$1,506,116
Health Services ^{2/}	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.

^{2/} Laws 2017, Chapter 313 transferred all responsibilities and unexpended or unencumbered monies of the Arizona Radiation Regulatory Agency to the Department of Health Services on January 1, 2018.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Administrative Support Fund (AHA2436/A.R.S. § 3-108)		Non-Appropriated
Source of Revenue: Monies are collected from each commodity council based on annually negotiated interagency agreements.		
Purpose of Fund: For costs incurred by the department in providing administrative support.		
Funds Expended	37,500	41,700
Year-End Fund Balance	59,500	58,100
Agricultural Consulting and Training Trust Fund (AHA1239/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund the agricultural consulting and training program established by A.R.S. § 3-109.01.		
Funds Expended	900	3,200
Year-End Fund Balance	30,400	27,200
Agricultural Products Marketing (AHA2368/A.R.S. § 3-419)		Non-Appropriated
Source of Revenue: Assessments on the Arizona Leafy Green Products Shipper Marketing Agreement commodities.		
Purpose of Fund: To fund the Arizona Leafy Green Products Shipper Marketing Committee and to ensure compliance with the accepted food safety practices through mandatory government audits.		
Funds Expended	596,500	543,700
Year-End Fund Balance	423,500	141,800
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
Funds Expended	1,332,800	1,445,200
Year-End Fund Balance	136,400	0
Aquaculture Trust Fund (AHA2297/A.R.S. § 3-2913)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the regulation of aquaculture.		
Purpose of Fund: To administer and enforce the provisions of A.R.S. Title 3, Chapter 16, relating to aquaculture. Aquaculture is the controlled growth and harvest of aquatic plants and animals such as fish, shellfish, and algae.		
Funds Expended	0	9,900
Year-End Fund Balance	39,500	35,400
Beef Council (Livestock Board Collection and Administration) Fund (AHA2083/A.R.S. § 3-1236)		Non-Appropriated
Source of Revenue: \$1 per head surcharge collected on behalf of the Arizona Beef Council when animals are inspected by the department for sale. The department retains 5 cents per dollar, while 95 cents per dollar is forwarded to this fund.		
Purpose of Fund: For collection and administration costs.		
Funds Expended	343,900	344,000
Year-End Fund Balance	48,200	24,100
Citrus, Fruit and Vegetable Trust Fund (AHA2260/A.R.S. § 3-447)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the assessments and civil penalties relating to the standardization of citrus, other fruits, and vegetables.		
Purpose of Fund: To enable producers and shippers to develop uniform grades and standards for citrus, fresh fruit, and vegetables and to allow field and shed inspections of commodities produced in the state.		
Funds Expended	302,100	384,500
Year-End Fund Balance	189,000	14,100

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Citrus Trust Fund (AHA2299/A.R.S. § 3-468.04, 3-468.06)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the assessment on citrus produced in the state, other charges, and interest.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, eradication of citrus pests, and other programs deemed appropriate to production, harvesting, handling, and hauling from field to market.		
Funds Expended	58,900	41,800
Year-End Fund Balance	48,100	48,900
Commercial Feed Trust Fund (AHA2012/A.R.S. § 3-2607)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund for licensing fees and fees collected for the inspection of animal and bird feeds.		
Purpose of Fund: To regulate animal and bird feeds.		
Funds Expended	252,000	396,500
Year-End Fund Balance	572,800	518,300
Commodity Promotion Fund (AHA2458/A.R.S. § 3-109.02)		Non-Appropriated
Source of Revenue: Proceeds of a fee collected for a Certificate of Free Sale and any sales of merchandise with the Arizona Grown trademark. A Certificate of Free Sale is a document authenticating that a commodity is generally and freely sold in domestic channels of trade. Many countries require this documentation before allowing a shipment of consumable products to enter their borders and markets.		
Purpose of Fund: To provide for programs to promote the production and consumption of Arizona agricultural products domestically and abroad.		
Funds Expended	13,400	8,000
Year-End Fund Balance	26,700	25,700
Cotton Research and Protection Council Fund (AHA2013/A.R.S. § 3-1085)		Non-Appropriated
Source of Revenue: Assessments on each bale of cotton produced in the state, as well as fines and interest earnings.		
Purpose of Fund: To support research programs related to cotton production or protection and to provide a program to refund collected fees as an incentive for boll weevil control.		
Funds Expended	2,986,400	3,603,500
Year-End Fund Balance	5,658,900	4,908,600
Dangerous Plants, Pests and Diseases Trust Fund (AHA2054/A.R.S. § 3-214.01)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund for certification fees and reimbursements for the destruction of dangerous plants, pests, and diseases.		
Purpose of Fund: To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests, and diseases.		
Funds Expended	121,600	94,000
Year-End Fund Balance	83,800	79,800
Designated Fund (AHA3011/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees for laboratory services and phytosanitary certifications (certifying produce that is sent overseas), 5% of Beef Council surcharges, and other grants and contributions.		
Purpose of Fund: To administer the purpose for which the fee, grant, or contribution is intended.		
Funds Expended	637,300	834,400
Year-End Fund Balance	717,900	472,300
Egg Inspection Trust Fund (AHA2022/A.R.S. § 3-717)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees from the regulation of eggs and egg products.		
Purpose of Fund: To administer the Egg Inspection Program.		
Funds Expended	1,641,200	1,590,500
Year-End Fund Balance	574,200	473,500

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Equine Inspection Fund (AHA2489/A.R.S. § 3-1345.01)		Non-Appropriated
Source of Revenue: Inspection fees for processing ownership and transportation of horses.		
Purpose of Fund: To fund the issuance of horse ownership and transportation certificates.		
Funds Expended	1,100	0
Year-End Fund Balance	300	500
Federal Funds (AHA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: As determined by federal law with regard to U.S. Department of Agriculture meat inspection regulation enforcement, hazardous plant pest eradication, increasing consumption of specialty crops, and studies of threatened and endangered plant species. (The meat and poultry inspection amounts are a reimbursement to the General Fund and, therefore, pass through this fund without a net impact on expenditures shown here.)		
Funds Expended	5,500,400	5,978,300
Year-End Fund Balance*	(16,300)	0
Federal - State Inspection Fund (AHA2113/A.R.S. § 3-499)		Non-Appropriated
Source of Revenue: Fees for inspection of domestic produce imported from Mexico pursuant to a cooperative agreement with the U.S. Department of Agriculture.		
Purpose of Fund: The Arizona Department of Agriculture is the fiduciary of this program, which monitors produce being imported from Mexico at the Nogales Port of Entry in accordance with the cooperative agreement between the department and the U.S. Department of Agriculture.		
Funds Expended	3,368,500	3,457,000
Year-End Fund Balance	2,504,400	2,452,400
Fertilizer Materials Trust Fund (AHA2081/A.R.S. § 3-269)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees collected for the inspection of materials and a portion of the fertilizer manufacturer's license fee.		
Purpose of Fund: To regulate fertilizers.		
Funds Expended	325,900	447,800
Year-End Fund Balance	739,100	704,400
Grain Trust Fund (AHA2201/A.R.S. § 3-590)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from an assessment on commercial grain sales.		
Purpose of Fund: To support the Grain Research and Promotion Council's promotion and research activities with public or private organizations. Such activities relate to reducing fresh water consumption, developing new varieties, improving production and handling methods, researching and designing new or improved harvesting and handling equipment, and similar programs.		
Funds Expended	144,100	172,700
Year-End Fund Balance	189,100	80,200
Iceberg Lettuce Trust Fund (AHA2259/A.R.S. § 3-526.06)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from an assessment on iceberg lettuce prepared for market.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, including programs for pest eradication, production harvesting, handling and hauling from field to market, and other activities deemed appropriate.		
Funds Expended	97,300	100,000
Year-End Fund Balance	72,300	72,000

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Indirect Cost Recovery Fund (AHA9000/A.R.S. § 3-107)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: For indirect costs associated with administration of federal grants.		
Funds Expended	244,500	373,200
Year-End Fund Balance	429,000	222,800
Industrial Hemp Fund (No Fund Number/A.R.S. § 3-314)		Non-Appropriated
Source of Revenue: Legislative appropriations and licensing fees related to the processing, manufacturing, and distribution of industrial hemp.		
Purpose of Fund: To support the licensing and regulation of industrial hemp.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Livestock and Crop Conservation Fund (AHA2378/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Originally, \$2 million annually from the Land Conservation Fund through FY 2011, as established by A.R.S. § 41-511.23. There are no new sources of revenue other than interest payments.		
Purpose of Fund: Continuously appropriated for grants to landowners, as well as to grazing and agricultural lessees of state or federal land, who implement conservation measures.		
Funds Expended	204,100	181,100
Year-End Fund Balance	444,700	271,000
Livestock Custody Trust Fund (AHA2065/A.R.S. § 3-1377)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with monies resulting from fines assessed for and proceeds resulting from the sale of mistreated or stray livestock.		
Purpose of Fund: To enforce any of the provisions of Title 3, relating to agriculture and dairying.		
Funds Expended	94,500	154,000
Year-End Fund Balance	207,100	104,100
Nuclear Emergency Management Fund (AHA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station. Laws 2017, Chapter 43 appropriated \$275,012 to the Arizona Department of Agriculture in both FY 2018 and FY 2019.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Laws 2017, Chapter 43 established the fund as an appropriated fund with fees directed to the Nuclear Emergency Management Fund rather than the General Fund.		
Funds Expended	209,200	275,000
Year-End Fund Balance	87,300	0
Pest Management Trust Fund (AHA2050/A.R.S. § 3-3604)		Non-Appropriated
Source of Revenue: Monies collected by the Division of Pest Management for the licensing of professional pest control companies and applicators of structural pesticides.		
Purpose of Fund: To license, inspect, and regulate professional pest control companies and applicators of structural pesticides.		
Funds Expended	1,566,000	1,751,500
Year-End Fund Balance	2,905,600	2,537,800
Pesticide Trust Fund (AHA2051/A.R.S. § 3-350)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from a portion of pesticide registration fees.		
Purpose of Fund: To regulate pesticides.		
Funds Expended	245,700	657,700
Year-End Fund Balance	857,900	710,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Produce Safety Trust Fund (No Fund Number/A.R.S. § 3-525.02)	Non-Appropriated	
Source of Revenue: Legislative appropriations, gifts, grants, and donations from public or private sources, and any monies collected by the Arizona Department of Agriculture through the administration of the Produce Safety Rule Enforcement Program.		
Purpose of Fund: To support the department's administration of the Produce Safety Rule Enforcement Program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Protected Native Plant Trust Fund (AHA2298/A.R.S. § 3-913)	Non-Appropriated	
Source of Revenue: A non-appropriated trust fund with fees resulting from permits issued for the removal or salvage of protected native plants.		
Purpose of Fund: For the protection of native plants.		
Funds Expended	77,600	81,800
Year-End Fund Balance	30,000	17,300
Seed Law Trust Fund (AHA2064/A.R.S. § 3-234)	Non-Appropriated	
Source of Revenue: A non-appropriated trust fund with fees resulting from seed dealers' and labelers' license fees and penalties.		
Purpose of Fund: To regulate seeds, including all agricultural, vegetable, and ornamental plant seed, transported or offered for sale in this state.		
Funds Expended	56,300	192,100
Year-End Fund Balance	293,200	214,400

* As reported by the agency. Actual ending balance will not be negative.

Arizona Health Care Cost Containment System

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,326.3	2,339.3	2,339.3
Personal Services	43,695,300	43,277,900	43,277,900
Employee Related Expenditures	18,472,300	18,279,200	18,279,200
Professional and Outside Services	10,904,900	11,146,800	11,146,800
Travel - In State	119,400	117,600	117,600
Travel - Out of State	24,500	24,100	24,100
Other Operating Expenditures	16,294,500	18,064,900	18,064,900
Equipment	569,000	574,800	574,800
OPERATING SUBTOTAL	90,079,900	91,485,300	91,485,300 ^{1/2/}
SPECIAL LINE ITEMS			
Administration			
ADOA Data Center	15,982,000	19,325,800	19,325,800
DES Eligibility	72,922,300	88,874,500	88,874,500 ^{3/}
Proposition 204 - AHCCCS Administration	17,788,800	13,143,500	13,143,500 ^{4/}
Proposition 204 - DES Eligibility	35,744,700	44,358,700	44,358,700 ^{4/}
Proposition 206 - Network Adequacy Report	61,700	0	0
Medicaid Services			
Traditional Medicaid Services	4,990,029,500	5,347,303,600	5,470,440,200 ^{5/-8/}
Proposition 204 Services	3,587,140,400	3,953,396,600	4,054,746,300 ^{4/7/8/}
Adult Expansion Services	535,974,400	565,675,000	515,435,200 ^{7/8/}
Children's Rehabilitative Services	299,473,400	0	0
Comprehensive Medical and Dental Program	134,885,200	199,914,500	204,128,600 ^{7/}
KidsCare Services	57,555,400	81,846,900	84,574,100
ALTCS Services	1,541,358,300	1,605,757,300	1,725,889,300 ^{9/-11/}
Behavioral Health Services in Schools	0	9,943,700	9,990,000
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	78,180,000	77,646,900	77,646,900 ^{12/}
Supported Housing	5,330,200	5,324,800	5,324,800
Crisis Services	16,407,200	16,391,300	16,391,300
Substance Use Disorder Services Fund Deposit	10,000,000	0	0
Hospital Payments			
Disproportionate Share Payments	4,859,900	5,087,100	5,087,100 ^{13/}
DSH Payments - Voluntary Match	15,493,600	38,220,300	40,980,200 ^{8/14/}
Graduate Medical Education	272,269,400	375,773,400	293,607,800 ^{8/15/}
Rural Hospitals	22,650,000	28,612,400	28,612,400
Safety Net Care Pool	54,663,300	0	0 ^{8/16/}
Targeted Investments Program	19,991,900	70,000,000	90,000,000
AGENCY TOTAL	11,878,841,500	12,638,081,600	12,880,042,000 ^{17/-21/}

FUND SOURCES

General Fund	1,759,338,500	1,777,093,500	1,780,959,200
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	4,251,300	3,756,200	3,906,400
Children's Health Insurance Program Fund	60,114,000	87,572,700	84,286,700
Prescription Drug Rebate Fund - State	145,284,800	148,458,800	202,116,700
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
TPTF Emergency Health Services Account	17,627,300	17,966,100	16,216,300
TTHCF Medically Needy Account	69,486,100	68,040,500	61,752,600

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
SUBTOTAL - Other Appropriated Funds	299,013,700	328,044,500	370,528,900
SUBTOTAL - Appropriated Funds	2,058,352,200	2,105,138,000	2,151,488,100
<u>Expenditure Authority Funds</u>			
County Funds	315,700,800	315,067,700	326,809,700
Delivery System Reform Incentive Payment Fund	6,149,500	21,773,100	28,062,400
Federal Medicaid Authority	8,408,942,600	9,039,581,900	9,156,048,300
Hospital Assessment Fund	255,421,000	310,023,300	325,424,900
Nursing Facility Provider Assessment Fund	32,501,500	32,989,400	32,989,600
Political Subdivision Funds	114,602,300	138,077,400	113,909,700
Prescription Drug Rebate Fund - Federal	548,393,900	550,507,200	609,060,300
Third Party Liability and Recovery Fund	0	194,700	194,700
Tobacco Litigation Settlement Fund	101,761,000	87,000,000	102,000,000
TPTF Proposition 204 Protection Account	37,016,700	37,728,900	34,054,300
SUBTOTAL - Expenditure Authority Funds	9,820,489,300	10,532,943,600	10,728,553,900
SUBTOTAL - Appropriated/Expenditure Authority Funds	11,878,841,500	12,638,081,600	12,880,042,000
Other Non-Appropriated Funds	97,115,000	110,247,600	110,247,600
Federal Funds	132,182,200	193,060,400	193,461,800
TOTAL - ALL SOURCES	12,108,138,700	12,941,389,600	13,183,751,400

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 2020.
- 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. AHCCCS, 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, 2020 on the suicide prevention coordinator's accomplishments in FY 2020. (General Appropriation Act footnote)
- 3/ The amounts 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 A.R.S. § 36-2901.01B. (General Appropriation Act footnote)
- 5/ The AHCCCS Administration shall transfer up to \$1,200,000 from the Traditional Medicaid Services line item for FY 2020 to the Attorney General for costs associated with tobacco settlement litigation. (General Appropriation Act footnote)
- 6/ The AHCCCS Administration shall transfer ~~\$436,000~~ \$836,000 from the Traditional Medicaid Services line item for FY 2020 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/ It is the intent of the Legislature that the percentage attributable to administration and profit for the Regional Behavioral Health Authorities be 9% 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 FY 2020 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 AHCCCS 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 A.R.S. § 11-292B, the county portion of the FY 2020 nonfederal costs of providing long term care system services is \$280,648,000. This amount is included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 11/ Any supplemental payments received in excess of \$108,386,600 for nursing facilities that serve Arizona Long Term Care System Medicaid patients in FY 2020, including any federal matching monies, by the AHCCCS Administration are appropriated to the Administration in FY 2020. Before the expenditure of 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 expended under this provision. These payments are included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 12/ On or before June 30, 2020, the AHCCCS 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, 8 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 (DSH) for FY 2020 made pursuant to A.R.S. § 36-2903.01O 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 FY 2020 by the AHCCCS Administration in excess of \$40,980,200 are appropriated to the Administration in FY 2020. Before the expenditure of 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 expended under this provision. (General Appropriation Act footnote)
- 15/ Any monies for Graduate Medical Education received in FY 2020, including any federal matching monies, by the AHCCCS Administration in excess of \$293,607,800 are appropriated to the Administration in FY 2020. Before the expenditure of 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 expended under this provision. (General Appropriation Act footnote)
- 16/ Any monies received for the Safety Net Care Pool by the AHCCCS Administration in FY 2020, including any federal matching monies, are appropriated to the Administration in FY 2020. Before the expenditure of 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 expended under this provision. (General Appropriation Act footnote)
- 17/ The non-appropriated portion of the Prescription Drug Rebate Fund established by A.R.S. § 36-2930 is included in the federal portion of the Expenditure Authority fund source. (General Appropriation Act footnote)
- 18/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the AHCCCS Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 19/ The AHCCCS Administration shall report to the Joint Legislative Budget Committee on or before March 1, 2020 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 2%. Before implementing any changes in capitation rates, the AHCCCS 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)
- 20/ On or before July 1, 2020, the AHCCCS 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, 2019. (General Appropriation Act footnote)
- 21/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS' FY 2020 General Fund spending increases by \$3,865,700, or 0.2%, from FY 2019. This amount includes:

- \$88,831,200 for growth in state match expenses associated with formula adjustments.
- \$(84,965,500) for changes in General Fund offsets.

Below is an overview of FY 2020 formula adjustments. *Table 1* summarizes these changes.

Table 1

AHCCCS General Fund Budget Spending Changes (\$ in millions)

Formula Adjustments ^{1/}

FY 2019 Base Adjustment	\$ (44)
Annualize CRS Transfer	(5)
FY 2020 1.7% Caseload Growth	43
FY 2020 3.0% Capitation Rate Increase	74
FY 2020 Suspend ACA Health Insurer Fee	(27)
FY 2020 Federal Medicaid Match Rate Change	29
FY 2020 CHIP Match Rate Change	18
<i>State Match Costs Subtotal</i>	<i>89</i>

General Fund Offsets

Prescription Drug Rebate Fund (One-Time)	(37)
Prescription Drug Rebate Fund (Ongoing)	(17)
Hospital Assessment Fund	(15)
Tobacco Litigation Monies	(15)
Tobacco Tax Revenue Decrease	12
County Funds Increase	(12)
Access to Professional Services Initiative	(1)
<i>General Fund Offsets Subtotal</i>	<i>(85)</i>

Total Spending Change **\$ 4**

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

As part of the budget's 3-year spending plan, AHCCCS' General Fund costs are projected to increase by \$200,789,500 in FY 2021 above FY 2020 and by \$114,737,100 in FY 2022 above FY 2021. *(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, as well as changes in General Fund offsets. The Baseline includes an increase of \$3,865,700 from the General Fund in FY 2020 for formula adjustments.

The Baseline estimates the total level of additional state matching funds required to cover cost growth associated with population growth, inflation, and federal funding

changes. For FY 2020, this amount is estimated to be \$88,831,200.

To determine the General Fund's share of these costs, the Baseline then estimates the level of new non-General Fund state resources available to cover the state matching expenses. For example, statute requires that certain state Medicaid expenses be covered with dedicated non-General Fund revenue sources, including Hospital Assessment revenues for physical health costs for ACA expansion populations and county funds for a portion of long-term care cost growth. In FY 2020, the Baseline includes an increase of \$84,965,500 from these non-General Fund sources, resulting in a net General Fund increase of \$3,865,700 in FY 2020. The impacts of formula adjustments are outlined in more detail below.

FY 2019 Base Adjustment

The Baseline includes a decrease of \$(43,566,500) in state costs in FY 2020 for a rebase associated with formula growth savings for FY 2019. The formula growth savings are primarily based lower-than-projected caseload growth in FY 2018 and FY 2019. The Baseline includes an ex-appropriation of \$(28,564,900) from the General Fund in FY 2019 to reflect the savings. *(Please see Other Issues for more information.)*

Annualize CRS Transfer

The Baseline includes a decrease of \$(5,070,900) from the General Fund and \$(16,796,700) in Total Funds in FY 2020 to annualize the transfer of Children's Rehabilitative Services (CRS) for DD clients to DES, which occurred in October 2018. The FY 2019 transfer to DES was authorized as part of the enacted FY 2019 budget.

FY 2020 Caseload Adjustment

Formula adjustments include 1.7% caseload growth for most AHCCCS populations, resulting in growth of 29,463 member in acute care, behavioral health services, and long-term care (excluding KidsCare). Caseload growth is expected to increase state match expenses by \$43,402,700 and Total Funds expenses by \$195,491,800 in FY 2020. *Table 2* displays historical and forecasted member months across AHCCCS populations.

FY 2020 Inflation Adjustments

The Baseline assumes a 3.0% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2019. Inflation adjustments would increase AHCCCS state costs by \$73,641,600 and Total Funds costs by \$325,829,800 in FY 2020. These inflation adjustments include an increase of \$1,944,500 from the General Fund and \$11,562,600 Total Funds for Proposition 206

Table 2

JLBC Forecasted Member Months ^{1/}

Population ^{2/}	June 2018	June 2019	June 2020	'19-'20% Change
Traditional	1,016,107	1,023,220	1,040,614	1.7%
Prop 204 Childless Adults	305,638	307,777	313,010	1.7
Other Proposition 204	182,069	183,343	186,460	1.7
Adult Expansion ^{3/}	76,207	76,740	78,045	1.7
KidsCare ^{4/}	29,733	39,822	26,206	(34.2)
CMDP	14,450	13,110	13,110	0.0
ALTCS - Elderly & Physically Disabled ^{5/}	29,734	30,626	31,147	1.7
Emergency Services	110,661	111,436	113,330	1.7
Total Member Months	1,764,599	1,786,075	1,801,922	0.9%

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

^{2/} The integrated SMI population is included in the Traditional, Proposition 204, and Adult Expansion line items. (See the *Other Issues* section for enrollment and funding of the integrated SMI population.)

^{3/} Parents and Childless Adults 100%-133% of the federal poverty level (FPL).

^{4/} Pursuant to A.R.S. 36-2985, the Baseline assumes that enrollment in KidsCare is frozen on and after October 1, 2019 as a result of a decline in the federal match rate below 100%.

^{5/} The ALTCS program funded in AHCCCS. In addition, approximately 33,000 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of December 1, 2018.

adjustments in the ALTCS program to provide half-year funding for rate increases to address the increase in the minimum wage from \$11.00/hour to \$12.00/hour effective January 1, 2020.

Health Insurer Fee Suspension

The Baseline includes a decrease of \$(26,717,900) in state funds and \$(120,383,400) in Total Fund savings for the suspension of the Affordable Care Act Health Insurer Fee in FY 2020. A federal continuing resolution (P.L. 115-120) imposed a one-time moratorium on the fee in CY 2019.

FY 2020 Federal Medicaid 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 2020, the FMAP rates will adjust as follows:

- Traditional Medicaid rate will increase to 69.97% (0.14% increase).
- Proposition 204 Childless Adult rate will decrease to 91.50% (0.79% decrease).
- Adult Expansion rate will decrease to 91.50% (2.0% decrease).

The rates represent a blend of one-fourth of the Federal Fiscal Year (FFY) 2019 rates and three-fourths of the FFY 2020 rates. The Baseline includes an increase of \$28,943,600 in state costs and a corresponding decrease

of \$(28,943,600) in federal costs for the above match changes.

FY 2020 CHIP Match Rate Changes

The Baseline includes an increase in state costs of \$18,198,600 in FY 2020 for match rate reductions associated with the Children's Health Insurance Program (CHIP) block grant. Through September 30, 2019, the federal government will pay 100% of program costs. Effective October 1, 2019, the match rate will drop to 90.52%, resulting in a blended state fiscal year 2020 rate of 92.89%.

AHCCCS uses the CHIP block grant to pay for 2 populations: the "Child Expansion" population, which consists of traditional Medicaid coverage for children ages 6-18 in families with incomes ranging from 100%-133% of the Federal Poverty Level (FPL), and "KidsCare" which provides CHIP coverage to children in families with incomes from 133%-200% FPL. As of December 1, 2018, there were 69,900 children enrolled in Child Expansion and 32,400 children enrolled in KidsCare.

A.R.S. § 36-2985 requires AHCCCS to freeze KidsCare enrollment if the federal match rate falls below 100%. As a result, the Baseline assumes an enrollment freeze effective October 1, 2019. The freeze is anticipated to reduce enrollment from 39,800 in June 2019 to 26,200 in June 2020. Of the \$18,198,600 for state cost increases associated with the CHIP match rate, \$6,013,200 is for children who continue to receive coverage after the freeze. KidsCare coverage would continue for children with no lapse in eligibility, as the freeze would only prohibit AHCCCS from accepting new applicants. (See the *KidsCare Services* line item for details on the costs of eliminating the KidsCare enrollment freeze.)

The remaining \$12,185,400 in state cost increases are associated with the lower CHIP match rate for the Child Expansion population. Since this population is mandatory under federal law, the KidsCare enrollment freeze would not apply to the Child Expansion.

General Fund Offsets

The total state cost increase from the FY 2019 base adjustment and annualizations, FY 2020 caseload growth, inflation, the Health Insurer Fee suspension, and federal match rate changes is an increase of \$88,831,200. The Baseline includes a decrease of \$(84,965,500) for General Fund offsets in FY 2020, resulting in a net General Fund change of \$3,865,700 compared to FY 2019. The changes in offsets, which generate General Fund savings, would be as follows:

- An increase of \$36,927,800 from the Prescription Drug Rebate Fund - State to reflect one-time balances associated with higher-than-budgeted rebate receipts from FY 2018 and FY 2019. This increase is one-time in FY 2020. *(See Other Issues section for more information.)*
- An additional increase of \$16,730,100 from the Prescription Drug Rebate Fund - State in FY 2020 to reflect an ongoing increase in receipt of drug rebates. *(See Other Issues section for more information.)*
- An increase of \$15,401,600 from the Hospital Assessment Fund in FY 2020 to continue to cover the physical health costs of enrollees in the Proposition 204 and Adult Expansion programs.
- An increase of \$15,000,000 from the Tobacco Litigation Settlement Fund in FY 2020 to reflect higher-than-budgeted receipt of litigation monies in the FY 2019 budget. The increase offsets the state match costs of the Proposition 204 program.
- A decrease of \$(11,712,300) from tobacco tax revenues to reflect declining receipts, requiring an offsetting General Fund and Hospital Assessment increase.
- An increase of \$11,892,200 from County Funds, mostly for the Arizona Long Term Care System pursuant to A.R.S. § 11-292.
- An increase of \$725,900 in Political Subdivision monies associated with the Access to Professional Services Initiative (APSI). *(See Other Issues section for more information.)*
- An increase of \$200 from the Nursing Facility Provider Assessment.

Operating Budget

The Baseline includes \$91,485,300 and 1,023.2 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$28,592,900
Children's Health Insurance Program (CHIP) Fund	5,565,800
Prescription Drug Rebate Fund (PDRF) - State	660,900
Federal Medicaid Authority (FMA)	56,665,700

These amounts are unchanged from FY 2019.

Administration

ADOA Data Center

The Baseline includes \$19,325,800 in FY 2020 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 2019.

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 Baseline includes \$88,874,500 and 885 FTE Positions in FY 2020 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 2019.

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

Proposition 204 - AHCCCS Administration

The Baseline includes \$13,143,500 and 131 FTE Positions in FY 2020 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,205,800
PDRF - State	60,900
Federal Medicaid Authority	8,876,800

These amounts are unchanged from FY 2019.

Proposition 204 expanded AHCCCS eligibility. This line item contains funding for AHCCCS' acute care and behavioral health service administration costs of the Proposition 204 program.

Proposition 204 - DES Eligibility

The Baseline includes \$44,358,700 and 300.1 FTE Positions in FY 2020 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,815,800
Budget Neutrality Compliance Fund (BNCF)	3,906,400
Federal Medicaid Authority	23,636,500

FY 2020 adjustments are as follows:

Statutory Adjustments

The Baseline includes a decrease of \$(150,200) from the General Fund and a corresponding increase of \$150,200 from the BNCF in FY 2020 to reflect an increase of county contributions in FY 2020 as required by A.R.S. § 11-292. (See Table 7 for contributions by county.)

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 2020. A description of program components can be found in the *Other Issues* section.

Traditional Medicaid Services

The Baseline includes \$5,470,440,200 in FY 2020 for Traditional Medicaid Services. This amount consists of:

General Fund	1,195,857,800
County Funds	46,161,700
Political Subdivision Funds	10,297,700
PDRF - State	193,816,500
TTHCF - Medically Needy Account	61,752,600
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	3,389,720,900

FY 2020 adjustments are as follows:

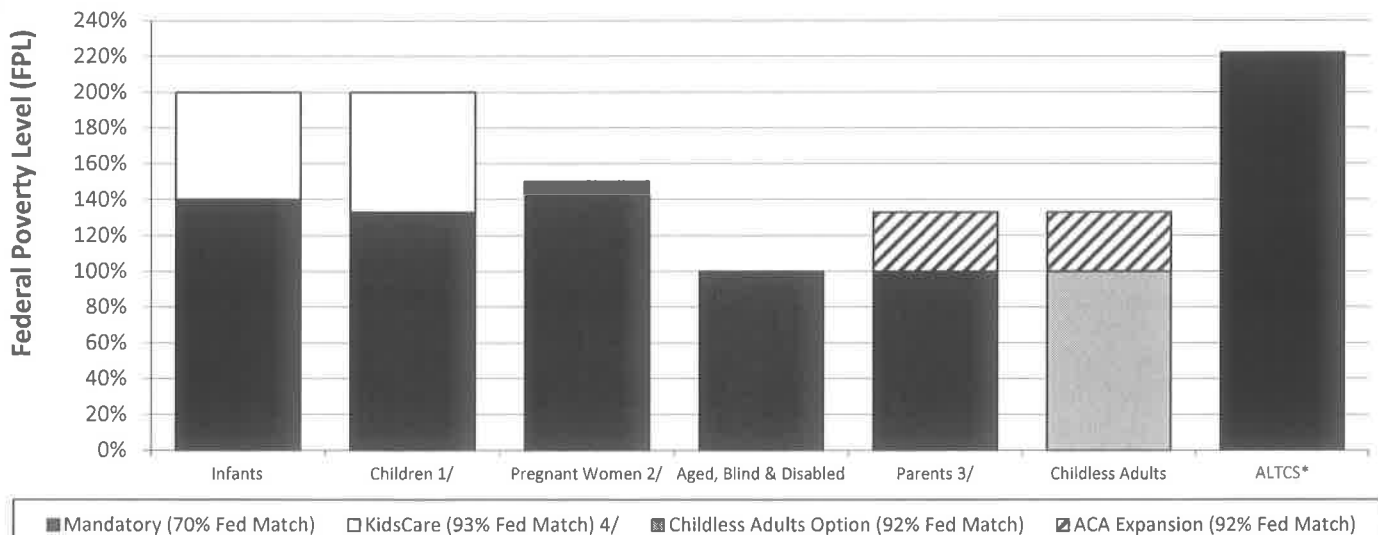
Formula Adjustments

The Baseline includes an increase of \$123,136,600 in FY 2020 for formula adjustments. This amount consists of:

General Fund	13,888,300
County Funds	(351,200)

Chart 1

AHCCCS Eligibility



- 1/ Children ages 6 to 18 years in families with incomes between 100% FPL and 133% FPL are eligible to receive a 100% federal match if sufficient Children's Health Insurance Program (CHIP) Block Grant monies available.
- 2/ Women diagnosed with breast or cervical cancer by a provider recognized by the Well Women Healthcheck program and those in the "Ticket to Work" program receive coverage to 250% FPL.
- 3/ Mandatory Status of Parents is subject to interpretation.
- 4/ Beginning October 1, 2019, federal match for KidsCare will decrease from 100% to 90.52%, this gives an effective annual rate of 92.89%. A.R.S. § 36-2985 requires AHCCCS to freeze enrollment in the program if the federal match rate drops below 100% of cost.
- * Federal minimum is 75% FPL.

Political Subdivision Funds	37,000
PDRF - State	16,730,100
TTHCF - Medically Needy Account	(6,287,900)
PDRF - In Lieu of Federal Funds	58,553,100
Federal Medicaid Authority	40,567,200

These adjustments include:

- 1.7% enrollment growth.
- An increase in the federal match rate from 69.83% in SFY 2019 to 69.97% in SFY 2020.
- 3.0% capitation rate increase.
- One-time suspension of the Health Insurer Fee.
- Annualization of the shift of CRS Funding.
- \$(6,287,900) decrease from the TTHCF - Medically Needy Account and a corresponding General Fund increase.
- \$(351,200) decrease in the Maricopa County Acute Care contribution (County Funds) under A.R.S. § 11-292 with a corresponding General Fund increase.
- FY 2019 rebase due to lower than budgeted caseload growth in FY 2018 and FY 2019.

PDRF One-Time Increase

The Baseline includes an increase of \$36,927,800 from PDRF - State for additional rebate collections and a corresponding decrease of \$(36,927,800) from the General Fund in FY 2020. This reflects a one-time increase due to higher-than-budgeted rebates in FY 2018 and FY 2019. *(See Other Issues section for more information.)*

Proposition 204 Services

The Baseline includes \$4,054,746,300 in FY 2020 for Proposition 204 Services. This amount consists of:

General Fund	100,002,300
Hospital Assessment Fund	289,588,700
Political Subdivision Funds	2,564,700
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	16,216,300
TPTF - Proposition 204 Protection Account	34,054,300
Federal Medicaid Authority	3,510,320,000

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$101,349,700 in FY 2020 for formula adjustments. This amount consists of:

General Fund	(2,606,600)
Hospital Assessment Fund	7,985,500
Political Subdivision Funds	632,800
Tobacco Litigation Settlement Fund	15,000,000
TPTF - Emergency Health Services Account	(1,749,800)

TPTF - Proposition 204 Protection Account	(3,674,600)
Federal Medicaid Authority	85,762,400

These adjustments include:

- 1.7% enrollment growth.
- An increase in the federal match rate for the non-childless adult population from 69.83% to 69.97%.
- A decrease in the federal match rate for the childless adult population from 92.29% in SFY 2019 to 91.50% in SFY 2020.
- 3.0% capitation rate increase.
- One-time suspension of the Health Insurer Fee.
- FY 2019 rebase due to lower-than-budgeted caseload growth in FY 2018 and FY 2019.
- An increase of \$15,000,000 from Tobacco Settlement MSA due to an increase in the Annual Payment that partially offset the loss from the elimination of Strategic Contribution Payments.
- \$(3,674,600) decrease from the TPTF - Proposition 204 Protection Account due to lower-than-expected tobacco tax revenues and a corresponding increase of \$3,674,600 in state costs.
- \$(1,749,800) decrease from the Emergency Health Services Account due to lower-than-expected tobacco tax revenues and a corresponding increase of \$1,749,600 in 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 (see Chart 1).

Adult Expansion Services

The Baseline includes \$515,435,200 in FY 2020 for Adult Expansion Services. This amount consists of:

General Fund	5,699,300
Hospital Assessment Fund	35,836,200
Political Subdivision Funds	179,900
Federal Medicaid Authority	473,719,800

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(50,239,800) in FY 2020 for formula adjustments. This amount consists of:

General Fund	(762,000)
Hospital Assessment Fund	7,416,100
Political Subdivision Funds	56,100
Federal Medicaid Authority	(56,950,000)

These adjustments include:

- 1.7% enrollment growth.
- A decrease in the federal match rate from 93.50% to 91.50%.
- 3.0% capitation rate increase.
- One-time suspension of the Health Insurer Fee.
- FY 2019 rebase due to lower-than-budgeted caseload growth in FY 2018 and FY 2019.

Background – Beginning on January 1, 2014, the Adult Expansion Services line item funds Medicaid services for adults from 100% to 133% FPL who are not eligible for another Medicaid program. The federal government paid 100% of the cost of this population in calendar years (CY) 2014 to 2016. The federal share will gradually decline 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 Baseline includes \$204,128,600 in FY 2020 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	61,167,100
Federal Medicaid Authority	142,961,500

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$4,214,100 in FY 2020 for formula adjustments. This amount consists of:

General Fund	953,200
Federal Medicaid Authority	3,260,900

These adjustments include:

- 0% enrollment growth.
- An increase in the federal match rate from 69.83% to 69.97%.
- 3.0% capitation rate increase.
- FY 2019 rebase due to lower-than-budgeted caseload growth in FY 2018 and FY 2019.

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 acute care services of the population while AHCCCS administers the behavioral health services through contracts with Regional Behavioral Health Authorities (RHBA's). Of the CMDP line's Baseline funding in FY 2020, an estimated 26.2% funds acute care and 73.8% funds behavioral health services.

KidsCare Services

The Baseline includes \$84,574,100 in FY 2020 for KidsCare services. This amount consists of:

General Fund	6,013,200
CHIP Fund	78,560,900

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$2,727,200 in FY 2020 for formula adjustments. This amount consists of:

General Fund	6,013,200
CHIP Fund	(3,286,000)

These adjustments include:

- FY 2019 base adjustment to reflect anticipated 33.7% enrollment growth above FY 2018 as the program reaches full participation.
- Enrollment decline from 39,800 in June of FY 2019 to 26,200 in June of FY 2020 due to a statutory enrollment freeze that would go into effect on October 1, 2019.
- 3.0% capitation rate growth.
- A decrease in the federal match rate from 100% in SFY 2019 to 92.89% in SFY 2020. Kids who remain in the program after the statutory enrollment freeze will be funded at this lower rate.

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. Enrollment in the program was frozen in January 2010. Laws 2016, Chapter 112 required AHCCCS to lift the enrollment freeze. AHCCCS resumed enrollment in the program on September 1, 2016.

Enrollment Freeze

KidsCare is currently funded at a 100% federal match rate through September 30, 2019. A.R.S. § 36-2985, as amended by the FY 2018 Health Budget Reconciliation Bill (BRB) requires AHCCCS to freeze enrollment if the program's federal match rate drops below 100% of costs. Federal legislation effectively decreased Arizona's match rate to 90.52% on October 1, 2019 and 78.93% on October 1, 2020. As a result, the Baseline assumes that KidsCare enrollment will be frozen effective October 1, 2019.

Table 3 displays the costs of an unlimited KidsCare program compared to the Baseline from FY 2020 to FY 2022. The JLBC Staff estimates the state General Fund costs associated with KidsCare would increase to \$7.3 million, or \$1.3 million above the KidsCare cost included in the FY 2020 Baseline.

In FY 2021, the Baseline includes \$8.8 million from the General Fund for the cost of the frozen KidsCare program. The cost increase is based on a drop in the federal CHIP match rate from 90.52% to 78.93% on October 1, 2020, which would be partly offset by savings from the enrollment freeze. With no freeze, the state match is projected to cost \$19.9 million in FY 2021. The cost is higher than the \$7.3 million "no freeze" cost in FY 2020 due to the change in the federal match rate. As a result, if the Legislature were to eliminate the enrollment freeze, the cost above the Baseline in FY 2021 would be \$11.1 million from the General Fund.

In FY 2022, the Baseline includes \$6.0 million from the General Fund for the cost of the frozen KidsCare program. The cost decrease from \$8.8 million in FY 2021 is based on enrollment declines associated with the freeze. With no freeze, the state match is projected to cost \$24.3 million in FY 2022. As a result, if the Legislature were to eliminate the enrollment freeze, the cost above the Baseline in FY 2022 would be \$18.3 million.

ALTCS Services

The Baseline includes \$1,725,889,300 in FY 2020 for ALTCS services. This amount consists of:

General Fund	222,242,300
County Funds	280,648,000
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	1,146,009,000

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$108,569,400 in FY 2020 for formula adjustments. This amount consists of:

General Fund	21,574,900
County Funds	10,565,400
Nursing Facility Provider Assessment Fund	200
Federal Medicaid Authority	76,428,900

These adjustments include:

- 1.7% enrollment growth.
- An increase in the federal match rate from 69.83% to 69.97%.
- 3.0% capitation rate increase.
- One-time suspension of the Health Insurer Fee.

Proposition 206 Rate Increase

The Baseline includes an increase of \$11,562,600 in FY 2020 to fund provider rate increases for minimum wage provisions of Proposition 206. This amount consists of:

General Fund	1,944,500
County Funds	1,527,800
Federal Medicaid Authority	8,090,300

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%

Table 3

Cost of KidsCare Program with No Enrollment Freeze

	FY 2020		FY 2021		FY 2022	
	State Match	Total Funds	State Match	Total Funds	State Match	Total Funds
KidsCare Baseline	\$6,013,200	\$84,574,100	\$8,844,000	\$48,673,400	\$5,956,800	\$28,137,900
KidsCare No Freeze	<u>7,354,300</u>	<u>103,436,000</u>	<u>19,907,200</u>	<u>109,560,900</u>	<u>24,296,000</u>	<u>114,766,100</u>
No Freeze Cost Above Baseline	\$1,341,100	\$18,861,900	\$11,063,200	\$60,887,500	\$18,339,200	\$86,628,200

of the Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or \$9,105 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 2019, AHCCCS estimates that client contributions will pay for 5.2% 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 Baseline includes \$9,990,000 in FY 2020 for Behavioral Health Services in schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	6,990,000

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$46,300 from Federal Medicaid Authority in FY 2020 for a change in the federal match rate.

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

Non-Medicaid Behavioral Health Services

Non-Medicaid Seriously Mentally Ill Services

The Baseline includes \$77,646,900 from the General Fund in FY 2020 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2019.

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.

In January 2014, an exit agreement from the litigation was signed by Arizona's Governor, Maricopa County, and the plaintiffs in the case. The Maricopa County Superior Court approved the agreement in February 2014. The exit agreement requires the state to begin meeting requirements by June 2016 for providing assertive community treatment, supported housing, supported employment, crisis services, and family and peer support services to individuals with a serious mental illness. As of March 2018, AHCCCS continued to meet these requirements. (Please see footnotes for more information on service targets established by the exit agreement and see the FY 2015 Appropriations Report for a history of the case.)

Supported Housing

The Baseline includes \$5,324,800 from the General Fund in FY 2020 for Supported Housing. This amount is unchanged from FY 2019.

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

Crisis Services

The Baseline includes \$16,391,300 in FY 2020 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 2019.

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.

Substance Use Disorder Services Fund Deposit

The Baseline includes no funding in FY 2020 for the Substance Use Disorder Services Fund Deposit. This amount is unchanged from FY 2019.

Background – Laws 2018, 1st Special Session, Chapter 1 appropriated \$10,000,000 from the General Fund in FY 2018 for deposit in the Substance Use Disorder Services Fund, as created by the act. The Substance Use Disorders Services Fund is administered by AHCCCS. Monies in the fund are non-lapsing and shall be used for contracted substance use disorder services, with priority for individuals that are ineligible for Medicaid coverage.

AHCCCS plans to spend the entirety of the \$10,000,000 appropriation by the end of FY 2020. Thus far, AHCCCS has contracted with Regional Behavioral Health Authorities (RBHAs) and Tribal RBHAs to deliver services, such as doctor visits, lab tests, and methadone administration.

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 federal Affordable Care Act included reductions in federal DSH payments by \$(500) million nationwide in FY 2014 and gradually increased the reductions to \$(5.6) billion by FY 2019. Subsequent federal legislation, though, has delayed and modified the reduction amounts. The Medicare and CHIP Reauthorization Act of 2015 (P.L. 114-10) had previously delayed the DSH cuts until FY 2018. The Bipartisan Budget Act of 2018 (P.L. 115-123) further delayed nationwide DSH payment reductions until FY 2020. DSH cuts of \$(4.0) billion are now scheduled to begin in FY 2020 and would increase to \$(8.0) billion by FY 2021 and each year thereafter.

Table 4

Disproportionate Share Hospital Payments

Eligible Funding ^{1/}	FY 2019	FY 2020
MIHS - CPE ^{2/}	\$97,304,100	\$97,304,100
ASH - CPE	28,474,900	28,474,900
Private Hospitals	884,800	884,800
DSH Voluntary Match ^{3/}	<u>38,220,300</u>	<u>40,980,200</u>
Total Funding	\$164,884,100	\$167,644,000
General Fund		
Retain FF of CPE (via MIHS) ^{2/}	\$ 63,725,700	\$ 63,930,000
Retain FF of CPE (via ASH)	<u>19,878,300</u>	<u>19,938,100</u>
Subtotal - General Fund	\$ 83,604,000	\$ 83,868,100
Other Entities		
State MIHS	\$ 4,202,300	\$ 4,202,300
Private Hospitals	<u>884,800</u>	<u>884,800</u>
Subtotal - Other Entities	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>
Total DSH Distributions	\$ 88,691,000	\$ 88,955,200
Voluntary Match	\$ 38,220,300	\$ 40,980,200
Total Distributions	\$ 126,911,400	\$ 129,935,400

^{1/} Amounts include state and federal match funding.

^{2/} The Baseline would continue to establish an MIHS DSH limit of \$113,818,500 in the FY 2020 Health BRB to maximize the DSH General Fund revenue deposit. As a result, the actual General Fund deposit from MIHS could reach a maximum of \$75,254,400 in FY 2019 and \$75,493,400 in FY 2020.

^{3/} The Baseline would continue a footnote that appropriates any payments in excess of \$40,980,200 for DSH Voluntary Payments in FY 2020.

The \$(4.0) billion and \$(8.0) billion reductions required by the Bipartisan Budget Act of 2018 represent reductions in federal DSH funding of (31.7)% in FY 2020 and (63.4)% in FY 2021, respectively. Arizona's estimated federal DSH allocation in FY 2020 is \$117.3 million without any cuts to the program. As a result, a proportionate (31.7)% reduction in Arizona's DSH allotment would generate a net loss of Federal Funds of \$(37.2) million in FY 2020.

Relative to the FY 2020 Baseline, if the \$(37.2) million proportionate reduction occurred, the current DSH methodology would allocate it as a \$(28.7) Federal Funds reduction to eliminate the availability of the DSH - Voluntary program in FY 2020 and \$(8.5) million to reduce 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 Baseline does not incorporate the \$(37.2) million federal funding loss in FY 2020. The Baseline instead assumes that Arizona's DSH allocation would be adjusted in FY 2020 according to the regular federal formula, as outlined below.

Increase in Uncompensated Care Payments

In FY 2020, the state's total DSH payments are estimated to increase by \$2,759,900, from \$164,884,100 in FY 2019 to \$167,644,000 in FY 2020 due to federal adjustments for inflation and the FMAP. Of the \$167,644,000 of eligible DSH funding in FY 2020, \$129,935,400 is distributed according to the allocations described below and listed in *Table 4*. The remaining \$37,708,600 of eligible funding represents existing expenditures used as part of the state match.

Public Hospital Distributions

Publicly-operated hospitals are required to document uncompensated care costs to the federal government through a Certified Public Expenditure (CPE) process. Those CPEs serve as the state match for the drawdown of Federal Funds. The publicly-operated hospitals are MIHS and DHS' Arizona State Hospital (ASH).

The Baseline includes an appropriation of \$4,202,300 of the federal draw down for distribution to MIHS. This distribution to MIHS is appropriated in the Disproportionate Share Payments line and is unchanged from FY 2019. The Baseline would continue the state's long-standing practice of depositing any Federal Funds drawn down from MIHS and ASH in excess of \$4,202,300 to the General Fund. The FY 2019 Health BRB established eligible funding of \$113,818,500 from MIHS and \$28,474,900 from ASH for FY 2018 and FY 2019, which would have resulted in net General Fund deposits of \$95,246,400 in FY 2018 and \$95,132,700 in FY 2019.

After the enactment of the budget, AHCCCS informed the JLBC Staff that the actual certifiable uncompensated care from MIHS in FY 2018 was \$97,304,100, or \$(16,514,400) below the eligible funding level assumed in the budget. As a result, the net General Fund deposit in FY 2018 was only \$83,704,600, or \$(11,541,900) less than the amount budgeted. The Baseline assumes no changes in MIHS' uncompensated care levels in FY 2019 and FY 2020, which would result in net General Fund deposits of \$83,604,000 in FY 2019 and \$83,868,100 in FY 2020.

To maximize the potential General Fund revenues associated with DSH funding, the Baseline would continue to establish an eligible DSH funding level for MIHS of \$113,818,500 in FY 2019 and FY 2020. If MIHS' uncompensated care increases again, the state would be able to deposit additional monies into the General Fund revenues of up to \$11,528,700 in FY 2019 and \$11,563,400 in FY 2020, respectively.

Private Hospital Distribution

The state appropriates General Fund dollars, which receive a drawdown of federal dollars, for DSH payments to private hospitals. The Baseline includes an \$884,800 total funds appropriation for this distribution in the Disproportionate Share Payments line, including \$265,300 from the General Fund and \$619,500 in Federal Medicaid Authority, and is unchanged from FY 2019.

DSH Voluntary Match Distribution

The state allows local governments, tribal governments and universities to provide the state match in the form of voluntary payments to draw down federal dollars. Any eligible DSH funding remaining after the previously mentioned allocations is made available for voluntary match payments. The Baseline includes a \$40,980,200 total funds appropriation for this distribution in the DSH Payments - Voluntary Match line, including \$12,285,900 of local voluntary payments and \$28,694,300 in federal expenditure authority. The Baseline continues a prior year footnote that appropriates any additional payments in excess of \$40,980,200.

Disproportionate Share Payments

The Baseline includes \$5,087,100 in FY 2020 for Disproportionate Share Payments. This amount consists of:

General Fund	265,300
Federal Medicaid Authority	4,821,800

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$1,800 from Federal Medicaid Authority and a corresponding decrease of \$(1,800) from the General Fund in FY 2020 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 \$265,300 from the General Fund and \$619,500 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 Baseline includes \$40,980,200 in FY 2020 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	12,285,900
Federal Medicaid Authority	28,694,300

FY 2020 adjustments are as follows:

Increased Funding

The Baseline includes an increase of \$2,759,900 in FY 2020 for an increase in Arizona's allocation of federal DSH funding. This amount consists of:

Political Subdivision Funds	747,200
Federal Medicaid Authority	2,012,700

Although the FY 2019 General Appropriation Act displays a \$21,705,900 appropriation for FY 2019, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed that JLBC that the actual DSH - Voluntary monies received for FY 2018 will be \$36,213,000 due to a lower-than-budgeted level of uncompensated care at MIHS of \$97,304,100. The FY 2019 appropriation has been adjusted to \$38,220,300, or an increase of \$16,514,400, to reflect the lower level of uncompensated care at MIHS.

This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The Baseline would continue provisions from the FY 2019 Health BRB 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 2019. In FY 2018, there were 8 hospitals that received voluntary match DSH payments.

Graduate Medical Education

The Baseline includes \$293,607,800 in FY 2020 for Graduate Medical Education (GME) expenditures. This amount consists of:

Political Subdivision Funds	88,581,500
Federal Medicaid Authority	205,026,300

FY 2020 adjustments are as follows:

Decreased Funding

The Baseline includes a decrease of \$(82,165,600) in FY 2020 for a reduction in GME payments. This amount consists of:

Political Subdivision Funds	(25,640,800)
Federal Medicaid Authority	(56,524,800)

Although the FY 2019 General Appropriation Act displays a \$274,684,900 appropriation for FY 2019, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed JLBC that it expects to expend \$375,773,400 in total GME payments in FY 2019, or \$101,088,500 more than appropriated in the FY 2019 budget.

The FY 2019 appropriation has been adjusted to the \$375,773,400 level. Of that amount, \$82,165,600 represents late payments for medical education costs incurred in calendar year 2017. The Baseline decrease in FY 2020 results from removing this delay in payments.

Background – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. While AHCCCS no longer provides any General Fund monies to this program, 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 2018, 15 hospitals received a total of \$272,269,500 for Graduate Medical Education.

Rural Hospitals

The Baseline includes \$28,612,400 in FY 2020 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	8,578,000
Federal Medicaid Authority	20,034,400

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$60,000 from Federal Medicaid Authority and a corresponding decrease of \$(60,000) from the General Fund in FY 2020 due to a change in the federal match.

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 2018, 20 hospitals qualified for funding from Rural Hospital Reimbursement and 10 from CAH.

Safety Net Care Pool

The Baseline includes no funding in FY 2020 for the Safety Net Care Pool (SNCP) program. This amount is unchanged from FY 2019.

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 further extends the date PCH may participate in the program to December 31, 2020. The federal government, however, ended funding for the program after December 31, 2017. The Baseline continues a prior year footnote that appropriates any additional payments in FY 2020.

Targeted Investments Program

The Baseline includes \$90,000,000 in FY 2020 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	28,062,400
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	61,937,600

FY 2020 adjustments are as follows:

Increased Funding

The Baseline includes an increase of \$20,000,000 in FY 2020 to reflect resources authorized by the federal government for the Targeted Investments Program. This amount consists of:

DSRIP Fund	6,289,300
Federal Medicaid Authority	13,710,700

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 2019 Adjustments
- Statutory Changes
- Long-Term Budget Impacts
- Prescription Drug Rebate Fund
- Waiver
- Affordable Care Act Litigation
- SMI Funding
- Access to Professional Services Initiative
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2019 Adjustments

The Baseline includes an ex-appropriation of \$(28,564,900) from the General Fund in FY 2019, primarily for lower than budgeted caseload growth. While the enacted FY 2019 budget assumed that base General Fund enrollment (all AHCCCS populations excluding Proposition 204 Childless Adults, Adult Expansion, and KidsCare) would decline by (3.4)% in June 2018 compared with June 2017, the actual enrollment decline was (4.9)%. The Baseline also lowers the FY 2019 base enrollment growth rate to 0.7%, lower than the 1.0% assumption in the budget.

Statutory Changes

The Baseline would make the following statutory changes:

Rates and Services

- As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations by 50% and continues to impose a 5.88% 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 County Acute Care contribution at \$46,161,700. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 238.

- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2020 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 2020 county Arizona Long Term Care System (ALTCs) contribution at \$280,648,000.

Hospitals

- As session law, continue to establish the FY 2020 disproportionate share (DSH) distributions to the Maricopa Special Health Care District (MIHS), the Arizona State Hospital, private qualifying DSH hospitals, and Yuma Regional Medical Center. Keep the MIHS distribution at \$113,818,500 in FY 2020.
- As session law, continue to give priority to rural hospitals in the Pool 5 distribution (the DSH Voluntary program), and allow MIHS to be eligible for Pool 5 allocations. 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.

Reports

- As permanent law, continue to require AHCCCS and DHS to submit a joint report to the Legislature and the Governor by January 2 annually on hospital costs and charges. This provision has been enacted as session law since FY 2014.
- As permanent law, continue to require AHCCCS to report to JLBC on or before January 2 annually on the availability of inpatient psychiatric treatment as opposed to "psychiatric boarding" in emergency rooms for children and adults enrolled in Arizona's Regional Behavioral Health Authorities. This provision has been enacted as session law since FY 2017.
- The Baseline discontinues a long-standing report associated with AHCCCS' potential recoveries of erroneous Medicare payments. There are no current waivers permitting state Medicaid programs to make these recoveries.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, statutory caseload and policy changes are projected to increase AHCCCS's General Fund spending by \$200.8 million in FY 2021 above FY 2020 and by \$114.7 million in FY 2022 above FY 2021. These estimates are based on:

- Overall enrollment growth of 1.7% in FY 2021 and FY 2022.

- Capitation rate growth of 3.0% in FY 2021 and FY 2022.
- A decrease in the regular federal match rate (from 69.97% in SFY 2020 to 69.93% in SFY 2021 and 69.85% SFY 2022).
- A decrease in the match rates for Proposition 204 Childless Adults from 91.5% in SFY 2020 to 90.0% in SFY 2021 and each year thereafter.
- A decrease in the federal match rates for KidsCare and Child Expansion populations from 92.89% in FY 2020 to 81.82% in SFY 2021 and 78.89% in SFY 2022.
- Restoration of the ACA Health Insurer Fee of \$26.7 million in FY 2021 and FY 2022.

Prescription Drug Rebate Fund

At the beginning of 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. The Baseline increases the ongoing PDRF - State appropriation from \$148.5 million to \$165.2 million in FY 2020. The \$16.7 million increase allows a corresponding General Fund decrease of \$(16.7) million. At the level of \$165.2 million in ongoing spending, the fund would be structurally balanced.

In addition, the Baseline includes a one-time increase of \$36.9 million to reflect the availability of higher-than-budgeted collections from FY 2018 and FY 2019. The \$36.9 million would be backfilled with General Fund monies in FY 2021 and beyond.

Table 5

State Prescription Drug Rebate Fund Sources and Uses		
	FY 2019	FY 2020
Revenues		
Beginning Balance	\$ 102,679,500	\$ 60,896,600
Rebate Collections	<u>159,275,900</u>	<u>165,188,900</u>
Total Revenues	\$261,955,400	\$226,085,500
Budgeted Disbursements		
Operating Budget and Administration	\$ 721,800	\$ 721,800
Proposition 206 Network Study	0	0
Traditional Services	140,158,600	156,888,700
ALTCs Services	<u>7,578,400</u>	<u>7,578,400</u>
Ongoing Subtotal	<u>\$148,458,800</u>	<u>165,188,900</u>
Traditional Services One-Time	0	36,927,800
Total Disbursements	\$148,458,800	\$202,116,700
General Fund Transfer ^{1/}	\$ 52,600,000	\$ 0
Projected Ending Balance	\$ 60,896,600	\$ 23,968,800

^{1/} As enacted by Laws 2018, Chapter 276.

Under the Baseline projections of ongoing fund revenues and disbursements, the PDRF - State balance is estimated to total \$24.0 million at the end of FY 2020 (see Table 5).

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. The federal government has not previously approved Arizona's waiver application for these provisions. Laws 2018, Chapter 201 revises AHCCCS' required annual waiver submission to exempt American Indians enrolled for services through the Indian Health Service or an Urban Indian Health program from such requirements.

On December 19, 2017 AHCCCS submitted a waiver amendment to implement a work requirement for able-bodied adults, with exemptions for the following populations:

- Individuals age 55 or older
- American Indians
- Former Arizona foster youth up to age 26
- Women for 90 days post-pregnancy
- Persons with a Serious Mental Illness
- Individuals receiving private or public disability benefits
- Full-time high school students older than age 18
- Full-time college or graduate students
- Victims of domestic violence
- Individuals who are homeless
- Individuals directly impacted by a natural disaster or death of someone in the same household
- Caregivers for a foster child less than 13 years old
- Caregivers for an ALTCS member
- Individuals who are medically frail

Able-bodied adults that do not receive an exemption would be required to engage in at least 20 hours of employment, school, or enrolled in an approved employment support and development program. Employment support and development programs could include job training, English as a second language courses, parenting education, healthy living classes, health insurance competency, disease management education or, in some cases, community service. Failure to comply for 6 months or more would result in termination of AHCCCS coverage, but individuals could re-enroll once they have demonstrated 30 consecutive days of compliance.

AHCCCS also reapplied for the 5-year time limit on coverage and has requested additional flexibility to limit non-emergency medical transportation, prior quarter coverage, prescription drug coverage, federally-qualified health center reimbursement, fee-for-service reporting requirements, and renewal of previously approved federal waivers.

As of this writing, AHCCCS has not received federal approval of their December 2017 waiver request.

Affordable Care Act Litigation

A recent federal court ruling has the potential to have a significant impact on the federal Affordable Care Act (ACA). Starting in 2014, this legislation established an "individual mandate" that requires individuals to purchase health insurance satisfying minimum coverage requirements specified in federal law. Through Tax Year (TY) 2018, individuals that are not in compliance with the mandate are subject to the "Shared Responsibility Payment," which consists of a tax of up to 2.5% of household income. In December 2017, the federal Tax Cuts and Jobs Act (TCJA) established a shared responsibility amount of \$0, effective TY 2019. The individual mandate was not repealed, but now there is no penalty for non-compliance.

On December 14, 2018, a Federal District Court ruled in *Texas v. Azar* that with a \$0 Shared Responsibility Payment established in TCJA, the ACA's individual mandate is 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.

If upheld, the *Texas v. Azar* ruling would eliminate several components of the AHCCCS program. Pursuant to Laws 2013, First Special Session, Chapter 10, A.R.S. § 36-2901.07, and A.R.S. § 36-2901.08, AHCCCS is required to discontinue Medicaid eligibility for the Adult Expansion population (adults with incomes from 100% to 133% FPL) and eliminate the Hospital Assessment if either the ACA is repealed or the federal match rate for either the Adult Expansion or Proposition 204 Childless Adults falls below 80%. Coverage would continue for the Proposition 204 population from 0%-100% FPL and for children age 6-18 from 100%-133% FPL. Other major AHCCCS impacts include elimination of authority to collect most prescription drug rebates and elimination of the ACA health insurer fee.

In addition to impacts on AHCCCS, the overturning of the ACA would eliminate coverage on the ACA exchanges and

associated federal subsidies, which covered 165,800 enrollees in Arizona in 2018.

The ACA has also been the subject of prior federal litigation, including:

- *National Federation of Independent Businesses v. Sebelius* (2012). The United States Supreme Court held that the ACA's individual mandate was constitutional, but that ACA's Medicaid expansion was optional for states.
- *Burwell v. Hobby Lobby* (2014): The United States Supreme Court ruled that the ACA's mandate that employers cover contraceptives for female employees cannot be applied to closely-held corporations with religious objections to the rule.
- *King v. Burwell* (2015): The United States Supreme Court held that the federal Department of Health and Human Services (HHS) had legal authority to issue premium tax credits on federally-administered ACA exchanges.
- *U.S. House of Representatives v. Burwell* (2016) A United States District Court ruled that HHS did not receive an appropriation to finance ACA's cost-sharing subsidies for certain low-income individuals receiving coverage through the ACA exchanges. The case was later settled out of court.

SMI Funding

Table 6 shows total Medicaid funding in FY 2020 for the integrated SMI population at \$1.0 billion for 42,079 recipients. This amount includes all funding for acute care and behavioral health services. State and federal funding for this population is located in the Traditional, Proposition 204, and Adult Expansion line items.

Table 6

FY 2020 Budgeted Medicaid Funding for Integrated SMI

	State Match	Federal Match	Total Funds	Enrollees
Traditional	\$157,524,400	\$367,320,700	\$ 524,845,100	21,139
Proposition 204	83,762,700	412,870,500	496,633,200	19,820
Adult Expansion	<u>2,396,200</u>	<u>25,794,800</u>	<u>28,191,000</u>	<u>1,120</u>
Total ^{1/}	\$243,683,300	\$805,986,000	\$1,049,669,300	42,079

^{1/} Estimates reflect Medicaid capitation spending for acute care and behavioral health services for the SMI population. They do not include any services funded by non-Medicaid state funds, federal grant funds, or county funds.

Access to Professional Services Initiative

The Access to Professional Services Initiative (APSI) program funds a 40% rate increase for AHCCCS services rendered by select providers at qualifying hospitals.

AHCCCS allocates the rate increases to physicians, physician assistants, nurse practitioners, psychologists and other select providers. To qualify for added reimbursement, providers must be affiliated with one of the following types of hospitals:

- GME hospital operated by a special health care district.
- GME hospital that provides 30% or more of services to AHCCCS members and is operated by a university.
- Children's hospital or hospital unit with at least 100 pediatric beds.

The FY 2019 budget included \$12.3 million from Political Subdivision Funds and \$51.2 million Total Funds for APSI in FY 2019. The Baseline includes an increase of \$725,900 in Political Subdivision Funds and \$3.4 million Total Funds in FY 2020 based on anticipated increases in utilization of the program. Funding for APSI is included in the line items for Traditional Services, Proposition 204 Services, and Adult Expansion Services. AHCCCS reports that 8 hospitals elected to participate in the program in FY 2018.

County Contributions

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in Table 7. 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, as defined by the following formula:

1. The growth is split 50% to the state, 50% to the counties.
2. The counties' portion is allocated among the counties based on their FY 2018 ALTCS utilization.
3. Each county's contribution is then limited to 90¢ per \$100 of net assessed property value. In FY 2020, this provision provides 4 counties with a total of \$10,960,100 in relief.
4. In counties with a tribal land population of at least 20%, the contribution is limited by an alternative formula specified in statute. In FY 2020, this provision provides 3 counties with a total of \$14,464,300 in relief.
5. If any county would still pay more under the above provisions than under the previous statutory percentages, that county's contribution is limited by a further alternative formula specified in statute. In FY 2020 no counties qualify for this relief.
6. The state pays for county costs above the average statewide per capita (\$42.17 in FY 2020). In FY 2020 this provision provides 6 counties with a total of \$15,959,800 in relief.

Table 7

County Contributions								
County	FY 2019				FY 2020			
	BNCF	Acute	DUC	ALTCS	BNCF	Acute	DUC	ALTCS
Apache	\$123,800	\$268,800	\$0	\$644,500	\$128,800	\$268,800	\$0	\$686,000
Cochise	230,900	2,214,800	0	5,288,900	240,200	2,214,800	0	4,950,800
Coconino	227,800	742,900	0	1,935,200	236,900	742,900	0	2,059,600
Gila	93,600	1,413,200	0	2,239,000	97,300	1,413,200	0	2,339,600
Graham	66,500	536,200	0	1,578,400	69,200	536,200	0	1,629,700
Greenlee	17,100	190,700	0	49,000	17,800	190,700	0	4,500
La Paz	35,400	212,100	0	599,500	36,800	212,100	0	794,500
Maricopa	0	18,482,600	0	170,486,100	0	18,131,400	0	179,759,300
Mohave	266,000	1,237,700	0	8,479,400	276,500	1,237,700	0	8,932,900
Navajo	174,300	310,800	0	2,668,000	181,300	310,800	0	2,839,500
Pima	1,583,900	14,951,800	0	41,749,300	1,647,200	14,951,800	0	43,691,300
Pinal	309,900	2,715,600	0	13,853,200	322,300	2,715,600	0	13,298,500
Santa Cruz	73,200	482,800	0	2,084,400	76,200	482,800	0	2,193,200
Yavapai	292,800	1,427,800	0	8,334,500	304,500	1,427,800	0	8,208,000
Yuma	261,000	1,325,100	0	8,565,400	271,400	1,325,100	0	9,260,600
Subtotal	\$3,756,200	\$46,512,900	\$0	\$268,554,800	\$3,906,400	\$46,161,700	\$0	\$280,648,000
Total				\$318,823,900				\$330,716,100

In FY 2020, provisions 3 through 6 of the ALTCS formula result in the state providing a total of \$41,384,200 in relief to 9 counties.

Program Components

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

Capitation

The majority of AHCCCS payments are made through monthly capitated payments. This follows a health maintenance organization (HMO) model in which capitated providers accept a predetermined rate for each member. In FY 2020, the average capitation rate for acute care, behavioral health services, and long term care is expected to be approximately \$485 per member per month (or \$5,824 annually). Of that amount, an average of \$107 is from state match and \$379 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 Baseline requires AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2020 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. This amount is unchanged from FY 2019.
- \$836,000 to the Department of Revenue to fund 6 positions that will perform luxury tax enforcement and audit duties. This amount represents an increase of \$400,000 compared to FY 2019 to reflect actual

transfer amounts made by AHCCCS to DOR in FY 2018.

This adjustment does not include the \$816,000 appropriation (\$84,400 General Fund and \$731,600 Consumer Protection-Consumer Fraud Revolving Fund) to the Attorney General for costs associated with tobacco settlement litigation. *(See the Attorney General - Department of Law section for more information.)*

Background – In 1998, the major tobacco companies and 46 states reached a settlement in which the signatory tobacco companies would make an annual payment to compensate the states for Medicaid costs associated with tobacco use. Currently, Arizona receives an annual payment that is distributed to states that diligently enforce the provisions and collection of tobacco tax laws.

In CY 2013, an arbitration panel approved an amended settlement between participating manufacturers and 19 states, including Arizona, to resolve issues relating to the tobacco tax enforcement. CY 2015 was the first year tobacco tax collections came under diligent enforcement scrutiny under the provisions of the amended settlement. The monies provided in the budget allow DOR to comply with the terms of the amended agreement through enhanced auditing capabilities and an automated accounting system.

Tobacco Tax Allocations

The Baseline projects AHCCCS and DHS will receive \$139.6 million in transfers of tobacco tax collections in FY 2019. This amount represents a decrease of \$(8.9) million (6.0%) from the FY 2019 budgeted amount. *Table 8* 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 AccountFunds Available

	<u>FY 2018</u>	<u>FY 2019</u>
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Tax and Health Care Fund	45,599,100	42,071,300
Transfer In - Tobacco Products Tax Fund	24,553,300	22,707,500
Total Funds Available	\$ 70,152,400	\$ 64,778,800

AllocationsAHCCCS

AHCCCS State Match Appropriation	\$ 69,486,100	\$ 68,040,500
Total AHCCCS Allocations	\$ 69,486,100	\$ 68,040,500

DHS

Folic Acid	\$ 380,700	\$ 400,000
Renal, Dental Care, and Nutrition Supplements	285,600	300,000
Administrative Adjustments	0	0
Total DHS Allocations	666,300	700,000

Balance Forward	\$ 0	\$ (3,961,700) *
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AHCCCS Proposition 204 Protection AccountFunds Available

Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	37,016,700	35,322,700
Total Funds Available	\$ 37,016,700	\$ 35,322,700

Allocations

AHCCCS State Match Appropriation	\$ 37,016,700	\$ 37,728,900
Administrative Adjustments	0	0

Balance Forward	\$ 0	\$ (2,406,200) *
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AHCCCS Emergency Health Services AccountFunds Available

Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	17,627,300	16,820,400
Total Funds Available	\$ 17,627,300	\$ 16,820,400

Allocations

AHCCCS State Match Appropriation	17,627,300	17,966,100
Administrative Adjustments	\$ 0	\$ 0

Balance Forward 1/	\$ 0	\$ (1,145,700) *
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DHS Health Education AccountFunds Available

Balance Forward	\$ 5,367,700	\$ 4,281,400
Transfer In - Tobacco Tax and Health Care Fund	16,197,100	13,823,400
Transfer In - Tobacco Products Tax Fund	1,773,200	1,682,000

Total Funds Available	\$ 23,338,000	\$ 19,786,800
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Allocations

Tobacco Education and Prevention Program	\$ 17,343,200	\$ 17,343,200
Leading Causes of Death - Prevention and Detection	1,713,400	1,713,400

Balance Forward	\$ 4,281,400	\$ 730,200
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Health Research AccountFunds Available

Balance Forward	\$ 10,416,400	\$ 9,155,800
Transfer In - Tobacco Tax and Health Care Fund	3,278,700	3,005,000
Transfer In - Tobacco Products Tax Fund	4,588,000	4,205,100

Total Funds Available	\$ 18,283,100	\$ 16,365,900
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Allocations

Biomedical Research Support 2/	\$ 2,000,000	\$ 2,000,000
Alzheimer's Disease Research 3/	2,000,000	3,000,000

Biomedical Research Commission 4/	5,127,300	9,247,300
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Administrative Adjustments	0	0
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Balance Forward	\$ 9,155,800	\$ 2,118,600
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1/ Any unencumbered funds in Emergency Health Services Account are transferred to Proposition 204 Protection Account at the end of each year.

2/ Laws 2014, Chapter 18 appropriates \$2,000,000 from the Health Research Account to DHS annually from FY 2015 to FY 2019 to distribute to a nonprofit medical research institute headquartered in Arizona. DHS distributes this to the Translational Genomics Research Institute (TGen).

3/ Laws 2017, Chapter 305 appropriates \$2,000,000 from the Health Research Account in FY 2018, which includes a one-time funding increase of \$1,000,000 for Alzheimer's disease research. Laws 2018, Chapter 276 continues the one-time funding from FY 2018 and provides an additional one-time increase of \$1,000,000, for a total funding level of \$3,000,000 in FY 2019.

4/ 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.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
AHCCCS Restitution Fund (HCA2586/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Restitution monies.		
Purpose of Fund: To track the use of restitution monies received from fraud. The FY 2019 General Appropriation Act requires that \$5,900,000 of the balance of the fund be transferred to the General Fund on or before June 30, 2019.		
Funds Expended	0	0
Year-End Fund Balance	5,921,500	0
Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)		Appropriated
Source of Revenue: County contributions.		
Purpose of Fund: To provide administrative funding for costs associated with the implementation of the Proposition 204 expansion. Proposition 204 shifted some county administrative functions to the state, for which the counties now compensate the state.		
Funds Expended	4,251,300	3,756,200
Year-End Fund Balance	304,700	0
Children's Health Insurance Program Fund (HCA2409/A.R.S. § 36-2995)		Appropriated
Source of Revenue: Includes Medicaid matching monies for Arizona's State Children's Health Insurance Program (CHIP), called KidsCare. General Fund monies are used to leverage federal monies for KidsCare and are not included in the reported CHIP Fund expenditures.		
Purpose of Fund: To provide health insurance for low-income children 19 years of age and under. The eligibility limit for the KidsCare program has been set at 200% of the Federal Poverty Level (FPL), which is approximately \$50,200 for a family of 4. Laws 2016, Chapter 112 reopened enrollment in KidsCare, which had been frozen since 2010. KidsCare enrollees are eligible for 100% Federal Financial Participation through FFY 2019, subject to availability of federal appropriations for CHIP.		
Funds Expended	60,114,000	87,572,700
Year-End Fund Balance	3,506,500	0
County Funds (HCA2120 Acute Care/HCA2223 Long Term Care/A.R.S. § 36-2912)		Expenditure Authority
Source of Revenue: Statutorily prescribed county contributions.		
Purpose of Fund: For the provision of acute medical and long term care services to Arizona Health Care Cost Containment System (AHCCCS) eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid dollars. County Funds received by AHCCCS to provide behavioral health services to persons with a serious mental illness are accounted for separately in the IGA for County Behavioral Health Services Fund.		
Funds Expended	315,700,800	315,067,700
Year-End Fund Balance	0	0
Delivery System Reform Incentive Payment Fund (HCA2130/A.R.S. § 36-2930.04)		Expenditure Authority
Source of Revenue: Monies voluntarily given to AHCCCS from local governments or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: To fund incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services through the Targeted Investments Program (TI Program). The projects will be funded with existing state matching monies and intergovernmental transfers (IGTs) from counties and universities. Money in the fund will only include state matching monies from IGTs and certified public expenditures for the TI Program.		
Funds Expended	6,149,500	21,773,100
Year-End Fund Balance	12,440,000	12,440,000
Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Private donations.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	500	200
Year-End Fund Balance	5,300	4,300

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: To reimburse schools participating in the Direct Services Claiming program for services provided to children with disabilities who are Medicaid eligible. All federal Medicaid monies must flow through AHCCCS, therefore, these monies are obtained by AHCCCS and then passed on to the participating schools.		
Funds Expended	53,633,300	57,476,600
Year-End Fund Balance	0	0
Federal Funds (HCA2120 Acute Care/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal grant monies.		
Purpose of Fund: Includes federal grant funding for behavioral health and substance use disorder services that AHCCCS distributes to the Regional Behavioral Health Authorities. In FY 2019, the estimated revenues include \$40,379,700 for the federal Substance Abuse Prevention and Treatment block grant, \$27,153,100 for Opioid State Targeted Response grants, \$16,800,400 for the Community Mental Health Block Grant, and \$3,250,600 for other grants.		
Funds Expended	64,991,000	87,583,800
Year-End Fund Balance	680,100	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (HCA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: Federal Funds to assist Medicaid providers in adopting electronic medical records.		
Funds Expended	13,557,900	48,000,000
Year-End Fund Balance	0	0
Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/A.R.S. § 36-2913)		Expenditure Authority
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: For AHCCCS' administrative costs and for the provision of services to eligible Medicaid populations. Any monies received in excess of the FY 2019 budgeted appropriations for the Nursing Facility Provider Assessment, Disproportionate Share Hospital (DSH) Voluntary Match Payments, Graduate Medical Education (GME), or Safety Net Care Pool (SNCP) program by the AHCCCS administration in FY 2019, including any federal matching monies, are appropriated to the Administration in FY 2019.		
Funds Expended	8,408,942,600	9,039,581,900
Year-End Fund Balance	73,479,500	53,479,100
Hospital Assessment Fund (HCA9692/A.R.S. § 36-2901.09)		Expenditure Authority
Source of Revenue: An assessment on hospital revenues, discharges, or beds days.		
Purpose of Fund: For funding the non-federal share of Proposition 204 services and the adult population who became eligible for AHCCCS services on January 1, 2014.		
Funds Expended	255,421,000	310,023,300
Year-End Fund Balance	61,866,500	51,843,200
Hospital Loan Residency Fund (HCA2532/A.R.S. § 36-2921 [REPEALED])		Non-Appropriated
Source of Revenue: Received a \$1,000,000 deposit from the General Fund in FY 2007.		
Purpose of Fund: To provide interest free loans to fund start-up and ongoing costs for residency programs in accredited hospitals, with priority given to rural areas. The FY 2019 General Appropriation Act required AHCCCS to transfer the remaining \$900,000 balance in the fund to the General Fund by June 30, 2018. The FY 2019 Health Budget Reconciliation Bill permanently eliminated the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
IGA for County Behavioral Health Services Fund (HSA4503/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: Monies from local governments and state liquor service fees.		
Purpose of Fund: To fund the delivery of behavioral health services to seriously mentally ill (SMI) individuals, some mental health services for non-SMI individuals, and the administration of Local Alcohol Reception Centers (LARC) to treat substance abuse. In FY 2019, the fund will receive \$XXX million from Maricopa County, \$XXX million from Pima County, \$XXX million from Coconino County, \$XXX million from the City of Phoenix, and \$XXX million in Liquor Service Fees from the Department of Liquor Licenses and Control.		
Funds Expended	64,672,700	67,529,200
Year-End Fund Balance	465,000	0
Intergovernmental Service Fund (HCA2438/A.R.S. § 36-2927)		Non-Appropriated
Source of Revenue: Monies collected from the State of Hawaii.		
Purpose of Fund: To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medical Management Information System.		
Funds Expended	6,542,000	8,713,900
Year-End Fund Balance	3,749,400	2,852,500
Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)		Expenditure Authority
Source of Revenue: Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources.		
Purpose of Fund: To qualify for federal matching funds for supplemental payments for nursing facility services, to reimburse the Medicaid sharer of the assessment, to provide Medicaid supplemental payments to fund covered nursing facility services for Medicaid beneficiaries, and to pay up to 1% in administrative expenses incurred by AHCCCS for administering this fund.		
Funds Expended	32,501,500	32,989,400
Year-End Fund Balance	962,300	0
Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)		Expenditure Authority
Source of Revenue: Monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: To expand funding for hospitals through supplemental payments and the Access to Professional Services Initiative. Includes agreements for the Disproportionate Share Hospital (DSH) Voluntary Match Payments, Graduate Medical Education (GME), or Safety Net Care Pool (SNCP) programs.		
Funds Expended	114,602,300	138,077,400
Year-End Fund Balance	0	0
Prescription Drug Rebate Fund (HCA2546/A.R.S. § 36-2930)		EA/Appropriated
Source of Revenue: Prescription drug rebate collections and interest from prescription drug rebate late payments.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. The federal share of rebates is retained by the state and is used in lieu of federal match funds. Monies in the fund used in lieu of federal match funds are subject to expenditure authority; all other monies are appropriated.		
Appropriated Funds Expended	145,284,800	148,458,800
Funds Expended in Lieu of Federal Funds	548,393,900	550,507,200
Year-End Fund Balance	183,349,000	185,103,900
Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)		Non-Appropriated
Source of Revenue: Gaming monies received from the Arizona Benefits Fund.		
Purpose of Fund: For unrecovered trauma center readiness and emergency services costs.		
Funds Expended	23,274,500	23,500,000
Year-End Fund Balance	6,500,900	6,500,900

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Seriously Mentally Ill Housing Trust Fund (HSA2555/A.R.S. § 41-3955.01)		Partially-Appropriated
Source of Revenue: Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
Purpose of Fund: To fund housing projects as well as rental assistance for the seriously mentally ill. The non-appropriated portion of the fund is used for rental assistance for seriously mentally individuals, as well as the operation, construction or renovation of a facility that houses seriously mentally ill individuals. Administrative expenses are appropriated and may not exceed 10% of the Seriously Mentally Ill Housing Trust monies. No administrative funding was appropriated in FY 2018 or FY 2019.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	849,700	4,100,000
Year-End Fund Balance	7,028,900	5,041,200
Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005)		Appropriated
Source of Revenue: The fund receives 23.6% of monies collected from Medical Services Enhancement Fund, which is a 13% penalty levied on criminal offenses, motor vehicle civil violations, and game and fish violations. Monies are deposited into 2 subaccounts.		
Purpose of Fund: To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services, to contract for preventive or rehabilitative and substance abuse services, and to provide priority for treatment services to pregnant substance abusers.		
Funds Expended	2,250,200	2,250,200
Year-End Fund Balance	2,723,700	2,473,500
Substance Use Disorder Services Fund (HCA2325/A.R.S. § 36-2930.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund, any gifts or donations to the fund and interest earned on those monies.		
Purpose of Fund: To enter into agreements with one or more contractors for substance use disorder services. Monies in the fund shall not be used for persons eligible for Medicaid or Children's Health Insurance Program services. Preference shall be given to persons with lower household incomes. Contractor administrative costs shall not exceed 8% of the expenditures for services. Monies in the fund are non-lapsing.		
Funds Expended	248,000	4,906,000
Year-End Fund Balance	9,776,500	4,891,000
Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care)		EA/Non-Appropriated
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members.		
Expenditure Authority Funds Expended	0	194,700
Non-Appropriated Funds Expended	1,527,600	1,498,300
Year-End Fund Balance	1,857,700	1,539,800
Tobacco Litigation Settlement Fund (TRA2561/A.R.S. § 36-2901.02)		Expenditure Authority
Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement.		
Purpose of Fund: Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs.		
Funds Expended	101,761,000	87,000,000
Year-End Fund Balance	0	0
Tobacco Products Tax Fund - Emergency Health Services Account* (HCA1304/A.R.S. § 36-776)		Appropriated
Source of Revenue: This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
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Tobacco Products Tax Fund - Proposition 204 Protection Account* (HCA1303/A.R.S. § 36-778)	Expenditure Authority
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Source of Revenue: This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.

Purpose of Fund: To fund state match costs in AHCCCS for the Proposition 204 program. These monies are non-appropriated and must be spent before any other state monies on the Proposition 204 program.

Tobacco Tax and Health Care Fund *(RVA1306/A.R.S. § 36-771)	Non-Appropriated
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Source of Revenue: The fund consists of certain tax monies collected on cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms of tobacco, and all interest earned on these monies.

Purpose of Fund: To AHCCCS for the Medically Needy Accounts (70%), the Arizona Department of Health Services (DHS) for the Health Education Account (23%), the Health Research Accounts (5%), and the State Department of Corrections (DOC) for the Corrections Fund Adjustment Account (2%). Under A.R.S. § 36-775, the amount transferred to the Corrections Fund Account is to reflect only the actual amount needed to offset decreases in the Corrections Fund resulting from lower tax revenues. Any unexpended Corrections Fund Adjustment Account amounts are to be transferred out proportionally to the other 3 accounts. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.

Tobacco Tax and Health Care Fund - Medically Needy Account* (HCA1306/A.R.S. § 36-774)	Partially-Appropriated
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Source of Revenue: The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care-Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account.

Purpose of Fund: For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to the DHS for statutorily established services, grants and pilot programs. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.

**See Table 8*

Arizona Commission on the Arts

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
SPECIAL LINE ITEMS			
Arts Trust Fund Deposit	1,500,000	2,000,000	0
AGENCY TOTAL	1,500,000	2,000,000	0
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Budget Stabilization Fund	1,500,000	2,000,000	0
SUBTOTAL - Other Appropriated Funds	1,500,000	2,000,000	0
SUBTOTAL - Appropriated Funds	1,500,000	2,000,000	0
Other Non-Appropriated Funds	1,536,500 ^{1/}	1,602,600 ^{1/}	1,602,600
Federal Funds	866,600	830,800	830,800
TOTAL - ALL SOURCES	3,903,100	4,433,400	2,433,400

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 2018 and FY 2019 General Appropriation Act are not displayed to avoid double counting of appropriations.

Arts Trust Fund Deposit

The Baseline includes no funding from the Budget Stabilization Fund in FY 2020 for deposit into the non-appropriated Arts Trust Fund. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the Budget Stabilization Fund in FY 2020 for the elimination of one-time funding. The FY 2019 General Appropriations

Act appropriated this amount from interest income earned on the Budget Stabilization Fund.

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.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arts Special Revenues Fund (HUA2116/A.R.S. § 41-983)		Non-Appropriated
Source of Revenue: Public and private grants, donations, exhibit rentals, admissions, charges for services, and amounts transferred in from the Budget Stabilization Fund in FY 2014, FY 2015, FY 2017, FY 2018, and FY 2019.		
Purpose of Fund: To award grants to arts programs in all areas of the state. The applicant organizations must contribute to each grant awarded by the Arts Commission.		
Funds Expended	272,700	306,900
Year-End Fund Balance	156,500	127,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arts Trust Fund (HUA3043/A.R.S. § 41-983.01)		Non-Appropriated
Source of Revenue: An annual report filing fee from domestic and foreign for profit corporations, and amounts transferred in from the Budget Stabilization Fund in FY 2017, FY 2018, and FY 2019.		
Purpose of Fund: To award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are to be used to provide grants to: 1) organizations representing handicapped persons, 2) racial or ethnic minorities; and 3) organizations representing rural areas. Amounts transferred in from the Budget Stabilization Fund are not displayed to avoid double counting of appropriations.		
Funds Expended	1,263,800	1,295,700
Year-End Fund Balance	340,200	244,500
Budget Stabilization Fund (TRA3034/A.R.S. § 35-144)		Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: Laws 2017, Chapter 305, Section 114 transferred \$1,500,000 from the interest income earned on the Budget Stabilization Fund to the Arts Trust Fund in FY 2018. Laws 2018, Chapter 276, Section 117 transferred \$2,000,000 from the interest income earned on the Budget Stabilization Fund to the Arts Trust Fund in FY 2019.		
Funds Expended	1,500,000	2,000,000
Year-End Fund Balance	0	0
Federal Grants (HUA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants from the National Endowment for the Arts.		
Purpose of Fund: To award grants to non-profits, schools and government entities in the state. A state funding match is required.		
Funds Expended	866,600	830,800
Year-End Fund Balance	0	0
State Poet Laureate Fund (HUA2569/A.R.S. § 41-988)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To pay costs of the State poet laureate.		
Funds Expended	0	0
Year-End Fund Balance	2,500	2,500

Board of Athletic Training

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	52,600	63,500	63,500
Employee Related Expenditures	20,000	35,600	35,600
Professional and Outside Services	15,700	0	0
Travel - In State	1,000	1,200	1,200
Other Operating Expenditures	12,900	23,200	23,200
AGENCY TOTAL	102,200	123,500	123,500^{1/}

FUND SOURCES

Other Appropriated Funds

Athletic Training Fund	102,200	123,500	123,500
SUBTOTAL - Other Appropriated Funds	102,200	123,500	123,500
SUBTOTAL - Appropriated Funds	102,200	123,500	123,500
TOTAL - ALL SOURCES	102,200	123,500	123,500

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 Baseline includes \$123,500 and 1.5 FTE Positions from the Athletic Training Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Athletic Training Fund (BAA2583/A.R.S. § 32-4105)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of athletic trainers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate athletic trainers, and for board administration.		
Funds Expended	102,200	123,500
Year-End Fund Balance	97,600	117,000

Attorney General - Department of Law

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	580.7	588.7	588.7 ^{1/}
Personal Services	29,226,500	31,094,400	31,094,400
Employee Related Expenditures	11,127,700	12,728,700	12,728,700
Professional and Outside Services	415,500	371,400	371,400
Travel - In State	164,900	155,200	155,200
Travel - Out of State	99,700	101,800	101,800
Other Operating Expenditures	7,857,800	8,494,400	8,494,400
Equipment	1,888,000	280,000	280,000
OPERATING SUBTOTAL	50,780,100	53,225,900	53,225,900 ^{2/}
SPECIAL LINE ITEMS			
Capital Postconviction Prosecution	579,600	802,300	802,300
Case Management System Upgrade	0	1,489,000	0
Child and Family Advocacy Centers	0	100,000	100,000 ^{3/}
Election Litigation Expenses	0	500,000	0
Federalism Unit	639,700	1,004,500	1,004,500
Government Accountability and Special Litigation	0	961,400	961,400
Internet Crimes Against Children Enforcement	351,700	1,250,000	1,250,000 ^{4/5/}
Military Airport Planning	40,800	85,000	85,000 ^{5/}
National Mortgage Settlement Distribution	353,800	0	0
Opioid Education	0	0	0
Risk Management Interagency Service Agreement	9,089,300	9,570,000	9,570,000
Southern Arizona Law Enforcement	1,203,100	1,205,200	1,205,200
State Grand Jury	176,100	181,000	181,000
Tobacco Enforcement	243,600	823,000	823,000
Victims' Rights	3,337,300	3,766,800	3,766,800
AGENCY TOTAL	66,795,100	74,964,100	73,975,100 ^{6/}
FUND SOURCES			
General Fund	25,657,600	25,940,300	25,940,300
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	148,500	148,500	148,500
Attorney General Legal Services Cost Allocation Fund	1,810,500	2,102,800	2,102,800
Collection Enforcement Revolving Fund	6,691,400	6,904,500	6,904,500
Consumer Protection - Consumer Fraud Revolving Fund	4,000,900	7,213,600	7,213,600
Consumer Restitution and Remediation Revolving Fund - Consumer Remediation Subaccount	0	1,489,000	0
Court Ordered Trust Fund	353,800	0	0
Interagency Service Agreements Fund	14,854,100	16,428,600	16,428,600 ^{7/}
Internet Crimes Against Children Enforcement Fund	351,700	900,000	900,000
Risk Management Revolving Fund	9,589,300	10,070,000	9,570,000
Victims' Rights Fund	3,337,300	3,766,800	3,766,800
SUBTOTAL - Other Appropriated Funds	41,137,500	49,023,800	47,034,800
SUBTOTAL - Appropriated Funds	66,795,100	74,964,100	72,975,100
Other Non-Appropriated Funds	61,150,200	60,802,000	60,802,000
Federal Funds	5,980,300	7,628,500	7,628,500
TOTAL - ALL SOURCES	133,925,600	143,394,600	141,405,600

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 120 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ The sum of \$1,500,000 is appropriated in FY 2020 from the state General Fund to the Attorney General for operating expenses of the Criminal Division. (FY 2018 General Appropriation Act footnote)
- 3/ The amount appropriated for the Child and Family Advocacy Centers line item is allocated to the Child and Family Advocacy Center Fund established by A.R.S. § 41-191.11. (General Appropriation Act footnote)
- 4/ ~~On or before June 1, 2018, the department shall submit an expenditure plan for the FY 2019 Internet Crimes Against Children Enforcement line item for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)~~
- 4/ The \$900,000 appropriation from the Internet Crimes Against Children Enforcement Fund 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 A.R.S. § 35-190, relating to the lapsing of appropriations, through June 30, 2021. (General Appropriation Act footnote)
- 5/ 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.
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ 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 FY 2020. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$53,225,900 and 446.5 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$23,131,700
Antitrust Enforcement Revolving Fund	148,500
Attorney General Legal Services Cost Allocation Fund (LSCAF)	2,102,800
Collection Enforcement Revolving Fund (CERF)	6,904,500
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	4,509,800
Interagency Service Agreements (ISA) Fund	16,428,600

These amounts are unchanged from FY 2019.

Criminal Division Resources

The Baseline continues an increase of \$1,500,000 from the General Fund in FY 2020 for additional Criminal Division resources. The FY 2018 General Appropriation Act appropriated this amount for FY 2018, and a footnote continued this funding for both FY 2019 and FY 2020. As a result, this funding will not appear in the FY 2020 General Appropriation Act.

Currently, a portion of the Criminal Division within the AG's Office is funded through civil asset forfeiture or Racketeer Influenced and Corrupt Organizations (RICO)

Act monies. These are monies that 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 the unstable nature of revenues collected from these sources, the additional funds will continue to offset the cost of 10 FTE Positions within the Criminal Division. In lieu of increasing the agency's FTE Position authority, the Baseline continues to assume that the agency will use its existing FTE Position authority for these positions.

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.

Capital Postconviction Prosecution

The Baseline includes \$802,300 and 6 FTE Positions from the General Fund in FY 2020 for Capital Postconviction Prosecution. These amounts are unchanged from FY 2019.

Case Management System Upgrade Funding

The Baseline includes no funding in FY 2020 for upgrades to the AG's Case Management System. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,489,000) from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2020. The FY 2019 budget included funding for an upgrade of the AG's Case Management System and for software licensing compliance. This appropriation does not lapse until the end of FY 2020.

Child and Family Advocacy Centers

The Baseline includes \$100,000 from the General Fund in FY 2020 for the Child and Family Advocacy Centers line item. This amount is unchanged from FY 2019.

These monies will be 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.

Election Litigation Expenses

The Baseline includes no funding in FY 2020 for Election Litigation Expenses. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the Risk Management Revolving Fund in FY 2020. The FY 2019 budget included funding to support legal costs associated with several lawsuits against the Secretary of State's office.

Federalism Unit

The Baseline includes \$1,004,500 and 7 FTE Positions from the CPCF Revolving Fund in FY 2020 for the Federalism Unit. These amounts are unchanged from FY 2019.

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.

Government Accountability and Special Litigation Unit

The Baseline includes \$961,400 and 8 FTE Positions from the CPCF Revolving Fund in FY 2020 for the Government Accountability and Special Litigation (GASL) Unit line item. These amounts are unchanged from FY 2019.

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.

In response to this legislation, the AG created the GASL unit. In addition to handling investigations of local ordinances, GASL engages in a variety of consumer protection functions that had previously been a part of the AG's Consumer Protection Unit. Monies in this line item will be used to support 8 FTE Positions in this unit.

Internet Crimes Against Children Enforcement

The Baseline includes \$1,250,000 in FY 2020 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 2019.

Laws 2015, Chapter 245 established in A.R.S. § 41-199 the ICAC Enforcement Fund subject to legislative appropriation and administered by the Attorney General. The intent behind Chapter 245 was to provide \$900,000 in FY 2015 and every year thereafter from the proceeds of lottery games sold from a vending machine in age-restricted areas.

A.R.S. § 41-199 also allocates \$100,000 to the Victims' Rights Enforcement Fund from the same proceeds. This fund is continuously appropriated and administered by the Department of Public Safety.

If the lottery games do not produce sufficient funds for the \$900,000 and \$100,000 allocations, then unclaimed lottery prize monies will be used to backfill the difference.

A.R.S. § 41-199 requires the Attorney General to enter into 1 or more intergovernmental agreements to continue operation of 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 2020 amount non-lapsing until the end of FY 2021. Another General Appropriation Act footnote previously required the AG to submit an annual expenditure plan for monies in this line item to the Joint Legislative Budget Committee for review and specified the fund for deposit. As a well-established program, this review and clarification is no longer necessary. Appropriations will still be deposited in the fund.

Military Airport Planning

The Baseline includes \$85,000 and 1 FTE Position from the General Fund in FY 2020 for Military Airport Planning. These amounts are unchanged from FY 2019.

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.

Opioid Education

The Baseline includes no funding in FY 2020 for the Opioid Education line item. This amount is unchanged from FY 2019.

Laws 2018, 1st Special Session, Chapter 1 included an FY 2018 Supplemental appropriation of \$400,600 for the Opioid Education line item. This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.

No money was spent in FY 2018. In July 2018, the AG awarded 2-year grants totaling \$398,600 to MATFORCE, Chicanos Por La Causa, and Intermountain Centers. The grants are to be used for opioid education and prevention efforts.

Risk Management Interagency Service Agreement

The Baseline includes \$9,570,000 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2020 for the Risk Management Interagency Service Agreement. These amounts are unchanged from FY 2019.

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 Baseline includes \$1,205,200 and 13 FTE Positions from the General Fund in FY 2020 for Southern Arizona Law Enforcement. These amounts are unchanged from FY 2019.

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 Baseline includes \$181,000 and 1.6 FTE Positions from the General Fund in FY 2020 for the State Grand Jury. These amounts are unchanged from FY 2019.

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 Baseline includes \$823,000 and 6.6 FTE Positions in FY 2020 for Tobacco Enforcement. These amounts consist of:

General Fund	85,100
CPCF Revolving Fund	737,900

These amounts are unchanged from FY 2019.

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 \$2,016,000 for the Attorney General to enforce the MSA in FY 2020.

Victims' Rights

The Baseline includes \$3,766,800 and 6 FTE Positions from the Victims' Rights Fund in FY 2020 for Victims' Rights. These amounts are unchanged from FY 2019.

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 previously received a proportion of Criminal Justice Enhancement Fund monies. Laws 2018, Chapter 237 eliminated the CJEF distribution and replaced it with a new \$9 penalty on civil and criminal violations.

Other Issues

This section includes information on the following topics:

- FY 2019 Supplemental / FY 2020 Adjustment
- Long-Term Budget Impacts
- Attorney General Legal Services Cost Allocation Fund
- Wells Fargo Settlement

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The Baseline includes an FY 2019 supplemental appropriation of \$2,000 from the General Fund to pay for FY 2019 employer contribution increases related to the Elected Officials Retirement Plan (EORP). The FY 2019 General Appropriation Act underestimated the total cost of the increase. The Baseline also includes the same amount from the General Fund in FY 2020. Both the supplemental and the FY 2020 amount would be distributed as a statewide adjustment and are not reflected in the agency table above. *(See the Consolidated Retirement Report for more information.)*

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the AG's General Fund costs are projected to decrease by \$(1.5) million in FY 2021 below FY 2019 and FY 2020 levels. This decrease is due to a footnote in the FY 2018 General Appropriation Act, which appropriated \$1.5 million in FY 2019 and FY 2020 for Criminal Division resources. *(Please see Criminal Division Resources in the Operating Budget section for more information.)*

The expiration of this General Fund appropriation in FY 2021 will be partially offset by the AG's authorization to use \$1.4 million in FY 2021 from the Consumer Remediation Subaccount for operating costs.

Table 1
FY 2020 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	1,400
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
Department of Financial Institutions	1,900
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	10,500
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

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. See *Table 1* for a list of agencies and their corresponding FY 2020 Attorney General Legal Services charge. These amounts are unchanged from FY 2019.

The FY 2019 Criminal Justice BRB removed the requirement that each agency report to the Joint Legislative Budget Committee the fund sources used to pay the Attorney General's Legal Services Cost Allocation Fund charges. The total charges will continue to be specified in the General Appropriation Act as required by A.R.S. § 41-191.09.

(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.)

Wells Fargo Settlement

In December 2018, the attorneys general of all 50 states settled a lawsuit against Wells Fargo for alleged misconduct, including accounts opened without customer knowledge and improperly charged mortgage fees. Arizona's share of the settlement totals \$37.1 million. Of this amount, the agreement requires \$17.1 million to be deposited into the Consumer Protection - Consumer Fraud Revolving Fund and the remaining \$20 million into the Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund. The AG intends to use these monies to strengthen consumer protection efforts.

Funds expended from the Consumer Protection - Consumer Fraud Revolving Fund must be legislatively appropriated. In FY 2019, the AG was appropriated \$7.2 million from this fund. The AG may spend up to \$3.5 million from the Remediation Subaccount annually without an appropriation. Any expenditures above this amount must be appropriated.

The settlement was reached independently of a federal Consumer Financial Protection Bureau lawsuit seeking direct consumer restitution.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Anti-Racketeering Revolving Fund (AGA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	7,444,400	8,000,000
Year-End Fund Balance	22,698,100	21,448,100
Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)		Appropriated
Source of Revenue: Monies recovered for the state as a result of antitrust, restraint of trade, or price-fixing activity enforcement.		
Purpose of Fund: For antitrust enforcement expenses, excluding attorney compensation.		
Funds Expended	148,500	148,500
Year-End Fund Balance	1,808,600	2,118,000
Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Restricted donations and gifts from individuals and corporations.		
Purpose of Fund: For purposes specified by donors or grantors.		
Funds Expended	1,186,400	1,257,100
Year-End Fund Balance	2,528,700	1,277,600
Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)		Appropriated
Source of Revenue: Flat dollar amount from agencies as annually specified by the General Appropriation Act.		
Purpose of Fund: To fund non-contracted Attorney General Legal Services.		
Funds Expended	1,810,500	2,102,800
Year-End Fund Balance	323,600	19,100

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Child and Family Advocacy Center Fund (AGA2540/A.R.S. § 41-191.11)		Non-Appropriated
Source of Revenue: Appropriated funds as well as other monies such as private gifts and grants. The FY 2019 budget included an additional \$100,000 appropriation from the General Fund into the Child and Family Advocacy Center Fund. Those monies are excluded here to avoid double counting.		
Purpose of Fund: Funds shall be distributed to child and family advocacy centers that apply for funding and meet certain eligibility requirements. The Attorney General may use up to 5% of the monies in the fund for administrative costs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: 10.66% of the Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To enhance prosecutorial efforts of county attorneys.		
Funds Expended	3,190,800	3,660,800
Year-End Fund Balance	921,700	460,900
Collection Enforcement Revolving Fund (AGA2132/A.R.S. § 41-191.03)		Appropriated
Source of Revenue: The fund receives 35% of monies recovered by the Attorney General from debts owed to the state, except that it receives 20% of all fine surcharge debt.		
Purpose of Fund: For expenses related to debt collection owed to the state, including reimbursement of other accounts within the department. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration. Previously, monies in the Collection Enforcement Revolving Fund up to \$500,000 were non-lapsing. The FY 2019 Criminal Justice Budget Reconciliation Bill raised this amount to \$1,000,000.		
Funds Expended	6,691,400	6,904,500
Year-End Fund Balance	2,940,100	6,035,600
Colorado River Land Claims Revolving Fund (AGA2430/A.R.S. § 41-191.05)		Non-Appropriated
Source of Revenue: Receives 25% of monies recovered by the state from the settlement of the State of Arizona's sovereign land claims.		
Purpose of Fund: To pay cost of investigation and prosecution of state's claims of sovereign lands near the Colorado River.		
Funds Expended	0	0
Year-End Fund Balance	12,300	12,300
Consumer Protection - Consumer Fraud Revolving Fund (AGA2014/A.R.S. § 44-1531.01)		Appropriated
Source of Revenue: Any monies recovered for the state from investigative or court costs, attorney fees, or civil penalties pertaining to consumer protection or consumer fraud.		
Purpose of Fund: For consumer fraud education and for investigative and enforcement operations of the Consumer Protection Division, excluding attorney compensation. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration.		
Funds Expended	4,000,900	7,213,600
Year-End Fund Balance	11,490,900	8,339,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Partially-Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises, or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Remediation Subaccount consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable person. Monies in the Consumer Remediation Subaccount up to \$3,500,000 are continuously appropriated. Any amount of money collected over that amount is subject to legislative appropriation. The FY 2019 Criminal Justice Budget Reconciliation Bill allowed the AG to expend from this account \$1,489,000 on upgrading its Case Management Information Technology System. This allowance is limited to FY 2019 and FY 2020.		
Appropriated Funds Expended	0	1,489,000
Non-Appropriated Funds Expended	1,687,200	3,500,000
Year-End Fund Balance	6,133,800	1,297,800
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Non-Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Restitution Subaccount is to be used for monies collected from lawsuits intended to compensate a specific, identifiable person, including the state, for economic loss resulting from violations of consumer protection laws.		
Funds Expended	5,059,300	5,000,000
Year-End Fund Balance	13,853,700	15,879,200
Court-Ordered Trust Fund (AGA3180/A.R.S. § 35-142)		Partially-Appropriated
Source of Revenue: Court-ordered deposits held in trust for parties to lawsuits. Includes funds from a 2012 nationwide settlement between numerous states and mortgage loan services. Arizona residents received a total of \$1.6 billion from the settlement, of which \$33.9 million was allocated to the Attorney General.		
Purpose of Fund: To assure funds are available to pay judgments. Future payments are dependent on case settlements. Through FY 2018, the Attorney General has spent \$31.5 million of its \$33.9 million allotment from the 2012 National Mortgage Settlement. The Attorney General anticipates spending \$1.1 million in FY 2019, which is not displayed below to avoid double counting expenditures. The non-appropriated expenditures in FY 2018 reflect court-ordered settlements other than the National Mortgage Settlement.		
Appropriated Funds Expended	353,800	0
Non-Appropriated Funds Expended	2,454,100	0
Year-End Fund Balance	8,729,300	7,887,300
Criminal Case Processing Fund (AGA2461/A.R.S. § 41-2421)		Non-Appropriated
Source of Revenue: A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
Purpose of Fund: For the processing of criminal cases.		
Funds Expended	40,900	102,000
Year-End Fund Balance	238,800	201,800
Federal Grants (AGA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants awarded by various federal agencies and state agencies which pass through federal monies.		
Purpose of Fund: To be used in accordance with the terms of the individual grants.		
Funds Expended	5,980,300	7,628,500
Year-End Fund Balance	1,526,800	1,492,400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Indirect Cost Recovery Fund (AGA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grant monies and other appropriated and non-appropriated funds.		
Purpose of Fund: To pay administrative costs not directly attributable to any single agency program.		
Funds Expended	9,736,600	10,412,300
Year-End Fund Balance	3,771,500	3,538,100
Interagency Service Agreements Fund (AGA2657/A.R.S. § 41-192)		Appropriated
Source of Revenue: Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
Purpose of Fund: To provide contracted legal services to state agencies and political subdivisions.		
Funds Expended	14,854,100	16,428,600
Year-End Fund Balance	2,377,700	0
Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Any monies received from state agencies for specialized projects.		
Purpose of Fund: For costs associated with approved projects.		
Funds Expended	29,331,400	27,750,900
Year-End Fund Balance	1,659,300	469,400
Internet Crimes Against Children Enforcement Fund (AGA3217/A.R.S. § 41-199)		Appropriated
Source of Revenue: Pursuant to A.R.S. § 5-554, the fund receives \$900,000 from the proceeds of lottery games that are sold from a vending machine in age-restricted areas. If the lottery games do not produce sufficient funds for the \$900,000 allocation, then unclaimed lottery prize monies will be used to backfill the difference. A.R.S. § 5-554 also directs \$100,000 from the same lottery game revenue to the Victims' Rights Enforcement Fund administered by the Department of Public Safety. <i>(Please see the Department of Public Safety for more detail on the Victims' Rights Enforcement Fund.)</i>		
Purpose of Fund: For the Attorney General to enter into 1 or more intergovernmental agreements to continue the operation of the federally recognized Internet Crimes Against Children Task Force program that coordinates a national network of coordinated task forces that assist federal, state, local, and tribal law enforcement agencies in investigations, forensic examinations, and prosecutions related to technology-facilitated sexual exploitation of children and internet crimes against children.		
Funds Expended	351,700	900,000
Year-End Fund Balance	2,320,600	2,320,600
Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: This fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28, Chapter 14; and monies received from private grants or donations.		
Purpose of Fund: The Department of Public Safety conducts motor carrier safety investigations, the Motor Vehicle Division of the Department of Transportation administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	41,400	45,200
Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)		Non-Appropriated
Source of Revenue: 3.45% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
Funds Expended	1,013,700	1,118,900
Year-End Fund Balance	104,800	37,200

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal services ISA contract between the Attorney General and the Arizona Department of Administration.		
Funds Expended	9,589,300	10,070,000
Year-End Fund Balance	379,100	0
State Aid to Indigent Defense Fund (AGA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, a 14.66% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: See Arizona Criminal Justice Commission. Prior to FY 2017, the budget permitted the Attorney General to use State Aid to Indigent Defense Fund monies for capital postconviction prosecution. Laws 2017, Chapter 305 shifted this appropriation to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	103,000	103,000
Victim Witness Assistance Fund (AGA2228/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants from the Victim Compensation and Assistance Fund and the Victims of Crime Act Fund.		
Purpose of Fund: To assist crime victims and surviving family members who are involved in felony cases and appellate matters.		
Funds Expended	5,400	0
Year-End Fund Balance	0	0
Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)		Appropriated
Source of Revenue: Previously received a portion of Criminal Justice Enhancement Fund (CJEF) surcharge revenues. Laws 2018, Chapter 237 eliminated the CJEF distribution and replaced it with a new \$9 penalty on civil and criminal violations.		
Purpose of Fund: For states and local entities that provide victims' rights services and assistance.		
Funds Expended	3,337,300	3,766,800
Year-End Fund Balance	1,312,200	145,400

Automobile Theft Authority

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	317,900	340,700	340,700
Employee Related Expenditures	119,700	142,700	142,700
Professional and Outside Services	12,200	16,000	16,000
Travel - In State	6,200	6,300	6,300
Travel - Out of State	3,500	8,500	8,500
Other Operating Expenditures	107,900	112,000	112,000
Equipment	35,800	25,000	25,000
OPERATING SUBTOTAL	603,200	651,200	651,200
SPECIAL LINE ITEMS			
Arizona Vehicle Theft Task Force	3,650,000	3,650,000	3,650,000 ^{1/}
Local Grants	946,500	957,700	957,700 ^{2/}
Reimbursable Programs	0	50,000	50,000 ^{3/}
AGENCY TOTAL	5,199,700	5,308,900	5,308,900 ^{4/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Automobile Theft Authority Fund	5,199,700	5,308,900	5,308,900
SUBTOTAL - Other Appropriated Funds	5,199,700	5,308,900	5,308,900
SUBTOTAL - Appropriated Funds	5,199,700	5,308,900	5,308,900
Other Non-Appropriated Funds	12,400	8,000	8,000
TOTAL - ALL SOURCES	5,212,100	5,316,900	5,316,900

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.

FOOTNOTES

- 1/ The Automobile Theft Authority shall pay 75% of the Personal Services and Employee-Related Expenses for city, town and county sworn officers who participate in the Arizona Vehicle Theft Task Force. (General Appropriation Act footnote)
- 2/ 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)
- 3/ The Automobile Theft Authority shall submit a report to the Joint Legislative Budget Committee before expending any monies for the Reimbursable Programs line item. The Authority shall show sufficient monies collected to cover the expenses indicated in the report. (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 Baseline includes \$651,200 and 6 FTE Positions from the ATA Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Arizona Vehicle Theft Task Force

The Baseline includes \$3,650,000 from the ATA Fund in FY 2020 for the Arizona Vehicle Theft Task Force. This amount is unchanged from FY 2019.

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.)

Local Grants

The Baseline includes \$957,700 from the ATA Fund in FY 2020 for Local Grants. This amount is unchanged from FY 2019.

This line item provides 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. (Please see the *Other Issues* section for more information.)

Reimbursable Programs

The Baseline includes \$50,000 from the ATA Fund in FY 2020 for Reimbursable Programs. This amount is unchanged from FY 2019.

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.

Other Issues

Automobile Theft Authority Grants

The ATA was appropriated \$4,607,700 from the ATA Fund in FY 2019 for grants to state and local law enforcement entities. These grants are funded from the the Arizona Vehicle Theft Task Force and Local Grants line items.

Table 1

ATA Grant Recipients		
Recipient	FY 2018	FY 2019 est. ^{1/}
Arizona Vehicle Theft Task Force (DPS)	\$3,650,000	\$3,650,000
Vertical Prosecution Grants		
Maricopa County Attorney	\$ 233,800	\$ 235,800
Pima County Attorney	216,100	216,100
Pinal County Attorney	160,900	169,100
La Paz County Attorney	119,700	119,700
Mohave County Attorney	93,800	109,600
Santa Cruz County Attorney	80,800	80,800
Subtotal	\$ 905,100	\$ 931,100
Law Enforcement Grants		
Chandler Police Department	\$ 5,300	\$ -
La Paz County Sheriff	32,500	-
Unallocated	0	25,400
Subtotal	\$ 37,800	\$ 25,400
Public Awareness Grants		
Quartzite Police Department	\$ 1,200	\$ -
Tempe Police Department	1,200	-
Dougllass Police Department	1,200	-
Unallocated	0	1,200
Subtotal	\$ 3,600	\$ 1,200
Discretionary Grants	\$ 0	\$ 0
TOTAL	\$4,596,500	\$ 4,607,700
^{1/} Represents allocations as estimated by the Automobile Theft Authority. Specific awards are yet to be determined for some categories.		

Table 1 displays the allocations of grants for FY 2018 and estimated FY 2019 distributions by recipient and category.

SUMMARY OF FUNDS

	FY 2018 Actual	FY 2019 Estimate
Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)		Appropriated
Source of Revenue: A semi-annual fee of \$0.50 per vehicle insured under a motor vehicle liability insurance policy for vehicles with a gross weight under 26,000 pounds. In addition, 50% of civil penalties assessed against a scrap metal dealer who does not submit vehicle title information to the ADOT records system within 48 hours after the completion of a transaction.		
Purpose of Fund: To allocate monies to public agencies for the purpose of establishing, maintaining and supporting programs that are designed to prevent motor vehicle theft, and to cover the costs of administration not to exceed 10% of the fund.		
Funds Expended	5,199,700	5,308,900
Year-End Fund Balance	2,949,400	4,173,000

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Settlement Fund (ATA1991/A.R.S. § 41-3451)		Non-Appropriated
Source of Revenue: Revenues from settlements issued by the courts.		
Purpose of Fund: To provide grants to law enforcement agencies for metal management training.		
Funds Expended	12,400	8,000
Year-End Fund Balance	17,300	9,300

Board of Barbers

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	194,100	196,000	196,000
Employee Related Expenditures	86,000	86,000	86,000
Professional and Outside Services	200	1,300	1,300
Travel - In State	5,800	8,700	8,700
Travel - Out of State	4,800	3,300	3,300
Other Operating Expenditures	36,000	105,200	105,200
Equipment	100	600	600
AGENCY TOTAL	327,000	401,100	401,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Barbers Fund	327,000	401,100	401,100
SUBTOTAL - Other Appropriated Funds	327,000	401,100	401,100
SUBTOTAL - Appropriated Funds	327,000	401,100	401,100
TOTAL - ALL SOURCES	327,000	401,100	401,100

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 Baseline includes \$401,100 and 4 FTE Positions from the Board of Barbers Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Barbers Fund (BBA2007/A.R.S. § 32-305)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of barbers, barber schools, and barbering establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate barbers, barber schools, and barbering establishments, and for board administration.		
Funds Expended	327,000	401,100
Year-End Fund Balance	717,800	732,900

Board of Behavioral Health Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	740,400	900,000	900,000
Employee Related Expenditures	311,100	335,000	335,000
Professional and Outside Services	180,900	250,000	250,000
Travel - In State	12,400	20,000	20,000
Travel - Out of State	7,500	15,000	15,000
Other Operating Expenditures	141,200	222,300	222,300
Equipment	2,500	30,000	30,000
AGENCY TOTAL	1,396,000	1,772,300	1,772,300 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Behavioral Health Examiners Fund	1,396,000	1,772,300	1,772,300
SUBTOTAL - Other Appropriated Funds	1,396,000	1,772,300	1,772,300
SUBTOTAL - Appropriated Funds	1,396,000	1,772,300	1,772,300
TOTAL - ALL SOURCES	1,396,000	1,772,300	1,772,300

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 Baseline includes \$1,772,300 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Other Issues

FY 2019 Supplemental

The Baseline includes a FY 2019 supplemental appropriation of \$450,000 from the Board of Behavioral Health Examiners Fund for an e-licensing project. This would transfer the authority to spend \$450,000 from the Automated Projects Fund to the board directly to allow the board to proceed with its e-licensing system upgrades. This transfer would be accomplished by ex-appropriating the FY 2019 appropriation to the Arizona Department of Administration and then appropriating \$450,000 directly to the board. *(Please see the Department of Administration - Automation Projects Fund narrative for details regarding this information technology project.)*

The Director of the board has raised some concerns with the E-Licensing project. If the board were to not proceed with the project and the appropriation lapsed, it would stay in the Statewide E-Licensing subaccount. In the instance of a lapse, the appropriation would require legislative action in order for that appropriation to be used for either another e-licensing project or to transfer the monies back to the board.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Behavioral Health Examiners Fund (BHA2256/A.R.S. § 32-3254)		Appropriated
Source of Revenue: Monies collected by the board from the certification and regulation of behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.		
Funds Expended	1,396,000	1,772,300
Year-End Fund Balance	2,664,500	2,318,900

State Board for Charter Schools

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	602,100	681,200	681,200
Employee Related Expenditures	249,200	280,900	280,900
Professional and Outside Services	47,600	45,700	45,700
Travel - In State	3,000	17,300	17,300
Travel - Out of State	2,600	5,500	5,500
Other Operating Expenditures	162,300	176,200	176,200
Equipment	3,000	3,000	3,000
AGENCY TOTAL	1,069,800	1,209,800	1,209,800 ^{1/}
FUND SOURCES			
General Fund	1,069,800	1,209,800	1,209,800
SUBTOTAL - Appropriated Funds	1,069,800	1,209,800	1,209,800
Other Non-Appropriated Funds	61,100	61,500	61,500
TOTAL - ALL SOURCES	1,130,900	1,271,300	1,271,300

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 540 charter schools.

FOOTNOTES

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

Operating Budget

The Baseline includes \$1,209,800 and 14 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Charter Arizona Online Instruction Processing Fund (CHA2319/A.R.S. § 15-183W)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of contract amendments for charter schools participating in Arizona online instruction.		
Funds Expended	3,000	3,000
Year-End Fund Balance	0	0
Implementation Project Fund (CHA2025/A.R.S. § 15-182)		Non-Appropriated
Source of Revenue: Consists of funds from private donations and Governor's Office of Education Innovation.		
Purpose of Fund: To fund the creation of the board's Performance Framework, automation of the academic dashboard development, improvements to online modules, conferences, and training.		
Funds Expended	0	0
Year-End Fund Balance	5,500	5,500

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
New Charter Application Processing Fund (CHA2568/A.R.S. § 15-183.01)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of applications submitted for new charters.		
Funds Expended	58,100	58,500
Year-End Fund Balance	85,100	78,600

Department of Child Safety

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,193.1	3,193.1	3,193.1 ^{1/}
Personal Services	52,519,000	52,577,700	52,577,700
Employee Related Expenditures	24,788,900	21,753,500	21,753,500
Professional and Outside Services	7,435,900	7,497,800	7,497,800
Travel - In State	638,500	620,200	620,200
Travel - Out of State	84,600	202,300	202,300
Other Operating Expenditures	19,072,900	27,069,300	27,069,300
Equipment	2,689,100	436,800	436,800
OPERATING SUBTOTAL	107,228,900	110,157,600	110,157,600 ^{2/-9/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	25,548,300	25,522,800	25,522,800 ^{10/}
Caseworkers	91,837,400	99,850,900	99,850,900
General Counsel	155,500	155,900	155,900
Inspections Bureau	2,185,600	2,479,300	2,479,300
Litigation Expenses	2,471,000	3,770,000	0
New Case Aides	2,745,800	3,073,700	3,073,700
Office of Child Welfare Investigations	8,323,000	9,633,000	9,633,000
Overtime Pay	5,857,900	8,390,900	8,390,900
Records Retention Staff	531,300	594,200	594,200
Retention Pay	1,707,000	1,707,000	1,707,000
Training Resources	9,150,000	9,150,000	9,150,000
Out-of-Home Placements			
Congregate Group Care	90,987,800	98,900,100	98,900,100
Foster Home Placement	51,918,600	52,595,500	52,595,500
Foster Home Recruitment, Study and Supervision	33,194,000	32,753,600	32,753,600
Independent Living	3,773,300	4,660,000	4,660,000
Kinship Care	2,410,000	2,000,000	2,000,000 ^{11/}
Permanent Placements			
Adoption Services	251,204,900	278,258,500	278,258,500
Permanent Guardianship Subsidy	12,016,900	12,516,900	12,516,900
Support Services			
DCS Child Care Subsidy	48,115,300	48,159,400	48,159,400
In-Home Mitigation	26,393,500	28,988,100	28,988,100
Out-of-Home Support Services	137,258,500	154,518,900	154,518,900
Preventive Services	15,148,300	15,148,300	15,148,300
AGENCY TOTAL	930,162,800	1,002,984,600	999,214,600 ^{12/}
FUND SOURCES			
General Fund	378,567,000	375,838,700	375,838,700
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	700,000	1,459,300	1,459,300
Children and Family Services Training Program Fund	207,100	207,100	207,100
Federal Child Care and Development Fund Block Grant	27,000,000	27,000,000	27,000,000
Federal Temporary Assistance for Needy Families Block Grant	149,472,700	157,279,300	157,279,300
Risk Management Revolving Fund	2,471,000	3,770,000	0
SUBTOTAL - Other Appropriated Funds	179,850,800	189,715,700	185,945,700
SUBTOTAL - Appropriated Funds	558,417,800	565,554,400	561,784,400

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	371,745,000	437,430,200	437,430,200
SUBTOTAL - Expenditure Authority Funds	371,745,000	437,430,200	437,430,200
SUBTOTAL - Appropriated/Expenditure Authority Funds	930,162,800	1,002,984,600	999,214,600
Other Non-Appropriated Funds	3,013,000	3,500,000	3,500,000
TOTAL - ALL SOURCES	933,175,800	1,006,484,600	1,002,714,600

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 2020.
- 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 60 days and for which services have not been authorized for at least 60 days and any case that has had an investigation, has been referred to another unit and has had no contact for at least 60 days. (2) Includes any case for which the investigation has been open without any documentation or contact for at least 60 days, any case involving in-home services for which there has been no contact or services authorized for at least 60 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 60 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, 2019, and on or before the last day of every calendar quarter through June 30, 2020, 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 to have fewer than 8,000 open reports.
For out-of-home children, the department's benchmark is ~~to reduce the number of children in out-of-home care by an average of an additional 2.0% every quarter with respect to the out-of-home care population as of January 31, 2018. It is the intent of the Legislature that the cumulative reduction in the out-of-home care population as compared to the population as of January 31, 2018 be 7.8%, or at or below 13,964 children by June 30, 2020.~~
If the Department of Child Safety has not submitted the quarterly report within 30 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 2% 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 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 10% 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/ It is the intent of the Legislature that the Department of Child Safety use its funding to achieve a 100% investigation rate. (General Appropriation Act footnote)
- 10/ 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)
- 11/ The state General Fund 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. To be eligible for the stipend, the caretaker's income may not exceed 200% of the federal poverty guidelines. Before changing 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)
- 12/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$110,157,600 and 1,311.9 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$57,815,100
Federal TANF Block Grant	16,958,500
Child Safety Expenditure Authority	35,384,000

These amounts are unchanged from FY 2019.

Additional Operating Resources

Attorney General Legal Services

The Baseline includes \$25,522,800 and 276.2 FTE Positions in FY 2020 for Attorney General Legal Services. These amounts consist of:

General Fund	18,646,000
Federal TANF Block Grant	99,700
Child Safety Expenditure Authority	6,777,100

These amounts are unchanged from FY 2019.

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 Baseline includes \$99,850,900 and 1,406 FTE Positions in FY 2020 for caseworkers. These amounts consist of:

General Fund	36,278,100
Children and Family Services Training Program Fund	207,100
Federal TANF Block Grant	30,050,100
Child Safety Expenditure Authority	33,315,600

These amounts are unchanged from FY 2019.

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 December 2018, DCS had filled 1,327 of these positions, or (79) fewer filled positions than the funded amount.

Table 1			
DCS Caseworker Hiring			
<u>Direct Line Staff Type</u>	<u>Funded Positions</u>	<u>Dec. 2018</u>	<u>Difference</u>
Case-Carrying Caseworkers	1,190	1,026	(164)
Caseworkers in Training	140	230	90
Hotline Staff	76	71	(5)
Total	1,406	1,327	(79)

General Counsel

The Baseline includes \$155,900 and 1 FTE Position from the General Fund in FY 2020 for General Counsel. These amounts are unchanged from FY 2019.

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 Baseline includes \$2,479,300 and 31 FTE Positions in FY 2020 for the Inspections Bureau. These amounts consist of:

General Fund	1,330,500
Federal TANF Block Grant	550,700
Child Safety Expenditure Authority	598,100

These amounts are unchanged from FY 2019.

These monies fund the Office of Quality Improvement, formerly known as the Inspections Bureau, which monitors DCS policies and procedures to ensure they are being followed by all staff in accordance with federal and state law. The Office of Quality Improvement also reviews vendor invoices to ensure accuracy and compliance with DCS contracts.

Litigation Expenses

The Baseline includes no funding in FY 2020 for Litigation Expenses. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(3,770,000) from the Risk Management Revolving Fund in FY 2020 for DCS' legal expenses for a federal class action lawsuit. The funding in this line item is designated as one-time in the 3-year

spending plan associated with the enacted FY 2020 budget.

This line item was initially funded with \$2,867,600 in FY 2016 and \$2,471,200 in FY 2018. The FY 2019 General Appropriation Act made the FY 2018 amount non-lapsing through June 30, 2019 and the FY 2019 amount non-lapsing through June 30, 2020.

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 October 2017, a federal district court granted class action status to the lawsuit. DCS is appealing that ruling in a federal appellate court.

DCS was also a defendant in a second lawsuit (*A.D. v. Washburn*) concerning the Indian Child Welfare Act. That case was dismissed by a federal appellate court in August 2018.

New Case Aides

The Baseline includes \$3,073,700 and 34 FTE Positions in FY 2020 for New Case Aides. These amounts consist of:

General Fund	2,496,000
Child Safety Expenditure Authority	577,700

These amounts are unchanged from FY 2019.

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 Baseline includes \$9,633,000 and 127 FTE Positions in FY 2020 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	9,531,000
Child Safety Expenditure Authority	102,000

These amounts are unchanged from FY 2019.

OCWI investigates criminal conduct allegations of child abuse in conjunction with local law enforcement. As of December 2018, the department had hired 103 of the 127 appropriated FTE Positions.

Overtime Pay

The Baseline includes \$8,390,900 in FY 2020 for Overtime Pay. This amount consists of:

General Fund	2,599,900
Federal TANF Block Grant	3,866,400
Child Safety Expenditure Authority	1,924,600

These amounts are unchanged from FY 2019.

Monies in this line fund overtime pay for DCS caseworkers.

Records Retention Staff

The Baseline includes \$594,200 and 5 FTE Positions in FY 2020 for Records Retention Staff. These amounts consist of:

General Fund	497,500
Child Safety Expenditure Authority	96,700

These amounts are unchanged from FY 2019.

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

Retention Pay

The Baseline includes \$1,707,000 from the General Fund in FY 2020 for Retention Pay. This amount is unchanged from FY 2019.

This funding provided a one-time stipend of \$1,000 for 18 months of employment and \$3,000 for 36 months of employment. In June 2016, DCS discontinued retention pay for new hires, and plans to allocate the funding in this line to alternative retention efforts. Pursuant to a FY 2018 General Appropriation Act footnote, DCS submitted an FY 2018 expenditure plan for retention pay monies to JLBC in June 2017. The Committee favorably reviewed DCS' plan, which allocates retention pay funding to DCS program manager salary adjustments, incentive pay for excellent performance, and ongoing retention stipends for staff hired prior to June 2016.

Training Resources

The Baseline includes \$9,150,000 in FY 2020 for Training Resources. This amount consists of:

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

These amounts are unchanged from FY 2019.

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. For example, a scholarship student in the 2-year MSW program would be required to work at DCS for 2 years; a senior year-only BSW scholarship student would be obligated to work for 1 year at DCS, although BSW students can receive scholarships starting in their junior year.

The 2-year MSW scholarship value is about \$37,700 (\$10,800 stipend and \$26,900 tuition/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 technically required to repay DCS the scholarship amount.

DCS reports that 164 ASU/NAU social work students received scholarships in FY 2018, including 73 BSW students and 91 MSW students.

Out-of-Home Placements

DCS places children in out-of-home care when the department determines, after investigating a report of child abuse or neglect, that 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 as of June of each year.

Since FY 2017, the General Appropriation Act has established a benchmark for the reduction in DCS' out-of-home population. The first benchmark required a reduction in the out-of-home population to 15,191 by

June 30, 2018, which was based on a 2% reduction in the out-of-home population relative to the actual December 31, 2016 population of 17,149. The actual June 2018 out-of-home population, as shown in *Table 2*, was 14,489, or (702) children below the required reduction.

For FY 2019, the benchmark is 13,964 out-of-home children by June 30, 2019, which represents a 2% quarterly decline from the actual January 31, 2018 population of 15,139. The out-of-home population, however, declined further to 14,187 by September 30, 2018. As a result, DCS only needs to reduce the out-of-home population by 223 children, or (0.5)% quarterly, in order to meet the benchmark for FY 2019.

The Baseline does not establish a new population benchmark for FY 2020, but just repeats the FY 2019 benchmark of 13,964 children as a placeholder. If the Legislature were to continue the requirement for a 2% quarterly decline and use the actual September 2018 population of 14,187 children as the base, the target out-of-home population by June 30, 2020 would be 12,316 children.

Table 2

Out-of-Home Placements

	June 2016	June 2017	June 2018
Kinship Care ^{1/}	7,468	6,511	5,566
Foster Home	6,986	6,545	5,875
Congregate Group Care	2,727	2,563	2,232
Group Home	1,999	1,880	1,669
Emergency Shelter	359	239	112
Behavioral Health Placement	369	444	451
Independent Living	495	476	455
Other ^{2/}	<u>611</u>	<u>540</u>	<u>361</u>
Total	18,287	16,635	14,489
 <i>Benchmark</i>			<i>15,191</i>

1/ Includes unlicensed relative and non-relative placements.

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

Congregate Group Care

The Baseline includes \$98,900,100 in FY 2020 for Congregate Group Care. This amount consists of:

General Fund	36,028,000
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	41,449,100

These amounts are unchanged from FY 2019.

Caseload – In FY 2018, there was a monthly average caseload of 2,495 congregated care placements. At an

average monthly cost of \$3,120 per placement, funding in this line is sufficient for an average monthly caseload of 2,641 placements in FY 2020.

Background – This line item funds short-term placement at shelter facilities for children removed from their homes, usually for 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.

Foster Home Placement

The Baseline includes \$52,595,500 in FY 2020 for Foster Home Placement. This amount consists of:

General Fund	23,187,500
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	22,434,900

These amounts are unchanged from FY 2019.

Caseload – In FY 2018, a monthly average of 5,989 clients received licensed foster home services. The average monthly cost of the maintenance subsidy for FY 2018 was \$697. At an average monthly cost of \$697, the funding in this line item is sufficient for 6,288 foster home placements in FY 2020.

Background – The Foster Home Placement line item provides funding for the placement of children in the child welfare system 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.

Foster Home Recruitment, Study and Supervision

The Baseline includes \$32,753,600 in FY 2020 for Foster Home Recruitment, Study and Supervision. This amount consists of:

General Fund	19,980,800
Child Safety Expenditure Authority	12,772,800

These amounts are unchanged from FY 2019.

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.

Independent Living Maintenance

The Baseline includes \$4,660,000 in FY 2020 for Independent Living Maintenance. This amount consists of:

General Fund	2,969,300
Child Safety Expenditure Authority	1,690,700

These amounts are unchanged from FY 2019.

Caseload – In FY 2018, a monthly average of 498 clients received the Independent Living Subsidy. At an average monthly cost of \$626, the funding in this line item is sufficient to fund 620 placements in FY 2020.

Background – The independent living subsidy program provides a monthly stipend to foster youths who are living on their own and enrolled in a postsecondary program or employed while remaining in the custody of the department. The subsidy becomes available once the child turns age 18, and can be paid until the recipient turns 21.

Kinship Care

The Baseline includes \$2,000,000 from the General Fund in FY 2020 for Kinship Care. This amount is unchanged from FY 2019.

Caseload – In FY 2018, a monthly average of 3,082 enrollees received the Kinship Stipend with an average monthly cost of \$71. At that monthly cost, this line item is sufficient to fund a monthly average of 2,347 children in FY 2020.

Background – This line item funds the Kinship Stipend, which provides a \$75 monthly stipend per child to unlicensed kinship caregivers with incomes not exceeding 200% of the Federal Poverty Level. 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.

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. In FY 2018, 34% of children exiting out-of-home care were adopted and 7%

entered permanent guardianship. Most of the remaining children exiting care are reunified with their biological parents.

Table 3

	Permanent Placements		
	June 2016	June 2017	June 2018
Adoption	24,040	27,070	29,500
Permanent Guardianship	2,572	2,582	2,608
Total	26,612	29,652	32,108

Adoption Services

The Baseline includes \$278,258,500 in FY 2020 for Adoption Services. This amount consists of:

General Fund	86,145,800
Federal TANF Block Grant	23,163,500
Child Safety Expenditure Authority	168,949,200

These amounts are unchanged from FY 2019.

Caseload – In FY 2018, a monthly average of 28,433 clients received adoption subsidies; the average monthly cost for FY 2018 was \$723. At that monthly cost, the budget is sufficient for 32,072 total placements in FY 2020.

Background – The program subsidizes the adoption of children who otherwise would entail high financial risks to prospective parents because of 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.

Permanent Guardianship Subsidy

The Baseline includes \$12,516,900 in FY 2020 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 2019.

Caseload – In FY 2018, a monthly average of 2,655 clients received permanent guardianship subsidies; the average monthly subsidy for FY 2018 was \$374. At \$374 monthly, the funding in this line item is sufficient to fund 2,789 total placements in FY 2020.

Background – The Guardianship Subsidy program supports permanent placements for children who cannot return home and for whom adoption is not an option. The guardianship subsidy is intended to be only a partial reimbursement for expenses involved in the care of the child. The funding only provides for maintenance subsidies, which are provided to assist with the expenses involved in addressing the special needs of the child.

Support Services

DCS Child Care Subsidy

The Baseline includes \$48,159,400 in FY 2020 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,000,000
Federal CCDF Block Grant	27,000,000
Child Safety Expenditure Authority	14,159,400

These amounts are unchanged from FY 2019.

Caseload – In FY 2018, a monthly average of 9,755 children received DCS child care; the average monthly subsidy for FY 2018 was \$411. At \$411 monthly, the funding in this line item is sufficient for an average monthly caseload of 9,764 children in FY 2020.

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.)*

In-Home Mitigation

The Baseline includes \$28,988,100 and 1 FTE Position in FY 2020 for In-Home Mitigation. These amounts consist of:

General Fund	15,794,000
Child Abuse Prevention Fund	1,459,300
Federal TANF Block Grant	5,911,200
Child Safety Expenditure Authority	5,823,600

These amounts are unchanged from FY 2019.

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 4,180 new referrals to the in-home services program in FY 2018.

Out-of-Home Support Services

The Baseline includes \$154,518,900 in FY 2020 for Out-of-Home Support Services. This amount consists of:

General Fund	36,952,400
Federal TANF Block Grant	46,340,100
Child Safety Expenditure Authority	71,226,400

These amounts are unchanged from FY 2019.

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 Baseline includes \$15,148,300 in FY 2020 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 2019.

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
- Line Item Transfers
- Family First Prevention Services Act
- DCS Funding

Statutory Changes

The Baseline would, as permanent law, continue to require DCS and the Arizona Early Childhood Development and Health Board to submit a joint report to JLBC on or before February 1, 2020 on their collaborative efforts to address child welfare issues of common concern. This provision has been enacted as session law since FY 2015.

CHILDS Replacement Project

The Baseline includes an FY 2020 appropriation of \$5,000,000 from the General Fund to the Arizona Department of Administration for the CHILDS Replacement Project. *(Please see the Department of Administration - Automation Projects Fund narrative for details regarding this information technology project.)*

Line Item Transfers

Appropriations for state agencies delineate specific amounts for programs by line items. Agencies are generally permitted to shift funds among line items without further legislative review. Since FY 2017, however, the General Appropriation Act has required DCS to seek review prior to implementing line item transfers to provide the Legislature with additional oversight of such requests. The Baseline continues this footnote for FY 2020.

The review requirement was originally enacted following transfers of substantial resources into the Out-of-Home Support Services line item in FY 2015 and FY 2016. DCS partially financed these transfers by reducing funding for in-home support services. These transfers raised concerns that DCS' expenditures were not consistent with the Legislature's intent to expand availability of in-home services.

Table 4 shows DCS' FY 2018 General Fund transfers. The FY 2019 budget partially recognized the FY 2018 transfers out of Foster Home Placement into Adoption Services by incorporating a \$(7.0) million reduction from the General Fund from Foster Home Placement and a corresponding increase of \$7.0 million from the General Fund for Adoption Services in FY 2019.

As of December 2018, DCS had not requested any General Fund line item transfers for FY 2019.

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:

- Beginning October 1, 2019, states will have the option of receiving 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.
- Beginning October 1, 2019, federal IV-E reimbursement for congregate care placements will be limited to 2 weeks, except for children with serious behavioral or emotional disorders that are placed in "Qualified Residential Treatment Programs" meeting certain criteria.
- Delays the full phase-out of income eligibility standards for children age 2 or under in the IV-E adoption program until July 1, 2024. Prior federal legislation had originally scheduled a full phase-out by October 1, 2017.

Table 4

FY 2018 General Fund Line Item Transfers ^{1/}

	FY 2018 Appropriation	FY 2018 Transfers	FY 2018 Final Appropriation	FY 2019 Budget
Foster Home Placement	\$30,187,500	\$(7,833,000)	\$22,354,500	\$23,187,500
Independent Living Maintenance	2,969,300	(680,000)	2,289,300	\$2,969,300
Adoption Services	77,965,800	7,680,000	85,645,800	86,145,800
Permanent Guardianship Subsidy	10,573,900	(500,000)	10,073,900	10,573,900
Foster Home Recruitment, Study and Supervision	19,980,800	1,333,000	21,313,800	19,980,800

^{1/} Represents transfers completed as of December 2018. There may be additional transfers completed at a later date.

States have the option to delay the implementation date of the limitations on congregate care funding for 2 years. Any requested delay would result in a corresponding delay in the availability of the new IV-E monies for in-home preventive services. DCS has not provided an estimate of the fiscal impact of the bill. While the new IV-E funding for in-home services will reduce the cost of future in-home program expansions, the more restrictive reimbursement rules for congregate care placements will likely reduce federal funding for congregate care. The changes in IV-E adoption eligibility will not reduce current federal IV-E adoption funding for DCS, but will delay federal funding increases that would have otherwise occurred under federal law.

DCS Funding

Table 5 provides a historical view of total funding for DCS and reports of maltreatment since FY 2008. Table 6 provides a breakdown of expenditure authority funding for DCS in FY 2019 by fund source.

Fiscal Year	Expenditures	Reports of Child Maltreatment
2008	\$509.9	34,989
2009	\$487.6	33,186
2010	\$448.9	33,839
2011	\$478.8	34,904
2012	\$561.2	40,517
2013	\$625.8	44,119
2014	\$710.9	45,368
2015	\$846.2	51,075
2016	\$939.0	49,135
2017	\$923.6	47,275
2018	\$930.2	47,203
2019 Appropriation	\$1,003.0	TBD

^{1/} Total Fund expenditures include monies directly appropriated to DCS. Excludes monies appropriated to the Arizona Department of Administration (ADOA) for one-time agency startup funding and CHILDS replacement.

Table 6

FY 2019 Child Safety Expenditure Authority by Federal Fund Source and Line Item
 (\$ in Millions)

<u>Federal Fund Source</u>	<u>Operating Budget</u>	<u>Caseworkers</u>	<u>New Case Aides</u>	<u>Attorney General</u>	<u>Inspections Bureau</u>	<u>Overtime OCWI</u>	<u>Pay</u>	<u>Records Retention</u>	<u>Training Resources</u>
AHCCCS	\$9.0	\$2.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
AIPP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPTA	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CBCAP	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chafee ETV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chafee IL	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HF FTF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HF Lottery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HF MIECHV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SSBG	0.0	5.5	0.0	0.0	0.0	0.0	2.4	0.0	0.0
IV-B I CWS	1.5	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IV-B II FPCV	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IV-B II FPSS	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IV-E Adoption	2.9	1.3	0.0	0.0	0.1	0.0	0.1	0.0	0.0
IV-E Foster Care	14.0	9.5	0.4	6.3	0.3	0.0	0.9	0.1	9.0
Over/(Under) Allocated Authority	6.4	10.2	0.2	0.5	0.2	0.1	(1.5)	0.0	0.0
Total	\$35.4	\$33.3	\$0.6	\$6.8	\$0.6	\$0.1	\$1.9	\$0.1	\$9.0

Table 6 (Continued)

FY 2019 Child Safety Expenditure Authority by Federal Fund Source and Line Item
(\$ in Millions)

<u>Federal Fund Source</u>	<u>Adoption Services</u>	<u>Congregate Group Care</u>	<u>Foster Care</u>	<u>Foster Care HRSS</u>	<u>Independent Living</u>	<u>Child Care</u>	<u>In-Home Mitigation</u>	<u>Preventive Services</u>	<u>Out-of-Home Services</u>	<u>Total</u>
AHCCCS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0	51.8
AIPP	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.8
CAPTA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
CBCAP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.7
Chafee ETV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
Chafee IL	0.0	0.0	0.0	0.0	1.6	0.0	0.0	0.0	3.3	5.1
HF FTF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2
HF Lottery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.1	0.0	6.1
HF MIECHV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.4	0.0	4.4
SSBG	0.0	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.7
IV-B I CWS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0
IV-B II FPCV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
IV-B II FPSS	1.5	0.0	0.0	0.0	0.0	0.0	4.3	0.0	0.0	6.5
IV-E Adoption	161.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	165.6
IV-E Foster Care	0.0	34.6	22.4	12.3	0.0	14.1	0.0	0.0	16.2	140.1
Over/(Under) Allocated Authority	2.4	1.0	0.0	0.5	0.1	0.1	1.5	0.0	11.2	32.9
Total	168.9	41.4	22.4	12.8	1.7	14.2	5.8	11.1	71.2	437.5

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Child Abuse Prevention Fund (CHA2162/A.R.S. § 8-550.01)		Appropriated
Source of Revenue: A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.		
Purpose of Fund: To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
Funds Expended	700,000	1,459,300
Year-End Fund Balance	1,746,200	1,239,600
Child Restraint Fund (CHA2192/A.R.S. § 28-907)		Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in children under the age of 8 in motor vehicles.		
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
Funds Expended	0	0
Year-End Fund Balance	223,400	388,500
Child Safety Expedited Substance Abuse Treatment Fund (CHA2421/A.R.S. § 8-812)		Non-Appropriated
Source of Revenue: Appropriations from the state General Fund.		
Purpose of Fund: To provide expedited drug treatment to guardians and parents when a dependency case plan calls for treatment. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Child Safety Expenditure Authority (CHA2009/A.R.S. § 41-101.01)		Expenditure Authority
Source of Revenue: All non-appropriated funds and Federal Funds for the Department of Child Safety, excluding the Federal Temporary Assistance for Needy Families Block Grant and the Federal Child Care and Development Fund.		
Purpose of Fund: To fund the Department of Child Safety.		
Funds Expended	371,745,000	437,430,200
Year-End Fund Balance	0	0
Children and Family Services Training Program Fund (CHA2173/A.R.S. § 8-503.01)		Appropriated
Source of Revenue: A portion of monies collected from fees charged for copies of child welfare files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
Purpose of Fund: To administer training for child safety workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of child welfare files may be used only for reimbursing the department for its cost.		
Funds Expended	207,100	207,100
Year-End Fund Balance	75,100	0
Client Trust Fund (CHA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	3,013,000	3,500,000
Year-End Fund Balance	30,600	231,200

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Economic Security Donations Fund (CHA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
Funds Expended	0	0
Year-End Fund Balance	4,500	9,500
Federal Child Care and Development Fund Block Grant (CHA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. DES has a separate allocation of CCDF.		
Funds Expended	27,000,000	27,000,000
Year-End Fund Balance	0	0
Federal Temporary Assistance for Needy Families Block Grant (CHA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families. DES has a separate allocation of TANF.		
Funds Expended	149,472,700	157,279,300
Year-End Fund Balance	0	0
Joint Substance Abuse Treatment Fund (CHA2429/A.R.S. § 8-881)		Non-Appropriated
Source of Revenue: Legislative appropriations from the General Fund and the Federal Temporary Assistance for Needy Families Block Grant.		
Purpose of Fund: To be jointly administered by DCS and the Department of Health Services for services to families and Federal Temporary Assistance for Needy Families recipients involved with DCS and whose substance abuse is a significant barrier to maintaining, preserving, or reunifying the family. An amount of not more than 5% can be used for program development costs. Up to 10% can be used for evaluating community programs delivering the services. Expenditures from this fund are not displayed to avoid double counting appropriated monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Risk Management Revolving Fund (CHA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
Funds Expended	2,471,000	3,770,000
Year-End Fund Balance	415,500	415,500

State Board of Chiropractic Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	202,100	209,700	209,700
Employee Related Expenditures	87,000	93,300	93,300
Professional and Outside Services	31,100	36,800	36,800
Travel - In State	0	1,000	1,000
Travel - Out of State	5,500	9,000	9,000
Other Operating Expenditures	77,300	79,900	79,900
Equipment	7,300	0	0
AGENCY TOTAL	410,300	429,700	429,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Chiropractic Examiners Fund	410,300	429,700	429,700
SUBTOTAL - Other Appropriated Funds	410,300	429,700	429,700
SUBTOTAL - Appropriated Funds	410,300	429,700	429,700
TOTAL - ALL SOURCES	410,300	429,700	429,700

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 Baseline includes \$429,700 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Chiropractic Examiners Fund (CEA2010/A.R.S. § 32-906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of chiropractors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate chiropractors, and for board administration.		
Funds Expended	410,300	429,700
Year-End Fund Balance	314,500	338,400

Citizens Clean Elections Commission

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	4,851,000	11,662,200	3,562,200
TOTAL - ALL SOURCES	4,851,000	11,662,200	3,562,200

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

complete list of Citizens Clean Elections Fund transfers to the General Fund, please see *Table 1*.

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

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

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Citizens Clean Elections Fund (ECA2425/A.R.S. § 16-949)		Non-Appropriated
Source of Revenue: Election-related civil penalties; civil and criminal fine and penalty surcharges; "qualifying contributions" on behalf of candidates who seek public campaign funding. Prior to FY 2013, the commission also generated revenues from a check-off box on state income tax forms and tax credits. Laws 2012, Chapter 257 repealed those provisions.		
Purpose of Fund: To fund administrative costs of the Citizens Clean Elections Commission, campaigns of candidates who qualify for public campaign funding under A.R.S. § 16-950, and activities pertaining to voter education.		
Funds Available		
Balance Forward	26,665,000	29,111,800
Revenue:		
Court Assessments	7,364,800	7,364,800
Qualifying Contributions	89,400	89,400
Other Fines, Forfeitures, Penalties	<u>1,200</u>	<u>1,200</u>
Total Funds Available	34,120,400	36,567,200
Expenditures:		
Operating Funds Expended	3,462,200	4,862,200
Candidate Funding	<u>1,388,800</u>	<u>6,800,000</u>
Funds Expended	4,851,000	11,662,200
Administrative Adjustments	157,600	157,600
Transfers Out to General Fund	<u>0</u>	<u>0</u>
Year-End Fund Balance	29,111,800	24,747,400

Arizona Commerce Authority

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET	10,000,000	10,000,000	10,000,000 ^{1/}
SPECIAL LINE ITEMS			
Arizona Competes Fund Deposit	11,500,000	11,500,000	5,500,000 ^{1/}
Mexico City Trade Office	300,000	300,000	300,000
AGENCY TOTAL	21,800,000	21,800,000	15,800,000
FUND SOURCES			
General Fund	21,800,000	21,800,000	15,800,000
SUBTOTAL - Appropriated Funds	21,800,000	21,800,000	15,800,000
Other Non-Appropriated Funds	4,765,200	8,294,300	7,919,500
Federal Funds	1,806,600	1,845,600	1,520,800
TOTAL - ALL SOURCES	28,371,800	31,939,900	25,240,300

AGENCY DESCRIPTION — The Arizona Commerce Authority (ACA) promotes economic, community, and workforce development. The Authority's duties include: support statewide for business expansion and attraction; workforce development and job training; online assistance for new business start-ups; tax credit administration.

FOOTNOTES

^{1/} Pursuant to A.R.S. § 43-409, \$15,500,000 of the state General Fund withholding tax revenues is allocated in FY 2020 to the Arizona Commerce Authority, of which \$10,000,000 is credited to the Arizona Commerce Authority Fund established by A.R.S. § 41-1506, and \$5,500,000 is credited to the Arizona Competes Fund established by A.R.S. § 41-1545.01. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$10,000,000 from the General Fund in FY 2020 for the operating budget. This amount is unchanged from FY 2019.

In FY 2018, ACA expended the full amount of this General Fund deposit.

Arizona Competes Fund Deposit

The Baseline includes \$5,500,000 from the General Fund in FY 2020 for deposit into the Arizona Competes Fund. FY 2020 adjustments are as follows:

Competes Fund Deposit Reduction

The Baseline includes a decrease of \$(6,000,000) from the General Fund in FY 2020 for a reduction in the deposit to the Arizona Competes Fund.

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 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. 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 Competes*

Fund Expenditures by year and list of FY 2018 award recipients.)

Mexico City Trade Office

The Baseline includes \$300,000 from the General Fund in FY 2020 for the operation of a trade office in Mexico City. This amount is unchanged from FY 2019.

Monies in this line item are used to lease a 2-story building in central Mexico City that serves as the Mexico City Trade Office and hire 4 contract workers to run the office. Currently, ACA does not fund any other trade offices.

Other Issues

Arizona Competes Fund Grants and Expenditures

ACA made \$72.5 million in commitments and expended \$39.5 million from the Competes Fund from FY 2012 through September 30, 2018. See *Table 1* for expenditures and commitments by fiscal year and *Table 2* for new grants awarded in FY 2018. (For FY 2017 grant recipients, please see the FY 2019 Baseline Book. For a full list of grant recipients prior to FY 2017, please see the FY 2018 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 1

Arizona Compete Fund Commitments and Expenditures by Award Year

Award Year	Commitments	Expenditures
FY 2012	\$ 7,097,000	\$ 6,445,500
FY 2013	7,953,000	7,638,400
FY 2014	10,029,200	7,502,700
FY 2015	10,180,100	6,856,600
FY 2016	6,350,000	4,388,800
FY 2017	13,551,500	5,864,100
FY 2018 ^{1/}	<u>17,300,000</u>	<u>800,000</u>
Total	\$72,460,800	\$39,496,100

^{1/} Represents commitments and expenditures through September 30, 2018. ACA made no Competes Fund grants in the first quarter of FY 2019.

Table 2

Arizona Competes Fund: FY 2018 Grant Commitments

Recipients	Commitment
Competes Fund Grants for Expansion/Relocation	
MUFG Union Bank, N.A.	\$ 5,000,000
Bank of the West	3,000,000
Benchmark Electronics, Inc.	1,800,000
Raytheon Company	5,000,000
ZipRecruiter, Inc.	250,000
Ball Metal Beverage Container Corp.	<u>750,000</u>
Total	\$15,800,000
Arizona Innovation Challenge Grants	
GT Medical Technologies Inc.	\$ 250,000
Life365, Inc.	250,000
Paradox, LLC	250,000
Resonea, Inc.	250,000
Renewlogy	250,000
SimpleWan, Inc.	<u>250,000</u>
Total	\$ 1,500,000
Rural Economic Development Grants	
N/A	\$ 0
Total FY 2018 Commitments	\$17,300,000

SUMMARY OF FUNDS

Application Fees Fund (CAA3005/A.R.S. § 41-1504)

Non-Appropriated

Source of Revenue: A processing fee equal to 1% of the relevant tax credit being refunded per tax credit application.

Purpose of Fund: To provide funding for staff to determine if taxpayers who qualify for a tax credit for increased research activities qualify for other income tax refunds.

Funds Expended

597,500

799,600

Year-End Fund Balance

2,555,800

2,567,400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona Commerce Authority Fund (CAA2547/A.R.S. § 41-1506)	Non-Appropriated	
Source of Revenue: An annual deposit of \$10,000,000 in corporate income tax withholding revenues, gifts, grants, and other donations. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund. Expenditures from this fund totaled \$10,000,000 in FY 2018.		
Purpose of Fund: To fund the operating costs of the Authority.		
Funds Expended	0	0
Year-End Fund Balance	1,538,400	1,288,400
Arizona Commerce Authority Carryover Fund (CAA1001/A.R.S. § 41-1504)	Non-Appropriated	
Source of Revenue: The remaining \$13,991,325 in left-over funds transferred from various funds belonging to the Arizona Department of Commerce and any residual FY 2011 revenue collected in FY 2012.		
Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
Funds Expended	973,800	1,416,200
Year-End Fund Balance	1,258,200	139,100
Arizona Competes Fund (CAA2548/A.R.S. § 41-1545.01)	Non-Appropriated	
Source of Revenue: Receives an annual deposit of \$11,500,000 in income tax withholding revenues, \$3,500,000 in lottery ticket sales revenues, gifts, grants, and other donations. The deposit made from income tax withholding revenues will be reduced to \$5,500,000 in FY 2020 and thereafter. Expenditures of the income tax withholding revenues are not displayed to avoid double counting the original General Fund appropriation to this fund. Expenditures from this fund totaled \$4,702,100 in FY 2018.		
Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
Funds Expended	0	0
Year-End Fund Balance	48,477,700	49,081,700
Donations Fund (CAA3189/A.R.S. § 41-1504)	Non-Appropriated	
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
Funds Expended	55,700	66,000
Year-End Fund Balance	68,900	37,900
Federal Funds (CAA2000/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Federal grants for community development, job training, and home programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	1,612,600	1,490,600
Year-End Fund Balance*	(907,800)	0
Arizona Innovation Accelerator Fund (CAA9507/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: The U.S. Department of Treasury State Small Business Credit Initiative Act of 2010.		
Purpose of Fund: To fund state created programs that increase the amount of capital made available by private lenders to small businesses.		
Funds Expended	194,000	355,000
Year-End Fund Balance	18,438,400	18,290,300

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Job Training Fund (CAA1237/A.R.S. § 41-1544)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and interest earned on investments. The FY 2015 Revenue Budget Reconciliation Bill repealed the job training tax effective December 31, 2015 that had been previously deposited into the fund. Laws 2017, Chapter 307 allows ACA to continue to make grants from the fund until December 31, 2020, and grantees must expend all funds by June 30, 2022 when the fund expires. Any monies in the fund as of the repeal date shall be transferred to the General Fund.		
Purpose of Fund: To provide training and retraining for specific employment opportunities with new and expanding businesses or businesses undergoing economic conversion. Training shall be through the community college system, a licensed private postsecondary educational institution, or a community college operated by a tribal government, unless the employer requests another qualified training provider. Of the monies appropriated to the fund, 25% is set aside for rural and small businesses.		
Funds Expended	2,955,300	5,400,000
Year-End Fund Balance	29,751,100	24,813,200
Mexico Trade Office (CAA9972/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: An annual deposit of \$300,000 from the General Fund, as well as donations from government and private entities.		
Purpose of Fund: Used to pay for the operation costs of a trade office in Mexico City. Expenditures of \$300,000 made from the General Fund deposit are not displayed to avoid double counting.		
Funds Expended	2,600	0
Year-End Fund Balance	155,900	155,900
RevAZ Fund (CAA9971/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Fees paid by private-sector entities for services in conjunction with the federal Manufacturing Extension Partnership.		
Purpose of Fund: To provide services related but separate from the Federal Manufacturing Extension Partnership. Services are provided both by ACA staff as well as independent contractors.		
Funds Expended	180,300	612,500
Year-End Fund Balance	336,300	223,800

* As reported by the agency. Actual ending balance will not be negative.

Arizona Community Colleges

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	4,589,600	4,677,300	4,623,500
Coconino	1,731,100	1,749,200	1,703,400
Gila	298,400	324,900	293,700
Graham	2,288,300	2,357,900	2,389,600
Mohave	1,195,500	1,152,700	1,175,300
Navajo	1,649,000	1,576,500	1,567,700
Pinal	1,621,400	1,507,800	1,452,000
Santa Cruz	96,800	84,100	0
Yavapai	639,400	589,900	601,400
Yuma/La Paz	2,622,100	2,613,500	2,399,500
<i>Subtotal - Operating State Aid</i>	16,731,600	16,633,800	16,206,100
STEM and Workforce Programs State Aid			
Cochise	986,400	1,010,800	996,200
Coconino	409,000	415,600	399,200
Gila	136,500	146,200	135,000
Graham	609,000	634,400	645,800
Mohave	462,500	446,900	455,000
Navajo	369,100	342,600	339,500
Pinal	96,500	96,500	96,500
Santa Cruz	67,000	62,400	26,900
Yavapai	717,000	699,000	703,100
Yuma/La Paz	845,500	843,100	784,900
<i>Subtotal - STEM and Workforce Programs State Aid</i>	4,698,500	4,697,500	4,582,100
Equalization Aid			
Cochise	5,210,200	5,848,200	6,389,500
Graham	15,028,600	15,717,800	16,506,200
Navajo	6,672,100	7,107,100	7,751,900
<i>Subtotal - Equalization Aid</i>	26,910,900	28,673,100	30,647,600
Rural County Allocation	2,596,700	2,902,300	2,902,300 ^{1/}
Rural County Reimbursement Subsidy	1,273,800	1,273,800	1,273,800 ^{2/}
Tribal Community Colleges	2,625,000	2,825,000	2,825,000 ^{3/}
Additional Gila Workforce Development Aid	250,000	200,000	200,000
AGENCY TOTAL	55,086,500	57,205,500	58,636,900^{4/}

FUND SOURCES

General Fund	55,086,500	57,205,500	58,636,900
SUBTOTAL - Appropriated Funds	55,086,500	57,205,500	58,636,900
Other Non-Appropriated Funds	20,121,600	20,121,600	20,120,600
TOTAL - ALL SOURCES	75,208,100	77,327,100	78,757,500

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/} 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 2020, that amount is estimated to be \$2,902,300. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.

- 2/ 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)
- 3/ 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.
- 4/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

Operating State Aid

The Baseline includes \$16,206,100 from the General Fund in FY 2020 for Operating State Aid. FY 2020 adjustments are as follows:

Enrollment Changes

The Baseline includes a decrease of \$(427,700) from the General Fund in FY 2020 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (798), or (2.7)%, decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 1). The (798) net FTSE decrease consists of a (709) FTSE decrease in non-dual enrollment students and an (89) 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.

The FY 2020 Baseline has no Operating State Aid for the Santa Cruz Provisional Community College District (SCPCCD) for FY 2020. The Operating State Aid formula adjusts a community college's Operating State Aid appropriation for FY 2020 based on the FTSE change from FY 2017 to FY 2018 multiplied by the statewide average Operating State Aid provided in FY 2019 (\$588). Given the SCPCCD (170) FTE reduction, their operating reduction would be \$(100,000). SCPCCD, however, only has \$84,100 in Operating State Aid. As a result, Santa Cruz will qualify for \$0 in FY 2020 in Operating State Aid.

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 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 2020, the last actual FTSE data was from FY 2018.)

Table 1

Community College Enrollment

District	FY 2017 FTSE	FY 2018 FTSE	Percentage Change
Cochise	6,353	6,258	(1.5)%
Coconino	2,048	1,999	(2.4)%
Gila	735	684	(6.9)%
Graham	3,075	3,125	1.6%
Mohave	2,270	2,296	1.1%
Navajo	1,827	1,772	(3.0)%
Pinal	3,688	3,578	(3.0)%
Santa Cruz	298	128	(57.0)%
Yavapai	3,498	3,510	0.3%
Yuma/La Paz	5,305	4,949	(6.7)%
Total	29,097	28,299	(2.7)%

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. A session law provision, subsequently, however, continued to suspend the formula for FY 2019. As a result, Maricopa and Pima County continued to receive no Operating State Aid. The Baseline assumes that the Higher Education BRB for FY 2020 will continue to suspend Maricopa and Pima Operating State Aid funding in FY 2020.

The full formula funding for Maricopa and Pima County cannot be calculated for FY 2020. 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 Baseline includes \$4,582,100 from the General Fund in FY 2020 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid (formerly Capital Outlay State Aid). FY 2020 adjustments are as follows:

Enrollment Changes

The Baseline includes a decrease of \$(115,400) from the General Fund in FY 2020 to fund reduced formula costs for STEM and Workforce Programs State Aid.

As permanent law, the FY 2018 Higher Education BRB restored eligibility for FY 2019 STEM and Workforce Programs State Aid funding for Maricopa and Pima County that was eliminated by Laws 2015, Chapter 16. As session law, however, the FY 2019 Higher Education BRB continued to suspend the program's funding formula and instead funded the amounts specified in the General Appropriation Act. The General Appropriation Act included no STEM and Workforce Programs State Aid funding for Maricopa and Pima County in FY 2019.

The Baseline assumes that the FY 2020 Higher Education BRB will continue to fully fund the STEM and Workforce Program State Aid formula for all rural districts except for Pinal, which will continue to be kept flat at \$96,500. If Pinal was fully funded, it would cost an additional \$652,700. If the formula were fully funded for FY 2020, Maricopa would receive \$10,849,300 and Pima would receive \$2,343,200 in FY 2020.

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.

Equalization Aid

The Baseline includes \$30,647,600 from the General Fund in FY 2020 for Equalization Aid. FY 2020 adjustments are as follows:

Property Value Changes

The Baseline includes an increase of \$1,974,500 from the General Fund in FY 2020 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 2020 Equalization Funding Changes

District	FY 2019	Year-over- Year Change	FY 2020
Cochise	\$ 5,848,200	\$541,300	\$ 6,389,500
Graham	15,717,800	788,400	16,506,200
Navajo	7,107,100	644,800	7,751,900
Total	\$28,673,100	\$1,974,500	\$30,647,600

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 2020 Equalization Aid formula calculation, the minimum assessed valuation increased 4.1% to approximately \$1.4 billion. (See *Table 3* for the calculation of the growth rate.)

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 values all increased by 4.1% in TY 2017. In comparison, Cochise increased by 1.7%, Graham declined by (1.4)%, and Navajo increased by 0.9%. Because their primary assessed value increased by less than the average rural district, Cochise, Graham, and Navajo qualify for more aid.

Table 3

Equalization Growth Factor for Tax Years (TY) 2017-2018

District	TY 2017 Primary AV	TY 2018 Primary AV	TY 2017- 2018 % Growth
Cochise*	\$ 913,002,900	\$ 928,290,400	1.7 %
Graham*	192,589,700	189,842,100	(1.4)%
Navajo*	821,107,800	828,848,100	0.9 %
Coconino	1,648,531,000	1,726,579,800	4.7 %
Mohave	1,739,751,600	1,811,189,500	4.1 %
Pinal	2,239,027,300	2,355,433,500	5.2 %
Yavapai	2,463,150,000	2,599,537,800	5.5 %
Yuma/LaPaz	1,358,691,500	1,401,182,900	3.1 %
Total	\$11,375,851,800	\$11,840,904,100	4.1 %
Minimum AV	\$1,339,876,700	\$1,394,677,700	4.1 %

* These districts qualify to receive Equalization Aid under the state funding formula.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.39 billion in FY 2020), 2) whether the district's change in assessed value was less than the rural districts' average change, and 3) the applicable tax rate.

Rural County Allocation

The Baseline includes \$2,902,300 from the General Fund in FY 2020 for Rural County Allocation. This amount is unchanged from FY 2019.

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 2018, the JLBC Staff reported the amount to be \$2,902,300 for FY 2019.

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 Baseline includes \$1,273,800 from the General Fund in FY 2020 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2019.

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 Baseline includes \$2,825,000 from the General Fund in FY 2020 for Tribal Community Colleges. This amount is unchanged from FY 2019.

The Baseline assumes 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 Baseline 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 Baseline assumes \$200,000 for the Tohono O'Odham Community College in FY 2020 based on a projection of 10% of the collected TPT revenues from the reservation.

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 2020 will depend on FY 2020 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act.

The State has compacts with the Navajo Nation and the Tohono O'Odham Nation. Laws 2016, Chapter 148 set a 20-year term for compacts entered into by a qualified tribe and the Executive; a compact can be renewed during the fourth year prior to the compact's expiration for an additional term of 20 years or more. The renewal requires JLBC review.

The initial compact for Diné College was signed October 19, 1999, and the JLBC Committee favorably reviewed a 10-year renewal term in April 2009. The compact was amended to include Navajo Technical College in February 2014, and renewal was extended until June 30, 2020. On June 1, 2018, the Executive and the Navajo Nation signed a 20-year compact for the 2 institutions that is effective from July 1, 2020 to June 30, 2040; the next JLBC review would be in 2036.

The Tohono O'Odham entered into an initial compact with the Executive in 2017; the next JLBC review would be in 2033.

Additional Gila Workforce Development Aid

The Baseline includes \$200,000 from the General Fund for Additional Gila Workforce Development Aid in FY 2020. This amount is unchanged from FY 2019.

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). In FY 2018, the General Appropriation Act provided an additional one-time appropriation of \$50,000 for this purpose.

Other Issues

Statutory Changes

The Baseline would:

- As session law, continue to suspend the Operating State Aid formula funding in FY 2020 for Maricopa and Pima Counties.
- As session law, continue to suspend the STEM and Workforce Programs funding formula for FY 2020 and specify funding in the General Appropriation Act, which for Pinal would again equal \$96,500.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the Arizona Community College General Fund costs are projected to increase by \$2,583,100 in FY 2021 above FY 2020 and \$2,802,900 in FY 2022 above FY 2021. These estimates assume:

- Flat enrollment growth (so no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2020 and FY 2021).
- No funding changes for Operating State Aid or STEM and Workforce Programs State Aid for Maricopa, Pima, and Pinal County.
- An increase of \$2,583,100 for Equalization Aid in FY 2021 and \$2,802,900 in FY 2022. These estimates assume Net Assessed Value (NAV) growth of 4.9% in FY 2020 and FY 2021 based on the state-wide average. The counties receiving aid would see a 2.3% increase in FY 2020 and 2.4% NAV increase in both years for the counties that receive Equalization Aid. 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 in both years.

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 2.9% of their revenues (excluding bond proceeds) from state aid.

For FY 2019, base operating revenues from all sources are estimated to be \$1,738,467,300, which would be an increase of 3.9% from FY 2018. (See Table 4 for a summary of FY 2019 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 51% 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 2019 property tax rates.)

In 2012, Proposition 117 capped annual property value increases on any single parcel of real property to 5% starting in FY 2016 (see the FY 2017 Appropriations Report for more information). The existing 2% "levy limit" remains in place. 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 are assessed on a per credit hour basis. FY 2019 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is \$2,550 if a full-time student attends for 30 hours a year. The FY 2019 amount represents an increase of 0.1% from FY 2018. (See Table 6 for FY 2019 resident tuition and fee rates.)

Table 4

Total Estimated Community College Revenues – FY 2019

District	State Aid	Tuition/Fees	Property Taxes	Grants	Other ^{1/}	FY 2019 Total ^{2/}	FY 2018 Total ^{3/}	% Change from FY 2017
Cochise	\$11,536,300	\$9,726,700	22,300,300	12,879,000	\$1,205,800	\$57,648,100	\$51,864,400	11.2%
Coconino	2,164,800	7,845,200	10,288,000	5,394,400	1,018,300	26,710,700	25,722,400	3.8%
Gila ^{4/}	471,100	0	4,725,200	375,000	325,000	5,896,300	5,836,500	1.0%
Graham	18,710,100	8,539,800	6,316,000	9,541,600	9,971,500	53,079,000	46,026,600	15.3%
Maricopa	-	239,207,400	555,988,400	199,719,900	50,345,600	1,045,261,300	1,009,481,200	3.5%
Mohave	1,599,600	9,105,900	24,291,700	8,566,200	853,000	44,416,400	43,240,700	2.7%
Navajo	9,026,200	4,860,000	15,055,200	5,657,400	2,282,900	36,881,700	35,831,700	2.9%
Pima	-	48,772,000	116,532,800	48,630,000	6,820,200	220,755,000	208,225,900	6.0%
Pinal	1,604,300	11,675,000	43,853,400	16,007,500	2,040,000	75,180,200	90,905,200	-17.3%
Santa Cruz ^{4/}	146,500	10,000	1,621,500	45,100	16,500	1,839,600	1,782,300	3.2%
Yavapai	1,288,900	11,355,000	50,403,300	12,945,200	8,955,900	84,948,300	78,155,400	8.7%
Yuma/La Paz	<u>3,456,600</u>	<u>13,133,800</u>	<u>35,977,600</u>	<u>25,156,900</u>	<u>8,125,800</u>	<u>85,850,700</u>	<u>75,873,200</u>	<u>13.2%</u>
Total	\$50,004,400	\$364,230,800	\$887,353,400	\$344,918,200	\$91,960,500	\$1,738,467,300	\$1,672,945,500	3.9%

^{1/} Includes auxiliary programs, interest income, workforce development funds, and transfers.

^{2/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,051,396,800 for FY 2019.

^{3/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,737,121,800 for FY 2018.

^{4/} 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.

Table 5

Community College Tax Rates – FY 2019

District	Primary Rate	Secondary Rate	Combined Rate	% Change Combined Rate from FY 2018
Cochise	\$2.40	\$0.00	\$2.40	1.2%
Coconino	0.47	0.12	0.60	-3.0%
Gila	0.96	0.00	0.96	2.3%
Graham	3.33	0.00	3.33	6.0%
Maricopa	1.17	0.20	1.38	-2.4%
Mohave	1.34	0.00	1.34	-0.1%
Navajo	1.82	0.00	1.82	0.5%
Pima	1.40	0.00	1.40	0.7%
Pinal	2.18	0.19	2.36	-7.1%
Santa Cruz	0.49	0.00	0.49	-1.0%
Yavapai	1.76	0.19	1.95	-1.8%
Yuma/La Paz	2.22	0.35	2.57	3.2%

Community colleges also receive grants and “other” revenue from a variety of sources. Combined, they account for approximately 19.8% of community college revenues. Grants traditionally come from the federal government, including: the U.S. Department of Education, Small Business Administration, National Science Foundation, and Health and Human Services. Revenue listed in the “other” category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

Table 6

Community College Resident Tuition and Fees – FY 2019

District	Cost Per Credit Hour	Annual Cost ^{1/}	% Change from FY 2018
Cochise	\$85	\$2,550	3.7%
Coconino	109	3,270	3.8%
Gila	80	2,400	-5.9%
Graham	90	2,700	5.9%
Maricopa	85	2,550	-1.2%
Mohave	81	2,430	0.0%
Navajo	74	2,220	2.8%
Pima	83	2,475	1.2%
Pinal	86	2,580	0.0%
Santa Cruz	83	2,475	1.2%
Yavapai	87	2,610	4.8%
Yuma/La Paz	<u>84</u>	<u>2,520</u>	<u>2.4%</u>
Weighted Average	\$85	\$2,550	0.1%

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

Total Community College Expenditures

Table 7 shows total budgeted FY 2019 community college expenditures. In FY 2019, total budgeted expenditures are \$2,051,396,800. As mentioned previously, base operating revenues for FY 2019 are \$1,738,467,300; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,051,396,800. Of the total

\$2,051,396,800 in budgeted expenditures, \$1,563,704,900, or 76.2%, of these expenditures are from the community colleges' General and Restricted Funds. This includes about \$493,210,900, or 24%, for instruction and \$298,084,600, or 14.5%, for administrative support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$152,918,000, or 7.5% of the total. Plant Fund expenditures, which generally include capital costs, are \$188,323,300, or 9.2% of the total. The remaining \$146,450,600 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.)

Table 7

Community Colleges - FY 2019 Budgeted Expenditures

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$493,210,900	24.0%
Public Service	\$24,478,500	1.2%
Academic Support	\$144,919,700	7.1%
Student Services	\$160,705,200	7.8%
Institutional Support	\$298,084,600	14.5%
Operation & Maintenance	\$112,164,600	5.5%
Scholarships/Grants	\$282,801,600	13.8%
Contingency	\$47,339,800	2.3%
Subtotal	\$1,563,704,900	76.2%
Auxiliary Enterprises Fund	\$152,918,000	7.5%
Plant Fund	\$188,323,300	9.2%
Debt Service	\$146,450,600	7.1%
Total	\$2,051,396,800	100%

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)		Non-Appropriated
Source of Revenue: A portion of the 0.6% education sales tax. The law directs each qualifying tribal community college to receive distributions in the same manner as the transfers to individual community college district workforce development accounts. A "qualifying Indian tribe" is an Indian tribe that owns, operates, and charters any community college located on its own reservation in this state.		
Purpose of Fund: To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.		
Funds Expended	772,700	772,700
Year-End Fund Balance	0	0
Workforce Development Accounts (varies by account/A.R.S. § 15-1472)		Non-Appropriated
Source of Revenue: Three percent of collections from the 0.6% education sales tax, after debt service on state school facilities revenue bonds has been paid. This funding was authorized by voter approval of Proposition 301 in the November 2000 General Election.		
Purpose of Fund: To fund workforce development and training activities at the community college districts.		
Funds Expended	19,348,900	19,348,900
Year-End Fund Balance	0	0

Constable Ethics Standards and Training Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	203,500	442,100	442,100
TOTAL - ALL SOURCES	203,500	442,100	442,100

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.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Constable Ethics Standards and Training (CNA2346/A.R.S. § 22-138)		Non-Appropriated
Source of Revenue: Fees collected for every writ served on behalf of a Justice of the Peace.		
Purpose of Fund: 80% to fund constable training, equipment and related grants and 20% to fund operating expenses for the board.		
Funds Expended	203,500	442,100
Year-End Fund Balance	590,600	460,800

Registrar of Contractors

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	4,736,900	5,670,600	5,670,600
Employee Related Expenditures	1,957,700	2,431,100	2,431,100
Professional and Outside Services	457,900	405,300	405,300
Travel - In State	231,400	301,000	301,000
Travel - Out of State	10,600	11,800	11,800
Other Operating Expenditures	768,600	1,945,700	1,945,700
Equipment	142,600	517,000	517,000
OPERATING SUBTOTAL	8,305,700	11,282,500	11,282,500
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	363,600	1,017,600	1,017,600
AGENCY TOTAL	8,669,300	12,300,100	12,300,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Registrar of Contractors Fund	8,669,300	12,300,100	12,300,100
SUBTOTAL - Other Appropriated Funds	8,669,300	12,300,100	12,300,100
SUBTOTAL - Appropriated Funds	8,669,300	12,300,100	12,300,100
Other Non-Appropriated Funds	1,860,300	4,666,800	7,366,800
TOTAL - ALL SOURCES	10,529,600	16,966,900	19,666,900

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

The Baseline includes \$11,282,500 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Office of Administrative Hearings Costs

The Baseline includes \$1,017,600 from the Registrar of Contractors Fund in FY 2020 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2019.

Monies in this line item are transferred from the Registrar of Contractors to OAH for services provided by OAH.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Registrar of Contractors Fund (RGA2406/A.R.S. § 32-1107)		Appropriated
Source of Revenue: Monies collected from the examination and licensing of contractors. The agency retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate contractors, and for board administration.		
Funds Expended	8,669,300	12,300,100
Year-End Fund Balance	8,149,500	3,714,600

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Residential Contractors' Recovery Fund (RGA3155/A.R.S. § 32-1132)		Non-Appropriated
Source of Revenue: An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
Purpose of Fund: To compensate anyone who is injured by an act, a representation, a transaction, or the conduct of a residential contractor. Compensation for damages to any one individual cannot exceed \$30,000. Up to 14% of prior fiscal year revenue may be used to administer the fund.		
Funds Expended	1,860,300	4,666,800
Year-End Fund Balance	15,664,300	11,852,600

Corporation Commission

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	300.9	300.9	300.9 ^{1/}
Personal Services	15,658,400	15,906,100	15,906,100
Employee Related Expenditures	6,010,900	6,256,700	6,256,700
Professional and Outside Services	1,292,600	1,021,900	1,021,900
Travel - In State	164,500	225,000	225,000
Travel - Out of State	126,200	151,000	151,000
Other Operating Expenditures	2,955,800	2,960,000	2,960,000
Equipment	255,700	282,000	282,000
OPERATING SUBTOTAL	26,464,100	26,802,700	26,802,700
SPECIAL LINE ITEMS			
Corporation Filings, Same-Day Service	0	401,200	401,200 ^{2/}
Railroad Safety Inspectors	0	196,600	0
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000 ^{3/}
AGENCY TOTAL	26,464,100	27,780,500	27,583,900 ^{4/}
FUND SOURCES			
General Fund	621,000	814,600	618,000
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	51,600	50,700	50,700
Investment Management Regulatory and Enforcement Fund	717,600	714,700	714,700
Public Access Fund	6,222,000	6,713,000	6,713,000
Securities Regulatory and Enforcement Fund	4,964,600	5,038,200	5,038,200
Utility Regulation Revolving Fund	13,887,300	14,449,300	14,449,300
SUBTOTAL - Other Appropriated Funds	25,843,100	26,965,900	26,965,900
SUBTOTAL - Appropriated Funds	26,464,100	27,780,500	27,583,900
Federal Funds	693,500	825,000	825,000
TOTAL - ALL SOURCES	27,157,600	28,605,500	28,408,900

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 2020.
- ^{2/} The \$401,200 appropriated from the Public Access Fund for the Corporation Filings, Same-Day Service line item reverts to the Public Access Fund established by A.R.S. § 10-122.01 at the end of FY 2020 if the commission has not established a same-day service pursuant to A.R.S. § 10-122. (General Appropriation Act footnote).
- ^{3/} 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)
- ^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$26,802,700 and 298.9 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$618,000
Arizona Arts Trust Fund	50,700
Investment Management Regulatory and Enforcement Fund	714,700
Public Access Fund	6,311,800
Securities Regulatory and Enforcement Fund	5,038,200
Utility Regulation Revolving Fund	14,069,300

These amounts are unchanged from FY 2019.

Corporation Filings, Same-Day Service

The Baseline includes \$401,200 and 2 FTE Positions from the Public Access Fund in FY 2020 for Corporation Filings, Same-Day Service. These amounts are unchanged from FY 2019.

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.

Railroad Safety Inspectors

The Baseline includes no funding from the General Fund in FY 2020 for the Railroad Safety Inspectors line item. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(196,600) from the General Fund in FY 2020 to remove one-time funding.

Laws 2018, Chapter 333 appropriated \$196,600 of one-time funding from the General Fund in FY 2019 for 2 railroad safety inspector positions. Railroad safety inspectors are responsible for inspecting rail track and rail crossings throughout the state for safety and compliance with state laws.

FY 2019 was the first year of funding for this line item.

Utilities Audits, Studies, Investigations & Hearings

The Baseline includes \$380,000 from the Utility Regulation Revolving Fund in FY 2020 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2019.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona Arts Trust Fund (CCA3043/A.R.S. § 41-983.01)		Appropriated
Source of Revenue: One-third of the filing fees for the annual report of domestic and foreign corporations.		
Purpose of Fund: For grants under the Arizona arts program and for other expenditures as authorized by the chairman of the Arizona Arts Commission. The Corporation Commission funds 1 FTE Position with these monies to assist in collecting the fee, with the remainder transferred to the Arts Commission.		
Funds Expended	51,600	50,700
Year-End Fund Balance	1,400	1,400
Federal Funds (CCA2000/A.R.S. § 40-441)		Non-Appropriated
Source of Revenue: U.S. Department of Transportation grants.		
Purpose of Fund: To pay up to 50% of the costs associated with the inspection of interstate pipelines transporting gas and hazardous liquids, and conduction of a pipeline safety program.		
Funds Expended	693,500	825,000
Year-End Fund Balance	4,260,800	4,606,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
IGA and ISA Fund (CCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	8,200	8,000
Investment Management Regulatory and Enforcement Fund (CCA2404/A.R.S. § 44-3298)		Appropriated
Source of Revenue: Fees from licensing of investment advisors and investment advisor representatives, and from costs recovered from enforcement actions associated with the licensing.		
Purpose of Fund: For education, regulatory, investigative and enforcement operations in the Securities Division.		
Funds Expended	717,600	714,700
Year-End Fund Balance	1,757,100	1,884,800
Pipeline Safety Revolving Fund (CCA2174/A.R.S. § 40-443 [REPEALED])		Appropriated
Source of Revenue: Revenues from civil penalties and fines assessed for the violation of any law, rule, or order pertaining to the safety of the transportation of gas and hazardous liquids, and pipeline facilities. The FY 2019 Budget Procedures Reconciliation Bill repealed the fund and transferred all unencumbered monies to the General Fund.		
Purpose of Fund: For expenses associated with gas and hazardous liquids pipeline facilities safety, including public education, training, purchasing equipment, and inspections.		
Funds Expended	0	0
Year-End Fund Balance	144,200	0
Public Access Fund (CCA2333/A.R.S. § 10-122.01)		Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: To cover a part of the commission's administrative and legal expenses as well as costs associated with an improved data processing system that allows direct, online access by any person at a remote location to all public records concerning corporations and associations.		
Funds Expended	6,222,000	6,713,000
Year-End Fund Balance	810,600	200,000
Securities Regulatory and Enforcement Fund (CCA2264/A.R.S. § 44-2039)		Appropriated
Source of Revenue: Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.		
Purpose of Fund: For education, regulatory, investigative, and enforcement operations in the Securities Division.		
Funds Expended	4,964,600	5,038,200
Year-End Fund Balance	7,240,200	697,300
Utility Regulation Revolving Fund (CCA2172/A.R.S. § 40-408)		Appropriated
Source of Revenue: Assessments against public utilities regulated by the commission, as defined by A.R.S. § 40-401.		
Purpose of Fund: For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists and other staff employed by the division.		
Funds Expended	13,887,300	14,449,300
Year-End Fund Balance	6,653,200	4,203,900

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Utility Siting Fund (CCA2076/A.R.S. § 40-360.09)		Non-Appropriated
Source of Revenue: Fees paid for applications to the Power Plant and Transmission Line Siting Committee for proposed and expanded power plants and transmission lines.		
Purpose of Fund: For costs incurred by the Power Plant and Transmission Line Siting Committee in connection with the activities of the committee.		
Funds Expended	0	0
Year-End Fund Balance	69,100	29,100

State Department of Corrections

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,541.0	9,556.0	9,556.0 ^{1/}
Correctional Officer Personal Services	298,692,000	316,906,200	316,906,200
Health Care Personal Services	2,750,700	2,860,600	2,860,600
All Other Personal Services	64,983,700	64,067,600	64,067,600
Personal Services Subtotal	366,426,400	383,834,400	383,834,400
Employee Related Expenditures	201,207,600	239,796,500	239,796,500
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	64,585,800	15,528,400	15,528,400
Health Care All Other Operating Expenditures			
Professional and Outside Services	1,838,800	2,025,000	2,025,000
Travel - In State	8,300	24,000	24,000
Travel - Out of State	6,100	8,000	8,000
Other Operating Expenditures	609,500	642,700	642,700
Equipment	35,000	3,000	3,000
Health Care Operating Subtotal	2,497,700	2,702,700	2,702,700
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	10,139,300	6,153,000	6,153,000
Travel - In State	419,700	305,500	305,500
Travel - Out of State	96,900	96,000	96,000
Food	37,616,200	40,320,000	40,320,000
Other Operating Expenditures	105,972,800	111,054,700	107,981,800
Equipment	3,792,500	4,036,200	3,078,200
Non-Health Care Operating Subtotal	158,037,400	161,965,400	157,934,500
OPERATING SUBTOTAL	792,754,900	803,827,400	799,796,500
SPECIAL LINE ITEMS			
Community Corrections	0	19,584,200	19,584,200
Private Prison Per Diem	153,170,300	166,409,800	166,409,800 ^{2/}
Inmate Health Care Contracted Services	140,287,800	163,811,700	163,811,700 ^{3/}
Named Claimants	16,000	0	0
AGENCY TOTAL	1,086,229,000	1,153,633,100	1,149,602,200 ^{4/-B/}
FUND SOURCES			
General Fund	1,056,137,600	1,099,670,000	1,096,597,100
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	511,100	555,500	555,500
Corrections Fund	16,953,000	30,312,300	30,312,300
Inmate Store Proceeds Fund	3,800	1,340,400	1,340,400
Penitentiary Land Fund	1,341,700	2,507,400	2,507,400 ^{9/}
Prison Construction and Operations Fund	6,071,100	12,500,000	12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,273,900	3,079,500	2,661,500 ^{10/}
State Education Fund for Correctional Education	667,700	727,900	727,900 ^{11/}
Transition Program Fund	2,269,100	2,940,100	2,400,100
SUBTOTAL - Other Appropriated Funds	30,091,400	53,963,100	53,005,100
SUBTOTAL - Appropriated Funds	1,086,229,000	1,153,633,100	1,149,602,200

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
Other Non-Appropriated Funds	54,077,100	57,505,600	56,965,600
Federal Funds	1,375,400	9,251,100	9,039,700
TOTAL - ALL SOURCES	1,141,681,500	1,220,389,800	1,215,607,500

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 2020.
- 2/ Of the amount appropriated for the Private Prison Per Diem line item, \$17,466,700 shall be used for the purpose of making a debt service payment on the financing agreement authorized by Laws 2016, Chapter 119, Section 24. (General Appropriation Act footnote)
- 3/ Before implementing any changes in per diem 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)
- 4/ 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)
- 5/ 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 30th 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. (General Appropriation Act footnote)
- 6/ On or before August 1, 2019, 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, 2018 and June 30, 2019 and the projected capacity for June 30, 2020, 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 THE ELIMINATION OF 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 State Department of Corrections 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)
- 7/ On or before August 1, 2019, the State Department of Corrections shall transfer to the Public Safety Personnel Retirement System via the Arizona Department of Administration its estimated required annual contribution to the Corrections Officer Retirement Plan for FY 2020. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ 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 for the support of state penal institutions. (General Appropriation Act footnote)
- 10/ 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 for the support of state penal institutions. (General Appropriation Act footnote)
- 11/ Before the expenditure of any State Education Fund for Correctional Education monies in excess of \$727,900, 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)

Summary

The Baseline reduces the Arizona Department of Corrections (ADC)'s General Fund spending by \$(3,072,900) in FY 2020 for the elimination of a debt payment.

Operating Budget

The Baseline includes \$799,796,500 and 9,372 FTE Positions in FY 2020 for the operating budget. This amount consists of:

	FY 2020
General Fund	\$790,371,000
Alcohol Abuse Treatment Fund	250,000
Corrections Fund	3,000,800
Inmate Store Proceeds Fund	1,340,400
Penitentiary Land Fund	444,900
Prison Construction and Operations Fund	2,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,161,500
State Education Fund for Correctional Education	727,900

FY 2020 adjustments are as follows:

Remove COP Payment

The Baseline includes a decrease of \$(3,072,900) from the General Fund in FY 2020 for the elimination of a debt payment from a FY 2004 refinance to pay for the increase of 1,000 beds at the following facilities: ASPC - Douglas, ASPC - Perryville, and ASPC - Tucson.

Remove One-Time Funding

The Baseline includes a decrease of \$(540,000) from the Transition Program Fund in FY 2020 to remove a one-time appropriation for equipment costs associated with expanding the substance abuse staff treating inmates.

Remove One-Time Funding

The Baseline includes a decrease of \$(418,000) from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2020 to remove a one-time appropriation for equipment costs associated with inmate education programs.

Community Corrections

The Baseline includes \$19,584,200 and 184 FTE Positions in FY 2020 for Community Corrections. This amount consists of:

General Fund	16,878,600
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,100

These amounts are unchanged from FY 2019.

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 \$19,584,200 in FY 2019 appropriated funds, ADC projects that they will utilize an additional \$10,548,400 in non-appropriated funds for these activities in FY 2019.

As of December 31, 2018, ADC has responsibility for 5,347 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. 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) that provide an intensive treatment program for inmates and sanctions beds.

At the Pima facility, ADC also houses homeless offenders that do not have a secure placement. ADC reported FY 2018 expenditures of \$2.1 million for the Maricopa Reentry Center and \$2.6 million for the Pima Reentry Center.

Table 1

**FY 2018 Community Corrections
Program Expenditures ^{1/2/}**

	Approp.	Non- Approp.	Total
Comm. Supervision	\$12,882,900	\$5,655,600	\$18,538,500
Transition	2,490,400	72,700	2,563,100
Pima Reentry	2,575,800	0	2,575,800
Maricopa Reentry	<u>1,733,500</u>	<u>377,400</u>	<u>2,110,900</u>
Total	\$19,682,600	\$6,105,700	\$25,788,300

- ^{1/} The Community Corrections SLI was created in FY 2019. These amounts represent FY 2018 expenditures from the programs included in the SLI starting in FY 2019.
- ^{2/} These amounts include \$50,500 in Risk Management costs distributed proportionally across the 4 programs.

Private Prison Per Diem

The Baseline includes \$166,409,800 in FY 2020 for Private Prison Per Diem. This amount consists of:

General Fund	137,035,800
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

These amounts are unchanged from FY 2019.

Background – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 8,538 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 \$17,466,700 FY 2020 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 Baseline includes \$163,811,700 in FY 2020 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	152,311,700
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 2019.

Background – ADC provides healthcare to inmates within state facilities through a contract with a provider at a per diem rate of \$15.164 as of July 1, 2018. This rate changes to \$4.352 for any inmates above or below a monthly average of 34,074 inmates in state facilities. As of November 31, 2018, a total of 33,733 inmates were in state facilities.

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 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.

A year ago, ADC was evaluating bids for a new 5-year contract with one 5-year renewal. The FY 2019 Executive budget requested an additional \$30 million annually for a new contract. The enacted FY 2019 budget, however, included a \$15 million adjustment for a new contract set to begin June 1, 2018.

On May 7, 2018, ADC instead signed a 1-year renewal contract with the current vendor at an increased per diem. The increase was expected to increase the cost by \$30 million above FY 2018. As a result, ADC entered FY 2019 with a projected shortfall in the line item of nearly \$(15) million. However, by November 2018, this shortfall was reduced to \$(7.9) million through staffing offsets and other savings.

ADC is currently reviewing proposals for a new contract to start in July 2019. ADC expects the evaluations to be completed in January 2019. The new contract may result in increased FY 2020 costs to the state. The Baseline does not attempt to estimate or fund those costs.

In addition to the funds appropriated for this line item, ADC also annually receives reimbursement from Medicaid for the costs of outside health care that can also be utilized to pay vendor costs. In FY 2018 the department recovered \$11,800,000.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Transition Program
- Bed Capacity Issues
 - Inmate Growth Rate
 - Bed Capacity
 - Bed Surplus/Shortfall

Statutory Changes

The Baseline would, as session law, continue to require the department to report actual FY 2019, estimated FY 2020, and requested 2021 expenditures as delineated in the prior year when the department submits its FY 2021 budget request pursuant to A.R.S. § 35-113.

Transition Program

A.R.S. § 31-254 requires that 5% of non-DUI 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 2018, the program saved a total of 95,242 bed days.

In FY 2018, the Transition Program Fund received revenue of about \$2.8 million. Of this amount, about \$1.2 million came from the inmate wage allocation, and \$1.6 million came from the \$17 transfer. According to AOC, the vendor costs to run the program in FY 2018 were about \$28 per inmate per day.

Program Expansion

Laws 2018, Chapter 344 expanded the Transition Program to include inmates convicted of the possession or use of marijuana, a dangerous drug, a narcotic drug, or drug paraphernalia and who are not serving a concurrent sentence. This law defines distinct qualifying conditions for eligible offenders. Statute will require additional transfers to the Transition Program Fund commensurate with additional bed days saved. However, the FY 2019 budget did not provide any additional expenditure authority from the Transition Program Fund.

Bed Capacity Issues

Inmate Growth Rate

On June 30, 2018, the total inmate population was 42,113. This is a decrease of (87) inmates since the June 30, 2017 population of 42,200. *Table 2* shows the year-end populations from FY 2014 to FY 2018.

Table 2

Year End Population, FY 2014 - FY 2018

Year	Population
FY 2014	41,773
FY 2015	42,611
FY 2016	42,902
FY 2017	42,200
FY 2018	42,113

Based on recent history, the Baseline assumes comparable population estimates through FY 2020. As of December 31, 2018, the population was 41,946.

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 38,655 public and private beds on June 30, 2018, a decrease of (620) from the 39,275 on June 30, 2017. This was entirely due to the deactivation of 3 units at ASPC - Douglas. As of December 2018, the department projects an increase of 199 rated beds in FY 2019. This increase includes the closing of some beds at ASPC - Florence, ASPC - Perryville, and ASPC - Tucson. ADC is also planning to upgrade a perimeter fence at ASPC - Douglas in order to reactivate 240 beds minimum security beds and reclassify them as medium security.
- 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 2018, the department decreased its total operating capacity by (535) beds, from 44,573 to 44,038. As of June 30, 2018, public and private prisons had a total of 5,383 temporary beds, unchanged from June 30, 2017. The department also projects 5,383 temporary beds in use at the end of FY 2019 as shown on *Table 4* for a total operating capacity of 44,237. The projected operating capacity for FY 2020 is expected to remain the same at 44,237.

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 1,820 as of June 30, 2018, 96 beds more than on June 30, 2017.

The department has flexibility in establishing or decommissioning beds (or shifting between inmate classification) as discussed in this section. A footnote continues to require the department to provide a report to the JLBC for its review regarding bed counts and reasons for changes in the number or classification of beds; this footnote also clarifies when the department needs to provide closure plans to the JLBC for its review after submitting the bed plan above. Under the FY 2020 Baseline, the footnote would be modified to require the report to address the rationale for the creation or elimination of any permanent beds rather than reducing the level of temporary beds.

Bed Surplus/Shortfall

At the end of FY 2018, the department had a total rated bed shortfall of (3,458). After adjusting for the 5,383 temporary beds in the overall ADC system, the rated bed shortfall became a 1,925-bed surplus as shown in *Table 3*.

The department projects a total rated bed shortfall of (3,259) for FY 2019. After adjusting for temporary beds, the shortfall becomes a 2,124-bed surplus as shown in *Table 4*.

Assuming no growth from FY 2019 to FY 2020, the rated bed shortfall and operating capacity is projected to be the same in FY 2020.

Bed shortfall estimates vary by level of security (e.g. minimum, medium, or maximum), and by gender. Based on ADC estimates, there would be an overall male custody bed surplus of 1,954 beds in FY 2019 and beyond, with a surplus at every custody level as shown in *Table 3*.

The department may be able to use temporary beds, reopen beds, or reallocate beds to meet unanticipated growth.

Table 3

Projected Male Operational Bed Capacity June Surplus/(Shortfall)

Custody	FY 2019 - FY 2020
Minimum	865
Medium	365
Close	458
Maximum	203
Reception	<u>63</u>
Total	1,954

Table 4

Fiscal Year-End Operating Capacity

State	FY 2018 Actual			FY 2019 Estimate			FY 2020 Estimate		
	Rated	Temporary	Operating Capacity	Rated	Temporary	Operating Capacity	Rated	Temporary	Operating Capacity
Douglas	1,435	343	1,778	1,805	343	2,148	1,805	343	2,148
Eyman	3,976	1,610	5,586	3,976	1,610	5,586	3,976	1,610	5,586
Florence	3,440	645	4,085	3,284	645	3,929	3,284	645	3,929
Perryville	4,214	36	4,250	4,204	36	4,240	4,204	36	4,240
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	160	1,613	1,453	160	1,613	1,453	160	1,613
Tucson	4,605	493	5,098	4,600	493	5,093	4,600	493	5,093
Winslow	1,626	-	1,626	1,626	-	1,626	1,626	-	1,626
Yuma	4,350	420	4,770	4,350	420	4,770	4,350	420	4,770
Subtotal	30,755	4,745	35,500	30,954	4,745	35,699	30,954	4,745	35,699
Private (Per Diem)									
Kingman (\$40.37)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$49.28)	400	100	500	400	100	500	400	100	500
Marana (\$47.44)	500	-	500	500	-	500	500	-	500
Florence West (\$44.98 - 55.79)	600	150	750	600	150	750	600	150	750
Florence II (\$67.22)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$65.89) 1/	2,000	-	2,000	2,000	-	2,000	2,000	-	2,000
Subtotal 2/	7,900	638	8,538	7,900	638	8,538	7,900	638	8,538
Total - All Beds 3/	38,655	5,383	44,038	38,854	5,383	44,237	38,854	5,383	44,237
State Prison Population									
Female	4,090		4,090	4,090		4,090	4,090		4,090
Male	29,747		29,747	29,747		29,747	29,747		29,747
Subtotal	33,837		33,837	33,837		33,837	33,837		33,837
Private Prison Population									
Male	8,276		8,276	8,276		8,276	8,276		8,276
Total Population 4/	42,113		42,113	42,113		42,113	42,113		42,113
Bed Surplus/(Shortfall)	(3,458)		1,925	(3,259)		2,124	(3,259)		2,124
Male	(3,602)		1,745	(3,393)		1,954	(3,393)		1,954
Female	144		180	134		180	134		180
Bed Surplus/(Shortfall) (% of Beds)	-9%		4%	-8%		5%	-8%		5%

1/ ADC signed amendment consolidating 2,000 beds into one contract with a \$65.89 per diem. In previous reports these beds were referred to as Eloy I and Eloy II.

2/ 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.

3/ Excludes special use beds totaling 1,820 as of June 30, 2018.

4/ The chart excludes prisoners awaiting transfer from county jail.

SUMMARY OF FUNDS

FY 2018
ActualFY 2019
Estimate

Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255)

Appropriated

Source of Revenue: The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses.

Purpose of Fund: To provide alcohol abuse treatment and rehabilitation services for DUI inmates.

Funds Expended

511,100

555,500

Year-End Fund Balance

1,205,300

1,071,500

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624)		Non-Appropriated
Source of Revenue: Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
Purpose of Fund: To compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies; maintain and repair ACI's buildings and equipment; and pay other associated ACI operational costs. A.R.S. § 41-1624 authorizes an annual \$1,000,000 transfer into the Department of Corrections Building Renewal Fund; this annual transfer is shown in the expenditures. The FY 2018 General Appropriation Act transferred \$1,450,000 to the ADC Building Renewal Fund for locking systems replacement; this transfer is reflected in the balance.		
Funds Expended	41,612,000	40,397,500
Year-End Fund Balance	11,984,800	12,716,100
Community Corrections Enhancement Fund (DCA2395/A.R.S. § 31-418)		Non-Appropriated
Source of Revenue: A portion (30%) of a monthly supervision fee of at least \$65 paid by the prisoner. The departments may require payment of a lesser amount. Beginning in FY 2013, revenues also include a monthly drug testing fee pursuant to Laws 2012, Chapter 208. The department has not yet implemented the fee.		
Purpose of Fund: To pay for costs related to community corrections.		
Funds Expended	196,100	503,600
Year-End Fund Balance	586,700	473,200
Corrections Donations Fund (DCA3147/A.R.S. § 41-1605)		Non-Appropriated
Source of Revenue: Private grants and monies received from the disposal of donated properties.		
Purpose of Fund: To be used as specified by the particular donation.		
Funds Expended	1,100	0
Year-End Fund Balance	5,900	5,900
Corrections Fund (DCA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products. The fund receives 20% of the monies collected from spirituous liquor and 50% of the monies collected from vinous and malt liquors are deposited in the Corrections Fund. A.R.S. § 42-3104 designates that the fund receive 50% of all general tax rate collections from the tax on tobacco products.		
Purpose of Fund: For the construction, major maintenance, lease-purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. A.R.S. § 41-1641 authorizes an annual transfer of \$2,500,000 from the Corrections Fund to the Department of Corrections Building Renewal Fund. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	16,953,000	30,312,300
Year-End Fund Balance	21,986,500	7,251,900
Department of Corrections Building Renewal Fund (DCA2551/A.R.S. § 41-797)		Appropriated
Source of Revenue: Monies transferred annually from the following funds: Inmate Store Proceeds Fund (\$500,000), Special Services Fund (\$500,000), Arizona Correctional Industries Revolving Fund (\$1,000,000), and Corrections Fund (\$2,500,000). Also includes monies from a visitation background check fee and a 1% fee on inmate deposits. The FY 2018 General Appropriation Act transfers \$1,450,000 from the Arizona Correctional Industries Revolving Fund to the Building Renewal Fund for locking systems replacement.		
Purpose of Fund: For capital projects and preventive maintenance (up to 8% of the annual expenditures).		
Funds Expended	0	0
Year-End Fund Balance	4,311,000	1,241,700
Federal Funds (DCA2000/A.R.S. § 35-142 and A.R.S. § 41-1605)		Non-Appropriated
Source of Revenue: Law enforcement related federal grants.		
Purpose of Fund: For inmate education and school breakfast and lunch programs. The amounts do not include General Fund reimbursements for the incarceration of illegal aliens from the State Criminal Alien Assistance Program.		
Funds Expended	1,375,400	9,251,100
Year-End Fund Balance	584,200	621,600

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	394,100	343,900
Year-End Fund Balance	3,203,400	3,004,700
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Partially-Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: For inmate activities, incentive pay increases for Corrections Officers, equipment to enhance safety for both department personnel and inmates or other official needs as required, at the discretion of the Director of ADC. A.R.S. § 41-1604.02 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund. The FY 2018 General Appropriation Act transfers \$750,000 to the Arizona Criminal Justice Commission for felony pretrial services. The FY 2018 balance reflects this transfer, but the expenditure is not reported from this fund.		
Appropriated Funds Expended	3,800	1,340,400
Non-Appropriated Funds Expended	4,147,700	4,626,900
Year-End Fund Balance	5,714,600	6,467,500
Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Intergovernmental agreements between ADC and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	71,900	54,300
Year-End Fund Balance	789,500	300
Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance. The FY 2018 General Appropriation Act transfers \$1,000,000 from this fund to the Arizona Criminal Justice Commission for felony pretrial intervention services. The FY 2018 balance reflects this transfer, but the expenditures are not reported from this fund.		
Funds Expended	1,341,700	2,507,400
Year-End Fund Balance	3,574,800	2,966,200
Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)		Appropriated
Source of Revenue: Assessment (ranging from \$500 to \$1,500) paid by persons convicted of DUI offenses.		
Purpose of Fund: To pay for any costs related to prison overcrowding and department support and maintenance.		
Funds Expended	6,071,100	12,500,000
Year-End Fund Balance	5,973,300	738,600
Special Services Fund (DCA3187/A.R.S. § 41-1604.03)		Non-Appropriated
Source of Revenue: Revenues that are generated by the inmate use of technology, including telephone systems, kiosks and tablets.		
Purpose of Fund: For the benefit, education, and welfare of committed offenders, and to pay the costs of implementing, operating and maintaining technologies and programs for inmate use. A major portion of the Special Services Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis. A.R.S. § 41-1604.03 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund; this transfer is reported as an expenditure.		
Funds Expended	5,335,500	8,775,900
Year-End Fund Balance	9,083,200	8,926,400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)		Appropriated
Source of Revenue: Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penal institutions. The FY 2018 General Appropriation Act transferred \$1,000,000 from this fund to the Arizona Criminal Justice Commission for felony pretrial intervention services. The FY 2018 balance reflects this transfer, but the expenditure is not reported from this fund. Laws 2018, Chapter 342 appropriates \$500,000 per year in FY 2019, FY 2020 and FY 2021 to the Yavapai County Sheriff for reentry planning services.		
Funds Expended	2,273,900	3,079,500
Year-End Fund Balance	3,418,900	2,527,300
State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)		Non-Appropriated
Source of Revenue: The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To provide support for rehabilitation programs and counseling for inmates who have a history of substance abuse and are released on parole. Laws 2016, Chapter 153 expanded the uses of the fund to also include reentry, education and mental health programming. The balances reflect the quarterly transfers to the Transition Program Fund, but the transfers are not shown as expenditures so as to avoid double-counting.		
Funds Expended	2,318,700	2,803,500
Year-End Fund Balance	1,690,700	474,600
State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)		Appropriated
Source of Revenue: "Basic State Aid" funding that ADC receives from the Arizona Department of Education based on the number of Average Daily Membership pupils attending ADC education programs pursuant to A.R.S. § 15-1372.		
Purpose of Fund: To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
Funds Expended	667,700	727,900
Year-End Fund Balance	1,047,700	1,040,600
State Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Transition Program Fund (DCA2379/A.R.S. § 31-284 and A.R.S. § 31-254)		Appropriated
Source of Revenue: Revenue from 5% allocation of wages (if available after other obligations) from inmates not convicted of DUI earning under \$2.00 per hour and from the cost savings from the implementation of a transition program as calculated by A.R.S. § 31-285. The source of revenue for the cost savings is the State DOC Revolving Fund that receives a share of tax revenue collected from liquor, and the expenditures of these monies are reported from this fund.		
Purpose of Fund: To pay for costs related to the administration of the Transition Program and for transition program services.		
Funds Expended	2,269,100	2,940,100
Year-End Fund Balance	2,058,700	2,248,800

Board of Cosmetology

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	752,500	869,400	869,400
Employee Related Expenditures	387,500	426,700	426,700
Professional and Outside Services	190,600	201,100	126,100
Travel - In State	15,700	26,800	26,800
Travel - Out of State	2,400	7,000	7,000
Other Operating Expenditures	396,800	353,000	353,000
Equipment	8,900	8,100	8,100
OPERATING SUBTOTAL	1,754,400	1,892,100	1,817,100
SPECIAL LINE ITEMS			
Annual Leave Payout	900	34,200 ^{1/}	34,200 ^{2/}
AGENCY TOTAL	1,755,300	1,926,300	1,851,300 ^{3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Cosmetology Fund	1,755,300	1,926,300	1,851,300
SUBTOTAL - Other Appropriated Funds	1,755,300	1,926,300	1,851,300
SUBTOTAL - Appropriated Funds	1,755,300	1,926,300	1,851,300
TOTAL - ALL SOURCES	1,755,300	1,926,300	1,851,300

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/} **NEW** 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 provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} **NEW** This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. (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 Baseline includes \$1,817,100 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(75,000) from the Board of Cosmetology Fund in FY 2020 for the elimination of one-time funding.

The FY 2019 budget provided a one-time increase of \$75,000 for Phase 2 of a licensing files digitization project. Phase 1 was funded through \$50,900 from the department's FY 2018 operating lump sum appropriation. The department's vendor estimates a \$70,000 cost for

Phase 3 of the project, which will complete document scanning, paper file destruction and document management system development. The total project cost is \$195,900.

Annual Leave Payout

The Baseline includes \$34,200 from the Board of Cosmetology Fund in FY 2020 for an annual leave payout. This amount is unchanged from FY 2019.

The Board of Cosmetology anticipated payment of accrued annual leave balances to 7 retirement-eligible employees from FY 2018 through FY 2019. However, only 2 of those employees have retired as of November 2018. With 5 retirement-eligible employees remaining, the line

item has no change in funding for FY 2020. The Baseline provides non-lapsing status to the board's FY 2019 and FY 2020 Annual Leave Payout appropriations to account for uncertainty of when these retirements will occur. The line item is intended to be removed from the budget in FY 2021, as the non-lapsing appropriations provide sufficient funds for the payouts.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Cosmetology Fund (CBA2017/A.R.S. § 32-505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of cosmetologists, salons, and cosmetology schools. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate cosmetologists, salons, and cosmetology schools, and for board administration.		
Funds Expended	1,755,300	1,926,300
Year-End Fund Balance	10,700,300	12,954,600

County Funding

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
SPECIAL LINE ITEMS			
County Sheriff Reentry Planning	0	500,000	500,000
Department of Juvenile Corrections Offset	8,000,000	11,260,000	0
Elected Officials Retirement Plan Offset	0	1,655,500	0
Small County Assistance	7,650,700	7,650,700	7,650,700
AGENCY TOTAL	15,650,700	21,066,200	8,150,700

FUND SOURCES

General Fund	15,650,700	20,566,200	7,650,700
<u>Other Appropriated Funds</u>			
State Charitable, Penal and Reformatory Institutions Land Fund	0	500,000	500,000 ^{1/2/}
SUBTOTAL - Other Appropriated Funds	0	500,000	500,000
SUBTOTAL - Appropriated Funds	15,650,700	21,066,200	8,150,700
TOTAL - ALL SOURCES	15,650,700	21,066,200	8,150,700

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 Baseline includes \$500,000 from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2020 for County Sheriff Reentry Planning. This amount is unchanged from FY 2019.

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).

Department of Juvenile Corrections Offset

The Baseline includes no funding in FY 2020 for the Department of Juvenile Corrections (DJC) Offset. FY 2020 adjustments are as follows:

Remove One-Time DJC Offset

The Baseline includes a decrease of \$(11,260,000) from the General Fund in FY 2020 for the elimination of a one-time distribution of \$11,260,000 to counties to fully offset contributions for the cost of the Department of Juvenile Corrections (DJC).

The FY 2016 Criminal Justice Budget Reconciliation Bill (BRB) created the DJC Local Cost Sharing Fund with annual deposits from each county. The FY 2019 Criminal Justice BRB required that each county pay their proportional share of \$11,260,000 according to their population in the 2010 Decennial Census. *(Please see the Department of Juvenile Corrections section for details regarding these county cost sharing requirements.)*

The offset was initially funded at \$8,000,000 in FY 2017 and FY 2018. The offset was increased to \$11,260,000 in FY 2019. In each year, the Legislature labeled the funding as one-time.

Elected Officials Retirement Plan Offset

The Baseline includes no funding in FY 2020 for the Elected Officials Retirement Plan Offset. FY 2020 adjustments are as follows:

Remove One-Time EORP Offset

The Baseline includes a decrease of \$(1,655,500) from the General Fund in FY 2020 to remove a one-time distribution to counties to offset increased Elected Officials Retirement Plan (EORP) liabilities. In FY 2019, the EORP employer contribution rate increased from 23.5% to 61.5%.

FY 2019 was the first year of funding for this item.

Small County Assistance

The Baseline includes \$7,650,650 from the General Fund in FY 2020 for assistance to small counties. This amount is unchanged from FY 2019.

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

<u>County</u>	<u>Ongoing Distribution</u>	<u>2010 Decennial Census Population</u>
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 Baseline would, 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 2020, up to \$1,250,000 of county revenue for each county. Require 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, 2019. *(Please see below for prior use of this provision.)*

County Flexible Revenue Report

The FY 2019 Revenue BRB permits counties with a population of less than 250,000 according to the 2010 Census to use any source of county revenue, up to \$1,250,000, for purposes other than the purpose of the revenue source to meet a county fiscal obligation for FY 2019. Counties using the authority under the FY 2019 Revenue BRB were required to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2018.

Of the 12 eligible counties, 2 reported using the flexibility:

- Apache County: \$1.25 million from the Community College District, Library District, and Juvenile Jail District to the General Fund and Adult Jail District for law enforcement and Jail District operations.
- Navajo County: \$1.25 million from the Flood Control District and Library District to the General Fund for operating expenses.

The following 10 eligible counties are not utilizing this provision: Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Mohave, Santa Cruz, Yavapai, and Yuma Counties.

Table 2 shows the utilization of the county flexibility language since FY 2014.

Table 2

County Flexibility Language Utilization FY 2014 - FY 2019*

	<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>Total</u>
Apache	\$ 500,000	\$ 500,000	\$ 400,000	\$1,200,000	\$1,250,000	\$1,250,000	\$ 5,100,000
Cochise		36,700	23,000				59,700
Coconino			10,634,800	493,700	1,250,000		12,378,500
Gila							-
Graham							-
Greenlee							-
La Paz		5,012,500	992,500	596,500			6,601,500
Maricopa							-
Mohave					500,000		500,000
Navajo	580,300	1,430,300	1,200,000	1,200,000		1,250,000	5,660,600
Pima							-
Pinal			1,000,000				1,000,000
Santa Cruz							-
Yavapai							-
Yuma	<u>56,000</u>	<u>29,700</u>	<u>10,200</u>	<u>51,000</u>	<u>27,100</u>		<u>174,000</u>
Total	\$1,136,300	\$7,009,200	\$14,260,500	\$3,541,200	\$3,027,100	\$2,500,000	\$31,474,300

*As reported by county governments to JLBC. Reporting to JLBC began in FY 2009.

Arizona Criminal Justice Commission

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9.0	9.0	9.0
Personal Services	512,700	512,400	512,400
Employee Related Expenditures	176,800	186,700	186,700
Professional and Outside Services	178,300	325,800	325,800
Travel - In State	7,000	7,000	7,000
Travel - Out of State	38,700	25,000	25,000
Other Operating Expenditures	164,700	202,100	202,100
Equipment	26,300	3,000	3,000
OPERATING SUBTOTAL	1,104,500	1,262,000	1,262,000
SPECIAL LINE ITEMS			
Criminal History Repository Upgrade	0	600,000	600,000 ^{1/}
Criminal Justice Statistics Pilot Program	0	200,000	0
Felony Pretrial Intervention Programs	2,750,000	0	0
State Aid to County Attorneys	781,800	973,700	973,700
Victim Compensation and Assistance	3,908,000	4,222,400	4,222,400
AGENCY TOTAL	8,544,300	7,258,100	7,058,100 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	510,800	650,000	650,000
Drug and Gang Prevention Resource Center Fund	593,700	812,000	612,000
Fingerprint Clearance Card Fund	0	600,000	600,000
Inmate Store Proceeds Fund	750,000	0	0
Penitentiary Land Fund	1,000,000	0	0
State Aid to County Attorneys Fund	781,800	973,700	973,700 ^{3/}
State Charitable, Penal and Reformatory Institutions Land Fund	1,000,000	0	0
Victim Compensation and Assistance Fund	3,908,000	4,222,400	4,222,400 ^{4/}
SUBTOTAL - Other Appropriated Funds	8,544,300	7,258,100	7,058,100
SUBTOTAL - Appropriated Funds	8,544,300	7,258,100	7,058,100
Other Non-Appropriated Funds	4,942,900	4,703,200	4,703,200
Federal Funds	6,854,900	8,143,800	8,143,800
TOTAL - ALL SOURCES	20,342,100	20,105,100	19,905,100

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 for operating expenses.

FOOTNOTES

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, 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 FY 2020 from the State Aid to County Attorneys Fund established by A.R.S. § 11-539 are appropriated to the State Aid to County Attorneys Program. Before the expenditure of any State Aid to County Attorneys Fund monies in excess of \$973,700, 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 monies received by the Arizona Criminal Justice Commission in excess of \$4,222,400 in FY 2020 are appropriated to the Crime Victims Program. Before the expenditure of any Victim

Compensation and Assistance Fund monies in excess of \$4,222,400 in FY 2020, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$1,262,000 and 9 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<u>FY 2020</u>
CJEF	\$650,000
Drug and Gang Prevention Resource Center Fund	612,000

These amounts are unchanged from FY 2019.

Criminal History Repository Upgrade

The Baseline includes \$600,000 from the Fingerprint Clearance Card Fund in FY 2020 for a Criminal History Repository Upgrade. This amount is unchanged from FY 2019.

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 2020 and for the same purpose in FY 2019 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.

Criminal Justice Statistics Pilot Program

The Baseline includes no funding in FY 2020 for the Criminal Justice Statistics Pilot Program. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(200,000) from the Drug and Gang Prevention Resource Center Fund in FY 2020 for the removal of one-time funding for a Criminal Justice Statistics Pilot Program.

The FY 2019 Criminal Justice Budget Reconciliation Bill appropriated \$200,000 from the Drug and Gang Prevention Resource Center Fund in FY 2019 for a Criminal Justice Statistics Pilot Program. This appropriation is non-lapsing.

This line item provides funding for a distribution to the Pinal and Yavapai County Attorneys Offices to cover the cost associated with the Criminal Justice Statistics Pilot Program.

State Aid to County Attorneys

The Baseline includes \$973,700 from the State Aid to County Attorneys Fund in FY 2020 for State Aid to County Attorneys. This amount is unchanged from FY 2019.

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 Baseline includes \$4,222,400 from the Victim Compensation and Assistance Fund in FY 2020 for Victim Compensation and Assistance. This amount is unchanged from FY 2019.

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

Indigent Defense

The Baseline includes \$700,000 from the State Aid to Indigent Defense Fund in the Department of Public Safety (DPS) budget in FY 2020 for operational costs associated with the Arizona Counter Terrorism Information Center. This amount is unchanged from FY 2019 for DPS.

The State Aid to Indigent Defense Fund receives funding from a 14.66% 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.

Prior to FY 2012, ACJC was required to distribute the Indigent Defense monies to each county based on a composite index formula using Superior Court felony filings and county population. Since that time, the fund has been used for other purposes. In FY 2020, projected annual revenues are \$700,000, sufficient to fund the \$700,000 DPS appropriation.

Anti-Racketeering Revolving Fund Report

A.R.S. § 13-2314.01 and A.R.S. § 13-2314.03 require the Attorney General and departments and state agencies, including counties, that use the Anti-Racketeering Revolving Fund (ARRF) to report quarterly to ACJC on the sources of all monies and all expenditures.

In the first quarter of FY 2019, the ARRF received revenues totaling \$6.1 million and had expenditures totaling \$5.2 million. Revenues for investigating and prosecuting agencies were highest in Maricopa County at \$2.0 million. Agencies participating in Maricopa County cases also accounted for the highest expenditure total in the quarter with \$1.7 million in ARRF monies spent.

In the first quarter of FY 2019, there were \$3.6 million in net collections from seized assets originally valued at \$5.6 million. Net collections were highest in Maricopa County at \$800,800, which derived from forfeitures valued at \$843,600. Some assets and properties were released back to the owner, but most were retained or sold by law enforcement.

ARRF consists of monies derived from seized property and assets that result from judgments pursuant to anti-racketeering statutes. Once a settlement or conviction is reached, the Attorney General disperses the monies to the involved state and local investigative and prosecutorial agencies. Additionally, assets seized as part of a federal investigation are deposited into the fund and used in accordance with state and federal guidelines. Monies in ARRF are used to help fund the investigation and prosecution of any offense defined as racketeering pursuant to Arizona statutes.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)		Appropriated
Source of Revenue: A 1.79% allocation of the Criminal Justice Enhancement Fund (CJEF). <i>(See below for additional information on statewide CJEF maintained in the Treasurer's Office but shown under ACJC as Arizona Revised Statute requires the commission to annually report on CJEF.)</i> CJEF consists of a 42% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To cover the operating costs of ACJC.		
Funds Expended	510,800	650,000
Year-End Fund Balance	994,900	1,010,500

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
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Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)

Partially-Appropriated

Source of Revenue: A penalty on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Laws 2018, Chapter 237 reduces the Criminal Justice Enhancement Fund (CJEF) surcharge from 47.0% to 42.0% in statute and removes the Victims' Rights Fund and Victim Compensation and Assistance Fund as recipients of the surcharge. Instead, these 2 funds would receive revenues from a new \$9 penalty on criminal and civil violations.

Purpose of Fund: CJEF monies are distributed on a percentage basis to various state entities. (See individual agency pages for detailed information on each recipient.)

Funds Transferred ^{1/ 2/}	FY 2017	% of CJEF	FY 2018	% of CJEF	Approp.
Attorney General					
AZ Prosecuting Attorneys Advisory Council (4)	1,037,300	3.03	1,050,200	3.45	no
County Attorneys (7)	3,200,900	9.35	3,245,100	10.66	no
Victim's Rights Implementation (13)	2,629,200	7.68	0	-	yes ^{3/}
AZ Criminal Justice Commission					
Operation Costs (10)	537,500	1.57	544,900	1.79	yes
Victim Compensation (14)	1,574,800	4.60	0	-	yes ^{3/}
Department of Public Safety					
Crime Lab Assessment Fund (12)	787,400	2.30	797,600	2.62	yes ^{3/}
Crime Lab Operations Fund (11)	3,081,100	9.00	3,123,300	10.26	yes ^{3/}
DNA Identification System (6)	438,200	1.28	444,400	1.46	yes ^{3/}
Fingerprinting Identification System (1)	2,211,500	6.46	2,243,600	7.37	yes
Peace Officers' Training Fund (3)	5,696,500	16.64	5,774,800	18.97	no
State/Local Grants (6)	2,492,200	7.28	2,523,600	8.29	^{4/}
Department of Juvenile Corrections (2)	551,200	1.61	560,100	1.84	yes
State Treasurer					
County Sheriffs (9)	4,005,400	11.70	4,060,900	13.34	no
Supreme Court					
Case Processing (8)	2,060,900	6.02	2,088,300	6.86	yes
Juvenile Crime (5)	3,200,900	9.35	3,245,100	10.66	yes
Community Punishment Program (15)	729,200	2.13	739,700	2.43	yes
Total Funds Transferred ^{5/}	34,234,100		30,441,700		

^{1/} The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401D.

^{2/} The numbers displayed in the chart represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.

^{3/} These monies represent a continuing appropriation from CJEF, but are appropriated prior to expenditure by the recipient agency.

^{4/} Monies retained by the Department of Public Safety for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.

^{5/} Numbers may not add due to rounding.

Drug and Gang Enforcement Fund (JCA2516/A.R.S. § 41-2402)

Non-Appropriated

Source of Revenue: Drug fees and fines (A.R.S. § 13-811), selected Superior Court fees (A.R.S. § 12-284), and local matching funds.

Purpose of Fund: To make grants in amounts not to exceed the percentages shown to enhance efforts to prosecute (50%), adjudicate (30%), and punish (30%) drug offenders and members of criminal street gangs, as well as to enhance investigations and education programs relating to drug and gang activities (50%), and to improve criminal justice records integration (30%). The fund may also be used to fund the Statistical Analysis Center but not the Arizona Youth Survey.

Funds Expended	4,942,900	4,703,200
Year-End Fund Balance	1,936,000	2,288,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Drug and Gang Prevention Resource Center Fund (JCA2280/A.R.S. § 41-2402)		Appropriated
Source of Revenue: 1.31% of fee collections and filings in the Superior Court, 1.31% of notary bond fees, and public and private gifts or grants, excluding federal monies.		
Purpose of Fund: To fund the Statistical Analysis Center and Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. The survey measures alcohol and drug use, gang affiliation, and weapons within schools. As session law, the FY 2019 Criminal Justice Budget Reconciliation Bill appropriates \$200,000 from the Drug and Gang Prevention Resource Center Fund in FY 2019 for a Criminal Justice Statistics Pilot Program.		
Funds Expended	593,700	812,000
Year-End Fund Balance	1,285,500	1,161,100
Federal Grants (JCA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To improve the criminal justice records system in Arizona; to fund state and local correction and detention agencies' substance abuse programs for incarcerated offenders; and to provide support dealing with criminal justice issues.		
Funds Expended	6,854,900	8,143,800
Year-End Fund Balance	2,438,300	6,566,300
Fingerprint Clearance Card Fund (JCA2433/A.R.S. § 41-1758.06)		Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards. As session law, the FY 2019 General Appropriation Act appropriates \$600,000 from the Fingerprint Clearance Card Fund in FY 2019, FY 2020, and FY 2021 for a Criminal History Repository Upgrade.		
Funds Expended	0	600,000
Year-End Fund Balance	0	0
Inmate Store Proceeds Fund (JCA2505/A.R.S. § 41-1604.02)		Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: Laws 2017, Chapter 286 appropriated \$750,000 from the Inmate Store Proceeds Fund for the Felony Pretrial Intervention Program.		
Funds Expended	750,000	0
Year-End Fund Balance	0	0
Penitentiary Land Fund (JCA3140/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: Laws 2017, Chapter 286 appropriated \$1,000,000 from the Penitentiary Land Fund for the Felony Pretrial Intervention Program.		
Funds Expended	1,000,000	0
Year-End Fund Balance	0	0
State Aid to County Attorneys Fund (JCA2443/A.R.S. § 11-539)		Appropriated
Source of Revenue: Legislative appropriations, 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 21.61% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county attorneys to improve the processing of criminal cases in the Superior and Justice Courts. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population.		
Funds Expended	781,800	973,700
Year-End Fund Balance	224,200	117,600

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
State Aid to Indigent Defense Fund (JCA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, a 14.66% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county public defenders, legal defenders for the processing of criminal cases. These monies are no longer used for this purpose. The FY 2019 Criminal Justice Budget Reconciliation Bill permits the Department of Public Safety to use these monies for the operational costs of the Arizona Counter Terrorism Information Center (ACTIC).		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Charitable, Penal and Reformatory Institutions Land Fund (JCA3141/A.R.S. § 37-525)		Appropriated
Source of Revenue: Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.		
Purpose of Fund: Laws 2017, Chapter 286 appropriated \$1,000,000 from the State Charitable, Penal and Reformatory Institutions Land Fund for the Felony Pretrial Intervention Program.		
Funds Expended	1,000,000	0
Year-End Fund Balance	0	0
Victim Compensation and Assistance Fund (JCA2198/A.R.S. § 41-2407)		Appropriated
Source of Revenue: The fund consists of 2 subaccounts. The Victim Compensation subaccount receives revenue from a \$9 penalty on criminal and civil violations, monies collected from a 10% assessment of a working prisoner's gross compensation, and unclaimed restitution. The Victim Assistance subaccount receives revenue derived from community supervision fees and interstate compact fees.		
Purpose of Fund: To establish, maintain and support programs that compensate and assist victims of crime.		
Funds Expended	3,908,000	4,222,400
Year-End Fund Balance	2,934,900	2,275,800

Arizona State Schools for the Deaf and the Blind

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
PROGRAM BUDGET			
Administration/Statewide	5,162,500	5,162,000	6,423,300
Phoenix Day School for the Deaf	10,667,800	10,041,400	10,041,400
Preschool/Outreach Programs	4,232,500	6,302,500	5,832,500
Regional Cooperatives	4,300	0	0
Tucson Campus	13,110,900	13,761,300	13,761,300
AGENCY TOTAL	33,178,000	35,267,200	36,058,500
OPERATING BUDGET			
Full Time Equivalent Positions	541.2	562.2	562.2
Personal Services	17,665,100	19,514,700	20,256,300
Employee Related Expenditures	8,554,500	8,995,300	9,316,700
Professional and Outside Services	1,841,700	1,552,700	1,605,200
Travel - In State	77,500	76,000	77,900
Travel - Out of State	29,900	29,800	30,500
Food	229,500	13,500	19,700
Other Operating Expenditures	3,482,000	3,307,600	3,421,500
Equipment	569,600	1,039,600	592,700
OPERATING SUBTOTAL	32,449,800	34,529,200	35,320,500
SPECIAL LINE ITEMS			
School Bus Replacement	728,200	738,000	738,000
AGENCY TOTAL	33,178,000	35,267,200	36,058,500 ^{1/}
FUND SOURCES			
General Fund	21,800,700	21,659,300	23,259,300
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	11,377,300	11,537,900	12,799,200 ^{2/}
Telecommunication Fund for the Deaf	0	2,070,000	0
SUBTOTAL - Other Appropriated Funds	11,377,300	13,607,900	14,399,200
SUBTOTAL - Appropriated Funds	33,178,000	35,267,200	36,058,500
Other Non-Appropriated Funds	16,445,000	17,282,300	17,067,100
Federal Funds	1,952,400	2,094,600	2,094,600
TOTAL - ALL SOURCES	51,575,400	54,644,100	55,220,200

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 December 2018, ASDB served approximately 2,007 children: 393 students in the K-12 programs (134 in Tucson and 259 in Phoenix), 103 children in preschools, 421 infant/toddlers in regional areas, and 1,090 children through 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 the expenditure of any Schools for the Deaf and the Blind Fund monies in excess of \$12,799,200 in FY 2020, 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)

Operating Budget

The Baseline includes \$35,320,500 and 562.2 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<u>FY 2020</u>
General Fund	\$22,521,300
Schools for the Deaf and the Blind Fund	12,799,200

FY 2020 adjustments are as follows:

Enrollment Change

The Baseline includes no change in funding from the Schools for the Deaf and the Blind (ASDB) Fund in FY 2020 for enrollment change. ASDB's FY 2019 appropriation assumed an enrollment of 489 students. Based on recent monthly data, the FY 2020 student enrollment preliminarily is projected to be 496 students (virtually the same as the budgeted count). The Baseline therefore includes no funding increase or decrease for enrollment changes for ASDB for FY 2020. 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, as its students qualify for K-12 formula funding. These monies are deposited into the ASDB Fund and the non-appropriated Regional Cooperatives Fund.

Base Adjustment

The Baseline includes an increase of \$695,100 from the ASDB Fund in FY 2020 for a base adjustment due to higher-than-budgeted costs for special education vouchers for FY 2019. The higher-than-budgeted costs are primarily due to the teacher salary increase included in the overall K-12 budget for FY 2019. That increase was not formally incorporated into the ASDB budget for FY 2019, but ASDB is receiving funding for it and can spend those additional monies in FY 2019 under budget flexibility provided to it through an ongoing General Appropriation Act footnote. *(Please see FY 2019 Teacher Salary Increase narrative in the FY 2019 Appropriations Report for more details.)*

Base Level Increase - Inflation

The Baseline includes an increase of \$244,700 from the ASDB Fund in FY 2020 for a base level increase for inflation. A.R.S. § 15-901.01 requires annual increases for inflation in the per pupil "base level" in the Basic State Aid (BSA) formula. That BSA base level also serves as the base level for the ASDB Voucher Fund formula, so BSA base level increases for inflation also increase ASDB's voucher funding. The Baseline increases the BSA base level by 2.0% for inflation in FY 2020, which will increase special

education voucher funding into the ASDB Fund by an estimated \$244,700 in FY 2020.

Base Level Increase - Teacher Pay Raise

The Baseline also includes an increase of \$321,500 from the ASDB Fund in FY 2020 for an additional base level increase for teacher pay raises. The amount of additional base level increase will be determined in the spring of 2019 after additional formula data for FY 2019 becomes available *(see Teacher Salary Increases narrative in the Department of Education budget for more information)*. Monies from the additional base level increase for FY 2020 are intended to increase average teacher salaries at ASDB by an additional 5% for FY 2020.

ASDB is receiving an estimated \$1,386,400 in FY 2019 for teacher salary increases. That amount includes an estimated \$756,100 for ASDB's non-appropriated Regional Cooperatives Fund and \$630,300 for its appropriated ASDB Fund.

The \$321,500 increase in the Baseline from the ASDB Fund for teacher pay raises for FY 2020 equals 50% of the estimated \$630,300 amount cited above to reflect an intended 5% pay raise for FY 2020 versus 10% for FY 2019, plus 2% for inflation ($\$630,300 \times 50\% \times 1.02 = \$321,500$).

The FY 2019 budget advance appropriated funding in FY 2020 and FY 2021 to provide additional teacher pay raises in those years for public schools including ASDB. That funding is intended to provide a cumulative 20% increase in average teacher salaries by FY 2021.

Background – Special education voucher monies in the ASDB Fund represent ASDB's reimbursement from the Arizona Department of Education (ADE) for educational costs based on its enrollment. As with school districts, ASDB's ADE funding is determined by statutory formula.

Remove One-Time Funding

The Baseline includes a decrease of \$(470,000) from the Telecommunication Fund for the Deaf in FY 2020 to remove one-time funding for the Early Childhood and Family Education Program.

Shift Funding Source

The Baseline includes no net change in FY 2020 to align expenditures with a fund shift approved in the FY 2019 budget. This amount consists of:

Telecommunication Fund for the Deaf	(1,600,000)
General Fund	1,600,000

Laws 2018, Chapter 291 appropriated \$2,070,000 and 21 FTE Positions from the Telecommunication Fund for the

Deaf in FY 2019 to fund additional early intervention specialists in the Early Childhood and Family Education Program. Of that amount, \$1,600,000 is to fund ongoing intervention specialists' salaries and \$470,000 was one-time monies to purchase fleet vehicles for the 21 new early intervention specialists.

The FY 2019 budget's 3-year spending plan included \$1,600,000 of General Fund monies in FY 2020 and beyond to replace use of the Telecommunication Fund for the Deaf.

Assistive Technology Devices

The Baseline includes no change in funding from the General Fund in FY 2020 for assistive technology devices. The Baseline includes a total of \$253,100 from the General Fund in FY 2020 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 Baseline maintains funding in FY 2020 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

School Bus Replacement

The Baseline includes \$738,000 from the General Fund in FY 2020 for School Bus Replacement. This amount is unchanged from FY 2019.

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 is scheduled to receive \$900,000 from the Volkswagen settlement. Of that amount, ASDB will receive \$700,000 in FY 2019 and the remaining \$200,000 in FY 2020.

The agency plans to use the Volkswagen settlement monies to purchase 6 new school buses in FY

2019. Because the agency is able to use monies from the Volkswagen settlement for school bus replacements in FY 2019, ASDB plans to shift \$369,000 from the School Bus Replacement line item to their operating budget to purchase up to 15 new general-fleet vehicles for ASDB's Regional Co-op program.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allow the Arizona State Schools for the Deaf and the Blind to use monies in the Telecommunication Fund for the Deaf to support ASDB's Birth to Three program.

Capital Projects

Emergency Gas Line Repair - Tucson Campus

In March of 2018, the Arizona State Schools for the Deaf and the Blind reported 2 gas line leaks at the ASDB Tucson campus. Repairs were made to seal the leaks, but the recent leaks combined with other age and deterioration factors resulted in the need for an emergency project to replace the natural gas lines at the Tucson campus.

An "emergency" project is defined by the Joint Committee on Capital Review's (JCCR) standard Building Renewal Procedures as unforeseen, critical in nature, and of immediate time sensitivity. Per the Arizona Department of Administration's (ADOA) Building System renewal guidelines, the Chairman of the JCCR may allow ADOA to move forward with an emergency project of greater than \$50,000 without JCCR review. The JCCR Chairman approved the emergency project for the Tucson gas lines without Committee review in September 2018.

The total cost of the project is expected to be \$1,000,000. ASDB will contribute \$500,000 to the emergency repairs project from the Schools for the Deaf and the Blind Fund, which had an ending balance of \$4,542,300 for FY 2018. ADOA will provide the remaining half of the funding by utilizing the entirety of the \$304,000 Contingency Allocation from the ADOA FY 2019 building renewal plan (reviewed by JCCR in June 2018) in addition to \$196,000 from the \$5,800,000 Major Building Services Allocation in ADOA's FY 2019 building renewal plan (also reviewed by JCCR in June 2018).

Repairs to replace the gas lines are currently underway with the total replacement expected to be completed by March of 2019. This project is not expected to extend beyond the current fiscal year. Monies for the emergency

gas line replacement are not displayed in the agency's budget table.

Enrollment Projections

Table 1 shows average annual enrollment data for ASDB's Tucson, Phoenix, and Preschool campuses since FY 2016. FY 2019 estimates are based on preliminary enrollment data for FY 2018. The Baseline assumes that FY 2020 enrollment levels for ASDB will be unchanged from FY 2019.

Table 1

	ASDB Average Annual Enrollment			
	FY 2016	FY 2017	FY 2018	FY 2019
Tucson	138	129	130	134
Phoenix	266	283	270	259
Preschool	98	99	89	103
Total	502	511	489	496 ^{1/}

^{1/} Enrollment as of December 2018.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
ASDB Classroom Site Fund (SDA2486/A.R.S. § 15-1305)		Non-Appropriated
Source of Revenue: Monies transferred to the fund pursuant to A.R.S. § 15-1305 from a 0.6% sales tax and growth in the Permanent State School Fund expendable earnings above the FY 2001 level. Funding level is determined by the "Group A" and "Group B" weighted student count, as specified in A.R.S. § 15-943.		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	912,900	913,000
Year-End Fund Balance	1,786,000	2,362,300
Enterprise Fund (SDA4222/A.R.S. § 15-1323)		Non-Appropriated
Source of Revenue: Monies received from fees, rentals, and other charges from the non-school use of facilities.		
Purpose of Fund: To defray the costs of operating those facilities (i.e. auditorium).		
Funds Expended	53,000	53,100
Year-End Fund Balance	535,400	617,100
Federal Grants (SDA2000/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: Federal Grants - Title I aid to schools; vocational rehabilitation; National School Lunch and Breakfast programs; Arizona deaf-blind project; preschool services; and Arizona Early Intervention program.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	1,952,400	2,094,600
Year-End Fund Balance	1,399,900	1,484,000
IGA and ISA Fund (SDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	0	0
Year-End Fund Balance	46,000	46,000
Instructional Improvement Fund (SDA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	0	0
Year-End Fund Balance	1,800	1,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Regional Cooperatives Fund (SDA4221/Laws 1987, Chapter 363)		Non-Appropriated
Source of Revenue: Monies in the fund come from special education voucher funds as well as tuition and fees that school districts pay to ASDB in order to reimburse it for costs of providing services to their students.		
Purpose of Fund: The Regional Cooperative Fund is used to support ASDB's Regional Cooperatives program, which provides educational services to sensory impaired pupils who attend school at their local school districts rather than at an ASDB campus.		
Funds Expended	15,216,600	15,433,000
Year-End Fund Balance	2,914,500	3,085,000
Schools for the Deaf and the Blind Fund (SDA2444/A.R.S. § 15-1304)		Appropriated
Source of Revenue: "Special Education Fund" monies that ASDB receives from the Arizona Department of Education under the formula prescribed in A.R.S. § 15-1204. This formula is based on the number of pupils attending ASDB and the various special education "Group B" funding categories that those pupils qualify for under A.R.S. § 15-943(2b). This fund also receives expendable land endowment earnings pursuant to A.R.S. § 15-1304 and over-age and non-resident tuition income pursuant to A.R.S. § 15-1345.		
Purpose of Fund: To cover the cost of educating students receiving special education services at ASDB.		
Funds Expended	11,377,300	11,537,900
Year-End Fund Balance	4,542,400	7,108,300
State Grants (SDA2011/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: "Direct Services Claiming" (DSC) reimbursements and grants by private corporations and other state agencies.		
Purpose of Fund: To reimburse ASDB for DSC-related expenditures and to accomplish specific projects of interest to the donor and ASDB.		
Funds Expended	176,600	771,600
Year-End Fund Balance	469,900	690,600
Telecommunication Fund for the Deaf (SDA2047/A.R.S. § 36-1947)		Appropriated
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: The fund primarily supports the Commission for the Deaf and the Hard of Hearing. The FY 2019 K-12 Budget Reconciliation Bill allows monies from this fund to be used to support the expansion of the ASDB's Early Childhood and Family Education Program.		
Funds Expended	0	2,070,000
Year-End Fund Balance	0	0
Trust Fund (SDA3148/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.		
Purpose of Fund: Spent at the discretion of ASDB.		
Funds Expended	85,900	111,600
Year-End Fund Balance	26,200	24,600

Commission for the Deaf and the Hard of Hearing

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	16.0	16.0	16.0
Personal Services	979,000	1,066,000	1,066,000
Employee Related Expenditures	362,600	435,800	435,800
Professional and Outside Services	529,700	650,000	650,000
Travel - In State	8,900	12,000	12,000
Travel - Out of State	19,700	21,500	21,500
Other Operating Expenditures	963,800	1,955,200	1,955,200
Equipment	226,300	281,000	281,000
OPERATING SUBTOTAL	3,090,000	4,421,500	4,421,500
SPECIAL LINE ITEMS			
Support Services for the Deaf-Blind	0	192,000	192,000
AGENCY TOTAL	3,090,000	4,613,500	4,613,500 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Telecommunication Fund for the Deaf	3,090,000	4,613,500	4,613,500
SUBTOTAL - Other Appropriated Funds	3,090,000	4,613,500	4,613,500
SUBTOTAL - Appropriated Funds	3,090,000	4,613,500	4,613,500
TOTAL - ALL SOURCES	3,090,000	4,613,500	4,613,500

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 Baseline includes \$4,421,500 and 16 FTE Positions from the Telecommunication Fund for the Deaf in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Support Services for the Deaf-Blind

The Baseline includes \$192,000 from the Telecommunication Fund for the Deaf in FY 2020 for the Support Services for the Deaf-Blind line item. This amount is unchanged from FY 2019.

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. Funding for this line item was originally authorized in the FY 2018 budget. The commission did not provide these services in FY 2018 because they did not select a contracted vendor to manage the program. As a result, the commission began providing SSP services directly on July 1, 2018.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allow the Arizona State Schools for the Deaf and Blind (ASDB) to use monies appropriated to it from the Telecommunication Fund for the Deaf in FY 2020 for the ASDB Early Childhood

and Family Education Program. *(Please see the Arizona State Schools for the Deaf and the Blind narrative for more information.)*

Telecommunication Fund for the Deaf

The Telecommunication Fund for the Deaf is the primary funding source for the Commission for the Deaf and the Hard of Hearing. The fund derives its revenue from a 1.1% surcharge on landline telephone bills.

Table 1 displays the estimated year-end fund balance for the Telecommunication Fund for the Deaf based on the appropriations established in FY 2019.

The fund balance had consistently increased from FY 2012 to FY 2017, averaging \$4.8 million in annual ongoing revenue in comparison to \$3.9 million in annual expenditures. In FY 2018 the fund had a year-end balance of \$8.3 million. FY 2019 expenditures are expected to be \$0.9 million above revenues, with an estimated FY 2019 year-end balance of \$7.3 million. The expenditures include a \$2 million FY 2019 appropriation to ASDB to fund an expansion of the early childhood program. Based on the FY 2019 budget's 3-year spending plan, these monies are only used on a one-time basis.

In FY 2020 the Telecommunication for the Deaf fund is projected to maintain a \$8.4 million cash balance with an overall structural balance of \$1.1 million.

The FY 2020 cash and structural balances are based on ACDHH spending its full \$4.6 million direct appropriation. Between FY 2015 and FY 2018, the commission spent, on average, \$3.6 million from the fund annually.

Table 1

Telecommunication Fund for the Deaf (\$ in Millions)			
	FY 2018 <u>Actual</u>	FY 2019 <u>Estimate</u>	FY 2020 <u>Estimate</u>
Ongoing Revenues ^{1/}	\$5.7	\$5.7	\$5.7
<u>Expenditures</u> ^{2/}			
ACDHH Only	\$3.1	\$4.6	\$4.6
ASDB Only	<u>0.0</u>	<u>2.0</u>	<u>0.0</u>
Total Expenditures	3.1	6.6	4.6
Ending Balance	\$8.3	\$7.3	\$8.4

^{1/} Revenue estimates from ACDHH.
^{2/} Expenditures for FY 2019 and FY 2020 are appropriated amounts

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Private Grants Fund (DFA2025/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Revenue received from grants and donations from non-governmental agencies such as foundation and private donors.		
Purpose of Fund: Monies used to pay for conferences, program, or other activities that are sponsored by donor organizations.		
Funds Expended	0	0
Year-End Fund Balance	11,600	11,600
Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)	Appropriated	
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To operate the Arizona Relay System; support community outreach and education, purchase; repair, and distribute telecommunication devices for the deaf, hard of hearing, blind, and speech impaired; and operating costs of the commission. The FY 2019 K-12 Budget Reconciliation Bill allows monies from this fund to be used to support the expansion of the Arizona State Schools for the Deaf and Blind's Early Childhood and Family Education Program.		
Funds Expended	3,090,000	4,613,500
Year-End Fund Balance	8,277,700	7,329,900

State Board of Dental Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	514,300	547,300	547,300
Employee Related Expenditures	240,300	158,100	158,100
Professional and Outside Services	142,300	299,200	211,400
Travel - In State	2,900	3,200	3,200
Travel - Out of State	4,600	5,500	5,500
Other Operating Expenditures	151,500	263,500	263,500
Equipment	5,900	23,700	23,700
AGENCY TOTAL	1,061,800	1,300,500	1,212,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Dental Board Fund	1,061,800	1,300,500	1,212,700
SUBTOTAL - Other Appropriated Funds	1,061,800	1,300,500	1,212,700
SUBTOTAL - Appropriated Funds	1,061,800	1,300,500	1,212,700
TOTAL - ALL SOURCES	1,061,800	1,300,500	1,212,700

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 Baseline includes \$1,212,700 and 11 FTE Positions from the Dental Board Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time Document Scanning

The Baseline includes a decrease of \$(87,800) from the Dental Board Fund in FY 2020 for one-time costs associated with scanning licensing documents.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Dental Board Fund (DXA2020/A.R.S. § 32-1212)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of dentists, denturists, dental hygienists, and dental assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.		
Funds Expended	1,061,800	1,300,500
Year-End Fund Balance	5,374,000	4,826,000

Arizona Early Childhood Development and Health Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	134,414,400	143,329,800	146,792,600
Federal Funds	8,876,500	9,596,100	345,300
TOTAL - ALL SOURCES	143,290,900	152,925,900	147,137,900

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 2018, ECDHB’s largest expenditure was **Child Care Scholarships** at \$66.1 million, as displayed in *Table 1*, serving an average of 5,924 children monthly, up from 4,593 in FY 2017. 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. DES and ECDHB provide child care for lower-income working families, while DCS provides child care for child welfare cases. ECDHB requires lower-income families to accept a DES subsidy if it is available. DES child care is offered as only a partial subsidy requiring a family copayment that varies based on a family’s income level. ECDHB lower-income working child care is offered as a full “scholarship” without a copayment.

Table 1

FY 2018 ECDHB Fund Expenditures by Category ^{1/}
(\$ in Millions)

Expenditure Category	Amount	Percent
Child Care Scholarships	\$66.1	49%
Family Support	31.1	23%
Health	14.9	11%
Administration	9.3	7%
Professional Development	6.3	5%
Community Awareness	2.8	2%
Research & Evaluation	2.5	2%
System Coordination	0.9	1%
Other Funds (Grants, Gifts, etc.)	0.5	0%
Total	\$134.4	100%

^{1/} Does not include federal grant expenditures.

ECDHB child care expenditures are also used to meet federal child care funding requirements. The maintenance-of-effort requirement for the federal Child Care and Development Fund Block Grant (CCDF) is state child care spending of about \$10 million annually. In addition, the state must put up approximately \$20 million in matching funds to draw down the entire CCDF allocation. ECDHB disbursements largely fulfill both of these federal conditions.

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 119 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.

As shown in *Table 2*, the estimated FY 2019 expenditures leave the fund with a projected balance of \$353.2 million at the end of FY 2019. The board intends to use the balance in future years to offset ongoing revenue losses that may occur if tobacco use (and the corresponding tax collections) continues to decline.

Other Issues

Statutory Changes

The Baseline would, as permanent law, continue to require ECDHB to report with DCS on their collaborative efforts to address child welfare issues of common concern. This provision has been enacted as session law since FY 2016.

Table 2

ECDH Fund ^{1/2/3/} (\$ in Millions)				
	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
Revenues				
Beginning Balance	\$370.9	\$371.0	\$366.3	\$353.2
Ongoing Revenues ^{3/}	<u>132.0</u>	<u>129.6</u>	<u>130.3</u>	<u>130.5</u>
Total Revenues	\$502.9	\$500.6	\$496.6	\$483.7
Expenditures				
Administrative	\$13.2	\$13.3	\$15.0	\$15.0
Program ^{3/}	<u>118.7</u>	<u>121.1</u>	<u>128.4</u>	<u>131.8</u>
Total Expenditures	\$131.9	\$134.4	\$143.3	\$146.7
Ending Balance	\$371.0	\$366.3	\$353.2	\$337.0
^{1/} Data from ECDHB. ^{2/} Numbers may not add due to rounding. ^{3/} Does not include federal grant revenue or expenditures.				

SUMMARY OF FUNDS

FY 2018
Actual

FY 2019
Estimate

Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)

Non-Appropriated

Source of Revenue: A 4¢ tax per cigarette as well as various increases on other tobacco products.

Purpose of Fund: To fund the administrative and programmatic costs of the Arizona Early Childhood Development and Health Board. Monies from the fund may supplement, but not supplant, existing early childhood development programs. Up to 10% of the funds each year are deposited into the Administrative Costs Account and at least 90% are deposited into the Program Account for early childhood development programs and grants. The fund was created as a result of a voter initiative (Proposition 203) in the 2006 election.

Funds Available

Balance Forward	371,021,800	366,250,300
Revenue:		
Administrative Costs Account	12,901,700	13,000,000
Program Account	116,110,600	117,000,000
Other (Donations/Grants)	<u>630,600</u>	<u>285,000</u>
Total Funds Available	500,664,700	496,535,300
Expenditures:		
Administrative Expenditures	13,320,500	14,976,600
Programmatic Expenditures	<u>121,093,900</u>	<u>128,353,200</u>
Total Funds Expended	134,414,400	143,329,800
Year-End Fund Balance	366,250,300	353,205,500

Federal Grants (CDA2000/A.R.S. § 8-1182)

Non-Appropriated

Source of Revenue: Federal Funds.

Purpose of Fund: To fund early comprehensive childhood systems.

Funds Expended	8,876,500	9,596,100
Year-End Fund Balance	6,696,700	0

Office of Economic Opportunity

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	296,200	313,900	313,900
Employee Related Expenditures	101,700	105,900	105,900
Professional and Outside Services	4,100	4,000	4,000
Travel - In State	100	0	0
Travel - Out of State	800	0	0
Other Operating Expenditures	55,700	55,000	55,000
Equipment	100	10,000	10,000
AGENCY TOTAL	458,700	488,800	488,800 ^{1/}
FUND SOURCES			
General Fund	458,700	488,800	488,800
SUBTOTAL - Appropriated Funds	458,700	488,800	488,800
Other Non-Appropriated Funds	220,071,300	73,227,900	73,227,100
Federal Funds	24,186,600	44,776,800	44,776,800
TOTAL - ALL SOURCES	244,716,600	118,493,500	118,492,700

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

Operating Budget

The Baseline includes \$488,800 and 5 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Other Issues

Statutory Changes

The Baseline would, as permanent law, require the Arizona Industrial Development Authority to report on its annual revenues, expenditures, and program activity by October 1 annually. *(Please see AIDA section in Other Issues for more information.)*

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. *Table 1* below displays the estimated FY 2020 FTE allocations and expenditures for the 3 entities as reported by the agencies.

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.

- OEO's statistical analysis arm evaluates employment, population, and unemployment insurance data.
- The Workforce Arizona Council develops the state workforce plan, reviews statewide policies and programs that affect workforce development, and develops allocation formulas for employment and training grants.
- The Workforce Data Task Force oversees the development and maintenance of the state workforce evaluation data system.

Table 1

FY 2020 FTE Positions and Expenditures

<u>Recipient</u>	<u>FTE Positions</u>	<u>Total Funds</u>
OEO	35.6	\$ 6,865,900
AFA	20.7	111,626,800
AIDA ^{1/}	3.5	4,641,800
Total	59.8	\$123,134,500

^{1/} AIDA amounts are an estimate as these figures were not reported in the AFA budget. Additionally, AIDA amounts are not reflected in the above agency summary table as those monies are held in bank accounts of AIDA rather than in state funds.

OEO's funding was originally provided through the transfer of resources tied to the functions shifted to OEO from other agencies, and from fees paid to the Corporation Commission for securities filings that were previously deposited into the Arizona Competes Fund. *(For a more detailed history of the creation of OEO and the transfers from other agencies, please see the FY 2018 Appropriations Report.)*

OEO is estimating annual expenditures of \$6,865,900 in FY 2020. Table 2 displays OEO's estimated expenditures for FY 2020 by fund source.

Table 2

OEO FY 2020 Estimated Expenditures

<u>Fund Source</u>	<u>Expenditures</u>
General Fund	\$ 488,800
IGA & ISA Fund	909,800
Corporation Commission Fees	2,898,600
Federal Funds	2,568,700
OEO TOTAL	\$6,865,900

Chapter 372 also established the Economic Development Fund consisting of any remaining monies in the AFA Operations Fund or AIDA at the end of each prior fiscal year. The Economic Development Fund received a total of \$5.1 million in FY 2018, which the FY 2019 budget transferred to the General Fund at the end of FY 2018. This fund received a further transfer of \$1.2 million in FY 2019. OEO does not currently have an expenditure plan for these monies. *(Please see the AIDA section of this narrative below for more information about these transfers.)*

AFA

AFA houses the functions of the Water Infrastructure Finance Authority (WIFA) and the Greater Arizona Development Authority (GADA), and administers the state's Private Activity Bond (PAB) authorization. AFA is expected to oversee \$111,626,800 in expenditures in FY 2020 *(see Table 3)*.

- WIFA finances the construction, rehabilitation, and/or improvement of drinking water, waste water, waste water reclamation, and other water quality facilities or projects.
- GADA helps local governments obtain lower than market interest rates on debt incurred for infrastructure development and construction by using the GADA Revolving Fund to guarantee loans.
- As the state's recipient of the PAB authorization (tax exempt bonds allocated by the federal government to the state for certain private use), AFA issues PAB authority to local IDAs to allow the IDAs to issue bonds on behalf of a private entity. The entity uses the proceeds for projects such as school or multi-family home construction, mortgage revenue bonds, manufacturing projects, and qualified student loan projects.

Funding for the operational costs of AFA is derived from WIFA and GADA proceeds, bond proceeds from issuances of the AIDA, and gifts and grants. Monies received from these sources are deposited into the AFA Operations Fund.

The AFA is also responsible for the Clean Water Revolving Fund (\$43,864,700) and the Drinking Water Revolving Fund (\$25,488,000). These 2 funds provide loans to political subdivisions and Indian tribes for drinking water facilities and capital improvements at wastewater treatment facilities. Additionally, AFA administers Federal Funds (\$42,208,100) that provide water infrastructure loans to local governments and Indian tribes.

AFA will also expend an estimated \$33,000 to partially fund 1.3 FTE Positions from the GADA Revolving Fund to oversee the loan and bonding operations of GADA. This amount is small relative to the amounts expended from the Clean Water Revolving and Drinking Water Revolving Funds since the vast majority of the fund balance in the GADA Revolving Fund is used as collateral for the bonds they issue and is only directly loaned out in small amounts. Currently, the fund balance allows locals to bond at a rate of 30:1 while also providing a lower-than-market rate of interest. The FY 2019 estimated ending balance for the GADA Revolving Fund is \$9,984,300 which will allow for bonding of up to \$299,529,000 at the current leverage ratio.

Table 3

AFA FY 2020 Estimated Expenditures

<u>Agency/Fund Source</u>	<u>Expenditures</u>
<u>WIFA</u>	
Clean Water Revolving Fund	\$ 43,864,700
Drinking Water Revolving Fund	25,488,000
Federal Funds	42,208,100
IGA & ISA Fund	25,000
Total WIFA	\$111,585,800
<u>GADA</u>	
GADA Revolving Fund	\$ 33,000
<u>AFA</u>	
AFA Operations Fund	\$ 8,000
AFA TOTAL	\$111,626,800

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.

As a result of the consolidation, all of the existing assets of the 3 state IDAs became assets of AIDA. In FY 2017, these transfers created a surplus of \$5,085,800 above what AIDA needed to operate. Laws 2016, Chapter 372

requires that any unobligated monies within AIDA be transferred to the OEO-administered Economic Development Fund at the end of each fiscal year. As a result, the \$5,085,800 FY 2017 ending balance within AIDA was transferred to the OEO-administered Economic Development Fund in FY 2018. AIDA further transferred its FY 2018 year-end-balance \$1,178,900 to the Economic Development Fund. *(Please see the OEO section of this narrative for more information.)*

AIDA does not report its expenditures or revenues as part of the budget request process, as its operations fund is held in a non-state bank account. The Baseline would require AIDA to report on its revenues, expenditures, and program activity by October 1 annually.

Table 4 summarizes the estimated FY 2020 expenditures.

Table 4

AIDA FY 2020 Estimated Expenditures

<u>Fund Source</u>	<u>Expenditures</u>
AIDA IGA & ISA Fund	\$4,641,800 ^{1/}

^{1/} Represents an estimate based on FY 2018 expenditure data. This amount is not reflected in the OEO summary table as the monies are held in an AIDA bank account rather than a state fund.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Clean Water Revolving Fund (FAA2254/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans for capital improvements at wastewater treatment facilities of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.		
Funds Expended	168,741,800	43,864,700
Year-End Fund Balance	24,010,600	42,970,000
Drinking Water Revolving Fund (FAA2307/A.R.S. § 49-1241)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans to drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	48,265,500	25,488,000
Year-End Fund Balance	96,875,200	108,601,700
Economic Development Fund (EOA3337/A.R.S. § 41-5302)		Non-Appropriated
Source of Revenue: Any unencumbered monies retained by the Arizona Finance Authority at the end of the fiscal year that are in excess of the Authority's operating expenses.		
Purpose of Fund: To fund projects as determined by the director of OEO.		
Funds Expended	0	800
Year-End Fund Balance	800	1,178,900

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Office of Economic Opportunity Operations Fund (EOA9903/A.R.S. § 41-5302)		Non-Appropriated
Source of Revenue: Filing fees paid by security issuers and registration fees paid by security dealers to the Corporation Commission. Prior to the creation of this fund, these monies had been deposited into the Arizona Competes Fund.		
Purpose of Fund: To fund the operational costs of the office.		
Funds Expended	557,000	2,898,600
Year-End Fund Balance	3,178,400	165,900
Federal Grants (EOA2000/A.R.S. § 49-1203)		Non-Appropriated
Source of Revenue: Federal grants related to water supply management, employment and population statistical analysis, Workforce Innovation and Opportunity Act (WIOA) monies, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	24,186,600	44,776,800
Year-End Fund Balance	115,100	115,100
Arizona Finance Authority Operations Fund (FAA5352/A.R.S. § 41-5352)		Non-Appropriated
Source of Revenue: Legislative appropriations, unrestricted and available monies of WIFA and GADA, proceeds from the bond issuances of AIDA, donations, loans, or gifts to the Authority.		
Purpose of Fund: To fund the operations of AFA. Laws 2016, Chapter 372 established the AFA to oversee the state's private activity bond authorization and the operations of WIFA and GADA.		
Funds Expended	8,200	8,000
Year-End Fund Balance	154,400	83,000
Greater Arizona Development Authority Revolving Fund (FAA2311/A.R.S. § 41-2254)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
Purpose of Fund: To help rural communities meet their infrastructure needs. GADA may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The state funding only serves as collateral for the loans and is not directly loaned out. The fund was capitalized with \$20,000,000 from the General Fund between FY 1998 and FY 2000. Other revenue to the fund may be used for GADA's operating costs, as well as technical and financial assistance to communities.		
Funds Expended	31,000	33,000
Year-End Fund Balance	9,832,300	9,984,300
IGA and ISA Fund (EOA2500/A.R.S. § 41-5303)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	2,467,800	934,800
Year-End Fund Balance	48,700	106,700
Arizona Industrial Development Authority Fund (FAA9973/A.R.S. § 41-5356)		Non-Appropriated
Source of Revenue: Filing and application fees related to the issuance of private activity bonds and investment income.		
Purpose of Fund: To pay for the operations of the Arizona Industrial Development Authority, including the review and approval of certain corporate bond financing projects. Revenues remaining in the fund at the end of the fiscal year are transferred to the Office of Economic Opportunity's Economic Development Fund. These funds are not held in a state account, and therefore its expenditures and fund balances are not displayed.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Small Drinking Water Systems Fund (FAA2225/A.R.S. § 49-355)		Non-Appropriated
<p>Source of Revenue: Legislative appropriations and interest. The FY 2017 budget included a one-time deposit of \$500,000 in General Fund monies. These expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund. Expenditures from the fund totaled \$116,800 in FY 2018.</p> <p>Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency grants to small water systems for infrastructure repair. Laws 2017, Chapter 213 changed the name of the fund to be the Small Drinking Water Systems Fund, expanded the eligible pool of grant recipients, and expanded the use of the funds to non emergency-grants.</p>		
Funds Expended	0	0
Year-End Fund Balance	0	0

Department of Economic Security

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,289.4	4,323.8	4,377.8 ^{1/}
Personal Services	69,563,500	73,791,600	73,791,600
Employee Related Expenditures	32,758,400	32,959,400	32,959,400
Professional and Outside Services	15,053,000	17,380,700	17,380,700
Travel - In State	375,500	391,700	391,700
Travel - Out of State	70,100	88,900	88,900
Other Operating Expenditures	24,525,100	30,934,500	30,938,500
Equipment	4,376,600	3,070,600	3,070,600
OPERATING SUBTOTAL	146,722,200	158,617,400	158,621,400 ^{2/3/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	9,913,700	11,002,700	10,998,700
SNAP Benefit Match Program	0	400,000	0
Aging and Adult Services			
Adult Services	9,431,900	9,902,900	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	11,269,000	14,003,700	14,003,700 ^{4/5/}
Benefits and Medical Eligibility			
TANF Cash Benefits	22,629,700	22,736,400	22,736,400
Coordinated Hunger Services	1,754,600	1,754,600	1,754,600
One-Time Food Bank Funding	0	1,000,000	0
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	5,132,000	8,740,200	8,740,200
Developmental Disabilities ^{6/-10/}			
DDD Administration	36,419,600	83,504,800	104,623,200 ^{11/}
DDD Premium Tax Payment	26,829,000	30,461,200	35,598,700
Case Management - Medicaid	63,719,600	70,018,100	75,727,800 ^{11/}
Home and Community Based Services - Medicaid	1,081,506,800	1,196,993,000	1,267,515,700
Institutional Services - Medicaid	23,860,600	45,154,600	49,934,500
Arizona Training Program at Coolidge - Medicaid	18,922,900	0	0
Children's Rehabilitative Services - Medicaid	0	50,390,100	0
Medical Services - Medicaid	187,468,900	197,154,900	274,966,700
Medicare Clawback Payments	4,043,000	4,185,100	4,517,800
Targeted Case Management - Medicaid	0	6,614,500	10,673,600
Case Management - State Only	3,913,000	4,313,400	4,313,400 ^{11/}
Home and Community Based Services - State Only	20,028,000	13,709,000	13,589,000
Cost Effectiveness Study Client Services	0	1,100,000	1,220,000
Arizona Early Intervention Program	0	8,219,000	6,319,000 ^{12/}
State-Funded Long Term Care Services	28,561,500	34,959,600	33,151,600
Employment and Rehabilitation Services			
JOBS	11,005,600	11,005,600	11,005,600
Child Care Subsidy	94,396,300	98,396,600	98,396,600 ^{12/}
Independent Living Rehabilitation Services	1,233,100	1,289,400	1,289,400
Rehabilitation Services	7,305,400	7,249,100	7,249,100
Workforce Investment Act Services	65,654,600	53,654,600	53,654,600 ^{13/}
AGENCY TOTAL	1,892,647,900	2,157,457,400	2,290,260,100 ^{14/-17/}

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
FUND SOURCES			
General Fund	586,110,200	650,936,900	687,499,200
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	7,917,200	16,973,100	16,973,100
Domestic Violence Services Fund	1,265,300	4,000,000	4,000,000
Federal CCDF Block Grant	103,773,400	110,518,600	110,518,600
Federal TANF Block Grant	67,858,100	65,324,900	65,324,900
Health Services Lottery Monies Fund	2,800,000	0	0
Long Term Care System Fund (Non-Federal Matched)	26,561,500	26,559,600	26,559,600
Public Assistance Collections Fund	0	422,500	422,500
Special Administration Fund	2,951,800	5,677,300	4,506,300
Spinal and Head Injuries Trust Fund	2,310,900	4,254,400	2,354,400
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	68,040,300	56,044,500	56,044,500
SUBTOTAL - Other Appropriated Funds	283,478,500	290,774,900	287,703,900
SUBTOTAL - Appropriated Funds	869,588,700	941,711,800	975,203,100
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund (EA)	35,024,300	42,299,500	42,299,500
Long Term Care System Fund (Federal Match)	988,034,900	1,173,446,100	1,272,757,500
SUBTOTAL - Expenditure Authority Funds	1,023,059,200	1,215,745,600	1,315,057,000
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,892,647,900	2,157,457,400	2,290,260,100
Other Non-Appropriated Funds	246,524,900	241,858,400	241,375,000
Federal Funds	1,741,347,200	1,673,880,100	1,673,480,100
TOTAL - ALL SOURCES	3,880,520,000	4,073,195,900	4,205,115,200

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, 237.6 OF, and 1,560.3 EA FTE Positions funded from Special Line Items in FY 2020.
- 2/ The operating lump sum appropriation may be expended 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 \$16,973,100 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New FTE Positions may be authorized with the increased funding. Before the expenditure of 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)
- 4/ 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 the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies in excess of \$4,000,000 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 5/ The Department of Economic Security shall report to the Joint Legislative Budget Committee on the amount of state and federal monies available statewide for domestic violence funding on or before December 15, 2019. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)
- 6/ 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 2%. 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 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)

- 7/ 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)
- 8/ The department 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 FY 2020 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. The department shall make this report available on or before September 1, 2020. On or before September 1, 2020, 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 FY 2020. (General Appropriation Act footnote)
- 9/ 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)
- 10/ The department shall report to the Joint Legislative Budget Committee on or before August 1, 2019 the number of filled positions for case managers and non-case managers in the Division of Developmental Disabilities as of June 30, 2019. 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, 2019 report. (General Appropriation Act footnote)
- 11/ Before transferring any monies in or out of the Case Management - Medicaid, Case Management - State-Only and DDD Administration line items, the Department of Economic Security shall submit a report for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- D/ ~~The department shall report to the Joint Legislative Budget Committee on or before December 1, 2018 its plans to reduce screening costs associated with the Arizona Early Intervention Program. (General Appropriation Act footnote)~~
- 12/ It is the intent of the Legislature that the combined number of children in child care assistance authorized pursuant to A.R.S. § 46-803D and F be maintained throughout the year at a minimum of 8,500 children. The department shall prioritize child care assistance for families that qualify for assistance pursuant to A.R.S. § 46-803F on the waiting lists established pursuant to A.R.S. § 46-803I. (General Appropriation Act footnote)
- 13/ All Workforce Investment Act Grant monies that are received by this state in excess of \$56,044,500 are appropriated to the Workforce Investment Act Services line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies in excess of \$56,044,500 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 14/ The Department of Economic Security may use up to \$25,000,000 from the Budget Stabilization Fund established by A.R.S. § 35-144 for the purpose of providing funding for reimbursement grants. Notwithstanding any other law, this appropriation must be fully reimbursed on or before September 1, 2019 and must be reimbursed in full as part of the closing process for FY 2019. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)
- 15/ The above appropriations are in addition to monies granted to the 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 A.R.S. § 42-5029. (General Appropriation Act footnote)
- 16/ 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 30th 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)

17/ General Appropriation Act fund are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

The Department of Economic Security's (DES) FY 2020 General Fund spending increases by \$36,562,300, or 5.6% above the FY 2019 appropriation. This amount includes:

- \$42,032,800 for DDD formula adjustments.
- \$5,070,900 to annualize the FY 2019 transfer of funding for DDD Children's Rehabilitative Services from AHCCCS to DES.
- \$3,858,600 for Proposition 206 rate increases to provide 6-month funding for the minimum wage increase from \$11.00/hour to \$12.00/hour in January 2020.
- \$(13,000,000) to remove one-time funding for DDD Proposition 206 costs and room and board expenses from FY 2019.
- \$(1,400,000) to remove one-time funding for food banks and the SNAP Benefit Match Program.

Operating Budget

The Baseline includes \$158,621,400 and 1,874.4 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$78,778,200
Child Support Enforcement Administration Fund	13,447,100
Child Support Enforcement Administration Fund (EA)	27,542,200
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,393,300
Federal Child Care and Development Fund (CCDF) Block Grant	12,104,300
Public Assistance Collections Fund	331,700
Special Administration Fund	2,070,400
Spinal and Head Injuries Trust Fund	574,300
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,379,900

FY 2020 adjustments are as follows:

Transfer from AG Legal Services

The Baseline includes an increase of \$4,000 from the General Fund in FY 2020 from AG Legal Services for IT overhead costs. The transfer results in no net change in resources.

Administration

Attorney General Legal Services

The Baseline includes \$10,998,700 and 156.9 FTE Positions in FY 2020 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,223,800
Child Support Enforcement Administration Fund	2,446,900
Child Support Enforcement Administration Fund (EA)	7,096,200
Federal TANF Block Grant	106,300
Federal CCDF Block Grant	17,700
Public Assistance Collections Fund	90,800
Special Administration Fund	5,000
Spinal and Head Injuries Trust Fund	2,000
Workforce Investment Act Grant	10,000

FY 2020 adjustments are as follows:

Transfer to Operating Budget

The Baseline includes a decrease of \$(4,000) from the General Fund in FY 2020 to the Operating Budget for IT overhead costs. The transfer results in no net change in resources.

SNAP Benefits Match Program

The Baseline includes no funding in FY 2020 for the SNAP Benefits Match Program. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(400,000) from the General Fund in FY 2020 to remove one-time funding for a Supplemental Nutrition Assistance Program (SNAP) Benefit Match for Arizona-grown produce purchases. The enacted FY 2019 budget's 3-year spending plan designated this spending as one-time. The monies are non-lapsing through the end of FY 2020. FY 2019 was the first year of funding.

Aging and Adult Services

Adult Services

The Baseline includes \$8,731,900 from the General Fund in FY 2020 for Adult Services. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,171,000) from the Special Administration Fund in FY 2020 to remove one-time funding for in-home services for the elderly provided by the Area Agencies on Aging. The enacted FY 2019 budget's 3-year spending plan designated this spending as one-time.

DES believes that they can replace this funding with federal Victim of Crimes Act (VOCA) grant monies and does not request any new appropriated funds for this line item.

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 2020
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 Baseline includes \$3,724,000 from the Federal TANF Block Grant in FY 2020 for Community and Emergency Services. This amount is unchanged from FY 2019.

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 2018, this line item provided short-term crisis services to 1,142 households and energy assistance to 29,859 households.

Coordinated Homeless Services

The Baseline includes \$2,522,600 in FY 2020 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 2019.

In FY 2018, this line item provided emergency shelter services to 9,589 individuals, rapid re-housing services to 1,659 individuals, and homeless prevention services to 58 individuals.

Domestic Violence Prevention

The Baseline includes \$14,003,700 in FY 2020 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 2019.

In FY 2018, this line item, along with non-appropriated funds, served approximately 6,138 women and children in emergency shelters, 308 adults and children in transitional housing, and 12,372 victims with legal and lay legal advocacy.

Benefits and Medical Eligibility

TANF Cash Benefits

The Baseline includes \$22,736,400 from the Federal TANF Block Grant in FY 2020 for TANF Cash Benefits. This amount is unchanged from FY 2019.

As of November 2018, DES served a regular TANF Cash Benefits caseload of 14,837 individual recipients. Compared to June 2018, caseloads have increased 2.1% but caseloads have declined (12.5)% compared to November 2017. The average cost per person is projected to be \$95. 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 November 2018 Diversion caseload was 617, a (5.8)% decline from June 2018 and a (4.8)% decline from October 2017.

The Baseline amount would be able to fund an average of 14,710 individuals at \$95 per month and 650 Diversion clients at \$765 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.

Coordinated Hunger Services

The Baseline includes \$1,754,600 in FY 2020 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 2019.

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 2018, this funding assisted in the distribution of 8,142,156 congregate meals and 1,652,364 emergency food boxes.

One-Time Food Bank Funding

The Baseline includes no funding in FY 2020 for One-Time Food Bank Funding. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2020 to remove one-time funding for various food banks across the state. The funding was distributed for capital needs. The enacted FY 2019 budget's 3-year spending plan designated this spending as one-time.

Tribal Pass-Through Funding

The Baseline includes \$4,680,300 from the General Fund in FY 2020 for Tribal Pass-Through Funding. This amount is unchanged from FY 2019.

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 2020
State Share of Retained Earnings	\$ 2,751,500
Federal Incentive Payments	6,200,000
Fees	1,769,000
Excess Appropriation Authority ^{1/}	6,252,600
Administration (Non-Appropriated)	<u>2,901,800</u>
Total	\$19,874,900
Uses	
DCSE Administration (DES Operating)	\$13,447,100
Attorney General Legal Services	2,446,900
County Participation	1,079,100
Administration (Non-Appropriated)	<u>2,901,800</u>
Total	\$19,874,900

^{1/} This line is the difference between appropriation authority and expected revenues.

County Participation

The Baseline includes \$8,740,200 in FY 2020 for County Participation. This amount consists of:

CSEA Fund	1,079,100
CSEA Fund (EA)	7,661,100

These amounts are unchanged from FY 2019.

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 but does not appropriate any specific non-appropriated fund.

As of December 2018, the Division of Developmental Disabilities served 41,842 clients, which includes 32,688 clients in the LTC program and 9,154 clients in the state-only program. The primary disabilities are shown in *Table 3*.

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Intellectual Disability	15,881	38.0%
At Risk	10,806	25.8%
Autism	9,924	23.7%
Cerebral Palsy	3,475	8.3%
Epilepsy	1,756	4.2%
Total	41,842	

Overall DDD Formula Adjustments

The Baseline includes an increase of \$42,032,800 from the General Fund in FY 2020 for DDD formula changes. Changes are described in further detail below. *(Please see Other Issues for further details on FY 2021 and FY 2022 formula changes.)*

FY 2020 Caseload Growth

The Baseline includes an increase of \$27,809,700 from the General Fund in FY 2020 for DD caseload changes. Compared to June 2019, LTC caseloads are expected to grow by 4.7% to 35,547 members by June 2020 (this amount excludes state-only clients).

Table 4 shows the number of clients by placement setting for DDD enrollees in June 2018, and the estimated growth in FY 2019 and FY 2020. Approximately 85.9% of clients are currently at home, and 14.1% receive services in a community-based residential setting, such as a group home or developmental home. The remaining 0.3% of clients receive services in an institution, including an intermediate care facility or a skilled nursing facility.

<u>Placement</u>	<u>FY 18</u>	<u>FY 19 Est</u>	<u>FY 20 est</u>
Home	27,862	29,174	30,546
Group Home	2,981	3,122	3,268
Developmental Home	1,452	1,520	1,592
Institution	100	105	110
Other ^{1/}	29	30	32
Total	32,424	33,951	35,547

^{1/} Includes behavioral health residential facilities and assisted living facilities.

FY 2020 Capitation Rate Adjustments

The Baseline includes an increase of \$16,775,000 from the General Fund in FY 2020 for a 3.0% net capitation rate increase beginning July 1, 2019. Capitation rates include adjustments for medical inflation, utilization of services, and other factors. *Table 5* shows how the capitation adjustment is allocated by service category.

The capitation adjustment does not include a dedicated provider rate adjustment. Funding for provider rate adjustments associated with Proposition 206 is allocated separately from formula adjustments. *(Please see Other Issues for additional information.)*

	<u>FY 2019 Capitation Rate ^{1/}</u>	<u>Assumed Growth Rate</u>	<u>FY 2020 Capitation Rate</u>
Administration	243.17	3.0%	250.46
Premium Tax	82.74	3.0%	85.22
Case Management	176.01	3.0%	181.29
HCBS ^{2/}	2,916.10	3.0%	3,003.58
Institutional Care ^{3/}	116.06	3.0%	119.54
Acute Care ^{4/}	639.09	3.0%	658.26
Total	4,173.17	3.0%	4,298.35

^{1/} Represents original capitation rate effective January 1, 2019 plus reinsurance expenses. Excludes mid-year revision submitted on December 28, 2019, which the JLBC Staff is still evaluating.
^{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 reinsurance.

FMAP Adjustments

The Baseline includes a decrease of \$(2,884,600) from the General Fund in FY 2020 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 2020, the Medicaid FMAP is projected to increase to 69.97% (0.14% increase).

Medicare Clawback

The Baseline includes an increase of \$332,700 from the General Fund in FY 2020 for adjustments associated with Medicare Clawback Payments.

Other DD General Fund Adjustments

- \$5,070,900 to annualize the FY 2019 transfer of DD Children's Rehabilitative Services from AHCCCS to DES.
- \$3,858,600 for 6 months of funding for Proposition 206 provider rate increases associated with the increase in the minimum wage from \$11.00 to \$12.00 effective January 1, 2020.
- \$(13,000,000) to remove one-time funding for DD Proposition 206 costs and room and board funding from FY 2019.

DDD Administration

The Baseline includes \$104,623,200 and 294.3 FTE Positions in FY 2020 for DDD Administration. These amounts consist of:

General Fund	31,417,700
Long Term Care System Fund	73,205,500

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$21,118,400 in FY 2020 for formula adjustments. The formula adjustments include a 4.7% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	6,266,700
Long Term Care System Fund	14,851,700

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 Baseline includes \$35,598,700 in FY 2020 for the DDD Premium Tax Payment. This amount consists of:

General Fund	10,690,000
Long Term Care System Fund	24,908,700

FY 2020 adjustments are as follows:

Premium Tax Growth

The Baseline includes an increase of \$5,137,500 in FY 2020 for growth in the premium tax. This amount consists of:

General Fund	1,499,900
Long Term Care System Fund	3,637,600

Background – DES pays a 2% premium tax to the Department of Insurance on capitation payments received from AHCCCS.

Case Management - Medicaid

The Baseline includes \$75,727,800 and 1,237 FTE Positions in FY 2020 for Case Management - Medicaid. These amounts consist of:

General Fund	22,740,600
Long Term Care System Fund	52,987,200

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$5,709,700 and 54 FTE Positions in FY 2020 for formula adjustments. The formula adjustments include a 4.7% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. These amounts consist of:

General Fund	1,620,100
Long Term Care System Fund	4,089,600

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 Baseline includes \$1,267,515,700 and 94.5 FTE Positions in FY 2020 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	380,619,900
Long Term Care System Fund	886,895,800

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$94,111,000 in FY 2020 for formula adjustments. The formula adjustments include a 4.7% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	26,629,400
Long Term Care System Fund	67,481,600

Proposition 206 Provider Rate Adjustment

The Baseline includes an increase of \$12,871,800 in FY 2020 for developmental disabilities provider rate adjustments to address cost increases associated with Proposition 206 minimum wage requirements. These adjustments were funded as part of the FY 2019 budget's 3-year spending plan. This amount consists of:

General Fund	3,858,600
Long Term Care System Fund	9,013,200

(Please see Other Issues for additional information.)

Remove One-Time Proposition 206 Assistance

The Baseline includes a decrease of \$(36,460,100) in FY 2020 to remove one-time assistance to address developmental disability provider costs associated with Proposition 206. This amount consists of:

General Fund	(11,000,000)
Long Term Care System Fund	(25,460,100)

These amounts were for one-time assistance to Developmental Disabilities providers for costs associated with Proposition 206 implementation. DES used the funding to make quarterly distributions to DD providers based on their proportionate share of Proposition 206 costs. This funding was labeled as one-time, and is therefore removed in accordance with the 3-year spending plan associated with the enacted FY 2019 budget. The Legislature also funded the one-time assistance at a level of \$10,000,000 from the General Fund and \$33,036,000 Total Funds in the FY 2018 budget. *(See Other Issues for additional information.)*

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 in FY 2018. This line item also funds staff in state-operated group homes.

Table 6

FY 2018 Developmental Disabilities Home and Community-Based Services Expenditures for Top 10 Most Used Services

Service	Expenditures (\$ in M)
Group Homes	\$290.7
Day Programs	120.3
Attendant Care	112.5
Respite	102.8
Habilitation (In-Home)	73.8
Adult Developmental Homes	46.3
Nurses (In-Home)	42.8
Speech Therapy	27.4
Room and Board (Mostly Group Home)	25.7
Group Supported Employment	24.8

Institutional Services - Medicaid

The Baseline includes \$49,934,500 and 457.7 FTE Positions in FY 2020 for Medicaid Institutional Services. These amounts consist of:

General Fund	14,995,000
Long Term Care System Fund	34,939,500

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$4,779,900 in FY 2020 for formula adjustments. The formula adjustments include a 4.7% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	1,373,200
Long Term Care System Fund	3,406,700

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 the Arizona Training Program at Coolidge (ATP-C). DES reports that ATP-C had December 2018 enrollment of 78. An FY 2019 General Appropriation Act footnote requires DES to report to JLBC by September 1, 2019 on the costs associated with the ATP-C facility. The Baseline would continue this footnote in FY 2020.

Statute requires DES to annually provide their plans for ATP-C to the JLBC for review. In November 2018, 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 19 residents at the facility. The department would offer those residents the choice to either move to an ICF-IID on the ATP-C campus or reside with a private provider.

At its December 2018 meeting, JLBC favorably reviewed DES' Coolidge plan, with the provision that the department provide an update to the Committee on the future use of the 5 SOGH buildings in next year's annual report.

Children's Rehabilitative Services - Medicaid

The Baseline includes no funding in FY 2020 for Children's Rehabilitative Services (CRS) - Medicaid. FY 2020 adjustments are as follows:

Transfer CRS to Medical Services Line

The Baseline includes a decrease of \$(50,390,100) in FY 2020 to incorporate CRS funding within the Medical Services line to align the budget structure with DDD capitation rates. This amount consists of:

General Fund	(15,212,700)
Long Term Care System Fund	(35,177,400)

The CRS program provides specialized physical and behavioral health services to children with certain disabilities.

Medical Services - Medicaid

The Baseline includes \$274,966,700 and 35.4 FTE Positions in FY 2020 for Medical Services - Medicaid. These amounts consist of:

General Fund	82,570,700
Long Term Care System Fund	192,396,000

FY 2020 adjustments are as follows:

Transfer CRS to Medical Services Line

The Baseline includes an increase of \$50,390,100 in FY 2020 to incorporate CRS funding within the Medical Services line to align the budget structure with DDD capitation rates. This amount consists of:

General Fund	15,212,700
Long Term Care System Fund	35,177,400

Annualize CRS Funding

The Baseline includes an increase of \$16,796,700 in FY 2020 to annualize the transfer of funding for Children's Rehabilitative Services for Developmental Disabilities clients from the Arizona Health Care Cost Containment System (AHCCCS) to DES. This amount consists of:

General Fund	5,070,900
Long Term Care System Fund	11,725,800

Formula Adjustments

The Baseline includes an increase of \$10,625,000 in FY 2020 for formula adjustments. The formula adjustments include a 4.7% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	2,865,700
Long Term Care System Fund	7,759,300

Background – DES subcontracts with AHCCCS health plans to obtain medical services and Children's Rehabilitative Services (CRS) for DD clients in the ALTCS program, while behavioral health services for such clients are covered by the RBHAs and financed by AHCCCS directly.

Medicare Clawback Payments

The Baseline includes \$4,517,800 from the General Fund in FY 2020 for Medicare Clawback Payments. FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$332,700 from the General Fund in FY 2020 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.

Targeted Case Management - Medicaid

The Baseline includes \$10,673,600 and 76.8 FTE Positions in FY 2020 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	3,248,800
Long Term Care System Fund	7,424,800

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$4,059,100 in FY 2020 for formula adjustments. The formula adjustments include a 4.7% increase for caseload growth, 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	1,253,100
Long Term Care System Fund	2,806,000

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 4,898 clients received TCM services in FY 2018.

Case Management - State-Only

The Baseline includes \$4,313,400 and 55.8 FTE Positions from the General Fund in FY 2020 for Case Management - State-Only. These amounts are unchanged from FY 2019.

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 3,849 DD state-only clients received case management state-only services in FY 2018.

Home and Community Based Services - State-Only

The Baseline includes \$13,589,000 from the General Fund in FY 2020 for state-only Home and Community Based Services. FY 2020 adjustments are as follows:

Transfer from State-Only Line Item

The Baseline includes a decrease of \$(120,000) from the Special Administration Fund in FY 2020 to consolidate CES Client services funding within the Cost-Effectiveness Study Client Services line item.

Background – This line item funds residential programs, day programs, and support services for DD clients that do not qualify for ALTCS. A monthly average of 8,747 clients were enrolled in the DD state-only program in FY 2018.

Cost-Effectiveness Study Client Services

The Baseline includes \$1,220,000 from the Special Administration Fund in FY 2020 for Cost-Effectiveness Study (CES) Client Services. FY 2020 adjustments are as follows:

Transfer from State-Only Line Item

The Baseline includes an increase of \$120,000 from the Special Administration Fund in FY 2020 to consolidate CES Client services funding within the Cost-Effectiveness Study Client Services line item.

Laws 2018, Chapter 346 appropriated \$1,100,000 in FY 2019 to provide additional services on a state-only basis to ALTCS DD clients who experienced service reductions as a result of the CES rate. This amount was in addition to the existing \$120,000 appropriation for CES client services from FY 2018.

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 \$162,100 to \$401,400 depending on what the appropriate institutional placement would be for the client in the absence of home and community-based services.

If ALTCS clients have HCBS costs that are at or above the CES rate, DES must either reduce services or place the client in an institutional setting to comply with the waiver. DES projects that the \$1,220,000 is sufficient to fund a monthly average of 45 clients with an average of \$2,250 in monthly costs above the CES rate (\$27,000 annually). The \$27,000 is in addition to the \$162,100 to \$401,400 already funded through the ALTCS program for CES clients. The \$1,220,000 represents a state-only cost.

Chapter 346 requires the Legislature to annually inflate the appropriation for CES services based on the annual increase in the Phoenix-Mesa Consumer Price Index. The Baseline would, as session law, notwithstanding the annual inflation requirement, as the Special Administration Fund does not have sufficient revenues to cover the current appropriations of the fund. (*See Other Issues for Additional Information.*)

Arizona Early Intervention Program

The Baseline includes \$6,319,000 from the General Fund in FY 2020 for the Arizona Early Intervention Program (AzEIP). FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,900,000) from the Spinal and Head Injuries Trust Fund in FY 2020 to remove one-time funding associated with higher-than-budgeted screening costs in the AzEIP program. This funding was

labeled as one-time, and is therefore removed in accordance with the 3-year spending plan associated with the enacted FY 2019 budget. FY 2019 was the first year of this funding.

DES intends to make changes to AZEIP screening processes to reduce costs. An FY 2019 General Appropriation Act footnote required DES to report to JLBC by December 1, 2018 on its plans to address AzEIP screening costs. The department identified \$(600,000) in potential savings in FY 2020 associated with a re-bid of its contracts for the AzEIP program, or \$(1,300,000) less than the one-time funding for the program included in the FY 2019 budget.

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 \$9,376,600 for AzEIP services in FY 2020. As a result, the total AzEIP funding available in this line is \$16,289,600 in FY 2020. DES reports that there were 16,364 new referrals to AzEIP in FY 2018 and 5,468 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 3,569 DD-eligible children enrolled in the AzEIP program as of December 1, 2018.

State-Funded Long Term Care Services

The Baseline includes \$33,151,600 and 2 FTE Positions in FY 2020 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	6,592,000
Long Term Care System Fund	26,559,600

FY 2020 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$192,000 from the General Fund in FY 2020 for caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses.

Remove One-Time Medicaid Room and Board

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2020 to remove funding for a one-time 6.5% rate increase for DD residential services providers

with room and board expenses. This funding was labeled as one-time, and is therefore removed in accordance with the 3-year spending plan associated with the enacted FY 2019 budget. The Legislature has funded the \$2,000,000 on a one-time basis in the FY 2018 and FY 2019 budgets.

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

JOBS

The Baseline includes \$11,005,600 and 93 FTE Positions in FY 2020 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 2019.

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 7* highlights total estimated expenditures for the JOBS line item.

Table 7

Estimated JOBS Expenditures

Expenditures	Amount
Case Management	\$ 7,971,400
Job Training	1,439,100
FLSA Supplement	126,900
Work-Related Transportation	1,214,300
Job Search Stipends	253,900
Total	\$11,005,600

Child Care Subsidy

The Baseline includes \$98,396,600 from the Federal CCDF Block Grant in FY 2020 for child care subsidies. These amounts are unchanged from FY 2019.

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.

Depending on the population group to which they belong, the length of time for which families are eligible to receive child care subsidies is restricted by statute. For the low-income working population, there is a 60-month cumulative time limit per child. The Transitional Child Care benefit is available for 24 months. The TANF Child Care benefit is available to families as long as they are receiving TANF Cash Benefits, which has a 24-month cumulative lifetime time limit.

Subsidy Rates – The average subsidy paid to providers per child for the DES population is projected to be \$350 per month in FY 2018 and the average subsidy for the DCS population is projected to be \$406 per month. The maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County is \$26.60 per day.

Families in non-mandatory categories are required to make co-payments to defray the state's share of the cost of care. For families with an income level at or below 100% of the FPL, the required daily co-payment for their first child in care is \$2.00. Using the \$26.60 Maricopa rate, this \$2.00 co-payment would account for 7.5% of the total cost of care (with the state paying the other 92.5%). By comparison, a family at 165% FPL is required to make a co-payment of \$10.00 per child. Using the same scenario as above, a family at 165% FPL would contribute 37.6% of the child's child care costs.

Caseloads – The estimated average number of children receiving child care services in FY 2019 is projected to be 19,100 (see Table 8) excluding DCS-related child care. (Please see the Other Issues for information on additional CCDF monies.)

Table 8 Child Care Caseloads			
Category	FY 18	FY 19 est	FY 20 est 1/
TANF	1,973	2,200	2,300
Low-Income Working	12,374	12,100	11,800
Transitional Child Care	4,990	4,800	5,000
Total Served	19,337	19,100	19,100

1/ FY 2020 numbers are DES estimates.

Rehabilitation Services

The Baseline includes \$7,249,100 in FY 2020 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 2019.

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 11,151 clients in FY 2019 at an average Total Funds cost of \$15,422 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.

Independent Living Rehabilitation Services

The Baseline includes \$1,289,400 in FY 2020 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 2019.

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 556 clients in FY 2019 at an average Total Funds cost per client of \$3,470. In addition to these clients, the division is also expected to serve 90 Independent Living clients at an average annual cost of \$4,870 per client using federal Social Services Block Grant monies.

Workforce Investment Act Services

The Baseline includes \$53,654,600 from the Workforce Investment Act (WIA) Grant in FY 2020 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2019.

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 2020 WIA Grant Allocations	
Category	Amount
WIA Line Item	\$53,654,600
Operating Budget	2,379,900
AG Legal Services	10,000
Total	\$56,044,500

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Long-Term Budget Impacts
- Proposition 206
- DD Rate Rebase
- CCDF Additional Funding
- Special Administration Fund Shortfall
- Federal TANF Block Grant

Statutory Changes

The Baseline would:

- As permanent law, continue to authorize the use of Special Administration Fund monies for purposes other than administration of unemployment benefits. This provision has been enacted as session law since FY 2016.

- As session law, continue to require DES to drug test TANF Cash Benefit recipients if there is a reasonable suspicion that they are using illegal drugs.
- As permanent law, continue to permit DES to reduce income eligibility levels for all child care programs if the program has insufficient resources. DES would be required to report to JLBC within 15 days of any such change in levels. This provision has been enacted as session law since FY 2004.
- As session law, notwithstanding the requirement in A.R.S. § 36-2960B to provide an inflation adjustment to the appropriation for DD Cost Effectiveness Study Client Services. There are insufficient monies in the Special Administration Fund to support the adjustment.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, DES' General Fund Developmental Disabilities costs are projected to increase by \$46.9 million in FY 2021 above FY 2020 and \$50.0 million in FY 2022 above FY 2021 based on:

- 4.7% annual caseload growth, resulting in caseloads of 37,218 and 38,967 in June 2021 and June 2022.
- FMAPs of 69.93% in FY 2021 and 69.85% in FY 2022.
- 3.0% annual capitation growth for utilization and medical inflation.
- An increase of \$3.9 million in FY 2021 above FY 2020 to annualize provider rate increases associated with the minimum wage increase to \$12.00 in January 2020.

Proposition 206

In November 2016, Arizona voters approved Proposition 206, or the Fair Wages and Healthy Families Act. The initiative raised Arizona's minimum wage from \$8.05 to \$10.00 on January 1, 2017, and will provide increases of between \$0.50-\$1.00 each year until the minimum wage reaches \$12.00 on January 1, 2020. Further annual increases will be tied to inflation. The initiative also required most employers to begin providing paid sick leave to their employees on July 1, 2017.

As shown in *Table 10*, the FY 2019 budget included appropriations of \$40.2 million from the General Fund (\$123.9 million Total Funds) above the pre-Proposition 206 budget (FY 2016) to address provider cost increases associated with minimum wage increases and paid sick leave. These appropriations fund the following rate adjustments:

Table 10

DES Appropriations for Proposition 206 Costs

	FY 2019		FY 2020 Baseline Above FY 2019		FY 2020 Baseline Total	
	General Fund	Total Funds	General Fund	Total Fund	General Fund	Total Fund
Ongoing	27,190,500	85,440,700	5,798,100	19,307,700	32,988,600	104,748,400
One-Time	13,000,000	38,460,100	(13,000,000)	(38,460,100)	0	0
Total	40,190,500	123,900,800	(7,201,900)	(19,152,400)	32,988,600	104,748,400

- 8.2% increase in January 2017.
- 1.7% increase in July 2017 to address costs associated with Proposition 206 paid sick leave requirements. Providers in the Flagstaff area received an increase of 3.3% to address the local Proposition 414 minimum wage increase to \$10.50 per hour.
- 1.2% increase in January 2018 to address the minimum wage increase from \$10.00/hour to \$10.50/hour.
- 1.4% increase in January 2019 for the minimum wage increase from \$10.50 to \$11.00/hour.
- One-time distribution of \$11.0 million from the General Fund (\$36.5 million Total Funds) in FY 2019 to DD providers to address additional Proposition 206 impacts. This distribution was also funded at a level of \$10.0 million from the General Fund (\$33.0 million Total Funds) in FY 2018.
- One-time 6.5% increase in room and board reimbursement for DD residential services providers in both FY 2018 and FY 2019.

The FY 2020 Baseline removes the \$(13.0) million in funding designated as one-time in FY 2019, annualizes the January 2019 rate increase (\$1.9 million General Fund included in base capitation adjustment), and adds \$3.9 million for a half-year of funding for an additional rate adjustment in January 2020 when the minimum wage increases to \$12.00/hour.

After these adjustments, the net new funding for Proposition 206 adjustments would be \$33.0 million from the General Fund (\$104.7 million Total Funds) in FY 2020 above FY 2016.

DD Rate Rebate

A.R.S. § 36-2959B requires DES to contract with a consultant to conduct a complete study of DD provider rates every 5 years. The department's consultant completed the required rate study in October 2018. Table 11 shows how the new proposed rates for FY 2020 compare to current rates adopted by DES for FY 2019 for the service categories with the highest spending.

To meet the benchmark rates for the top 10 most used services, DES would need to increase DD provider rates by 9%-45% depending on the service category.

Table 11

FY 2019 Rates for Top 10 Most Used Services as a percentage of FY 2020 Benchmark Rates

Service	Adopted Rate as Percent of FY 2020 Benchmark
Group Homes	67%
Day Programs	78%-91%
Attendant Care	62%
Respite	61%
Habilitation	76%
Adult Developmental Homes	71%
Nursing Services	55%-75%
Speech Therapy	58%-61%
Room and Board	60%-75%
Group Supported Employment	59%-68%

CCDF Additional Funding

The federal Consolidated Appropriations Act of 2018 included an additional \$55.8 million for CCDF allocated in Federal Fiscal Year (FFY) 2018. Due to the requirements of CCDF, this money can only be used to 1) expand the number of children who receive a child care subsidy; 2) increase the rate for providers; or 3) increase the quality of child care programs in Arizona. During the 2018 Legislative Session, DES did not provide a specific plan for expending these funds.

The higher funding level was approved for a second consecutive year in the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act of 2019. While the funds may be allocated in FY 2020, the funding is available for use in FY 2019. Funding from the 2019 appropriation must be spent by September 30, 2021.

If the choice is made to use the additional federal funding to serve more households, the current households on the

child care waiting list would begin to qualify. DES operates the current child care program with a wait list to ensure that the program remains within its existing appropriation. Statute authorizes the use of the wait list. *(Please see the Child Care Subsidy section for additional information).* DES has released families off the wait list intermittently throughout FY 2018 and FY 2019 and the wait list has ranged from 400 to 2,200 children. At the current average monthly rate of \$365, eliminating the current child care wait list would cost between \$1.8 million and \$9.6 million.

DES could also be required to serve all eligible households by eliminating its authority for a wait list. In that circumstance, eliminating the wait list permanently would likely result in a higher cost. The JLBC Staff estimates that an additional 15,300 could potentially participate in a Low Income Working (LIW) program with no participation cap. This number is derived by assuming the same participation rate for LIW subsidies in FY 2009, the last year before a wait list was implemented, with the most recent Census population estimates of eligible children. At that level, the cost of the child care subsidy would increase by \$66.6 million annually. That amount includes up to \$9.6 million to fund up to 2,200 children on the wait list and \$57.0 million to fund 13,000 children currently not participating and not on a wait list.

This estimate does not attempt to address the child care program operated by the Early Childhood Health and Development Board (ECHDB).

If a household is put on a wait list at DES, they can then request ECHDB assistance. ECHDB serves households below 200% of FPL and, unlike LIW, provides the full cost of child care for participants through a scholarship. By law, if a child is offered a LIW subsidy, they must accept that in lieu of any scholarship provided by ECHDB. If DES is required to operate its child care program without a wait list, there will be a reduction in ECHDB program participation. The ECHDB program served an average of 5,900 children monthly in FY 2018.

Special Administration Fund Shortfall

DES estimates that the Special Administration Fund will have an FY 2019 ending balance shortfall of \$(77,800). The FY 2019 budget approved \$1.2 million in one-time funding that will be removed in FY 2020. Even at a reduced expenditure level, however, DES still anticipates the fund will have a deficit of \$(1.0) million in FY 2020. *Table 12* shows the allocation of the Special Administration Fund in FY 2018, FY 2019 and FY 2020.

Table 12

Special Administration Fund Revenue and Expenditures

	FY 2018 Actuals	FY 2019 Appropriation	FY 2020 Baseline
Beginning Balance ^{1/}	\$ 893,300	\$ 1,874,300	\$ 0
Revenue	3,932,800	3,736,100	3,549,300
Expenditures			
One Time Transfer to General Fund ^{2/}	0	11,000	0
Administration			
Operations	1,715,900	2,070,400	2,070,400
AG Legal Services	5,000	5,000	5,000
Aging and Adult Services			
Adult Services ^{2/}	0	1,171,000	0
Domestic Violence Prevention	0	100,000	100,000
Developmental Disabilities			
Home and Community Based Services ^{3/}	120,000	120,000	0
Cost-Effectiveness Client Study ^{3/}	0	1,100,000	1,220,000
Employment Related Services			
JOBS Program	<u>1,110,900</u>	<u>1,110,900</u>	<u>1,110,900</u>
Ending Balance ^{1/}	\$ 1,874,300	\$ (77,900)	\$ (957,000)

^{1/} Actual FY 2019 ending fund balance / FY 2020 beginning fund balance will not be negative.

^{2/} Designated as one-time spending in the FY 2019 budget.

^{3/} Items consolidated in the FY 2020 Baseline.

Federal TANF Block Grant

The budget appropriates \$222.6 million of the state's Federal TANF Block Grant allocation in FY 2019. *Table 13* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

Table 13

TANF Block Grant Spending

	Actual FY 2018	Estimate FY 2019	Estimate FY 2020
Revenues			
Beginning Balance	\$ -	\$ 4,271,400	\$ 3,269,400
TANF Base Revenues	199,407,300	199,407,300	199,407,300
TANF Contingency Fund Revenues	22,194,900	22,194,900	22,194,900
Total TANF Available	\$ 221,602,200	\$ 225,873,600	\$ 224,871,600
Expenditures			
Department of Child Safety			
DCS Operating	\$ 16,928,000	\$ 16,958,500	\$ 16,958,500
<u>Line Items</u>			
Caseworkers	30,000,000	30,050,100	30,050,100
Attorney General Legal Services	99,400	99,700	99,700
Inspections Bureau	549,700	550,700	550,700
Overtime	3,859,500	3,866,400	3,866,400
Adoption Services	20,445,700	23,163,500	23,163,500
Congregate Group Care	16,423,000	21,423,000	21,423,000
Foster Home Placement	6,973,100	6,973,100	6,973,100
Permanent Guardianship Subsidy	1,943,000	1,943,000	1,943,000
In-Home Mitigation	5,911,200	5,911,200	5,911,200
Out-of-Home Support Services	46,340,100	46,340,100	46,340,100
TOTAL - DEPARTMENT OF CHILD SAFETY	\$ 149,472,700	\$ 157,279,300	\$ 157,279,300
Department of Economic Security			
DES Operating	\$ 20,315,600	\$ 20,393,300	\$ 20,393,300
<u>Line Items</u>			
Administration			
Attorney General Legal Services	106,100	106,300	106,300
Adult and Aging Services			
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Programs	1,649,500	1,649,500	1,649,500
Domestic Violence Prevention	6,620,700	6,620,700	6,620,700
Benefits and Medical Eligibility			
TANF Cash Benefits	22,629,700	22,736,400	22,736,400
Coordinated Hunger Program	500,000	500,000	500,000
Employment and Rehabilitative Services			
JOBS	9,594,700	9,594,700	9,594,700
Child Care Subsidy	2,717,800	-	-
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 67,858,100	\$ 65,324,900	\$ 65,324,900
TOTAL - STATEWIDE	\$ 217,330,800	\$ 222,604,200	\$ 222,604,200
Ending Balance	\$ 4,271,400	\$ 3,269,400	\$ 2,267,400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)	Partially-Appropriated	
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees.		
Purpose of Fund: To fund the statewide Child Support Enforcement program.		
Appropriated Funds Expended	7,917,200	16,973,100
Expenditure Authority Expended	35,024,300	42,299,500
Year-End Fund Balance*	6,115,700	(6,056,400)
Client Trust Fund (DEA3152/A.R.S. § 41-1954)	Non-Appropriated	
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	11,600	0
Year-End Fund Balance	981,500	981,500
Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954)	Non-Appropriated	
Source of Revenue: Consists of client monies, such as Social Security, earnings, etc.		
Purpose of Fund: If consumers need assistance in handling their funds and no other person is available, the division is appointed to be the representative payee and is authorized to administer the personal funds of these consumers.		
Funds Expended	17,400	17,400
Year-End Fund Balance	1,537,900	1,542,700
Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)	Non-Appropriated	
Source of Revenue: Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix (ATP-P) and the interest earned in those funds.		
Purpose of Fund: To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
Funds Expended	3,200	34,900
Year-End Fund Balance	68,000	34,000
Domestic Violence Services Fund (DEA2160/A.R.S. § 36-3002)	Appropriated	
Source of Revenue: A portion of monies (8.87%) from statutory filing and copy fees collected by the Superior Court. Another portion of monies is from a \$50 fee for aggravated harassment, stalking, and other violent family offenses. Monies also come from voluntary contributions using tax returns or federal grants, private grants, or other private gifts or contributions.		
Purpose of Fund: To fund grants to qualified shelters for victims of domestic violence.		
Funds Expended	1,265,300	4,000,000
Year-End Fund Balance	2,365,600	1,015,600
Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)	Non-Appropriated	
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest. Monies received for developmental disabilities purposes are maintained in a separate account.		
Funds Expended	16,300	30,800
Year-End Fund Balance	125,500	99,900
Economic Security Capital Investment Fund (DEA2093/A.R.S. § 4-116)	Non-Appropriated	
Source of Revenue: Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
Purpose of Fund: To be used by the department for buildings, equipment, and other capital investments.		
Funds Expended	64,700	64,700
Year-End Fund Balance	383,300	358,600

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Employee Recognition Fund (DEA2449/A.R.S. § 38-613)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	4,300	4,300
Year-End Fund Balance	300	300
Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. The Department of Child Safety has a separate allocation of CCDF funding.		
Funds Expended	103,773,400	110,518,600
Year-End Fund Balance	76,476,300	121,975,800
Federal Grants (DEA2000/A.R.S. § 41-101.01)		Non-Appropriated
Source of Revenue: Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Food Stamp administration and the Social Services Block Grant, and Medicaid.		
Funds Expended	1,741,347,200	1,673,880,100
Year-End Fund Balance	17,858,000	4,584,800
Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families. The Department of Child Safety has a separate allocation of TANF funding.		
Funds Expended	67,858,100	65,324,900
Year-End Fund Balance	4,271,934	3,269,388
Health Services Lottery Monies Fund (DEA4250/A.R.S. § 36-108.01)		Appropriated
Source of Revenue: State Lottery monies.		
Purpose of Fund: To fund teenage pregnancy prevention programs, the Health Start program, and the federal Women, Infants and Children (WIC) food program. In FY 2018, \$2,800,000 was appropriated to DES for Aging Services and Domestic Violence Prevention.		
Funds Expended	2,800,000	0
Year-End Fund Balance	0	0
Arizona Industries for the Blind Fund (DEA4003/A.R.S. § 41-1975)		Non-Appropriated
Source of Revenue: Proceeds from sales of products of Arizona Industries for the Blind, as well as interest earned on the fund balance. Laws 2016, Chapter 341 privatized the Arizona Industries for the Blind and the fund will be operated by a private, non-profit entity, effectively phasing out the state fund.		
Purpose of Fund: To provide funds for the wages and salaries of production workers, inspectors, and other employees necessary for the operation of the training centers, workshops, or home industries; supplies, equipment or other incidental costs.		
Funds Expended	224,100	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
IGA and ISA Fund (DEA2500/A.R.S § 41-1954)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	1,069,000	483,400
Year-End Fund Balance	1,030,600	547,200
Arizona Job Training Fund (DEA1237/A.R.S. § 41-1544)		Non-Appropriated
Source of Revenue: Through December 31, 2015, DES collected one-tenth of 1% of taxable wages for job training grants administered by the Arizona Commerce Authority. DES received a portion of the revenue for the purpose of collecting the job training tax.		
Purpose of Fund: To collect the job training tax.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)		Expenditure Authority
Source of Revenue: Federal Medicaid Authority monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system.		
Funds Expended	988,034,900	1,173,446,100
Year-End Fund Balance	124,630,200	0
Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)		Appropriated
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system. These monies are used to offset costs of services provided to Long Term Care clients which are not reimbursed by the federal government, such as room and board.		
Funds Expended	26,561,500	26,559,600
Year-End Fund Balance	0	0
Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.		
Funds Expended	34,300	35,000
Year-End Fund Balance	36,800	33,800
Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)		Appropriated
Source of Revenue: A portion of monies collected in recovery payments from ineligible or overpaid public assistance recipients and reimbursements received from persons legally responsible for support of public assistance recipients. The fund receives 25% of the monies collected. The remaining 75% of revenues are credited to the General Fund.		
Purpose of Fund: To improve public assistance collection activities.		
Funds Expended	0	422,500
Year-End Fund Balance	372,200	800
Special Administration Fund (DEA2066/A.R.S. § 23-705)		Appropriated
Source of Revenue: Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
Purpose of Fund: To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds. The FY 2019 Human Service Budget Reconciliation Bill allows this fund to be used for adult services and domestic violence prevention.		
Funds Expended	2,951,800	5,677,300
Year-End Fund Balance*	1,874,300	(77,900)

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.		
Funds Expended	87,900	87,900
Year-End Fund Balance	68,100	68,100
Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)		Appropriated
Source of Revenue: The fund receives 22% of monies deposited in the Medical Services Enhancement Fund (MSEF). MSEF revenues consist of a 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor statute violations, and game and fish violations.		
Purpose of Fund: For 1) prevention and education of spinal and head injuries; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES' costs for administering the provisions. The FY 2019 Human Service Budget Reconciliation Bill allows this fund to be used for the Arizona Early Intervention Program.		
Funds Expended	2,310,900	4,254,400
Year-End Fund Balance	2,446,600	214,300
Statewide Cost Allocation Plan Fund (DEA1030/A.R.S. § 41-1954)		Appropriated
Source of Revenue: Federal reimbursement.		
Purpose of Fund: General operations.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	0
Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701)		Non-Appropriated
Source of Revenue: Employer contributions and interest earnings. The monies are maintained and tracked in 2 separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury, which tracks each state's account separately.		
Purpose of Fund: To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to § 903 of the federal Social Security Act. This fund provides regular unemployment benefits up to 26 weeks. Benefits extended beyond that time are federally funded and included in the Federal Grants fund.		
Funds Expended	243,189,900	241,100,000
Year-End Fund Balance	855,634,800	1,097,366,200
Unemployment Special Assessment Fund (DEA2558/A.R.S. § 23-730.01)		Non-Appropriated
Source of Revenue: A Special Assessment (SA) on taxable wages paid in calendar years 2011 and 2012 only. In 2011 and 2012, the assessment was 0.4% and 0.5% respectively.		
Purpose of Fund: The Director of DES had the discretion to set a SA in order to pay interest owed to the U.S. Department of the Treasury due to borrowing to continue to pay Unemployment Insurance (UI) benefits as well as to return the UI Trust Fund to solvency and avoid the loss of employer federal UI tax credits. Revenue in this fund was transferred to the UI Special Assessment Proceeds Fund.		
Funds Expended	1,802,200	0
Year-End Fund Balance	0	0
Workforce Investment Act Grant (DEA2001/U.S. P.L. 105-220)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
Funds Expended	68,040,300	56,044,500
Year-End Fund Balance	6,083,200	14,608,900

*As reported by the agency. Actual ending balance will not be negative.

State Board of Education

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	412,500	473,500	473,500
Employee Related Expenditures	126,400	142,700	142,700
Professional and Outside Services	206,800	206,800	206,800
Travel - In State	3,600	20,500	20,500
Travel - Out of State	8,500	20,000	20,000
Other Operating Expenditures	188,000	267,800	267,800
Equipment	7,700	15,000	15,000
AGENCY TOTAL	953,500	1,146,300	1,146,300 ^{1/}
FUND SOURCES			
General Fund	953,500	1,146,300	1,146,300
SUBTOTAL - Appropriated Funds	953,500	1,146,300	1,146,300
TOTAL - ALL SOURCES	953,500	1,146,300	1,146,300

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

Operating Budget

The Baseline includes \$1,146,300 and 6 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Teacher Certification Fund (BOE2399/A.R.S. § 15-248.02)		Appropriated
Source of Revenue: Fees collected by the Department of Education from teachers and other school personnel who apply for professional certification, pursuant to A.R.S. § 15-531.		
Purpose of Fund: To fund investigations of alleged immoral or unprofessional conduct from persons applying for professional certification pursuant to A.R.S. § 15-534C. Laws 2016, Chapter 138 transferred responsibility for the investigations to the Department of Education beginning in FY 2017.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Department of Education

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BASELINE			
<i>Full Time Equivalent Positions</i>	171.9	195.9	195.9 ^{1/}
Personal Services	4,219,400	4,554,800	4,554,800
Employee Related Expenditures	1,508,700	1,651,200	1,651,200
Professional and Outside Services	1,121,300	3,337,200	3,337,200
Travel - In State	21,000	16,800	16,800
Travel - Out of State	17,900	18,800	18,800
Other Operating Expenditures	5,181,800	4,893,500	4,893,500
Equipment	116,100	26,800	26,800
OPERATING SUBTOTAL	12,186,200	14,499,100	14,499,100 ^{2/-5/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	3,893,908,700	4,462,121,900	4,881,106,400 ^{5/-12/}
State Aid Supplement	50,000,000	50,000,000	50,000,000 ^{13/14/}
Additional Teacher Salary Increase	32,250,300	0	0
Results-Based Funding	39,106,500	38,600,000	38,600,000
Rural Assistance	2,600,000	0	0
Special Education Fund	32,242,100	25,529,200	36,029,200
Other State Aid to Districts	201,900	983,900	983,900
Classroom Site Fund	511,829,000	574,995,000	574,995,000 ^{15/}
Instructional Improvement Fund	27,337,800	45,000,000	45,000,000 ^{16/}
Property Tax Relief			
Additional State Aid	410,546,000	413,665,500	426,944,900
Non-Formula Programs			
Accountability and Achievement Testing	16,423,600	16,422,500	16,422,500 ^{17/18/}
Adult Education	4,504,100	4,634,400	4,634,400
Alternative Teacher Development Program	500,000	500,000	500,000
American Civics Education Pilot Program	0	0	500,000 ^{19/}
Arizona Structured English Immersion Fund	4,960,400	4,960,400	4,960,400
Broadband Expansion	3,000,000	0	0
Code Writers Initiative Pilot Program	0	500,000	0
College Credit by Examination Incentive Program	3,822,200	5,000,000	5,000,000
Computer Science Pilot Program	0	1,000,000	1,000,000
CTED Completion Grants	0	1,000,000	1,000,000 ^{20/-22/}
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 ^{23/}
Early Literacy	8,000,000	12,000,000	12,000,000
Education Learning and Accountability System	0	5,300,000	5,300,000
English Learner Administration	6,519,000	6,509,500	6,509,500 ^{24/}
Geographic Literacy	100,000	100,000	100,000 ^{25/}
Gifted Education	0	1,000,000	0
Jobs for Arizona Graduates	100,000	100,000	100,000 ^{26/}
School Safety Program	11,947,600	11,946,900	11,946,900 ^{27/}
State Block Grant for Vocational Education	11,438,400	11,576,300	11,576,300
Teacher Certification	2,101,500	2,387,000	2,387,000
Teacher Professional Development Pilot	300,000	0	0
Tribal College Dual Enrollment Program Fund	211,000	250,000	250,000
AGENCY TOTAL	5,087,136,300	5,711,581,600	6,153,345,500 ^{28/-31/}
FUND SOURCES			
General Fund	4,200,507,900	4,704,652,000	5,134,115,900
Other Appropriated Funds			
Automation Projects Fund	3,000,000	0	0

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
Budget Stabilization Fund	2,600,000	0	0
Department of Education Empowerment Scholarship Account Fund	1,202,000	1,246,100	1,246,100
Department of Education Professional Development Revolving Fund	361,700	2,700,000	2,700,000
Permanent State School Fund	235,339,100	277,115,300	289,915,300
Proposition 301 Fund	7,000,000	7,000,000	7,000,000
State Web Portal Fund	0	500,000	0
Teacher Certification Fund	1,967,300	2,342,700	2,342,700
Tribal College Dual Enrollment Program Fund	211,000	250,000	250,000
SUBTOTAL - Other Appropriated Funds	251,681,100	291,154,100	303,454,100
SUBTOTAL - Appropriated Funds	4,452,189,000	4,995,806,100	5,437,570,000
<u>Expenditure Authority Funds</u>			
Proposition 301	515,445,800	531,057,900	531,057,900
Proposition 301/Classroom Site Fund - Land Trust	92,163,700	103,425,500	103,425,500
Proposition 301/Classroom Site Fund - Carryforward	0	36,292,100	36,292,100
Tribal Gaming	27,337,800	45,000,000	45,000,000
SUBTOTAL - Expenditure Authority Funds	634,947,300	715,775,500	715,775,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	5,087,136,300	5,711,581,600	6,153,345,500
Other Non-Appropriated Funds	16,505,100	16,582,800	16,582,800
Federal Funds	1,121,804,100	1,206,177,500	1,206,177,500
TOTAL - ALL SOURCES	6,225,445,500	6,934,642,600	7,376,105,800

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 440 charter schools that provide public education for students in grades K-12.

FOOTNOTES

- 1/ Includes 86.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2020.
- 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 A.R.S. § 15-211. (General Appropriation Act footnote)
- 4/ Any monies available to the Department of Education pursuant to A.R.S. § 42-5029E, paragraph 8, for the Failing Schools Tutoring Fund established by A.R.S. § 15-241, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 8. (General Appropriation Act footnote)
- 5/ Any monies available to the Department of Education pursuant to A.R.S. § 42-5029E, paragraph 6, for character education matching grants pursuant to A.R.S. § 15-154.01, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 6. (General Appropriation Act footnote)
- 6/ Includes K-12 rollover appropriation of \$930,727,700 from Laws 2018, Chapter 276.
- 7/ The above appropriation provides basic state support to school districts for maintenance and operations funding as provided by A.R.S. § 15-973 and includes an estimated \$289,915,300 in expendable income derived from the Permanent State School Fund and from state trust lands pursuant to A.R.S. § 37-521B for FY 2020. (General Appropriation Act footnote)
- 8/ Monies derived from the Permanent State School Fund and any other nonstate General Fund revenue source that is dedicated to fund Basic State Aid shall be expended, whenever possible, before the expenditure of state General Fund monies. (General Appropriation Act footnote)
- 9/ Except as required by A.R.S. § 37-521, all monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, income from the investment of 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 A.R.S. § 15-237 and 15-531, 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 A.R.S. § 42-5029E, paragraph 5, 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 A.R.S. § 42-5029E, paragraph 5. (General Appropriation Act footnote)
- 11/ The Basic State Aid appropriation for FY 2020 includes a state General Fund increase of \$164,700,000, which the Legislature and Governor intend to be used for teacher salary increases. (General Appropriation Act footnote)
- 12/ Laws 2019, Chapter 276 appropriated \$164,700,000 from the General Fund for Basic State Aid.
- 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 A.R.S. § 37-521B, paragraph 4 and A.R.S. § 42-5029E, paragraph 10, in excess of expenditure authority amounts are allocated for the purposes of A.R.S. § 37-521B, paragraph 4 and A.R.S. § 42-5029E, paragraph 10. (General Appropriation Act footnote)
- 16/ Any monies available to the Department of Education from the Instructional Improvement Fund established by A.R.S. § 15-979, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 15-979. (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 A.R.S. § 42-5029E, paragraph 7, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 7. (General Appropriation Act footnote)
- 19/ Laws 2018, Chapter 289 appropriated \$500,000 from the General Fund for the American Civics Education Pilot Program.
- 20/ Monies appropriated for career technical education district completion grants are intended to help fund program completion for students who complete at least 50% 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)
- 21/ If the appropriated amount 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)
- 22/ The appropriated amount is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations through FY 2021. (General Appropriation Act footnote)
- 23/ The Department of Education shall distribute the appropriated amount to career technical education districts with fewer than 2,000 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)
- 24/ The Department of Education shall use the appropriated amount to provide English language acquisition services for the purposes of A.R.S. § 15-756.07 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 of Education may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of A.R.S. § 15-756.07. Notwithstanding A.R.S. § 41-192, 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/ **NEW** The Department of Education shall use the appropriated amount to issue a grant to a statewide geographic alliance for strengthening geographic literacy in the state. (General Appropriation Act footnote)
- 26/ **NEW** The Department of Education shall use the appropriated amount to issue a grant to a nonprofit organization for a jobs for Arizona graduates program. (General Appropriation Act footnote)

- 27/ Any monies available to the Department of Education for school safety pursuant to A.R.S. § 42-5029E, paragraph 6, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 6. (General Appropriation Act footnote)
- 28/ After review by the Joint legislative Budget Committee, in FY 2020, the department may use a portion of its FY 2020 state General Fund appropriations for Basic State Aid, ~~or~~ Additional State Aid OR THE SPECIAL EDUCATION FUND to fund a shortfall in funding for Basic State Aid, ~~or~~ Additional State Aid OR THE SPECIAL EDUCATION FUND, if any, that occurred in FY 2019. (General Appropriation Act footnote)
- 29/ The department shall provide an updated report on its budget status every 3 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 30 days after the end of the applicable reporting period. (General Appropriation Act footnote)
- 30/ Within 15 days after each apportionment of state aid that occurs pursuant to A.R.S. § 15-973B, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data. (General Appropriation Act footnote)
- 31/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

ADE's FY 2020 General Fund spending increases by \$429,463,900, or 9.1% above the FY 2019 appropriation. The Baseline includes a prior year base adjustment, current law formula adjustments, a non-formula change, the elimination of one-time funding from FY 2019, and funding for policy changes:

Prior Year Base Adjustment

- An increase of \$2,059,900 for higher-than-budgeted Homeowner's Rebate and 1% Cap costs for FY 2019 ("base adjustment").

Current Law Formula Adjustments

- An increase of \$102,258,300 for 1.3% Average Daily Membership (ADM) growth in FY 2020.
- An increase of \$127,554,200 for a 2.0% inflator.
- A decrease of \$(47,550,200) for local property tax growth due to new construction offset by Homeowner's Rebate impact of \$11,219,500.
- An increase of \$2,700,000 for property tax statutory changes.
- A decrease of \$(12,800,000) to offset higher available endowment earnings under Proposition 123.
- An increase of \$1,547,500 for Empowerment Scholarship Accounts (ESAs).
- An increase of \$8,000,000 to restore \$(8,000,000) in Special Education Fund funding that was reduced on a one-time basis for FY 2019 due available fund balances.
- An increase of \$2,500,000 for Special Education Fund base level increases for inflation and teacher pay raises

- An increase of \$164,700,000 for an additional 5% increase in the statewide average teacher salary.
- An increase of \$67,774,700 to continue to restore currently suspended District Additional Assistance (DAA) and Charter Additional Assistance (CAA).

The current law formula adjustments total to \$427,904,000.

Non-Formula Change

- An increase of \$500,000 for a new American Civics Education Pilot Program established by Laws 2018, Chapter 289.

Eliminate One-Time Funding

- A decrease of \$(1,000,000) to eliminate one-time funding for Gifted Education.

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$408,087,200 in FY 2021 above FY 2020 and \$249,858,000 in FY 2022 above FY 2021. (See *Other Issues for more information.*)

Operating Budget

The Baseline includes \$14,499,100 and 74.9 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$8,851,500
Department of Education Empowerment Scholarship Account Fund	1,246,100

Department of Education Professional Development Revolving Fund	2,567,700
Teacher Certification Fund	133,800
Proposition 301 Expenditure Authority	1,700,000

FY 2020 adjustments are as follows:

ESA Administration

The Baseline includes no change in funding from the Department of Education Empowerment Scholarship Account Fund (DEESAF) in FY 2020 for administration of the Empowerment Scholarship Account (ESA) program authorized in A.R.S. § 15-2402. This would continue to provide the department with \$1,246,100 in ESA administration funding for FY 2020.

The DEESAF is funded with monies retained from Basic State Aid pursuant to A.R.S. § 15-2402C. That law allows ADE to retain for ESA program administration 5% of the sum of the base support level (BSL) and additional assistance prescribed in A.R.S. § 15-185 and A.R.S. § 15-943 for each ESA student, which for FY 2020 would be as much as \$4,529,900 (an estimated \$90,598,800 in ESA costs for FY 2020 X 5%).

A.R.S. § 15-2402C requires ADE to transfer 1/5th of the 5% to the State Treasurer to fund the latter's costs for ESA fund processing. The actual expenditure, however, is subject to legislative appropriation. (See *State Treasurer budget for State Treasurer's ESA administration funding.*)

(See *Empowerment Scholarship Accounts policy issue under Basic State Aid for more information regarding Empowerment Scholarship Account Administration.*)

Proposition 301

The Baseline includes no change in funding from Proposition 301 Expenditure Authority for the department's operating budget for FY 2020. This would provide the department's operating budget with \$1,700,000 in Proposition 301 funding for FY 2020. The \$1,700,000 total would include \$1,500,000 for the Failing Schools Tutoring Fund and \$200,000 for Character Education, as allocated by Proposition 301 (A.R.S. § 42-5029E).

Formula Programs

Basic State Aid

The Baseline includes \$4,881,106,400 in FY 2020 for Basic State Aid. This amount consists of:

General Fund	4,504,910,600
Permanent State School Fund	289,915,300
Proposition 301 Expenditure Authority	86,280,500

The \$4,881,106,400 total does not include local property taxes that will help fund K-12 formula costs for FY 2020, as they are non-appropriated (see Table 1). 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.

Table 1

FY 2020 Basic State Aid Formula Summary (estimated)

General Fund	
FY 2019 Appropriation	\$4,098,726,100
Enrollment Growth @ 1.3%	102,258,300
2.0% Inflation	127,554,200
Property Taxes from New Construction	(47,550,200)
Property Tax - Statutory Changes	2,700,000
Endowment Earnings	(12,800,000)
Additional Assistance	67,774,700
Teacher Salary Increase	164,700,000
Empowerment Scholarship Accounts	1,547,500
FY 2020 Baseline	\$4,504,910,600
Permanent State School Fund	
FY 2019 Appropriation	\$ 277,115,300
Estimated FY 2020 Growth	12,800,000
FY 2020 Baseline	\$ 289,915,300
Prop 301 Sales Tax (no change) ^{1/}	
	\$ 86,280,500
Local Property Taxes ^{2/}	
FY 2019 Base - estimated	\$2,548,414,800
Property Taxes from New Construction	47,550,200
Non-State Aid Districts - 2% Inflation	8,928,800
Non-State Aid Districts - DAA Increase	4,744,200
Non-State Aid Districts - Teacher Salary Increase	11,529,000
Non-State Aid Districts - Enrollment Declines	(7,178,100)
FY 2019 Estimated ^{2/}	\$2,613,988,900
Grand Total (all sources) ^{3/ 4/}	
	\$7,495,095,300

^{1/} Non-appropriated, so excluded from appropriated totals.

^{2/} An estimated \$426,944,900 of this total will be funded by the state through Homeowner's Rebate and 1% cap funding.

^{3/} Statutory formula cost would be approximately \$217,556,700 higher without the District Additional Assistance (DAA) and Charter Additional Assistance (CAA) reductions that are assumed to continue in the Baseline on a session law basis, including the impact on non-state aid districts.

^{4/} Does not include \$50,000,000 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.

(See *Other Issues for background information regarding the Basic State Aid formula.*)

FY 2020 adjustments are as follows:

Enrollment Growth

The Baseline includes an increase of \$102,258,300 from the General Fund in FY 2020 for enrollment growth. This assumes that K-12 ADM will increase by approximately 1.3% in FY 2020 (see Table 2). It further assumes a cost of \$6,336,000 for district growth (1,056 new students X \$6,000 average formula cost per student) and \$95,922,300 for charter growth (13,606 students X \$7,050 average formula cost per student) based on recent trends.

Table 2

Fiscal Year	K-12 ADM (unweighted) ^{1/}				% Change
	District ^{2/}	Charter ^{3/}	Total	Change	
2013	910,476	140,199	1,050,675	9,152	0.9%
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	920,358	164,588	1,084,946	5,705	0.5%
2017	915,589	179,622	1,095,211	10,265	0.9%
2018	913,435	189,305	1,102,740	7,529	0.7%
2019 est	914,445	203,079	1,117,524	14,784	1.3%
2020 est	915,501	216,685	1,132,186	14,622	1.3%
2021 est	916,605	229,903	1,146,508	14,322	1.3%
2022 est	917,756	243,007	1,160,763	14,255	1.2%

^{1/} Actuals for FY 2013 through FY 2018 are from ADE payment data. 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.

2.0% Inflation Adjustment

The Baseline includes an increase of \$127,554,200 from the General Fund in FY 2020 for a 2.0% 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. A 2.0% inflation adjustment would increase the base level by \$79.20.

In addition, the Baseline assumes that the base level will be further increased to distribute \$164,700,000 for additional teacher salary increases for FY 2020, as discussed separately below. The base level increase required for teacher salary increases will be computed during the spring of 2019 based on student count and other formula data available at that time.

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 estimated FY 2020 adjustment of 2.0% equals the currently estimated GDP price deflator for calendar year 2018. 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.)

On a related note, the Baseline would delete obsolete definitions of “base level” from A.R.S. § 15-901B2. (See Statutory Changes section for more information.)

Property Taxes from New Construction

The Baseline includes a decrease of \$(47,550,200) from the General Fund in FY 2020 due to a projected 2.15% increase in statewide Net Assessed Value (NAV) from new construction in FY 2020. This will increase local property tax revenues from the K-12 “Qualifying Tax Rate” (QTR) and State Equalization Tax Rate (SETR) by an estimated \$47,550,200 in FY 2020. It also will decrease state costs by \$(47,550,200), 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 2.9% in FY 2020, resulting in a net 5.05% NAV increase for new construction and existing property combined for FY 2020.

The projected 2.9% NAV increase for existing property will not affect net QTR or SETR collections in FY 2020 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 an estimated \$3.83 (from \$3.94 currently) and the SETR will decrease to an estimated \$0.4608 (from \$0.4741 currently) in FY 2020 to offset the estimated 2.9% NAV increase for existing property (see Table 3).

Table 3

Tax Rate	TNT Tax Rates	
	FY 2019	FY 2020
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.9679	\$1.9125
• Unified districts and elementary districts not located within a high school district	\$3.9358	\$3.8250
• State Equalization Tax Rate (SETR)	\$0.4741	\$0.4608

On a related note, the Baseline would 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 2020 under that section. (See Statutory Changes section for more information.)

Proposition 117 from the November 2012 General Election, capped annual growth in property values at 5% starting in FY 2016. (See the FY 2016 Appropriations Report for more information.)

Property Tax Statutory Changes

The Baseline includes an increase of \$2,700,000 from the General Fund in FY 2020 for property tax statutory changes. Laws 2017, Chapter 220 expands accelerated depreciation provisions in A.R.S. § 42-14403 beginning in FY 2020 to include qualifying broadband infrastructure property, such as cables, telecommunications equipment, and other property used in the electronic transmission of data. The reduction to statewide net assessed valuation under Chapter 220 will increase General Fund costs for state aid to school districts by an estimated \$2,700,000 annually starting in FY 2020.

Endowment Earnings Growth

The Baseline includes a decrease of \$(12,800,000) from the General Fund and an increase of \$12,800,000 from the Permanent State School Fund in FY 2020 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 \$289,915,300 for FY 2020, which would be \$12,800,000 more than the \$277,115,300 total assumed for FY 2019 (see Table 4).

Table 4 Estimated K-12 Endowment Earnings for Basic State Aid ^{1/}			
Source	FY 2019	FY 2020	Change
Original 2.5% ^{2/}	\$72,263,000	\$72,263,000	\$0
New 4.4% ^{2/}	<u>204,852,300</u>	<u>217,652,300</u>	<u>12,800,000</u>
Total	\$277,115,300	\$289,915,300	\$12,800,000

^{1/} K-12 Endowment Earnings also help fund the Classroom Site Fund (see Table 12).

^{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 is available to fund Basic State Aid because the affected SFB bonds were paid off by the end of FY 2018. This is increasing by \$24,903,500 the amount of K-12 Endowment Earnings available to fund Basic State Aid starting in FY 2019 (see Table 4).

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 Baseline includes no change from the General Fund in FY 2020 for the K-12 rollover. This continues to defer through the General Appropriation Act \$930,727,700 of current year (now FY 2020) state aid payments until the following fiscal year (now FY 2021).

The FY 2020 rollover will affect only school districts with more than 600 students, as has been the policy since FY 2013. The Baseline would continue to exempt small districts from the K-12 rollover in FY 2020, which would continue it at the \$930,727,700 level.

Laws 2018, Chapter 276 advance appropriated \$930,727,700 from the General Fund in FY 2020 to fund the \$930,727,700 deferred obligation from FY 2019. Those monies, therefore, will not appear in the FY 2020 General Appropriation Act. The Act, however, would advance appropriate \$930,727,700 from the General Fund in FY 2021 to fund the deferred FY 2020 obligation.

Additional Assistance

The Baseline includes an increase of \$67,774,700 from the General Fund in FY 2020 for Additional Assistance. These monies would partially restore district additional assistance (DAA) and charter additional assistance (CAA) funding that has been suspended since FY 2010. It would increase DAA funding by \$64,367,500 and CAA funding by \$3,407,200 for a total combined increase of \$67,774,700 for FY 2020.

DAA 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.

The Baseline decreases the DAA and CAA suspensions to \$(193,102,400) and \$(10,221,600), respectively, for FY 2020, as required by Sections 27 and 28 of the FY 2019 K-12 Education BRB (see Tables 5 & 6). Sections 27 and 28 phase out all remaining DAA and CAA suspensions by FY 2023 (see Tables 5 & 6).

The Baseline would not repeat language from Sections 27 and 28 that address DAA and CAA suspensions for FY 2020, since they already address DAA and CAA suspensions and related issues through FY 2023. The Baseline also would not repeat language in Sections 27 and 28 that do the following through FY 2023: 1)

eliminate DAA reductions for school districts with fewer than 1,100 students, and 2) require non-state aid districts to reduce their budgets by the amount that their state aid would be reduced under continuing DAA suspensions if they qualified for state aid. (See *Statutory Changes section.*)

Table 5

DAA Suspensions & Restorations Through FY 2023 ^{1/}

Fiscal Year	Prior Year Suspension	Restoration	Current Year Suspension
2019	(352,442,700)	94,972,800	(257,469,900)
2020	(257,469,900)	64,367,500	(193,102,400)
2021	(193,102,400)	64,367,500	(128,734,900)
2022	(128,734,900)	64,367,400	(64,367,400)
2023	(64,367,400)	64,367,400	0

1/ Excluding non-state aid districts.

Table 6

CAA Suspensions & Restorations Through FY 2023

Fiscal Year	Prior Year Suspension	Restoration	Current Year Suspension
2019	(18,656,000)	5,027,200	(13,628,800)
2020	(13,628,800)	3,407,200	(10,221,600)
2021	(10,221,600)	3,407,200	(6,814,400)
2022	(6,814,400)	3,407,200	(3,407,200)
2023	(3,407,200)	3,407,200	0

School districts would receive an estimated \$242,475,700 of DAA funding in FY 2020 under the Baseline including approximately \$17,007,700 self-funded by non-state aid districts. Without the remaining suspension, they instead would receive an estimated \$450,075,700 in DAA funding, including approximately \$31,505,300 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 would receive an estimated \$404,180,300 of CAA funding in FY 2020 under the Baseline. Without the remaining suspension, they instead would receive an estimated \$414,401,800. 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 Baseline assumes that the FY 2020 K-12 Education BRB will increase the current statutory amounts (if fully funded) by 2.0% for inflation to \$1,843.14 per pupil for Grades K-8 and \$2,148.15 per pupil for Grades 9-12.

Teacher Salary Increases

The Baseline includes an increase of \$164,700,000 from the General Fund in FY 2020 for teacher salary increases. It will be allocated to schools through an additional base level increase for FY 2020, as described in the "Background" section below. Monies from the additional base level increase for teacher salaries are intended to increase average teacher salaries by an additional 5% for FY 2020 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 7 and "Additional Funding" section below for more information on the teacher salary increase already budgeted for FY 2020. See the FY 2019 Appropriations Report for additional information regarding the FY 2019 teacher salary increase.*)

The \$164,700,000 amount required for teacher salary increases for FY 2020 will not appear in the FY 2020 General Appropriation Act because it has already been appropriated by Laws 2018, Chapter 276, as described above.

Table 7

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	298,600
Total - FY 2019 ^{2/}	\$306,017,700
Additional Increase - FY 2020	164,700,000
Total - FY 2020 ^{2/}	\$470,717,700
Additional Increase - FY 2021 ^{2/3/}	174,500,000
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. That funding is estimated at \$1,386,400 for FY 2019, \$2,079,600 for FY 2020 and \$2,772,800 for FY 2021.

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.

Original 2.12%

The \$306,017,700 appropriation for teacher salary increases for FY 2019 includes \$65,419,100 from the General Fund for the 2.12% teacher salary increase originally enacted by the FY 2018 budget. That budget appropriated \$34,000,000 to a separate "Additional Teacher Salary Increase" line item for a 1.06% teacher salary increase for FY 2018. It also included language stating that the Legislature and Governor intended to provide funding for an additional 1.06% teacher pay raise in FY 2019 for a total 2-year increase of 2.12%. Based on updated data, the FY 2019 budget assumed that the cumulative cost of the original 2.12% teacher pay raise would be \$65,419,100 in FY 2019.

The FY 2019 budget funds the \$65,419,100 through the base level for FY 2019, along with the other teacher pay raise monies shown in *Table 7*. Those monies collectively are funding the additional \$210.50 base level increase for teacher pay raises for FY 2019.

Additional Funding

The \$306,017,700 appropriation for teacher salary increases for FY 2019 also includes an increase of \$176,200,000 from the General Fund in FY 2019 to help fund the \$210.50 base level increase for teacher pay raises for FY 2019.

In addition, Sections 136 and 137 of the FY 2019 General Appropriation Act appropriate \$164,700,000 in FY 2020 and \$289,200,000 in FY 2021 for additional teacher pay raises in those years. The \$289,200,000 amount represents an increase of \$124,500,000 above the FY 2020 amount, not including an additional \$50,000,000 available from the Classroom Site Fund. The total increase for FY 2021 therefore is \$174,500,000 (\$124,500,000 + \$50,000,000). *(See Table 7 and Bridge to Proposition 301 narrative below for more information.)* Those monies are intended to fund a cumulative 20% increase in average teacher salaries by FY 2021.

The base level increases required for FY 2020 and FY 2021 to allocate the amounts appropriated for those years will be calculated during the spring of 2019 and 2020, respectively, based on student counts and other formula funding factors available at that time. They will be calculated using the same methods used to compute the \$210.50 base level increase for teacher pay raises for FY 2019. *(See Background section below for more information.)*

"Bridge to Proposition 301"

The \$306,017,700 appropriation for teacher salary increases for FY 2019 also includes an increase of \$64,100,000 from the General Fund in FY 2019 for "Bridge to Proposition 301." These recurring one-time monies will fund \$64,100,000 of base level increases until FY 2022, 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 \$64,100,000 of 0.6 cent sales tax monies 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.

ADC and DJC Increase

The \$306,017,700 appropriation for teacher salary increases for FY 2019 includes an increase of \$298,600 from the General Fund in FY 2019 for teacher salary increases at the Department of Corrections (ADC) and Department of Juvenile Corrections (DJC). ADC and DJC receive Basic State Aid funding under formulas prescribed by A.R.S. § 15-1372 (DOC) and A.R.S. § 15-1371 (DJC). The \$210.50 base level increase for teacher salary increases for FY 2019 will increase their formula funding collectively by an estimated \$298,600 for FY 2019.

ASDB Increase

The FY 2019 budget also provides an increase of \$1,386,400 from the General Fund for teacher pay raises at the Arizona State Schools for the Deaf and the Blind (ASDB) for FY 2019. That funding is appropriated to the Special Education Fund rather than Basic State Aid, however, because ASDB's formula costs are funded through the Special Education Fund rather than Basic State Aid. The \$1,386,400 amount therefore does not

appear in Table 7. (See narrative for Special Education Fund for more information).

Background - The Governor's Office of Strategic Planning and Budgeting (OSPB) estimated that the 20% teacher pay raise would require \$645 million in total state funding upon full phase in by FY 2021. This estimate was based on a reported cost of \$32.5 million for the 1.06% teacher pay raise from FY 2018 according to ADE. OSPB translated that cost into what it would have been for a 1.0% rather than 1.06% pay raise ($\$32.5 \text{ million} \div 1.06 = \30.7 million) and then increased the latter amount by 3.1% annually for more teachers and inflation. This resulted in an average cost of \$32.25 million per 1% raise by FY 2021, or \$645 million for a 20% raise ($\$32.25 \text{ million} \times 20 = \645 million).

As a crosscheck to OSPB's calculations, JLBC Staff computed an alternative estimate based on the following factors:

- 1) The average teacher salary reported by the Auditor General for school districts for FY 2017 (\$48,372).
- 2) The cost to increase the Auditor General average by 20% (\$9,674).
- 3) The estimated number of teachers in the state in FY 2021 (62,240 based on the 59,576 "Year End Teacher FTEs" reported for FY 2017 by ADE but increased by approximately 1.1% annually for more teachers).
- 4) The additional percentage increase needed to cover higher Employee Related Expenditure (ERE) costs for school districts and charter schools under the proposal (18.4% based on costs observed for the 1.06% pay raise in FY 2018).
- 5) The percent of pay raise costs that would be paid locally by "non-state aid" districts (decreases state cost by approximately 7%).
- 6) An adjustment to reflect lower average teacher salaries for charter schools that are not reflected in the Auditor General's \$48,372 figure for school districts (decreases state cost by approximately 2.8%). (The Auditor General does not publish a corresponding figure for districts and charters combined.)

Under this approach, the JLBC Staff estimated a state cost of \$648 million for the proposed teacher pay raises by FY 2021, which essentially matched OSPB's \$645 million cost estimate.

Having determined the statewide dollar amount needed for the proposed teacher pay raise, JLBC Staff then used computer modeling to translate the FY 2019 portion of that total (\$306,017,700) into a dollar amount per

student, since Arizona's funding formula for public schools allocates funding on a per pupil basis.

The JLBC Staff modeling was based on student counts and other formula funding factors currently reported by ADE. Based upon the modeling, the JLBC Staff determined that a base level increase of \$210.50 would be needed to increase K-12 formula allocations by \$306,017,700 statewide for FY 2019, including funding for the 1.06% teacher salary increase provided for FY 2018.

The \$210.50 figure represents a 5.72% base level increase above the FY 2018 base level of \$3,683.27 ($\$210.50 \div \$3,683.27 = 5.72\%$). It is in addition to the 1.8% (\$66.30) base level increase provided for inflation for FY 2019 (see *FY 2019 Appropriations Report* for more information). Both OSPB and JLBC Staff confirmed the reasonableness of the \$210.50 computer-generated amount using manual calculations.

A 5.72% base level increase is sufficient to fund a 10% average teacher pay raise for FY 2019 (including the 1.06% provided for FY 2018) because only about 48% of base level monies fund teacher salaries and ERE costs. (The Auditor General reports that school districts spent 53.8% of their total operational budgets on "Instruction" for FY 2017, but this figure includes not only teacher salaries and benefits, but also monies spent on classroom supplies, instructional aids, field trips and athletics.) The other 52% is spent on items other than teacher salaries. As a result, a base level increase of only 48% of 10% (4.8%) is needed to fund a 10% increase in base level funding for teacher salaries and benefits.

The FY 2019 state budget provides a 5.72% rather than 4.8% base level increase for teacher salaries because the state also is providing funding to increase by 20% the portion of teacher salaries not funded by the state through the base level. The latter includes teacher salaries funded with Federal Funds, budget overrides, desegregation monies, and the Classroom Site Fund. The Auditor General's reported average teacher salary of \$48,372 for FY 2017, which the JLBC Staff cost calculations were based on, included funding from all sources.

Empowerment Scholarship Accounts

The Baseline includes an increase of \$1,547,500 from the General Fund in FY 2020 for Basic State Aid costs related to Empowerment Scholarship Accounts (ESAs) authorized by A.R.S. § 15-2402. This assumes an increase of 1,458 ESAs for FY 2020, which was the increase reported for FY 2018. It also assumes that 44% of new ESAs under trend line growth would go to students who qualify for high cost special education Group B weights based on FY 2018 data.

The \$1,547,500 estimate additionally assumes different per pupil costs or savings for different categories of ESA students based on formula modeling. The state fiscal impact of a new ESA varies depending on a student's grade level, whether they have special needs and whether they would be in a school district, charter school or private school apart from the program.

The Baseline assumes no incremental ESA growth in FY 2020 from the ESA expansion bill from the 2017 Legislative Session (Laws 2017, Chapter 139), since voters did not allow it to take effect by passing Proposition 305 in November 2018 pursuant to A.R.S. § 19-101. (See the FY 2018 Appropriations Report for more information on Chapter 139.)

Overall Estimated ESA Costs for FY 2020

The overall cost of ESAs is projected to increase by \$16,598,800 in FY 2020, growing from an estimated \$74,000,000 in FY 2019 to \$90,598,800 in FY 2020 (see Table 8). Except for the assumed \$1,547,500 increase for caseload growth described above, this higher estimated cost is expected to be offset by reductions in regular Basic State Aid costs for ESA students who otherwise would be attending public schools.

Table 8 Empowerment Scholarship Account Data ^{1/}		
<u>Fiscal Year</u>	<u>Program Enrollment</u>	<u>Total Awards</u>
FY 2012	144	\$1,576,000
FY 2013	302	\$5,209,200
FY 2014	761	\$10,200,000
FY 2015	1,311	\$17,733,700
FY 2016	2,175	\$28,590,800
FY 2017	3,360	\$44,517,700
FY 2018	5,042	\$58,711,200
FY 2019 (est)	6,500	\$74,000,000
FY 2020 (est)	7,958	\$90,598,800

^{1/} Figures shown for FY 2012 through FY 2018 are from ADE as of December 2018. Estimates for FY 2019 and FY 2020 are from the JLBC Staff. "Total Awards" represent estimated ESA allocations rather than the net General Fund impact of the program after related Basic State Aid savings are deducted. The latter amount depends in part on where individual ESA recipients would have attended school apart from the program, which is unknown.

The estimated \$90,598,800 cost for ESAs for FY 2020 represents the projected total amount of 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 latter amount is unknown because it would depend in part on where individual ESA recipients would have attended school apart from the program, which is unknown.

Background – 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.

The program is open to Arizona resident students who meet at least one of the requirements listed below in addition to being either a full-time Arizona public school student in the prior year, a previous ESA participant, the child of a resident member of the armed forces who is on active duty or was killed in the line of duty, or an incoming kindergartner or disabled preschooler:

- A child with a disability.
- A child who is a ward of the juvenile court and is residing in prospective permanent placement foster care.
- A child who is a ward of the juvenile court and who achieved permanency through adoption.
- A child who is the sibling of a current ESA recipient.
- A child who in the prior year attended a school with a letter grade of D or F pursuant to A.R.S. § 15-241, which evaluates schools primarily based on their students' AzMERIT test scores.
- An incoming Kindergartner who resides within the boundaries of a school with a letter rating of D or F.
- The child of a resident member of the armed forces who is on active duty or was killed in the line of duty.
- A previous ESA participant.
- A child who received or was eligible to receive a Displaced or Disabled School Tuition Organization (STO) scholarship in the prior year and who attended a public school full-time for at least 90 days or one full semester in the prior year.
- A child who resides on an Arizona Indian reservation.
- A child of a parent who is legally blind, deaf or hard of hearing.

(Please see the FY 2015 Appropriations Report for historical information on changes in program eligibility.)

A.R.S. § 15-2402C authorizes the department to retain for ESA administration an amount equal to 5% of the sum of the base support level (BSL) and additional assistance prescribed in A.R.S. § 15-185 and A.R.S. § 15-943 for each ESA student. It is required to transfer 1/5th of that amount to the State Treasurer, leaving it with a net 4% for ESA administration. *(Please see the ESA Administration policy issue in the agency's Operating Budget narrative for more information.)*

Any of the department's retained monies for ESA administration that are not appropriated or spent are

carried forward in the Department of Education Empowerment Scholarship Account Fund to the next fiscal year. At the end of FY 2018 the fund had a carry-forward balance of \$4,195,500.

Additional School Days

The Baseline includes no change from Proposition 301 Expenditure Authority in FY 2020 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.

Prior to FY 2019, Proposition 301 monies for Additional School Days were included in the department's non-appropriated funds totals in prior years. The FY 2019 budget, however, displays them and other non-appropriated monies that the department receives from Proposition 301 and Indian gaming as "Expenditure Authority" funds for greater transparency. The Baseline continues this practice for FY 2020.

This change does not affect the department's access to funding from Proposition 301 or Indian gaming, as it may spend whatever funding is available to it from them (*see, for example, the footnote for the School Safety Program line item in the Footnotes section*).

State Aid Supplement

The Baseline includes \$50,000,000 from the General Fund in FY 2020 for State Aid Supplement funding. This amount is unchanged from FY 2019.

Laws 2015, 1st Special Session, Chapter 1 appropriated \$50,000,000 from the General Fund in FY 2016 for State Aid Supplement funding. It also advances appropriated \$50,000,000 annually for FY 2017 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 for State Aid Supplement funding. (*See the FY 2017 Appropriations Report for more information regarding Proposition 123.*)

Chapter 1 included a footnote instructing the department to allocate the State Aid Supplement monies for FY 2016 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(2a) and to increase budget limits accordingly. The footnote also stipulates that a school district's weighted student count is to include non-resident students who attend school in the district. It further stipulates that a school district may budget its State Aid Supplement funding in either its Maintenance and Operation (M&O) or Unrestricted Capital Outlay Fund. These footnote provisions also were enacted into law in advance for

FY 2017 through FY 2025 by Laws 2015, 1st Special Session, Chapter 1. They therefore will not appear in the FY 2020 General Appropriation Act.

In addition, the State Aid Supplement amounts for FY 2016 through FY 2025 will not appear in the General Appropriation Acts for those years, since they already were advance appropriated by Chapter 1.

Results-Based Funding

The Baseline includes \$38,600,000 from the General Fund in FY 2020 for Results-Based Funding. This amount is unchanged from FY 2019.

Section 106 of the FY 2019 General Appropriation Act allowed the Superintendent of Public Instruction to transfer up to \$1,600,000 of the state General Fund appropriation for Basic State Aid for FY 2018 to this program, if needed, without JLBC review, to address an anticipated funding shortfall for the program for FY 2018. A.R.S. § 15-901.03 otherwise would have required JLBC review of the transfer. The Baseline would maintain similar language for FY 2020 to provide flexibility for FY 2019 in case the program again experiences a funding shortfall for FY 2019. A funding shortfall is not currently anticipated for FY 2019, however, as the department estimates as of December 2018 that the program will cost \$38,304,200 for FY 2019, which would be less than its FY 2019 appropriation of \$38,600,000.

In addition, Section 26 of the FY 2019 K-12 Education BRB notwithstanding A.R.S. § 15-249.08B2 for FY 2019 to require the department to distribute program monies for FY 2019 based on AzMERIT scores from spring 2017 testing. Otherwise they would be distributed based on A – F letter grade ratings from FY 2018, which would have increased program costs for the year. The Baseline would continue a similar provision for FY 2020, pending further legislative input on this issue. (*See the FY 2019 Baseline for more information.*)

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.*)

Special Education Fund

The Baseline includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2020 for the Special

Education Fund Special Line Item. FY 2020 adjustments are as follows:

Funding Restoration

The Baseline includes an increase of \$8,000,000 from the General Fund in FY 2020 to restore funding reduced on a one-time basis for FY 2019 due to the availability carry-forward monies in the Special Education Fund (SEF) established by A.R.S. § 15-1202. The SEF had \$8,688,200 in one-time carry-forward monies at the end of FY 2018.

Base Adjustment

The Baseline includes an increase of \$804,200 from the General Fund in FY 2020 for a base adjustment due to higher-than-budgeted costs for special education vouchers for FY 2019. The latter are due to base level increases for inflation and teacher pay raises for FY 2019 that were not reflected in the FY 2019 budget. Those unbudgeted costs are expected to be funded with remaining carry-forward monies in FY 2019 but will require additional ongoing funding starting in FY 2020.

Base Level Increases

The Baseline includes an increase of \$1,695,800 from the General Fund in FY 2020 for additional base level increases for teacher pay raises and inflation for FY 2020. The per pupil base level in the Basic State Aid formula, which also drives special education voucher costs, is expected to increase by 2% for inflation and by an additional percentage to be determined in spring 2019 for teacher pay raises in FY 2020. Those base level increases will increase program costs by an estimated \$1,695,800 for FY 2020. *(See 2% Inflation Adjustment and Teacher Salary Increase narrative under Basic State Aid for more information.)*

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.

Other State Aid to Districts

The Baseline includes \$983,900 from the General Fund in FY 2020 for Other State Aid to Districts. This amount is unchanged from FY 2019.

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 Baseline includes \$574,995,000 in FY 2020 for the Classroom Site Fund (CSF). This amount consists of:

Proposition 301 Expenditure Authority	435,277,400
Proposition 301/CSF - Land Trust Expenditure Authority	103,425,500
Proposition 301/CSF - Carry-Forward Balance Expenditure Authority	36,292,100

These amounts are unchanged from FY 2019. They will be modified for FY 2020, however, when the JLBC Staff determines the CSF per pupil amount for FY 2020 pursuant A.R.S. § 15-977G1. That law requires the JLBC Staff to determine the per pupil amount for each fiscal year by March 30 of the prior fiscal year.

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. Prior to FY 2019, CSF monies were included in the department's non-appropriated funds totals in prior years. The Baseline, however, now displays them and other non-appropriated monies that the department receives from Proposition 301 and Indian gaming as "Expenditure Authority" funds for greater transparency.

This change 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 to it from them *(see, for example, the footnote for the School Safety Program line item in the Footnotes section)*.

Instructional Improvement Fund

The Baseline includes \$45,000,000 from the Tribal Gaming Expenditure Authority in FY 2020 for the Instructional Improvement Fund. This amount is unchanged from FY 2019.

Prior to FY 2019, Tribal Gaming monies were included in the department's non-appropriated fund totals. The Baseline, however, continues to display them and other non-appropriated monies that the department receives from Proposition 301 as "Expenditure Authority" funds for greater transparency.

This change 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 to it from them (*see, for example, the footnote for the School Safety Program line item in the Footnotes section*).

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 Baseline includes \$426,944,900 from the General Fund in FY 2020 for Additional State Aid. FY 2020 adjustments are as follows:

Prior Year Base Adjustment

The Baseline includes an increase of \$2,059,900 from the General Fund in FY 2020 to reflect higher-than-budgeted costs for Additional State Aid for FY 2019. The FY 2019 budget assumed that Additional State Aid would cost \$413,665,500 for FY 2019 for the Homeowner's Rebate and 1% Cap combined. The actual combined cost, however, is \$415,725,400 (\$2,059,900 more), as reported by the Arizona Department of Revenue (DOR) in October 2018 pursuant to A.R.S. § 15-972H. Starting point costs for Additional State Aid for FY 2020 therefore will be \$2,059,900 more than the FY 2019 appropriation.

New Homes

The Baseline includes an increase of \$11,219,500 from the General Fund in FY 2020 for increased Additional State Aid costs associated with new home construction. The \$11,219,500 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2020 and that the Homeowner's Rebate percentage will remain at 47.19% for FY 2020. The latter would not change for FY 2020 under current law.

On a related note, the Baseline recommends that A.R.S. § 15-972B be amended to reflect the current 47.19% Homeowner's Rebate percentage, which was established by DOR for FY 2017 and subsequent years pursuant to Laws 2011, 2nd Special Session, Chapter 1, Section 127. A.R.S. § 15-972B has not been updated to reflect the current rebate percentage.

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 requires school district desegregation programs to be funded with secondary rather than primary property taxes starting in FY 2019. This is reducing 1% cap costs by an estimated \$(18,952,700) starting 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.

Non-Formula Programs

Accountability and Achievement Testing

The Baseline includes \$16,422,500 and 24.4 FTE Positions in FY 2020 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,422,500
Proposition 301 Fund (Appropriated)	7,000,000

These amounts are unchanged from FY 2019.

Additional General Fund funding may be needed for the program for FY 2020, however, depending on the cost of not-yet-awarded contracts for new Menu of Assessments (MOA) tests required by A.R.S. § 15-741.02. That law allows school districts and charter schools to administer achievement tests other than AzMERIT to high school

students starting in FY 2019 and to Grades 3 – 8 starting in FY 2020.

The department issued a Request for Proposals (RFP) for MOA exams for FY 2020 on November 28, 2018. The State Board of Education (SBE) is expected to review vendor bids from that RFP at its meeting on January 28, 2019 and award MOA contracts for FY 2020 at its meeting on February 25, 2019. As a result, contract costs for MOA exams for FY 2020 will not be known until late February 2019.

MOA exams must be approved by the State Board of Education (SBE) pursuant to A.R.S. § 15-741.02A. Exams approved for FY 2019 include all tests adopted by the Arizona Board of Regents (ABOR) as part of the College Credit by Exam Incentive Program (CCEIP) authorized by A.R.S. § 15-249.06 (Advanced Placement, International Baccalaureate, and Cambridge International Exams) plus the ACT, SAT, and the Grand Canyon Diploma qualifying exams. The department indicates that AzMERIT also may qualify as a MOA exam for FY 2020 depending on results of the current MOA RFP process.

For FY 2019, schools administering a MOA exam must procure it on their own but may apply to the department for reimbursement. Starting in FY 2020, however, the department will purchase approved MOA exams under state contract and provide them to schools free of charge, as it currently does for AzMERIT.

Laws 2018, Chapter 315, Section 4 requires the department to use any surplus CCEIP monies from FY 2018 to reimburse school districts and charter schools for MOA exams procured for their students for FY 2019. ADE estimates the FY 2018 CCEIP surplus at \$900,000.

The Commission for Postsecondary Education (CPSE) also has received monies in recent years to fund college-readiness exams like the ACT for students. *(See the CPSE Baseline pages for more information.)*

Background – “AzMERIT” tests were administered to Arizona public school students for the first time during the spring of 2015. ADE indicates that the test will cost approximately \$17,100,000 in FY 2019 *(see Table 9)*. Starting in FY 2020 it may be funded through the overall menu of assessments, so ADE does not have a separate cost estimate for it for FY 2020.

The Achievement Testing program, however, includes components other than AzMERIT and menu of assessment tests. It also includes AIMS Science Tests, AZELLA testing for English Learners, alternative exams for special needs students, information technology support

Table 9
Estimated Achievement Testing Costs and Available Funding
(ADE estimates) (\$ in Millions)

	FY 2019	FY 2020
Estimated Costs ^{1/}		
AzMERIT ^{2/}	\$17.1	N/A
AIMS Science Testing	1.6	\$2.2
AZELLA ^{3/}	7.1	7.0
Alternative Special Needs Exam (MSAA)	0.2	0.2
Information Technology Support	1.3	1.5
Staff and Administration	1.9	1.9
Menu of Assessments ^{4/}	3.0	22.0
Alternative English Learner Assessment	N/A	1.0
Total	\$32.2	\$35.8
Estimated Available Funding ^{5/}		
General Fund	\$14.3	\$14.3
Proposition 301 - School Accountability ^{6/}	13.2	13.2
Federal Funds	4.0	4.0
Total	\$31.5	\$31.5

- ^{1/} ADE estimates as of December 2019. FY 2020 estimates are preliminary.
- ^{2/} Potentially part of the Menu of Assessments starting in FY 2020.
- ^{3/} Arizona English Language Learner Assessment funded through the English Learner Administration line item.
- ^{4/} Cost for FY 2020 currently unknown, as Request for Proposals (RFP) is still pending.
- ^{5/} 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 2019 and FY 2020. Surplus School Accountability monies can be carried forward to subsequent years.
- ^{6/} Includes carry-forward monies.

and program administration. ADE estimates the cost of these other functions plus AzMERIT and the menu of assessments combined at \$32,200,000 in FY 2019 and \$35,800,000 for FY 2020 *(see Table 9)*.

The Baseline 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.)

Adult Education

The Baseline includes \$4,634,400 and 3 FTE Positions in FY 2020 for Adult Education. These amounts consist of:

General Fund	4,502,100
Department of Education Professional Development Revolving Fund	132,300

These amounts are unchanged from FY 2019.

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 2019, 23 school districts, community colleges, counties and community-based organizations are operating state-funded Adult Education programs.

The program also received \$13,443,100 in federal funding in FY 2019. Its federal monies are subject to non-supplanting and maintenance-of-effort requirements stipulated in federal law.

Alternative Teacher Development Program

The Baseline includes \$500,000 from the General Fund in FY 2020 for an Alternative Teacher Development Program. This amount is unchanged from FY 2019.

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 Baseline includes \$500,000 from the General Fund in FY 2020 for an American Civics Education Pilot Program. FY 2020 adjustments are as follows:

New Program

The Baseline includes an increase of \$500,000 from the General Fund in FY 2020 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.

Chapter 289 established the ACEF in session law as an appropriated fund. This would require the Legislature to appropriate monies out of ACEF even though it already appropriated monies into it in Chapter 289. The Baseline includes a statutory change to make ACEF a non-appropriated fund so that the Legislature will no longer have to appropriate monies both into and out of it (*see Statutory Changes section*).

Program funding for FY 2020 will not appear in the FY 2020 General Appropriation Act, since it has already been appropriated by Chapter 289.

Arizona Structured English Immersion Fund

The Baseline includes \$4,960,400 from the General Fund in FY 2020 for the Arizona Structured English Immersion Fund. This amount is unchanged from FY 2019.

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 \$4,452,700 to public schools from the fund in FY 2018.

Broadband Expansion

The Baseline includes no funding from the Automation Projects Fund in FY 2020 for Broadband Expansion. This amount is unchanged from FY 2019. (*See "Other Issues" section for more information.*)

Code Writers Initiative Pilot Program

The Baseline provides no funding from the State Web Portal Fund in FY 2020 for a Code Writers Initiative Pilot Program. FY 2020 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(500,000) from the State Web Portal Fund in FY 2020 to eliminate one-time funding. Laws 2018, Chapter 290 appropriated \$500,000 in one-time funding from the Web Portal Fund in FY 2019 for a Code Writers Initiative Pilot Program. The program also received a one-time appropriation of \$500,000 for FY 2017. (*See the FY 2019 Appropriations Report for more information.*)

College Credit by Examination Incentive Program

The Baseline includes \$5,000,000 from the General Fund in FY 2020 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2019.

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.

Laws 2018, Chapter 315, Section 4 requires the department to use surplus CCEIP monies from FY 2018, if any, to reimburse school districts and charter schools for optional "menu of assessment" tests, such as the ACT, that they can administer to high school students starting in FY 2019 pursuant to Laws 2018, Chapter 262, Section 6. The department estimates that approximately \$900,000 in surplus CCEIP monies from FY 2018 will be available for menu of assessment reimbursements for FY 2019. These monies are expected to be one-time in nature, so do not represent a long-term funding source for menu of assessment reimbursements.

On a related note, the FY 2018 budget appropriated \$235,000 in one-time funding from the General Fund to the Commission for Postsecondary Education (CPSE) for a College-Readiness Examination Pilot Program for FY 2018. That program also helped school districts and charter schools fund college-readiness exams, such as the ACT, on a one-time basis. The FY 2019 budget did not continue funding for the College-Readiness Examination Pilot Program, so it likewise is not funded in the FY 2020 Baseline. *(See CPSE Baseline pages for more information.)*

Computer Science Pilot Program

The Baseline includes \$1,000,000 from the General Fund in FY 2020 for a Computer Science Pilot Program. This amount is unchanged from FY 2019.

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 currently do 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 Baseline includes \$1,000,000 from the General Fund in FY 2020 for CTED Completion Grants (formerly JTED Completion Grants). This amount is unchanged from FY 2019.

Laws 2018, Chapter 311 changed the term Joint Technical Education District (JTED) to Career Technical Education District (CTED), which results in a name change for this program.

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 Career Technical Education District (CTED) program before graduating from high school and who successfully complete the CTED 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 one year beyond the budget year. The Baseline would make program's FY 2020 appropriation non-lapsing through FY 2021.

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 Soft Capital and Equipment

The Baseline includes \$1,000,000 from the General Fund in FY 2020 for CTED Soft Capital and Equipment (formerly JTED Soft Capital and Equipment). This amount is unchanged from FY 2019.

Laws 2018, Chapter 311 changed the term Joint Technical Education District (JTED) to Career Technical Education District (CTED), which results in a name change for this program.

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 Baseline continues this footnote for FY 2020.

Early Literacy

The Baseline includes \$12,000,000 from the General Fund in FY 2020 for Early Literacy. This amount is unchanged from FY 2019.

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 Baseline includes \$5,300,000 and 24.2 FTE Positions from the General Fund in FY 2020 for the Education Learning and Accountability System (ELAS) line item. These amounts are unchanged from FY 2019.

The \$5,300,000 and 24.2 FTE Positions would be for continued maintenance and operation of ELAS, but not for further ELAS development.

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 marks the first year that the department is receiving 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 will 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 department indicates that they are error-prone, costly to maintain and at high risk of catastrophic failure. The estimated \$9,000,000 one-time cost to replace APOR and CHAR would be in addition to

Table 10

ELAS Funding by Fiscal Year (\$ in Millions)

Fiscal Year	General Fund ^{1/}	Higher Ed Fees ^{2/}	Federal Grants ^{3/}	Total
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
Total	51.1	8.0	7.3	66.4

^{1/} General Fund appropriations for ELAS were made to the Department of Administration Automation Projects Fund in FY 2014 – FY 2018.

^{2/} Generated 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.

the \$5,300,000 in ongoing funding currently provided to the department for ELAS maintenance and operation.

ELAS has received approximately \$66,400,000 in total funding from all sources combined since its inception, including the \$5,300,000 appropriated from the General Fund for FY 2019. The General Fund has provided \$51,100,000 of the total, with the remainder coming from temporary fees from university and community college students (approximately \$8,000,000 cumulatively) and Federal Funds (approximately \$7,300,000 cumulatively) *(see Table 10)*.

To date, project funding has been used primarily for the following purposes:

- Develop and partially implement data "dashboards" (AZDash) that can provide graphical depictions of data to aid in decision-making, such as to guide instruction. (Full functionality not yet implemented.)
- Develop and partially implement a new data-collection and retrieval system (AzEDS) to eliminate redundant data collection and make data more retrievable for multiple purposes. (Implemented in FY 2017; full functionality not yet completed.)
- Develop and partially implement a Statewide Student Information System (SSIS) that school districts and charters can opt into to purchase student information system services at a state-contracted rate. (Discontinued for FY 2019)
- Automate school finance calculations for components computed manually under SAIS, such as for Classroom Site Fund per pupil allocations.
- Begin to plan replacement of APOR and CHAR.

Starting in FY 2017, all schools submitted student data through AzEDS rather than through SAIS for the first time and school payments were based on student counts from AzEDS rather than SAIS. SAIS continues to be used to calculate formula payments for individual school districts and charter schools using AzEDS data, however, since the SAIS APOR and CHAR systems have not yet been replaced.

Pursuant to A.R.S. § 18-104, ADE contracted with a third-party vendor to provide additional oversight for the project from FY 2013 - FY 2018. While ADE has awarded a new 5-year contract, it is not executing the contract in FY 2019, stating that third-party oversight was a condition for approval of ELAS development activities and no further ELAS development was funded for FY 2019. ADE states that the contract will remain in place should additional ELAS development funding be appropriated in the future.

English Learner Administration

The Baseline includes \$6,509,500 and 13.5 FTE Positions from the General Fund in FY 2020 for English Learner Administration. These amounts are unchanged from FY 2019.

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 123,500 students were expected to take the AZELLA in FY 2019, including 42,000 for initial testing and 81,500 for retesting to see if they should continue to be classified as ELLs.

The English Learner Administration program was originally authorized by Laws 2006, Chapter 4 to address the Flores v. State of Arizona litigation. The lawsuit was filed in federal court in 1992 by parents of children enrolled in the Nogales Unified School District. Litigation in the case continued until March 2013, when a federal judge dismissed it. Plaintiffs appealed the federal judge's ruling, but in June 2015 the federal appellate court upheld the earlier dismissal. In June 2015, the plaintiff attorneys asked for a rehearing in the case. *(See FY 2011 Appropriations Report 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.

(See the Accountability and Achievement Testing line item narrative for more information.)

Geographic Literacy

The Baseline includes \$100,000 from the General Fund in FY 2020 for Geographic Literacy. This amount is unchanged from FY 2019.

The Baseline would add a footnote to the FY 2020 General Appropriation Act 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. This would reflect the program's current use, but that use is not specified currently in a statute or footnote.

The program funds a statewide geographic alliance for strengthening geographic literacy in this state.

Gifted Education

The Baseline includes no funding from the General Fund in FY 2020 for Gifted Education. FY 2020 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2020 to eliminate one-time funding. The FY 2019 General Appropriation Act (Section 124) appropriated \$1,000,000 in one-time funding from the General Fund in FY 2019 for Gifted Education. The program provides additional funding for gifted programs pursuant to A.R.S. § 15-779.03. FY 2019 was the first recent year of funding for this program.

Jobs for Arizona Graduates

The Baseline includes \$100,000 from the General Fund in FY 2020 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2019.

The Baseline would add a footnote to the FY 2020 General Appropriation Act 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. This would reflect its current use, but that use currently is not specified in a statute or footnote.

The program funds a Jobs for Arizona Graduates program.

School Safety Program

The Baseline includes \$11,946,900 and 4 FTE Positions in FY 2020 for the School Safety program. These amounts consist of:

General Fund	4,146,900
Proposition 301 Expenditure Authority	7,800,000

These amounts are unchanged from FY 2019.

Proposition 301 Expenditure Authority monies for School Safety were included in the department's non-appropriated funds totals in years prior to FY 2019. Starting in FY 2019, they are displayed as "Expenditure Authority" funds for greater transparency. The Baseline continues this practice.

This change does not affect the department's access to funding from Proposition 301 or Indian gaming, as it may spend whatever funding is available to it from them (*see the footnote for this line item in the Footnotes section*).

The School Safety Program places trained school resource officers or juvenile probation officers in public schools and has existed in Arizona since FY 1995. (*See the FY 2015 Appropriations Report for program history.*)

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. Monies are awarded on a competitive grant basis on a 3-year cycle. FY 2018 is the first year of the current cycle.

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.

State Block Grant for Vocational Education

The Baseline includes \$11,576,300 and 27 FTE Positions from the General Fund in FY 2020 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2019.

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 2019,

the department is receiving approximately \$28,612,700 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 Baseline includes \$2,387,000 and 22.9 FTE Positions in FY 2020 for Teacher Certification. These amounts consist of:

General Fund	178,100
Teacher Certification Fund	2,208,900

These amounts are unchanged from FY 2019.

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.

Tribal College Dual Enrollment Program Fund

The Baseline includes \$250,000 from the Tribal College Dual Enrollment Program Fund in FY 2020 for the Tribal College Dual Enrollment Program Fund program. This amount is unchanged from FY 2019.

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.*)

Other Issues

This section includes information on the following topics:

Statutory Changes

- Baseline Provisions
- Deleted Provisions

General Issues

- Long-Term Budget Impacts
- FY 2019 Supplemental / FY 2020 Adjustment

Ballot Proposition

- Endowment Earnings
- Proposition 123 Triggers
- Aggregate Expenditure Limit

Basic State Aid

- Basic State Aid Formula Description

Broadband

- Broadband Program Description

Non-General Fund Programs

- Proposition 301
- Budget Overrides

Information on these various issues is as follows:

Statutory Changes

The Baseline would make 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 2.0% for standard inflation.
- As permanent law, increase the base level by an additional amount to be determined in spring 2019 to incorporate into Basic State Aid \$164,700,000 for teacher salary increases already appropriated for FY 2020 by Section 136 of the FY 2019 General Appropriation Act.

Rollover

- As session law in the General Appropriation Act, continue to defer \$930,727,700 in Basic State Aid payments for FY 2020 until FY 2021. Appropriate \$930,727,700 in FY 2021 for these deferred Basic State Aid payments. Continue to exempt school districts with fewer than 600 students from the K-12 rollover. Allow the department to make the rollover payment on or after July 1, but no later than July 12, 2019.
- As session law in the General Appropriation Act, continue to require school districts to include in the FY 2020 revenue estimates that they use for computing their FY 2020 tax rates the rollover monies that they will receive for FY 2020 in July 2020.

Results-Based Funding

- As session law, allocate Results-Based Funding using the same formula that was used in FY 2019, but based on AzMERIT test results from spring 2018 rather than spring 2017. (Under permanent law, the Results-Based Funding instead would be distributed 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 allow the department to transfer up to \$1,600,000 from the state General Fund appropriation for Basic State Aid for FY 2019 to the Results-Based Funding program for FY 2019 without review by the Joint Legislative Budget Committee to address a formula shortfall for Results-Based Funding, if any, for FY 2019. Continue to require any amount transferred that exceeds the shortfall amount to revert to the state General Fund on June 30, 2019.

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 session law, authorize school districts to exceed the Aggregate Expenditure Limit (AEL) in the State Constitution in FY 2020 to ensure that they can spend monies appropriated for additional teacher pay raises and additional assistance restorations for FY 2020. The Legislature can address this issue in either the 2019 or 2020 Legislative Session. (*See Aggregate Expenditure Limit narrative below for more information.*)
- As permanent law, make the American Civics Education Fund a non-appropriated fund to eliminate the need for the Legislature to appropriate monies both into and out of it.
- As permanent law, delete the definition of "base level" for FY 2017 and prior years from A.R.S. § 15-901B2, as they are no longer needed. (A new definition of "base level" is added to A.R.S. § 15-901B2 each year for the upcoming fiscal year.)
- As permanent law, replace obsolete references to the Homeowners Rebate percentage in A.R.S. § 15-972B with the current rebate percentage of 47.19% that was established by DOR for FY 2017 and subsequent years pursuant to Laws 2011, 2nd Special Session, Chapter 1, Section 127.
- 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 2020 under it.
- As permanent law, amend A.R.S. § 15-249.06F to make the annual report on the College Credit by Examination Incentive Program not subject to JLBC review.

Deleted Provisions

The Baseline would delete the following session law provisions due to their one-time nature:

- As session law, require the Corporation Commission to make all monies collected for K-12 broadband expansion that remain after the 2018 E-Rate cycle available in subsequent years to eligible applicants.
- As session law, allow Cave Creek Unified School District to increase its general budget limit by \$1,500,000 on a one-time basis in FY 2019.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$408,087,300 in FY 2021 above FY 2020 and \$249,858,000 in FY 2022 above FY 2021. These estimates are based on:

- 1.3% ADM growth in FY 2021 and 1.2% in FY 2022 consisting of approximately 1,100 new ADM for districts and 13,200 new ADM for charters annually.
- GDP inflators of 2% for both FY 2021 and FY 2022 (currently projected at 2.3% for FY 2021 and 2.4% for FY 2022; statute funds the lesser of 2% or the actual rate).
- A \$25 million increase in State Aid Supplement funding in FY 2021, from \$50 million to \$75 million, as required by Proposition 123.
- New construction NAV growth of 2.24% for FY 2021 and 2.29% for FY 2022.
- General Fund decreases of \$(9.5) million in FY 2021 and \$(8.4) million in FY 2022 for higher endowment earnings.
- Approximately \$1.6 million per year for Empowerment Scholarships Account caseload growth.
- An increase of \$124.5 million (plus an additional \$50 million from the Classroom Site Fund) for additional teacher pay raises in FY 2021.
- Increases of \$67.8 million in both FY 2021 and FY 2022 for Additional Assistance restorations.
- Increases of \$1.8 million in FY 2021 and \$0.8 million in FY 2022 for special education vouchers due to inflation and teacher pay raises.

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The Baseline includes an FY 2019 supplemental appropriation of \$1,900 from the General Fund to pay for FY 2019 employer contribution increases related to the Elected Officials Retirement Plan (EORP). The FY 2019 General Appropriation Act underestimated the total cost of the increase. The Baseline also includes the same amount from the General Fund in FY 2020. Both the supplemental and the FY 2020 amount would be distributed as a statewide adjustment and are not

reflected in the agency table above. (See the *Consolidated Retirement Report* for more information.)

Endowment Earnings

In FY 2018, endowment earnings from state trust lands funded approximately \$352.4 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 required by Proposition 123. After FY 2025, Proposition 123 reestablishes the 2.5% factor on a permanent basis.

In FY 2018, public schools received \$352.4 million of expendable land trust monies from the State Land Department and State Treasurer combined. That total included \$63.9 million from the Land Department and \$288.5 million from the State Treasurer (*see Table 11*).

Table 11 shows that K-12 endowment earnings are estimated to equal \$380.6 million in FY 2019 and \$393.3 million in FY 2020.

Table 11 Source of K-12 Endowment Earnings by Fiscal Year (\$ in Millions)				
<u>Source</u>	<u>2015^{1/}</u>	<u>2018</u>	<u>2019 est</u>	<u>2020 est^{2/}</u>
Land Department	53.2	63.9	67.6	67.6
Treasurer	76.0	288.5	313.0	325.7
Total	129.2	352.4	380.6	393.3

^{1/} Final year prior to Proposition 123.
^{2/} Assumes no change in trust land lease revenues for FY 2020.

Of the \$352.4 million in K-12 expendable earnings generated for FY 2018, \$235.3 million was used to fund Basic State Aid pursuant to A.R.S. § 37-521B3 and \$24.9 million to fund the School Facilities Board debt service pursuant to A.R.S. § 37-521B2 (*see Table 12*). The remaining \$92.2 million was deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4. 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.*)

Table 12 Use of K-12 Endowment Earnings by Fiscal Year (\$ in Millions)				
<u>Source</u>	<u>2015</u>	<u>2018</u>	<u>2019 ^{1/}</u>	<u>2020 ^{1/}</u>
Basic State Aid	47.3	235.3	277.2	289.9
SFB Debt Service	25.0	24.9	0 ^{2/}	0 ^{2/}
Classroom Site Fund	56.9	92.2	103.4	103.4
Total	129.2	352.4	380.6	393.3

^{1/} Estimated.
^{2/} \$24.9 million annual SFB debt service payments ended after FY 2018.

Proposition 123 Triggers

Proposition 123 allows the state to temporarily suspend future inflation increases during periods of economic

slowdown in which sales tax revenue and employment both grew 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 would require this suspension if sales tax revenue and employment both grew 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.

The proposition also 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.

Beginning in FY 2026, the proposition allows (but does not require) 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 surpassed 49% of the total state General Fund appropriations. If K-12 spending surpassed 50%, the state could temporarily suspend the annual inflation adjustment and reduce K-12 funding for the next fiscal year by twice the current year inflation amount. Currently, K-12 spending constitutes approximately 45.1% 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 reported in November 2018 that currently budgeted expenditures for school districts collectively for FY 2019 are \$(231.0) million below the AEL. The difference for FY 2018 was \$(586.3) million.

The gap between school district's budgeted spending and the AEL is decreasing in FY 2019 because funding for teacher pay raises and Additional Assistance restorations is causing district spending to grow faster than enrollment and inflation combined in the current year.

School districts' collective budgeted spending could exceed the AEL as early as FY 2020 due to additional teacher salary increases and Additional Assistance restorations budgeted in advance for that year. If so, A.R.S. § 15-911C2 allows the Legislature to authorize statewide school district spending above the AEL for a current fiscal year with a two-thirds majority vote in both the House of Representatives and Senate.

We will not know whether school district budgets for FY 2020 exceed the AEL for that year until November 1, 2019 when the department is required to report this information pursuant to A.R.S. § 15-911B. The Baseline, however, includes statutory changes to authorize school districts to exceed the AEL for FY 2020 as a contingency measure if needed and if members choose to exercise this option. Alternately, the Legislature could wait until November 1, 2019 to confirm whether the AEL is being exceeded for FY 2020 and authorize spending above it thereafter. (*See Statutory Changes section above.*)

A permanent increase in the AEL would require a voter-approved change to the State Constitution.

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 and for FY 2019 equal \$1,807.00 per pupil for Grades K-8 and \$2,106.03 per pupil for Grades 9-12. Charter schools receive all their equalization funding through Basic State Aid, since they do not have authority to generate funding through local property taxes.

Broadband Expansion

The FY 2018 General Appropriation Act included a one-time \$3 million appropriation to the newly-established Broadband Expansion Fund (BEF) for state matching contributions for broadband construction projects for schools and libraries. (*See the FY 2018 Appropriations Report for more information.*)

In addition, the Arizona Corporation Commission (ACC) on March 14, 2017 approved a temporary 12-month surcharge on Arizona consumers' phone bills to generate \$8 million of additional state matching funds. Together, the \$3 million legislative appropriation and the \$8 million surcharge are intended to provide \$11 million of state matching contributions to draw down approximately \$130 million in federal "E-Rate" monies that support broadband construction projects.

Before any state matching funds are released, each project proposal must be certified by ADE and approved for federal E-Rate funding by the Universal Service

Administrative Company (USAC), which administers the program.

As of August 2018, ADE had certified \$11.1 million of state funding for broadband projects, of which \$5.2 million was denied federal funding. As a result, \$5.9 million of state funding is associated with projects that are either complete, in progress, or pending federal approval.

ADE has stated that schools—including those whose applications were previously denied—have 1 more year to (re)apply for the state matching funds under the Arizona Corporation Commission's rules for the \$8 million generated by the Commission. The \$3 million of state funds appropriated by the Legislature are non-lapsing and do not have a deadline for use. As the federal E-Rate program may continue to be available in future years, the Legislature could also make additional appropriations to draw down more Federal Funds in subsequent years if deemed necessary.

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 13*).

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.

As shown in *Table 13*, Proposition 301 revenues are earmarked for the following items through FY 2021:

- Debt service on \$794.7 million of School Facilities Board bonds used for deficiencies correction, which will be paid off by the end of FY 2020. (Chapter 74

Table 13

PROPOSITION 301 SALES TAX REVENUES		Proposition 301 Monies (FY 2018 Actual) (\$ In Millions)
Recipient	Amount	Comment
School Facilities Board	\$64.1	For debt service on \$794.7 million of bonds authorized by Proposition 301 for school repairs and updates.
Universities	77.4	Receive 12% of monies remaining after SFB debt service is deducted.
Community Colleges	19.3	Receive 3% of monies after SFB debt service.
Tribal Colleges	0.8	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	\$186.6	
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	419.7	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	\$522.5	
Total - Prop 301 Sales Tax	\$709.1	
CLASSROOM SITE FUND EXPENDITURES (ALL SOURCES)		
Prop 301 Sales Tax (from above)	419.7	
Prop 301/CSF - Land Trust	92.1	
Prop 301/CSF - Carry-Forward	0.0	
Total - Classroom Site Fund	\$511.8 ^{1/}	

^{1/} Total disbursements reported for FY 2018 in ADE's FY 2020 budget request from August 2018. Does not match estimated amounts in JLBC Staff Classroom Site Fund (CSF) memo dated 3/29/2018, as the latter were estimates based on data available at the time rather than year-end actuals.

redirects these monies to the Classroom Site Fund starting in FY 2022. For FY 2021, 12% will go to universities, 3% to community colleges, with equivalent per pupil distributions going to tribal community colleges, and the remainder will go to the Classroom Site Fund.)

- Universities (12% of the remainder after SFB debt service).
- Community colleges (3% of the remainder).
- Tribal Colleges (same formula as community colleges).
- Income tax credit for sales tax paid by low income households (to offset the additional 0.6¢ sales tax rate).
- Additional School Days.
- School Safety and Character Education.
- School Accountability.
- Failing Schools.
- Classroom Site Fund (A.R.S. § 15-977).

Proposition 301 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies remaining after all other distributions are made. Its share equaled \$419.7 million (59.2%) of the \$709.1 million collected for FY 2018 (see *Table 13*).

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 2018 were \$511.8 million (see *Table 13*).

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 2019, 93 districts statewide have M&O overrides pursuant to A.R.S. § 15-481, 1 has a “Special Program” override pursuant to A.R.S. § 15-482, and 25 have District Additional Assistance overrides. The total amounts budgeted for overrides for FY 2019 include \$530.7 million for M&O overrides, \$0.9 million for Special Program overrides and \$85.9 million for District Additional Assistance overrides. Grand total budgeted override funding for FY 2019 therefore equals \$617.5 million, which was \$42.1 million above the \$575.4 million amount budgeted for all overrides collectively in FY 2018 (see *Table 14*). (See the *School Facilities Board Baseline narrative for a related summary on K-12 Capital Bonding*.)

Table 14

K-12 Budget Overrides (\$ in Millions)

<u>Type of Override</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Change</u>
M&O	490.7	530.7	40.0
Special Program	1.3	0.9	(0.4)
Additional Assistance	83.4	85.9	2.5
Total	575.4	617.5	42.1

A.R.S. § 15-249.04 requires ADE to report by November 30 of each year the amount budgeted for school district budget overrides by district and type of override for the current fiscal year. The data cited in *Table 14* are from the related ADE reports for FY 2018 and FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Agricultural Youth Organization Special Plate Fund (EDA2650/A.R.S. § 15-791)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal Arizona agricultural youth organization special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona agricultural youth organization special plates. ADOT is to annually deposit these monies, excluding administrative fees, into the Arizona Agricultural Youth Organization Special Plate Fund for disbursement by the State Board of Education acting as the State Board for Vocational and Technological Education.		
Funds Expended	167,000	165,000
Year-End Fund Balance	0	0
American Civics Education Fund (EDA5555/Laws 2018, Chapter 289)		Appropriated
Source of Revenue: Legislative appropriations and other monies transferred into the fund. Laws 2018, Chapter 289 appropriated \$500,000 from the General Fund to this fund for the program in FY 2020.		
Purpose of Fund: To fund the American Civics Education pilot program established by Laws 2018, Chapter 289.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01)		Non-Appropriated
Source of Revenue: State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617.		
Purpose of Fund: To fund solutions teams assigned to schools pursuant to A.R.S. § 15-241.02.		
Funds Expended	21,800	31,300
Year-End Fund Balance	9,900	12,600
Automation Projects Fund (EDA2566/A.R.S. § 41-714)		Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects for any state agency. For FY 2018, \$3,000,000 was appropriated from the Automation Projects Fund to the Broadband Expansion Fund for broadband expansion.		
Funds Expended	3,000,000	0
Year-End Fund Balance	0	0
Broadband Expansion Fund (EDA2145/A.R.S. § 15-249.07)		Non-Appropriated
Source of Revenue: Monies appropriated from the Automation Projects Fund.		
Purpose of Fund: To provide state matching monies for certified broadband connectivity construction projects for qualified applicants. Expenditures are not displayed to avoid double counting of the Automation Projects Fund.		
Funds Expended	0	0
Year-End Fund Balance	3,000,000	0
Budget Stabilization Fund (EDA3034/A.R.S. § 35-144)		Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: Laws 2017, Chapter 305, Section 123 appropriated \$2,600,000 in one-time funding from the Budget Stabilization Fund to the department for FY 2018 for Rural Assistance.		
Funds Expended	2,600,000	0
Year-End Fund Balance	0	0
Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Character Education license plates.		
Purpose of Fund: To fund character education programs in schools. Not more than 10% of monies deposited in the fund annually shall be used for the cost of administering the fund.		
Funds Expended	26,900	25,500
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Computer Science Professional Development Program Fund (EDA9999/A.R.S. § 15-249.12)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and grants, gifts, devises and donations from any public or private source.		
Purpose of Fund: To fund computer science professional development for school districts and charter schools that do not currently provide high school computer science instruction. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Partially-Appropriated
Source of Revenue: Monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C and prior year carry-forward monies.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. In addition, ADE transfers Basic State Aid (BSA) monies to the State Treasurer and Department of Revenue (DOR) to fund their ESA administrative duties and to the State Treasurer to fund the ESA accounts themselves. The FY 2018 transfer for the latter was approximately \$60 million. The student account monies and monies transferred to the State Treasurer and DOR for ESA administration are not displayed to avoid double counting of the General Fund. Non-appropriated monies in the fund are prior year carry-forward. <i>(See the Summary of Funds and budget narrative for the State Treasurer and DOR for more information on their respective ESA administrative funding.)</i>		
Appropriated Funds Expended	1,202,000	1,246,100
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	4,195,500	6,449,400
Department of Education Professional Development Revolving Fund (EDA2580/A.R.S. § 15-237.01)		Appropriated
Source of Revenue: Tuition paid for professional development, pursuant to A.R.S. § 15-237.01.		
Purpose of Fund: To offset the cost of providing professional development.		
Funds Expended	361,700	2,700,000
Year-End Fund Balance	53,700	53,700
Early Literacy Grant Program Fund (EDA2181/A.R.S. § 15-249.09)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: Provide support to improve reading skills, literacy and proficiency for students in Grades K-3 in addition to monies received pursuant to A.R.S. § 15-211. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Education Commodity Fund (EDA4210/A.R.S. § 15-1152)		Non-Appropriated
Source of Revenue: Fees from school districts participating in the federal Food Commodities Program.		
Purpose of Fund: To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	288,100	507,900
Year-End Fund Balance	525,700	417,800
Education Donations Fund (EDA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants received by the department from foundations or other private sector donors.		
Purpose of Fund: To help pay for conferences, programs or other activities sponsored by donor organizations.		
Funds Expended	50,700	61,800
Year-End Fund Balance	389,100	367,300

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Education Learning and Accountability Fund (EDA2552/A.R.S. § 15-249.02)		Non-Appropriated
Source of Revenue: Monies transferred from the Arizona Department of Administration (ADOA) Automation Projects Fund (APF), which for FY 2018 received \$7,300,000 from the State General Fund for the Education Learning and Accountability System (ELAS), plus any remaining FY 2017 balances in the fund. Expenditures are not displayed to avoid double counting of the General Fund.		
Purpose of Fund: To develop and implement ELAS pursuant to A.R.S. § 15-249.		
Funds Expended	0	0
Year-End Fund Balance	571,300	100
Federal Funds (EDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants.		
Funds Expended	1,121,804,100	1,206,177,500
Year-End Fund Balance	3,790,800	1,500,100
Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Golden Rule license plates.		
Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	200,700	200,700
Year-End Fund Balance	0	0
IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)		Non-Appropriated
Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	4,667,700	1,882,100
Year-End Fund Balance	1,629,000	1,496,900
Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.		
Funds Expended	5,994,700	7,881,500
Year-End Fund Balance	1,635,100	1,001,500
Internal Services Fund (EDA4209/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
Funds Expended	3,943,800	4,385,400
Year-End Fund Balance	2,355,200	1,969,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Permanent State School Fund (EDA3138/A.R.S. § 37-521)	Partially-Appropriated	
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund, up to the amount generated in FY 2001 (\$72,263,000), are automatically appropriated first to pay debt service on State School Facilities Revenue Bonds, Qualified Zone Academy Bonds (QZAB) or State School Trust Revenue Bonds. Remaining monies, if any, are then available to help fund Basic State Aid. All affected bonds were retired by the end of FY 2018, however, so the entire \$72,263,000 is now available to fund Basic State Aid. Expendable earnings beyond the \$72,263,000 total from FY 2001 are automatically deposited into the Classroom Site Fund pursuant to A.R.S. § 37-521B4, except that expendable earnings above \$72,263,000 that are attributable to Proposition 123 are instead used for Basic State Aid.		
In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated into the Classroom Site Fund pursuant to A.R.S. § 37-521B4. <i>(See "State Land Trust Bond Debt Service Fund" and "School Improvement Revenue Bond Debt Service Fund" in the Summary of Funds for the School Facilities Board budget for information on other uses of expendable monies from this fund.)</i>		
Purpose of Fund: To support common schools.		
Funds Expended	235,339,100	277,115,300
Year-End Fund Balance	0	0
Production Revolving Fund (EDA4211/A.R.S. § 15-237)	Non-Appropriated	
Source of Revenue: Print shop collections from in-house and interagency publishing.		
Purpose of Fund: To fund agency print shop expenditures.		
Funds Expended	1,143,700	1,415,600
Year-End Fund Balance	1,086,600	721,000
Proposition 301 (EDA9001/A.R.S. § 15-977)	Expenditure Authority	
Source of Revenue: The portion of the Proposition 301 sales tax allocated to the Department of Education pursuant to A.R.S. § 42-5029E, except for monies appropriated for school accountability pursuant to A.R.S. § 42-5029E7. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 42-5029E.		
Purpose of Fund: To fund additional school days, school safety, character education, the Failing Schools Tutoring Fund and the Classroom Site Fund. The latter provides additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%).		
Funds Expended	515,445,800	531,057,900
Year-End Fund Balance	2,023,700	2,023,700
Proposition 301 Fund (EDA1014/A.R.S. § 42-5029E7)	Appropriated	
Source of Revenue: Proposition 301 monies appropriated by the Legislature pursuant to A.R.S. § 42-5029E7.		
Purpose of Fund: To fund school accountability. For FY 2019 the entire \$7,000,000 amount is appropriated to the Accountability and Achievement Testing line item in the department's budget.		
Funds Expended	7,000,000	7,000,000
Year-End Fund Balance	0	0
Proposition 301/Classroom Site Fund - Carryforward (EDA9003/A.R.S. § 15-977)	Expenditure Authority	
Source of Revenue: Carry-forward balances from prior year revenues to the Classroom Site Fund. Classroom Site Fund revenues consist of a portion of the Proposition 301 sales tax, pursuant to A.R.S. § 42-5029E10, and Permanent State School Fund expendable earnings that exceed the FY 2001 level, pursuant to A.R.S. § 37-521B4. Under A.R.S. § 15-977, the per pupil amount distributed each from the Classroom Site Fund is adjusted for any prior year carry-forward or shortfall. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 42-5029E10 (Classroom Site Fund).		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%).		
Funds Expended	0	36,292,100
Year-End Fund Balance	60,250,200	23,958,100

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Proposition 301/Classroom Site Fund - Land Trust (EDA9002/A.R.S. § 37-521)	Expenditure Authority	
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund above the amount generated in FY 2001 (\$72,263,000) are automatically deposited into the Classroom Site Fund, as required by A.R.S. § 37-521B4. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 42-5029E10 (Classroom Site Fund).		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%).		
Funds Expended	92,163,700	103,425,500
Year-End Fund Balance	0	0
Results-Based Funding Fund (EDA2151/A.R.S. § 15-249.08)	Non-Appropriated	
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: Provide additional funding to high performing schools under a formula prescribed in A.R.S. § 15-249.08. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Rural STEM Program Fund (EDA3046/A.R.S. § 15-249.11)	Non-Appropriated	
Source of Revenue: Monies appropriated by the Legislature and grants, gifts, devices and donations from any public or private source.		
Purpose of Fund: To support science, technology, engineering and math programs in rural schools.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Special Education Fund (EDA1009/A.R.S. § 15-1182)	Non-Appropriated	
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide voucher funding for students attending the ASDB pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	8,688,200	515,800
Structured English Immersion Fund (EDA2535/A.R.S. § 15-756.04)	Non-Appropriated	
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	3,743,100	3,743,100
Teacher Certification Fund (EDA2399/A.R.S. § 15-248.02)	Appropriated	
Source of Revenue: Fees collected by the Department of Education from teachers and other school personnel who apply for professional certification.		
Purpose of Fund: To provide monies for operation of the department's Teacher Certification program.		
Funds Expended	1,967,300	2,342,700
Year-End Fund Balance	480,100	242,400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Technology-Based Language Development and Literacy Intervention Fund (EDA2579/A.R.S. § 15-217)		Appropriated
Source of Revenue: Unused monies from the now-repealed Early Graduation Scholarship Program. The FY 2015 K-12 Education Budget Reconciliation Bill required the Commission for Postsecondary Education to transfer these monies (\$546,800) into the fund from its IGA/ISA Fund by August 1, 2014. As session law, Chapter 17 also appropriated \$300,000 annually from the new fund in FY 2015 and FY 2016 for the pilot program. Laws 2016, Chapter 124 made program monies non-lapsing through FY 2018. Expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To fund a pilot program to promote English language development and literacy for public school pupils in Grades K-6.		
Funds Expended	0	0
Year-End Fund Balance	600	600
Tribal College Dual Enrollment Program Fund (EDA2595/A.R.S. § 15-244.01)		Appropriated
Source of Revenue: Unclaimed lottery prize monies pursuant to A.R.S. § 5-568, other monies appropriated by the Legislature and gifts, grants, devices and other contributions. Laws 2016, Chapter 124 allows \$250,000 of unclaimed lottery prize monies to be transferred to the fund annually.		
Purpose of Fund: To provide choice and access to higher education for high school students in this state by compensating tribal colleges for tuition and fees that are waived to allow high school students to attend classes at tribal colleges.		
Funds Expended	211,000	250,000
Year-End Fund Balance	279,700	279,700
Tribal Gaming (EDA9004/A.R.S. § 15-979)		Expenditure Authority
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 15-979.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	27,337,800	45,000,000
Year-End Fund Balance	20,842,900	12,681,100
State Web Portal Fund (EDA2531/A.R.S. § 18-421)		Appropriated
Source of Revenue: Grants, donations, and web portal revenues, including any fees collected from the sale of certain types of motor vehicle records to commercial customers, less revenues deposited into the Highway User Revenue Fund, as stipulated in A.R.S. § 18-421.		
Purpose of Fund: To maintain and upgrade the state's common web portal, including enhancement of existing products and the development of new applications. In addition, Laws 2018, Chapter 290 appropriated \$500,000 for a Code Writers Initiative Pilot Program from the fund for FY 2019. Monies received from private grants or donations, as well as federal grants, are non-appropriated. <i>(See the ADOA Automation Projects Fund page for more details.)</i>		
Funds Expended	0	500,000
Year-End Fund Balance	0	0
Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)		Non-Appropriated
Source of Revenue: The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
Purpose of Fund: To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere.		
Funds Expended	0	26,000
Year-End Fund Balance	160,000	136,000

Department of Emergency and Military Affairs

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
PROGRAM BUDGET			
Administration	1,909,400	1,784,200	1,784,200
Emergency Management	7,703,400	7,735,800	7,733,000
Military Affairs	2,657,700	3,039,800	3,039,800
AGENCY TOTAL	12,270,500	12,559,800	12,557,000
OPERATING BUDGET			
Full Time Equivalent Positions	69.6	69.6	69.6 ^{1/}
Personal Services	1,770,600	1,843,000	1,843,000
Employee Related Expenditures	591,600	595,300	595,300
Professional and Outside Services	26,600	6,000	6,000
Travel - In State	63,600	55,000	55,000
Travel - Out of State	15,000	10,000	10,000
Other Operating Expenditures	2,648,100	1,218,500	1,218,500
Equipment	98,000	37,100	37,100
OPERATING SUBTOTAL	5,213,500	3,764,900	3,764,900
SPECIAL LINE ITEMS			
Emergency Management Matching Funds	1,538,100	1,543,300	1,543,300
Governor's Emergency Fund	4,000,000	4,000,000	4,000,000 ^{2/}
Nuclear Emergency Management Program	1,430,400	1,461,600	1,458,800 ^{3/}
Military Airport Planning	88,500	90,000	90,000 ^{4/}
National Guard Matching Funds	0	1,700,000	1,700,000 ^{5/}
AGENCY TOTAL	12,270,500	12,559,800	12,557,000 ^{6/}
FUND SOURCES			
General Fund	10,840,100	11,098,200	11,098,200
<u>Other Appropriated Funds</u>			
Nuclear Emergency Management Fund	1,430,400	1,461,600	1,458,800
SUBTOTAL - Other Appropriated Funds	1,430,400	1,461,600	1,458,800
SUBTOTAL - Appropriated Funds	12,270,500	12,559,800	12,557,000
Other Non-Appropriated Funds	84,200	210,000	53,200
Federal Funds	57,779,700	80,010,900	64,645,300
TOTAL - ALL SOURCES	70,134,400	92,780,700	77,255,500

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 1 GF and 5.5 OF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} 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.
- ^{3/} 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.
- ^{4/} 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.

- 5/ The \$1,700,000 National Guard Matching Funds appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2020 monies remaining unexpended and unencumbered on December 31, 2020 revert to the State General Fund. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

Operating Budget

The Baseline includes \$3,764,900 and 63.1 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Emergency Management Matching Funds

The Baseline includes \$1,543,300 from the General Fund in FY 2020 for Emergency Management Matching Funds. These amounts are unchanged from FY 2019.

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 FFY 2018, DEMA was awarded \$7,077,300 by the federal government.

In FY 2018, the state match for these monies was funded by \$735,000 from the General Fund operating budget appropriation, \$1,438,900 from the Emergency Management Matching Funds line item appropriation, and \$735,500 of the Nuclear Emergency Management Fund appropriation, and a \$4,167,900 match from the local government sub-recipients.

In FY 2019, DEMA expects to receive \$7,077,300 in EMPG funds.

Governor's Emergency Fund

The Baseline includes \$4,000,000 from the General Fund in FY 2020 for the Governor's Emergency Fund. This amount is unchanged from FY 2019.

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 Baseline includes \$1,458,753 and 5.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2020 for the Nuclear Emergency Management Program line item. FY 2020 adjustments are as follows:

New NEMF Assessment

The Baseline includes a decrease of \$(2,800) from NEMF in FY 2020 for a new NEMF assessment.

Laws 2017, Chapter 43 appropriated \$1,438,465 and 5.5 FTE Positions from NEMF in FY 2018 and \$1,461,602 and 5.5 FTE Positions in FY 2019. As a result, these monies did not appear in the General Appropriation Act. The Department of Health Services (by way of the Radiation Regulatory Agency transfer), the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 43. *(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 corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the NEMF appropriation.

DEMA has provided recommendations for the FY 2020 and FY 2021 NEMF funding levels for the 3 agencies as outlined in *Table 1* below. The recommendation would include a decrease of \$(2,849) in FY 2020 and an increase of \$47,363 in FY 2021 above the FY 2020 level for DEMA. The Baseline decreases NEMF funding to the department by \$(2,849) in FY 2020 based on the DEMA recommendations. The final amount, which typically reflects the DEMA recommendation, will be determined in the 2019 Legislative Session as part of separate legislation.

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.

Table 1

Nuclear Emergency Management Fund

Agency	FY 2019		FY 2020		FY 2021	
	FTEs	Approp.	FTEs	Rec.	FTEs	Rec.
Emergency and Military Affairs ^{1/}	5.5	\$1,461,602	5.5	\$1,458,753	5.5	\$1,506,116
Health Services ^{2/}	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.

^{2/} Laws 2017, Chapter 313 transferred all responsibilities and unexpended or unencumbered monies of the Arizona Radiation Regulatory Agency to the Department of Health Services on January 1, 2018.

Military Airport Planning

The Baseline includes \$90,000 and 1 FTE Position from the General Fund in FY 2020 for Military Airport Planning. These amounts are unchanged from FY 2019.

Prior to receiving a one-time deposit of \$2,500,000 in FY 2015, the Military Installation Fund had received no General Fund appropriation since FY 2011. The FY 2012 General Government Budget Reconciliation Bill (BRB) eliminated the annual \$2,025,000 General Fund deposit into the Military Installation Fund in statute. A.R.S. § 26-263 retained the annual \$90,000 and 1 FTE Position administrative appropriation to the department and an annual \$85,000 appropriation to the Attorney General. Since these monies are appropriated in statute, they do not appear in the General Appropriation Act.

As of August 2018, the fund had an unreserved balance of \$816,600. The FY 2019 Criminal Justice BRB allows the department to expend \$1,250,000 from the Military Installation Fund for the construction of a new Readiness Center.

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 Baseline includes \$1,700,000 from the General Fund in FY 2020 for the National Guard Matching Funds line item. This amount is unchanged from FY 2019.

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 Baseline continues to make this appropriation exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2020 monies remaining unexpended and unencumbered on December 31, 2020 revert to the state General Fund.

In FY 2018, DEMA received \$35,461,700 in National Guard Military Operations and Maintenance Projects monies. Of this amount, \$1,800,500 required a 50% match, or \$900,300; \$3,720,000 required a 25% match, or \$930,000; and \$2,861,700 required a 5% match, or \$143,100, for a total required match of \$1,973,400.

In FY 2018, DEMA utilized \$1,341,300 from the State Match appropriations, \$459,300 from the Military Affairs appropriation and \$172,800 was provided by the Arizona Department of Administration (ADOA) building renewal appropriation.

DEMA estimates their FY 2019 match expenditures will be \$1,700,000.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Camp Navajo Fund (MAA2106/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.		
Purpose of Fund: To operate and maintain the Camp Navajo National Guard training and storage facility and for the operation and maintenance of National Guard facilities in Arizona.		
Funds Expended	11,955,300	18,412,300
Year-End Fund Balance	12,408,700	8,646,100
Emergency Management Assistance Compact Revolving Fund (MAA2602/A.R.S. § 26-403)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and monies received as reimbursement for costs incurred by this state while rendering aid as prescribed in A.R.S. § 26-402.		
Purpose of Fund: To pay costs incurred by the state while assisting other states with emergencies or natural disasters.		
Funds Expended	52,300	0
Year-End Fund Balance	227,300	227,300
Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal program grants.		
Purpose of Fund: To pay for the federal share of emergency planning, response and management programs.		
Funds Expended	7,018,700	14,033,000
Year-End Fund Balance	758,700	0
Federal Funds - Military (MAA2000 B/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal service contracts for security, maintenance and operations of the National Guard.		
Purpose of Fund: To provide the federal share of costs for Army National Guard and Air National Guard positions, capital and operating expenses.		
Funds Expended	37,142,600	45,891,200
Year-End Fund Balance	2,361,100	2,649,700
Indirect Cost Recovery Fund (MAA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal FEMA Grants and Non-Appropriated Funds.		
Purpose of Fund: To pay administrative expenditures not directly attributable to any one program, but associated with Federal Grant and Non-Appropriated funds.		
Funds Expended	691,800	1,005,700
Year-End Fund Balance	672,000	632,700
Interagency Service Agreement Fund (MAA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Funds from federal grants.		
Purpose of Fund: Support of the agency's centralized personnel plan which allocates support staff costs to National Guard grants and the agency's mail distribution program in addition to agreements within and outside the agency.		
Funds Expended	971,300	668,700
Year-End Fund Balance	477,800	416,200

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Military Installation Fund (MAA1010/A.R.S. § 26-262)		Non-Appropriated
Source of Revenue: The FY 2015 General Appropriation Act provided a one-time deposit of \$2,500,000 into the fund. Currently, the fund's sole revenue source is the collection of interest from the balance in the fund. Expenditures from this fund are not displayed below to avoid double counting.		
Purpose of Fund: Grants for military installation preservation and enhancement projects as well as costs associated with administering the fund. DEMA must utilize 80% of the monies to acquire private property, real estate, property rights and related infrastructure to preserve, support, or enhance a military installation. Up to 20% of this amount may be awarded to cities, towns, and counties for land acquisition purposes. The remaining 20% is awarded to cities, towns, and counties for military installation preservation and enhancement projects. In addition, \$90,000 is appropriated each fiscal year from the General Fund to the department for the costs associated with 1 FTE Position to administer the fund. In addition, the FY 2019 Criminal Justice Budget Reconciliation Bill allowed DEMA to utilize up to \$1,250,000 from the Military Installation Fund in FY 2019 to construct a readiness center.		
Funds Expended	0	0
Year-End Fund Balance	2,757,300	638,600
Morale, Welfare and Recreational Fund (MAA2124/A.R.S. § 26-153)		Non-Appropriated
Source of Revenue: A portion of National Guard Member Special License Plate fees, funds generated from federally-defined recycling activities, monies from the disposal of unserviceable military property belonging to the state, or other non-state-appropriated monies.		
Purpose of Fund: To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.		
Funds Expended	21,200	210,000
Year-End Fund Balance	224,800	68,800
National Guard Fund (MAA2140/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature and proceeds, deposited into a separate subaccount, from National Guard facilities that are utilized for commercial purposes.		
Purpose of Fund: For general operating expenses of the National Guard and maintenance and capital improvements to any National Guard facility.		
Funds Expended	10,700	0
Year-End Fund Balance	211,100	301,100
Nuclear Emergency Management Fund (MMA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station. Laws 2017, Chapter 43 directs the fees to the NEMF rather than the General Fund. These monies are now appropriated directly from the NEMF.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
Funds Expended	1,430,400	1,461,600
Year-End Fund Balance	15,600	15,600
State Armory Property Fund (MAA2146/A.R.S. § 26-231)		Non-Appropriated
Source of Revenue: Sale of surplus armory property.		
Purpose of Fund: For the construction and capital improvement of National Guard armories.		
Funds Expended	0	0
Year-End Fund Balance	960,200	960,200

Department of Environmental Quality

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	322.0	322.0	322.0
Personal Services	15,200,700	19,651,600	19,651,600
Employee Related Expenditures	5,800,000	7,892,100	7,892,100
Professional and Outside Services	889,600	5,004,700	5,004,700
Travel - In State	289,300	430,200	430,200
Travel - Out of State	47,400	95,200	95,200
Other Operating Expenditures	11,366,000	12,242,300	12,242,300
Equipment	232,300	273,800	273,800
OPERATING SUBTOTAL	33,825,300	45,589,900	45,589,900
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	21,232,500	21,119,500	21,119,500
Safe Drinking Water Program	1,593,100	1,802,100	1,802,100
WQARF Priority Site Remediation	13,536,900	13,552,000	13,552,000 ^{1/2/}
AGENCY TOTAL	70,187,800	82,063,500	82,063,500 ^{3/}
FUND SOURCES			
General Fund	2,823,600	0	0
<u>Other Appropriated Funds</u>			
Air Quality Fund	6,700,000	9,382,900	9,382,900
Emergency Response Fund	113,600	132,800	132,800
Emissions Inspection Fund	27,001,300	33,087,700	33,087,700
Hazardous Waste Management Fund	1,514,200	1,742,400	1,742,400
Indirect Cost Recovery Fund	12,098,800	13,524,900	13,524,900 ^{4/}
Permit Administration Fund	8,424,500	7,146,800	7,146,800 ^{5/}
Recycling Fund	1,951,800	3,411,300	3,411,300
Safe Drinking Water Program Fund	1,603,200	1,802,100	1,802,100
Solid Waste Fee Fund	961,400	1,245,800	1,245,800
Underground Storage Tank Revolving Fund	0	30,200	30,200
Water Quality Fee Fund	6,995,400	10,556,600	10,556,600
SUBTOTAL - Other Appropriated Funds	67,364,200	82,063,500	82,063,500
SUBTOTAL - Appropriated Funds	70,187,800	82,063,500	82,063,500
Other Non-Appropriated Funds	40,244,100	65,718,000	65,718,000
Federal Funds	16,569,400	16,675,600	16,675,600
TOTAL - ALL SOURCES	127,001,300	164,457,100	164,457,100

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/} 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 FY 2020 report to the Joint Legislative Budget Committee on or before September 1, 2019. 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 FY 2020. In addition, the department and the advisory board shall prepare and submit to the Joint Legislative Budget Committee, on or before October 1, 2019, 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 FY 2019, indicate whether the current stage of remediation is anticipated to be completed in FY 2020 and indicate the anticipated stage of remediation at each listed site at the end of FY 2020, assuming FY 2020 funding levels. The department and advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)

- 2/ Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2021 budget for the Water Quality Assurance Revolving Fund before September 1, 2019, for review by the Senate and House of Representatives Appropriations Committees. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 4/ All Indirect Cost Recovery Fund monies received by the Department of Environmental Quality in excess of \$13,524,900 in FY 2020 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund monies in excess of \$13,524,900 in FY 2020, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 5/ All Permit Administration Fund monies received by the Department of Environmental Quality in excess of \$7,146,800 in FY 2020 are appropriated to the department. Before the expenditure of Permit Administration Fund monies in excess of \$7,146,800 in FY 2020, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$45,589,900 and 322 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<u>FY 2020</u>
Air Quality Fund	\$4,382,900
Emergency Response Commission	132,800
Emissions Inspection Fund	5,468,200
Hazardous Waste Management Fund	1,742,400
Indirect Cost Recovery Fund	13,524,900
Permit Administration Fund	7,146,800
Recycling Fund	1,359,300
Solid Waste Fee Fund	1,245,800
Underground Storage Tank Revolving Fund	30,200
Water Quality Fee Fund	10,556,600

These amounts are unchanged from FY 2019.

The FY 2019 budget included a decrease of \$(993,900) in both FY 2019 and FY 2020 from the Air Quality Fund to backfill Air Quality Fund expenditures with Volkswagen (VW) Settlement monies. VW Settlement monies would fund the Air Quality Program's personnel costs and monies from the Air Quality Fund would be transferred to the General Fund. *(Please see the Other Issues section for more information about Air Quality Fund Transfers. Please see the Attorney General narrative for more information about the Volkswagen Settlement monies.)*

The Baseline continues an FY 2019 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 remediating sewage discharge issues in Naco, Arizona.

Emissions Control Contractor Payment

The Baseline includes \$21,119,500 from the Emissions Inspection Fund in FY 2020 for the Emissions Control Contractor Payment. This amount is unchanged from FY 2019.

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 Baseline continues an FY 2019 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.)

Safe Drinking Water Program

The Baseline includes \$1,802,100 from the Safe Drinking Water Program Fund in FY 2020 for the Safe Drinking Water Program. This amount is unchanged from FY 2019.

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 2018</u>	<u>Estimated FY 2019</u>
Direct Personnel	\$1,057,400	\$1,096,400
Indirect Cost Fund	473,100	490,500
Contracting	16,700	67,100
Travel	25,600	37,000
Other	30,400	111,100
Total	\$1,603,200	\$1,802,100

WQARF Priority Site Remediation

The Baseline includes \$13,552,000 in FY 2020 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount consists of:

Air Quality Fund	5,000,000
Emissions Inspection Fund	6,500,000
Recycling Fund	2,052,000

These amounts are unchanged from FY 2019.

Table 2 shows the WQARF Program Baseline funding levels in FY 2020 compared to the FY 2019 appropriation. Continuing the current level of FY 2019 fund transfers into FY 2020 would create structural shortfalls, as shown in *Table 3*. To increase the level of the structural balance, *Tables 2* and *3* also show an alternative fund sourcing that may be used for WQARF in FY 2020.

Table 2

WQARF Funding

<u>Fund</u>	<u>FY 2019</u>	<u>FY 2020</u>	
		<u>Baseline</u>	<u>Alternative</u>
Air Quality Fund	\$ 5,000,000	\$ 5,000,000	\$ 3,500,000
VEI Fund	6,500,000	6,500,000	4,500,000
Permit Admin Fund	0	0	1,100,000
Recycling Fund	2,052,000	2,052,000	952,000
Water Quality Fee Fund	0	0	3,500,000
Total Approp.	\$13,552,000	\$13,552,000	\$13,552,000
 Non-Appropriated	 <u>\$ 2,000,000</u>	 <u>\$ 2,000,000</u>	 <u>\$ 2,000,000</u>
Total Funds	\$15,552,000	\$15,552,000	\$15,552,000

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 Baseline continues an FY 2019 Environment BRB provision notwithstanding these statutory provisions and establishing in session law the FY 2020 appropriations. Additionally, the FY 2019 Environment BRB included a legislative intent statement that these amounts are to be supplemented by \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration

Table 3

FY 2020 WQARF Funding Availability

	<u>FY 2020 Transfers Baseline</u>	<u>Estimated Ending Balance 1/</u>	<u>Estimated Structural Balance 1/</u>	<u>FY 2020 Transfers Alternative</u>	<u>Alternative Ending Balance 2/</u>	<u>Alternative Structural Balance 2/</u>
Air Quality Fund	\$ 5,000,000	\$ 900,000	\$(2,500,000)	\$ 3,500,000	\$ 2,400,000	\$(1,000,000)
Emissions Inspection Fund	6,500,000	700,000	(5,500,000)	4,500,000	2,700,000	(3,500,000)
Permit Administration Fund	0	3,300,000	600,000	1,100,000	2,200,000	(500,000)
Recycling Fund	2,052,000	(52,000)	(1,152,000)	952,000	1,048,000	(52,000)
Water Quality Fee Fund	0	<u>5,500,000</u>	<u>(100,000)</u>	<u>3,500,000</u>	<u>2,000,000</u>	<u>(3,600,000)</u>
Total	\$13,552,000	\$10,348,000	\$(8,652,000)	\$13,552,000	\$10,348,000	\$(8,652,000)

1/ Assumes FY 2019 transfers are retained in FY 2020.

2/ Assumes the alternative level of funds transfers in FY 2020.

fees. With \$2,000,000 of non-appropriated funds, total WQARF funding would be \$15,552,000.

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 Baseline would:

- As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2020 for department administrative expenses and for sewage remediation.
- As session law, continue the FY 2019 level of vehicle emissions inspection fees in FY 2020 (FY 2019 fees are \$3 less than FY 2016 in Area A, which includes Maricopa County and portion of Pinal and Yavapai Counties).
- As session law, continue to suspend the requirement to appropriate \$15,000,000 from the state General Fund to the Water Quality Assurance Revolving Fund (WQARF). In FY 2020, continue to appropriate \$6,500,000 from the Vehicle Emissions Inspection Fund, \$5,000,000 from the Air Quality Fund, \$2,052,000 from the Recycling Fund to WQARF, for a total of \$13,552,000. With \$2,000,000 of non-appropriated funds, total WQARF funding would be \$15,552,000.
- As session law, continue to include a legislative intent statement that the WQARF appropriations are being supplemented by \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.

Fund Transfers

The FY 2019 budget included transfers to the General Fund in FY 2019 and FY 2020. This included the following transfer in FY 2020:

	FY 2020
Air Quality Fund	\$993,900

VW Settlement monies would fund the Air Quality Program's personnel costs and monies from the Air Quality Fund would be transferred to the General Fund.

Vehicle Emissions Inspection (VEI) Fees

In June 2018, the Auditor General released a procedural review of ADEQ. The Auditor General found that during the review period of July 1, 2017 through February 28, 2018 ADEQ paid approximately \$790,000 from the VEI Fund for the Travel Reduction Program (TRP), which is not an allowable expenditure from this fund under A.R.S. § 49-544.

The TRP attempts to reduce vehicle emissions from commuting to work places and schools in the Phoenix and Tucson Metropolitan areas by requiring employers to assist their employees with the use of alternatives to single-occupant-vehicle commuting.

ADEQ stated that they reimbursed all expenditures inappropriately made from the VEI Fund for TRP with federal grant monies for Air Pollution Control Program Support.

The VEI Program generates more in fees than the cost of administering the program, but total expenditures exceed fees when factoring in monies used from the fund for other programs, as shown in *Table 4*.

Table 4

Emissions Inspection Fund

	Actual FY 2018	Estimated FY 2019	Estimated FY 2020
Revenues			
Balance Forward	\$12,896,100	\$11,666,800	\$ 6,130,500
Fees	<u>26,866,500</u>	<u>27,551,400</u>	<u>27,551,400</u>
Total Revenues	\$39,762,600	\$39,218,200	\$33,681,900
Expenditures			
Contractor Payment	\$21,232,500	\$21,119,500	\$21,119,500
Operating Expenses	2,863,300	5,468,200	5,468,200
WQARF	<u>4,000,000</u>	<u>6,500,000</u>	<u>6,500,000</u>
Total Expenditures	\$28,095,800	\$33,087,700	\$33,087,700
Total Balance	\$11,666,800	\$ 6,130,500	\$ 594,200

The FY 2019 Environment BRB continued to reduce 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 4* shows the estimated revenues and expenditures of the VEI Fund after fee reductions and the additional utilization of the fund for WQARF Priority Site Remediation.

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.

ADEQ Web Portal Development

The FY 2019 budget included a transfer of \$3.2 million to the Arizona Department of Administration for Phase 5 of the ADEQ web portal, myDEQ, which will automate additional 20 permitting and compliance processes that are currently conducted with paper. This appropriation is exempt from lapsing until the end of FY 2020. This amount consists of:

Permit Administration Fund	1,800,000
Underground Storage Tank Revolving Fund	1,400,000

The FY 2019 Environment BRB allows the department to utilize monies from the UST Fund and the Permit Administration Fund in FY 2019 for e-licensing expenses. (Please see the Department of Administration -

Automation Projects Fund for details regarding this information technology project.)

Between FY 2014 and FY 2019, a total of \$23.2 million has been appropriated to automate 80 business processes within ADEQ allowing customers to conduct additional permitting, billing, payment, and data submissions online.

Before expending monies for Phase 5 of the project, ADEQ was required to submit an expenditure plan to JLBC for review. At the December 2018 meeting, ADEQ received a favorable review for the Phase 5 expenditure plan of the project.

Beyond FY 2019, ADEQ estimates this project will cost an additional \$16.3 million and take an additional 3 years to complete. The FY 2020 Baseline does not include any funding for this project. ADEQ did not request funding in FY 2020. ADEQ intends to utilize its carry-over funding from FY 2019 instead.

The latest independent third-party report was submitted in October 2018. The vendor gave an overall favorable evaluation of both ADEQ's overall progress as well as its progress in incorporating recommendations from the previous third-party reports. The vendor indicated that ADEQ made progress in developing and implementing new data governance policies relating to data management, data quality assurance, data analysis and business intelligence, and data security.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Monies received from the \$1.50 fee assessed on motor vehicle registration, as well as gifts, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also, to provide an annual \$400,000 transfer to the Department of Administration for state employee travel reduction program. (See individual agencies for further description.) The FY 2019 Environment Budget Reconciliation Bill transfers \$5,000,000 from the Air Quality Fund in FY 2019 for WQARF funding.		
Funds Expended	6,700,000	9,382,900
Funds Appropriated		
Arizona Department of Agriculture (Oxygenated Fuels Vapor Recovery)	1,441,500	1,445,200
Arizona Department of Transportation	161,700	324,100
Arizona Department of Administration (Bus Subsidy)	927,300	927,300
Year-End Fund Balance	7,938,800	4,085,400
Donations Fund (EVA2449/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Various donations, settlements, and consent decrees.		
Purpose of Fund: To administer the intent of the donation, settlement or decree.		
Funds Expended	7,900	8,400
Year-End Fund Balance	6,800	4,900

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Emergency Response Fund (EVA3031/A.R.S. § 26-352)		Appropriated
Source of Revenue: The fund receives 10% of the department's Hazardous Waste Management Fund's revenues.		
Purpose of Fund: To develop and administer a hazardous materials emergency management program, equip local emergency planning committees for the development of hazardous materials emergency response teams, and assist local agencies in providing adequate response to emergency situations. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	113,600	132,800
Year-End Fund Balance	813,400	876,200
Emissions Inspection Fund (EVA2082/A.R.S. § 49-544)		Appropriated
Source of Revenue: Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
Purpose of Fund: To pay for enforcement of fleet inspections, exemptions, and certificates of waiver programs; to pay Emissions Inspection program contract and administrative charges, including station auditing, contractor training and certification, and motorist assistance; to pay for the state portion of catalytic converter program costs; and to pay for research studies of the feasibility and effectiveness of new emission control technologies. The FY 2019 Environment Budget Reconciliation Bill transfers \$6,500,000 from the Emissions Inspection Fund in FY 2019 for WQARF funding.		
Funds Expended	27,001,300	33,087,700
Year-End Fund Balance	11,666,800	6,130,500
Federal Funds (EVA2000/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Federal grants related to water quality management, Underground Storage Tank enforcement provisions, air pollution control, research projects, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	16,569,400	16,675,600
Year-End Fund Balance	0	0
Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927)		Appropriated
Source of Revenue: Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
Purpose of Fund: To pay educational, permitting, planning, and enforcement costs of the Hazardous Waste Program, and to provide administration and state matching funds for federal source reduction grants. A portion of the fund is transmitted to the Emergency Response Fund for staffing and equipping local emergency management agencies. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	1,514,200	1,742,400
Year-End Fund Balance	1,152,700	829,700
IGA & ISA Fund (EVA2500/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	6,335,600	7,946,700
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (EVA9000/A.R.S. § 49-115)		Appropriated
Source of Revenue: Monies are generated from assessments to the department's appropriated and non-appropriated funds, including federal grants.		
Purpose of Fund: To pay departmentwide administrative personnel and overhead costs that are not directly allocated to the budget of the contributing programs.		
Funds Expended	12,098,800	13,524,900
Year-End Fund Balance	3,509,100	3,678,600

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Institutional & Engineering Control Fund (EVA2563/A.R.S. § 49-159)		Non-Appropriated
Source of Revenue: Application fees for department's assessment and verification of restricted, non-residential use of contaminated land, recovered costs for repair of engineering and institutional controls, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
Funds Expended	37,800	50,500
Year-End Fund Balance	59,200	41,700
Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360)		Non-Appropriated
Source of Revenue: Fees from public water systems that participate in the Monitoring Assistance program.		
Purpose of Fund: To assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.		
Funds Expended	664,300	753,500
Year-End Fund Balance	707,400	853,200
Permit Administration Fund (EVA2328/A.R.S. § 49-455)		Appropriated
Source of Revenue: Permit fees and interest.		
Purpose of Fund: To develop and administer permit programs and to conduct inspections. The FY 2018 Environment Budget Reconciliation Bill transfers \$3,713,300 from the Permit Administration Fund in FY 2018 for WQARF funding. The FY 2019 General Appropriation Act transfers \$1,800,000 from the Permit Administration Fund to the Automation Projects Fund for the department's e-licensing project.		
Funds Expended	8,424,500	7,146,800
Year-End Fund Balance	3,837,500	690,700
Recycling Fund (EVA2289/A.R.S. § 49-837)		Appropriated
Source of Revenue: Landfill disposal (tipping) fees and legislative appropriations.		
Purpose of Fund: For grants to local governments and others developing recycling markets and programs; for public information and assistance on source reduction and recycling; and for revenue collection and fund administration. The FY 2019 Environment Budget Reconciliation Bill transfers \$2,052,000 from the Recycling Fund in FY 2019 for WQARF funding.		
Funds Expended	1,951,800	3,411,300
Year-End Fund Balance	2,267,000	1,074,900
Safe Drinking Water Program Fund (EVA4150/A.R.S. § 49-360)		Appropriated
Source of Revenue: The FY 2018 Environment Budget Reconciliation Bill (Laws 2017, Chapter 308) modified statute to redirect the first \$1,800,000 of Public Water System (PWS) tax revenue to the Safe Drinking Water Program Fund. Prior to this change, these PWS monies were deposited into the Water Quality Assurance Revolving Fund.		
Purpose of Fund: To fund the Safe Drinking Water Program.		
Funds Expended	1,603,200	1,802,100
Year-End Fund Balance	196,800	194,700
Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881)		Appropriated
Source of Revenue: Fees, donations, and legislative appropriations.		
Purpose of Fund: To pay solid waste program costs, including waste tire removal expenses, special waste facility staff education, special waste management compliance monitoring, and used oil handling education and enforcement.		
Funds Expended	961,400	1,245,800
Year-End Fund Balance	1,620,400	1,437,800
Specific Site Judgment Fund (EVA3006/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
Purpose of Fund: For administration of court settlements, judgments, or consent decrees.		
Funds Expended	31,300	12,600
Year-End Fund Balance	636,700	624,100

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Underground Storage Tank Revolving (UST Summary) (EVA2271/A.R.S. § 49-1015A)		Partially-Appropriated
<p>Source of Revenue: Laws 2015, Chapter 247 established a newly-revised corrective action program and extended the 1¢ excise tax to January 1, 2024, on which date the tax will be repealed. The bill repealed the following: the State Assurance Account (SAF), the Regulated Substance Fund, and the Grant Account. The Underground Storage Tank (UST) Revolving Fund's allowable uses were redefined, and all unexpended and unencumbered monies from these accounts were transferred to the reorganized UST Revolving Fund.</p> <p>Purpose of Fund: To provide partial coverage for permanent closures, leak prevention, and corrective action costs related to leaking underground storage tanks incurred by the department, owners, operators, or political subdivisions. The FY 2019 Environment Budget Reconciliation Bill permits DEQ to transfer a combined total of \$6,531,000 from the UST Revolving Fund for administrative costs of the department and for remediating sewage discharge issues in Naco, Arizona. The FY 2019 General Appropriation Act transfers \$1,400,000 from the UST Revolving Fund to the Automation Projects Fund for the department's e-licensing project.</p>		
Balance Forward	71,674,500	75,535,300
Revenue	34,857,400	31,433,600
Funds Available	106,531,900	106,968,900
Appropriated Funds Expended	0	30,200
Non-Appropriated Funds Expended	17,796,600	36,284,800
Legislative Fund Transfers	13,200,000	11,400,000
Year-End Fund Balance	75,535,300	59,253,900
Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)		Non-Appropriated
<p>Source of Revenue: Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.</p> <p>Purpose of Fund: To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.</p>		
Funds Expended	211,700	256,500
Year-End Fund Balance	260,500	255,000
Voluntary Vehicle Repair & Retrofit Program Fund (EVA2365/A.R.S. § 49-474.03)		Non-Appropriated
<p>Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.</p> <p>Purpose of Fund: To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests.</p>		
Funds Expended	107,300	1,005,000
Year-End Fund Balance	1,867,200	1,919,500
Water Quality Assurance Revolving Fund (EVA2221/A.R.S. § 49-282)		Non-Appropriated
<p>Source of Revenue: Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. As required by A.R.S. § 49-282, \$15,000,000 is to be transferred to the Water Quality Assurance Revolving Fund (WQARF) from the Corporate Income Tax. The \$15,000,000 is adjusted at the close of the fiscal year so that when combined with other revenues the fund receives \$18,000,000 annually. This statutory transfer has been suspended since FY 2011. The FY 2019 Environment Budget Reconciliation Bill reduced this transfer to \$0 in FY 2019, but utilizes balances of \$6,500,000 from the Emissions Inspection Fund, \$5,000,000 from the Air Quality Fund, and \$2,052,000 from the Recycling Fund to increase total appropriated WQARF funding to \$13,552,000. These amounts are supplemented by approximately \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.</p> <p>Purpose of Fund: For the operation of the WQARF Priority Site Remediation Program. Expenditures include administration, legal support, identification of responsible polluters, community involvement, and contract costs for the clean-up of sites for which no responsible party can be found. There is a transfer to the Department of Water Resources for well inspection and data management and a transfer to the Department of Health Services for a risk assessment. These transfers are not counted to avoid double counting. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the annual budget for WQARF.</p>		
Funds Expended	15,051,600	19,400,000
Year-End Fund Balance	11,861,000	7,091,000

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)		Appropriated
Source of Revenue: Legislative appropriations and fees received from several water quality protection programs. Purpose of Fund: To pay the costs of aquifer protection permit registration, dry well registration, technical review, inspections, and issuance of aquifer protection permits. The FY 2019 Environment Budget Reconciliation Bill modifies permanent law to allow ADEQ to utilize the Water Quality Fee Fund to help fund the Water Quality Monitoring Program. This was previously allowed in session law. The FY 2019 Environment Budget Reconciliation Bill also modifies permanent law to include the issuance of reclaimed water permits as an allowable use of the Water Quality Fee Fund.		
Funds Expended	6,995,400	10,556,600
Year-End Fund Balance	5,268,700	1,022,400

Governor's Office of Equal Opportunity

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	137,700	133,300	133,300
Employee Related Expenditures	50,600	50,900	50,900
Travel - In State	100	1,200	1,200
Other Operating Expenditures	2,000	4,500	4,500
Equipment	0	800	800
AGENCY TOTAL	190,400	190,700	190,700 ^{1/}

FUND SOURCES

General Fund	190,400	0	0
<u>Other Appropriated Funds</u>			
Personnel Division Fund	0	190,700	190,700
SUBTOTAL - Other Appropriated Funds	0	190,700	190,700
SUBTOTAL - Appropriated Funds	190,400	190,700	190,700
TOTAL - ALL SOURCES	190,400	190,700	190,700

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 Baseline includes \$190,700 and 4 FTE Positions from the Personnel Division Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Personnel Division Fund (OEO1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.83% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund: To monitor equal opportunity plans submitted annually by each state agency and assist agencies in equal employment opportunity training and evaluation. To conduct research to improve, expand, or integrate state agencies' equal opportunity programs.		
Funds Expended	0	190,700
Year-End Fund Balance	0	0

State Board of Equalization

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	239,700	274,200	274,200
Employee Related Expenditures	81,100	78,000	78,000
Professional and Outside Services	8,200	35,000	35,000
Travel - In State	16,000	16,000	16,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	154,100	228,800	228,800
Equipment	7,800	15,000	15,000
AGENCY TOTAL	506,900	652,000	652,000 ^{1/}
FUND SOURCES			
General Fund	506,900	652,000	652,000
SUBTOTAL - Appropriated Funds	506,900	652,000	652,000
TOTAL - ALL SOURCES	506,900	652,000	652,000

AGENCY DESCRIPTION — The State Board of Equalization consists of 41 seats. The board hears property tax appeals for Maricopa and Pima Counties. Property tax appeals in other counties continue to be heard by the respective County Boards of Equalization. Of the 32 current members, the 13 gubernatorial appointments also hear 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 Baseline includes \$652,000 and 7 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Board of Executive Clemency

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.5	14.5
Personal Services	488,300	645,800	645,800
Employee Related Expenditures	181,200	215,600	215,600
Professional and Outside Services	1,200	32,400	32,400
Travel - In State	400	13,600	13,600
Other Operating Expenditures	194,500	219,600	219,600
Equipment	4,000	10,000	10,000
AGENCY TOTAL	869,600	1,137,000	1,137,000 ^{1/2/}
FUND SOURCES			
General Fund	869,600	1,137,000	1,137,000
SUBTOTAL - Appropriated Funds	869,600	1,137,000	1,137,000
Other Non-Appropriated Funds	23,800	30,100	30,100
TOTAL - ALL SOURCES	893,400	1,167,100	1,167,100

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/ 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 on or before November 1, 2019 the total number and types of cases the board reviewed in FY 2019. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$1,137,000 and 14.5 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Other Issues

Caseload Data

Pursuant to a footnote in the FY 2019 General Appropriation Act, the board submitted a report on its FY 2018 caseload. The board conducted 3,047 case hearings in FY 2018, as described below:

- Phases 1 and 2 Commutation (230): 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 (17): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (12): 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 (501): 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 (2,287): These hearings are conducted when an offender has violated the terms of community supervision.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
IGA and ISA Fund (PPA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	23,800	30,100
Year-End Fund Balance	32,900	0

Arizona Exposition and State Fair Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	4,076,600	4,506,800	4,506,800
Employee Related Expenditures	1,042,500	1,042,500	1,042,500
Professional and Outside Services	350,400	350,400	350,400
Travel - In State	2,500	2,500	2,500
Travel - Out of State	26,800	26,800	26,800
Other Operating Expenditures	6,532,100	6,532,100	6,532,100
Equipment	88,200	88,200	88,200
AGENCY TOTAL	12,119,100	12,549,300	12,549,300 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Exposition and State Fair Fund	12,119,100	12,549,300	12,549,300
SUBTOTAL - Other Appropriated Funds	12,119,100	12,549,300	12,549,300
SUBTOTAL - Appropriated Funds	12,119,100	12,549,300	12,549,300
TOTAL - ALL SOURCES	12,119,100	12,549,300	12,549,300

AGENCY DESCRIPTION — The Arizona Exposition and State Fair 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 Baseline includes \$12,549,300 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona Exposition and State Fair Fund (CLA4001/A.R.S. § 3-1005)		Appropriated
Source of Revenue: Receipts and lease revenues from fairground facilities, most of which are associated with the State Fair.		
Purpose of Fund: For operating costs of the State Fair.		
Funds Expended	12,119,100	12,549,300
Year-End Fund Balance	4,702,700	5,740,600

Department of Financial Institutions

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	69.1	73.1	73.1
Personal Services	2,646,800	3,475,200	3,475,200
Employee Related Expenditures	993,800	1,285,900	1,285,900
Professional and Outside Services	319,400	411,500	411,500
Travel - In State	1,800	500	500
Travel - Out of State	13,600	42,800	42,800
Other Operating Expenditures	595,800	719,000	719,000
Equipment	110,200	62,500	50,500
OPERATING SUBTOTAL	4,681,400	5,997,400	5,985,400
SPECIAL LINE ITEMS			
Real Estate Appraisal	92,400	0	0
AGENCY TOTAL	4,773,800	5,997,400	5,985,400 ^{1/2/}
FUND SOURCES			
General Fund	1,467,900	1,984,800	1,984,800
<u>Other Appropriated Funds</u>			
Board of Appraisal Fund	92,400	0	0
Financial Services Fund	3,213,500	3,962,600	3,950,600
Revolving Fund	0	50,000	50,000
SUBTOTAL - Other Appropriated Funds	3,305,900	4,012,600	4,000,600
SUBTOTAL - Appropriated Funds	4,773,800	5,997,400	5,985,400
Other Non-Appropriated Funds	1,140,200	663,000	663,000
TOTAL - ALL SOURCES	5,914,000	6,660,400	6,648,400

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.

FOOTNOTES

- 1/ The Department of Financial Institutions shall assess and set fees to ensure that monies deposited in the state General Fund will equal or exceed the department's expenditure from the state General Fund. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$5,985,400 and 73.1 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$1,984,800
Financial Services Fund	3,950,600
Revolving Fund	50,000

FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(12,000) from the Financial Services Fund in FY 2020 for the elimination of one-time equipment.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Appraisal Subcommittee Fund (BDA2004/A.R.S. § 32-3607)	Non-Appropriated	
Source of Revenue: Monies received from national registry fee levied on state-licensed appraisers and appraisal management companies.		
Purpose of Fund: To support the National Registry database of state-certified appraisers. The fees are collected by the department and remitted to the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Board of Appraisal Fund (BDA2270/A.R.S. § 32-3608 [REPEALED])	Appropriated	
Source of Revenue: Monies collected by the Department of Financial Institutions from the examination and licensing of real estate appraisers and tax agents. The department retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate real estate appraisers and property tax agents, and for board administration. Laws 2017, Chapter 334 eliminated the Board of Appraisal Fund and transferred the remaining \$514,200 balance to the General Fund.		
Funds Expended	92,400	0
Year-End Fund Balance	0	0
Financial Services Fund (BDA1998/A.R.S. § 6-991.21)	Appropriated	
Source of Revenue: Loan originator licensing and renewal fees. Similar fees are also deposited in the Mortgage Recovery Fund.		
Purpose of Fund: Discharge duties of the superintendent. The FY 2019 Revenues Budget Reconciliation Bill permanently allows the fund to be used for general operating expenses, whereas previously the purpose of the fund was to regulate loan originator licenses.		
Funds Expended	3,213,500	3,962,600
Year-End Fund Balance	8,444,500	9,350,600
IGA and ISA Fund (BDA2500/A.R.S. § 6-1241)	Non-Appropriated	
Source of Revenue: Monies received through Intergovernmental Agreements with the Attorney General's Office.		
Purpose of Fund: To reimburse the department for expenses related to the examination of money transmitting organizations. The banking examiners work in cooperation with the Attorney General's Office to provide information leading to the criminal conviction of fraudulent money transmitting organizations.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)	Non-Appropriated	
Source of Revenue: Licensing and renewal fees paid by licensed loan originators. Similar fees also are deposited in the Financial Services Fund.		
Purpose of Fund: To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
Funds Expended	0	0
Year-End Fund Balance	2,118,200	2,308,200
Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)	Non-Appropriated	
Source of Revenue: Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
Purpose of Fund: Provide funding for the administration of receiverships. The FY 2018 Revenues Budget Reconciliation Bill continued to allow the department to use monies from the fund in FY 2018 for an electronic licensing system. Total expenditures on the licensing system in FY 2014 through FY 2018 may not exceed \$850,000.		
Funds Expended	303,600	102,000
Year-End Fund Balance	1,900,800	775,600

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Revolving Fund (BDA2126/A.R.S. § 6-135)		Partially-Appropriated
Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$200,000 are transferred to the department's Receivership Revolving Fund. Any excess balances are transferred at the beginning of the next fiscal year.		
Appropriated Funds Expended	0	50,000
Non-Appropriated Funds Expended	836,600	561,000
Year-End Fund Balance	626,700	256,000

Arizona Department of Forestry and Fire Management

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	88.0	88.0	88.0 ^{1/}
Personal Services	1,950,600	1,938,500	1,938,500
Employee Related Expenditures	763,500	775,400	775,400
Professional and Outside Services	42,800	45,000	45,000
Travel - In State	73,000	75,000	75,000
Travel - Out of State	17,200	15,000	15,000
Other Operating Expenditures	186,000	162,900	162,900
Equipment	9,800	7,500	72,500
OPERATING SUBTOTAL	3,042,900	3,019,300	3,084,300
SPECIAL LINE ITEMS			
Environmental County Grants	250,000	250,000	250,000
Fire Suppression	8,493,600	3,265,000	3,200,000 ^{2/}
Hazardous Vegetation Removal	611,400	2,000,000	2,000,000 ^{3/}
Inmate Firefighting Crews	654,400	692,400	692,400
Post-Release Firefighting Crews	822,900	1,009,500	1,009,500
State Fire Marshal	744,700	747,900	747,900
State Fire School	169,000	172,600	172,600
AGENCY TOTAL	14,788,900	11,156,700	11,156,700 ^{4/}
FUND SOURCES			
General Fund	14,788,900	11,156,700	11,156,700
SUBTOTAL - Appropriated Funds	14,788,900	11,156,700	11,156,700
Other Non-Appropriated Funds	50,222,200	52,225,200	52,225,200
TOTAL - ALL SOURCES	65,011,100	63,381,900	63,381,900

AGENCY DESCRIPTION — The Arizona Department of Forestry and Fire Management 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 2020.
- ^{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 A.R.S. § 35-190, relating to lapsing of appropriations, through June 30, 2021. (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 Baseline includes \$3,084,300 and 43 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Shift Fire Suppression Software Funding

The Baseline includes an increase of \$65,000 from the General Fund in FY 2020 to shift funding for fire management software from the Fire Suppression line item to the department's operating budget. *(Please see the Fire Suppression line item for more information.)*

Environmental County Grants

The Baseline includes \$250,000 from the General Fund in FY 2020 for Environmental County Grants. This amount is unchanged from FY 2019.

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. The Arizona Department of Forestry and Fire Management must approve any project prior to expenditure of the monies.

In FY 2019, this funding supported the following 10 projects:

- \$37,500 for the *Four Forest Restoration Initiative* which supports large scale forest restoration and the implementation of a successor strategy to the White Mountain Stewardship Contract.
- \$37,500 to address *Threatened and Endangered Species* concerns with a focus on the Mexican Gray Wolf recovery and experimental population programs. These monies will also be used to conduct a National Environmental Policy Act analysis of species listings, habitat designation, and recovery programs in eastern Arizona.
- \$25,000 for *Watershed Restoration Issues* with a focus on the development and implementation of the Black River Stewardship Agreement project and the restoration of the C.C. Craigin reservoir watershed.
- \$25,000 for *Infrastructure Projects* to fund the protection, development, and management of eastern Arizona electrical generation, water collection, and transportation infrastructures.
- \$25,000 for *Recreation Projects* to support the existing motorized recreation activity and promote greater recreation-based economic development. These monies will also be used to further develop a connected trails system along the Mogollon Rim for off-highway vehicles.
- \$25,000 for *Energy Projects* for development and implementation of renewable energy production facilities and other energy-based economic development projects. These monies will also be used to convert eastern Arizona coal power plants nearing the end of their operational lifespan into natural gas facilities.
- \$25,000 for *Natural Resource Planning* for development and implementation of comprehensive Natural Resources Management Plans.
- \$12,500 for *Public Lands* for participation in the development and implementation of ecologically and economically sustainable management plans for public lands in Arizona and the West.

- \$25,000 for *Water Projects* for development and implementation of strategies for water usage including the development of a long-term sustainability plan for Arizona's water balance, implementing conservation and augmentation measures, and the preservation of rural and agricultural Arizona interests and economies.
- \$12,500 for *Emerging Issues* to develop and implement effective planning and execution strategies for emerging issues.

Fire Suppression

The Baseline includes \$3,200,000 from the General Fund in FY 2020 for Fire Suppression. FY 2020 adjustments are as follows:

Shift Fire Suppression Software Funding

The Baseline includes a decrease of \$(65,000) from the General Fund in FY 2020 to shift funding used to upgrade and maintain fire suppression software from the fire suppression line item to the department's operating budget as this line item should consist only of reimbursement costs for wildfire suppression.

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 Baseline includes \$2,000,000 from the General Fund in FY 2020 for a Hazardous Vegetation Removal program. This amount is unchanged from FY 2019.

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 Arizona Department of Forestry and Fire Management crews or through fuel reduction grants to contractors. A General Appropriation Act footnote would make the FY 2020 appropriation for the Hazardous Vegetation Removal line item exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, through June 30, 2021.

Inmate Firefighting Crews

The Baseline includes \$692,400 and 13 FTE Positions from the General Fund in FY 2020 for Inmate Firefighting Crews. These amounts are unchanged from FY 2019.

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 Baseline includes \$1,009,500 and 20 FTE Positions from the General Fund in FY 2020 for Post-Release Firefighting Crews. These amounts are unchanged from FY 2019.

Monies in this line item provide firefighting training for recently released inmates who previously participated in Inmate Firefighting Crews (*see preceding 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.

State Fire Marshal

The Baseline includes \$747,900 and 11 FTE Positions from the General Fund in FY 2020 for the State Fire Marshal. These amounts are unchanged from FY 2019.

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 Baseline includes \$172,600 and 1 FTE Position from the General Fund in FY 2020 for the State Fire School. These amounts are unchanged from FY 2019.

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 \$72,600 and 1 FTE Position is used for liaison work with the Arizona State Fire Training Committee and other firefighter training activities.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arson Detection Reward Fund (FFM2169/A.R.S. § 37-1387)		Non-Appropriated
Source of Revenue: Donations, court imposed fines, and monies from forfeiture of bail posted for arson convictions.		
Purpose of Fund: To cover rewards for information leading to convictions of arson cases.		
Funds Expended	0	0
Year-End Fund Balance	125,500	140,500
Cooperative Forestry Fund (FFM2232/A.R.S. § 37-1306)		Non-Appropriated
Source of Revenue: Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
Purpose of Fund: To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.		
Funds Expended	6,915,400	6,472,700
Year-End Fund Balance	1,117,700	685,000

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Fire Suppression Revolving Fund (FFM2360/A.R.S. § 37-1305)		Non-Appropriated
Source of Revenue: General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wild Land Fire Emergency Council, civil penalties related to the use of fireworks on state lands and other monies. If the unobligated balance of the fund exceeds \$2,000,000 at the end of any calendar year, the excess shall be transferred to the General Fund. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To cover the costs of fighting fires on public and private lands.		
Funds Expended	42,658,200	45,077,100
Year-End Fund Balance	3,194,700	2,685,700
Indirect Cost Recovery Fund (FFM9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees from the Negotiated Indirect Cost Rate Agreement with the U.S. Forest Service.		
Purpose of Fund: To offset the costs of the department's overhead personnel.		
Funds Expended	648,600	675,400
Year-End Fund Balance	294,200	218,800
Trampoline Court Safety Fund (FFM2578/A.R.S. § 37-1422)		Non-Appropriated
Source of Revenue: Fees charged to owners of trampoline courts.		
Purpose of Fund: To implement and maintain the registry of trampoline courts operating in Arizona.		
Funds Expended	0	0
Year-End Fund Balance	6,000	7,400

State Board of Funeral Directors and Embalmers

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	168,100	214,100	214,100
Employee Related Expenditures	73,500	65,400	65,400
Professional and Outside Services	0	100,000	25,000
Travel - In State	1,400	5,000	5,000
Travel - Out of State	900	5,000	5,000
Other Operating Expenditures	67,700	53,900	53,900
Equipment	500	0	0
AGENCY TOTAL	312,100	443,400	368,400 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Funeral Directors' and Embalmers' Fund	312,100	443,400	368,400
SUBTOTAL - Other Appropriated Funds	312,100	443,400	368,400
SUBTOTAL - Appropriated Funds	312,100	443,400	368,400
TOTAL - ALL SOURCES	312,100	443,400	368,400

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 Baseline includes \$368,400 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(75,000) from the Board of Funeral Directors' and Embalmers' Fund in FY 2020 for the removal of a one-time FY 2019 increase for scanning and digitizing licensing documents.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Funeral Directors' and Embalmers' Fund (FDA2026/A.R.S. § 32-1308)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of funeral directors and embalmers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate funeral directors and embalmers, and for board administration.		
Funds Expended	312,100	443,400
Year-End Fund Balance	516,800	466,100

Arizona Game and Fish Department

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	12,988,600	14,961,400	14,961,400
Employee Related Expenditures	10,459,400	12,632,700	12,632,700
Professional and Outside Services	1,363,200	1,661,000	1,661,000
Travel - In State	235,900	250,600	250,600
Travel - Out of State	140,200	145,800	145,800
Other Operating Expenditures	10,709,700	9,186,500	9,186,500
Equipment	376,500	856,600	856,600
OPERATING SUBTOTAL	36,273,500	39,694,600	39,694,600 ^{D/}
SPECIAL LINE ITEMS			
Pittman-Robertson/Dingell-Johnson Act	0	3,058,000	3,058,000
Game and Fish Trucks	475,800	0	0
Watercraft Safety Equipment	450,500	0	0
AGENCY TOTAL	37,199,800	42,752,600	42,752,600 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Capital Improvement Fund	1,001,100	1,001,200	1,001,200
Game and Fish Fund	31,303,800	36,558,300	36,558,300
Game, Non-Game, Fish and Endangered Species Fund	103,900	347,200	347,200
Watercraft Licensing Fund	4,791,000	4,829,700	4,829,700
Wildlife Endowment Fund	0	16,200	16,200
SUBTOTAL - Other Appropriated Funds	37,199,800	42,752,600	42,752,600
SUBTOTAL - Appropriated Funds	37,199,800	42,752,600	42,752,600
Other Non-Appropriated Funds	31,199,900	36,290,800	36,290,800
Federal Funds	41,618,200	49,429,500	49,429,500
TOTAL - ALL SOURCES	110,017,900	128,472,900	128,472,900

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

^{D/} The Arizona Game and Fish Department may transfer \$1,000,000 from the Watercraft Grants line item to the operating budget. Before transferring monies from the Watercraft Grants line item to the operating budget, the department shall submit an expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$39,694,600 and 273.5 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
Capital Improvement Fund	\$1,001,200
Game and Fish Fund	33,500,300

Game, Non-Game, Fish and Endangered Species Fund	347,200
Watercraft Licensing Fund	4,829,700
Wildlife Endowment Fund	16,200

These amounts are unchanged from FY 2019.

The operating budget includes the \$1,000,000 transfer of Watercraft Licensing Fund monies from the Watercraft

Grants line item to the operating budget favorably reviewed by JLBC in September 2018.

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.

Pittman-Robertson/Dingell-Johnson Act

The Baseline includes \$3,058,000 from the Game and Fish Fund in FY 2020 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Big Game Permit Fund (GFA3712/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: License fees for hunting permits.		
Purpose of Fund: Holding account for license fees from hunters who are unable to obtain big game hunting permits through the lottery system.		
Funds Expended	0	0
Year-End Fund Balance	409,800	411,300
Capital Improvement Fund (GFA2203/A.R.S. § 17-292)		Appropriated
Source of Revenue: Transfers from the Conservation Development Fund.		
Purpose of Fund: To acquire, construct, improve and renovate department facilities.		
Funds Expended	1,001,100	1,001,200
Year-End Fund Balance	72,100	240,900
Conservation Development Fund (GFA2062/A.R.S. § 17-282)		Non-Appropriated
Source of Revenue: A surcharge on hunting, fishing and combination licenses, and trout stamp sales.		
Purpose of Fund: To make debt service payments if the department issues bonds for the purpose of constructing, maintaining, and renovating department facilities.		
Funds Expended	6,500	1,626,500
Year-End Fund Balance	2,381,800	1,963,300
Federal Funds (GFA2000/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To be used as specified by the federal grants. The fund also generates interest owed to the federal government that is paid on a quarterly basis.		
Funds Expended	0	0
Year-End Fund Balance	5,200	5,200
Federal Grants - American Recovery and Reinvestment Act (ARRA) (GFA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department to fulfill Federal contracts.		
Funds Expended	0	0
Year-End Fund Balance	17,500	17,500
Federal Revolving Fund (GFA2028/A.R.S. § 17-406)		Non-Appropriated
Source of Revenue: Funds received from the federal government for deposit and appropriated state matching money.		
Purpose of Fund: For projects approved in compliance with the provisions of the restoration acts known as the Pittman-Robertson Act and the Dingell-Johnson/Wallop-Breaux Act and other wildlife projects in which the cost may be partially or wholly reimbursed from Federal Funds.		
Funds Expended	41,618,200	49,429,500
Year-End Fund Balance	2,962,400	2,057,300

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Firearms Safety and Ranges Fund (GFA2442/A.R.S. § 17-273)		Non-Appropriated
Source of Revenue: Annual appropriation of \$50,000 from retail sales taxes deposited to the General Fund and transferred to the fund pursuant to A.R.S. § 42-5029D4, revenues derived from the sale or lease of real property owned by the commission, and interest earnings as provided by A.R.S. § 17-273.		
Purpose of Fund: To award grants to assist existing government-owned shooting ranges in adapting to changes in the use of adjacent properties, including noise abatement, safety enhancement, range realignment, acquisition of land for buffer zones, or acquisition of State Trust Lands for locating or relocating government-owned shooting ranges.		
Funds Expended	20,900	0
Year-End Fund Balance	102,100	150,400
Game and Fish Fund (GFA2027/A.R.S. § 17-261)		Appropriated
Source of Revenue: Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.		
Purpose of Fund: To provide funding for general operation of the Game and Fish Department, to administer the off-highway vehicle user indicia program, and to match federal grants for fish and wildlife restoration.		
Funds Expended	31,303,800	36,558,300
Year-End Fund Balance	24,693,800	18,519,900
Game and Fish Federal Duck Stamps Fund (GFA3711/A.R.S. § 35-131)		Non-Appropriated
Source of Revenue: Sale of federal duck stamps, a required annual purchase for waterfowl hunters.		
Purpose of Fund: To remit proceeds to the federal government on an annual basis.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Game and Fish In-Lieu Fee Program Restoration Endowment Trust Fund (GFA3167/A.R.S. § 17-265)		Non-Appropriated
Source of Revenue: Compensatory mitigation credit monies from permittee purchases; monies received from United States Army Corps of Engineers (USACE) for resolutions of a federal enforcement action of unauthorized activities not involving department staff.		
Purpose of Fund: To fulfill department duties as an In-Lieu Fee sponsor pursuant to the federal Clean Water Act. Permittees that cannot avoid environmental impact to wetlands and streams must purchase compensatory mitigation credits, the proceeds of which are used by the Game and Fish Department for environmental restoration projects authorized by the USACE.		
Funds Expended	0	139,900
Year-End Fund Balance	0	2,536,100
Game and Fish Publications Revolving Fund (GFA4007/A.R.S. § 17-269)		Non-Appropriated
Source of Revenue: Sales of agency publications, including Wildlife Views magazine and various field guides.		
Purpose of Fund: To finance the production of agency publications. Amounts in excess of \$80,000 revert to the Game and Fish Fund at fiscal year end. However, in some circumstances, the balance forward may appear to exceed \$80,000 without reversion due to unexpended obligations at fiscal year end that the agency counts against the ending balance.		
Funds Expended	177,900	168,600
Year-End Fund Balance	63,600	67,700
Game and Fish Special Stamp Collection Fund - For CA (GFA3709/A.R.S. § 17-343)		Non-Appropriated
Source of Revenue: Handling of licenses and special use permits on waters shared with California.		
Purpose of Fund: To remit proceeds to California on an annual basis pursuant to an agreement between AZGFD and the California Game and Fish Commission.		
Funds Expended	0	0
Year-End Fund Balance	41,500	41,500

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Game and Fish Stamps Fund (GFA3708/A.R.S. § 17-338)		Non-Appropriated
Source of Revenue: Sale of licenses and special use permits on shared waters.		
Purpose of Fund: To remit proceeds to Nevada on an annual basis pursuant to an agreement between the Arizona Game and Fish Department and the State of Nevada.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Game and Fish Trust Fund (GFA3111/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Collections from local governments for the Urban Fishing program, transfers from the state Risk Management Fund, proceeds from the charitable auction of bighorn sheep tags, and private donations from private contributors.		
Purpose of Fund: This fund fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.		
Funds Expended	3,697,500	3,583,600
Year-End Fund Balance	15,947,000	18,102,300
Game, Non-Game, Fish and Endangered Species Fund (GFA2127/A.R.S. § 17-268)		Appropriated
Source of Revenue: Contributions from taxpayers who select the "check-off" option for non-game wildlife on their Arizona state income tax forms and interest earned.		
Purpose of Fund: To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department's management plan.		
Funds Expended	103,900	347,200
Year-End Fund Balance	340,300	238,900
Heritage Fund (GFA2295/A.R.S. § 17-297)		Non-Appropriated
Source of Revenue: Annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings.		
Purpose of Fund: To protect areas containing sensitive or endangered biological features and wildlife. At least 24% of the fund, but no more than 60%, may be used for capital projects and acquisitions. Interest earnings are to be used for administration. The Game and Fish Commission may spend its fund monies allocated for capital projects and acquisitions with the following conditions: 1) No more than 20% may be used for purposes of operation and maintenance of acquired property and 2) At least 20% must be used for acquisition of property.		
Funds Expended	11,589,400	9,987,100
Year-End Fund Balance	15,589,600	15,762,500
IGA and ISA Fund (GFA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	0	0
Year-End Fund Balance	123,200	133,200
Indirect Cost Recovery Fund (GFA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: This fund consists of revenue generated by billing federal aid for indirect costs.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	6,130,200	8,015,500
Year-End Fund Balance	4,082,600	1,367,100
Kaibab Co-op Fund (GFA3714/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Clearing account. In accordance with the Federal Sikes Act, 16 U.S.C. 670 et seq., monies are generated from the sale of a Kaibab habitat management stamp, which is required to take deer on the Kaibab Plateau.		
Purpose of Fund: To provide funding for habitat management.		
Funds Expended	0	0
Year-End Fund Balance	117,200	117,200

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Land and Water Conservation and Recreation Development Fund (GFA2036/A.R.S. § 17-267)		Appropriated
Source of Revenue: Fishing license fees.		
Purpose of Fund: To pay for recreation benefits in conjunction with fish and wildlife restoration projects; purchase engineering services, land, rights of way, water rights, and construction; and matching funds for Pittman-Robertson and Dingell-Johnson federal aid and other available funds from federal, state, county or municipal sources.		
Funds Expended	0	0
Year-End Fund Balance	32,700	32,700
Livestock Compensation Fund (GFA3103/A.R.S. § 17-493)		Non-Appropriated
Source of Revenue: Consists of federal monies, legislative appropriations and donations.		
Purpose of Fund: To compensate livestock operators, landowners and lessees for wolf depredation on livestock and for participating in a pay-for-presence program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (GFA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Arizona Game and Fish Department receives 35% of off-highway vehicle user fees and annual collections from the Motor Vehicle Fuel Tax transfer to the State Parks Board, which is equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development and 5% are to be used by the State Land Department for costs associated with off-highway vehicle use for land within its jurisdiction. The remainder is transferred to the Arizona Game and Fish Department for informational and educational programs on off-highway vehicle recreation, law enforcement activities and administration of the Off-Highway Vehicle User Indicia program.		
Funds Expended	1,615,000	1,667,100
Year-End Fund Balance	812,400	974,600
Watercraft Licensing Fund (GFA2079/A.R.S. § 5-323)		Appropriated
Source of Revenue: Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.		
Purpose of Fund: To administer and enforce registration of watercraft and boating safety laws, and to provide any information and education programs relating to boating and boating safety.		
Funds Expended	4,791,000	4,829,700
Year-End Fund Balance	4,628,900	2,843,000
Wildlife Conservation Fund (GFA2497/A.R.S. § 17-299)		Non-Appropriated
Source of Revenue: Monies received from tribal gaming in accordance with A.R.S. § 5-601.02.		
Purpose of Fund: To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.		
Funds Expended	6,440,600	10,569,600
Year-End Fund Balance	8,293,100	4,580,800
Wildlife Conservation Enterprise Fund (GFA2029/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Project grants from state and local governments, private entities, and federal entities.		
Purpose of Fund: For wildlife conservation and monitoring projects, primarily related to wildlife crossing and fencing along highway projects.		
Funds Expended	1,314,100	312,600
Year-End Fund Balance	155,300	92,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Wildlife Endowment Fund (GFA2279/A.R.S. § 17-271)		Appropriated
Source of Revenue: Sales of benefactor and lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.		
Purpose of Fund: To provide funding for wildlife conservation and management.		
Funds Expended	0	16,200
Year-End Fund Balance	2,844,200	3,034,500
Wildlife Habitat Restoration and Enhancement Fund (GFA2536/A.R.S. § 17-471)		Appropriated
Source of Revenue: Legislative appropriations. The Legislature provided a non-lapsing, one-time allocation of \$3,500,000 from the General Fund in FY 2007.		
Purpose of Fund: To provide funding for wildlife habitat restoration and improvement projects.		
Funds Expended	0	0
Year-End Fund Balance	400	400
Wildlife Theft Prevention Fund (GFA2080/A.R.S. § 17-315)		Non-Appropriated
Source of Revenue: Fines charged for the unlawful taking, wounding or killing, or unlawful possession of wildlife; and monies received from donations.		
Purpose of Fund: To finance reward payments to persons providing information about illegal wildlife activities; to finance the department's "Operation Game Thief" program; and to promote awareness of the Wildlife Theft Prevention program.		
Funds Expended	207,800	220,300
Year-End Fund Balance	106,000	92,400

Department of Gaming

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	155.8	155.8	155.8 ^{1/}
Personal Services	4,364,600	4,686,100	4,686,100
Employee Related Expenditures	1,745,800	1,609,500	1,609,500
Professional and Outside Services	459,100	1,177,500	1,177,500
Travel - In State	260,500	250,700	250,700
Travel - Out of State	58,100	30,000	30,000
Other Operating Expenditures	1,039,000	1,104,600	1,104,600
Equipment	153,100	266,300	266,300
OPERATING SUBTOTAL	8,080,200	9,124,700	9,124,700
SPECIAL LINE ITEMS			
Additional Operating Expenses	34,900	0	0
Arizona Breeders' Award	250,000	250,000	250,000
Casino Operations Certification	1,594,700	2,091,300	2,091,300
County Fairs Livestock and Agriculture Promotion	1,779,500	1,779,500	1,779,500 ^{2/}
Division of Racing	1,515,900	1,901,100	2,027,600
Problem Gambling	2,228,100	2,290,600	2,290,600
AGENCY TOTAL	15,483,300	17,437,200	17,563,700 ^{3/}
FUND SOURCES			
General Fund	1,779,500	1,779,500	1,779,500
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	10,043,200	11,115,300	11,115,300
Racing Regulation Fund	1,765,900	2,151,100	2,151,100
Racing Regulation Fund - Unarmed Combat Subaccount	0	0	126,500
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,594,700	2,091,300	2,091,300
SUBTOTAL - Other Appropriated Funds	13,703,800	15,657,700	15,784,200
SUBTOTAL - Appropriated Funds	15,483,300	17,437,200	17,563,700
Other Non-Appropriated Funds	645,000	1,527,900	1,401,400
TOTAL - ALL SOURCES	16,128,300	18,965,100	18,965,100

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 2020.
- ^{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 A.R.S. § 5-113, 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 Baseline includes \$9,124,700 in FY 2020 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 2020, 9% of tribal gaming revenues are forecasted to be \$8,607,400. (*See Gaming Revenues for further details.*)

The Baseline includes expenditure authority for \$9,124,700 in FY 2020. The department cannot expend above the actual 9% level.

Problem Gambling

The Baseline includes \$2,290,600 in FY 2020 for Problem Gambling, which consists of \$1,990,600 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 2020, 2% of tribal gaming revenues are forecasted to be \$1,912,800. The Baseline includes Arizona Benefits Fund expenditure authority for \$1,990,600 in FY 2020. The department cannot expend above the actual 2% level.

Operating Budget

The Baseline includes \$9,124,700 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Arizona Breeders' Award

The Baseline includes \$250,000 from the Racing Regulation Fund in FY 2020 for the Arizona Breeders' Award. This amount is unchanged from FY 2019.

This line item funds awards to the breeder of every winning horse foaled in the state. In FY 2019, this line item will fund awards equal to 40% of the purse won by the horse.

Casino Operations Certification

The Baseline includes \$2,091,300 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2020 for Casino Operations Certification. These amounts are unchanged from FY 2019.

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 Baseline includes \$1,779,500 from the General Fund in FY 2020 for County Fairs Livestock and Agriculture Promotion. This amount is unchanged from FY 2019.

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 Baseline includes \$2,027,600 and 40.5 FTE Positions from the Racing Regulation Fund in FY 2020 for operating costs associated with the Division of Racing. These amounts consist of:

	FY 2020
Racing Regulation Fund	\$1,901,100
Racing Regulation Fund - Unarmed Combat Subaccount	126,500

FY 2020 adjustments are as follows:

Unarmed Combat Subaccount

The Baseline includes an increase of \$126,500 from the Racing Regulation Fund - Unarmed Combat Subaccount in FY 2020 to maintain the FY 2019 funding level for the Division of Boxing and Mixed Martial Arts.

Laws 2018, Chapter 318 converted the non-appropriated Racing Regulation Fund - Mixed Martial Arts Subaccount into the appropriated Racing Regulation Fund - Unarmed Combat Subaccount beginning in FY 2019. The *FY 2019 Appropriations Report* displayed funding for the Division of Boxing and Mixed Martial Arts as part of the agency's

non-appropriated funding amount due to a provision in the FY 2019 Revenue Budget Reconciliation Bill which allowed monies in the Unarmed Combat Subaccount to be continuously appropriated in FY 2019.

The *FY 2020 Baseline Book* displays the Unarmed Subaccount as appropriated starting in FY 2020, thus increasing the department's overall appropriation amount, but not the total level of spending for the department.

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 Baseline includes \$2,290,600 and 5 FTE Positions in FY 2020 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	\$1,990,600
State Lottery Fund	300,000

These amounts are unchanged from FY 2019.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, 2% of tribal revenues received by the state shall be appropriated from the Arizona Benefits Fund to the department to provide problem gambling prevention, treatment, and education programs. The Baseline includes \$1,990,600 in FY 2020 from the Arizona Benefits Fund. (See Table 2 for more information on projected state revenues and department allocations.)

Other Issues

Statutory Changes

The Baseline would, as session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2020.

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.

In May 2017, the Compacts were amended as a result of a litigation settlement between the Tohono O'odham Nation and the State of Arizona. The state agreed to grant a Class III gaming license to the Desert Diamond West Valley Casino in exchange for the Tohono O'odham Nation's agreement to not build any additional casinos in the Metro Phoenix area.

There are currently 16 tribes operating a total of 24 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			
	FY 2006	FY 2019	Allowed by Compacts
Poker and Blackjack Tables	455	477	3,318 ^{1/}
Slot Machines	12,354	15,681	18,158 ^{2/}
Total	12,809	16,158 ^{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 October 2018. This amount does not include the Desert Diamond West Valley Casino which is currently undergoing a \$400 million facilities expansion which includes adding 75 betting tables and 1,090 slot machines by January 2019.

Gaming Revenues

From FY 2017 to FY 2018, state gaming revenues increased by 4.6% to \$93,976,900. Based on reports from the first half of FY 2019, the Baseline projects that total gaming revenues will increase by 1.7% in FY 2019 to a level of \$95,637,700, then remain flat at \$95,637,700 in FY 2020. (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 2018 Tribal Gaming Distributions.)

Table 2

Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}

Recipient	Proposition 202 Formula	FY 2017 Actual ^{1/}	FY 2018 Actual ^{1/}	FY 2019 Projected ^{1/}	FY 2020 Projected
State Government Distribution	88% of total	\$ 89,839,300	\$ 93,976,900	\$ 95,637,700 ^{2/}	\$ 95,637,700 ^{2/}
Local Government Distribution ^{3/}	12% of total	<u>12,250,900</u>	<u>12,815,000</u>	<u>13,041,500</u>	<u>13,041,500</u>
Total	100% of total	\$102,090,200	\$106,791,900	\$108,679,200	\$108,679,200
Allocation of State Government's Share					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,083,800	\$ 8,457,900 ^{4/}	\$ 8,607,400 ^{4/}	\$ 8,607,400 ^{4/}
Department of Gaming Problem Gambling	2%	<u>1,796,800</u>	<u>1,879,500 ^{5/}</u>	<u>1,912,800 ^{5/}</u>	<u>1,912,800 ^{5/}</u>
Subtotal-Department of Gaming		\$ 9,880,600	\$ 10,337,400	\$ 10,520,200	\$ 10,520,200
Instructional Improvement Fund (Department of Education)	56% of remainder	44,776,900	46,838,200	47,665,800	47,665,800
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	22,388,400	23,419,100	23,832,900	23,832,900
Arizona Wildlife Conservation Fund	8% of remainder	6,396,700	6,691,100	6,809,400	6,809,400
Tourism Fund	8% of remainder	<u>6,396,700</u>	<u>6,691,100</u>	<u>6,809,400</u>	<u>6,809,400</u>
Total		\$ 89,839,300	\$ 93,976,900	\$ 95,637,700	\$ 95,637,700

^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.

^{2/} The Baseline projects 1.7% growth in FY 2019 and flat growth in FY 2020 for tribal contributions to the Arizona Benefits Fund.

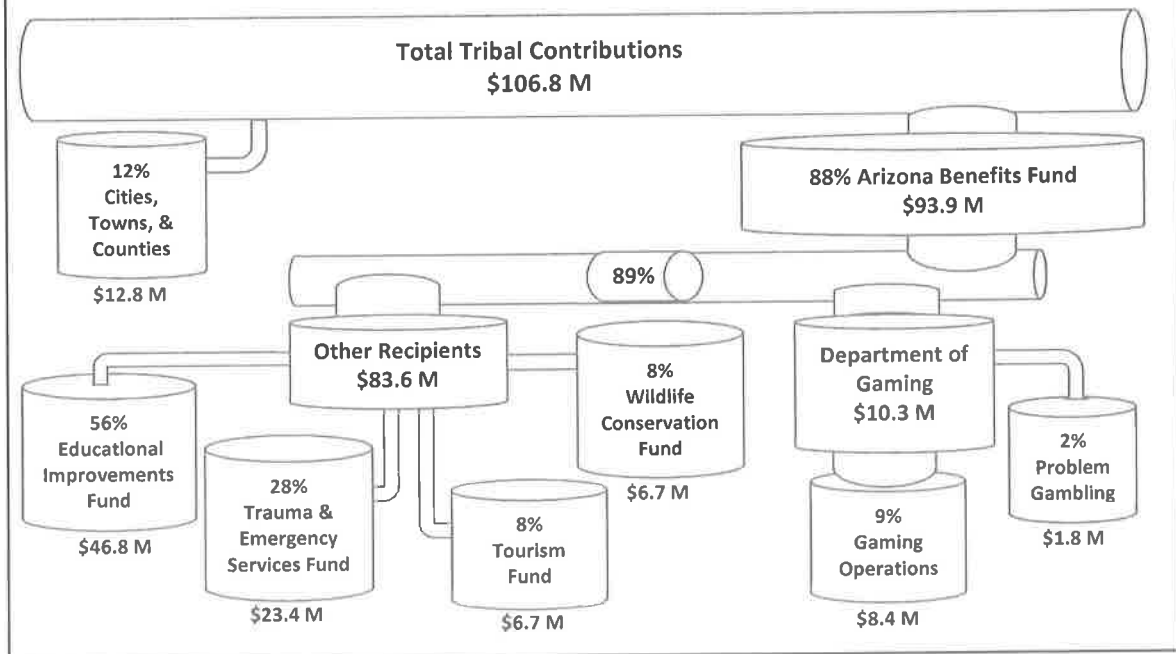
^{3/} Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.

^{4/} While the FY 2019 appropriation and FY 2020 Baseline include \$9,124,700, 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. This provision is expected to allow the department to only expend \$8,607,400 for operating expenditures in FY 2019 and FY 2020, as 9% of projected revenue is greater than \$8,000,000.

^{5/} While the FY 2019 appropriation and FY 2020 Baseline include \$1,990,600, A.R.S. § 5-601.02H3 requires 2% of state gaming revenues to be used for problem gambling prevention. This provision is expected to allow the department to only expend \$1,912,800 for problem gambling expenditures in FY 2019 and FY 2020.

Table 3

FY 2018 Tribal Gaming Distributions



SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)	Partially-Appropriated	
Source of Revenue: Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
Purpose of Fund: Provide funding for the regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to various state funds. <i>(See individual agency pages for detailed information on each recipient.)</i>		
Appropriated Funds Expended by Department of Gaming	10,043,200	11,115,300
Funds Transferred		
Instructional Improvement Fund	46,838,200	47,665,800
Trauma and Emergency Services Fund	23,419,100	23,832,900
Arizona Wildlife Conservation Fund	6,691,100	6,809,400
Tourism Fund	<u>6,691,100</u>	<u>6,809,400</u>
Funds Expended	83,639,500	85,117,500
Year-End Fund Balance	428,400	485,700
Arizona Breeders' Award Fund (GMA2206/A.R.S. § 5-113)	Non-Appropriated	
Source of Revenue: Legislative appropriations from the Racing Regulation Fund. Appropriated expenditures are not displayed to avoid double counting. The fund also receives revenue derived from the source market fees paid from advance deposit wagering on horse racing. Of the amount allocated for purses, 5% is deposited in the fund.		
Purpose of Fund: To give awards to the breeder of every winning horse or greyhound foaled or whelped in this state.		
Funds Expended	31,500	30,000
Year-End Fund Balance	3,100	8,500
DPS-FBI Fingerprint Fund (GMA2159/A.R.S. § 41-1750)	Non-Appropriated	
Source of Revenue: Revenues include fees collected from fingerprint clearance cards.		
Purpose of Fund: Revenues are transferred to the Department of Public Safety (DPS) to process fingerprint clearance cards. Fund is basically a “pass through” for fingerprinting fees payable to DPS.		
Funds Expended	33,400	50,000
Year-End Fund Balance	100	100
Greyhound and Retired Racehorse Adoption Fund (GMA2015/A.R.S. § 5-113)	Non-Appropriated	
Source of Revenue: License fees collected from dog breeders, racing kennels, and other operations where greyhounds are raised for dog racing. Additional monies are collected by the horse adoption surcharge that receives 5% of all horse racing related fines.		
Purpose of Fund: To provide funding for grants to non-profit organizations for the promotion and adoption of retired racing greyhounds and horses.		
Funds Expended	1,500	1,400
Year-End Fund Balance	600	900
IGA and ISA Fund (GMA2500/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	487,600	1,320,000
Year-End Fund Balance	366,700	0
State Lottery Fund (GMA2122/A.R.S. § 5-571)	Appropriated	
Source of Revenue: Funds transferred from the State Lottery Fund.		
Purpose of Fund: Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individuals suffering from problem gambling.		
Funds Expended	300,000	300,000
Year-End Fund Balance	400	400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Racing Commission Bond Deposit Fund (GMA3720/A.R.S. § 5-107)		Non-Appropriated
Source of Revenue: There are no revenues in this fund. The fund holds bonds posted by commercial racing permit holders until the permittee withdraws their permit. The Division of Racing also deposits all racing and boxing applicant or licensee payments submitted in excess of the amount due into this fund.		
Purpose of Fund: To hold bonds posted by commercial racing permit holders until the permittee withdraws their permit. The Division of Racing requires racing permittees to post a bond with the Division of Racing each year, which is refunded when the permittee withdraws their permit. Forfeited bonds are deposited in the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	55,600	55,600
Racing Investigation Fund (GMA2369/A.R.S. § 41-705)		Non-Appropriated
Source of Revenue: Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.		
Purpose of Fund: To cover the cost of racing investigations by the Arizona Department of Racing. The fund is administered by the Department of Administration and disbursements are made pursuant to instructions from the Director of the Department of Racing.		
Funds Expended	0	0
Year-End Fund Balance	29,300	29,300
Racing Regulation Fund (GMA2556/A.R.S. § 5-113.01)		Appropriated
Source of Revenue: License fees and regulatory assessments established by the Arizona Department of Racing and the Boxing Commission, pari-mutuel taxes from wagering at horse and dog racing facilities and donations or grants received by the department.		
Purpose of Fund: To support the mission of the department.		
Funds Expended	1,765,900	2,151,100
Year-End Fund Balance	2,208,400	2,032,900
Racing Regulation Fund - Unarmed Combat Subaccount (GMA2393/A.R.S. § 5-226)		Partially-Appropriated
Source of Revenue: Fees established by the Boxing Commission for unarmed combat events. Laws 2018, Chapter 318 converted the non-appropriated Mixed Martial Arts Subaccount into the appropriated Unarmed Combat Subaccount beginning in FY 2019. The FY 2019 Revenue Budget Reconciliation Bill directs all boxing and mixed martial arts-related revenues, excluding licensing fees, to be deposited into the Unarmed Combat Subaccount within the Racing Regulation Fund in FY 2019 and allows monies in the subaccount to be continuously appropriated in FY 2019. The Baseline reflects the appropriation of these monies starting in FY 2020.		
Purpose of Fund: To pay for the administration and regulation of unarmed combat events hosted in Arizona.		
Non-Appropriated Funds Expended	91,000	126,500
Year-End Fund Balance	14,500	0
Rural County Fair Racing Fund (No Fund Number/A.R.S. § 36-1947)		Non-Appropriated
Source of Revenue: Laws 2018, Chapter 318 transfers \$200,000 from the Racing Regulation Fund to the Rural County Fair Racing Fund in FY 2019 to fund a matching grant pilot program. Chapter 318 repeals the Rural County Fair Racing Fund and the matching grant pilot program on June 30, 2020.		
Purpose of Fund: To provide matching grants of up to \$40,000 to support county fair horse racing. To be eligible for the grant counties must have a population of less than 800,000 and contribute at least 50% in matching grant funding.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)		Appropriated
Source of Revenue: The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
Purpose of Fund: Pay for the actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
Funds Expended	1,594,700	2,091,300
Year-End Fund Balance	1,983,200	1,981,800

Office of the Governor

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	7,053,200	7,038,800	7,038,800 ^{1/2/3/}
SPECIAL LINE ITEMS			
Computer Science Initiative	158,400	0	0
Foster Youth Education Success Program	1,322,000	1,500,000	0
School Leadership Training	250,000	0	0
AGENCY TOTAL	8,783,600	8,538,800	7,038,800
FUND SOURCES			
General Fund	8,783,600	8,538,800	7,038,800
SUBTOTAL - Appropriated Funds	8,783,600	8,538,800	7,038,800
Other Non-Appropriated Funds	2,656,700	3,468,800	3,468,800
Federal Funds	23,270,900	30,727,200	30,727,200
TOTAL - ALL SOURCES	34,711,200	42,734,800	41,234,800

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 A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- 3/ Included in the Lump Sum appropriation of \$7,038,800 for FY 2020 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$7,038,800 from the General Fund in FY 2020 for the operating budget. This amount is unchanged from FY 2019.

Foster Youth Education Success Program

The Baseline includes no funding from the General Fund in FY 2020 for the Foster Youth Education Success Program. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,500,000) from the General Fund in FY 2020 for the Foster Youth Education Success Program.

The Foster Youth Education Success Program was established to improve the educational outcomes of children in Arizona's foster care system. This program was funded in FY 2018 and FY 2019.

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The Baseline includes an FY 2019 supplemental appropriation of \$2,100 from the General Fund to pay for FY 2019 employer contribution increases related to the Elected Officials Retirement Plan (EORP). The FY 2019 General Appropriation Act underestimated the total cost of the increase. The Baseline also includes the same amount from the General Fund in FY 2020. Both the supplemental and the FY 2020 amount would be distributed as a statewide adjustment and are not reflected in the agency table above. (See the Consolidated Retirement Report for more information.)

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
County Fairs Livestock and Agriculture Promotion Fund (GVA2037/A.R.S. § 5-113)	Non-Appropriated	
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center. The direct expenses, less receipts, of the annual Livestock Fair are paid from this fund. Net expenditures for the Livestock Fair are limited to 30% of all receipts deposited to this fund during the preceding fiscal year. All expenditures from this fund must be recommended by the Livestock and Agricultural Committee and approved by the Governor.		
Funds Expended	0	0
Year-End Fund Balance	214,000	213,900
Federal Grants (GVA2000/A.R.S. § 4-101.01)	Non-Appropriated	
Source of Revenue: Federal grants for various purposes, including services for women, children's services, and the Office for Drug Policy.		
Purpose of Fund: To provide separate accounting for the administration, supervision and distribution of federal grants made to the Office of the Governor, on behalf of the State of Arizona.		
Funds Expended	23,270,900	30,727,200
Year-End Fund Balance	3,000	0
Foster Youth Education Success Fund (GVA1400/A.R.S. § 41-108)	Non-Appropriated	
Source of Revenue: General Fund appropriations. Public or private gifts, grants and donations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To improve the educational outcomes of children in Arizona’s foster care system.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Governor's Endowment Partnership Fund (GVA3206/A.R.S. § 41-1105)	Non-Appropriated	
Source of Revenue: Public or private gifts, grants and donations. All donations, except those from established non-profit economic development organizations, are limited to \$5,000, per person, each fiscal year.		
Purpose of Fund: This fund was established by Executive Order 92-7, to promote the interests of the state and encourage public service to Arizona by its citizens. Expenditures may include promoting economic development in Arizona, recruiting new industries, appropriate memorabilia or gifts for dignitaries or citizen volunteers, and promoting good working relationships between the various branches of national, state, and local governments.		
Funds Expended	278,700	294,900
Year-End Fund Balance	293,600	114,200
IGA and ISA Fund (GVA2500/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	1,059,500	1,182,600
Year-End Fund Balance	270,300	0
Indirect Cost Recovery Fund (GVA9000/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	1,093,600	1,759,600
Year-End Fund Balance	5,673,500	4,913,900

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Prevention of Child Abuse Fund (GVA2439/A.R.S. § 41-109)		Non-Appropriated
Source of Revenue: The fund receives \$17 of the annual \$25 fee for original and renewal child abuse prevention special license plates.		
Purpose of Fund: To be allocated by the Director of the Division for Children in the Governor's Office for programs to prevent child abuse in the state of Arizona. Not more than 3% of annual fund revenues shall be used to administer the fund.		
Funds Expended	224,900	231,700
Year-End Fund Balance	112,000	111,800

Governor's Office of Strategic Planning and Budgeting

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,272,600	1,330,900	1,330,900
Employee Related Expenditures	443,400	369,700	369,700
Professional and Outside Services	91,600	92,500	92,500
Travel - In State	600	100	100
Travel - Out of State	6,900	0	0
Other Operating Expenditures	279,800	227,100	227,100
Equipment	3,200	1,800	1,800
AGENCY TOTAL	2,098,100	2,022,100	2,022,100 ^{1/2/}
FUND SOURCES			
General Fund	2,098,100	2,022,100	2,022,100
SUBTOTAL - Appropriated Funds	2,098,100	2,022,100	2,022,100
TOTAL - ALL SOURCES	2,098,100	2,022,100	2,022,100

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 A.R.S. § 35-190, 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 Baseline includes \$2,022,100 and 22 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Department of Health Services

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,065.5	1,100.0	1,100.0 ^{1/}
Personal Services	20,187,100	21,110,100	21,110,100
Employee Related Expenditures	8,414,800	8,583,700	8,583,700
Professional and Outside Services	1,027,700	2,328,000	2,328,000
Travel - In State	384,000	392,500	392,500
Travel - Out of State	63,300	75,100	75,100
Other Operating Expenditures	14,075,800	12,189,300	12,189,300
Equipment	322,700	873,500	873,500
OPERATING SUBTOTAL	44,475,400	45,552,200	45,552,200
SPECIAL LINE ITEMS			
Arizona State Hospital			
Arizona State Hospital-Operating	59,721,500	60,900,200	60,900,200 ^{2/}
Arizona State Hospital-Restoration to Competency	507,000	900,000	900,000 ^{3/}
Arizona State Hospital-Sexually Violent Persons	9,078,300	9,684,900	9,684,900 ^{4/}
Public Health/Family Health			
Adult Cystic Fibrosis Care	78,900	105,200	105,200
AIDS Reporting and Surveillance	872,100	1,000,000	1,000,000
Alzheimer's Disease Research	2,125,000	3,125,000	1,125,000 ^{5/}
Biomedical Research Support	1,501,300	2,000,000	0
Breast and Cervical Cancer and Bone Density Screening	1,013,300	1,369,400	1,369,400
County Tuberculosis Provider Care and Control	472,800	590,700	590,700
Emergency Medical Services Local Allocation	442,000	442,000	442,000
Folic Acid Program	359,600	400,000	400,000
High Risk Perinatal Services	2,288,300	2,543,400	2,543,400
Homeless Pregnant Women Services	0	100,000	100,000 ^{6/}
Newborn Screening Program	6,504,500	7,227,400	7,227,400
Nursing Care Special Projects	21,500	100,000	100,000
Poison Control Centers Funding	904,300	990,000	990,000
Nonrenal Disease Management	47,200	198,000	198,000 ^{7/}
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Public Health Emergencies Fund Deposit	500,000	0	0
State Loan Repayment Program	765,100	1,000,000	1,000,000
Radiation Regulation			
Radiation Regulation	1,607,500	1,633,800	1,633,800
Nuclear Emergency Management Program	771,000	789,700	789,700
AGENCY TOTAL	134,418,900	141,134,900	137,134,900 ^{8/9/}
FUND SOURCES			
General Fund	84,580,500	89,931,200	89,931,200
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	5,988,100	2,590,300	2,590,300
ASH Land Earnings Fund	925,900	650,000	650,000
Capital Outlay Stabilization Fund	1,559,900	230,100	230,100
Child Fatality Review Fund	96,900	95,700	95,700
Consumer Restitution and Remediation Revolving Fund - Consumer Remediation Subaccount	400,600	0	0
Disease Control Research Fund	0	1,000,000	1,000,000
Emergency Medical Services Operating Fund	5,788,900	5,731,300	5,731,300
Environmental Laboratory Licensure Revolving Fund	776,300	929,200	929,200
Federal Child Care and Development Fund Block Grant	887,900	879,900	879,900

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
Health Services Licensing Fund	9,232,100	10,937,200	10,937,200
Health Services Lottery Monies Fund	0	100,000	100,000
Indirect Cost Fund	9,286,300	10,141,700	10,141,700
Newborn Screening Program Fund	6,937,000	7,660,200	7,660,200
Nuclear Emergency Management Fund	771,000	789,700	789,700
Nursing Care Institution Resident Protection Revolving Fund	21,500	138,200	138,200
Radiation Regulatory Fee Fund	562,400	0	0
State Radiologic Technologist Certification Fund	262,300	0	0
TTHCF Health Research Account	3,501,300	5,000,000	1,000,000
TTHCF Medically Needy Account	584,600	700,000	700,000
Vital Records Electronic Systems Fund	2,255,400	3,630,200	3,630,200
SUBTOTAL - Other Appropriated Funds	49,838,400	51,203,700	47,203,700
SUBTOTAL - Appropriated Funds	134,418,900	141,134,900	137,134,900
Other Non-Appropriated Funds	71,155,900	72,352,900	72,352,900
Federal Funds	259,808,100	259,555,300	259,555,300
TOTAL - ALL SOURCES	465,382,900	473,043,100	469,043,100

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, and epidemiological monitoring. Beginning January 1, 2018, the responsibilities of the Radiation Regulatory Agency transferred to the Department of Health Services.

FOOTNOTES

- 1/ Includes 730 GF and 58.6 OF FTE Positions funded from Special Line Items in FY 2020.
- 2/ 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)
- 3/ 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.
- 4/ The Arizona State Hospital - Sexually Violent Persons line item includes monies for direct costs associated with the Sexually Violent Person program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 5/ 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 A.R.S. § 36-773. (General Appropriation Act footnote)
- 6/ 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 3 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)
- 7/ The Department of Health Services may use up to 4% of the amount appropriated for Nonrenal Disease Management for the administrative costs to implement the program. (General Appropriation Act footnote)
- 8/ 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 30th 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)
- 9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

DHS' FY 2020 General Fund spending is unchanged from FY 2019.

Total appropriated spending decreases by \$(4,000,000):

- \$(2,000,000) for elimination of a one-time increase for Alzheimer's research.
- \$(2,000,000) for elimination of funding for biomedical research support as specified by Laws 2014, Chapter 18.

Operating Budget

The Baseline includes \$45,552,200 and 311.4 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$16,031,700
Capital Outlay Stabilization Fund	230,100
Child Fatality Review Fund	95,700
Emergency Medical Services (EMS)	3,839,300
Operating Fund	
Environmental Laboratory Licensure	929,200
Revolving Fund	
Federal Child Care and Development	879,900
Fund (CCDF) Block Grant	
Health Services Licensing Fund	9,303,400
DHS Indirect Cost Fund	10,141,700
Newborn Screening Program Fund	432,800
Nursing Care Institution Resident	38,200
Protection Revolving Fund	
Vital Records Electronic Systems Fund	3,630,200

These amounts are unchanged from FY 2019.

Arizona State Hospital

ASH - Operating

The Baseline includes \$60,900,200 and 616.5 FTE Positions in FY 2020 for the ASH operating budget. These amounts consist of:

General Fund	58,559,900
ASH Fund	1,690,300
ASH Land Earnings Fund	650,000

These amounts are unchanged from FY 2019.

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 2018, ASH had an average daily census of 96 patients in its civil commitment unit, 113 patients in its forensic unit, and 93 Sexually Violent Persons (SVPs), for a total of 302 patients.

ASH - Restoration to Competency

The Baseline includes \$900,000 from the ASH Fund in FY 2020 for ASH - Restoration to Competency. This amount is unchanged from FY 2019.

The Baseline continues to require counties to pay 100% of the daily cost of care for Restoration to Competency (RTC) patients treated at ASH.

Background – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. Prior to 1997, counties paid 100% of the cost of restoring patients to competency. In FY 1997, the state assumed the full cost of RTC treatment. In FY 2002, the state began requiring cities and counties to pay 86% of the costs of the program. The state continued to vary the required reimbursement rate over the next several years. Beginning in FY 2010, budget-related session laws have required all counties to pay 100% of the daily cost of care for RTC patients treated at ASH. In FY 2018, there was an average daily census of 2 RTC patients treated at ASH. RTC patients are treated in ASH's forensic unit.

ASH - Sexually Violent Persons

The Baseline includes \$9,684,900 and 112.5 FTE Positions from the General Fund in FY 2020 for ASH - Sexually Violent Persons. These amounts are unchanged from FY 2019.

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 2018, ASH had an average daily census of 93 Sexually Violent Persons (SVPs).

Public Health/Family Health

Adult Cystic Fibrosis Care

The Baseline includes \$105,200 from the General Fund in FY 2020 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2019.

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 Baseline includes \$1,000,000 from the Disease Control Research Fund in FY 2020 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2019.

The Baseline continues a Budget Reconciliation Bill provision to permit the department to use the Disease Control Research Fund for AIDS Reporting and Surveillance.

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 2,746 clients in FY 2018.

Alzheimer's Disease Research

The Baseline includes \$1,125,000 in FY 2020 for Alzheimer's Disease Research. This amount consists of:

General Fund	125,000
TTHCF - Health Research Account	1,000,000

FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the TTHCF - Health Research Account in FY 2020 for the elimination of a one-time increase in Alzheimer's research funding. The FY 2019 budget included \$3,000,000 from the TTHCF - Health Research Account but designated \$2,000,000 of that amount as one-time.

The Baseline continues a Budget Reconciliation Bill provision to permit the department to use TTHCF - Health Research Account monies for Alzheimer's disease research.

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.

Table 1

Alzheimer's Disease Research Funding (\$ in thousands)

	General Fund	Health Research Account	TOTAL
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	1,000,000	1,125,000

Biomedical Research Support

The Baseline includes no funding in FY 2020 for Biomedical Research Support. FY 2020 adjustments are as follows:

Remove 5-Year Funding

The Baseline includes a decrease of \$(2,000,000) from the TTHCF - Health Research Account in FY 2020 for the elimination of 5-year funding for Biomedical Research Support. Pursuant to Section 128 of the FY 2015 General Appropriation Act (Laws 2014, Chapter 18), these monies were appropriated annually in FY 2015 through FY 2019.

As a result of the Chapter 18 funding, these monies did not appear in subsequent year General Appropriation Acts.

Background – This line item funds a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research, conducts molecular epidemiological analyses to assist with disease outbreak investigations, and collaborates with universities, hospitals, and other public and private bioscience and related industries in this state. Section 128 requires the recipient of monies in this line item to submit an annual audit of expenditures of these monies to DHS by February 1 of each year.

DHS distributed monies from this line in FY 2018 to the Translational Genomics Research Institute (TGen), a nonprofit medical research institution. In addition to these monies, Chapter 18 appropriated \$3,000,000 from

the General Fund in FY 2015 through FY 2019 to Northern Arizona University (NAU) for biotechnology. NAU allocated its FY 2019 appropriation to TGen. *(Please see the NAU narrative for more information.)*

The state previously funded \$500,000 yearly from the TTHCF - Health Research Account for Biomedical Research Support from FY 2002 to FY 2012, which was also distributed to TGen.

The appropriation from this line item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.

Breast and Cervical Cancer and Bone Density Screening

The Baseline includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2020 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2019.

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.

County Tuberculosis Provider Care and Control

The Baseline includes \$590,700 from the General Fund in FY 2020 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2019.

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.

Emergency Medical Services Local Allocation

The Baseline includes \$442,000 from the EMS Operating Fund in FY 2020 for the Emergency Medical Services Local Allocation line item. This amount is unchanged from FY 2019.

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 Baseline includes \$400,000 from the TTHCF - Medically Needy Account in FY 2020 for the Folic Acid Program. This amount is unchanged from FY 2019.

This line item provides funding for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2018, 40,028 women received folic acid education and multivitamins.

High Risk Perinatal Services

The Baseline includes \$2,543,400 in FY 2020 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 2019.

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 Baseline includes \$100,000 from the Health Services Lottery Monies Fund in FY 2020 for Homeless Pregnant Women Services. This amount is unchanged from FY 2019.

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 Baseline continues a Budget Reconciliation Bill provision to permit the department to use the Health Services Lottery Monies Fund for Homeless Pregnant Women Services.

Newborn Screening Program

The Baseline includes \$7,227,400 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2020 for

the Newborn Screening Program. These amounts are unchanged from FY 2019.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 30 disorders. In FY 2018, the program provided screening for 80,549 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.

Nursing Care Special Projects

The Baseline includes \$100,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2020 for special projects related to long term care facilities. This amount is unchanged from FY 2019.

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. Additional amounts have been appropriated to fund specific projects in past fiscal years, including the recently eliminated nursing facility study.

Poison Control Centers Funding

The Baseline includes \$990,000 from the General Fund in FY 2020 for Poison Control Centers. This amount is unchanged from FY 2019.

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 2018.

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 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 Poison Control Center in FY 2018.

Nonrenal Disease Management

The Baseline includes \$198,000 from the General Fund in FY 2020 for Nonrenal Disease Management. This amount is unchanged from FY 2019.

This line item provides funding for medication and other transplant-related services for nonrenal transplant patients who are ineligible for other public assistance programs.

Renal Dental Care and Nutrition Supplements

The Baseline includes \$300,000 from the TTHCF - Medically Needy Account in FY 2020 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2019.

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 Baseline includes \$183,000 from the General Fund in FY 2020 for Renal Transplant Drugs. This amount is unchanged from FY 2019.

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 2018, 88 people received anti-rejection medication assistance.

State Loan Repayment Program

The Baseline includes \$1,000,000 from the Emergency Medical Services (EMS) Operating Fund in FY 2020 for the State Loan Repayment Program. This amount is unchanged from FY 2019.

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 2018, this program funded 68 participants.

Radiation Regulation

As required by Laws 2017, Chapter 313, the responsibilities of the Arizona Radiation Regulatory Agency (ARRA) transferred to DHS effective January 1,

2018. While the FY 2018 General Appropriation Act appropriated a separate budget for the ARRA, Chapter 313 states that all duties and unexpended or unencumbered monies of ARRA were transferred to DHS on the effective date. To simplify the display, the FY 2018 column of this budget reflects total ARRA expenditures in FY 2018.

Radiation Regulation

The Baseline includes \$1,633,800 and 29 FTE Positions from the Health Services Licensing Fund in FY 2020 for Radiation Regulation. These amounts are unchanged from FY 2019.

The Baseline continues the fee raising authority and exemption related to establishing fees for radiation regulation in FY 2020 and continues an intent clause that limits additional revenues to \$561,000.

Radiation regulation includes oversight of the use, storage, and disposal of sources of radiation.

Nuclear Emergency Management Program

The Baseline includes \$789,663 and 5.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2020 for the Nuclear Emergency Management Program line item. These amounts are unchanged from FY 2019.

Laws 2017, Chapter 43 appropriated \$778,663 and 5.5 FTE Positions from the NEMF in FY 2018 and in FY 2019. As a result, these monies did not appear in the General Appropriation Act. The Department of Health Services (by way of the Radiation Regulatory Agency transfer), the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 43. *(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.

DEMA has provided recommendations for the FY 2020 and FY 2021 NEMF funding levels for the 3 agencies as outlined in *Table 1* below. The recommendations would make no changes to DHS funding levels for FY 2020 and FY 2021. The Baseline maintains current funding based on the DEMA recommendations. The final amount, which typically reflects the DEMA recommendation, will be determined in the 2019 Legislative Session as part of separate legislation.

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:

- Statutory Changes
- Medical Marijuana Fund Balance

Table 2

Nuclear Emergency Management Fund

Agency	FY 2019		FY 2020		FY 2021	
	FTEs	Approp.	FTEs	Rec.	FTEs	Rec.
Emergency and Military Affairs ^{1/}	5.5	\$1,461,602	5.5	\$1,458,753	5.5	\$1,506,116
Health Services ^{2/}	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.

^{2/} Laws 2017, Chapter 313 transferred all responsibilities and unexpended or unencumbered monies of the Arizona Radiation Regulatory Agency to the Department of Health Services on January 1, 2018.

Statutory Changes

The Baseline would:

- As permanent law, continue to require all cities and counties to pay 100% of Restoration to Competency Costs. This provision has been enacted as session law since FY 2010. *(See ASH - Restoration to Competency for more information.)*
- As permanent law, continue to notwithstanding A.R.S. § 36-773 to allow monies in the Tobacco Tax and Health Care Fund - Health Research Account to be used for Alzheimer's disease research. This provision has been enacted as session law since FY 2004. *(See Alzheimer's Disease Research for more information.)*
- As session law, continue to notwithstanding A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow monies in the Health Services Lottery Monies Fund to be used for homeless pregnant women services. *(See Homeless Pregnant Women Services for more information.)*
- As permanent law, continue to notwithstanding A.R.S. § 36-273 to allow monies in the Disease Control Research Fund to be used for AIDS reporting and surveillance. This provision has been enacted as session law since FY 2019. *(See AIDS Reporting and Surveillance for more information.)*

- As session law, continue the fee raising authority and exemption related to establishing fees for radiation regulation and continue an intent clause that limits additional revenues to \$561,000.

Medical Marijuana Fund Balance

Proposition 203 passed in the 2010 General Election, creating the Medical Marijuana Program within DHS. In FY 2018, there were 173,140 cardholders and 5,621 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 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 ongoing revenues of \$33.4 million in FY 2019, compared to \$17.9 million in spending. Along with surpluses from prior years, DHS forecasts the fund would have a balance of \$65.1 million at the end of FY 2019.

Table 3

Medical Marijuana Fund History

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Revenue	\$16,570,700	\$24,851,900	\$28,565,700
Spending	8,295,400	11,654,800	12,623,400
Ending Balance	19,874,100	33,244,000	49,650,900
Number of Cardholders	102,900	133,368	173,140
Number of Dispensary Agents	2,752	3,930	5,261

SUMMARY OF FUNDS

FY 2018
Actual

FY 2019
Estimate

Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)

Appropriated

Source of Revenue: State monies and matching federal monies for disproportionate share payments at the Arizona State Hospital, Medicaid reimbursement for services provided at the Arizona State Hospital, and monies collected for services to clients at the state hospital. The FY 2019 Health Budget Reconciliation Bill continues to require that all counties pay 100% of the cost of care for Restoration to Competency patients. Prior to FY 2019, the bill also required counties to pay 31% of the cost of patients in the Sexually Violent Persons (SVP) program. This requirement was removed in FY 2019.

Purpose of Fund: To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.

Funds Expended	5,988,100	2,590,300
Year-End Fund Balance	2,888,100	2,497,800

Arizona State Hospital Charitable Trust Fund (HSA9985/A.R.S. § 36-218)

Non-Appropriated

Source of Revenue: Monies received from contracts and lease agreements on Arizona State Hospital property.

Purpose of Fund: To benefit persons with mental illness in this state. Laws 2017, Chapter 288 created the fund.

Funds Expended	0	90,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona State Hospital Land Earnings Fund (HSA3128/A.R.S. § 36-211)		Appropriated
Source of Revenue: Monies received from interest on the Arizona State Hospital's Permanent Land Fund, as established through Arizona's Enabling Act, Section 25, and the monies derived from the lease of these lands and miscellaneous revenue.		
Purpose of Fund: For the benefit and support of the Arizona State Hospital.		
Funds Expended	925,900	650,000
Year-End Fund Balance	981,900	1,159,900
Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund.		
Purpose of Fund: For breast and cervical cancer screening and diagnostic and outreach services.		
Funds Expended	190,000	525,000
Year-End Fund Balance	893,400	529,500
Capital Outlay Stabilization Fund (HSA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Appropriations from the Arizona Department of Administration Capital Outlay Stabilization Fund and transfers from the Arizona Department of Administration (<i>see Arizona Department of Administration for more detail on Capital Outlay Stabilization Fund</i>).		
Purpose of Fund: Lease-purchase payments for the new state health laboratory (transfers from Arizona Department of Administration are spent for building renewal).		
Funds Expended	1,559,900	230,100
Year-End Fund Balance	8,421,700	8,191,600
Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)		Appropriated
Source of Revenue: A \$1 surcharge on fees collected on all certified copies of death certificates, up to \$100,000. Any revenue collected in excess of \$100,000 is transferred from the fund to the Child Abuse Prevention Fund in the Department of Child Safety.		
Purpose of Fund: To organize county child fatality review teams and to study data collected by these teams to determine ways to reduce the state's child mortality rate.		
Funds Expended	96,900	95,700
Year-End Fund Balance	94,900	53,000
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (HSA2573/A.R.S. § 44-1531.02)		Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises, or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Remediation Subaccount consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable person. Laws 2018, 1 st Special Session, Chapter 1 appropriated \$400,600 from this Attorney General fund in FY 2018 to DHS for an opioid abuse prevention campaign. The appropriation is non-lapsing; DHS anticipates spending all \$400,600 in FY 2019.		
Appropriated Fund Expended	400,600	0
Year-End Fund Balance	0	0
Disease Control Research Fund (HSA2090/A.R.S. § 36-274)		Partially-Appropriated
Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
Purpose of Fund: To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development. The FY 2019 General Appropriation Act shifted \$1,000,000 in funding for the AIDS Reporting and Surveillance special line item from the General Fund to the Disease Control Research Fund.		
Appropriated Fund Expended	0	1,000,000
Non-Appropriated Funds Expended	2,427,200	2,380,300
Year-End Fund Balance	5,461,900	4,560,400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Donations - DHS (HSA3010/2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations for various health related purposes.		
Purpose of Fund: For specific purposes as designated by the donors. Monies donated pursuant to A.R.S. § 36-213 and A.R.S. § 36-204 for the Arizona State Hospital are accounted for separately.		
Funds Expended	549,100	124,100
Year-End Fund Balance	1,172,200	1,524,100
Donations - Statewide (HSA2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations from employee recognition events.		
Purpose of Fund: Employee recognition purposes.		
Funds Expended	3,900	2,000
Year-End Fund Balance	8,500	12,000
Drug Disposal Education and Awareness Fund (HSA2230/A.R.S. § 36-123.01)		Non-Appropriated
Source of Revenue: Donations and contributions from private persons and organizations.		
Purpose of Fund: To pay for the cost of administering an education and awareness program regarding the disposal of prescription drugs, including controlled substances, nonprescription drugs, needles, and sharps.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)		Appropriated
Source of Revenue: The fund receives 48.9% of the Medical Services Enhancement Fund revenues, which are collected from a 13% surcharge on fines charged for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To fund local and state emergency medical services systems.		
Funds Expended	5,788,900	5,731,300
Year-End Fund Balance	3,184,500	1,653,200
Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)		Appropriated
Source of Revenue: Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
Purpose of Fund: For costs associated with licensing environmental laboratories by the Department of Health Services.		
Funds Expended	776,300	929,200
Year-End Fund Balance	568,700	468,700
Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: A portion of the Federal Child Care and Development Block Grant provides the Assurance and Licensure Division with monies for the licensure of child care facilities.		
Funds Expended	887,900	879,900
Year-End Fund Balance	90,100	90,100
Federal Funds (HSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and reimbursements from the federal government.		
Purpose of Fund: To provide health services in accordance with the terms of each specific grant.		
Funds Expended	259,808,100	259,555,300
Year-End Fund Balance	5,520,300	9,121,400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Health Services Licensing Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)		Appropriated
Source of Revenue: Fees for health care institution licensing services and monies from the examination and licensing of hearing and speech professionals. Beginning in FY 2018, this fund also receives revenues from fees collected for licensing, inspection, and registration of individuals utilizing radiological materials.		
Purpose of Fund: For health care institutions' licensing applications, initial license, renewal license and architectural drawing reviews. Pursuant to A.R.S. § 36-1903, revenues from licensing and examination of hearing and speech professionals are deposited into this fund. DHS establishes nonrefundable fees for assurance and licensure. A total of 90% of assurance and licensure fees are deposited into this fund with the remaining 10% deposited into the General Fund.		
Funds Expended	9,232,100	10,937,200
Year-End Fund Balance	4,779,100	6,892,800
Health Services Lottery Monies Fund (HSA4250/A.R.S. § 36-108.01)		Partially-Appropriated
Source of Revenue: State Lottery monies.		
Purpose of Fund: To fund teenage pregnancy prevention programs, the Health Start program, and the federal Women, Infants and Children (WIC) food program. The FY 2019 General Appropriation Act appropriated \$100,000 from the fund for Homeless Pregnant Women Services.		
Appropriated Fund Expended	0	100,000
Non-Appropriated Funds Expended	11,605,300	7,751,800
Year-End Fund Balance	3,132,800	2,698,300
IGA and ISA Fund (HSA4500/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: Monies from intergovernmental agreements and interagency services agreements between the Department of Health Services and other state and local entities. In FY 2019, this fund will receive \$12,435,000 from the Arizona Department of Economic Security (DES) pursuant to an interagency service agreement between DHS and DES that requires DHS to provide nutrition education in schools for grades 1-6 using funds from the Supplemental Nutrition Assistance Program (SNAP).		
Purpose of Fund: To fund services which DHS has agreed to perform in IGAs and ISAs with state and local public agencies.		
Funds Expended	16,259,200	16,130,800
Year-End Fund Balance	1,300,700	989,300
Indirect Cost Fund (HSA9001/A.R.S. § 36-108)		Appropriated
Source of Revenue: Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
Purpose of Fund: To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
Funds Expended	9,286,300	10,141,700
Year-End Fund Balance	3,991,200	2,449,500
Interagency Service Agreement for Behavioral Health Services Fund (HSA4502/A.R.S. § 36-108.01)		Expenditure Authority
Source of Revenue: Federal monies from the Centers for Medicare and Medicaid Services.		
Purpose of Fund: To provide behavioral health services to Medicaid-eligible individuals. This fund was transferred from DHS to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapter 19 and 195, and is included in the AHCCCS Federal Medicaid Authority. Laws 2015, Chapter 122 requires monies remaining in the fund on July 1 of fiscal years 2018, 2019, and 2020 be transferred to the state General Fund. The transfer amount may be adjusted for reported by unpaid claims and estimated incurred but unreported claims prior to June 30, 2016. The FY 2019 General Appropriation Act transferred \$3,100,000 from the fund to the state General Fund in FY 2018. The fund will be repealed August 31, 2020.		
Funds Expended	0	0
Year-End Fund Balance	98,600	98,600

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Internal Services Fund (HSA4202/A.R.S. § 36-104)		Non-Appropriated
Source of Revenue: Charges from other DHS funds.		
Purpose of Fund: Revolving Fund used by DHS warehouse for the purchase of goods.		
Funds Expended	27,000	22,700
Year-End Fund Balance	90,800	68,100
Laser Safety Fund (HSA2388/A.R.S. § 32-3234)		Non-Appropriated
Source of Revenue: Fees collected from the authorization of certificates to individuals that operate lasers of Intense Pulsed Light (IPL) devices for health and cosmetic related purposes.		
Purpose of Fund: To fund the costs of issuing licenses to individuals that operate lasers or IPL devices for health related purposes. Laws 2017, Chapter 313 transferred this fund to the Department of Health Services, effective January 1, 2018.		
Funds Expended	44,100	40,000
Year-End Fund Balance	0	600
Medical Marijuana Fund (HSA2544/A.R.S. § 36-2817)		Non-Appropriated
Source of Revenue: The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.		
Purpose of Fund: To enforce provisions of Proposition 203 (Arizona Medical Marijuana Act) enacted in the 2010 General Election. The Arizona Medical Marijuana Act regulates dispensation, prescription, and use of medical marijuana, including an electronic registry of dispensary agents, patients and designated caregivers.		
Funds Expended	12,623,400	17,898,800
Year-End Fund Balance	49,650,900	65,135,600
Medical Student Loan Fund (HSA3306/A.R.S. § 15-1725)		Non-Appropriated
Source of Revenue: Monies from legislative appropriations, and loan repayments of principal, interest, and penalties received by the board. These monies are exempt from lapsing. All monies in the fund are to be used for the Primary Care Provider Loan Repayment Program. There are no new legislative appropriations into this fund.		
Purpose of Fund: To provide loans to defray the medical education expenses of Arizona resident students attending medical school, in return for a service commitment to the state.		
Funds Expended	64,000	59,200
Year-End Fund Balance	93,600	46,800
Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)		Appropriated
Source of Revenue: Monies received as part of the hospital charges for each child born in Arizona. Fee limits for newborn screening are \$36 for the first blood and hearing screening and \$65 for the second blood and hearing screening.		
Purpose of Fund: To provide monies for the centralized testing of all newborns in the state for a standard set of 30 metabolic and congenital (environmental/inherited) disorders. Every 4 years the department solicits bids for the contracting of these tests. The State Health Lab holds the current contract. In addition, the fund provides monies for follow-up counseling for the parents of affected infants.		
Funds Expended	6,937,000	7,660,200
Year-End Fund Balance	2,541,500	1,792,600
Nuclear Emergency Management Fund (HSA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station. Laws 2017, Chapter 43 appropriates \$789,663 to the Arizona Radiation Regulatory Agency in both FY 2018 and FY 2019.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Laws 2017, Chapter 43 established the fund as an appropriated fund with fees directed to the Nuclear Emergency Management Fund rather than the General Fund. Laws 2017, Chapter 313 transferred this fund to the Department of Health Services, effective January 1, 2018.		
Funds Expended	771,000	789,700
Year-End Fund Balance	15,300	15,300

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Nursing Care Institution Resident Protection Revolving Fund (HSA2329/A.R.S. § 36-431.02)		Appropriated
Source of Revenue: Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
Purpose of Fund: For the protection of the health and property of residents of nursing care facilities that are found deficient.		
Funds Expended	21,500	138,200
Year-End Fund Balance	2,229,400	2,127,600
Oral Health Fund (HSA3038/A.R.S. § 36-138)		Non-Appropriated
Source of Revenue: Monies received from AHCCCS contracts for dental services.		
Purpose of Fund: To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
Funds Expended	246,000	482,000
Year-End Fund Balance	854,000	649,600
Public Health Emergencies Fund (HSA2775/A.R.S. § 36-122)		Non-Appropriated
Source of Revenue: Legislative appropriations from the Emergency Medical Services Operating Fund.		
Purpose of Fund: To fund public health emergency responses in the state following an emergency declaration by the Governor. Laws 2017, Chapter 309 created the fund.		
Funds Expended	106,600	0
Year-End Fund Balance	393,400	393,400
Radiation Regulatory Fee Fund (AEA2554/A.R.S. § 30-658 [REPEALED])		Appropriated
Source of Revenue: Includes fees collected for licensing, inspection, and registration fees for individuals and other entities utilizing radiological materials.		
Purpose of Fund: To provide funding for the operating expenses of the agency. Laws 2017, Chapter 313 transferred this fund to the Department of Health Services, effective January 1, 2018. The FY 2019 Health Budget Reconciliation Bill repeals the fund and transfers the remaining balance to the Health Services Licensing Fund.		
Funds Expended	562,400	0
Year-End Fund Balance	24,200	24,200
State Radiologic Technologist Certification Fund (AEA2061/A.R.S. § 32-2823 [REPEALED])		Appropriated
Source of Revenue: License fees paid by x-ray technologists.		
Purpose of Fund: To provide for the licensing of x-ray technologists and the investigation of complaints. Laws 2017, Chapter 313 transfers this fund to the Department of Health Services, effective January 1, 2018. The FY 2019 Health Budget Reconciliation Bill repeals the fund and transfers the remaining balance to the Health Services Licensing Fund.		
Funds Expended	262,300	0
Year-End Fund Balance	15,700	15,700
Risk Assessment Fund (HSA2427/A.R.S. § 36-1693)		Non-Appropriated
Source of Revenue: Monies from the Department of Environmental Quality for risk services performed by DHS. The fund may also receive legislative appropriations, gifts, grants, or donations.		
Purpose of Fund: To conduct health effects studies and risk assessments of public health risks from environmental exposure, to evaluate and calculate cleanup standards, to communicate health risks to the public, and for administrative costs of those activities.		
Funds Expended	46,800	46,400
Year-End Fund Balance	69,200	83,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Smoke Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)		Non-Appropriated
Source of Revenue: A 2¢ per pack tax on cigarettes. Any revenues not used by the department to enforce the smoking ban are deposited to the Tobacco Tax Products Fund to be used for education programs to reduce or eliminate tobacco use.		
Purpose of Fund: To enforce the provisions of Proposition 201 (Smoke Free Arizona Act) enacted in the 2006 General Election. The Smoke-Free Arizona Act banned smoking in public places except retail tobacco stores, veteran and fraternal clubs, hotel rooms designated as smoking rooms, and outdoor patios.		
Funds Expended	2,779,300	3,000,000
Year-End Fund Balance	925,000	628,100
Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)		Non-Appropriated
Source of Revenue: The account receives 23¢ of each dollar deposited in the Tobacco Tax and Health Care Fund and 2¢ of each dollar in the Tobacco Products Tax Fund.		
Purpose of Fund: Monies are used for community-based education and evaluation, and other programs to discourage tobacco use among the general public, specifically targeting minors and culturally diverse populations. The monies from the Tobacco Products Tax Fund are used for the prevention and detection of the 4 leading causes of death.		
Funds Expended	19,056,700	18,696,800
Year-End Fund Balance	4,281,200	2,769,400
Tobacco Tax and Health Care Fund - Health Research Account (DSA2096/A.R.S. § 36-275, A.R.S. § 36-773)		Partially-Appropriated
Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction. The FY 2019 General Appropriation Act appropriated \$3,000,000 from the fund for Alzheimer's disease research, \$2,000,000 of which was one-time.		
Appropriated Fund Expended	3,501,300	5,000,000
Non-Appropriated Funds Expended	5,127,300	5,103,000
Year-End Fund Balance	9,155,700	4,607,400
Tobacco Tax and Health Care Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774)		Partially-Appropriated
Source of Revenue: The account receives funding from the Medically Needy Account of the Tobacco Tax and Health Care Fund, which is managed by AHCCCS. All monies remaining unexpended at the end of the fiscal year revert to the AHCCCS Medically Needy Account. (See <i>Tobacco Tax Table in the AHCCCS section.</i>)		
Purpose of Fund: Monies are used for a variety of health programs that are intended to increase primary care and mental health services for uninsured and low-income populations. DHS receives appropriations from the fund for the Folic Acid Program and Renal Dental Care and Nutrition Supplements line items.		
Appropriated Funds Expended	584,600	700,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	322,400	242,400
Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)		Appropriated
Source of Revenue: Fees collected for searches, copies of records, applications to file delayed records, requests for supplementary birth certificates, following adoption, legitimation, paternity determination, surgical alterations, and chromosomal counts, or amendments to existing records. DHS is authorized by A.R.S. § 36-341 to set vital records fees for individuals and counties that access the vital records electronic system. Total revenues are limited to \$4,530,000. Of the first \$4,000,000, 85% will be required into the Vital Records Electronic Systems Fund and 15% will be deposited into the General Fund. For any revenue above \$4,000,000, 40% will be deposited into the Vital Records Electronic Systems Fund and 60% will be deposited into the General Fund.		
Purpose of Fund: To develop and operate a new vital records automated system.		
Funds Expended	2,255,400	3,630,200
Year-End Fund Balance	3,281,000	1,701,900

Arizona Historical Society

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	50.9	50.9	50.9 ^{1/}
Personal Services	1,137,300	1,193,900	1,193,900
Employee Related Expenditures	467,400	524,500	524,500
Professional and Outside Services	162,500	25,600	25,600
Travel - In State	100	0	0
Other Operating Expenditures	793,100	845,300	725,300
Equipment	2,800	0	0
OPERATING SUBTOTAL	2,563,200	2,589,300	2,469,300
SPECIAL LINE ITEMS			
Field Services and Grants	66,300	65,900	65,900
Papago Park Museum	550,300	539,800	539,800
AGENCY TOTAL	3,179,800	3,195,000	3,075,000 ^{2/}
FUND SOURCES			
General Fund	3,179,800	3,195,000	3,075,000
SUBTOTAL - Appropriated Funds	3,179,800	3,195,000	3,075,000
Other Non-Appropriated Funds	1,007,800	1,339,500	1,280,300
TOTAL - ALL SOURCES	4,187,600	4,534,500	4,355,300

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 2020.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,469,300 and 40.4 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Risk Management Adjustment

The Baseline includes a decrease of \$(120,000) from the General Fund to align the operating budget with the current Risk Management premiums.

Field Services and Grants

The Baseline includes \$65,900 and 0.4 FTE Positions from the General Fund in FY 2020 for Field Services and Grants. These amounts are unchanged from FY 2019.

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 Baseline includes \$539,800 and 10.1 FTE Positions from the General Fund in FY 2020 for the Papago Park Museum. These amounts are unchanged from FY 2019.

This line item funds the operation and maintenance of the Papago Park Museum (Tempe).

Other Issues

Museum Attendance

Table 1

FY 2018 Museum Attendance

<u>Facility</u>	<u>Visitors</u>
Arizona History (Tucson)	9,320
Downtown History (Tucson)	2,402
Fort Lowell (Tucson)	4,642
Sosa Carrillo Fremont (Tucson)	0 ^{1/}
Sanguinetti House (Yuma)	2,900
Museum at Papago Park (Tempe)	7,008
Pioneer Museum (Flagstaff)	11,654
Riordan Mansion (Flagstaff)	<u>20,145</u>
Total	58,071

^{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.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Federal Grants (HIA2000/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Permanent Arizona Historical Society Revolving Fund (HIA2900/A.R.S. § 14-826)		Non-Appropriated
Source of Revenue: Monies from the operation of gift shops, book shops, food service facilities, and charges for the use of or admission into any of the society's facilities.		
Purpose of Fund: For enhancing the programs of the society, or operating or improving its facilities.		
Funds Expended	572,500	669,600
Year-End Fund Balance	179,700	247,600
Preservation and Restoration Fund (HIA2125/A.R.S. § 41-825)		Non-Appropriated
Source of Revenue: Reproduction charges.		
Purpose of Fund: To preserve and restore historic photographs.		
Funds Expended	32,000	85,700
Year-End Fund Balance	46,400	60,700
Private Fund (HIA9447/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Revenues are generated through memberships, unrestricted donations, and program revenue. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: For operating expenses.		
Funds Expended	388,100	583,200
Year-End Fund Balance	1,035,400	1,025,000

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Trust Fund (HIA9450/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Monies held in trust for specific purposes. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool. Only interest earnings are expended.		
Purpose of Fund: For operating expenses.		
Funds Expended	15,200	1,000
Year-End Fund Balance	106,800	106,900

Prescott Historical Society of Arizona

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	518,400	515,700	515,700
Employee Related Expenditures	233,800	234,300	234,300
Other Operating Expenditures	87,800	82,700	82,700
Equipment	200	0	0
AGENCY TOTAL	840,200	832,700	832,700 ^{1/}
FUND SOURCES			
General Fund	840,200	832,700	832,700
SUBTOTAL - Appropriated Funds	840,200	832,700	832,700
Other Non-Appropriated Funds	536,400	625,100	625,100
TOTAL - ALL SOURCES	1,376,600	1,457,800	1,457,800

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 Baseline includes \$832,700 and 13 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Sharlot Hall Historical Society (PHA9505/A.R.S. § 41-831)		Non-Appropriated
Source of Revenue: Monies received from admissions, donations, memberships, interest, gift shop and rent. Funds are outside the control of the State Treasurer and by statute are held in trust for the society's use by the Society Treasurer.		
Purpose of Fund: To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.		
Funds Expended	536,400	625,100
Year-End Fund Balance	3,020,000	3,083,800

Arizona Department of Homeland Security

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
FUND SOURCES			
Federal Funds	19,363,500	23,114,800	23,114,800
TOTAL - ALL SOURCES	19,363,500	23,114,800	23,114,800

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.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Federal Funds (HLA2000/A.R.S. § 41-4254)		Non-Appropriated
Source of Revenue: Grants received from the U.S. Department of Homeland Security.		
Purpose of Fund: To provide state agencies and local governments with funding to deter and mitigate acts of terrorism. Federal grant guidelines allow up to 5% of the grand total to be used for administrative costs.		
Funds Expended	19,363,500	23,114,800
Year-End Fund Balance	1,018,800	1,018,800

Board of Homeopathic and Integrated Medicine Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	30,300	36,600	36,600
Employee Related Expenditures	23,300	18,500	18,500
Professional and Outside Services	0	200	200
Travel - In State	0	1,300	1,300
Other Operating Expenditures	11,000	34,100	34,100
AGENCY TOTAL	64,600	90,700	90,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	64,600	90,700	90,700
SUBTOTAL - Other Appropriated Funds	64,600	90,700	90,700
SUBTOTAL - Appropriated Funds	64,600	90,700	90,700
TOTAL - ALL SOURCES	64,600	90,700	90,700

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 Baseline includes \$90,700 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Homeopathic and Integrated Medicine Examiners' Fund (HEA2041/A.R.S. § 32-2906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of homeopaths. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate homeopaths, and for board administration.		
Funds Expended	64,600	90,700
Year-End Fund Balance	14,900	8,800

Arizona Department of Housing

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	20.0	3.0	3.0
Personal Services	303,800	201,500	201,500
Employee Related Expenditures	110,900	78,600	78,600
Professional and Outside Services	15,700	28,600	28,600
Travel - In State	10,200	13,500	13,500
Other Operating Expenditures	123,700	0	0
Equipment	5,000	0	0
AGENCY TOTAL	569,300	322,200	322,200 ^{1/}
FUND SOURCES			
General Fund	246,100	0	0
<u>Other Appropriated Funds</u>			
Housing Trust Fund	323,200	322,200	322,200
SUBTOTAL - Other Appropriated Funds	323,200	322,200	322,200
SUBTOTAL - Appropriated Funds	569,300	322,200	322,200
Other Non-Appropriated Funds	16,473,000	27,000,400	27,171,500
Federal Funds	77,359,000	91,284,100	88,784,100
TOTAL - ALL SOURCES	94,401,300	118,606,700	116,277,800

AGENCY DESCRIPTION — Through a variety of housing and community improvement programs, the department annually administers approximately \$94 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 also include the Office of Manufactured Housing.

FOOTNOTES

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

Operating Budget

The Baseline includes \$322,200 and 3 FTE Positions from the Housing Trust Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Consumer Recovery Fund (HDA3090/A.R.S. § 41-4041)		Non-Appropriated
Source of Revenue: Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.		
Purpose of Fund: To provide consumer and license education in connection with the manufactured housing and factory-built building industry and to make payments on damage claims filed by consumers of these types of residential buildings. This fund was transferred from the Department of Fire, Building and Life Safety to the Department of Housing by Laws 2016, Chapter 128.		
Funds Expended	3,300	3,400
Year-End Fund Balance	667,600	440,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
DPS-FBI Fingerprint Fund (HDA2159/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Revenues include fees collected from fingerprint clearance cards.		
Purpose of Fund: Revenues are transferred to the Department of Public Safety (DPS) to process fingerprint clearance cards. This fund was transferred from the Department of Fire, Building and Life Safety to the Department of Housing by Laws 2016, Chapter 128.		
Funds Expended	5,700	0
Year-End Fund Balance	1,400	7,300
Federal Funds (HDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Funds for affordable housing programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	77,359,000	91,284,100
Year-End Fund Balance	6,802,100	3,668,100
Federal Grant - American Recovery and Reinvestment Act (ARRA) (HDA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	0	0
Year-End Fund Balance	739,500	839,500
Housing Program Fund (HDA2200/A.R.S. § 41-3957)		Non-Appropriated
Source of Revenue: Fees received from the following programs: private activity bond (underwriting and hearings), low-income tax credit (application, monitoring and reservation fees), fees charged from conferences and workshops, fees from the Section 8 project-based contract administration program, administrative reimbursements from Federal Hardest Hit Funds, utility grants from Southwest Gas for the state's Weatherization Program, and services fees related to the Office of Manufactured Housing.		
Purpose of Fund: To pay the costs of administering the programs from which the deposits are received and for other department programs.		
Funds Expended	7,891,100	9,695,400
Year-End Fund Balance	14,164,900	10,454,700
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Partially-Appropriated
Source of Revenue: The Housing Trust Fund receives its \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund. The fund also receives monies from loan repayments and interest from the State Treasurer. Beginning in FY 2017, Laws 2016, Chapter 372 redirects fees from the Arizona Industrial Development Authority's single-family mortgage program from the department's ISA and IGA Fund to the Housing Trust Fund.		
Purpose of Fund: For expenses related to the provision of affordable housing opportunities to low and moderate income families. The appropriated portion pays for administration expenses and may not exceed 10% of the Housing Trust monies. The non-appropriated portion of the fund is used for the operation, construction, or renovation of housing facilities for low-income households.		
Appropriated Funds Expended	323,200	322,200
Non-Appropriated Funds Expended	4,587,000	13,701,000
Year-End Fund Balance	19,775,300	17,256,800
IGA & ISA Fund (HDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Reimbursements to the department from the Arizona Department of Economic Security for the administration of the Federal Low-Income Housing Energy Assistance Program (LIHEAP).		
Purpose of Fund: To enable the department to administer a portion of the LIHEAP which provides direct weatherization and energy improvements to homes owned by low-income homeowners.		
Funds Expended	3,794,700	3,113,200
Year-End Fund Balance	6,200	57,700

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Manufactured Housing Cash Bond Fund (HDA3722/A.R.S. § 41-4029)		Non-Appropriated
Source of Revenue: Cash deposits made by housing manufacturers and installers prior to the granting of an original license. Applicants must make a cash deposit for each branch location of their operation.		
Purpose of Fund: To compensate consumers in cases where a licensee fails to perform sales or installation agreements or repairs under warranty; and to make payment to the department if the licensee fails to pay any fees or costs owed. This fund was transferred from the Department of Fire, Building and Life Safety to the Department of Housing by Laws 2016, Chapter 128.		
Funds Expended	0	0
Year-End Fund Balance	524,500	525,000
Mobile Home Relocation Fund (HDA2237/A.R.S. § 33-1476.02)		Non-Appropriated
Source of Revenue: Assessments collected from mobile home owners who do not own the land upon which the mobile home is located and interest earnings. Once the fund balance reaches \$8,000,000, assessments will no longer be collected and the only revenue will be from interest. Assessment would resume when the fund balance at the end of a fiscal year is less than \$6,000,000.		
Purpose of Fund: To pay for relocations due to rental increases and to pay premiums and other costs of purchasing insurance coverage for tenant relocation costs due to a change in property use pursuant to A.R.S. § 33-1476.01. If such insurance is not available, or if the insurance costs exceed the amount available from the fund, the fund is used to make direct payments for tenant relocation costs. This fund was transferred from the Department of Fire, Building and Life Safety to the Department of Housing by Laws 2016, Chapter 128.		
Funds Expended	191,200	487,400
Year-End Fund Balance	7,921,100	7,561,300

Independent Redistricting Commission

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	0	0	0
AGENCY TOTAL	0	0	0
FUND SOURCES			
General Fund	0	0	0
SUBTOTAL - Appropriated Funds	0	0	0
TOTAL - ALL SOURCES	0	0	0

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 Baseline includes no funding from the General Fund in FY 2020 for the operating budget. This amount is unchanged from FY 2019.

The FY 2018 budget eliminated funding for the commission, whose final outstanding case for the 2010 redistricting cycle, *Leach v. Independent Redistricting Commission*, has concluded. The commission will resume its constitutional duties in CY 2021, the start of the next 10-year redistricting cycle. The Arizona Department of Administration (ADOA) is required to recommend funding for the next commission in CY 2018 or CY 2019. ADOA has not yet made a recommendation.

The Baseline's long term General Fund estimates include funding for the commission of \$500,000 in FY 2021 and \$3,700,000 in FY 2022. These amounts correspond to the appropriations made to the commission in FY 2011 and FY 2012 for the beginning of the 2010 redistricting cycle.

Please see the FY 2018 Appropriations Report for more information on the history of the 2010 redistricting cycle.

Industrial Commission of Arizona

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.6	235.6	235.6
Personal Services	8,700,400	9,539,900	9,539,900
Employee Related Expenditures	3,563,700	3,780,900	3,780,900
Professional and Outside Services	1,380,800	1,571,800	1,571,800
Travel - In State	144,000	186,400	186,400
Travel - Out of State	37,600	45,200	45,200
Other Operating Expenditures	3,636,700	4,834,500	4,834,500
Equipment	538,900	43,100	43,100
AGENCY TOTAL	18,002,100	20,001,800	20,001,800 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Administrative Fund	18,002,100	20,001,800	20,001,800
SUBTOTAL - Other Appropriated Funds	18,002,100	20,001,800	20,001,800
SUBTOTAL - Appropriated Funds	18,002,100	20,001,800	20,001,800
Other Non-Appropriated Funds	16,333,700	17,416,200	17,416,200
Federal Funds	2,911,800	3,098,600	3,098,600
TOTAL - ALL SOURCES	37,247,600	40,516,600	40,516,600

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, licensing of private employment agencies 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 Baseline includes \$20,001,800 and 235.6 FTE Positions from the Administrative Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Administrative Fund (ICA2177/A.R.S. § 23-1081)		Appropriated
Source of Revenue: Annual tax on workers' compensation premiums that cannot exceed 3%.		
Purpose of Fund: For all expenses of the Industrial Commission in carrying out its powers and duties.		
Funds Expended	18,002,100	20,001,800
Year-End Fund Balance	15,306,900	8,031,900

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Federal Grants (ICA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To enforce occupational safety and health standards in all industries in Arizona except businesses relating to mining and smelting, businesses located on Indian reservations and federal agencies.		
Funds Expended	2,911,800	3,098,600
Year-End Fund Balance	311,000	311,000
Revolving Fund (ICA2002/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
Purpose of Fund: To fund an annual seminar on workers' compensation for insurance carriers and self-insured employers; to print a medical fee schedule for workers' compensation; and to provide a holding account for money owed to employees by their employers for back wages.		
Funds Expended	118,100	147,000
Year-End Fund Balance	233,700	233,700
Special Fund (ICA2180/A.R.S. § 23-1065)		Non-Appropriated
Source of Revenue: Assessments on workers' compensation premiums, earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
Purpose of Fund: To provide medical benefits in excess of original policy limits on claims occurring prior to a 1973 law change requiring unlimited statutory medical benefits; to provide compensation benefits resulting from second injuries; to provide vocational rehabilitation benefits; and to provide benefits on claims against uninsured employers and insolvent insurance carriers.		
Funds Expended	16,215,600	17,269,200
Year-End Fund Balance	1,044,900	999,000

Department of Insurance

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	72.3	72.3	72.3
Personal Services	3,000,000	3,171,800	3,171,800
Employee Related Expenditures	1,205,100	1,438,200	1,438,200
Professional and Outside Services	321,500	312,000	312,000
Travel - In State	21,000	25,600	25,600
Travel - Out of State	9,600	1,100	1,100
Other Operating Expenditures	817,100	673,300	673,300
Equipment	50,900	6,400	6,400
AGENCY TOTAL	5,425,200	5,628,400	5,628,400 ^{1/}
FUND SOURCES			
General Fund	5,425,200	5,628,400	5,628,400
SUBTOTAL - Appropriated Funds	5,425,200	5,628,400	5,628,400
Other Non-Appropriated Funds	31,865,100	28,861,800	28,861,800
Federal Funds	149,400	691,600	0
TOTAL - ALL SOURCES	37,439,700	35,181,800	34,490,200

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.

FOOTNOTES

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

Operating Budget

The Baseline includes \$5,628,400 and 72.3 FTE Positions from the General Fund in FY 2020 for the operating budget. These amount are unchanged from FY 2019.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to suspend the statutory requirement that fee revenues be between 95% and 110% of the department's appropriation for FY 2020.

Arizona Life and Disability Insurance Guaranty Fund

The Arizona Life and Disability Insurance Guaranty Fund (ALDIGF) is managed by the Department of Insurance and a 9-member Life and Disability Insurance Guaranty Fund Board (Board) and was created as a safeguard to meet the

obligations of a licensed insurance company in the event that a licensed insurer fails. Monies in the fund come from an assessment levied on all other licensed insurers. In the event that one or more insurers are determined to be financially impaired or insolvent and can no longer meet its obligations to policyholders, monies in the ALDIGF are used to pay those obligations up to a certain maximum payout amount, determined by statute based on the type of insurance. Monies in the ALDIGF are not appropriated by the Legislature.

Due to the failure of 2 national insurance companies with business in Arizona, the Department of Insurance and the board have begun levying assessments to replenish the fund. The department and the board plan to levy assessments over multiple years. In FY 2018, the board levied a \$7.0 million assessment, and a \$9.2 million assessment in FY 2019.

Similar assessments will continue over many years, likely decreasing over time, to match the annual fund payouts. While the exact amount of the total assessments is not

yet known, the department estimates that total assessments could exceed \$150 million through CY 2051. The policies in Arizona affected by the insolvent insurers are primarily long-term care policies – the maximum payout from the ALDIGF for long-term care policies is capped by statute at \$300,000.

The maximum assessment amount that can be levied on a single insurer in any one year is capped at 2% of the

insurer's average total premiums of similar insurance lines covered by the ALDIGF in the previous 3 years. Statute also allows insurers to offset their Insurance Premium Tax (IPT) payments by 20% in the year of the assessment, and by 20% in each of the succeeding 4 years. As a result, this would have the effect of reducing IPT collections, which are deposited into the General Fund.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Assessment Fund for Voluntary Plans Fund (IDA2316/A.R.S. § 20-2201)	Non-Appropriated	
Source of Revenue: Assessments paid by insurance companies or reinsuring carriers authorized to sell liability insurance.		
Purpose of Fund: To provide for the administrative costs associated with finding liability Insurance for classes of risk that are unable to obtain liability coverage. Monies are also used to administer the Small Employers Reinsurance Plan Board. The board ensures the accessibility of small group health insurance by requiring a reinsurance program to spread the risk of insuring small groups. The FY 2019 Budget Procedures Budget Reconciliation Bill allows the director to use the fund for costs to administer the out-of-network claim dispute resolution process in FY 2019 and FY 2020.		
Funds Expended	0	133,700
Year-End Fund Balance	294,300	160,600
Captive Insurance Regulatory and Supervision Fund (IDA2377/A.R.S. § 20-1098.18)	Non-Appropriated	
Source of Revenue: License and renewal fees collected from individual captive insurers and corporations applying to do business as a captive insurer. A captive insurer is an enterprise with the authority to function as an independent insurance company, but is organized by a parent company with the express intent to provide the parent company's insurance.		
Purpose of Fund: To provide funding for the promotion of the state's captive insurance industry and related administrative costs. Up to \$100,000 may be used annually to cover the department's administrative costs.		
Funds Expended	257,900	434,300
Year-End Fund Balance	512,300	435,200
Federal Funds (IDA2000/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Federal monies from Affordable Care Act grants.		
Purpose of Fund: To implement the provisions of the Affordable Care Act, including the planning and implementation of a health insurance exchange and to aid in the review of health insurance premium rates.		
Funds Expended	149,400	691,600
Year-End Fund Balance	0	0
Financial Surveillance Fund (IDA2473/A.R.S. § 20-156)	Non-Appropriated	
Source of Revenue: Assessments paid by domestic insurers, other than life and disability re-insurers, service companies, and mechanical reimbursement re-insurers.		
Purpose of Fund: To provide funds for the costs of financial analysts who conduct financial surveillance of domestic insurers in order to identify possible risks to financial stability.		
Funds Expended	478,700	479,600
Year-End Fund Balance	418,500	344,300
Health Care Appeals Fund (IDA2467/A.R.S. § 20-2540)	Non-Appropriated	
Source of Revenue: One-time fee of \$200 and an annual fee of up to \$200 per health care insurance company.		
Purpose of Fund: To pay for start-up and ongoing costs related to selecting an independent review organization. The selected organization will conduct external independent reviews that involve issues of medical necessity.		
Funds Expended	253,900	240,100
Year-End Fund Balance	98,000	97,000

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
IGA and ISA Fund (IDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To pay for promotional materials in collaboration with the Department of Public Safety Arizona Automobile Theft Authority relating to vehicle theft prevention.		
Funds Expended	0	0
Year-End Fund Balance	700	700
Insurance Examiners' Revolving Fund (IDA2034/A.R.S. § 20-159)		Non-Appropriated
Source of Revenue: Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.		
Purpose of Fund: To provide funds for contract examiners' per diem compensation and funds to reimburse contract examiners for travel and living expenses, as approved by the Director of the Department of Insurance. Monies are also used to cover the department's related administrative costs.		
Funds Expended	2,406,500	2,917,100
Year-End Fund Balance	1,099,300	1,051,200
Life and Disability Insurance Guaranty Fund (IDA2154/A.R.S. § 20-683)		Non-Appropriated
Source of Revenue: Assessments on life and disability insurance companies and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for life and disability insurance policies and annuity contracts. The fund also pays the administrative costs of the 9-member Life and Disability Insurance Guaranty Fund Board authorized by A.R.S. § 20-684. Monies are held in a depository designated by the Director of the Department of Insurance.		
Funds Expended	15,754,200	12,251,700
Year-End Fund Balance	18,878,100	17,941,400
Arizona Property and Casualty Insurance Guaranty Fund (IDA2114/A.R.S. § 20-662)		Non-Appropriated
Source of Revenue: Assessments on property and casualty insurance and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for property and casualty insurance policies. The fund also pays the administrative costs of the 11-member Property and Casualty Insurance Guaranty Fund Board authorized by A.R.S. § 20-663. Monies are held in a depository designated by the Director of the Department of Insurance. Laws 2014, Chapter 186 created the Workers' Compensation Insurance Account within the Fund, and transferred the rights and obligations from the Industrial Commission to the Department of Insurance Guaranty Fund. The law also required the Industrial Commission to transfer \$222,848,200 to the Arizona Property and Casualty Insurance Guaranty Fund.		
Funds Expended	12,620,800	12,338,500
Year-End Fund Balance	223,428,700	212,590,200
Receivership Liquidation Fund (IDA3104/A.R.S. § 20-648)		Non-Appropriated
Source of Revenue: Consists of 10% of an insolvent insurer's statutory deposit with the State Treasurer authorized by A.R.S. § 20-213. Upon termination of a receivership, the court may award proceeds to the fund, up to the amount of the department's administrative costs.		
Purpose of Fund: To support the department's Receivership Division, which administers the liquidation of insurance companies to ensure maximum recovery of assets. The balance forward represents cash on hand. It does not include the state's unfunded liability for deposits being held as assurance against future insolvencies.		
Funds Expended	93,100	66,800
Year-End Fund Balance	112,700	97,400

Judiciary - Supreme Court

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	183.0	183.0	183.0 ^{1/}
Personal Services	6,822,400	6,926,200	6,926,200
Employee Related Expenditures	2,439,400	3,144,700	3,144,700
Professional and Outside Services	148,200	476,100	476,100
Travel - In State	168,300	161,400	161,400
Travel - Out of State	40,500	36,400	36,400
Other Operating Expenditures	3,307,300	4,239,300	4,196,600
OPERATING SUBTOTAL	12,926,100	14,984,100	14,941,400 ^{2/}
SPECIAL LINE ITEMS			
State Aid	4,143,000	5,661,200	5,661,200
County Reimbursements	187,900	187,900	187,900 ^{3/}
Automation	15,997,100	20,046,600	20,046,600 ^{4/5/}
State Foster Care Review Board	3,204,000	3,176,300	3,176,300
Court Appointed Special Advocate	3,103,200	3,517,400	3,517,400
Model Court	439,400	438,500	438,500
Domestic Relations	624,300	619,400	619,400
Judicial Nominations and Performance Review	416,100	412,600	412,600
Commission on Judicial Conduct	507,000	503,000	503,000
Courthouse Security	313,800	750,000	750,000
Peace Officer Training Fee Programming Cost	0	20,000	0
AGENCY TOTAL	41,861,900	50,317,000	50,254,300 ^{6/}
FUND SOURCES			
General Fund	18,789,000	19,870,100	19,827,400
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	184,200	491,300	491,300
Court Appointed Special Advocate Fund	3,183,900	3,597,700	3,597,700
Criminal Justice Enhancement Fund	3,606,800	4,384,500	4,384,500
Defensive Driving School Fund	3,326,600	4,208,200	4,208,200
Judicial Collection Enhancement Fund	10,760,000	14,800,000	14,800,000
Legislative, Executive, and Judicial Public Buildings Land Fund	137,000	0	0
Peace Officer Training Equipment Fund	0	20,000	0
State Aid to the Courts Fund	1,874,400	2,945,200	2,945,200
SUBTOTAL - Other Appropriated Funds	23,072,900	30,446,900	30,426,900
SUBTOTAL - Appropriated Funds	41,861,900	50,317,000	50,254,300
Other Non-Appropriated Funds	20,427,900	24,935,400	24,935,400
TOTAL - ALL SOURCES	62,289,800	75,252,400	75,189,700

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 52.5 GF and 21.8 OF FTE Positions funded from Special Line Items in FY 2020.

^{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, 2019, 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 receiving or anticipated to receive state monies in the current or next 2 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 Baseline includes \$14,941,400 and 108.7 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$11,105,500
Confidential Intermediary and Fiduciary Fund	491,300
Criminal Justice Enhancement Fund (CJEF)	7,000
Defensive Driving School Fund	708,500
Judicial Collection Enhancement Fund (JCEF)	2,629,100

FY 2020 adjustments are as follows:

Risk Management Shift

The Baseline includes a decrease of \$(42,700) from the General Fund in FY 2020 for a risk management shift. The Baseline includes a corresponding increase to the Court of Appeals and Superior Court budgets to better reflect actual risk management billing. As a result, there is no net change to the state due to this shift.

State Aid

The Baseline includes \$5,661,200 and 3.3 FTE Positions in FY 2020 for State Aid. These amounts consist of:

CJEF	2,716,000
State Aid to the Courts Fund	2,945,200

These amounts are unchanged from FY 2019.

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 Baseline includes \$187,900 from the General Fund in FY 2020 for County Reimbursements. This amount is unchanged from FY 2019.

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 Baseline continues this in FY 2020.

Automation

The Baseline includes \$20,046,600 and 13 FTE Positions in FY 2020 for Automation. These amounts consist of:

General Fund	3,384,200
Court Appointed Special Advocate (CASA) Fund	80,300
CJEF	1,661,500
Defensive Driving School Fund	3,499,700
JCEF	11,420,900

These amounts are unchanged from FY 2019.

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 Baseline includes \$3,176,300 and 40 FTE Positions from the General Fund in FY 2020 for the State Foster Care Review Board. These amounts are unchanged from FY 2019.

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 Baseline includes \$3,517,400 and 5.5 FTE Positions from the Court Appointed Special Advocate (CASA) Fund in FY 2020 for CASA. These amounts are unchanged from FY 2019.

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 Baseline includes \$438,500 from the General Fund in FY 2020 for Model Court. This amount is unchanged from FY 2019.

Monies in this line item represent a pass-through to counties to improve processing of dependency cases. The Superior Court budget included an additional, one-time appropriation of \$3,000,000 in General Fund monies in FY

2017 to fund operating expenses associated with a surge in dependency cases.

Domestic Relations

The Baseline includes \$619,400 and 4.9 FTE Positions from the General Fund in FY 2020 for Domestic Relations. These amounts are unchanged from FY 2019.

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 Baseline includes \$412,600 and 3.6 FTE Positions from the General Fund in FY 2020 for Judicial Nominations and Performance Review. These amounts are unchanged from FY 2019.

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, and Pinal 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 Baseline includes \$503,000 and 4 FTE Positions from the General Fund in FY 2020 for Commission on Judicial Conduct. These amounts are unchanged from FY 2019.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Courthouse Security

The Baseline includes \$750,000 from JCEF in FY 2020 for Courthouse Security. This amount is unchanged from FY 2019.

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. This funding was first approved in the FY 2018 Criminal Justice Budget Reconciliation Bill (BRB) and has since been included as its own line item.

Peace Officer Training Fee Equipment Programming Cost

The Baseline includes no funding in FY 2020 for programming costs. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(20,000) from the Peace Officer Training Equipment Fund in FY 2020 for the elimination of one-time programming funding.

Laws 2018, Chapter 312 appropriates \$20,000 from the Peace Officer Training Equipment Fund in FY 2019 for one-time programming costs associated with assessing the new Peace Officer Training Equipment fees. *(Please see the Peace Officer Training Equipment line item in the Department of Public Safety for more information.)*

Other Issues

Fund Transfers

The FY 2018 budget's 3-year spending plan included ongoing transfers of \$2.6 million from the courts. The FY 2019 budget reduced this transfer amount to \$2,000,000 and made it one-time. As a result, the Baseline includes no transfers from the courts in FY 2020.

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The Baseline includes an FY 2019 supplemental appropriation of \$24,500 from the General Fund to pay for FY 2019 employer contribution increases related to the Elected Officials Retirement Plan (EORP). The FY 2019

General Appropriation Act underestimated the total cost of the increase. The Baseline also includes the same amount from the General Fund in FY 2020. Both the supplemental and the FY 2020 amount would be distributed as a statewide adjustment and are not reflected in the agency table above. *(Please see the Consolidated Retirement Report for more information.)*

Case Management System

The FY 2019 Criminal Justice BRB allowed the Supreme Court to use up to \$3,150,000 through FY 2020 from the Juvenile Probation Services Fund, Alternative Dispute Resolution Fund, Drug Treatment and Education Fund, and the Arizona Lengthy Trial Fund for a new Appellate Case Management System. When completed, the new system will serve the Supreme Court and Division I of the Court of Appeals.

AOC reports that expenditures for this project will be reported in the future in the Automation line item, as required by a General Appropriation Act footnote.

AOC does not currently have a detailed spending plan for the project by year and by fund. However, given the current timeline, AOC believes that they will need authorization to spend this money through FY 2021. The Baseline does not extend that expenditure authority beyond FY 2020.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Alternative Dispute Resolution Fund (SPA3245/A.R.S. § 12-135)		Non-Appropriated
Source of Revenue: The fund consists of 0.35% of notary bond fees, 0.35% of fee collections on civil filings in the Superior Court, and 2.42% of civil filings in Justice of the Peace Courts.		
Purpose of Fund: To supplement local courts' funding for alternative dispute resolution programs. The FY 2019 Criminal Justice Budget Reconciliation Bill allows the Supreme Court to use up to \$3,150,000 through FY 2020 from the Juvenile Probation Services Fund, the Alternative Dispute Resolution Fund, Drug Treatment and Education Fund, and the Arizona Lengthy Trial Fund for a new Appellate Case Management System.		
Funds Expended	190,400	400,600
Year-End Fund Balance	105,200	75,400
Certified Reporters Fund (SPA2440/A.R.S. § 32-4007)		Non-Appropriated
Source of Revenue: Fees, costs and penalties relating to reporter certification.		
Purpose of Fund: For reporter certification.		
Funds Expended	65,100	102,300
Year-End Fund Balance	167,800	75,000

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Confidential Intermediary and Fiduciary Fund (SPA2276/A.R.S. § 8-135)		Appropriated
Source of Revenue: A portion of Superior Court fees; fees received by state and local registrars for certified copies of birth certificates; and fees collected through fiduciary registration with the Supreme Court.		
Purpose of Fund: To train and certify confidential intermediaries, who facilitate contact between adoptees/adoptive parents and birth parents while protecting court and agency records. Monies are also used to train and certify private fiduciaries, who serve as court appointed guardians or representatives, and to establish the Sibling Information Exchange Program, which facilitates contact between a former dependent child of biological parents, adoptive parents, guardians, and the child's sibling or siblings.		
Funds Expended	184,200	491,300
Year-End Fund Balance	733,600	552,700
Court Appointed Special Advocate Fund (SPA2275/A.R.S. § 8-524)		Appropriated
Source of Revenue: Revenues consist of 30% of the state lottery unclaimed prize monies.		
Purpose of Fund: For operating the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.		
Funds Expended	3,183,900	3,597,700
Year-End Fund Balance	4,660,300	4,384,900
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 10.66% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.86% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.43% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	3,606,800	4,384,500
Year-End Fund Balance	2,612,000	1,608,600
Defensive Driving School Fund (SPA2247/A.R.S. § 28-3398)		Appropriated
Source of Revenue: A fee, not to exceed \$15, imposed on each person who attends a defensive driving school, and \$500 initial certification and \$50-\$250 recertification fees paid by defensive driving schools. The fees are set by the Supreme Court.		
Purpose of Fund: To monitor defensive driving schools for compliance with claims and court policy, to supervise their use by the courts in Arizona, and to expedite the processing of highway traffic offenses. The Administrative Office of the Courts (AOC) has also used these monies to fund court automation projects throughout the state. In FY 2018, the AOC spent approximately \$2,768,500 for court automation projects.		
Funds Expended	3,326,600	4,208,200
Year-End Fund Balance	1,552,000	773,500
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.		
Purpose of Fund: To place persons in drug education and treatment programs. Such monies are allocated to Superior Court probation departments according to a formula based on probation caseloads. The FY 2019 Criminal Justice Budget Reconciliation Bill allows the Supreme Court to use up to \$3,150,000 through FY 2020 from the Juvenile Probation Services Fund, the Alternative Dispute Resolution Fund, Drug Treatment and Education Fund, and the Arizona Lengthy Trial Fund for a new Appellate Case Management System.		
Funds Expended	513,600	712,200
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	18,551,300	22,373,400
Year-End Fund Balance	17,667,100	10,590,500
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 18.74% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 15.74% to 17.27% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. Maricopa County retains any probation surcharge imposed in its county.		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services.		
Funds Expended	10,760,000	14,800,000
Year-End Fund Balance	3,314,800	2,559,100
Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)		Non-Appropriated
Source of Revenue: Monies appropriated to Juvenile Probation Services - Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies. The FY 2019 Criminal Justice Budget Reconciliation Bill allows the Supreme Court to use up to \$3,150,000 through FY 2020 from the Juvenile Probation Services Fund, the Alternative Dispute Resolution Fund, Drug Treatment and Education Fund, and the Arizona Lengthy Trial Fund for a new Appellate Case Management System.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Legislative, Executive, and Judicial Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)		Appropriated
Source of Revenue: State trust land lease revenues.		
Purpose of Fund: To support state Legislative, Executive, and Judicial buildings.		
Funds Expended	137,000	0
Year-End Fund Balance	0	0
Arizona Lengthy Trial Fund (SPA2382/A.R.S. § 21-222)		Non-Appropriated
Source of Revenue: The fund consists of fees established by the Supreme Court on court filings paid to the clerk of the Superior Court.		
Purpose of Fund: To pay juror expenses in cases that last longer than 5 days. Monies in the fund are used to reimburse counties for these juror costs. Statute specifies that not more than 3% of the fund is to be used on administration of the fund. The FY 2019 Criminal Justice Budget Reconciliation Bill allowed the Supreme Court to use up to \$3,150,000 through FY 2020 from the Juvenile Probation Services Fund, the Alternative Dispute Resolution Fund, Drug Treatment and Education Fund, and the Arizona Lengthy Trial Fund for a new Appellate Case Management System.		
Funds Expended	545,200	729,900
Year-End Fund Balance	78,100	52,200

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Peace Officer Training Equipment Fund (SPA9969/A.R.S. § 41-1731)		Appropriated
Source of Revenue: The fund consists of a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.		
Purpose of Fund: Established by Laws 2018, Chapter 312, the fund is used for the purchase of peace officer equipment. Chapter 312 appropriated a total of \$3,073,000 to the Department of Public Safety and the Arizona Supreme Court. The portion appropriated to the Supreme Court is a one-time appropriation for programming costs associated with the collection of the fee. Upon fulfillment of the appropriations in Chapter 312, the Peace Officer Training Equipment Fund Advisory Commission will make written recommendations to the President of the Senate, Speaker of the House of Representatives, the Governor, and the Chairpersons of the Senate Commerce and Public Safety Committee and the House Judiciary and Public Safety Committee on the allocation of the funding each year.		
Funds Expended	0	20,000
Year-End Fund Balance	0	0
Public Defender Training Fund (SPA3013/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Two dollars of the \$20 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.		
Purpose of Fund: For training of public defenders. Allocation of monies is made to each county Public Defender Office in proportion to the number of felony cases assigned to that office in the last fiscal year.		
Funds Expended	562,300	617,000
Year-End Fund Balance	176,900	128,000
State Aid to the Courts Fund (SPA2446/A.R.S. § 12-102.02)		Appropriated
Source of Revenue: Legislative appropriations, a portion of court filing fees, and a portion of fees, fines, penalties and forfeitures collected on criminal offenses and civil motor vehicle violations.		
Purpose of Fund: To provide state aid to the Superior Court, including the clerk of the Superior Court, and Justice Courts for the processing of criminal cases. Monies are distributed to each county based on a formula using Superior Court felony filings and county population.		
Funds Expended	1,874,400	2,945,200
Year-End Fund Balance	435,300	524,300

Judiciary - Court of Appeals

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
PROGRAM BUDGET			
Division I	10,192,200	11,099,600	11,119,400
Division II	4,465,200	4,892,800	4,900,600
AGENCY TOTAL	14,657,400	15,992,400	16,020,000
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	136.8	136.8	136.8 ^{1/}
Personal Services	9,905,000	10,161,200	10,161,200
Employee Related Expenditures	3,358,300	4,817,000	4,817,000
Professional and Outside Services	76,800	18,600	18,600
Travel - In State	202,800	202,500	202,500
Travel - Out of State	32,700	9,100	9,100
Other Operating Expenditures	1,081,800	784,000	811,600
AGENCY TOTAL	14,657,400	15,992,400	16,020,000 ^{2/}
FUND SOURCES			
General Fund	14,657,400	15,992,400	16,020,000
SUBTOTAL - Appropriated Funds	14,657,400	15,992,400	16,020,000
TOTAL - ALL SOURCES	14,657,400	15,992,400	16,020,000

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 FY 2020, 98.3 FTE Positions are for Division I and 38.5 FTE Positions are for Division II. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

Operating Budget

The Baseline includes \$16,020,000 and 136.8 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts include \$11,119,400 and 98.3 FTE Positions for Division I and \$4,900,600 and 38.5 FTE Positions for Division II. FY 2020 adjustments are as follows:

Risk Management Shift

The Baseline includes an increase of \$27,600 from the General Fund in FY 2020 for a risk management shift. Of this amount, \$19,800 is for Division I and \$7,800 is for Division II. The Baseline includes a corresponding decrease to the Supreme Court budget to better reflect

actual billing. As a result, there is no net increase to the state in FY 2020 due to this shift.

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The Baseline includes an FY 2019 supplemental appropriation of \$74,100 from the General Fund to pay for FY 2019 employer contribution increases related to the Elected Officials Retirement Plan (EORP). Of this amount, \$53,900 is for Division 1 and \$20,200 is for Division II. The FY 2019 General Appropriation Act underestimated the total cost of the increase. The

Baseline also includes the same amount from the General Fund in FY 2020. Both the supplemental and the FY 2020 amount would be distributed as a statewide adjustment and are not reflected in the agency table above. *(See the Consolidated Retirement Report for more information.)*

Case Management System

The FY 2019 Criminal Justice Budget Reconciliation Bill allowed the Supreme Court to use up to \$3,150,000 through FY 2020 from the Juvenile Probation Services Fund, Alternative Dispute Resolution Fund, Drug Treatment and Education Fund, and the Arizona Lengthy Trial Fund for a new Appellate Case Management System. When completed, the new system will serve the Supreme Court and Division I of the Court of Appeals. *(See the Supreme Court section for more information.)*

Judiciary - Superior Court

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	137.5	137.5	235.5 ^{1/}
Personal Services	2,411,000	2,381,500	2,381,500
Employee Related Expenditures	883,200	953,600	953,600
Professional and Outside Services	17,600	71,000	71,000
Travel - In State	31,700	15,000	15,000
Travel - Out of State	16,800	5,300	5,300
Other Operating Expenditures	796,300	781,300	796,400
OPERATING SUBTOTAL	4,156,600	4,207,700	4,222,800 ^{2/}
SPECIAL LINE ITEMS			
Centralized Service Payments	2,939,500	3,465,000	3,465,000 ^{3/}
Judges Compensation	8,187,000	10,624,100	17,596,100 ^{4/}
Adult Standard Probation	17,809,100	18,445,200	18,582,700 ^{5/}
Adult Intensive Probation	10,176,700	10,981,200	10,981,200 ^{5/}
Community Punishment	1,266,600	2,310,300	2,310,300 ^{5/}
Interstate Compact	427,500	444,500	444,500 ^{5/}
Drug Court	993,600	1,006,700	1,006,700
Drug Treatment Alternative to Prison	250,000	0	0
Juvenile Standard Probation	3,300,400	3,450,400	3,450,400 ^{5/}
Juvenile Intensive Probation	5,301,000	5,301,000	5,301,000 ^{5/}
Juvenile Treatment Services	19,960,900	19,960,900	19,960,900 ^{5/6/}
Juvenile Family Counseling	500,000	500,000	500,000
Juvenile Diversion Consequences	8,157,800	8,157,800	8,157,800 ^{5/6/}
Juvenile Crime Reduction	1,798,700	3,311,500	3,311,500 ^{5/}
Dependency Surge	1,778,600	0	0
Special Water Master	187,100	191,300	191,300
Court-Ordered Removals	75,000	315,000	315,000
AGENCY TOTAL	87,266,100	92,672,600	99,797,200 ^{7/8/9/10/}
FUND SOURCES			
General Fund	78,703,100	80,714,500	87,839,100
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	2,867,600	5,440,000	5,440,000
Drug Treatment and Education Fund	500,200	502,900	502,900
Health Services Lottery Fund	250,000	0	0
Judicial Collection Enhancement Fund	4,945,200	6,015,200	6,015,200
SUBTOTAL - Other Appropriated Funds	8,563,000	11,958,100	11,958,100
SUBTOTAL - Appropriated Funds	87,266,100	92,672,600	99,797,200
Other Non-Appropriated Funds	4,744,200	5,239,100	5,239,100
Federal Funds	1,053,100	1,058,300	1,058,300
TOTAL - ALL SOURCES	93,063,400	98,970,000	106,094,600

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. One-half of those judges' salaries in counties with a population of less than 2,000,000, and one-quarter of those judges' salaries in a county with a population of more than 2,000,000 are provided by state General Fund appropriations pursuant to A.R.S. § 12-128. This FTE Position clarification does not limit the counties' ability to add judges pursuant to A.R.S. § 12-121. (General Appropriation Act footnote)
- 2/ All expenditures made by the Administrative Office of the Courts for the administration of 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 the 50% or 25% state share of Superior Court judges' salaries, Elected Officials' Retirement Plan costs and related state benefit costs for judges pursuant to A.R.S. § 12-128. 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. Previous *Appropriations Reports* have included these line items in this footnote, while the General Appropriation Act did not. The Baseline conforms the footnote to match the original legislative intent.)
- 6/ Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences shall be deposited in the Juvenile Probation Services Fund established by A.R.S. § 8-322. (General Appropriation Act footnote)
- 7/ Receipt of state probation monies by the counties is contingent on the county maintenance of FY 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, 2019, 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 FY 2019 actual, FY 2020 estimated and FY 2021 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.
 3. ~~The amount of monies from the Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive Probation line items that the office does not distribute as direct aid to counties. The report shall delineate how the office spends these monies that are not distributed as direct aid to counties.~~ (General Appropriation Act footnote. This portion of the footnote is no longer needed given footnote 5.)
- 9/ On or before February 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 county-approved salary adjustments provided to probation officers since the last report on February 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)

Operating Budget

The Baseline includes \$4,222,800 and 55.5 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$3,888,500
Criminal Justice Enhancement Fund (CJEF)	318,400
Drug Treatment and Education Fund	2,700
Judicial Collection Enhancement Fund (JCEF)	13,200

FY 2020 adjustments are as follows:

Risk Management Shift

The Baseline includes an increase of \$15,100 from the General Fund in FY 2020 for a risk management shift. The Baseline includes a corresponding decrease to the Supreme Court to better reflect actual billing. As a result, there is no net increase to the state in FY 2020 due to this shift.

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 Baseline includes \$3,465,000 in FY 2020 for centralized service payments. This amount consists of:

General Fund	3,015,100
JCEF	449,900

These amounts are unchanged from FY 2019.

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 Baseline includes \$17,596,100 and 180 FTE Positions from the General Fund in FY 2020 for Judges Compensation. FY 2020 adjustments are as follows:

Maricopa County Judges Salary Phase-In

The Baseline includes an increase of \$6,972,000 and 98 FTE Positions from the General Fund in FY 2020 for the first year of a 2-year phase in of Maricopa County Judges salaries.

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 currently requires 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 Baseline includes \$18,582,700 in FY 2020 for Adult Standard Probation. This amount consists of:

General Fund	14,808,600
JCEF	3,774,100

FY 2020 adjustments are as follows:

Annualize New Probation Officers

The Baseline includes an increase of \$137,500 from the General Fund in FY 2020 to annualize funding for 10 new probation officers approved in the FY 2019 budget.

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 Baseline includes \$10,981,200 in FY 2020 for Adult Intensive Probation. This amount consists of:

General Fund	9,446,000
JCEF	1,535,200

These amounts are unchanged from FY 2019.

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 Baseline includes \$2,310,300 in FY 2020 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund	500,200

These amounts are unchanged from FY 2019.

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 Baseline includes \$444,500 in FY 2020 for Interstate Compact. This amount consists of:

General Fund	351,700
JCEF	92,800

These amounts are unchanged from FY 2019.

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 Baseline includes \$1,006,700 from the General Fund in FY 2020 for Drug Court programs. This amount is unchanged from FY 2019.

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.

Drug Treatment Alternative to Prison

The Baseline includes no funding in FY 2020 for the Pima County Drug Treatment Alternative to Prison Program. This amount is unchanged from FY 2019.

The program allows drug addicted criminals that plead guilty to receive residential therapeutic treatment as an alternative to prison. The FY 2018 appropriation is non-lapsing through June 30, 2019.

Juvenile Standard Probation

The Baseline includes \$3,450,400 in FY 2020 for Juvenile Standard Probation. This amount consists of:

General Fund	3,300,400
JCEF	150,000

These amounts are unchanged from FY 2019.

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 Baseline includes \$5,301,000 from the General Fund in FY 2020 for Juvenile Intensive Probation. This amount is unchanged from FY 2019.

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 Baseline includes \$19,960,900 from the General Fund in FY 2020 for Juvenile Treatment Services. This amount is unchanged from FY 2019.

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 Baseline includes \$500,000 from the General Fund in FY 2020 for Juvenile Family Counseling. This amount is unchanged from FY 2019.

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 Baseline includes \$8,157,800 from the General Fund in FY 2020 for Juvenile Diversion Consequences. This amount is unchanged from FY 2019.

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 9,962 juveniles diverted from formal court proceedings in FY 2017. FY 2018 figures have not yet been released. 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 Baseline includes \$3,311,500 from CJEF in FY 2020 for Juvenile Crime Reduction. This amount is unchanged from FY 2019.

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 Baseline includes \$191,300 from the General Fund in FY 2020 for the Special Water Master line item. This amount is unchanged from FY 2019.

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 2018, 710 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 2018 Actual	FY 2019 Estimated^{1/}	FY 2020 Estimated^{1/}
<u>Gila River</u>			
Beginning Balance	\$214,800	\$228,700	\$236,600
Revenues ^{2/}	173,000	173,000	173,000
Expenditures	<u>159,100</u>	<u>165,100</u>	<u>165,100</u>
Ending Balance	\$228,700	\$236,600	\$244,500
<u>Little Colorado River</u>			
Beginning Balance	\$86,400	\$89,600	\$91,800
Revenues ^{2/}	31,300	31,300	31,300
Expenditures	<u>28,100</u>	<u>29,100</u>	<u>29,100</u>
Ending Balance	\$89,600	\$91,800	\$94,000

^{1/} As reported by the Administrative Office of the Courts.

^{2/} Includes annual General Fund appropriation plus interest.

Court-Ordered Removals

The Baseline includes \$315,000 from the General Fund in FY 2020 for Court-Ordered Removals. This amount is unchanged from FY 2019.

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

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The Baseline includes an FY 2019 supplemental appropriation of \$133,500 from the General Fund to pay for FY 2019 employer contribution increases related to the Elected Officials Retirement Plan (EORP). The FY 2019 General Appropriation Act underestimated the total cost of the increase. The Baseline also includes the same amount from the General Fund in FY 2020. Both the supplemental and the FY 2020 amount would be distributed as a statewide adjustment and are not reflected in the agency table above. *(Please see the Consolidated Retirement Report for more information.)*

Fund Transfers

The Baseline includes no transfers from this agency's funds to the General Fund.

The FY 2018 budget included \$2,600,000 of transfers from Superior Court and Supreme Court funds in FY 2018 and

listed them as ongoing. The FY 2019 budget included only \$2,000,000 from DTEF in FY 2019 in transfers from the Superior Court and made them one-time transfers.

Probation Caseloads

The Baseline includes \$35,561,700 in General Fund and \$5,552,100 in Other Fund monies in FY 2020 to support non-Maricopa County adult and juvenile probation caseloads. These amounts also include the funding for Interstate Compact.

In FY 2018, the state appropriated \$33,070,200 in General Fund and \$5,552,100 in Other Fund monies for a total of \$38,622,300 in state resources to support non-Maricopa County adult and juvenile probation caseloads. Actual probation expenditures totaled \$37,014,700 in FY 2018. Additionally, counties provided \$26,334,000 in funding and \$5,922,700 in probation fee revenues for these purposes. *Table 2* displays total funding and probation officer expenditures from both county and state sources in FY 2018.

AOC has requested \$426,000 in FY 2020 for 7 new Adult Standard probation officers. According to AOC, current funding provides for a maximum caseload capacity in the Adult Standard program of 17,485 non-Maricopa County probationers. As of June 30, 2018, there were 16,187 probationers in this category. AOC estimates these cases will grow to 17,055 by the end of FY 2019 and 17,817 by the end of FY 2020. These estimates would represent growth of 5.4% in FY 2019 and 4.5% in FY 2020.

Based on recent trends, the AOC estimates appear to be high. Adult Standard caseloads grew by only 0.9% in FY 2018. JLBC Staff estimates FY 2019 and FY 2020 Adult Standard growth at 4.4% and 3.0%, respectively. At those rates, in FY 2020, total Adult Standard caseloads would be 17,418. As stated above, the program currently has sufficient funding for 17,485.

AOC has not requested additional funding for any of the other probation categories. Please see *Table 3* below for recent probation caseloads in each category and the JLBC Staff estimates for FY 2019 and FY 2020.

	<u>Adult Standard</u>	<u>Adult Intensive</u>	<u>Juvenile Standard</u>	<u>Juvenile Intensive</u>	<u>Total</u>
Probation Officers					
Case Carrying Positions	242.0	92.0	49.1	36.5	419.6
Non-Case Carrying Positions	348.4	60.3	350.3	28.6	787.6
Total Filled Positions	590.4	152.3	399.4	65.1	1,207.2
Probation Line Item Expenditures					
Amount Distributed to Counties	<u>\$18,236,600</u>	<u>\$10,176,700</u>	<u>\$3,300,400</u>	<u>\$5,301,000</u>	<u>\$37,014,700</u>
Total Line Item Expenditures	\$18,236,600^{1/}	\$10,176,700	\$3,300,400	\$5,301,000	\$37,014,700^{2/}
County Probation Expenditures					
State General Fund	\$14,293,900 ^{1/}	\$9,141,800	\$3,157,800	\$4,708,700	\$31,302,200
Other State Funds	3,564,000	999,600	0	0	4,563,600
County Funding	15,653,000	0	10,681,000	0	26,334,000
Probation Fees	<u>5,451,100</u>	<u>0</u>	<u>471,600</u>	<u>0</u>	<u>5,922,700</u>
Total Expenditures	\$38,962,000	\$10,141,400	\$14,310,400	\$4,708,700	\$68,122,500^{3/}
^{1/} Includes the Adult Standard Probation and Interstate Compact line item appropriations. ^{2/} Represents the amount expended by AOC in support of non-Maricopa County probation programs. ^{3/} Represents the amount expended by the counties from all sources, including current and prior years' monies received from the state.					

Table 3

End of Year Probation Caseloads ^{1/}

	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
Probation Category					
Adult Standard ^{2/}	15,484	16,047	16,187	16,907	17,418
Adult Intensive	1,291	1,211	1,149	1,098	1,042
Juvenile Standard	1,475	1,483	1,506	1,417	1,374
Juvenile Intensive	429	398	414	379	360
Total Caseload	18,679	19,139	19,256	19,801	20,194

^{1/} Numbers represent June probation caseloads. FY 2019 and FY 2020 represent JLBC Staff estimates.

^{2/} Does not include Interstate Compact participants.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Community Punishment Program Fines Fund (SPA2119/A.R.S. § 13-821)		Non-Appropriated
Source of Revenue: Discretionary fines imposed by the courts on drug offenders.		
Purpose of Fund: To provide drug treatment services to adult probationers through the Community Punishment Program.		
Funds Expended	0	125,000
Year-End Fund Balance	225,100	125,800
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 10.66% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.86% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.43% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	2,867,600	5,440,000
Year-End Fund Balance	3,468,300	2,794,400
Drug and Gang Enforcement Fund (SPA2074/A.R.S. § 41-2402)		Non-Appropriated
Source of Revenue: Federal grant monies passed through the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.		
Purpose of Fund: To fund programs that enhance the ability of the courts to process drug offenses and related cases.		
Funds Expended	1,053,100	1,058,300
Year-End Fund Balance	4,800	4,400
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Partially-Appropriated
Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.		
Purpose of Fund: To place persons in drug education and treatment programs. Such monies are allocated to Superior Court probation departments according to a formula based on probation caseloads. Most of the appropriated funds are distributed to the Community Punishment Program.		
Appropriated Funds Expended	500,200	502,900
Non-Appropriated Funds Expended	4,194,200	3,966,700
Year-End Fund Balance	2,703,900	359,400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	550,000	1,147,400
Year-End Fund Balance	1,592,500	856,300
Health Services Lottery Monies Fund (SPA9999/A.R.S. § 36-108.01)		Partially-Appropriated
Source of Revenue: State Lottery monies.		
Purpose of Fund: To fund teenage pregnancy prevention programs, the Health Start Program, and the federal Women, Infants and Children (WIC) food program. The FY 2018 budget appropriated \$250,000 to provide supplemental funding for the Pima County Drug Treatment Alternative to Prison Program.		
Appropriated Funds Expended	250,000	0
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 18.74% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 15.74% to 17.27% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. Maricopa County retains any probation surcharge imposed in its county.		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services.		
Funds Expended	4,945,200	6,015,200
Year-End Fund Balance	1,191,700	1,720,400
Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)		Non-Appropriated
Source of Revenue: Monies appropriated to Juvenile Probation Services - Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	3,855,300	1,746,100

Department of Juvenile Corrections

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	17,808,300	20,456,800	20,456,800
Employee Related Expenditures	11,321,700	14,560,300	14,560,300
Professional and Outside Services	624,600	710,900	710,900
Travel - In State	246,000	286,500	286,500
Travel - Out of State	7,400	1,000	1,000
Other Operating Expenditures	4,787,400	4,369,800	4,369,800
Equipment	250,300	6,600	6,600
AGENCY TOTAL	35,045,700	40,391,900	40,391,900 ^{1/2/}
FUND SOURCES			
General Fund	19,488,600	22,734,500	22,734,500
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	216,100	531,400	531,400
Department of Juvenile Corrections Local Cost Sharing Fund	11,260,000	11,260,000	11,260,000
State Charitable, Penal and Reformatory Institutions Land Fund	3,163,500	4,011,600	4,011,600
State Education Fund for Committed Youth	917,500	1,854,400	1,854,400
SUBTOTAL - Other Appropriated Funds	15,557,100	17,657,400	17,657,400
SUBTOTAL - Appropriated Funds	35,045,700	40,391,900	40,391,900
Other Non-Appropriated Funds	316,300	232,200	232,200
Federal Funds	929,500	1,023,700	1,023,700
TOTAL - ALL SOURCES	36,291,500	41,647,800	41,647,800

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 for the support of 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 Baseline includes \$40,391,900 and 738.5 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

State Charitable, Penal and Reformatory Institutions Land Fund	4,011,600
State Education Fund for Committed Youth	1,854,400

These amounts are unchanged from FY 2019.

	FY 2020
General Fund	\$22,734,500
Criminal Justice Enhancement Fund (CJEF)	531,400
Department of Juvenile Corrections (DJC) Local Cost Sharing Fund	11,260,000

Other Issues

Statutory Changes

The Baseline would, as session law, continue to require the counties to pay their proportional share of the \$11,260,000 according to their population in the 2010 decennial census for cost sharing of DJC.

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 2019 Criminal Justice BRB continued to set the total contribution by counties at \$11,260,000. *Table 1* displays the estimated payment by county:

Table 1 Allocation of Local Cost Sharing	
County	FY 2019
Apache County	\$ 126,000
Cochise County	231,400
Coconino County	236,900
Gila County	94,400
Graham County	65,600
Greenlee County	14,800
La Paz County	36,200
Maricopa County	6,724,000
Mohave County	352,600
Navajo County	189,300
Pima County	1,726,900
Pinal County	661,900
Santa Cruz County	83,500
Yavapai County	371,700
Yuma County	344,800
TOTAL	\$11,260,000

The FY 2019 General Appropriation Act included a one-time \$11,260,000 General Fund appropriation to the Department of Administration for distribution to counties to offset fully the cost of the FY 2019 contribution. The Baseline does not continue this \$11.3 million appropriation in FY 2020, as it was labeled one-time in the FY 2019 budget's 3-year spending plan. *(Please see the County Funding narrative for more information on state distributions to counties.)*

Population Counts

Table 2 lists the DJC population by category. The housed and parole populations within DJC have seen significant decreases in the past 10 years. As illustrated in *Table 2*, the housed population within DJC has decreased from 227 to 195, or (14.1)%, from FY 2016 through November 2018. The total parole population has also decreased significantly, realizing a reduction of (37.0)% over the same period. DJC reports that this decline is due to a reduction in the number of committed youth, an increase in the age of the average offender resulting in shorter incarceration periods, and statutory changes to admissions requirements.

The FY 2016 Criminal Justice BRB altered the requirements for admission to DJC facilities. These changes include an increase in the minimum admission age to 14, the requirement that juveniles who are admitted must have committed a felony in the past, and the allowance for those that are adjudicated as seriously mentally ill to be allowed admission if they have only committed a misdemeanor. Prior to this bill, the minimum age for admission was 8 years and individuals who had committed a misdemeanor were allowed entrance.

Table 2

	DJC Census			
	FY 2016 Average Population	FY 2017 Average Population	FY 2018 Average Population	Population as of November 30, 2018
Housed Population				
Adobe Mountain	227	179	172	195
Parole Population				
Parole	81	68	45	39
Interstate Compact (Inside Arizona) ^{1/}	<u>111</u>	<u>108</u>	<u>87</u>	<u>82</u>
Total Parole Population	<u>192</u>	<u>176</u>	<u>132</u>	<u>121</u>
Total DJC Population	419	355	304	316

^{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 2018 and 0 parolee on November 30, 2018.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Criminal Justice Enhancement Fund (DJA2281/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Receives 1.84% of state Criminal Justice Enhancement Fund (CJEF) revenues. CJEF consists of a 42% assessment added on to every fine, penalty and forfeiture collected by the courts for criminal offenses, and civil penalties imposed for traffic violations and motor vehicle violations.		
Purpose of Fund: For treatment and rehabilitation of youth who have committed drug-related offenses.		
Funds Expended	216,100	531,400
Year-End Fund Balance	775,000	783,300
Department of Juvenile Corrections Local Cost Sharing Fund (DJA3007/A.R.S. § 41-2833)		Appropriated
Source of Revenue: The FY 2016 Criminal Justice Budget Reconciliation Bill created the Department of Juvenile Corrections Local Cost Sharing Fund with annual deposits from each county totaling \$12,000,000. The bill requires each county to pay a proportional share of the \$12,000,000 based on their share of the state population according to the 2010 decennial census. The amount has been set at \$11,260,000 since the FY 2017 Criminal Justice Budget Reconciliation Bill.		
Purpose of Fund: To fund the operational costs of DJC.		
Funds Expended	11,260,000	11,260,000
Year-End Fund Balance	118,700	118,700
DJC Restitution Fund (DJA2476/A.R.S. § 41-2826)		Non-Appropriated
Source of Revenue: Federal, state, and local appropriations distributed by the director from the DJC Career Technical Education Fund, in addition to grants, gifts, and other donations from any public or private source.		
Purpose of Fund: For the payment of restitution and monetary assessments by youths who are ordered to make such payments but who are financially unable to pay. In a committed youth work program or a community work program, youth participate and receive payment through the Restitution Fund, a portion of which is distributed in the form of restitution payments to victims or the court.		
Funds Expended	48,500	48,500
Year-End Fund Balance	143,600	118,700
Employee Recognition Fund (DJA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	3,300	3,300
Year-End Fund Balance*	900	(800)
Federal Funds (DJA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Grants.		
Purpose of Fund: For the National School Breakfast and Lunch Program, Special Education, Career Technology Education, substance abuse, and other federal programs.		
Funds Expended	929,500	1,023,700
Year-End Fund Balance	509,100	702,000
Indirect Cost Recovery Fund (DJA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	73,400	0
Year-End Fund Balance	133,200	133,200

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Juvenile Corrections Fund (DJA3024/A.R.S. § 41-2810)		Non-Appropriated
Source of Revenue: Donations by individuals and businesses, proceeds from vending machines, and fund-raising efforts.		
Purpose of Fund: For additional supplies and department conferences, for purposes agreed upon by donors and the agency Director, or for special student activities.		
Funds Expended	32,300	23,700
Year-End Fund Balance	33,700	34,900
State Charitable, Penal and Reformatory Institutions Land Fund (DJA3029/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings on state lands and interest on the investment of the Permanent Land Fund. As approved by voters in May 2016, Proposition 123 increased the Treasurer's annual distribution rate from the Permanent Land Fund from 2.5% to 6.9% from FY 2016 to FY 2025.		
Purpose of Fund: To help defray costs of operating juvenile correctional facilities.		
Funds Expended	3,163,500	4,011,600
Year-End Fund Balance	2,987,100	2,475,500
State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)		Appropriated
Source of Revenue: The state's statutory K-12 Basic State Aid formula provides funding based on the DJC population.		
Purpose of Fund: To help provide for the education of committed youth.		
Funds Expended	917,500	1,854,400
Year-End Fund Balance*	722,000	(273,100)
State Education System for Committed Youth Classroom Site Fund (DJA2487/A.R.S. § 15-1373)		Non-Appropriated
Source of Revenue: Classroom Site Fund monies received from the ADE, pursuant to A.R.S. § 15-977. The Classroom Site Fund receives monies from a 0.6% sales tax approved by the voters in the November 2000 General Election (Proposition 301).		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases and employment related expenses (20%); and class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	154,800	154,800
Year-End Fund Balance	332,900	271,800
Statewide Donations Fund (DJA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	4,000	1,900
Year-End Fund Balance	2,100	5,000

*As reported by the agency. Actual ending balance will not be negative.

State Land Department

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	129.7	129.7	129.7
Personal Services	5,907,500	8,691,200	8,691,200
Employee Related Expenditures	2,329,000	1,907,300	1,907,300
Professional and Outside Services	1,724,600	2,455,200	2,455,200
Travel - In State	97,700	120,000	120,000
Travel - Out of State	14,100	15,000	15,000
Other Operating Expenditures	3,306,500	2,880,000	2,880,000
Equipment	109,800	100,000	100,000
OPERATING SUBTOTAL	13,489,200	16,168,700	16,168,700 ^{D/}
SPECIAL LINE ITEMS			
CAP User Fees	1,443,400	1,443,500	1,315,200 ^{1/}
Due Diligence Fund Deposit	0	500,000	500,000
Fire Suppression	0	800,000	800,000
Natural Resource Conservation Districts	531,500	650,000	650,000 ^{2/}
Professional Service Contracts	196,900	0	0
Reassessment of Federal Permits	141,500	0	0
Right-of-Way Digitization	450,000	0	0
Streambed Navigability Litigation	1,700	220,000	220,000
Survey Assets	393,300	0	0
Workflow Digitization	431,200	0	0
AGENCY TOTAL	17,078,700	19,782,200	19,653,900 ^{3/}
FUND SOURCES			
General Fund	12,378,500	11,733,400	11,605,100
<u>Other Appropriated Funds</u>			
Due Diligence Fund	0	500,000	500,000
Environmental Special Plate Fund	142,100	260,600	260,600
Trust Land Management Fund	4,558,100	7,288,200	7,288,200
SUBTOTAL - Other Appropriated Funds	4,700,200	8,048,800	8,048,800
SUBTOTAL - Appropriated Funds	17,078,700	19,782,200	19,653,900
Other Non-Appropriated Funds	466,500	711,000	711,000
TOTAL - ALL SOURCES	17,545,200	20,493,200	20,364,900

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

- ^{D/} On or before November 15, 2018, the department shall provide a report to the Joint Legislative Budget Committee as to the effectiveness of innovation projects in FY 2018 and the department's planned projects for FY 2019. The report shall include an account of innovation project expenditures, the benefits of the projects to state trust lands, the status of the projects and the projected timeline for completion. (General Appropriation Act footnote)
- ^{D/} Innovation projects include the following projects, which were appropriated as separate line items in FY 2018 and are included in the operating lump sum in FY 2019: Professional Service Contracts, Reassessment of Federal Permits, Right-of-Way Digitization, Survey Assets, and Workflow Digitization. (General Appropriation Act footnote)
- ^{1/} The appropriation includes \$1,315,200 for Central Arizona Project User Fees in FY 2020. For FY 2020, 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, \$1.00 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 FY 2020, \$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 Baseline includes \$16,168,700 and 129.7 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$9,679,900
Environmental Special Plate Fund	600
Trust Land Management Fund	6,488,200

These amounts are unchanged from FY 2019.

The Baseline maintains the FY 2019 funding level for the department's innovation projects in FY 2020. The 5 innovation projects were appropriated as separate line items in FY 2018, however, funding for the projects was shifted to the department's operating budget in FY 2019. The Baseline continues to reflect funding for the innovation projects in the department's operating budget.

The Baseline deletes the footnote requiring the department to submit a report on the effectiveness and future plans for the innovation projects.

CAP User Fees

The Baseline includes \$1,315,200 from the General Fund in FY 2020 for Central Arizona Project (CAP) User Fees. FY 2020 adjustments are as follows:

CAP Rate Adjustment

The Baseline includes a decrease of \$(128,300) from the General Fund in FY 2020 to realign the funding level for CAP User Fees with the FY 2019 final CAP User Fee rates. This funding level is based on the final FY 2019 rate of \$41 per acre-foot on 32,076 acre-feet of water that the department will be billed for "capital charges" in FY 2019. This amount is \$(128,300) below the FY 2019 appropriation of \$1,443,500. The original FY 2019 appropriation reflected capital charges of \$45 per acre-foot, but CAP rates are not determined until June 15 of each year and the final rate for FY 2019 ended up being \$41 per acre-foot. As a result, the Baseline also includes a \$(128,300) reduction of General Fund monies to the CAP User Fees line item in FY 2019 to realign CAP funding to the final FY 2019 rate.

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 Baseline includes \$500,000 from the Due Diligence Fund in FY 2020 for this line item. This amount is unchanged from FY 2019.

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 Baseline includes \$800,000 from the Trust Land Management Fund in FY 2020 for a new Fire Suppression line item. This amount is unchanged from FY 2019.

The Baseline maintains the funding level of \$800,000 from the Trust Land Management Fund in FY 2020 for Fire Suppression activities. This amount was initially appropriated in the FY 2019 operating budget, but the Baseline displays it as a new line item to reflect an interagency service agreement (ISA) between the State Land Department and the Arizona Department of Forestry and Fire Management.

Pursuant to the ISA agreement, \$800,000 of fire suppression activity on state trust lands will be funded by the Trust Land Management Fund beginning in FY 2019. *(Please see the Arizona Department of Forestry and Fire Management narrative for more information.)*

Natural Resource Conservation Districts

The Baseline includes \$650,000 in FY 2020 for Natural Resource Conservation Districts (NRCDS). This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2019.

This line item funds natural resource research, activities, and staff at the state's 30 NRCDS. 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 NRCDS and \$60,000 for each education center for a 2-year period.

A General Appropriation Act footnote requires that \$30,000 of the total appropriation for NRCDS be used to provide grants to NRCDS environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by 30 NRCDS. 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 2018 totaled \$140,800 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 Baseline includes \$220,000 from the General Fund in FY 2020 for Streambed Navigability Litigation. This amount is unchanged from FY 2019.

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 2019 Supplemental / Ex-Appropriation

The Baseline includes a reduction of \$(128,300) in General Fund monies in FY 2019 to realign funding with the FY 2019 final CAP User Fee rate of \$41 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 \$187,984,000 in incremental land trust funds to K-12 schools in FY 2018 and \$204,852,300 in FY 2019. The 4.4% incremental funding increase will provide \$217,652,300 in incremental funds in FY 2020. *(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 \$22,205,600 in FY 2018 and \$24,178,400 in FY 2019. In FY 2020, non-K-12 beneficiaries will receive \$25,776,000. 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 \$28,616,900 in FY 2020. *(Please see Table 1.)*

K-12 schools, the universities, and the Arizona 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 2019 Ending Balance</u>	<u>FY 2020 Total Revenue</u> ^{2/}	<u>FY 2020 Appropriation</u>
Universities ^{3/}				
Military Institute	\$ 83,800		\$ 57,200	
Normal Schools ASU/NAU	296,600		518,200	
A & M Colleges	445,100		1,014,100	
School of Mines	499,800		1,037,800	
University Fund	2,175,400		2,225,600	
U of A Land - 1881	<u>1,659,400</u>		<u>6,988,600</u>	
Subtotal	\$ 5,160,100		\$11,841,500	
Schools for the Deaf and the Blind ^{4/}	\$ 424,400		\$ 538,800	
State Hospital	\$ 701,000	\$ 1,090,100	\$ 800,500	\$ 650,000
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 386,300	\$ 5,726,600	\$ 804,100	\$ 0
Corrections				
Penitentiaries	\$ 1,382,600	\$ 2,386,400	\$ 1,415,600	\$ 2,507,400
State Charitable (25%)	<u>1,452,500</u>	<u>2,869,900</u>	<u>2,630,900</u>	<u>2,661,500</u>
Subtotal	\$ 2,835,100	\$ 5,256,300	\$ 4,046,500	\$ 5,168,900
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 6,176,100	\$ 2,692,700	\$ 2,178,800
State Charitable (50%)	<u>2,905,000</u>	<u>7,191,700</u>	<u>5,261,900</u>	<u>4,505,200</u>
Subtotal	\$ 4,886,400	\$ 13,367,800	\$ 7,954,600	\$ 6,684,000
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 1,506,000	\$ 2,630,900	\$ 4,011,600
Non-K-12 Beneficiaries Total	\$15,845,800		\$28,616,900	

^{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 2020 lease revenues are based on actual FY 2018 amounts.

^{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 2019 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. The last appropriation from the Legislative, Executive, and Judicial Public Buildings Land Fund was in FY 2018.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)		Non-Appropriated
Source of Revenue: Reimbursements to the state for back water payments when cities assume their allocation of Central Arizona Project (CAP) water and legislative appropriations.		
Purpose of Fund: To make CAP water fee payments for urban state trust land. Monies remaining in the fund revert to the General Fund after the CAP subcontract obligations are met.		
Funds Expended	0	0
Year-End Fund Balance	9,800	9,800
Due Diligence Fund (LDA2526/A.R.S. § 37-110)		Appropriated
Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies.		
Purpose of Fund: To prepare land for sales, leases, rights-of-ways, or other use-permits.		
Funds Expended	0	500,000
Year-End Fund Balance	55,700	55,700
Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015)		Appropriated
Source of Revenue: \$17 of the \$25 fee for environmental license plates.		
Purpose of Fund: To provide grants for environmental education projects. Funds Natural Resource Conservation Districts (NRCs) and the education centers they sponsor. An amount of \$5,000 is distributed to each NRC that sponsors an education center. Additionally, funds are distributed to NRCs and education centers based on appropriation.		
Funds Expended	142,100	260,600
Year-End Fund Balance*	38,600	(111,500)
Federal Funds (LDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for urban and rural forestry, resource conservation, development of forest lands, insect and disease control, fire training and protection of forests, and other forestry projects.		
Purpose of Fund: For resource conservation and development, in accordance with the requirements of each grant.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)		Non-Appropriated
Source of Revenue: Reimbursements from lessees and interest.		
Purpose of Fund: To make payments for federal reclamation project assessments when state land lessees are delinquent.		
Funds Expended	0	0
Year-End Fund Balance	45,300	45,300
Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)		Non-Appropriated
Source of Revenue: Collections from other state agencies for services and products provided by the State Land Department.		
Purpose of Fund: To pay for joint projects based upon interagency agreements with other state agencies.		
Funds Expended	0	0
Year-End Fund Balance	136,200	136,200
IGA and ISA Fund (LDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	0	0
Year-End Fund Balance	24,000	24,000

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Land Department receives 5% of the total Off-Highway Vehicle Fund revenue, which consists of fees for off-highway vehicle decals issued by the Department of Transportation and 0.55% of the motor fuel tax revenue.		
Purpose of Fund: To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.		
Funds Expended	121,800	255,000
Year-End Fund Balance	298,700	293,700
Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)		Non-Appropriated
Source of Revenue: Receipts from the provision of Geographic Information Systems (GIS) products and services.		
Purpose of Fund: To offset the costs of GIS supplies and support.		
Funds Expended	49,100	80,000
Year-End Fund Balance	121,800	111,800
Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)		Non-Appropriated
Source of Revenue: Receipts from the sale or use of state streambed lands and resources, damages collected due to a federal violation of public trust by the conveyance of state streambeds, and designated donations.		
Purpose of Fund: To fund the acquisition of wetland areas in the state.		
Funds Expended	0	0
Year-End Fund Balance	6,600	6,600
State Land Department Fund (LDA2451/A.R.S. § 37-107)		Non-Appropriated
Source of Revenue: Reimbursements from successful bidders on state trust lands for expenses incurred to advertise land sales and for zoning application fees.		
Purpose of Fund: To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
Funds Expended	294,800	375,000
Year-End Fund Balance	2,760,400	2,720,400
Statewide Employee Recognition Gifts/Donations Fund (LDA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: This fund receives monies through gifts and donations.		
Purpose of Fund: This fund is used to conduct employee recognition programs.		
Funds Expended	800	1,000
Year-End Fund Balance	400	400
Trust Land Management Fund (LDA3146/A.R.S. § 37-527)		Appropriated
Source of Revenue: Fees charged by the department. The total balance of the fund is capped at 2 times the trust land management budget for the following fiscal year.		
Purpose of Fund: To fund the management of the approximately 9 million acres of State Trust land throughout the state.		
Funds Expended	4,558,100	7,288,200
Year-End Fund Balance	10,019,400	9,138,200

* As reported by the agency. Actual ending balance will not be negative.

Legislature - Auditor General

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	188.8	195.8	200.8
Personal Services	12,588,000	12,838,000	13,187,000
Employee Related Expenditures	4,235,600	4,362,500	4,478,500
Professional and Outside Services	486,600	524,100	524,100
Travel - In State	122,600	150,000	150,000
Travel - Out of State	22,000	15,000	15,000
Other Operating Expenditures	873,800	1,250,000	1,282,500
Equipment	360,200	570,000	570,000
OPERATING SUBTOTAL	18,688,800	19,709,600	20,207,100 ^{1/2/3/4/}
SPECIAL LINE ITEMS			
Special Audit	200,000	0	0
AGENCY TOTAL	18,888,800	19,709,600	20,207,100
FUND SOURCES			
General Fund	18,688,800	19,709,600	20,207,100
<u>Other Appropriated Funds</u>			
Water Banking Fund	200,000	0	0
SUBTOTAL - Other Appropriated Funds	200,000	0	0
SUBTOTAL - Appropriated Funds	18,888,800	19,709,600	20,207,100
Other Non-Appropriated Funds	1,937,700	1,971,700	1,971,700
TOTAL - ALL SOURCES	20,826,500	21,681,300	22,178,800

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 A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ The sum of \$1,083,000 and 10 FTE Positions are appropriated from the state General Fund in FY 2020 to the Auditor General for operating expenditures. (FY 2019 General Appropriation Act footnote)
- 3/ **NEW** Monies and FTE Positions appropriated to the Auditor General for FY 2020 by Laws 2018, Chapter 276, section 55 are continuing appropriations and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$20,207,100 and 200.8 FTE Positions from the General Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Increased Staffing for Performance Audit Division

The Baseline includes an increase of \$497,500 and 5 FTE Positions from the General Fund in FY 2020 for increased staffing for the Performance Audit Division. The FY 2019 General Appropriation Act appropriated \$585,500 and 5

FTE Positions from the General Fund for increased staffing. The same legislation advance appropriated \$1,083,000 and 10 FTE Positions for the same purpose in FY 2020. The \$497,500 and 5 FTE Positions represent the FY 2020 increase above FY 2019. The \$1,083,000 and 10 FTE Positions will not appear in the FY 2020 General Appropriation Act as these monies have already been appropriated.

This increased funding will permit the agency to increase the frequency of sunset reviews from a 10-year cycle to

an 8-year cycle. Although the division historically has been funded based on a 10-year cycle, most agencies now receiving sunset reviews every 8 years.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Audit Services Revolving Fund (AUA2242/A.R.S. § 41-1279.06)		Non-Appropriated
Source of Revenue: Charges to state budget units, counties, community college districts or school districts for audits or accounting services performed by, or under the supervision of, the Auditor General. A majority of the amounts collected are for federal compliance audits required by the Single Audit Act, as such audited entities are reimbursed by the federal government.		
Purpose of Fund: To conduct audits required under federal law, special audits, or provide accounting services requested by state budget units, counties, community college districts or school districts. Monies in this fund may also be used to pay certified public accountants to conduct audits or provide accounting services.		
Funds Expended	1,937,700	1,971,700
Year-End Fund Balance	618,800	630,800
Water Banking Fund (AUA2110/A.R.S. § 45-2425)		Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users.		
Purpose of Fund: Used by the Department of Water Resources to purchase and store the unused portion of Arizona's Colorado River water allotment. On a one-time basis, these monies are used by the Auditor General to fund an audit of the Central Arizona Water Conservation District.		
Funds Expended	200,000	0
Year-End Fund Balance	0	0

Legislature - House of Representatives

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	13,858,300	13,835,000	13,835,000
AGENCY TOTAL	13,858,300	13,835,000	13,835,000 ^{1/2/3/}
FUND SOURCES			
General Fund	13,858,300	13,835,000	13,835,000
SUBTOTAL - Appropriated Funds	13,858,300	13,835,000	13,835,000
TOTAL - ALL SOURCES	13,858,300	13,835,000	13,835,000

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 A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the Lump Sum appropriation of \$13,835,000 for FY 2020 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$13,835,000 from the General Fund in FY 2020 for the operating budget. This amount is unchanged from FY 2019.

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The Baseline includes an FY 2019 supplemental appropriation of \$31,400 from the General Fund to pay for FY 2019 employer contribution increases related to the Elected Officials Retirement Plan (EORP). The FY 2019 General Appropriation Act underestimated the total cost of the increase. The Baseline also includes the same amount from the General Fund in FY 2020. Both the supplemental and the FY 2020 amount would be distributed as a statewide adjustment and are not reflected in the agency table above. (See the Consolidated Retirement Report for more information.)

Legislature - Joint Legislative Budget Committee

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	1,651,800	1,661,800	1,661,800
Employee Related Expenditures	513,500	617,800	617,800
Professional and Outside Services	53,800	125,000	125,000
Travel - In State	500	500	500
Travel - Out of State	600	0	0
Other Operating Expenditures	166,900	97,700	97,700
Equipment	700	2,000	2,000
AGENCY TOTAL	2,387,800	2,504,800	2,504,800 ^{1/2/}
FUND SOURCES			
General Fund	2,387,800	2,504,800	2,504,800
SUBTOTAL - Appropriated Funds	2,387,800	2,504,800	2,504,800
TOTAL - ALL SOURCES	2,387,800	2,504,800	2,504,800

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 A.R.S. § 35-190, 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 Baseline includes \$2,504,800 and 29 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Legislature - Legislative Council

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	49.0	55.0	55.0 ^{1/}
Personal Services	2,826,800	2,960,600	2,960,600
Employee Related Expenditures	993,000	1,052,500	1,052,500
Professional and Outside Services	700	110,000	110,000
Travel - In State	6,900	12,000	12,000
Travel - Out of State	0	6,500	6,500
Other Operating Expenditures	586,300	765,000	765,000
Equipment	1,277,000	2,527,000	2,527,000
OPERATING SUBTOTAL	5,690,700	7,433,600	7,433,600
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	881,400	871,300	871,300 ^{2/}
AGENCY TOTAL	6,572,100	8,304,900	8,304,900 ^{3/4/5/}
FUND SOURCES			
General Fund	6,572,100	8,304,900	8,304,900
SUBTOTAL - Appropriated Funds	6,572,100	8,304,900	8,304,900
TOTAL - ALL SOURCES	6,572,100	8,304,900	8,304,900

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 2020.
- 2/ It is the intent of the Legislature that the Ombudsman-Citizens Aide prioritize the investigation and processing of 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 A.R.S. § 35-190, 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 Baseline includes \$7,433,600 and 46 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Ombudsman-Citizens Aide Office

The Baseline includes \$871,300 and 9 FTE Positions from the General Fund in FY 2020 for the Ombudsman-Citizens Aide Office. These amounts are unchanged from FY 2019.

Legislature - Senate

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	9,356,900	9,747,200	9,747,200
AGENCY TOTAL	9,356,900	9,747,200	9,747,200 ^{1/2/3/}
FUND SOURCES			
General Fund	9,356,900	9,747,200	9,747,200
SUBTOTAL - Appropriated Funds	9,356,900	9,747,200	9,747,200
TOTAL - ALL SOURCES	9,356,900	9,747,200	9,747,200

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 A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the Lump Sum appropriation of \$9,747,200 for FY 2020 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$9,747,200 from the General Fund in FY 2020 for the operating budget. This amount is unchanged from FY 2019.

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The Baseline includes an FY 2019 supplemental appropriation of \$15,700 from the General Fund to pay for FY 2019 employer contribution increases related to the Elected Officials Retirement Plan (EORP). The FY 2019 General Appropriation Act underestimated the total cost of the increase. The Baseline also includes the same amount from the General Fund in FY 2020. Both the supplemental and the FY 2020 amount would be distributed as a statewide adjustment and are not reflected in the agency table above. (See the Consolidated Retirement Report for more information.)

Department of Liquor Licenses and Control

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	45.2	45.2	45.2
Personal Services	1,258,800	1,258,800	1,258,800
Employee Related Expenditures	871,900	871,900	871,900
Professional and Outside Services	199,500	234,500	234,500
Travel - In State	92,600	92,600	92,600
Travel - Out of State	400	400	400
Other Operating Expenditures	595,000	615,200	615,200
Equipment	12,600	12,600	12,600
AGENCY TOTAL	3,030,800	3,086,000	3,086,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	3,030,800	3,086,000	3,086,000
SUBTOTAL - Other Appropriated Funds	3,030,800	3,086,000	3,086,000
SUBTOTAL - Appropriated Funds	3,030,800	3,086,000	3,086,000
Other Non-Appropriated Funds	1,027,700	1,078,400	1,078,400
Federal Funds	298,900	50,000	50,000
TOTAL - ALL SOURCES	4,357,400	4,214,400	4,214,400

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 Baseline includes \$3,086,000 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	20,500	23,500
Year-End Fund Balance	7,800	4,300
Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$30 surcharge on liquor licenses for bars, retail stores, and restaurants.		
Purpose of Fund: To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
Funds Expended	187,600	187,600
Year-End Fund Balance	59,400	54,400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Direct Shipment License Issuance Fund (LLA3017/A.R.S. § 4-203.04B)		Non-Appropriated
Source of Revenue: Fees charged by the director for the issuance of a direct shipment license.		
Purpose of Fund: Administrative costs associated with the direct shipment license.		
Funds Expended	0	47,700
Year-End Fund Balance	229,200	238,600
Direct Shipment License Renewal Fund (LLA3018/A.R.S. § 4-203.04D)		Non-Appropriated
Source of Revenue: Fees charged by the director for the renewal of a direct shipment license.		
Purpose of Fund: Administrative costs associated with the direct shipment licensing, auditing, and enforcement.		
Funds Expended	0	0
Year-End Fund Balance	203,000	293,500
DPS-FBI Fingerprint Fund (LLA2159/A.R.S. § 4-112)		Non-Appropriated
Source of Revenue: Fingerprint fees collected as part of the application process.		
Purpose of Fund: Fingerprint fees are transferred to the Department of Public Safety.		
Funds Expended	0	0
Year-End Fund Balance	12,500	22,000
Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$20 surcharge on hotel and restaurant liquor licenses and \$35 on all other licenses.		
Purpose of Fund: For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.		
Funds Expended	381,000	381,000
Year-End Fund Balance	30,300	19,600
Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$35 surcharge on liquor license renewals.		
Purpose of Fund: To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.		
Funds Expended	438,600	438,600
Year-End Fund Balance	157,600	159,200
Federal Grants (LLA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal revenues received through the Governor's Office of Highway Safety.		
Purpose of Fund: To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles.		
Funds Expended	298,900	50,000
Year-End Fund Balance	52,200	52,200
IGA and ISA Fund (LLA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	0	0
Year-End Fund Balance	17,300	17,300

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Liquor Licenses Fund (LLA1996/A.R.S. § 4-120)		Partially-Appropriated
Source of Revenue: A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature.		
Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control. Any balance over \$700,000 shall revert to the General Fund at the end of each year, except for monies generated from sampling privilege and growler permit applications, which are non-appropriated.		
Appropriated Funds Expended	3,030,800	3,086,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	16,700	6,400

Arizona State Lottery Commission

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	98.8	98.8	98.8
Personal Services	4,266,900	4,812,000	4,812,000
Employee Related Expenditures	1,807,400	1,752,000	1,752,000
Professional and Outside Services	404,500	386,800	386,800
Travel - In State	201,500	271,600	271,600
Travel - Out of State	54,700	16,800	16,800
Other Operating Expenditures	1,195,200	1,963,200	1,963,200
Equipment	56,000	0	0
OPERATING SUBTOTAL	7,986,200	9,202,400	9,202,400
SPECIAL LINE ITEMS			
Advertising	13,779,500	15,500,000	15,500,000
Charitable Commissions ^{1/}	1,418,900	1,552,300	1,728,200 ^{2/}
Instant Tickets ^{3/}	15,135,500	28,367,000	31,060,100 ^{3/}
On-Line Vendor Fees ^{4/}	9,533,300	12,310,500	11,009,400 ^{4/}
Retailer Commissions ^{5/}	64,420,600	71,654,000	78,287,000 ^{5/}
AGENCY TOTAL	112,274,000	138,586,200	146,787,100 ^{6/}

FUND SOURCES

Other Appropriated Funds

State Lottery Fund	112,274,000	138,586,200	146,787,100
SUBTOTAL - Other Appropriated Funds	112,274,000	138,586,200	146,787,100
SUBTOTAL - Appropriated Funds	112,274,000	138,586,200	146,787,100
Other Non-Appropriated Funds	664,014,500	720,491,500	754,866,200
TOTAL - ALL SOURCES	776,288,500	859,077,700	901,653,300

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 20% of Tab Ticket sales is appropriated for payment of sales commissions to charitable organizations. This amount is currently estimated to be \$1,728,200 in FY 2020. (General Appropriation Act footnote)
- 3/ An amount equal to 3.6% of actual instant ticket sales is appropriated for the printing of instant tickets or for contractual obligations concerning instant ticket distribution. This amount is currently estimated to be \$31,060,100 in FY 2020. (General Appropriation Act footnote)
- 4/ An amount equal to a percentage of actual on-line game sales as determined by contract is appropriated for payment of on-line vendor fees. This amount is currently estimated to be \$11,009,400, or 4.256% of actual on-line ticket sales in FY 2020. (General Appropriation Act footnote)
- 5/ An amount equal to 6.5% of gross lottery game sales, minus Charitable Tab Tickets, is appropriated for payment of sales commissions to ticket retailers. An additional amount not to exceed 0.5% of gross lottery game sales is appropriated for payment of sales commissions to ticket retailers. The combined amount is currently estimated to be 6.7% of total ticket sales, or \$78,287,000 in FY 2020. (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 Baseline includes \$9,202,400 and 98.8 FTE Positions from the State Lottery Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Advertising

The Baseline includes \$15,500,000 from the State Lottery Fund in FY 2020 for Advertising. This amount is unchanged from FY 2019.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The Baseline includes \$1,728,200 from the State Lottery Fund in FY 2020 for Charitable Commissions. FY 2020 adjustments are as follows:

Tab Ticket Increase

The Baseline includes an increase of \$175,900 from the State Lottery Fund in FY 2020 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 Baseline includes \$31,060,100 from the State Lottery Fund in FY 2020 for Instant Tickets. FY 2020 adjustments are as follows:

Instant Ticket Sales Increase

The Baseline includes an increase of \$2,693,100 from the State Lottery Fund in FY 2020 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 estimated appropriation was lowered from 3.6% to 3.05% in FY 2018. This figure reflects a blended rate across different services. The appropriation returned to 3.6% in FY 2019. The amount displayed is derived by applying the new

approved spending percentage to the forecasted sales total.

On-Line Vendor Fees

The Baseline includes \$11,009,400 from the State Lottery Fund in FY 2020 for On-Line Vendor Fees. FY 2020 adjustments are as follows:

On-Line Sales Decrease

The Baseline includes a decrease of (1,301,100) from the State Lottery Fund in FY 2020 for On-Line Vendor Fees due to lower 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 Baseline includes \$78,287,000 from the State Lottery Fund in FY 2020 for Retailer Commissions. FY 2020 adjustments are as follows:

Retailer Commissions Increase

The Baseline includes an increase of \$6,633,000 from the State Lottery Fund in FY 2020 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 Baseline assumes a 9.8% increase in overall Lottery ticket sales in FY 2019, followed by a 4.1% increase in FY

2020. For FY 2019 and FY 2020, the Baseline assumes Lottery ticket sales of \$1,077,223,800 and \$1,121,461,900, respectively.

The FY 2019 forecasted sales and Special Line Items expenditures are higher than the amounts included as part of the *FY 2019 Appropriations Report*. This increase is due to a revised FY 2019 sales forecast. These revised amounts are estimates based on the current sales forecast and the special line item percentages included in the FY 2019 General Appropriation Act footnotes. The actual FY 2019 expenditures will be determined by the actual Lottery ticket sales during FY 2019.

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 2018 and the JLBC Staff projected distributions for FY 2019 and FY 2020. 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) elected to refinance the 2010 Lottery Revenue Bonds and the refinancing bonds will be issued in October 2019. The refinancing has not extended the original 20-year repayment period. This refinancing will result in annual savings of approximately \$3.0 million throughout the term of the bonds for a total savings of \$29.9 million. This includes a payment reduction of \$(2,988,500) in FY 2020 compared to the previously scheduled FY 2020 payment under the 2010 bonds. These savings will result in additional General Fund revenues since debt service payments count towards the General Fund - Part 1 distribution. These savings were achieved due to lower bond market interest rates, a shorter bond duration than the original 20-year bonds, and a higher bond rating.

As a result of the bond refinancing, the principal and interest payments in FY 2019 and FY 2020 are expected to be \$37,502,900 and \$34,511,900, respectively. 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 \$11,529,000 in each FY 2019 and FY 2020.

Laws 1993, 6th Special Session, Chapter 1 allocated not less than 31.5% of multi-state Powerball revenues to public transportation programs, otherwise known as Local Transportation Assistance Fund (LTAF) II. This allocation was capped at \$18,000,000 and was contingent upon the General Fund receiving \$45,000,000 in Lottery revenues. Laws 2010, 7th Special Session, Chapter 12 redirected these monies to the General Fund. In September 2011, the U.S. District Court in the case of *Paisley v. Darwin* ruled that the Arizona Legislature must restore the distribution of mass transit monies to Maricopa County because the distribution was part of the state implementation plan to ensure compliance with the Clean Air Act. As a result, the state must calculate Maricopa County's share of 31.5% of statewide Powerball proceeds and distribute those monies to the county.

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 2019 and FY 2020 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2. The Lottery revenue bond payments of \$37,502,900 in FY 2019 and \$34,511,900 in FY 2020 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 2019 and FY 2020, 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 \$21,411,500 in FY 2019 and \$21,943,200 in FY 2020. 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.

General Fund distributions, net of bond payments, are therefore estimated to be \$92,804,300 in FY 2019 and \$95,859,400 in FY 2020.

Health and Welfare Programs are expected to receive their entire allocation in both FY 2018 and FY 2019.

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 2019 and FY 2020.

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 2019 and FY 2020, 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 2019 and FY 2020.

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 \$39,610,200 in FY 2018. Based on ABOR data which includes current and planned SPEED bond issuances, the UCI Fund is expected to require \$39,889,000 in FY 2019 and 40,924,200 in FY 2020 to make the expected 80% level of debt service payments. *(Please see the FY 2020 Arizona Board of Regents Capital Outlay section for more details.)*

General Fund - Part 3

The General Fund receives all remaining revenues after all statutory funding obligations have been met. These payments to the General Fund are estimated to equal \$30,667,200 in FY 2019 and \$30,731,300 in FY 2020. Total

Table 1

Forecast of Lottery Revenue Distribution
(\$ in Millions)

Sales	FY 2018	FY 2019	FY 2020
Instant Sales	\$719.6	\$788.0	\$862.8
On-Line Sales	<u>261.8</u>	<u>289.2</u>	<u>258.7</u>
Total Sales	\$981.4	\$1,077.2	\$1,121.5
<i>Less:</i>			
Operating Budget ^{1/}	\$ 112.3	\$ 138.6	\$ 146.9
Gaming Distribution	0.3	0.3	0.3
ICACF/VREF Sales Transfer ^{2/}	0.2	0.2	0.2
APF Transfer ^{3/}	3.5	0.0	0.0
Prizes ^{4/}	<u>664.0</u>	<u>720.5</u>	<u>754.9</u>
Net Profit ^{5/}	\$201.1	\$217.6	\$219.2
Profit Transfers ^{6/}			
Debt Service Fund	\$ 37.5	\$ 37.5	\$ 34.5
Maricopa County Mass Transit ^{7/}	11.5	11.5	11.5
General Fund - Part 1 ^{8/9/}	46.7	46.6	49.6
Heritage	10.0	10.0	10.0
Health and Welfare Programs	21.0	21.4	21.9
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2 ^{8/9/}	15.5	15.5	15.5
Arizona Commerce Authority	3.5	3.5	3.5
University Capital	39.6	39.9	40.9
General Fund - Part 3 ^{8/9/}	<u>14.8</u>	<u>30.7</u>	<u>30.8</u>
Total Transfer	\$201.1	\$217.6	\$219.2

^{1/} Of this amount, an estimated \$1,552,300 in FY 2019 and an estimated \$1,728,200 in FY 2020 will be distributed as commissions to charities that sell lottery Tab Tickets.

^{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 (ICACF) and the Victims' Rights Enforcement Fund (VREF), respectively. The ICAC 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 ICACF and VREF from unclaimed prize monies in the State Lottery Fund. In FY 2018, \$164,000 was distributed to the ICACF/VREF from the sale of tab tickets. An estimated \$209,500 and \$240,900 will be distributed in FY 2019 and FY 2020, respectively. (See Footnote 6.)

^{3/} The FY 2018 General Appropriation Act transferred \$3,497,400 from the State Lottery Fund to the Automation Projects Fund in FY 2018 for the cost to replace the commission's IT system.

^{4/} Prizes are estimated by subtracting net profit, operating budget expenditures, the Department of Gaming transfer, and the ICAC/VREF sales transfer from total Lottery sales.

^{5/} 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 2018 was 20.54%. The estimated total profit margin is 20.25% in FY 2019 and 19.60% in FY 2020.

^{6/} 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 \$790,500 in FY 2019 and \$759,100 in FY 2020 of unclaimed prizes to ICACF and VREF.

^{7/} As a result of a federal court order, Maricopa County's share of Local Transportation Assistance Fund II monies was reinstated starting September 2011. (See Other Issues section for more information.)

^{8/} Excluding fund transfers, distributions to the General Fund were reported by the Lottery Commission to be \$76,975,500 in FY 2018. This amount reflects profits only related to FY 2018 sales. Due to the timing of Lottery profit transfers, however, the actual FY 2018 General Fund distribution amount was only \$64,425,400.

^{9/} Excluding fund transfers, distributions to the General Fund are estimated to be \$92,804,300 in FY 2019 and \$95,859,400 in FY 2020.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
State Lottery Fund (LOA2122/A.R.S. § 5-571)		Non-Appropriated
Source of Revenue: Sales of lottery tickets, retailer license fees, and interest earnings.		
Purpose of Fund: A portion of the fund is appropriated to pay for all costs of the Arizona State Lottery Commission. After all expenses are paid including the prize monies displayed below in the Non-Appropriated Funds Expended line, Lottery profits are distributed to a number of different functions.		
Appropriated Funds Expended	112,274,000	138,586,200
Non-Appropriated Funds Expended	664,014,500	720,491,500
Year-End Fund Balance	15,381,200	4,905,800

Board of Massage Therapy

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	211,600	192,200	192,200
Employee Related Expenditures	97,500	80,100	80,100
Professional and Outside Services	25,900	56,800	56,800
Travel - In State	900	500	500
Travel - Out of State	2,400	0	0
Other Operating Expenditures	85,000	131,300	131,300
Equipment	1,500	0	0
AGENCY TOTAL	424,800	460,900	460,900 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Massage Therapy Fund	424,800	460,900	460,900
SUBTOTAL - Other Appropriated Funds	424,800	460,900	460,900
SUBTOTAL - Appropriated Funds	424,800	460,900	460,900
TOTAL - ALL SOURCES	424,800	460,900	460,900

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 Baseline includes \$460,900 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Massage Therapy Fund (BMT2300/A.R.S. § 32-4205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of massage therapists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate massage therapists, and for board administration.		
Funds Expended	424,800	460,900
Year-End Fund Balance	1,339,300	1,441,400

Arizona Medical Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	61.5	61.5	61.5
Personal Services	2,998,100	3,337,200	3,337,200
Employee Related Expenditures	1,072,800	1,283,300	1,283,300
Professional and Outside Services	857,600	973,600	973,600
Travel - In State	11,400	22,500	22,500
Travel - Out of State	24,600	29,000	29,000
Other Operating Expenditures	1,259,400	900,200	900,200
Equipment	111,000	276,300	276,300
OPERATING SUBTOTAL	6,334,900	6,822,100	6,822,100
SPECIAL LINE ITEMS			
Employee Performance Incentive Program	155,500	165,000	165,000
AGENCY TOTAL	6,490,400	6,987,100	6,987,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Medical Board Fund	6,490,400	6,987,100	6,987,100
SUBTOTAL - Other Appropriated Funds	6,490,400	6,987,100	6,987,100
SUBTOTAL - Appropriated Funds	6,490,400	6,987,100	6,987,100
TOTAL - ALL SOURCES	6,490,400	6,987,100	6,987,100

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates, and conducts examinations of medical doctors and physician assistants.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$6,822,100 and 61.5 FTE Positions from the Arizona Medical Board Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

The program was previously funded by a footnote allowing the Medical Board to use up to 7% of the prior year balance from the Medical Board Fund. The FY 2019 General Appropriation Act removed that footnote and instead added a line item of \$165,000 for the incentive program.

Employee Performance Incentive Program

The Baseline includes \$165,000 from the Arizona Medical Board Fund in FY 2020 for the Employee Performance Incentive Program line item. This amount is unchanged from FY 2019.

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.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona Medical Board Fund (MEA2038/A.R.S. § 32-1406)		Appropriated
Source of Revenue: Monies collected by the Arizona Medical Board from the examination and licensing of physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate physicians, and for board administration costs.		
Funds Expended	6,490,400	6,987,100
Year-End Fund Balance	7,015,200	7,262,400

State Mine Inspector

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	449,000	520,000	520,000
Employee Related Expenditures	197,700	256,700	256,700
Professional and Outside Services	16,500	7,500	7,500
Travel - In State	63,500	62,400	62,400
Travel - Out of State	400	7,500	7,500
Other Operating Expenditures	193,200	203,500	203,500
Equipment	11,500	3,500	3,500
OPERATING SUBTOTAL	931,800	1,061,100	1,061,100
SPECIAL LINE ITEMS			
Abandoned Mines	185,900	194,700	194,700
Aggregate Mining Land Reclamation	17,300	112,900	112,900 ^{1/}
AGENCY TOTAL	1,135,000	1,368,700	1,368,700 ^{2/}
FUND SOURCES			
General Fund	1,117,700	1,255,800	1,255,800
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	17,300	112,900	112,900
SUBTOTAL - Other Appropriated Funds	17,300	112,900	112,900
SUBTOTAL - Appropriated Funds	1,135,000	1,368,700	1,368,700
Federal Funds	354,000	632,200	632,200
TOTAL - ALL SOURCES	1,489,000	2,000,900	2,000,900

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 FY 2020 are appropriated to the Aggregate Mining Land Reclamation line item. Before the expenditure of any Aggregate Mining Reclamation Fund monies in excess of \$112,900 in FY 2020, 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 Baseline includes \$1,061,100 and 14 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Abandoned Mines

The Baseline includes \$194,700 from the General Fund in FY 2020 for the Abandoned Mines line item. This amount is unchanged from FY 2019.

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 Baseline includes \$112,900 from the Aggregate Mining Reclamation Fund in FY 2020 for the Aggregate

Mining Land Reclamation line item. This amount is unchanged from FY 2019.

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.

Other Issues

FY 2019 Supplemental / FY 2020 Adjustment

EORP Contribution Adjustment

The Baseline includes an FY 2019 supplemental appropriation of \$1,100 from the General Fund to pay for FY 2019 employer contribution increases related to the Elected Officials Retirement Plan (EORP). The FY 2019 General Appropriation Act underestimated the total cost of the increase. The Baseline also includes the same amount from the General Fund in FY 2020. Both the supplemental and the FY 2020 amount would be distributed as a statewide adjustment and are not reflected in the agency table above. *(See the Consolidated Retirement Report for more information.)*

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)		Non-Appropriated
Source of Revenue: Gifts, grants and contributions. The Legislature may appropriate matching monies.		
Purpose of Fund: To locate, inventory, classify and eliminate public safety hazards at abandoned mines.		
Funds Expended	0	0
Year-End Fund Balance	134,800	134,800
Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)		Appropriated
Source of Revenue: Fees collected from exploration and aggregate mining operations.		
Purpose of Fund: To review aggregate mining land reclamation plans and to enforce compliance with the plans.		
Funds Expended	17,300	112,900
Year-End Fund Balance	155,500	61,600
Federal Education and Training Fund (MIA2400/A.R.S. § 27-123)		Non-Appropriated
Source of Revenue: Fees for education and training of mine employees required under federal regulation.		
Purpose of Fund: To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training.		
Funds Expended	24,100	68,100
Year-End Fund Balance	310,300	293,200
Federal Grants (MIA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants from the U.S. Department of Labor, Mine Safety and Health Administration and the Department of Interior, Bureau of Land Management (BLM).		
Purpose of Fund: To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training. The state provides a 20% in-kind match. The BLM grant is for an inventory of abandoned mines on BLM lands.		
Funds Expended	329,900	564,100
Year-End Fund Balance	7,500	191,800

Naturopathic Physicians Medical Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	96,800	100,500	100,500
Employee Related Expenditures	49,900	46,300	46,300
Professional and Outside Services	2,300	0	0
Travel - In State	1,100	1,100	1,100
Other Operating Expenditures	29,300	39,500	39,500
Equipment	100	0	0
AGENCY TOTAL	179,500	187,400	187,400 ^{1/}

FUND SOURCES

Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	179,500	187,400	187,400
SUBTOTAL - Other Appropriated Funds	179,500	187,400	187,400
SUBTOTAL - Appropriated Funds	179,500	187,400	187,400
TOTAL - ALL SOURCES	179,500	187,400	187,400

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 Baseline includes \$187,400 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Naturopathic Physicians Medical Board Fund (NBA2042/A.R.S. § 32-1505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of naturopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate naturopathic physicians, and naturopathic medical assistants and for board administration.		
Funds Expended	179,500	187,400
Year-End Fund Balance	1,111,300	1,308,200

Arizona Navigable Stream Adjudication Commission

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	70,800	70,000	70,000
Employee Related Expenditures	32,000	32,000	32,000
Professional and Outside Services	200,000	200,000	200,000
Other Operating Expenditures	16,000	25,400	25,400
Equipment	200	0	0
AGENCY TOTAL	319,000	327,400	327,400 ^{1/}
FUND SOURCES			
General Fund	119,000	127,400	127,400
<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	319,000	327,400	327,400
TOTAL - ALL SOURCES	319,000	327,400	327,400

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 Baseline includes \$327,400 and 2 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$127,400
Arizona Water Banking Fund	200,000

These amounts are unchanged from FY 2019.

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allow the commission to use monies appropriated to it from the Arizona Water Banking Fund for the commission's unpaid legal obligations.

Litigation

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.

In May 2006, ANSAC had determined all watercourses in Arizona to be non-navigable at the time of statehood. In June 2006, the first appeal was filed against the commission by the Arizona Center for Law in the Public Interest and the State Land Department regarding the commission's determination for the Lower Salt River. Five other appeals have been filed and stayed pending the completion of the Lower Salt River case.

In August 2007, the Maricopa County Superior Court affirmed the commission's determination. The Superior Court decision was appealed to the Arizona Court of Appeals. A decision by the Arizona Court of Appeals in

May 2010 did not overturn the commission's determination concerning the Lower Salt River. Instead, the Court of Appeals set aside the Superior Court's original decision and remanded the Lower Salt River case to the Maricopa County Superior Court to determine the "ordinary and natural condition" of the watercourses by considering navigability in the period prior to statehood.

In October 2011, the Maricopa County Superior Court remanded the 4 cases appealed in Maricopa County back to the commission to address issues raised by the May 2010 Arizona Court of Appeals opinion. The 2 cases appealed in Pima County were also returned to the commission to address the same issues.

In February 2012, the United States Supreme Court ruling in *PPL Montana v. Montana* required the commission to resolve whether individual segments of the affected streambeds were navigable prior to statehood. The commission had previously determined navigability for each streambed as a whole rather than by segments. Following the U.S. Supreme Court decision, the commission adopted a segment-by-segment approach in determining navigability for the 6 remanded cases.

In May 2017, the commission completed hearings for the 6 remanded cases and subsequently adopted its findings for each case. The reports were then delivered to the Land Commissioner, signifying the beginning of the appeals process. The Land Commissioner has a 6-month window to appeal to the Superior Court for judicial review of one or all of the cases.

In May 2018, the commission completed all legal proceedings thereby signifying the beginning of the time period for which appeals may be heard. There may be an unknown number of cases appealed to Superior Court. Appeals would need to be filed no later than the third quarter of calendar year 2019 to avoid prolonging the expected agency sunset date.

As of October 2018, the commission has completed all of the evidentiary hearings for the 5 cases. The commission approved and signed the reports for the 5 cases and delivered the reports to the State Land Commissioner on June 28, 2018, thus completing all of the agency's trial work.

The commission is now awaiting the completion of the appeals process. The State Land Commissioner and any other party wishing to appeal will have until March 29, 2019 to file an appeal in Superior Court. The State Land Department has decided not to appeal. If there are no appeals by April 2019, the agency will begin the sunset process. The commission is scheduled to sunset on June 30, 2020 pursuant to Laws 2015, Chapter 58.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona Water Banking Fund (NSA2110/A.R.S. § 45-2425)		Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users (<i>see Department of Water Resources narrative for more information</i>). The FY 2018 and FY 2019 Environment Budget Reconciliation Bills continue to allow use of the Water Banking Fund for the commission's unpaid legal obligations.		
Purpose of Fund: To fund outside legal counsel and court reporters for court hearings.		
Funds Expended	200,000	200,000
Year-End Fund Balance	0	0

State Board of Nursing

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	42.2	42.2	48.5
Personal Services	2,657,300	2,327,800	2,327,800
Employee Related Expenditures	1,010,900	948,100	948,100
Professional and Outside Services	229,300	341,700	341,700
Travel - In State	1,700	10,000	10,000
Travel - Out of State	6,700	8,000	8,000
Other Operating Expenditures	369,900	523,500	523,500
Equipment	32,800	42,400	42,400
OPERATING SUBTOTAL	4,308,600	4,201,500	4,201,500
SPECIAL LINE ITEMS			
Certified Nursing Assistant Credentialing Program	535,500	536,700	536,700
AGENCY TOTAL	4,844,100	4,738,200	4,738,200 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	4,844,100	4,738,200	4,738,200
SUBTOTAL - Other Appropriated Funds	4,844,100	4,738,200	4,738,200
SUBTOTAL - Appropriated Funds	4,844,100	4,738,200	4,738,200
Federal Funds	414,700	414,700	414,700
TOTAL - ALL SOURCES	5,258,800	5,152,900	5,152,900

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 Baseline includes \$4,201,500 and 48.5 FTE Positions from the Board of Nursing Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

FTE Position Increase

The Baseline includes an increase of 6.3 FTE Positions from the Board of Nursing Fund in FY 2020. The Board exceeded its FY 2018 appropriation for FTE Positions by this amount. The additional FTE Position authority would not result in new hiring or costs for the board, since the positions are already filled. Prior funding increases to the board may not have come with additional FTE Positions.

Certified Nursing Assistant Credentialing Program

The Baseline includes \$536,700 from the Board of Nursing Fund in FY 2020 for the Certified Nursing Assistant (CNA)

Credentialing Program line item. This amount is unchanged from FY 2019.

Laws 2015, Chapter 262 split the current CNA classification into licensed nursing assistants (LNA) and certified nursing assistants (CNA) effective July 1, 2016. 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. The LNAs pay application, fingerprinting, and other fees to be deposited 10% to the General Fund and 90% to the Board of Nursing Fund.

Monies in this line item fund CNA Credentialing Program costs not paid by federal monies.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Nursing Fund (BNA2044/A.R.S. § 32-1611)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nurses. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nurses, and for board administration. Monies from the fund are also used to pay for the administrative and testing costs of the Nursing Aide Registration program. The program is mandated by the federal government and is funded through the Nursing Aide Training and Registration Fund, a non-appropriated subaccount of the Board of Nursing Fund.		
Funds Expended	4,844,100	4,738,200
Year-End Fund Balance	3,358,500	2,873,400
Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.		
Purpose of Fund: To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.		
Funds Expended	414,700	414,700
Year-End Fund Balance	0	0
Statewide Donations Fund (BNA2025/A.R.S. § 32-1606A11)		Non-Appropriated
Source of Revenue: Donations, gifts and private grants. Monies do not revert to the General Fund at the end of the fiscal year.		
Purpose of Fund: To assist in carrying out the purposes of the agency.		
Funds Expended	0	0
Year-End Fund Balance	22,000	22,000

Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	236,700	247,000	247,000
Employee Related Expenditures	106,700	101,200	101,200
Professional and Outside Services	1,500	8,000	8,000
Travel - In State	4,000	7,000	7,000
Travel - Out of State	500	4,000	4,000
Other Operating Expenditures	40,100	70,400	70,400
Equipment	6,200	6,000	6,000
AGENCY TOTAL	395,700	443,600	443,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	395,700	443,600	443,600
SUBTOTAL - Other Appropriated Funds	395,700	443,600	443,600
SUBTOTAL - Appropriated Funds	395,700	443,600	443,600
TOTAL - ALL SOURCES	395,700	443,600	443,600

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 Baseline includes \$443,600 and 6 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certificate Fund (NCA2043/A.R.S. § 36-446.08)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nursing home administrators and assisted living facility managers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.		
Funds Expended	395,700	443,600
Year-End Fund Balance	372,500	427,700

Board of Occupational Therapy Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	92,000	91,000	91,000
Employee Related Expenditures	44,200	47,700	47,700
Professional and Outside Services	100	0	0
Travel - In State	700	1,300	1,300
Other Operating Expenditures	70,000	38,100	38,100
Equipment	700	12,000	12,000
AGENCY TOTAL	207,700	190,100	190,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	207,700	190,100	190,100
SUBTOTAL - Other Appropriated Funds	207,700	190,100	190,100
SUBTOTAL - Appropriated Funds	207,700	190,100	190,100
TOTAL - ALL SOURCES	207,700	190,100	190,100

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 Baseline includes \$190,100 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Occupational Therapy Fund (OTA2263/A.R.S. § 32-3405)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of occupational therapists and occupational therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate occupational therapists and occupational therapy assistants, and for board administration.		
Funds Expended	207,700	190,100
Year-End Fund Balance	678,200	714,500

State Board of Dispensing Opticians

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	76,400	73,500	73,500
Employee Related Expenditures	29,600	28,300	28,300
Professional and Outside Services	100	1,000	1,000
Travel - In State	5,300	8,500	8,500
Travel - Out of State	2,400	2,000	2,000
Other Operating Expenditures	49,800	35,800	35,800
Equipment	2,200	0	0
OPERATING SUBTOTAL	165,800	149,100	149,100 ^{1/}
SPECIAL LINE ITEMS			
Annual Leave Payout	14,000	0	0
AGENCY TOTAL	179,800	149,100	149,100
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Dispensing Opticians Fund	179,800	149,100	149,100
SUBTOTAL - Other Appropriated Funds	179,800	149,100	149,100
SUBTOTAL - Appropriated Funds	179,800	149,100	149,100
TOTAL - ALL SOURCES	179,800	149,100	149,100

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 Baseline includes \$149,100 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Dispensing Opticians Fund (DOA2046/A.R.S. § 32-1686)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of opticians and optical establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.		
Funds Expended	179,800	149,100
Year-End Fund Balance	286,400	306,100

State Board of Optometry

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	103,100	121,400	121,400
Employee Related Expenditures	41,400	44,200	44,200
Professional and Outside Services	100	10,500	500
Travel - In State	1,500	1,500	1,500
Travel - Out of State	2,200	3,500	3,500
Other Operating Expenditures	80,500	62,700	62,700
Equipment	300	0	0
AGENCY TOTAL	229,100	243,800	233,800 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Optometry Fund	229,100	243,800	233,800
SUBTOTAL - Other Appropriated Funds	229,100	243,800	233,800
SUBTOTAL - Appropriated Funds	229,100	243,800	233,800
TOTAL - ALL SOURCES	229,100	243,800	233,800

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 Baseline includes \$233,800 and 2 FTE Positions from the Board of Optometry Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(10,000) from the Board of Optometry Fund in FY 2020 for the removal of a one-time FY 2019 increase for scanning and digitizing licensing documents.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Optometry Fund (OBA2023/A.R.S. § 32-1705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of optometrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate optometrists, and for board administration.		
Funds Expended	229,100	243,800
Year-End Fund Balance	279,000	320,200

Arizona Board of Osteopathic Examiners in Medicine and Surgery

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.2	7.2	7.2
Personal Services	388,600	415,200	415,200
Employee Related Expenditures	157,000	173,500	173,500
Professional and Outside Services	126,900	158,700	158,700
Travel - In State	1,300	2,500	2,500
Travel - Out of State	1,100	5,500	5,500
Other Operating Expenditures	155,500	148,100	148,100
Equipment	15,600	0	0
AGENCY TOTAL	846,000	903,500	903,500 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund	846,000	903,500	903,500
SUBTOTAL - Other Appropriated Funds	846,000	903,500	903,500
SUBTOTAL - Appropriated Funds	846,000	903,500	903,500
TOTAL - ALL SOURCES	846,000	903,500	903,500

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 Baseline includes \$903,500 and 7.2 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund (OSA2048/A.R.S. § 32-1805)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of osteopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate osteopathic physicians, and for board administration.		
Funds Expended	846,000	903,500
Year-End Fund Balance	2,164,900	2,308,800

Arizona Parents Commission on Drug Education and Prevention

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	4,907,300	5,246,400	5,246,400
TOTAL - ALL SOURCES	4,907,300	5,246,400	5,246,400

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.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Drug Treatment and Education Fund (PCA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: Fifty percent of the Judiciary Drug Treatment and Education Fund. The Judiciary Drug Treatment and Education Fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
Funds Expended	4,907,300	5,246,400
Year-End Fund Balance	409,000	362,600

Arizona State Parks Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	163.0	163.0	163.0 ^{1/}
Personal Services	4,466,700	5,422,000	5,422,000
Employee Related Expenditures	2,284,500	2,864,900	2,864,900
Professional and Outside Services	563,600	18,900	18,900
Travel - In State	2,800	8,200	8,200
Travel - Out of State	400	0	0
Other Operating Expenditures	3,655,400	3,915,600	3,915,600
Equipment	769,500	296,100	296,100
OPERATING SUBTOTAL	11,742,900	12,525,700	12,525,700 ^{2/}
SPECIAL LINE ITEMS			
Kartchner Caverns State Park	1,878,400	2,245,700	2,245,700
AGENCY TOTAL	13,621,300	14,771,400	14,771,400 ^{3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
State Parks Revenue Fund	13,621,300	14,771,400	14,771,400
SUBTOTAL - Other Appropriated Funds	13,621,300	14,771,400	14,771,400
SUBTOTAL - Appropriated Funds	13,621,300	14,771,400	14,771,400
Other Non-Appropriated Funds	16,052,300	15,066,400	15,066,400
Federal Funds	2,141,200	6,078,600	6,078,600
TOTAL - ALL SOURCES	31,814,800	35,916,400	35,916,400

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 2020.
- ^{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 FY 2020, an additional 10% of this increase of Fool Hollow receipts is appropriated from the State Parks Revenue Fund established by A.R.S. § 41-511.21 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 Baseline includes \$12,525,700 and 127.2 FTE Positions from the State Parks Revenue Fund (SPRF) in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

During last session, Arizona State Parks Board (ASPB) discussed completing 2 major projects in mid-2019 and included an adjustment of \$400,000 from SPRF for 6 months of operational costs at Rockin' River Ranch State Park and a 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.

The 2 parks are not expected to be operational in FY 2019. The FY 2020 budget retains the 6-months operational costs for Rockin' River Ranch and Cattail Cove. (For additional details, please see Status of Capital Projects in the Other Issues section.)

As of January 2019, 29 state parks are open to the public. Twenty-two parks are funded and operated by the state with existing state funds. Seven open parks are funded and operated through agreements between the State Parks Board and Local Governments. *(Please see Table 3 at the end of the narrative for more information on the parks, visitation, and operations.)*

Kartchner Caverns State Park

The Baseline includes \$2,245,700 and 35.8 FTE Positions from the State Parks Revenue Fund in FY 2020 for Kartchner Caverns State Park. These amounts are unchanged from FY 2019.

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

Statutory Changes

The Baseline would, as session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs in FY 2020.

Status of Capital Projects

ASPB funds capital improvements and development of new recreational areas from 2 state funds:

- The appropriated State Parks Revenue Fund (SPRF) generates revenue from user fees, concession sales, and gift sales.
- The non-appropriated State Lake Improvement Fund (SLIF) receives shares of gasoline taxes collected for boating purposes and the watercraft license tax collected by the Arizona Game and Fish Department.

The use of the 2 funds for capital projects requires review by the Joint Committee on Capital Review (JCCR). At times, ASPB also utilizes federal matching funds; this update does not detail those expenditures.

In July 2018, JCCR provided a favorable review for \$2.0 million appropriated in the FY 2019 Capital Outlay Bill for ASPB with the following provisions:

- Report on the status of all incomplete projects on November 30 and May 31 of each year.

- JCCR declined to review \$6.5 million proposed by ASPB to renovate 2 parks. The proposed plan included \$4.0 million for Oracle State Park near the Santa Catalina Mountains in Pinal County, and \$2.5 million for Buckskin Mountain State Park near Parker. JCCR directed ASPB to return for review upon completion of the parks' master plans. As of December 2018, the \$6.5 million allocated for Buckskin Mountain and Oracle State Park projects still need review.

The November 30, 2018 report included the following information:

- For FY 2017 through FY 2019, ASPB developed plans at a cost of \$21.3 million in state funds. JCCR has reviewed \$14.8 million as shown in *Table 1*. Of this amount, ASPB has spent \$6.2 million.
- Of the \$14.8 million, \$11.0 million was favorably reviewed for major projects: new cabins, Cattail Cove redevelopment, and opening Rockin' River Ranch. For these projects, ASPB reported expenditures of \$5.2 million, primarily for the cabins and Cattail Cove. For details about the major projects, please see *Table 2*.
- Cattail Cove and Rockin' River, previously described as opening mid-FY 2019, will not open in FY 2019, and the timeline for completion remains undetermined.
- Parks was only able to install 25 of 100 proposed modular cabins with the \$1.7 million allocated for the project.
- Of the \$14.8 million, the other \$3.8 million was allocated for 13 small projects. Parks has expended \$908,400 towards these projects, and 4 are complete.

Given the status of projects, the Baseline includes a new footnote for the FY 2020 Capital Outlay Bill for an annual report on capital projects. For additional information, please see the *Capital Outlay* section and the December 2018 JCCR agenda.

Table 1

Total Capital Spending from State Funds		
	Appropriated/ Budgeted Projects	Expenditures as of Nov. 30, 2018
FY 2017	\$ 7,500,000	\$4,658,600
FY 2018	5,300,000	1,499,300
FY 2019	2,000,000	0
Total	\$14,800,000	\$6,157,900

Table 2

Status of Major Projects as of November 30, 2018

<u>Park Projects</u>	<u>FY</u> <u>Funded</u>	<u>JCCR Review</u>	<u>Appropriated/</u> <u>Budgeted</u>	<u>Expenditures</u>	<u>Status</u>
New Cabins	'17/'18	9/16 & 9/17	\$1,668,900	\$1,668,600	Active
Cattail Cove	'17	9/16	\$5,307,500	\$3,119,200	Active
Rockin' River Ranch	'18	9/17	\$4,000,000	\$441,700	Active
Buckskin Mountain	'19	No	\$2,500,000	0	Planning
Oracle	'19	No	\$4,000,000	0	Planning

Table 3

Arizona State Parks Visitation and Revenue Growth ^{1/}

<u>Park</u>	<u>Operated By</u>	<u>Visitation</u>			<u>Revenue</u>		
		<u>FY 2017</u>	<u>FY 2018</u>	<u>% Change</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>% Change</u>
Alamo Lake	State	41,500	54,900	32.3%	\$ 336,000	\$ 460,800	37.1%
Boyce Thompson	Local ^{2/}	93,100	97,200	4.4%	14,300	18,400	28.7%
Buckskin Mountain ^{3/}	State	100,100	121,200	21.1%	862,300	952,300	10.4%
Catalina	State	207,300	212,300	2.4%	1,311,900	1,453,700	10.8%
Cattail Cove	State	93,200	111,400	19.5%	617,800	708,900	14.7%
Colorado River	Local	14,600	13,600	(6.8)%	-	-	-
Dead Horse Ranch	State	163,700	175,900	7.5%	1,138,100	1,320,400	16.0%
Fool Hollow Lake	State ^{4/}	110,500	127,400	15.3%	824,000	859,100	4.3%
Fort Verde	State	9,800	14,400	46.9%	51,600	61,500	19.2%
Granite Mountain ^{5/}	State	12,100	33,100	173.6%	-	-	-
Homolovi Ruins	State	24,400	26,700	9.4%	143,000	170,400	19.2%
Jerome	State	45,000	47,500	5.6%	288,200	297,600	3.3%
Kartchner	State	158,600	180,900	14.1%	2,617,500	2,988,700	14.2%
Lake Havasu	State	498,100	563,700	13.2%	1,786,500	1,986,400	11.2%
Lost Dutchman	State	176,300	189,700	7.6%	1,009,100	1,127,300	11.7%
Lyman Lake	State	12,900	16,100	24.8%	136,300	167,900	23.2%
McFarland	Local	7,700	7,900	2.6%	-	-	-
Oracle	State	9,500	12,700	33.7%	22,000	32,800	49.1%
Patagonia Lake	State	221,500	218,900	(1.2)%	1,285,500	1,305,500	1.6%
Picacho Peak	State	87,100	83,300	(4.4)%	418,100	439,800	5.2%
Red Rock	State ^{6/}	75,600	82,900	9.7%	491,400	517,800	5.4%
Riordan Mansion	Local	25,200	22,400	(11.1)%	-	-	-
Roper Lake	State	72,900	76,900	5.5%	453,800	490,900	8.2%
Slide Rock	State	440,600	462,000	4.9%	1,565,600	1,777,200	13.5%
Tombstone	State	49,800	42,100	(15.5)%	65,900	241,200	266.0%
Tonto Natural Bridge	State	115,600	123,200	6.6%	747,100	755,300	1.1%
Tubac Presidio	Local	9,100	8,900	(2.2)%	-	-	-
Yuma Prison	Local	65,700	64,200	(2.3)%	-	-	-
Park Store		NA	NA	NA	79,400	112,500	34.3%
Credit Card Fees		NA	NA	NA	(314,000)	(299,000)	(4.8)%
Total		2,941,500	3,191,400	8.5%	\$15,951,400	\$17,947,400	12.5%

^{1/} ASPB does not receive revenues from certain partnership parks that are operated through agreements between local governments and ASPB. Partnerships originated from when the park may have otherwise stopped operation due to insufficient state resources. Local governments operate and retain revenues from the parks delineated as local in the table.

^{2/} The local government operates and retains the park revenues, but ASPB retains annual pass revenue.

^{3/} Includes visitation and revenue figures for River Island State Park.

^{4/} Per a General Appropriation Act footnote, ASPB shares revenue with City of Show Low and US Forest Service if over \$260,000.

^{5/} Granite Mountain Hotshots Memorial State Park (opened in 2017) does not charge entrance fees.

^{6/} Operated by ASPB but receives minimal funding through agreements by local government to fund part-time staff.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona Trail Fund (PRA2525/A.R.S. § 41-511.15)		Non-Appropriated
Source of Revenue: Legislative appropriations and donations.		
Purpose of Fund: To maintain and preserve the Arizona Trail.		
Funds Expended	29,900	41,800
Year-End Fund Balance	47,600	5,800
Federal Funds (PRA2000/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Federal grants from the Department of the Interior, National Park Service, and other federal entities.		
Purpose of Fund: To expand and maintain the National Register of Historic Places, and to identify, evaluate and protect other historic properties. Also, to implement the State Comprehensive Outdoor Recreation Plan.		
Funds Expended	2,141,200	6,078,600
Year-End Fund Balance*	87,700	(132,400)
Land Conservation Fund - Administration Account (PRA2432/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Interest earnings from the Public Conservation Account, which received \$20,000,000 annually from the General Fund in FY 2001 through FY 2011, as approved by Arizona voters in November 1998. Unobligated amounts at the end of each fiscal year revert to the Public Conservation Account.		
Purpose of Fund: For operating expenses.		
Funds Expended	0	250,000
Year-End Fund Balance	265,000	15,000
Land Conservation Fund - Donation Account (PRA2432 B/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Donations from public and private entities.		
Purpose of Fund: To match grants made to purchase state trust lands for conservation purposes. There are currently no estimates of donations that will be deposited to the account.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Land Conservation Fund - Public Conservation Account (PRA2432 C/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: As approved by Arizona voters in November 1998, the fund received \$20,000,000 annually from the General Fund in FY 2001 through 2011. Beginning in FY 2004, \$2,000,000 of this amount was deposited into the Livestock and Crop Conservation Fund, administered by the Department of Agriculture.		
Purpose of Fund: For grants to the state or any of its political subdivisions, non-profit organizations, individual landowners, and agricultural lessees of state or federal land. Grants are made to purchase or lease state trust lands that are classified as suitable for conservation purposes. The Conservation Acquisition Board will recommend appropriate grants to the Arizona State Parks Board.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development; the remainder is transferred to the Arizona Game and Fish Department for enforcement. The FY 2019 Environment Budget Reconciliation Bill continues to allow the use of \$692,100 for agency operating expenses.		
Funds Expended	2,196,200	3,215,400
Year-End Fund Balance	6,596,000	2,051,000

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Partnership Fund (PRA2448/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Revenues received from federal, state, and local government agencies through intergovernmental agreements; reimbursements from local and county recipients of federal Land and Water Conservation grants.		
Purpose of Fund: To provide trails stewardship with funds received from the USDA Forest Service and the Bureau of Land Management; for operating costs of the multi-use water safety center at Lake Havasu State Park with funds received from the U.S. Coast Guard, Lake Havasu City, Mohave County, and the Arizona Game and Fish Department; and to administer federal Land and Water Conservation grants. Grant recipients must provide 10% of the grant amount to the Parks Board for administration.		
Funds Expended	2,965,600	2,696,900
Year-End Fund Balance	1,127,800	1,127,700
State Lake Improvement Fund (PRA2105/A.R.S. § 5-382)		Non-Appropriated
Source of Revenue: Primarily a transfer from the Highway User Revenue Fund, based on a formula that estimates state gasoline taxes paid for boating purposes. Also included is a portion of the watercraft license tax collected by the Arizona Game and Fish Department.		
Purpose of Fund: To fund projects at boating sites, including launching ramps, parking areas, lake improvement and construction, campgrounds, and acquisition of property to provide access to boating sites. Project grant requests are reviewed by the Arizona Outdoor Recreation Coordinating Commission and approved by the Arizona State Parks Board. Approved projects must be reviewed by the Joint Committee on Capital Review (JCCR).		
Funds Expended - Capital	0	6,608,000
Funds Expended - Operating (amount includes local grants)	10,860,600	8,322,300
Year-End Fund Balance	6,874,100	871,900
State Parks Fund (PRA3117/A.R.S. § 41-511.11)		Non-Appropriated
Source of Revenue: Private gifts, grants, and donations.		
Purpose of Fund: To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state's natural features.		
Funds Expended	0	350,000
Year-End Fund Balance	488,500	218,500
State Parks Revenue Fund (PRA5555/A.R.S. § 41-511.21)		Appropriated
Source of Revenue: State parks user fees and concession sales; sales of park posters, postcards, books and souvenirs; donations and legislative appropriations.		
Purpose of Fund: To fund parks operations, acquisition and development. Capital projects that are funded using these monies are subject to JCCR review. As session law, the FY 2019 Capital Outlay Bill appropriates \$7,500,000 for capital projects. The appropriation for Capital Outlay is reflected below.		
Funds Expended - Capital	3,116,900	7,500,000
Funds Expended - Operating	13,621,300	14,771,400
Year-End Fund Balance	20,282,400	14,076,300
Sustainable State Parks and Roads Fund (PRA3125/A.R.S. § 41-511.17 and A.R.S. § 43-622)		Non-Appropriated
Source of Revenue: Voluntary contributions from individual income taxpayers via a donation on the individual income tax return form.		
Purpose of Fund: To operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.		
Funds Expended	0	190,000
Year-End Fund Balance	274,300	163,100

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Yarnell Hill Memorial Fund (PRA3124/A.R.S. § 41-519.02)		Non-Appropriated
Source of Revenue: Legislative appropriations and donations to the fund. The FY 2015 Environment Budget Reconciliation Bill included a one-time appropriation of \$500,000 from the General Fund in FY 2015 to establish Yarnell Hill Memorial State Park.		
Purpose of Fund: The park was created to honor 19 Prescott firefighters who were killed fighting a wildfire near Yarnell, Arizona. The FY 2015 Environment Budget Reconciliation Bill established Yarnell Hill Memorial State Park, which opened in November 2016.		
Funds Expended	0	0
Year-End Fund Balance	3,000	3,000

* As reported by the agency. Actual ending balance will not be negative.

State Personnel Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	2.0
Personal Services	82,200	125,000	100,000
Employee Related Expenditures	35,300	57,800	40,600
Professional and Outside Services	62,600	132,600	132,600
Travel - In State	600	600	600
Other Operating Expenditures	30,700	40,000	40,000
Equipment	2,200	5,000	5,000
AGENCY TOTAL	213,600	361,000	318,800^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Board Subaccount of the Personnel Division Fund	213,600	361,000	318,800
SUBTOTAL - Other Appropriated Funds	213,600	361,000	318,800
SUBTOTAL - Appropriated Funds	213,600	361,000	318,800
TOTAL - ALL SOURCES	213,600	361,000	318,800

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

The Baseline includes \$318,800 and 2 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Reduction in FTE Position

The Baseline includes a decrease of \$(42,200) and (1) FTE Position from the Personnel Division Fund for FY 2020. 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.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Personnel Board Subaccount of the Personnel Division Fund (PBA1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.03% charge on the total payroll of each agency within the Arizona Department of Administration Personnel System. Only Personnel Division Fund monies in excess of \$500,000 revert to the State General Fund at the end of each fiscal year. The state comptroller pays any monies owed to the federal government from the Personnel Division Fund before calculating the reversion. Monies contributed by the Arizona State Retirement System and by the Public Safety Personnel Retirement System are separately accounted for, do not revert to the state General Fund, and are reverted to the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Elected Officials Retirement Plan or the Corrections Officer Retirement Plan, as applicable.		
Purpose of Fund: To fund Personnel Board operations.		
Funds Expended	213,600	361,000
Year-End Fund Balance	291,100	293,400

Arizona State Board of Pharmacy

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	19.0	19.0	19.0
Personal Services	1,172,300	1,227,300	1,227,300
Employee Related Expenditures	454,100	452,500	452,500
Professional and Outside Services	91,400	88,800	88,800
Travel - In State	53,400	45,200	45,200
Travel - Out of State	6,800	4,200	4,200
Other Operating Expenditures	271,100	322,000	322,000
Equipment	11,300	0	0
OPERATING SUBTOTAL	2,060,400	2,140,000	2,140,000
SPECIAL LINE ITEMS			
Prescriber Report Card	0	50,000	50,000
AGENCY TOTAL	2,060,400	2,190,000	2,190,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona State Board of Pharmacy Fund	2,060,400	2,190,000	2,190,000
SUBTOTAL - Other Appropriated Funds	2,060,400	2,190,000	2,190,000
SUBTOTAL - Appropriated Funds	2,060,400	2,190,000	2,190,000
Other Non-Appropriated Funds	1,709,700	575,000	575,000
Federal Funds	0	1,104,500	1,104,500
TOTAL - ALL SOURCES	3,770,100	3,869,500	3,869,500

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 Baseline includes \$2,140,000 and 19 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

report cards include detailed information comparing a practitioner's history of prescribing controlled substances with peers in a similar practice.

Prescriber Report Card

The Baseline includes \$50,000 from the Arizona State Board of Pharmacy Fund in FY 2020 for the Prescriber Report Card program. This amount is unchanged from FY 2019.

This line item funds the development of opioid prescriber report cards as part of the Controlled Substances Prescription Monitoring Program (CSPMP). The prescriber

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605)		Non-Appropriated
Source of Revenue: Legislative appropriations, transfers from the Arizona State Board of Pharmacy Fund, and any grants, gifts, or donations. Up to \$500,000 can be transferred from the Arizona State Board of Pharmacy Fund each year, according to A.R.S. § 32-1907. The transfer is not displayed in the Arizona State Board of Pharmacy Fund expenditures to avoid double counting.		
Purpose of Fund: For program expenses, which include automated tracking of controlled substances, assisting law enforcement in identifying illegal use of controlled substances, and providing information to patients, medical practitioners, and pharmacists.		
Funds Expended	1,709,700	575,000
Year-End Fund Balance	150,100	75,100
Federal Grants (PMA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal reimbursements and grants.		
Purpose of Fund: Reimbursements for services provided to the federal government.		
Funds Expended	0	1,104,500
Year-End Fund Balance	4,800	6,300
Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of pharmacies and pharmacists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate pharmacies and pharmacists, and for board administration. Pursuant to A.R.S. § 32-1907 up to \$1,000,000 may be transferred to the Arizona Poison and Drug Information Center. Additionally, \$500,000 may be transferred to the Controlled Substance Prescription Monitoring Program Fund. These transfers are a "transfer out" and are not displayed in expenditures to avoid double counting.		
Funds Expended	2,060,400	2,190,000
Year-End Fund Balance	6,566,200	7,600,100

Board of Physical Therapy

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	202,100	200,800	200,800
Employee Related Expenditures	100,700	98,800	98,800
Professional and Outside Services	67,800	73,600	68,600
Travel - In State	500	1,500	1,500
Travel - Out of State	500	600	600
Other Operating Expenditures	40,400	121,200	121,200
Equipment	200	3,100	3,100
AGENCY TOTAL	412,200	499,600	494,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Physical Therapy Fund	412,200	499,600	494,600
SUBTOTAL - Other Appropriated Funds	412,200	499,600	494,600
SUBTOTAL - Appropriated Funds	412,200	499,600	494,600
TOTAL - ALL SOURCES	412,200	499,600	494,600

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 Baseline includes \$494,600 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000) from the Board of Physical Therapy Fund in FY 2020 for the removal of a one-time FY 2019 increase for scanning and digitizing licensing documents.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Physical Therapy Fund (PTA2053/A.R.S. § 32-2004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of physical therapists, and physical therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.		
Funds Expended	412,200	499,600
Year-End Fund Balance	841,600	1,241,000

Arizona Pioneers' Home

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	106.3	106.3	106.3
Personal Services	3,625,400	3,550,000	3,550,000
Employee Related Expenditures	1,789,400	1,565,900	1,565,900
Professional and Outside Services	93,800	95,800	95,800
Travel - In State	15,300	26,700	26,700
Other Operating Expenditures	752,600	1,093,700	1,093,700
Equipment	32,900	151,900	151,900
OPERATING SUBTOTAL	6,309,400	6,484,000	6,484,000
SPECIAL LINE ITEMS			
Prescription Drugs	127,500	200,000	200,000
AGENCY TOTAL	6,436,900	6,684,000	6,684,000 ^{1/2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Miners' Hospital for Miners with Disabilities Land Fund	1,904,900	2,178,800	2,178,800
State Charitable Fund	4,532,000	4,505,200	4,505,200
SUBTOTAL - Other Appropriated Funds	6,436,900	6,684,000	6,684,000
SUBTOTAL - Appropriated Funds	6,436,900	6,684,000	6,684,000
Other Non-Appropriated Funds	51,700	42,400	42,400
TOTAL - ALL SOURCES	6,488,600	6,726,400	6,726,400

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 Baseline includes \$6,484,000 and 106.3 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
Miners' Hospital for Miners with Disabilities Land Fund	\$2,178,800
State Charitable Fund	4,305,200

These amounts are unchanged from FY 2019.

Prescription Drugs

The Baseline includes \$200,000 from the State Charitable Fund in FY 2020 for Prescription Drugs. This amount is unchanged from FY 2019.

Monies in this line item provide funding for prescription drugs used by residents at the Arizona Pioneers' Home.

Other Issues

Capital Projects

The FY 2019 Capital Outlay Bill appropriated \$600,000 from the Miners' Hospital for Miners with Disabilities Land Fund in FY 2019 for capital improvement projects. The bill

requires the agency to submit the scope, purpose, and estimated cost of the projects to the Joint Committee on Capital Review (JCCR) prior to spending the appropriation.

The capital proposal for FY 2019 was favorably reviewed at the September 2018 JCCR meeting. The proposal included capital improvements outlined in *Table 1*.

Table 1

APH FY 2019 Capital Improvements

Window Replacement; Phase 1	\$100,000
Lead Paint Abatement	35,000
Bathroom Renovations	25,000
Hot Water Recirculation	40,000
Fire Alarm Upgrades	200,000
Cemetery Roadway and Drainage	100,000
Contingency	100,000
TOTAL	\$600,000

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 2019 ending balance of \$6,941,500, compared to an FY 2019 appropriation of \$2,178,800. 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 2019 ending balance of \$7,191,700, compared to an FY 2019 appropriation of \$4,505,200. The State Charitable Fund may be used for any charitable purpose within a state institution.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Miners' Hospital for Miners with Disabilities Land Fund (PIA3130/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Miners' Hospital Fund as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of funds to benefit the Arizona Pioneers' Home.		
Funds Expended	1,904,900	2,178,800
Year-End Fund Balance	5,816,400	6,941,500
Pioneers' Home Fund (Cemetery Proceeds) (PIA3144/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Cemetery proceeds from the sale of interment rights or the lease of cemetery land.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home and the Arizona Pioneers' Home Cemetery.		
Funds Expended	37,500	36,500
Year-End Fund Balance	279,400	288,500
Pioneers' Home Fund (Donations) (PIA3143/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Donations or contributions from private sources.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.		
Funds Expended	3,300	4,300
Year-End Fund Balance	174,200	181,100
State Charitable Fund (PIA3129/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings from the Pioneers' Home's share of the State Charitable, Penal and Reformatory Grant lands.		
Purpose of Fund: For the operation of the Pioneers' Home.		
Funds Expended	4,532,000	4,505,200
Year-End Fund Balance	6,635,900	7,191,700

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Statewide Employee Recognition Gifts Fund (PIA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	10,900	1,600
Year-End Fund Balance	2,700	2,000

State Board of Podiatry Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	74,000	78,000	78,000
Employee Related Expenditures	25,700	29,600	29,600
Professional and Outside Services	2,000	5,500	5,500
Travel - In State	2,500	2,200	2,200
Travel - Out of State	2,000	1,500	1,500
Other Operating Expenditures	30,000	45,100	45,100
Equipment	3,400	0	0
AGENCY TOTAL	139,600	161,900	161,900 ^{1/}

FUND SOURCES

Other Appropriated Funds

Podiatry Fund	139,600	161,900	161,900
SUBTOTAL - Other Appropriated Funds	139,600	161,900	161,900
SUBTOTAL - Appropriated Funds	139,600	161,900	161,900
TOTAL - ALL SOURCES	139,600	161,900	161,900

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 Baseline includes \$161,900 and 1 FTE Position from the Podiatry Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Podiatry Fund (POA2055/A.R.S. § 32-806)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of podiatrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate podiatrists, and for board administration.		
Funds Expended	139,600	161,900
Year-End Fund Balance	135,700	119,900

Commission for Postsecondary Education

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0 ^{1/}
Personal Services	84,600	118,900	118,900
Employee Related Expenditures	29,800	54,800	54,800
Other Operating Expenditures	18,300	13,000	13,000
OPERATING SUBTOTAL	132,700	186,700	186,700
SPECIAL LINE ITEMS			
Arizona College and Career Guide	0	21,300	21,300 ^{2/}
Arizona Minority Educational Policy Analysis Center	0	100,000	100,000 ^{2/}
Arizona Teacher Student Loan Program	426,000	426,000	426,000
College-Readiness Examination Pilot Program	202,100	0	0
Leveraging Educational Assistance Partnership	2,319,500	2,319,500	2,319,500 ^{3/}
Twelve Plus Partnership	64,000	130,500	130,500 ^{2/}
AGENCY TOTAL	3,144,300	3,184,000	3,184,000 ^{4/5/}
FUND SOURCES			
General Fund	1,848,900	1,646,800	1,646,800
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	1,295,400	1,537,200	1,537,200
SUBTOTAL - Other Appropriated Funds	1,295,400	1,537,200	1,537,200
SUBTOTAL - Appropriated Funds	3,144,300	3,184,000	3,184,000
Other Non-Appropriated Funds	843,400	1,163,900	1,163,900
Federal Funds	510,800	256,400	256,400
TOTAL - ALL SOURCES	4,498,500	4,604,300	4,604,300

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 2020.
- 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 FY 2020. 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 the 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 12% of the funds in FY 2020. (General Appropriation Act footnote)
- 4/ Any unencumbered balance remaining in the Postsecondary Education Fund established by A.R.S. § 15-1853 on June 30, 2019, 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 A.R.S. § 15-1851 and A.R.S. § 15-1852. (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 Baseline includes \$186,700 and 4.5 FTE Positions from the Postsecondary Education Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Arizona College and Career Guide

The Baseline includes \$21,300 from the Postsecondary Education Fund in FY 2020 for the Arizona College and Career Guide line item. This amount is unchanged from FY 2019.

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 Baseline includes \$100,000 and a 0.2 FTE Position from the Postsecondary Education Fund in FY 2020 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) line item. These amounts are unchanged from FY 2019.

AMEPAC promotes minority students' access to Arizona's postsecondary educational institutions.

Arizona Teacher Student Loan Program

The Baseline includes \$426,000 from the General Fund in FY 2020 for the Arizona Teacher Student Loan Program. This amount is unchanged from FY 2019.

The program, previously known as the Math, Science, and Special Education Teacher Loan Forgiveness Program (MSSE), offers forgivable loans to students pursuing a teaching degree at a postsecondary institution and who agree to teach math, science, or special education at an Arizona public school upon graduation. Pursuant to A.R.S. § 15-1785, the MSSE program was scheduled to automatically terminate on July 1, 2017 unless legislation was enacted to extend it. Laws 2017, Chapter 244 continued the program, but changed the name to the Arizona Teacher Student Loan Program and expanded the program to teachers practicing in rural, low-income, and 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.

College-Readiness Examination Pilot Program

The Baseline includes no funding in FY 2020 for a College Readiness Examination Pilot Program.

The FY 2018 budget appropriated \$235,000 in one-time funding from the General Fund to the commission for the College-Readiness Examination Pilot Program for FY 2018. Funding was not continued in the FY 2019 budget.

The FY 2018 K-12 Budget Reconciliation Bill (BRB) required monies in this line item to be used to provide grants to school districts and charter schools for administration of college-readiness exams, like the ACT, to 11th grade high school students. The exams were provided free of charge, and included tests in English, reading, mathematics and science.

In FY 2018, the program also received \$577,000 from the Governor's Office from its Workforce Innovation and Opportunity Act (WIOA) funding to help fund college-readiness exams. The commission used \$462,100 of this allotment.

In December 2018, the commission submitted a report analyzing the impact of the pilot program, as required by Laws 2017, Chapter 304, Section 17. The report indicates that approximately 17,000 high school juniors took either the ACT or SAT under the program in FY 2018. This includes 5,234 funded from the General Fund (2,427 from 19 different high schools who took the ACT and 2,807 from 14 high schools who took the SAT at a total cost of \$199,300). It also includes 11,596 funded with WIOA monies (10,857 from 44 high schools who took the ACT and 739 from 7 high schools who took the SAT for a total cost of \$430,600).

In addition, approximately 27,000 high school juniors took the ACT free of charge in FY 2018 through funding provided by a private foundation that has been funding free ACT testing for high school juniors in a subset of school districts since 2009. Approximately 44,000 high school juniors therefore took the ACT or SAT free of charge during FY 2018 (17,000 state or WIOA-funded plus 27,000 privately-funded), which represents about 55% of all public-school juniors in the state.

The commission reports that 16% of students who took the ACT under the program met ACT College-Readiness Benchmarks in all 4 of the testing areas (English, Math, Reading, and Science). Additionally, 40% of students who

took the SAT met college-readiness benchmarks in both reported testing areas (English combined scores and Math).

While the FY 2019 budget provided no new funding for the pilot program, Laws 2018, Chapter 315, Section 4 requires the Arizona Department of Education (ADE) to use surplus College Credit by Examination Incentive Program (CCEIP) monies from FY 2018, if any, to reimburse school districts and charter schools for optional "menu of assessment" tests administered during FY 2019. CCEIP monies normally fund bonuses to schools for students who pass advanced placement or similar tests for college credit, and do not normally fund college readiness exams like the SAT or ACT for students.

ADE estimates that approximately \$900,000 in surplus CCEIP monies from FY 2018 will be available for menu of assessment reimbursements for FY 2019. These monies are expected to be one-time in nature. The use of surplus CCEIP monies to fund menu of assessment tests in FY 2019 is independent of the College-Readiness Examination Pilot Program and does not pass through the commission. *(See ADE Baseline pages for more information regarding the CCEIP program)*

Leveraging Educational Assistance Partnership

The Baseline includes \$2,319,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2020. This amount consists of:

	FY 2020
General Fund	\$1,220,800
Postsecondary Education Fund	1,098,700

These amounts are unchanged from FY 2019.

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 2017, awards were provided through 36 postsecondary institutions. Of the total funding distributed, 32% went to public universities, 53% to community colleges, and 15% to private institutions.

Twelve Plus Partnership

The Baseline includes \$130,500 and a 0.3 FTE Position from the Postsecondary Education Fund in FY 2020 for the Twelve Plus Partnership (TPP). These amounts are unchanged from FY 2019.

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

This section includes information on the following topics:

- Repayment Programs
- Family College Savings Plan
- College Application Campaign

Repayment Programs

The commission currently administers repayment programs for unforgiven loans from the Private Postsecondary Education Student Financial Assistance program (PFAP) and the Private Postsecondary Education Grant (PPEG) program, both of which are no longer awarding new grants. In addition, the commission administers repayment programs for unforgiven loans from the Arizona Teacher Student Loan Program, and the non-appropriated Paul Douglas Teacher Scholarship (PDTs). Loan collections are returned to their respective program fund.

PFAP

Prior to FY 2011, PFAP distributed awards of up to \$2,000 annually, for up to 2 years, to qualified community college graduates enrolled at a private baccalaureate degree granting institution chartered in Arizona, pursuant to A.R.S. § 15-1854. The PFAP program has not been funded since FY 2011, but the repayment process for existing unforgiven loans remains. Repayments are deposited into the Private Postsecondary Education Student Financial Assistance Fund. If a grantee does not earn a baccalaureate degree within 3 years, the grantee must repay the commission all award monies. When a grantee refuses to repay award monies or cannot be located, the Office of the Attorney General takes over administration of the repayment process.

There have been 1,651 students awarded PFAP forgivable loans since its inception in 1996. A total of 6 borrowers are currently being tracked in the repayment program or will be placed in repayment once located. The commission has turned over 60 of these loans to the Attorney General for collections.

The commission may use PFAP funds to administer PPEG collections. At the end of FY 2017, the PFAP Fund had a balance of \$1,000. The commission reported it expects to use at least \$1,500 of PFAP funds in FY 2019 to identify PPEG students who have not met the loan requirements.

Pursuant to A.R.S. § 15-1855, PFAP was automatically terminated on July 1, 2016.

PPEG

Prior to FY 2011, PPEG distributed awards up to \$2,000 annually, for up to 4 years, to full-time and part-time students enrolled at a private baccalaureate degree-granting institution, pursuant to A.R.S. § 15-1855. The awards were forgiven if a student recipient earns a baccalaureate degree within 5 years. The program has not been funded since FY 2010.

The program automatically terminated on July 1, 2016. Laws 2017, Chapter 243 reinstated and modified the program by allowing grant recipients to be enrolled in either an associate degree program or a baccalaureate degree program and requiring the program to be science, technology, engineering, or math (STEM) related. The commission may only award grants to non-STEM participants if revenues in a grant cycle are not exhausted for students in STEM-related fields. There are currently no funds available to award grants.

There have been 4,467 students awarded PPEG forgivable loans since its inception in 2007. Of those recipients, 3,350 graduated with a baccalaureate degree and 12 are working to complete their degree. Of the remaining, 728 have been referred to the Attorney General, 163 are in repayment, 186 have paid in full, 17 have been forgiven, 8 are deceased, and 3 are in deferment.

Prior to Chapter 243, the PPEG program was known as the Postsecondary Education Program (PEG).

Arizona Teacher Student Loan Program

There have been 338 students awarded Arizona Teacher Student Loan program forgivable loans since its inception in FY 2007. Of those recipients, 76 completed the loan requirements and had their loan forgiven, 16 have paid their loan balance in full, 15 are currently in repayment, 28 have had their loans referred to the Attorney General, 101 have finished 5-year tracking, and 102 will require

tracking for up to 15 years to ensure they meet the promissory note obligations and to determine retention rates.

PDTS

There have been 254 students awarded PDTS forgivable loans. Of those recipients, 0 are in default. All others have completed their obligation by fulfilling the teaching requirements of the program or repaying their loan in full.

Family College Savings Plan

The Family College Savings Program (FCSP) was established pursuant to Laws 1997, Chapter 171. It enables parents to save for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). Monies in these plans grow tax-free, and withdrawals for qualified higher educational expenses are federal and state income tax free. FCSP operates from the proceeds of new account fees, which are currently \$15 per account. The plans are available to both residents and non-residents of the state. The commission oversees 3 FCSP providers, 2 of which have multiple investment offerings in their plans.

In 2004, A.R.S. § 15-1873 established the Family College Savings Program Trust Fund, which is a non-appropriated fund. The FCSP Trust Fund directly receives FCSP fee revenues.

College and Career Goal Arizona

College and Career Goal Arizona is a statewide initiative that aims to 1) increase the number of students applying to postsecondary institutions; 2) increase the number of seniors applying for and securing student financial aid; and 3) build a sustainable college-going community. Programs and promotional materials focus on Title 1 schools, though any school can participate.

The College Application Campaign (CAC) works with high schools to encourage students to apply to college and complete the Free Application for Federal Student Aid (FAFSA). In FY 2018, the College Application Campaign served 20,109 high school seniors in 57 district schools and 6 Charter schools. High schools provide the time, space, and agree to a goal of 100% participation. The commission oversees facilitation and partners with college access programs, postsecondary institutions, and community partners to staff the events.

College Goal FAFSA focuses on supporting individuals applying for student financial aid. In FY 2018 the commission had 7,590 attendees in their 71 high school and 14 community based workshops, compared to 2,355 in FY 2017.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Family College Savings Program Trust Fund (PEA3121/A.R.S. § 15-1873B)		Non-Appropriated
Source of Revenue: Fees paid by financial institutions which are contracted to serve as program managers of assets.		
Purpose of Fund: For operating expenses and administrative costs of the Arizona Family College Savings Program.		
Funds Expended	805,300	1,066,300
Year-End Fund Balance	582,400	389,700
Federal Grants Fund (PEA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grant revenue.		
Purpose of Fund: Federal grant revenues to be used by the commission as specified by the grant(s).		
Funds Expended	510,800	256,400
Year-End Fund Balance	151,600	20,200
Postsecondary Education Fund (PEA2405/A.R.S. § 15-1853)		Partially-Appropriated
Source of Revenue: Monies appropriated by the Legislature, monies received from state agencies and political subdivisions of the state, monies received from the federal government, and/or private gifts, grants and donations. The commission must separately account for monies received from each source.		
Purpose of Fund: For designated purposes. Donations are used in accordance with the requests of the donor. Other private monies are used to carry out the duties and responsibilities of the commission.		
Appropriated Funds Expended	1,295,400	1,537,200
Non-Appropriated Funds Expended	38,100	97,600
Year-End Fund Balance	138,600	133,300
Private Postsecondary Education Grant Fund (PEA2530/A.R.S. § 15-1855)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and private gifts, grants, and donations. Program is not currently funded.		
Purpose of Fund: For tuition grants awarded to students enrolled at a private postsecondary institution and seeking an associate or baccalaureate degree in science, technology, engineering, or math (STEM) related fields. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Private Postsecondary Education Student Financial Assistance Fund (PEA2128/A.R.S. § 15-1854)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature. Program is not currently funded.		
Purpose of Fund: For tuition grants awarded to eligible graduates of Arizona community colleges enabling them to obtain a bachelor's degree at a private college or university in the state. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	3,200	1,700
Arizona Teacher Student Loan Fund (PEA2358/A.R.S. § 15-1784)		Non-Appropriated
Source of Revenue: Legislative appropriations and repayments of principal and interest of issued loans.		
Purpose of Fund: To provide up to 5-year loans to eligible in-state students pursuing a teaching degree or certificate in mathematics, science, and special education at a state university and who agree to a service commitment to teach in a public school. Laws 2017, Chapter 244 expanded the program to teachers practicing in rural, low-income, and tribal schools and re-named the fund from the Mathematics, Science, and Special Education Teacher Student Loan Fund to the Arizona Teacher Student Loan Fund. General Fund expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	441,200	466,200

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Teachers Incentive Program Fund (PEA2249/A.R.S. § 15-1851)		Non-Appropriated
Source of Revenue: Monies collected as repayment from students who do not meet the conditions of the loan program.		
Purpose of Fund: To collect repayment monies from students who received a loan in prior years for teacher education and did not fulfill their teaching obligation. The students' teacher loan indebtedness to the State of Arizona is forgiven if the recipient of the monies completes a specified period of time teaching in designated school districts, which are identified as having high proportions of economically disadvantaged and at-risk pupils. Monies collected are reverted to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona Power Authority

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	30,381,500	27,114,100	27,114,100
TOTAL - ALL SOURCES	30,381,500	27,114,100	27,114,100

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.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Hoover Upgrading Fund (PAA1113/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: The sale of hydro-electricity from Hoover Dam to APA customers.		
Purpose of Fund: To purchase hydro-electricity from Hoover Dam for APA customers.		
Funds Expended	23,928,800	21,442,600
Year-End Fund Balance	0	0
Interest Income Fund (PAA1112/A.R.S. § 30-203)		Non-Appropriated
Source of Revenue: Interest income from investments with the Arizona State Treasurer.		
Purpose of Fund: To pay for the operating expenses of the Power Authority.		
Funds Expended	104,600	60,000
Year-End Fund Balance	0	0
Power Authority Fund (PAA9506/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: Energy sales to any of the authority's 39 customers.		
Purpose of Fund: To purchase supplemental energy on the open market (usually from Salt River Project) for APA customers and to fund special APA projects.		
Funds Expended	6,348,100	5,611,500
Year-End Fund Balance	3,953,700	4,005,700

State Board for Private Postsecondary Education

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	214,200	234,500	234,500
Employee Related Expenditures	85,500	89,000	89,000
Professional and Outside Services	21,800	27,400	27,400
Travel - In State	400	0	0
Travel - Out of State	1,100	2,000	2,000
Other Operating Expenditures	40,000	59,100	59,100
Equipment	800	5,800	5,800
OPERATING SUBTOTAL	363,800	417,800	417,800 ^{1/}
SPECIAL LINE ITEMS			
Annual Leave Payout	18,700	0	0
AGENCY TOTAL	382,500	417,800	417,800
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board for Private Postsecondary Education Fund	382,500	417,800	417,800
SUBTOTAL - Other Appropriated Funds	382,500	417,800	417,800
SUBTOTAL - Appropriated Funds	382,500	417,800	417,800
Other Non-Appropriated Funds	270,700	249,000	249,000
TOTAL - ALL SOURCES	653,200	666,800	666,800

AGENCY DESCRIPTION — The board licenses and regulates 215 private postsecondary education institutions that service approximately 264,336 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 Baseline includes \$417,800 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board for Private Postsecondary Education Fund (PVA2056/A.R.S. § 32-3004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of private postsecondary institutions. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate private postsecondary institutions. Monies are also used for board administration costs.		
Funds Expended	382,500	417,800
Year-End Fund Balance	303,200	237,800
Student Tuition Recovery Fund (PVA3027/A.R.S. § 32-3072)		Non-Appropriated
Source of Revenue: Assessments on prepaid tuition paid by newly enrolled students at private postsecondary institutions. Pursuant to A.R.S. § 32-3072, if the fiscal year-end fund balance exceeds \$500,000, only newly or provisionally licensed institutions pay the assessment.		
Purpose of Fund: To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.		
Funds Expended	270,700	249,000
Year-End Fund Balance	327,500	246,500

State Board of Psychologist Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	240,900	237,100	237,100
Employee Related Expenditures	92,700	97,800	97,800
Professional and Outside Services	26,300	44,600	44,600
Travel - In State	5,800	5,400	5,400
Travel - Out of State	4,100	5,000	5,000
Other Operating Expenditures	171,600	105,100	105,100
Equipment	500	0	0
AGENCY TOTAL	541,900	495,000	495,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Psychologist Examiners Fund	541,900	495,000	495,000
SUBTOTAL - Other Appropriated Funds	541,900	495,000	495,000
SUBTOTAL - Appropriated Funds	541,900	495,000	495,000
TOTAL - ALL SOURCES	541,900	495,000	495,000

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 Baseline includes \$495,000 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Psychologist Examiners Fund (SYA2058/A.R.S. § 32-2065)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of psychologists. A separate account has been established within the Board of Psychologist Examiners Fund consisting of licensing and other fees for behavior analysts. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate psychologists and behavior analysts, and for board administration.		
Funds Expended	541,900	495,000
Year-End Fund Balance	842,100	887,100

Department of Public Safety

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,945.7	1,966.7	1,966.7 ^{1/}
Personal Services	101,721,900	107,317,400	107,317,400
Employee Related Expenditures	90,131,000	96,345,200	96,345,200
Professional and Outside Services	2,163,400	2,358,700	2,358,700
Travel - In State	346,200	363,000	363,000
Travel - Out of State	383,300	410,800	410,800
Other Operating Expenditures	36,755,000	31,363,700	30,526,700
Equipment	7,547,200	7,476,700	6,285,800
OPERATING SUBTOTAL	239,048,000	245,635,500	243,607,600
SPECIAL LINE ITEMS			
ACTIC	1,297,900	1,450,000	1,450,000
Border Strike Task Force Local Support	957,400	1,261,700	1,261,700 ^{2/3/4/}
Border Strike Task Force Ongoing	6,698,000	7,102,500	7,102,500
Civil Air Patrol	150,000	150,000	150,000
GIITEM	21,101,200	22,410,800	22,410,800 ^{5/6/}
GIITEM Subaccount	2,238,500	2,395,800	2,395,800
Motor Vehicle Fuel	3,815,300	5,454,600	5,454,600
Peace Officer Training Equipment	0	3,053,000	1,047,500 ^{7/}
Pharmaceutical Diversion and Drug Theft Task Force	0	758,100	559,500
Public Safety Equipment	2,677,500	2,890,000	2,890,000
Sexual Assault Kit Testing	165,000	0	0
Trooper Vehicle In-Car Cameras	20,900	0	0
AGENCY TOTAL	278,169,700	292,562,000	288,330,000 ^{8/9/}
FUND SOURCES			
General Fund	105,915,600	104,241,700	74,241,700
<u>Other Appropriated Funds</u>			
Automated Fingerprint Identification System Fund	2,748,500	0	0
Concealed Weapons Permit Fund	1,343,900	3,554,700	2,717,700
Crime Laboratory Assessment Fund	870,300	0	0
Crime Laboratory Operations Fund	13,611,300	0	0
Criminal Justice Enhancement Fund	2,620,800	2,927,300	2,927,300
Deoxyribonucleic Acid (DNA) Identification System Fund	4,224,800	0	0
DPS Forensics Fund	0	22,495,800	22,495,800
Drug and Gang Prevention Resource Center Fund	0	758,100	559,500
Fingerprint Clearance Card Fund	661,400	1,502,500	1,502,500
Gang and Immigration Intelligence Team Enforcement	2,986,400	2,540,700	2,540,700
Mission Border Security and Law Enforcement			
Subaccount			
Highway Patrol Fund	25,474,400	116,321,400	168,122,000
Highway User Revenue Fund	99,398,700	15,508,700	0
Motor Vehicle Liability Insurance Enforcement Fund	0	1,250,000	1,250,000
Motorcycle Safety Fund	205,000	205,000	205,000
Parity Compensation Fund	3,365,500	3,451,500	3,451,500
Peace Officer Training Equipment Fund	0	3,053,000	1,047,500
Public Safety Equipment Fund	2,698,400	2,893,700	2,893,700
Risk Management Revolving Fund	1,314,200	1,345,300	1,345,300
Safety Enforcement and Transportation Infrastructure	1,317,000	1,643,500	1,643,500
Fund - Department of Public Safety Subaccount			

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
State Aid to Indigent Defense Fund	700,000	700,000	700,000
State Highway Fund	8,713,500	8,169,100	686,300
SUBTOTAL - Other Appropriated Funds	172,254,100	188,320,300	214,088,300
SUBTOTAL - Appropriated Funds	278,169,700	292,562,000	288,330,000
Other Non-Appropriated Funds	40,430,500	46,066,300	44,637,200
Federal Funds	50,928,900	72,283,200	72,283,200
TOTAL - ALL SOURCES	369,529,100	410,911,500	405,250,400

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 3.0 OF FTE Positions funded from Special Line Items in FY 2020.
- 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 25% of the cost of the services, and the department shall provide not more than 75% 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, 2019, the Department of Public Safety shall submit an expenditure plan for the Border Strike Task Force Local Support line item to the Joint Legislative Budget Committee and to 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 \$22,410,800 appropriated to the GIITEM line item, only \$1,403,400 is deposited in the GIITEM Fund established by A.R.S. § 41-1724, and is appropriated for the purposes of that section. The \$1,403,400 is exempt from the provisions of A.R.S. § 35-190, 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)
- 6/ Of the \$22,410,800 appropriated to the GIITEM line item, \$10,356,900 shall be used for 100 Department of Public Safety GIITEM personnel. The additional staff shall include at least 50 sworn Department of Public Safety positions to be used for immigration enforcement and border security and 50 Department of Public Safety positions to assist GIITEM in various efforts, including:
 1. Strict enforcement of 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, strict enforcement of Arizona's SB 1070, Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act", 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)
- 7/ **NEW** Before the expenditure of any monies appropriated in FY 2020 for the Peace Officer Training Equipment line item, the department shall submit an expenditure plan for this line item to the Joint Legislative Budget Committee for review. (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, 2020 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 Baseline includes \$243,607,600 and 1,789.9 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$38,575,800
Concealed Weapons Permit Fund	2,717,700
Criminal Justice Enhancement Fund (CJEF)	2,793,000
DPS Forensics Fund	22,495,800
Fingerprint Clearance Card Fund	1,502,500
Highway Patrol Fund	166,937,500
Motorcycle Safety Fund	205,000
Motor Vehicle Liability Insurance Enforcement Fund	1,250,000
Parity Compensation Fund	3,451,500
Public Safety Equipment Fund	3,700
Risk Management Revolving Fund	1,345,300
Safety Enforcement and Transportation Infrastructure Fund (SETIF) DPS Subaccount	1,643,500
State Highway Fund	686,300

FY 2020 adjustments are as follows:

General Fund Reduction/Highway Safety Fee

The Baseline includes a decrease of \$(30,000,000) in FY 2020 from the General Fund and a corresponding increase of \$30,000,000 in FY 2020 from the Highway Patrol Fund for a fund shift.

Laws 2018, Chapter 265 establishes a new highway safety fee to be charged on car registrations and set by the Director of the Arizona Department of Transportation (ADOT) at a level to fund 110% of the highway patrol budget. The new fee is set at \$32 per vehicle for most vehicles. The fee will go into effect on January 1, 2019 and is expected to generate total revenue of \$90.8 million in FY 2019. Beginning in FY 2020 the fee is expected to raise revenue of \$184.1 million annually, at which point the HURF appropriation to DPS would be fully eliminated. *(For more detail see Highway Safety Fee/HURF Shift in the Other Issues section.)*

HURF Reduction/Highway Safety Fee

The Baseline includes a decrease of \$(14,871,000) in FY 2020 from the Highway User Revenue Fund (HURF) and a corresponding increase of \$14,871,000 in FY 2020 from the Highway Patrol Fund to eliminate the use of HURF for DPS operating expenses. *(For more detail see Highway Safety Fee/HURF Shift in the Other Issues section.)*

State Highway Fund Reduction/Highway Safety Fee

The Baseline includes a decrease of \$(7,482,800) in FY 2020 from the State Highway Fund and a corresponding increase of \$7,482,800 in FY 2020 from the Highway

Patrol Fund to mostly eliminate the use of State Highway Fund for DPS operating expenses. *(For more detail see Highway Safety Fee/HURF Shift in the Other Issues section.)*

Insurance Premium Tax/Highway Safety Fee

The Baseline includes no change in funding for the shift of Insurance Premium Tax revenues to the General Fund. Under current statute, the Highway Patrol Fund receives revenues from a 0.4312% Insurance Premium Tax on vehicle insurance. The Baseline would shift those monies to the General Fund. These monies will be replaced with revenues from the Highway Safety Fee. Since there is no net change in overall funding, the overall appropriation for the Highway Patrol Fund is unchanged. *(For more detail, see Statutory Changes in the Other Issues section.)*

Remove One-Time AZPOST Funding

The Baseline includes a decrease of \$(837,000) from the Concealed Weapons Permit Fund (CWPF) in FY 2020 to remove one-time funding for the Arizona Peace Officers Standards and Training Board (AZPOST) operating costs. The FY 2019 Criminal Justice Budget Reconciliation Bill allows for the fund to be used for this purpose in FY 2019. FY 2019 was the first year of CWPF funding for AZPOST.

AZ POST is funded through the DPS budget and 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.

Remove One-Time Maricopa County Troopers Funding

The Baseline includes a decrease of \$(397,000) from the Highway Patrol Fund in FY 2020 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 Baseline includes a decrease of \$(793,900) from the Highway Patrol Fund in FY 2020 to remove equipment and other one-time costs associated with expanding the highway patrol coverage in southern Arizona.

ACTIC

The Baseline includes \$1,450,000 in FY 2020 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 2019.

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 Baseline includes \$1,261,700 from the General Fund in FY 2020 for the costs of BSTF Local Support. These amounts are unchanged from FY 2019.

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 Baseline includes \$7,102,500 and 37 FTE Positions from the General Fund in FY 2020 for the Border Strike Task Force (BSTF). These amounts are unchanged from FY 2019.

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 Baseline includes \$150,000 from the General Fund in FY 2020 for funding of the Civil Air Patrol (CAP). This amount is unchanged from FY 2019.

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 Baseline includes \$22,410,800 and 136.8 FTE Positions in FY 2020 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). This amount consists of:

General Fund	22,017,500
GIITEM Border Security and Law Enforcement Subaccount	144,900
Highway Patrol Fund	248,400

These amounts are unchanged from FY 2019.

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) \$10,356,900 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 2019 Criminal Justice BRB allocated \$400,000 to the Pima County Sheriff's Office in FY 2019. 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.)* The Baseline continues these same allocations in FY 2020.

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. *(Please see Table 3 in the Other Issues section for more information on actual expenditures.)*

GIITEM Subaccount

The Baseline includes \$2,395,800 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2020 for the GIITEM Subaccount, to be used for equipment and

supplies for border security. These amounts are unchanged from FY 2019.

The GITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$1,978,900 in FY 2020. The monies in the GITEM 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 19, 2018 meeting, the JLBC gave a favorable review to a partial GITEM Subaccount expenditure plan for FY 2019. The plan includes \$500,000 for detention liaison officers, \$495,800 for county sheriff deputies and municipal police department officers to augment the GITEM Task Force's border district unit, \$350,000 for the Pima County Border Crimes Unit. At the September 20, 2018 JLBC Meeting, the Committee gave a favorable review of the remaining \$1,050,000 expenditure plan for grants to county sheriffs for border security. The expenditure plan consisted of \$230,000 for Cochise, Santa Cruz, and Yuma Counties, \$100,000 for Graham, Greenlee, and La Paz Counties, and \$60,000 for Navajo County. *(Please see Table 3 in the Other Issues section for more information on actual expenditures.)*

Motor Vehicle Fuel

The Baseline includes \$5,454,600 in FY 2020 for Motor Vehicle Fuel. This amount consists of:

General Fund	4,384,200
CJEF	134,300
Highway Patrol Fund	936,100

FY 2020 adjustments are as follows:

HURF Reduction/Highway Safety Fee

The Baseline includes a decrease of \$(637,700) in FY 2020 from the Highway User Revenue Fund (HURF) and a corresponding increase of \$637,700 in FY 2020 from the Highway Patrol Fund for a fund shift.

The Motor Vehicle Fuel line item centralizes monies appropriated to DPS for motor vehicle fuel.

Peace Officer Training Equipment

The Baseline includes \$1,047,500 from the Peace Officer Training Equipment Fund in FY 2020 for Peace Officer Training Equipment. FY 2020 adjustments are as follows:

Adjust Funding

The Baseline includes a decrease of \$(2,005,500) from the Peace Officer Training Equipment Fund in FY 2020 to remove a one-time FY 2019 appropriation from the fund and align the FY 2020 appropriation with remaining revenues through the end of FY 2020.

Laws 2018, Chapter 312 appropriated a one-time appropriation of \$3,053,000 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 Yuma County Sheriff's Office);
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.

These appropriations will be made in the above order as revenue is received in the fund. Chapter 312 also includes a final one-time \$20,000 appropriation to the Supreme Court to cover the programming costs of implementing the new fees. *(Please see the Supreme Court section for more information.)*

Laws 2018, Chapter 312 increases the assessment on criminal and civil traffic violations by \$4 and the defensive driving school fee by \$4. This new revenue is to be deposited into the new Peace Officer Training Equipment Fund.

The fees take effect January 1, 2019 and it is estimated they will bring annual revenue of \$2,747,000. Since the fee will be in effect for only half of FY 2019, it is estimated FY 2019 will bring revenue of \$1,373,500. The FY 2019 revenue would subsequently fund the first \$500,000 appropriation for employee overtime pay and part of the next \$2,300,000 appropriation for virtual firing stations and virtual training simulators. The FY 2019 revenue combined with the estimated annual revenue of FY 2020 will 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 \$1,047,500 is allocated from the fund for the FY 2020 Baseline.

Once these appropriations are completed, the new Peace Officer Training Equipment Advisory Commission will make annual recommendations on how the funding should be spent.

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 Baseline includes \$559,500 and 3 FTE Positions from the Drug and Gang Prevention Resource Center Fund in FY 2020 for the Pharmaceutical Diversion and Drug Theft Task Force. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(198,600) from the Drug and Gang Prevention Resource Center Fund to remove equipment and other one-time costs associated with establishing the Pharmaceutical Diversion and Drug Theft Task Force.

This line item funds a task force to combat the abuse and trafficking of prescription drugs and inappropriate prescriber behavior.

Public Safety Equipment

The Baseline includes \$2,890,000 from the Public Safety Equipment Fund in FY 2020 to equip DPS officers. This amount is unchanged from FY 2019.

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.

Other Issues

Fund Transfers

The Baseline includes \$24,219,700 in fund transfers for the General Fund in FY 2020. This amount consists of:

- \$16,736,900 of "Excess" Highway Safety Fee revenue. This is the extra 10% of the FY 2020 Highway Safety Fee base amount. These monies will be transferred to the State Highway fund then transferred to the General Fund.
- \$7,482,800 from a State Highway Fund Vehicle License Tax (VLT) transfer.

Statutory Changes

The Baseline would:

Highway Safety Fee

(See Highway Safety Fee/HURF Shift section.)

Non-Highway Safety Fee

- As session law, amend Laws 2018, Chapter 312, Section 5, to change the requirement for the DPS purchase of virtual training simulators. Chapter 312 required DPS to purchase 3 virtual training simulators in total, with 1 for each of the following law enforcement organizations: Tucson Police Department, Pinal County Sheriff's Office and Yuma County Sheriff's Office. The Yuma County Sheriff's Office has declined the new virtual training simulator, as the agency has an existing simulator which was purchased by the US Border Patrol which is jointly shared with local law enforcement in Yuma County. The Baseline would instead have DPS choose the recipient of the new virtual training simulator.
- As session law, continue to require the Department of Public Safety (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 FY 2020 appropriation prior to its expenditure.
- As session law, continue to allow the use of the Concealed Weapons Permit Fund and continue to allow use of the State Aid to Indigent Defense Fund for DPS operating expenses.
- As session law, continue to allow DPS to utilize \$144,900 from the FY 2020 GIITEM Subaccount appropriation for costs related to an increase in the PSPRS employer contribution rate.
- As session law, continue to allocate \$400,000 from the GIITEM General Fund distribution to the Pima County Sheriff's Office.

- As permanent law, continue to allow DPS to use the Arizona Drug and Gang Resource Center Fund for the Pharmaceutical Diversion and Drug Theft Task Force. This provision is ongoing in accordance with the 3-year spending plan associated with the enacted FY 2019 budget.

Highway Safety Fee/HURF Shift

Recent History of HURF/SHF Usage

The Baseline eliminates the remaining DPS HURF appropriation in FY 2020. This funding is replaced by the new 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.

Laws 2018, Chapter 265 establishes a new Highway Safety Fee to fund DPS's Highway Patrol budget, so that DPS would no longer be funded from HURF. Chapter 265 requires the Director of the Arizona Department of Transportation (ADOT) to set the fee on car registrations to fund 110% of the highway patrol budget for each fiscal year.

The fee is a function of the Highway Patrol Budget and the number of applicable registered vehicles. Chapter 265 allows ADOT director to determine both.

In November 2018, ADOT announced the Highway Safety Fee, which became effective December 1, 2018 for new vehicle registrations and effective January 1, 2019 for vehicle renewals. The Highway Safety Fee is \$32 per vehicle each year, while street-legal golf carts and off-highway vehicles pay \$5 per vehicle per year.

ADOT determined the DPS Highway Patrol Budget to be \$168 million. The additional 10% required by Chapter 265 is \$16.7 million. As a result, the fee is expected to generate \$185 million on an annual basis.

ADOT estimates that approximately 5.8 million vehicles will be eligible for registration in 2019. The 5.8 million estimated number of vehicle registrations, along with the

\$168 million Highway Patrol budget, resulted in a \$32 fee per vehicle. (*See the JLBC Staff Report on the Highway Safety Fee Timeline for more information about ADOT's calculation of the fee amount.*)

Since this new fee will be effective January 1, 2019, it is expected to raise roughly half the \$185 million in FY 2019, or \$91 million.

While Chapter 265 sets no limits on the fee, all revenue is deposited into the appropriated Highway Patrol Fund. Chapter 265 further requires ADOT to account for any fund balance in determining the fee for the upcoming year.

As part of the FY 2019 budget, the new \$91 million in revenue permitted:

- Funding \$7 million in new troopers.
- Elimination of \$84 million in HURF for DPS expenses. Half of this amount would otherwise go to the State Highway Fund. In FY 2019, it will instead be transferred to the General Fund via the VLT. The remaining \$42 million will go toward local HURF.
- Elimination of the \$30 million HELP Fund appropriation for local HURF. Those monies will instead be transferred to the General Fund.

In total:

- The General Fund will benefit by \$72 million - \$42 million from the VLT transfer and \$30 million from the HELP Fund transfer.
- Local HURF will benefit by \$12 million - \$42 million from the freed up DPS allocation less the loss of the \$(30) million HELP appropriation.

(*Please see Table 1 below for more detail on the beneficiaries of the fee revenue in FY 2019.*)

In FY 2020 the fee is expected to pay the complete cost of the Highway Patrol budget. As a result, current funding for Highway Patrol will be redirected. This includes:

- Elimination of a full year of \$99 million in HURF for DPS expenses, which will be redirected to state and local road construction.
- Elimination of \$30 million in General Fund for DPS expenses, which will be replaced by the Highway Safety Fee. This amount was added to the DPS General Fund budget in FY 2015.
- Redirection of Insurance Premium Tax (IPT) from Highway Patrol Fund to the General Fund. The IPT revenues had previously been deposited into the Highway Patrol Fund to supplement the Highway

Patrol budget. With the creation of the Highway Safety Fee, these monies can be directed to the General Fund. Most IPT revenues are already deposited into the General Fund. The \$23.2 million estimate is based on the actual FY 2018 distribution.

- Reduction of \$7.5 million in State Highway Fund spending for Highway Patrol, which will be replaced by funding from the Highway Safety Fee. These freed up monies in the State Highway Fund will be 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 \$16.7 million in Highway Safety Fee funds to the General Fund. This amount reflects the extra 10% of the Highway Patrol Budget. These monies will first be transferred to the State Highway Fund and then transferred to the General Fund through VLT revenues.

(Please see Table 2 below for more detail on the components of the Highway Patrol Fund in FY 2020.)

In total, the General Fund will benefit by \$107.4 million:

- \$30.0 million from eliminating a planned increase in funding to support local HURF.
- \$30.0 million from the DPS budget shift. This amount was added to the DPS General Fund budget in FY 2015.
- \$23.2 million from diverting IPT from the Highway Patrol Fund to the General Fund.
- \$24.2 million of transfers to the General Fund: \$16.7 million from the "Excess" Highway Safety Fee revenue transferred to the General Fund and \$7.5 million of General Fund revenue from a State Highway Fund VLT transfer. These freed up monies in the State Highway Fund will be transferred to the General Fund through VLT revenues. *(See below.)*

Transportation spending will increase by \$69 million, including \$19 million to local HURF and \$50 million to the State Highway Fund.

Highway Safety Fee Related Statutory Changes

The Baseline would:

- As permanent law, eliminate the deposit of certain Insurance Premium Tax revenues into the Highway Patrol Fund, and instead deposit those monies into the General Fund.
- As permanent law, eliminate the statutory authorization to use up to \$10 million from HURF for DPS Highway Patrol costs. The Baseline would repeal A.R.S. § 28-6537 (which authorizes the \$10 million)

and A.R.S. § 41-1752B(1) (a technical conforming change to the Highway Patrol Fund statute).

- As session law, transfer \$16,736,900 from the 10% "Excess" Highway Safety Fee in the Highway Patrol Fund to the State Highway Fund in FY 2020. These monies cannot be transferred directly to the General Fund as the Arizona Constitution only allows highway fees to be used for highway-related purposes. Once transferred to the State Highway Fund, these monies can then displace VLT monies. The transfer of VLT monies to the General Fund is legally permissible.
- As session law, transfer \$24,219,700 of VLT monies in the State Highway Fund to the General Fund in FY 2020. This is intended to transfer 2 sources of monies to the General Fund: 1) The "excess" Highway Safety Fee monies (see prior bullet); and 2) The State Highway Fund savings from the DPS Operating Budget fund shift *(see the DPS Operating Budget section for more information)*.

Table 1

FY 2019 Beneficiaries of New Highway Safety Fee Revenue
(\$ in Millions)

	Beneficiaries			
	<u>Total</u>	<u>DPS</u>	<u>GF</u>	<u>Local Roads</u>
Reduce DPS HURF and Replace with HS Fee (Transfer State's Gain to GF via VLT)	\$ 84		\$42	\$42
New Troopers and Retirement	7	7		
Replace HELP Support of Local HURF			30	(30)
Total	\$91	\$7	\$72	\$12

Table 2

FY 2020 Components of Highway Patrol Fund
(\$ in Millions)

	Components				
	<u>Total</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	30		30		
Redirect DPS IPT Revenue from Highway Patrol Fund to General Fund	23		23		
New Troopers and Retirement	7	7			
Shift State Highway Fund via VLT Transfer	7		7		
Transfer "Excess" Fee to General Fund via VLT Transfer	17		17		
Foregone Local HURF Backfill			30	(30)	
Total	\$183	\$7	\$107	\$19	\$50

Table 3

State Immigration Enforcement
Assistance to Local Governments 1/

DPS GIITEM Local Immigration Enforcement Grant Expenditures 2/

<u>Agency</u>	<u>FY 2017</u> <u>Actual</u>	<u>FY 2018</u> <u>Estimate 3/</u>	<u>FY 2019</u> <u>Estimate 3/</u>
Pima County Sheriff's Department	-	\$ 400,000	\$ 400,000
Border Detention Liaison Officers (See Chart Below)	-	-	-
Border County Officers (See Chart Below)	-	-	-
Maricopa County Sheriff's Office	\$1,600,000	-	-
DPS Expenditures in Support of Local Grants	503,400	503,400	503,400
Pinal County Sheriff's Department	500,000	500,000	500,000
TOTAL	\$2,603,400	\$1,403,400	\$1,403,400
 <u>Year of Appropriation of Funding</u>			
FY 2016	\$247,900	-	-
FY 2017	2,355,500	\$89,600	-
FY 2018	-	1,313,800	-
FY 2019	-	-	1,403,400
	\$2,603,400	\$1,403,400	\$1,403,400
 <u>Detention Liaison Officer Grants 4/5/</u>			
Cochise County Sheriff's Office	\$37,500	\$37,500	\$40,500
Graham County Sheriff's Office	-	-	-
Maricopa County Sheriff's Office	89,200	-	-
Pima County Sheriff's Office	87,300	87,300	94,300
Pinal County Sheriff's Office	47,700	47,700	51,500
Santa Cruz County Sheriff's Office	-	52,100	56,300
Yuma County Sheriff's Office	-	52,100	-
Department of Corrections	238,300	238,300	257,400
Total	\$500,000	\$515,000	\$500,000
 <u>Border County Officers 4/5/</u>			
Benson Police	-	-	-
Casa Grande Police	-	-	\$67,500
Cochise County Sheriff's Office	\$191,600	\$201,900	210,800
Coolidge Police	64,200	74,500	-
Douglas Police	-	-	-
Eloy Police	56,400	-	-
Oro Valley Police	66,700	77,000	80,400
Pinal County Sheriff's Office	-	-	-
San Luis Police	56,400	66,700	69,600
Somerton Police	44,500	54,900	-
Yuma County Sheriff's Office	-	-	67,500
Unallocated	10,200	-	-
Total	\$490,000	\$475,000	\$495,800

Table 3 (Continued)

	FY 2017	FY 2018	FY 2019
<u>Border Security and Law Enforcement Grants 4/</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Apache County Sheriff's Office	\$70,000	\$0	\$0
Cochise County Sheriff's Office	70,000	350,000	230,000
Coconino County Sheriff's Office	70,000	0	0
Gila County Sheriff's Office	70,000	0	0
Graham County Sheriff's Office	70,000	0	100,000
Greenlee County Sheriff's Office	70,000	0	100,000
La Paz County Sheriff's Office	70,000	0	100,000
Maricopa County Sheriff's Office	70,000	0	0
Mohave County Sheriff's Office	70,000	0	0
Navajo County Sheriff's Office	70,000	0	60,000
Pima County Sheriff's Department	70,000	0	0
Pinal County Sheriff's Office	70,000	0	0
Santa Cruz Sheriff's Office	70,000	350,000	230,000
Yavapai County Sheriff's Office	70,000	0	0
Yuma County Sheriff's Office	70,000	350,000	230,000
Total	\$1,050,000	\$1,050,000	\$1,050,000

GIITEM Subaccount Expenditures 5/6/

<u>Agency</u>			
Pima County Sheriff	\$350,000	\$350,000	\$350,000
General Fund Repayment	-	-	-
Border Detention Liaison Officers (See Chart Above)	500,000	515,000	500,000
Border County Officers (See Chart Above)	490,000	475,000	495,800
Border Security and Law Enforcement Grants (See Chart Above)	1,050,000	1,050,000	1,050,000
TOTAL	\$2,390,000	\$2,390,000	\$2,395,800

Border Strike Task Force Local Support 7/8/

<u>Agency</u>			
Cochise County Sheriff	\$601,100	\$642,700	\$642,700
Pima County Sheriff	410,600	452,300	452,300
Santa Cruz County Sheriff	125,000	166,700	166,700
Yuma County Sheriff	125,000	-	-
TOTAL	\$1,261,700	\$1,261,700	\$1,261,700

County Attorney Immigration Enforcement Distributions 9/

- 1/ Further details prior to FY 2019 can be found in the *FY 2018 Appropriations Report*.
- 2/ Funded from non-lapsing \$1.4 million General Fund appropriation, which is part of a \$22.4 million total GIITEM General Fund appropriation to DPS in FY 2019. Beginning in FY 2011, statute allocated the first \$1.6 million to the Maricopa County Sheriff's Office and the next \$500,000 to the Pinal County Sheriff's Office. The FY 2018 Criminal Justice Budget Reconciliation Bill eliminated the Maricopa County distribution and permanently prohibited any monies from being
- 3/ Estimates provided by DPS.
- 4/ Funding for the Detention Liaison Officer, Border County Officers, and Border Security and Law Enforcement Grants is
- 5/ FY 2019 GIITEM Subaccount amounts reflect allocations from the DPS expenditure plan as reviewed at the June 19, 2018 meeting of the JLBC. The expenditure plan for the Border Security and Law Enforcement Grants was not
- 6/ As required by Laws 2018, Chapter 276, JLBC must review DPS' FY 2018 GIITEM Subaccount expenditure plan before the expenditure of any monies. The Committee reviewed \$1.3 million of the \$2.4 million appropriation on June 19, 2018.
- 7/ Laws 2016, Chapter 117 provided initial funding for the Border Strike Task Force (BSTF) that was established within DPS in September 2015. Included in the funding was \$1,261,700 from the General Fund in FY 2017 for the BSTF Local Support line item which provided funding for grants to local participants in BSTF and for the reimbursement of
- 8/ Funded by a General Fund appropriation.
- 9/ Funding for this line item was not continued in FY 2016.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Anti-Racketeering Fund (PSA3123/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Any monies obtained as a result of a Department of Public Safety (DPS) seizure and forfeiture by the Attorney General are deposited into this fund. The forfeitures are made under the Racketeering Influenced and Corrupt Organization (RICO) laws.		
Purpose of Fund: For the investigation and prosecution of any offense relating to racketeering. These funds may also be used for gang prevention programs, substance abuse prevention programs and substance abuse education programs.		
Funds Expended	3,265,600	4,291,700
Year-End Fund Balance	7,269,400	5,202,700
Automated Fingerprint Identification System Fund (PSA2286/A.R.S. § 41-2414 [REPEALED])		Appropriated
Source of Revenue: A 6.46% allocation from the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For operation and maintenance of the Arizona Automated Fingerprint Identification System. The FY 2018 Criminal Justice Budget Reconciliation Bill repeals this fund effective June 30, 2018. The remaining balance and future revenue will be deposited into the DPS Forensics Fund.		
Funds Expended	2,748,500	0
Year-End Fund Balance	2,304,300	0
Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)		Appropriated
Source of Revenue: A semi-annual fee of \$0.50 per vehicle insured under a motor vehicle liability insurance policy for vehicles with a gross weight under 26,000 pounds. In addition, 50% of civil penalties assessed against a scrap metal dealer who does not submit vehicle title information to the ADOT records system within 48 hours after the completion of a transaction.		
Purpose of Fund: To allocate monies to public agencies for the purpose of establishing, maintaining and supporting programs that are designed to prevent motor vehicle theft, and to cover the costs of administration not to exceed 10% of the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Capitol Police Administrative Towing Fund (PSA1999/A.R.S. § 41-1725)		Non-Appropriated
Source of Revenue: Penalties and fees collected for parking violations on state property.		
Purpose of Fund: For Capitol Police Department law enforcement purposes.		
Funds Expended	0	0
Year-End Fund Balance	24,400	47,700
Concealed Weapons Permit Fund (PSA2518/A.R.S. § 41-1722)		Appropriated
Source of Revenue: Fees for the application, renewal, and replacement of concealed weapons permits. These fees range from \$10 for a replacement permit to \$60 for a new permit.		
Purpose of Fund: Funds the costs associated with administering the concealed weapons permit process. The FY 2019 Criminal Justice Budget Reconciliation Bill allows monies in the fund to be used for DPS operating expenses and expenses of the Arizona Peace Officer Standards and Training Board.		
Funds Expended	1,343,900	3,554,700
Year-End Fund Balance	1,138,400	1,021,100
Conferences, Workshops and Other Education Fund (PSA2700/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Conference registration fees.		
Purpose of Fund: To cover expenditures of conferences held by the Governor's Office of Highway Safety.		
Funds Expended	16,100	28,000
Year-End Fund Balance	0	2,000

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Crime Laboratory Assessment Fund (PSA2282/A.R.S. § 41-2415 [REPEALED])		Appropriated
Source of Revenue: A 2.3% allocation of CJEF. DPS retains 55% of this fund and distributes the remaining funds to political subdivisions that operate crime laboratories.		
Purpose of Fund: To provide enhanced crime lab services, purchase and maintain scientific equipment, and train crime lab forensic scientists. The FY 2018 Criminal Justice Budget Reconciliation Bill repeals this fund effective June 30, 2018. The remaining balance and future revenue will be deposited into the DPS Forensics Fund.		
Funds Expended	870,300	0
Year-End Fund Balance	172,900	0
Crime Laboratory Operations Fund (PSA2394/A.R.S. § 41-1772 [REPEALED])		Appropriated
Source of Revenue: The fund includes the first \$10,400,000 generated each year resulting from a \$45 surcharge for all persons who elect to take a defensive driving course in lieu of paying the civil traffic violation fine. Any revenues in excess of that amount are deposited into the General Fund. In addition, DPS is authorized to receive 9% of CJEF revenues that were previously deposited into the General Fund. These additional funds are exempt from distribution to political subdivisions. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To fund crime laboratory or other department operations. The FY 2018 Criminal Justice Budget Reconciliation Bill repeals this fund effective June 30, 2018. The remaining balance and future revenue will be deposited into the DPS Forensics Fund.		
Funds Expended	13,611,300	0
Year-End Fund Balance	393,400	0
Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)		Partially-Appropriated
Source of Revenue: An 85% allocation of an 8.56% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For operational expenses of the Criminal Justice Information System and the Arizona Automated Fingerprint Identification System (appropriated) and for grants to local law enforcement agencies to help prevent residential and commercial burglaries, control street crime and street gangs, and locate missing children (non-appropriated).		
Appropriated Funds Expended	2,620,800	2,927,300
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance*	247,000	(301,700)
Deoxyribonucleic Acid (DNA) Identification System Fund (PSA2337/A.R.S. § 41-2419 [REPEALED])		Appropriated
Source of Revenue: A 15% allocation of an 8.56% distribution from CJEF, monies collected from individuals subjected to DNA testing who have the financial ability to pay for tests, and contributions from any other sources. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. The fund also receives revenues from a separate 6% surcharge on all fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To implement, operate and maintain DNA testing and administrative costs. The FY 2018 Criminal Justice Budget Reconciliation Bill repeals this fund effective June 30, 2018. The remaining balance and future revenue will be deposited into the DPS Forensics Fund.		
Funds Expended	4,224,800	0
Year-End Fund Balance	424,600	0
DPS Administration Fund (PSA2322/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: State and local grants and donations.		
Purpose of Fund: For administering state and local grants such as Emergency Medical Services Communications, Arizona Criminal Justice Commission, Forensics, Fines Management and the DPS Criminal Justice Enhancement Fund project, as well as for operational costs of the Criminal Justice Information System.		
Funds Expended	2,072,300	2,351,000
Year-End Fund Balance	2,576,800	2,830,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
DPS Forensics Fund (PSA9990/A.R.S. § 41-1730)		Appropriated
Source of Revenue: The FY 2018 Criminal Justice Budget Reconciliation Bill consolidated the Crime Laboratory Assessment Fund, Auto Fingerprinting Identification Fund, DNA Identification Fund, and Crime Laboratory Operations Fund. All previous balances and future revenue are deposited into this fund effective June 30, 2018.		
Purpose of Fund: 55% may be used by DPS to purchase and install fingerprint identification equipment; operate, maintain and administer the Arizona Automated Fingerprint Identification System; crime laboratory operations and enhanced services; educating and training forensic scientists; purchasing and maintaining scientific equipment for crime lab use; and implementing, operating and maintaining Arizona DNA Identification System. The remaining 45% shall be distributed to the Phoenix Police Department (22%), Tucson Police Department (12%), Mesa Police Department (7%), and Scottsdale Police Department (4%).		
Funds Expended	0	22,495,800
Year-End Fund Balance	0	977,400
DPS Licensing Fund (PSA2490/A.R.S. § 32-2408)		Non-Appropriated
Source of Revenue: Fees collected from Private Investigator and Security Guard license applicants.		
Purpose of Fund: For the operational and equipment costs of regulating the private investigator and security guard industry.		
Funds Expended	1,088,200	1,230,900
Year-End Fund Balance	450,300	390,600
Driving Under the Influence Abatement Fund (PSA2422/A.R.S. § 28-1304)		Non-Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of either an extreme or aggravated driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater. An aggravated DUI violation is defined as a DUI violation which occurs: while an individual under the age of 15 is in the vehicle, while an individual's driver license is suspended or revoked, or a subsequent DUI violation that occurs within 7 years of the initial DUI violation.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments that apply for monies for enforcement and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. The Arizona Department of Transportation and DPS receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes of the Oversight Council on Driving or Operating Under the Influence Abatement or payment of the costs of notification.		
Funds Expended	1,615,200	1,588,800
Year-End Fund Balance	677,000	582,200
Drug and Gang Prevention Resource Center Fund (DPA2280/A.R.S. § 41-2402)		Appropriated
Source of Revenue: 1.31% of fee collections and filings in the Superior Court, 1.31% of notary bond fees, and public and private gifts or grants, excluding federal monies.		
Purpose of Fund: To fund the Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. The survey measures alcohol and drug use, gang affiliation, and weapons within schools. The FY 2019 budget included a \$758,100 appropriation from the fund to help cover costs of the newly created Pharmaceutical Diversion and Drug Theft Task Force.		
Funds Expended	0	758,100
Year-End Fund Balance	0	0
Families of Fallen Police Officers Special Plate Fund (PSA2386/A.R.S. § 41-1721)		Non-Appropriated
Source of Revenue: Receives \$17 of the \$25 fee paid for an original or renewal of a Family of Fallen Police Officer Special License Plate.		
Purpose of Fund: For a nonprofit corporation in the state that demonstrates a commitment to helping in the healing of family survivors of police officers who died in the line of duty in this state, to provide survivor victimization training to law enforcement personnel, and to educate the public on the need to support law enforcement personnel and the families of fallen officers.		
Funds Expended	250,000	250,000
Year-End Fund Balance	900	900

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Federal Grants and Reimbursements (PSA2000/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To administer various federal awards including Federal Highway Administration grants, Homeland Security grants, the High Intensity Drug Trafficking Area program, the Motor Carrier Safety Assistance program, crime lab grants, and Department of Justice Victims of Crime Act monies.		
Funds Expended	50,928,900	72,283,200
Year-End Fund Balance	1,163,600	898,700
Fingerprint Clearance Card Fund (PSA2433/A.R.S. § 41-1758.06)		Partially-Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards. The FY 2019 budget included a \$700,000 appropriation for the continued replacement of crime lab equipment and \$800,000 for general department operating expenses.		
Appropriated Funds Expended	661,400	1,502,500
Non-Appropriated Funds Expended	5,558,600	6,895,300
Year-End Fund Balance	2,376,200	2,099,600
Board of Fingerprinting Fund (PSA2435/A.R.S. § 41-619.56)		Non-Appropriated
Source of Revenue: Fees paid by fingerprint clearance card applicants.		
Purpose of Fund: To fund the Board of Fingerprinting, which conducts good cause exception hearings for personnel who require a fingerprint clearance card.		
Funds Expended	589,000	618,700
Year-End Fund Balance	2,909,400	3,200,700
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount (PSA2396/A.R.S. § 41-1724)		Appropriated
Source of Revenue: A \$4 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To provide funding to county sheriffs and municipal police departments for law enforcement purposes relating to border security including border personnel. The FY 2018 Criminal Justice Budget Reconciliation Bill allows DPS to utilize up to \$137,700 for costs related to increases in the employer contribution rate for the Public Safety Personnel Retirement System. In addition, the FY 2018 Criminal Justice Budget Reconciliation Bill made Maricopa County ineligible for these monies.		
Funds Expended	2,986,400	2,540,700
Year-End Fund Balance	2,691,300	2,787,100
Gang and Immigration Intelligence Team Enforcement Mission Fund (PSA2396/A.R.S. § 41-1724)		Appropriated
Source of Revenue: A penalty assessed against law enforcement agencies in the state that are not enforcing current illegal immigration statutes and General Fund monies deposited into the fund per a General Appropriation Act footnote. This General Fund amount was \$1,403,400 in FY 2019 and is \$1,403,400 in the FY 2020 Baseline. The fine can be no less than \$500 and no more than \$5,000 a day for as long as the law enforcement agency is in non-compliance. Expenditures from this fund are not displayed below to avoid double counting.		
Purpose of Fund: These monies can be used for enforcement of gang and immigration statutes, border security, human and drug smuggling laws, the employer sanctions law and for county jail reimbursement, resulting from costs attributed to illegal immigration. A.R.S. § 41-1724 mandates that the first \$500,000 in revenues be distributed to the Pinal County Sheriff for immigration enforcement and prohibits any monies from being distributed to the Maricopa County Sheriff. Any entity receiving monies from the fund shall provide 25% of the cost of services with DPS providing the remaining 75%.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Highway Patrol Fund (PSA2032/A.R.S. § 41-1752)		Appropriated
Source of Revenue: A 0.43% premium tax paid by vehicle insurers, miscellaneous service fees, rewards, awards, insurance recoveries, and receipts from the sale or disposal of property held by the Highway Patrol. This fund also includes deposits of fees collected from towing impound hearings. In addition, the fund includes deposits from the Highway Safety Fee which is set to fully fund 110% of the Highway Patrol budget.		
Purpose of Fund: To administer the provisions of law relating to the Highway Patrol and Highway Patrol Reserve and for the costs associated with impounding vehicles. Also, the FY 2019 Criminal Justice Budget Reconciliation Bill allows the fund to be used to update the Criminal Justice Information System.		
Funds Expended	25,474,400	116,321,400
Year-End Fund Balance	7,286,600	4,546,300
Highway User Revenue Fund (PSA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Revenues collected from various highway-related taxes and fees, including the motor vehicle license tax.		
Purpose of Fund: To fund a portion of Highway Patrol costs.		
Funds Expended	99,398,700	15,508,700
Year-End Fund Balance	0	0
IGA and ISA Fund (PSA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	11,203,900	11,460,500
Year-End Fund Balance	2,834,700	3,317,400
Indirect Cost Recovery Fund (PSA9000/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	2,060,400	1,802,900
Year-End Fund Balance	1,808,100	1,005,200
Motor Carrier Safety Revolving Fund (PSA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28; and monies received from private grants or donations.		
Purpose of Fund: DPS conducts motor carrier safety investigations, the Motor Vehicle Division of ADOT administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	1,800	1,800
Year-End Fund Balance	21,000	26,200
Motor Vehicle Liability Insurance Enforcement Fund (PSA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the Arizona Department of Transportation (ADOT) pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: For ADOT to enforce mandatory motor vehicle liability insurance laws. Beginning in FY 2019, \$1,250,000 of ongoing funding is used for DPS operating expenses.		
Funds Expended	0	1,250,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Motorcycle Safety Fund (PSA2479/A.R.S. § 28-2010)		Appropriated
Source of Revenue: Receives \$1 of each motorcycle registration fee.		
Purpose of Fund: To implement and support voluntary motorcycle safety, education and awareness programs.		
Funds Expended	205,000	205,000
Year-End Fund Balance	159,400	114,400
Parity Compensation Fund (PSA2510/A.R.S. § 41-1720)		Appropriated
Source of Revenue: Receives 1.51% of the portion of vehicle license tax revenues that otherwise would be deposited in the State Highway Fund.		
Purpose of Fund: To fund salary and benefit adjustments for law enforcement personnel.		
Funds Expended	3,365,500	3,451,500
Year-End Fund Balance	4,233,800	4,382,300
Peace Officer Training Equipment Fund (PSA8888/A.R.S. § 41-1731)		Appropriated
Source of Revenue: Revenues from a \$4 fee for a civil traffic violation and any criminal violation of motor vehicle statutes relating to the stopping, standing or operation of a vehicle as well as \$4 from the defensive driving school fee (Laws 2018, Chapter 312).		
Purpose of Fund: To fund the purchase of peace officer equipment. Laws 2018, Chapter 312 initially allocates these monies to DPS for: \$500,000 to employee overtime pay, \$2,300,000 for virtual firing ranges and virtual training simulators, \$203,000 to maintain existing virtual training simulators, and \$50,000 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.		
Funds Expended	0	3,053,000
Year-End Fund Balance*	0	(1,869,600)
Peace Officers' Training Fund (PSA2049/A.R.S. § 41-1825)		Non-Appropriated
Source of Revenue: Receives 16.64% of CJEF. CJEF is composed of a 47% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations.		
Purpose of Fund: For training costs, including the operation of the Arizona Law Enforcement Officers' Academy, grants to state agencies, cities and towns, and counties for training law enforcement officers and the operation of the Peace Officer Standards and Training Board.		
Funds Expended	4,937,100	6,354,200
Year-End Fund Balance	2,041,100	1,123,700
Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)		Partially-Appropriated
Source of Revenue: Revenues from a \$4 criminal fee on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations per A.R.S. § 12-116.04 as well as an additional \$4 per citation issued by DPS. These 2 revenue sources are appropriated. In addition, revenues include the first \$1,200,000 generated by additional assessments of up to \$1,500 to be paid by every offender convicted of driving or operating under the influence (DUI or OUI) offenses, except for boating-related offenses. These assessments are not subject to appropriation. The FY 2018 Criminal Justice Budget Reconciliation Bill requires the Treasurer to deposit any monies in excess of \$1,200,000 directly into the General Fund.		
Purpose of Fund: To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment. Also, the FY 2019 Criminal Justice Budget Reconciliation Bill allows the fund to be used to upgrade the microwave backbone system.		
Appropriated Funds Expended	2,698,400	2,893,700
Non-Appropriated Funds Expended	2,022,300	3,198,900
Year-End Fund Balance*	2,262,800	(604,200)
Records Processing Fund (PSA2278/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Fees charged to other agencies and local political subdivisions for costs of processing department reports and photographs of traffic accident scenes and processing criminal and non-criminal justice fingerprint cards through the federal government.		
Purpose of Fund: For fingerprint processing and department administrative costs.		
Funds Expended	4,730,300	5,065,200
Year-End Fund Balance	1,088,800	825,100

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Risk Management Revolving Fund (PSA4216/A.R.S. § 41-1713)		Appropriated
Source of Revenue: Transfer from the Arizona Department of Administration Risk Management Fund.		
Purpose of Fund: For the costs of a disaster recovery program for the DPS mainframe data center and the operational costs of the Capitol Police.		
Funds Expended	1,314,200	1,345,300
Year-End Fund Balance	19,000	19,000
Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount (PSA2108/A.R.S. § 28-6547)		Appropriated
Source of Revenue: Monies are transferred from the ADOT administered fund and includes fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings. The FY 2017 Government Budget Reconciliation Bill created the Department of Public Safety and Department of Transportation subaccounts within the Safety Enforcement and Transportation Infrastructure Fund and divided revenues between the 2 accounts with the Department of Public Safety Subaccount receiving 45% of revenues and the Department of Transportation Subaccount receiving 55% of revenues to the fund.		
Purpose of Fund: To fund commercial vehicle enforcement officers along the border, particularly in Yuma, Douglas and Nogales. <i>(See the Arizona Department of Transportation Summary of Funds section for other purposes of this fund.)</i>		
Funds Expended	1,317,000	1,643,500
Year-End Fund Balance*	55,500	(474,800)
State Aid to Indigent Defense Fund (PSA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, a 14.66% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid through the Arizona Criminal Justice Commission to county public defenders for the processing of criminal cases. These monies are no longer used for this purpose. The FY 2019 Criminal Justice Budget Reconciliation Bill permits DPS to utilize monies in the fund for operational costs during FY 2019.		
Funds Expended	700,000	700,000
Year-End Fund Balance	157,800	157,800
State Highway Fund (PSA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation.		
Purpose of Fund: To fund a portion of Highway Patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.		
Funds Expended	8,713,500	8,169,100
Year-End Fund Balance	0	0
State Highway Work Zone Safety Fund (PSA2480/A.R.S. § 28-710)		Non-Appropriated
Source of Revenue: A 50% allocation of the additional assessment levied for civil traffic violations committed in a highway work zone.		
Purpose of Fund: To establish and maintain a public education campaign for highway work zone safety.		
Funds Expended	86,500	29,200
Year-End Fund Balance	77,100	58,900
Statewide Donations (PSA2025/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Donations from outside entities.		
Purpose of Fund: To fund the costs of special events and other purposes determined by the Governor's Office of Highway Safety.		
Funds Expended	0	0
Year-End Fund Balance	7,300	7,300

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Victims' Rights Enforcement Fund (PSA2519/A.R.S. § 41-1727)		Non-Appropriated
Source of Revenue: A \$2 surcharge on criminal offenses and civil traffic violations and up to \$100,000 annually from the revenues of lottery games that are sold from vending machines.		
Purpose of Fund: To provide grants to non-profit entities that can demonstrate a 5-year history of providing legal representation and social services to crime victims. Up to 5% of the revenues into the fund can be used for administrative costs of the fund.		
Funds Expended	933,200	899,200
Year-End Fund Balance	1,195,000	1,454,200

*As reported by the agency. Actual ending balance will not be negative.

Public Safety Personnel Retirement System

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
SPECIAL LINE ITEMS			
EORP Fund Deposit	5,000,000	5,000,000	5,000,000
Prescott Fire Employer Group Deposit	1,000,000	2,000,000	0
AGENCY TOTAL	6,000,000	7,000,000	5,000,000
FUND SOURCES			
General Fund	6,000,000	7,000,000	5,000,000
SUBTOTAL - Appropriated Funds	6,000,000	7,000,000	5,000,000
Other Non-Appropriated Funds	12,224,400	13,388,700	13,388,700
TOTAL - ALL SOURCES	18,224,400	20,388,700	18,388,700

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).

EORP Fund Deposit

The Baseline includes \$5,000,000 from the General Fund in FY 2020 as part of the closure of the Elected Officials Retirement Plan (EORP). This amount is unchanged from FY 2019. *(See the FY 2017 Appropriations Report and the Consolidated Retirement Report section in this FY 2020 Baseline 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 Baseline includes no funding from the General Fund in FY 2020 for deposit into the employer account of the Prescott Fire Department group. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2020 to remove one-time funding. The FY 2019 budget included a one-time deposit into the PSPRS employer account of the Prescott Fire Department group to offset increased pension liabilities.

Expiration of Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2020 to remove funding included in

the FY 2015 budget. The FY 2015 budget appropriated \$1,000,000 from the General Fund for deposit into the employer account of the Prescott Fire Department each year from FY 2015 through FY 2019.

In June 2013, 19 firefighters employed by the Prescott Fire Department died in the line of duty while fighting the Yarnell Hill Fire. Of the 19, 6 were classified as permanent employees and were enrolled in PSPRS. As such, their survivors qualify to receive 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 budget was intended to offset these increased pension liabilities.

Of the remaining 13 firefighters who were classified as seasonal employees and initially considered ineligible for membership in PSPRS, 4 were posthumously enrolled in PSPRS after the Prescott Fire Department's local board determined that those firefighters met the criteria for membership.

The original estimated liability resulting from the Yarnell Hill fire was \$5,200,000. In January 2018, PSPRS re-estimated this liability to be \$10,288,900. This liability does not take into account the \$6,000,000 in funding provided by the state between FY 2015 and FY 2019.

See the Consolidated Retirement Report section for more information on PSPRS membership and actuarial data.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Disability Program Trust Fund (No Fund Number/A.R.S. § 38-870.02)		Non-Appropriated
Source of Revenue: Employee and employer contributions for members that were hired on or after July 1, 2017, abandoned Disability Program monies, and interest earnings.		
Purpose of Fund: Paying benefits and administration costs for the Defined Contribution Retirement Plan Disability Program established under Tier 3 of PSPRS.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program Account (No Fund Number/A.R.S. § 38-643)		Non-Appropriated
Source of Revenue: Consists of employer contributions of \$180 per fire fighter participating in the Public Safety Personnel Retirement System (PSPRS) as of June 30 of each year.		
Purpose of Fund: The account allows the Fund Manager to obtain a group cancer insurance policy to provide coverage to fire fighters, peace officers, and correction officers for expenses incurred in the treatment of cancer that was first diagnosed after membership in PSPRS. The Fund Manager may use up to 10% of the monies deposited in the account for administrative expenses. FY 2018 and FY 2019 expenditures each exclude \$170,000 of net fees applied to investments.		
Funds Expended	32,200	35,300
Year-End Fund Balance	0	0
Investment and Administrative Expenses (No Fund Number/A.R.S. § 38-843; 38-802; 38-882; 38-840.02)		Non-Appropriated
Source of Revenue: Public Safety Personnel Retirement Fund; Elected Officials Retirement Fund; Correctional Officer Retirement Fund; Elected Officials Defined Contribution Disability Program Trust Fund.		
Purpose of Fund: A 9-member governing board administers PSPRS, the Elected Officials Retirement Plan (EORP), the Elected Officials Defined Contribution Retirement System (EODC System), and the Correctional Officer Retirement Plan (CORP). Authority is granted in statute to spend monies from each fund to pay for necessary administration and investment expenses. FY 2018 and FY 2019 expenditures each exclude \$64,264,300 of net fees applied to investments.		
Funds Expended	12,192,200	13,353,400
Year-End Fund Balance	0	0
Retiree Pool Account (No Fund Number/A.R.S. § 38-846.05)		Non-Appropriated
Source of Revenue: PSPRS employee and employer contributions for members that were hired on or after July 1, 2017 if the employer has 250 or less active members. The account shall remain 100% funded. In any fiscal year that the account is not 100% funded as of June 30, the amount necessary to adjust the account up or down to 100% funded shall be transferred from or to the investment earnings of the fund before those earnings are distributed to each employer's account.		
Purpose of Fund: To share the actuarial liability costs for the employers of Tier 3 members (those hired on or after July 1, 2017) and are eligible for a normal retirement pension, a disability pension, or for survivors of Tier 3 members eligible for a death benefit pension.		
Funds Expended	0	0
Year-End Fund Balance	0	0

State Real Estate Department

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	37.0	37.0	37.0
Personal Services	1,390,300	1,612,600	1,612,600
Employee Related Expenditures	539,200	656,200	656,200
Professional and Outside Services	102,100	102,100	102,100
Travel - In State	14,900	12,000	12,000
Travel - Out of State	10,500	10,500	10,500
Other Operating Expenditures	579,100	438,300	438,300
Equipment	90,800	80,000	80,000
AGENCY TOTAL	2,726,900	2,911,700	2,911,700 ^{1/}
FUND SOURCES			
General Fund	2,726,900	2,911,700	2,911,700
SUBTOTAL - Appropriated Funds	2,726,900	2,911,700	2,911,700
Other Non-Appropriated Funds	166,200	356,000	356,000
TOTAL - ALL SOURCES	2,893,100	3,267,700	3,267,700

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 Baseline includes \$2,911,700 and 37 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Condominium and Planned Community Hearing Office Fund (REA2537/A.R.S. § 32-2199.05)		Non-Appropriated
Source of Revenue: Filing fees (\$500 per complaint) and civil penalties arising from disputes between owners and condominium or planned community associations over violations of condominium or planned community documents or violations of regulatory statutes.		
Purpose of Fund: To reimburse the costs of HOA Dispute Process hearings administered by the Office of Administrative Hearings in conducting hearings concerning disputes between owners and condominium or planned community associations. Remaining monies in the fund may be used by the department to offset the costs of administering cases between owners and condominium or planned community associations. Prior to FY 2017, the Department of Fire, Building and Life Safety operated the fund and oversaw the HOA adjudication process.		
Funds Expended	32,400	33,000
Year-End Fund Balance	7,200	7,700

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Education Revolving Fund (REA4011/A.R.S. § 32-2107)		Non-Appropriated
Source of Revenue: Sale of the department's educational publications, primarily the Real Estate Lawbook.		
Purpose of Fund: To cover the department's costs of printing real estate regulation books and other public information publications, and to cover the department's costs for other educational efforts, including sponsoring and holding the educational seminars or workshops for educators and other licensees. All monies in excess of \$25,000 at the end of the fiscal year shall revert to the General Fund.		
Funds Expended	2,300	13,500
Year-End Fund Balance	28,900	23,400
Recovery Fund (REA3119/A.R.S. § 32-2186)		Non-Appropriated
Source of Revenue: A fee of \$20 for brokers and \$10 for salespersons, paid upon application for an original real estate or cemetery license. A surcharge on license renewals is assessed if the fund balance on June 30 of any year falls below \$600,000. The fund also consists of restitution paid by persons convicted of real estate fraud and ordered to repay a judgment awarded out of the Recovery Fund.		
Purpose of Fund: To compensate persons who have been defrauded in a real estate transaction and subsequently suffered monetary losses. Those persons may seek a court order for an award from the Recovery Fund if the person who committed the fraud has no assets. Monies also provide for the department's cost of administering the fund.		
Funds Expended	131,500	309,500
Year-End Fund Balance	831,100	601,600

Residential Utility Consumer Office

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	585,500	757,700	757,700
Employee Related Expenditures	240,600	250,100	250,100
Professional and Outside Services	0	2,400	2,400
Travel - In State	2,500	8,600	8,600
Travel - Out of State	12,600	7,000	7,000
Other Operating Expenditures	162,700	171,800	171,800
OPERATING SUBTOTAL	1,003,900	1,197,600	1,197,600
SPECIAL LINE ITEMS			
Professional Witnesses	55,600	145,000	145,000 ^{1/}
AGENCY TOTAL	1,059,500	1,342,600	1,342,600 ^{2/}

FUND SOURCES

Other Appropriated Funds

Residential Utility Consumer Office Revolving Fund	1,059,500	1,342,600	1,342,600
SUBTOTAL - Other Appropriated Funds	1,059,500	1,342,600	1,342,600
SUBTOTAL - Appropriated Funds	1,059,500	1,342,600	1,342,600
TOTAL - ALL SOURCES	1,059,500	1,342,600	1,342,600

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 A.R.S. § 35-190, 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 Baseline includes \$1,197,600 and 11 FTE Positions from the RUCO Revolving Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Professional Witnesses

The Baseline includes \$145,000 from the RUCO Revolving Fund in FY 2020 for Professional Witnesses. This amount is unchanged from FY 2019.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Residential Utility Consumer Office Revolving Fund (UOA2175/A.R.S. § 40-409)		Appropriated
Source of Revenue: An assessment levied on public service corporations with annual residential revenues in excess of \$500,000, as defined by A.R.S. § 40-401.01.		
Purpose of Fund: To operate the Residential Utility Consumer Office.		
Funds Expended	1,059,500	1,342,600
Year-End Fund Balance	434,500	281,900

Board of Respiratory Care Examiners

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	167,000	176,500	176,500
Employee Related Expenditures	69,400	64,900	64,900
Professional and Outside Services	700	6,500	6,500
Travel - In State	700	1,500	1,500
Travel - Out of State	1,300	2,000	2,000
Other Operating Expenditures	34,100	62,300	62,300
Equipment	2,000	700	700
OPERATING SUBTOTAL	275,200	314,400	314,400
SPECIAL LINE ITEMS			
Temporary Caseload Increase	19,500	0	0
AGENCY TOTAL	294,700	314,400	314,400 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Respiratory Care Examiners Fund	294,700	314,400	314,400
SUBTOTAL - Other Appropriated Funds	294,700	314,400	314,400
SUBTOTAL - Appropriated Funds	294,700	314,400	314,400
TOTAL - ALL SOURCES	294,700	314,400	314,400

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 Baseline includes \$314,400 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Board of Respiratory Care Examiners Fund (RBA2269/A.R.S. § 32-3505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of respiratory care practitioners. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.		
Funds Expended	294,700	314,400
Year-End Fund Balance	224,000	228,200

Arizona State Retirement System

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	250.9	245.9	240.9
Personal Services	12,257,600	13,025,000	13,025,000
Employee Related Expenditures	4,772,700	5,256,900	5,256,900
Professional and Outside Services	3,651,400	3,465,400	3,065,400
Travel - In State	24,400	30,000	30,000
Travel - Out of State	19,300	49,000	49,000
Other Operating Expenditures	2,285,000	2,314,500	2,314,500
Equipment	274,100	389,500	389,500
OPERATING SUBTOTAL	23,284,500	24,530,300	24,130,300
SPECIAL LINE ITEMS			
One-Time IT Expenses	0	500,000	0
AGENCY TOTAL	23,284,500	25,030,300	24,130,300 ^{1/}

FUND SOURCES

Other Appropriated Funds

Long-Term Disability Trust Fund Administration Account	1,552,800	2,200,000	1,800,000
State Retirement System Administration Account	21,731,700	22,830,300	22,330,300
SUBTOTAL - Other Appropriated Funds	23,284,500	25,030,300	24,130,300
SUBTOTAL - Appropriated Funds	23,284,500	25,030,300	24,130,300
Other Non-Appropriated Funds	13,793,200	17,625,300	18,129,300
TOTAL - ALL SOURCES	37,077,700	42,655,600	42,259,600

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 Baseline includes \$24,130,300 and 240.9 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
State Retirement System Administration Account	\$22,330,300
Long-Term Disability (LTD) Trust Fund Administration Account	1,800,000

FY 2020 adjustments are as follows:

FTE Positions Reduction

The Baseline includes no change in funding and a reduction of (5) FTE Positions from the State Retirement

System Administration Account in FY 2020 for operating budget savings resulting from technology and process improvements. There will be no associated decrease in funding, because lower-wage customer support positions are being replaced by higher-wage software development positions. This reduction was requested by ASRS.

New Contract Savings

The Baseline includes a decrease of \$(400,000) from the Long-Term Disability (LTD) Trust Fund Administration Account in FY 2020 for savings from a LTD program contract with a third-party vendor and a decrease in the number of ASRS members receiving benefits. This reduction was requested by ASRS.

In FY 2017, ASRS awarded a contract to a new administrator with lower administrative fees. The change

in administrator is expected to generate savings each year. In addition, there has been a decrease over the past several fiscal years in the number of ASRS members receiving LTD benefits.

One-Time IT Expenses

The Baseline includes no funding from the State Retirement System Administration Account in FY 2020 for the One-Time IT Expenses line item. FY 2020 adjustments

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the State Retirement System Administration Account in FY 2020 to remove one-time funding to complete work on information technology projects.

This one-time appropriation was used to purchase a software tool for ASRS' agencywide enterprise risk management program and for data security initiatives.

See the Consolidated Retirement Report section for more information on ASRS membership and actuarial data.

are as follows:

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Administrative Account - Investment Expenses (RSA1407/A.R.S. § 38-721)		Non-Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: Investment management fees and related consulting fees, actuarial consulting fees, rent, and retiree payroll. Funding is subject to Retirement Board approval. Excludes \$111,428,000 and \$136,747,700 of net fees applied to investments in FY 2018 and FY 2019.		
Funds Expended	13,793,200	17,625,300
Year-End Fund Balance	0	0
Long-Term Disability Trust Fund Administration Account (RSA1408/A.R.S. § 38-797.02)		Appropriated
Source of Revenue: Long-Term Disability (LTD) Trust Fund.		
Purpose of Fund: To pay for the cost of administering the LTD program.		
Funds Expended	1,552,800	2,200,000
Year-End Fund Balance	0	0
State Retirement System Administration Account (RSA1401/A.R.S. § 38-721)		Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: To pay the Arizona State Retirement System's administrative expenses.		
Funds Expended	21,731,700	22,830,300
Year-End Fund Balance	0	0

Department of Revenue

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	880.8	880.8	880.8 ^{1/}
Personal Services	24,174,200	26,187,200	26,187,200
Employee Related Expenditures	10,239,000	11,398,000	11,398,000
Professional and Outside Services	10,472,500	11,618,400	11,568,400
Travel - In State	88,700	114,400	114,400
Travel - Out of State	1,000	15,000	15,000
Other Operating Expenditures	13,108,300	15,466,700	15,466,700
Equipment	1,569,400	614,800	614,800
OPERATING SUBTOTAL	59,653,100	65,414,500	65,364,500 ^{2/}
SPECIAL LINE ITEMS			
BRITS Operational Support	7,086,100	7,546,500	7,546,500
Prime Contracting Noncompliance Study	0	75,000	0
Tax Fraud Prevention	3,133,100	3,150,000	3,150,000 ^{3/4/}
TPT Simplification	931,000	982,500	982,500
Unclaimed Property Administration and Audit	1,368,800	1,218,500	1,368,800 ^{5/}
Veterans' Income Tax Settlements	53,700	0	0
AGENCY TOTAL	72,225,800	78,387,000	78,412,300 ^{6/7/}
FUND SOURCES			
General Fund	29,320,700	31,063,800	31,063,800
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	41,938,600	45,713,900	45,864,200
Department of Revenue Empowerment Scholarship Account Fund	0	50,000	0
Liability Setoff Program Revolving Fund	396,900	802,800	802,800
Residential Contractors' Recovery Fund	0	75,000	0
Tobacco Tax and Health Care Fund	569,600	681,500	681,500
SUBTOTAL - Other Appropriated Funds	42,905,100	47,323,200	47,348,500
SUBTOTAL - Appropriated Funds	72,225,800	78,387,000	78,412,300
Other Non-Appropriated Funds	982,100	1,938,500	1,938,500
TOTAL - ALL SOURCES	73,207,900	80,325,500	80,350,800

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 2020.
- ^{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, 2019, the department shall report the results of private fraud prevention investigation services during FY 2019 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 FY 2019. (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 A.R.S. § 42-1116.01, and 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 FY 2020 to the Joint Legislative Budget Committee on or before September 30, 2019. On or before September 30, 2019, 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 FY 2019, and on or before September 30, 2020, 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 FY 2020. The reports shall include a comparison of projected and actual state General Fund, total state tax, total county tax and total municipal tax revenue enforcement collections for FY 2019 and FY 2020, 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 FY 2019. (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 Baseline includes \$65,364,500 and 810.8 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$24,901,000
DOR Administrative Fund	38,979,200
Liability Setoff Program Revolving Fund	802,800
Tobacco Tax and Health Care Fund	681,500

FY 2020 adjustments are as follows:

Empowerment Scholarship Account Administration

The Baseline includes a decrease of \$(50,000) in funding from the Department of Revenue Empowerment Scholarship Account Fund (DRESAF) in FY 2020 as a result of the Proposition 305 referendum to repeal Laws 2017, Chapter 139, which has the effect of repealing the DRESAF.

Chapter 139 created the Department of Revenue Empowerment Scholarship Account Fund and required DOR and the Department of Education to develop procedures to determine whether a student qualifies as low-income according to the requirements of the ESA program. DOR was to verify the income of parents of students participating in the ESA program using existing information, as well as to create a process to verify income levels of participating families who are not required to file a state income tax return.

Apart from Chapter 139, the FY 2018 and FY 2019 General Appropriation Acts appropriated \$50,000 in ESA administration funding from the DRESAF in FY 2018 and FY 2019. The implementation of the new DOR Fund, however, was on hold. Laws 2017, Chapter 139

authorized its establishment, but that legislation was suspended due to a citizens' referendum.

As a result, during FY 2018 and FY 2019 the fund did not exist and the \$50,000 was not available for expenditure. The referendum resulted in Proposition 305 which received a "No" vote in the November 2018 General Election which had the effect of repealing Chapter 139 and eliminating the DRESAF.

(For more information see the Department of Education section, Empowerment Scholarship Account policy issue under Basic State Aid in the FY 2018 Appropriations Report.)

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The Baseline includes \$7,546,500 and 51 FTE Positions in FY 2020 for operational support of BRITS. These amounts consist of:

General Fund	2,030,300
DOR Administrative Fund	5,516,200

These amounts are unchanged from FY 2019.

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.

Prime Contracting Noncompliance Study

The Baseline includes no funding in FY 2020 to study noncompliance rates of prime contracting TPT laws.

FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(75,000) from the Residential Contractors' Recovery Fund in FY 2020 to remove one-time funding used for a study of noncompliance rates of prime contracting TPT laws.

Laws 2018, Chapter 305 appropriated \$75,000 of one-time funding from the Residential Contractors' Recovery Fund in FY 2019 for the Prime Contracting Noncompliance Study line item. This funding will be used for an independent study of noncompliance rates with statutory prime contracting TPT requirements.

Tax Fraud Prevention

The Baseline includes \$3,150,000 from the General Fund in FY 2020 for Tax Fraud Prevention. This amount is unchanged from FY 2019.

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 \$11.3 million in fraudulent returns in FY 2018, compared to \$25.0 million in FY 2017 and \$78.5 million in FY 2016.

TPT Simplification

The Baseline includes \$982,500 and 19 FTE Positions from the General Fund in FY 2020 for TPT Simplification responsibilities. These amounts are unchanged from FY 2019.

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 currently administer their own TPT taxes. These monies will allow DOR to fund the additional staffing associated with the new TPT oversight responsibilities.

Unclaimed Property Administration and Audit

The Baseline includes \$1,368,800 from the DOR Administrative Fund in FY 2020 for Unclaimed Property Administration and Audit. FY 2020 adjustments are as follows:

Increase Audit Funding

The Baseline includes an increase of \$150,300 from the DOR Administrative Fund in FY 2020 to bring the appropriation level in line with actual expenditures.

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. This amount is currently estimated at \$1,368,800 based on the level of contract audit fees during FY 2018.

Other Issues

Statutory Changes

The Baseline would:

- As session law, continue to the legislative intent statement that local fees authorized by A.R.S. § 42-5041B do not 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 allocations).
- As permanent law, continue to allow the department to use the Liability Setoff Program Revolving Fund for general operating expenditures. This change permanently authorizes the fund's usage for a shift enacted in the FY 2019 budget.

Tobacco Tax/Master Settlement Agreement

The Baseline transfers \$836,000 from the Traditional Medicaid Services line item in AHCCCS in FY 2020 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. In previous years the transfer amount was \$436,000 but it is now increased to \$836,000 for FY 2020 to incorporate an additional ISA between DOR and AHCCCS that was implemented in FY 2018 and FY 2019.

The transfer funds maintenance costs on the electronic tobacco tax system and to fund personnel to perform luxury tax enforcement and audit duties. The FTE Position increase is not reflected in DOR's appropriation total. (Please see AHCCCS for more information regarding this transfer.)

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Department of Revenue Administrative Fund (RVA1993/A.R.S. § 42-1116.01)		Appropriated
Source of Revenue: The sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Each year, \$24,500,000 in unclaimed property proceeds are deposited into this fund. In addition, pursuant to A.R.S. § 42-5041, this fund receives cost assessments paid by local governments for DOR operating expenses.		
Purpose of Fund: To cover the Department of Revenue's operating costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property.		
Funds Expended	41,938,600	45,713,900
Year-End Fund Balance	4,717,700	3,662,400
Department of Revenue Empowerment Scholarship Account Fund (RVA2570/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C and prior year carry-forward monies.		
Purpose of Fund: To fund DOR's costs of administering the Empowerment Scholarships Accounts program. DOR will verify the income of parents of students participating in the ESA program, pursuant to A.R.S. § 15-2402M.		
Funds Expended	0	50,000
Year-End Fund Balance	0	0
Escheated Estates Fund (RVA3745/A.R.S. § 12-885)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of escheated estates. Property escheats, or reverts to the state, after 5 years when there is no will to transmit the property and there are no legal heirs to inherit it.		
Purpose of Fund: To deposit proceeds from the sale of escheated property and hold them in the fund for 12 months, from which payment of claims may be made, before being transferred to the Permanent State School Fund. Transfers to the Permanent School Fund totaled \$233,800 in FY 2018.		
Funds Expended	0	0
Year-End Fund Balance	3,600	3,600
Estate and Unclaimed Property Fund (RVA1520/A.R.S. § 44-301)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Notwithstanding the title of this fund, it no longer includes the proceeds of escheated estates. Those funds are deposited to the department's Escheated Estates Fund.		
Purpose of Fund: To pay allowed claims. The department retains not less than \$100,000 of the fund while the state attempts to locate abandoned property owners. Once monies are determined to be "unreturnable" they are disbursed as follows: Monies associated with unclaimed utility deposits are transferred to the Utility Assistance Fund. Monies from unclaimed shares and dividends of Arizona corporations and unclaimed property in a self-storage unit are transferred to the Permanent State School Fund. Unclaimed victim restitution monies are transferred to the Arizona Criminal Justice Commission's Victim Compensation and Assistance Fund. A.R.S. § 44-313 requires that the first \$2,000,000 in unclaimed property proceeds be deposited into the Seriously Mentally Ill Housing Trust Fund, the next \$2,500,000 into the Housing Trust Fund, the next \$24,500,000 into the DOR Administrative Fund and all remaining monies be redirected to the General Fund.		
Funds Expended	0	0
Transfer to Unclaimed Property Refunds	64,385,400	65,000,000
Year-End Fund Balance	6,311,100	6,311,100
I Didn't Pay Enough Fund (RVA6001/A.R.S. § 43-211)		Non-Appropriated
Source of Revenue: Voluntary contributions from taxpayers.		
Purpose of Fund: Up to 10% of annual deposits may be used by DOR to administer the fund. Any unexpended monies revert to the General Fund at the close of the fiscal year.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
IGA and ISA Fund (RVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Transfer of funds from Arizona Early Childhood Development and Health Board. The fund also receives all transfers relating to the Automation Projects Fund (APF) projects. DOR expended \$10,999,900 in FY 2018 from the APF for a data center IT project, but this amount is not displayed to avoid double counting.		
Purpose of Fund: To assist the Revenue Tobacco unit in enforcement compliance.		
Funds Expended	955,600	1,925,900
Year-End Fund Balance	673,800	1,763,900
Liability Setoff Program Revolving Fund (RVA2179/A.R.S. § 42-1122)		Appropriated
Source of Revenue: Fees collected from agencies, political subdivisions or taxpayers utilizing the setoff procedure. The Department of Revenue withholds taxpayer refunds to satisfy debts owed by the taxpayers to certain state and local agencies, such as delinquent child support payments owed to the Department of Economic Security.		
Purpose of Fund: To cover the Department of Revenue's costs of administering the Liability Setoff program. The FY 2019 Budget Procedures Budget Reconciliation Bill allows the department to use the fund for general operating expenditures.		
Funds Expended	396,900	802,800
Year-End Fund Balance	264,600	461,800
Residential Contractors' Recovery Fund (RVA3155/A.R.S. § 32-1132)		Appropriated
Source of Revenue: An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
Purpose of Fund: For the Registrar of Contractors to compensate anyone who is injured by an act, a representation, a transaction, or the conduct of a residential contractor. Compensation for damages to any one individual cannot exceed \$30,000. Up to 14% of prior fiscal year revenues may be used to administer the fund. Laws 2018, Chapter 305 appropriated \$75,000 from the fund in FY 2019 to DOR for a one-time study of prime contracting TPT noncompliance.		
Funds Expended	0	75,000
Year-End Fund Balance	0	0
Revenue Publications Revolving Fund (RVA2166/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: Receipts from the sale of department tax-related publications.		
Purpose of Fund: To offset costs of publishing and distributing tax-related publications.		
Funds Expended	23,700	10,600
Year-End Fund Balance	28,800	28,800
Special Collections Fund (RVA2168/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: This fund consists of all monies received pursuant to contingent fee contracts to collect delinquent state taxes, penalties and interest due under A.R.S. Title 43 (taxation of income) and Title 42, Chapter 5, Article 1 (transaction privilege taxes).		
Purpose of Fund: To pay all fees and court costs provided for in contingent fee collection contracts authorized by A. R. S. § 42-1004B3. The remainder of the collected amounts is distributed to the state or political subdivisions according to the distribution proportions for the tax collected. Contingency fees paid to collectors are subtracted from gross collections and are not recorded as expenditures within the fund. Contracted collectors received \$1,313,700 in contingency fees in FY 2018.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Statewide Employee Recognition Gifts/Donations Fund (RVA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	2,800	2,000
Year-End Fund Balance	2,400	1,900

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Tax Fraud Interdiction Fund (RVA3050/A.R.S. § 42-1116.02)		Appropriated
Source of Revenue: Fines up to \$100,000 for individuals and \$500,000 for corporations for the sale, use, purchase, development, possession, or licensing of any automated sales suppression device/service, zapper, or phantom-ware used to evade tax administration.		
Purpose of Fund: Of the monies in the fund, 50% are to be used by the department to detect tax fraud caused by automated sales suppression software/service, zappers or phantom-ware. The other 50% are transferred to the Attorney General's office for prosecution of the same tax fraud and other tax fraud violations.		
Funds Expended	0	0
Year-End Fund Balance	0	100,000
Tobacco Tax and Health Care Fund (RVA1306/A.R.S. § 36-771)		Appropriated
Source of Revenue: The fund consists of tobacco taxes retained by the department to administer the Tobacco Tax program.		
Purpose of Fund: To monitor and enforce tobacco tax laws.		
Funds Expended	569,600	681,500
Year-End Fund Balance	21,800	17,600
Veterans' Income Tax Settlement Fund (VSA1601/Laws 2016, Chapter 125)		Non-Appropriated
Source of Revenue: Appropriation of \$2,000,000 from the General Fund. DOR expended \$53,700 in FY 2018 and plans to expend \$889,100 in FY 2019, but these amounts are not displayed to avoid double counting.		
Purpose of Fund: To be distributed to Native American Veterans for state Individual Income Tax incorrectly withheld from military pay. DOR and the Department of Veterans' Services may use up to 5% of the \$2,000,000 transfer for administrative costs. Monies in the fund revert to the General Fund on June 30, 2021.		
Funds Expended	0	0
Year-End Fund Balance	1,829,100	958,900
Waste Tire Fund (RVA2356/A.R.S. § 44-1305)		Non-Appropriated
Source of Revenue: Collections from a fee on new tire purchases and penalties for violations.		
Purpose of Fund: Up to 3.5% of the monies in the fund are transferred quarterly to the Department of Environmental Quality (DEQ) to monitor and enforce the requirements of A.R.S. Title 44, Chapter 9, Article 8, Waste Tire Disposal. The remainder is distributed quarterly to counties to establish and implement waste tire programs. Monies in the fund are exempt from lapsing under A.R.S. § 35-190. Transfers totaled \$9,874,100 in FY 2018, including \$345,600 to DEQ and \$9,528,500 to counties.		
Funds Expended	0	0
Year-End Fund Balance	0	0

School Facilities Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	962,100	965,000	965,000
Employee Related Expenditures	319,500	320,500	320,500
Professional and Outside Services	158,100	160,000	160,000
Travel - In State	12,800	13,000	13,000
Travel - Out of State	4,900	5,000	5,000
Other Operating Expenditures	176,300	235,200	235,200
Equipment	1,100	2,000	2,000
OPERATING SUBTOTAL	1,634,800	1,700,700	1,700,700
SPECIAL LINE ITEMS			
New School Facilities			
New School Facilities (FY 2017 Authorization)	23,078,600	0	0
New School Facilities (FY 2018 Authorization)	63,929,800	37,989,800	0
New School Facilities (FY 2019 Authorization)	0	49,636,700	36,726,700
New School Facilities (FY 2020 Authorization)	0	0	49,305,000 ^{1/}
New School Facilities Debt Service	169,761,700	134,287,300	131,870,500 ^{2/}
Other Programs			
Building Renewal Grants	43,835,800	51,085,800	16,667,900
AGENCY TOTAL	302,240,700	274,700,300	236,270,800 ^{3/4/5/}
FUND SOURCES			
General Fund	302,240,700	274,700,300	236,270,800
SUBTOTAL - Appropriated Funds	302,240,700	274,700,300	236,270,800
Other Non-Appropriated Funds	111,153,000	66,013,600	64,135,300
TOTAL - ALL SOURCES	413,393,700	340,713,900	300,406,100

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/} Pursuant to A.R.S. § 15-2041 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 1, 2018. (General Appropriation Act footnote)
- ^{2/} At least 30 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)
- ^{3/} Pursuant to A.R.S. § 35-142.01, any reimbursement received by or allocated to the School Facilities Board under the federal Qualified School Construction Bond program in FY 2020 shall be deposited in or revert to the state General Fund. (General Appropriation Act footnote)
- ^{4/} **NEW** On or before August 15, 2019, the board shall submit to the Joint Committee on Capital Review a report on the board's criteria for evaluating if a school has outlived its useful life pursuant to A.R.S. §15-2041G. (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 Baseline includes \$1,700,700 and 17 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

New School Facilities

The Baseline includes \$86,031,700 from the General Fund in FY 2020 for New School Facilities, which is a decrease of \$(1,594,800) from FY 2019. The FY 2020 funding amount for New School Facilities includes the following:

- \$36,726,700 for the remaining 50% of construction funding to complete 6 projects which were authorized to begin construction in FY 2019.
- \$49,305,000 for the land costs and the first 50% of construction costs for 7 projects that will be authorized to begin construction in FY 2020. This amount includes \$12,600,000 for land, \$1,010,200 for site conditions and demolition, and \$35,694,800 for construction.

New School Construction is labeled as one-time rather than ongoing.

(Please see Table 3 for a summary of FY 2019 through FY 2022 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 current districtwide square feet per student falls below the statutory minimum. 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 2018 meeting, the JLBC approved a 6.19% adjustment in the cost per square foot amounts. This inflation adjustment is based on measure of construction costs since January 2018 when the Committee last adopted an adjustment. Pursuant to A.R.S. § 15-2041D, this adjustment would only be applied prospectively. (Please see Table 1 for statutory funding guidelines.)

Table 1

New School Facilities Statutory Funding Guidelines

Type of School	Square Feet Per Student	Funding Per Square Foot ^{1/2/}
K-6	90	\$156.10
7-8	100	\$164.80
9-12 (<1,800 pupils)	134	\$190.81
9-12 (≥1,800 pupils)	125	\$190.81

^{1/} Increased by 5% for rural school districts.

^{2/} These amounts apply to schools awarded after any adjustment is approved by the JLBC. Adjusted annually for inflation.

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.

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 2018 Authorization)

The Baseline includes no funding in FY 2020 for New School Facilities which were authorized to start construction in FY 2018. FY 2020 adjustments are as follows:

New School Funding Completion

The Baseline includes a decrease of \$(37,989,800) from the General Fund in FY 2020 for the completion of the following projects:

- Chandler Unified (9-12) – for an addition at Hamilton High School.
- Chandler Unified (9-12) – for an addition at Camille Casteel High School.
- Chandler Unified (7-12) – for a new school. There was no land required.
- Queen Creek Unified (9-12) – for a new high school, including land.
- Vail Unified (K-5) – for a new elementary school, including land.
- Vail Unified (9-12) – for a new high school, including land.

New School Facilities (FY 2019 Authorization)

The Baseline includes \$36,726,700 from the General Fund in FY 2020 to continue funding for New School Facilities projects which are authorized to start construction in FY 2019. FY 2020 adjustments are as follows:

Continue New School Construction Projects

The Baseline includes a decrease of \$(12,910,000) from the General Fund in FY 2020 to continue construction for 6 new school projects authorized to start construction in FY 2019. The FY 2019 budget provided 50% of construction costs and 100% of land costs for each project. The FY 2020 Baseline eliminates the land acquisition costs and funds the remaining 50% of construction costs for 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 including land.
- Tolleson UHSD (9-12) – for a new high school including land.

The FY 2019 General Appropriation Act already appropriated the remaining \$36,726,700 of funding in FY 2020 for these 6 projects. As a result, these monies will not appear in the FY 2020 General Appropriation Act. (See Table 3.)

New School Facilities (FY 2020 Authorization)

The Baseline includes \$49,305,000 from the General Fund in FY 2020 for New School Facilities projects which are authorized to start construction in FY 2020. FY 2020 adjustments are as follows:

Begin New School Construction Projects

The Baseline includes an increase of \$49,305,000 from the General Fund in FY 2020 to begin construction for 7 new schools projects awarded by SFB on or before December 1, 2018. The Baseline assumes 50% of construction costs and 100% of land costs for each project will be appropriated in FY 2020 for the following projects:

- Chandler Unified (9-12) – for a new high school including land.

- Douglas Unified (9-12) – for a new high school. There is no land required.
- Maricopa Unified (9-12) – for a new high school. A land requirement has not yet been determined.
- Pima Unified (K-6) – for a new elementary school. There is no land required.
- Safford Unified (K-6) – for a new elementary school including site conditions and demolition of an existing school. There is no land requirement.
- Somerton Elementary (K-6) – for a new elementary school. There is no land required.
- Somerton Elementary (K-6) – for a new elementary school. There is no land required.

(See Table 3 and the Long-Term Budget Impacts section for more information.)

SFB usually awards new schools based on enrollment growth. For FY 2020, one of the schools awarded was because the existing school had outlived its useful life pursuant to A.R.S. §15-2041G. At its November 29, 2018 meeting, SFB determined that the Dorothy Stinson Elementary School in the Safford Unified School District had outlived its useful life and building renewal would not be adequate to bring the school into compliance with the minimum adequacy guidelines. The school had a capacity of 543 students. As allowed by statute, SFB removed the school's capacity and recalculated the new construction square footage requirements based on the total district enrollment. SFB then awarded the district a 42,210 square feet project for 469 students. The board has not yet determined how many other school districts may qualify for a new school under this statutory provision in future years. The Baseline adds a footnote requiring SFB to submit a report to the JCCR on or before August 15, 2019 on its criteria for evaluating if a school has outlived its useful life.

New School Facilities Debt Service

The Baseline includes \$131,870,500 from the General Fund in FY 2020 for New School Facilities Debt Service. FY 2020 adjustments are as follows:

Lease-Purchase Payment

The Baseline includes a decrease of \$(2,416,800) from the General Fund in FY 2020 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 2020, the outstanding amount of General Fund lease-purchase principal to be paid will be \$251,121,100.

The FY 2020 Baseline includes \$9,938,100 for the entire debt service requirement for the Qualified School Construction Bonds (QSCB) issuance in FY 2020. 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 2020 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 Baseline includes \$16,667,900 from the General Fund in FY 2020 for Building Renewal Grants. FY 2020 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(34,417,900) from the General Fund in FY 2020 to eliminate 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. In FY 2018, Building Renewal Grant funding (including the supplemental amount) allocated an additional \$27,167,900 in one-time funding above this base amount. The FY 2019 budget included one-time funding of \$34,417,900 for Building Renewal Grants above the ongoing "base" amount. *(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. *(Please see Table 2 for the FY 2013 through FY 2019 Building Renewal Appropriations.)*

Pursuant to A.R.S. § 15-202.2, 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 2019

Fiscal Year	Ongoing	One-Time
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	34,417,900

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 Scholl Facilities Fund to the EDC Fund. The Baseline adds, as permanent law, a requirement that SFB report any transfers into the EDC Fund to JLBC Staff.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Long-Term Budget Impacts
- K-12 Capital Bonding
- Class B Bond Approvals
- Public School Credit Enhancement Program
- Minimum Adequacy Guidelines

Statutory Changes

The Baseline would, as permanent law, require SFB to report to JLBC within 30 days of making a transfer into the EDC Fund.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, SFB's General Fund costs are projected to decrease by \$(94,421,700) in FY 2021 below FY 2020 and decrease by \$(27,770,000) in FY 2022 below FY 2021. These estimates are based on:

Debt Service Changes

SFB debt service is expected to decrease by \$(64,692,700) in FY 2021 and \$(1,000) in FY 2022.

New School Construction

The long-term estimates assume 2 types of new school construction funding: 1) Providing the remaining funding in FY 2021 for the schools which were authorized to begin construction in FY 2020; and 2) Conceptual approval made by SFB as part of the agencies' long-term planning process.

In FY 2021, new school construction spending is projected to decrease by \$(29,729,000). In addition, FY 2022 new school construction spending is projected to decrease by \$(27,769,000) below FY 2021. *(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.

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 2018, the total amount of voter-approved school district bonds outstanding was approximately \$4.6 billion.

Class B Bond Approvals

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 7 districts with Class B bond approvals in 2018 for a total of \$529.2 million.

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 September 2018, 8 schools have been approved financing through the program with the amount of guaranteed financing issued totaling \$142.1 million – Academy of Math and Science (2 projects), Arizona Agribusiness and Equine Center, Great Hearts Academies (2 projects), BASIS Schools (2 projects), and Vista College Preparatory. As of September 2018, there are no guaranteed financings for which the program has been required to disperse funds. The Credit Enhancement Fund balance is \$105,033,800 and has a leverage ratio of 1.35 (based on issued financings). The statutory limit for the program's leverage ratio is 3.5.

Minimum Adequacy Guidelines

The FY 2019 K-12 Education Budget Reconciliation Bill 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 2018, the Board has not yet begun the rulemaking process to revise the minimum adequacy guidelines.

Table 3

Long-Term New School Facilities Funding							
	Type	Sq. Ft.	Student Capacity	FY 2019	FY 2020	FY 2021	FY 2022
FY 2018 Starts ^{1/}							
Chandler 9-12	Addition	40,000	320	\$ 3,485,000			
Chandler 9-12	Addition	60,000	480	5,227,500			
Chandler 7-12	New	24,974	214	2,077,000			
Queen Creek 9-12	New	141,875	1,135	12,460,800			
Queen Creek 9-12 Land							
Vail K-5	New	54,000	600	3,848,900			
Vail K-5 Land							
Vail 9-12	New	125,000	1,000	<u>10,890,600</u>			
Subtotal - FY 2018 Starts				\$37,989,800			
FY 2019 Starts							
Chandler 9-12	Addition	25,000	266	\$ 2,178,100	\$ 2,178,100		
Chandler 9-12	Addition	40,000	426	3,485,000	3,485,000		
Chandler 9-12	Addition	15,000	160	1,306,900	1,306,900		
Chandler 9-12	Addition	15,000	160	1,306,900	1,306,900		
Queen Creek K-5	New	63,000	788	4,490,400	4,490,400		
Queen Creek K-5 Land				4,410,000			
Tolleson 9-12	New	275,000	2,926	23,959,400	23,959,400		
Tolleson 9-12 Land				<u>8,500,000</u>			
Subtotal - FY 2019 Starts				\$49,636,700	\$36,726,700		
FY 2020 Starts							
Chandler 9-12	New	100,000	800		\$ 8,984,500	\$ 8,984,500	
Chandler Land					12,600,000		
Douglas 9-12	New	87,502	653		8,254,500	8,254,500	
Maricopa 9-12	New	125,000	1,000		11,230,700	11,230,700	
Pima K-6	New	8,550	95		659,900	659,900	
Safford K-6	New	42,210	469		3,257,600	3,257,600	
Safford Site Conditions/Demo					1,010,200		
Somerton K-6	New	22,500	281		1,653,800	1,653,800	
Somerton K-6	New	22,500	281		<u>1,653,800</u>	<u>1,653,800</u>	
Subtotal - FY 2020 Starts				\$ 0	\$49,305,000	\$35,694,800	
FY 2021 Starts ^{2/}							
Laveen K-8	New	92,400	1,000			\$ 7,307,000	\$ 7,307,000
Vail K-5	New	54,000	675			4,214,700	4,214,700
Vail K-5 Land						1,500,000	
Vail 6-8	New	62,836	650			5,086,200	5,086,200
Vail 6-8 Land						<u>2,500,000</u>	
Subtotal - FY 2021 Starts				\$ 0	\$ 0	\$20,607,900	\$16,607,900
FY 2022 Starts ^{2/}							
Yuma Union 9-12	New	125,000	1,000				\$11,925,800
Total				\$87,626,500	\$86,031,700	\$56,302,700	\$28,533,700

1/ FY 2018 Starts also received a total of \$63,929,800 in FY 2018.

2/ Reflects SFB conceptual approvals awarded before March 2018.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Building Renewal Grant Fund (SFA2392/A.R.S. § 15-2032)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide grants to school districts for maintaining the adequacy of existing school facilities. To prevent double counting, FY 2018 and FY 2019 expenditures exclude \$43,835,800 and \$51,085,800, respectively, from the General Fund. Balance amounts displayed represent unencumbered funds which have not been awarded by the Board. The 2018 K-12 Budget Reconciliation Bill allows the board to spend \$200,000 from the fund for lead testing in school water systems in FY 2018.		
Funds Expended	0	0
Year-End Fund Balance	545,500	0
Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 15-2022)		Non-Appropriated
Source of Revenue: Monies transferred from the Building Renewal Grants Fund or New School Facilities Fund. A sum of \$1,376,300 was transferred from the New School Facilities Fund in FY 2018.		
Purpose of Fund: To provide school districts monies for facility emergencies.		
Funds Expended	393,500	1,883,900
Year-End Fund Balance	1,883,900	0
Land Trust Bond Debt Service Fund (SFA5030/Laws 2003, Chapter 264)		Non-Appropriated
Source of Revenue: Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.B1).		
Purpose of Fund: To pay the debt service on \$246,600,000 in State Land Trust Revenue bonds.		
Funds Expended	49,625,000	9,800
Year-End Fund Balance	6,783,700	6,773,900
Lease-to-Own Debt Service Fund (SFA2373/A.R.S. § 15-2004)		Non-Appropriated
Source of Revenue: Appropriated monies and interest earnings from the investment of lease-to-own Certificates of Participation proceeds.		
Purpose of Fund: To pay the debt service on any lease-to-own agreements entered into by SFB to finance the costs of new school construction. To prevent double counting, FY 2018 and FY 2018 expenditures exclude \$169,761,700 and \$134,287,300, respectively, from the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	3,503,100	1,639,900
New School Facilities Fund (SFA2460/A.R.S. § 15-2041)		Non-Appropriated
Source of Revenue: Appropriated monies, monies received by the State Land Department from the lease of state public school land, and proceeds from lease-to-own agreements. To prevent double counting, FY 2018 and FY 2019 expenditures exclude \$87,008,400 and \$87,626,500, respectively, from the General Fund.		
Purpose of Fund: To provide school districts with monies for constructing new school facilities, and to pay for the following: construction project management services, school building structural assessments, and land acquisition services.		
Funds Expended	0	0
Year-End Fund Balance	51,508,400	15,307,600
Arizona Public School Credit Enhancement Fund (SFA9999/A.R.S. § 15-2154)		Non-Appropriated
Source of Revenue: Revenues include fees paid by participating schools, repayments of monies used to make payments of principal and interest on guaranteed financings, proceeds of program funding obligations, gifts, grants, and donations. The fund is administered by the Treasurer's Office. <i>(Please see the State Treasurer's Section for more information.)</i>		
Purpose of Fund: To make payments of principal or interest on guaranteed financings. To pay administrative expenses for the Arizona Credit Enhancement Program. SFB allows the Governor's Office to administer the program.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 15-2084)		Non-Appropriated
Source of Revenue: Revenues from a 0.6% increase in the state Transaction Privilege Tax (as approved under Proposition 301 in the 2000 General Election) and monies credited to the fund from the Permanent State School Fund.		
Purpose of Fund: To pay the debt service on \$793,650,000 in Proposition 301 revenue bonds and \$26,350,000 in QZAB revenue bonds.		
Funds Expended	61,134,500	64,119,900
Year-End Fund Balance	9,144,500	9,144,200

Department of State - Secretary of State

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	141.1	141.1	141.1
Personal Services	5,437,400	5,382,300	5,382,300
Employee Related Expenditures	2,290,800	2,209,000	2,209,000
Professional and Outside Services	845,000	428,400	428,400
Travel - In State	14,700	19,100	19,100
Travel - Out of State	41,800	40,200	40,200
Other Operating Expenditures	3,298,000	3,928,800	3,928,800
Equipment	89,700	172,500	172,500
OPERATING SUBTOTAL	12,017,400	12,180,300	12,180,300 ^{1/}
SPECIAL LINE ITEMS			
Election Services	0	4,000,000	5,650,000 ^{2/}
HAVA - Help America Vote Act (2002)	1,599,400	0	0
HAVA - Other Help America Vote Act Projects	0	5,400,400	0
HAVA - Statewide Voter Registration System	0	2,063,300	0
Special Election	2,500,000	0	0
Library Grants-in-Aid	542,000	651,400	651,400 ^{3/}
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	16,755,800	24,392,400	22,249,200 ^{4/}
FUND SOURCES			
General Fund	14,492,400	15,568,800	17,218,800
<u>Other Appropriated Funds</u>			
Data Processing Acquisition Fund	0	115,500	115,500
Election Systems Improvement Fund	1,599,400	7,463,700	0
Records Services Fund	664,000	1,244,400	1,244,400
SUBTOTAL - Other Appropriated Funds	2,263,400	8,823,600	1,359,900
SUBTOTAL - Appropriated Funds	16,755,800	24,392,400	18,578,700
Other Non-Appropriated Funds	1,349,000	1,346,500	1,346,500
Federal Funds	3,533,100	3,771,800	3,771,800
TOTAL - ALL SOURCES	21,637,900	29,510,700	23,697,000

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 \$12,180,300 for FY 2020 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- ^{2/} Any transfer to or from the amount appropriated for the Election Services line item requires review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{3/} 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)
- ^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$12,180,300 and 141.1 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$11,435,900
Record Services Fund	744,400

These amounts are unchanged from FY 2019.

Election Services

The budget includes \$5,650,000 in FY 2020 for Election Services. This amount consists of:

General Fund	5,034,500
Record Services Fund	500,000
Data Processing Acquisition Fund	115,500

FY 2020 adjustments are as follows:

Presidential Preference Election (PPE)

The Baseline includes an increase of \$1,650,000 from the General Fund in FY 2020 for the costs of conducting the PPE scheduled for March 17, 2020, unless a later date is specified by the Governor under A.R.S. § 16-241. In total the line item appropriation would be \$5,650,000. This Baseline amount is intended as a placeholder until the state enacts a county reimbursement policy for the FY 2020 PPE.

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.

Currently, 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.

However, for the 2016 PPE, the Legislature enacted session law that specified each county be reimbursed the lesser of previously submitted estimates or new reimbursement rates based on the number of active registered voters in a county as of January 1, 2016. The Legislature provided \$8,816,900 to the Secretary of State's office for reimbursements of the costs of the election. The ultimate reimbursement, however, was not to exceed actual spending. The Secretary of State

reported reimbursing \$5,650,000 for the 2016 PPE based on actual expenditures.

The Baseline would suspend the \$1.25 statutory rate of reimbursement to allow for the Legislature to determine the level of reimbursement for the 2020 PPE.

The actual costs of the 2020 PPE may differ from the \$5,650,000 placeholder due to factors such as: 1) the number of active registered voters in January 2020; 2) whether both parties conduct a primary; and 3) changes to election expenses such as printing costs.

Background - For FY 2020, this line item is primarily for the conduct of the PPE that is scheduled for March 17, 2020. Currently, this is the only expected statewide election during FY 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 2019 appropriation of \$4,000,000 funded the statewide primary election on August 28, 2018 and the General Election on November 6, 2018. The FY 2019 Budget Procedures Budget Reconciliation Bill allowed the Record Services Fund and the Data Processing Acquisition Fund to be used for election services. The FY 2018 budget included no monies because there was no scheduled statewide election.

HAVA - Other Help America Vote Act (HAVA) Projects

The Baseline includes no funding from the Election Systems Improvement Fund in FY 2020 for monies for HAVA projects and to improve elections security. FY 2020 adjustments are as follows:

Remove Unallocated HAVA Funding

The Baseline includes a decrease of \$(5,400,400) from the Election Systems Improvement Fund in FY 2020 for projects that improve the conduct of elections and elections security. Since the appropriation made in FY 2019 for this line item was non-lapsing until June 30, 2020, the monies are not included in the Baseline.

HAVA is federal election reform legislation from 2002 that imposes several requirements on the states with respect

to the conduct of federal elections. The Help America Vote Act (2002) line item in the table shows the final expenditure of these funds in FY 2018. 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.

A 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. At its June 19, 2018 meeting, the Committee gave a favorable review of the \$235,500 of the monies in this line item to be used for the voter registration system project management, and \$479,100 for the election security assessment in FY 2019. Under the JLBC provisions, an additional \$49,800 was expended for election security training for small counties. The favorable review also required that SOS return to the Committee for review of any changes to the FY 2019 expenditure plan and return for further review prior to expending any funds in FY 2020.

HAVA - Statewide Voter Registration System

The Baseline includes no funding from the Election Systems Improvement Fund in FY 2020 for development of a new statewide voter registration system. FY 2020 adjustments are as follows:

Remove Voter Registration System Funding

The budget includes a decrease of \$(2,063,300) from the Election Systems Improvement Fund in FY 2020 for the removal of FY 2019 development costs for a new voter registration system.

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.

This line item includes funding from a new allocation of \$7,463,700 in federal monies for HAVA to the State of Arizona. At the June 19, 2018 JLBC Meeting, the Committee reviewed the expenditure of \$2,063,300 for the new system, and as previously discussed provided a favorable review of an additional \$235,500 in the Other HAVA Projects line item to be spent on project management. *(Please see the Other Help America Vote Act Projects line item for a discussion of these monies.)*

This amount does not include the costs of operating the new system. *(For a discussion of this issue, please see Statewide Voter Registration System Operating Costs in the Other Issues section.)*

Library Grants-in-Aid

The Baseline includes \$651,400 from the General Fund in FY 2020 for Library Grants-in-Aid. This amount is unchanged from FY 2019.

This line item funds a portion of the state maintenance of effort 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 a maintenance-of-effort requirement, which is tied to the state contribution made in each of the 3 prior years.

Statewide Radio Reading Service for the Blind

The Baseline includes \$97,000 from the General Fund in FY 2020 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2019.

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

Statutory Changes

The Baseline would:

- As permanent law, create a fund for county contributions to the operational costs for the state's voter registration system. *(For additional information, see Statewide Voter Registration System Operating Costs in the Other Issues section.)*
- As session law, continue to allow the Secretary of State to use the Record Services Fund and the Data Processing Acquisition Fund for election services. The FY 2019 budget spending plan assumed these funding sources would be used in FY 2020.
- As session law, notwithstanding the requirement of A.R.S. § 16-250 that counties receive a reimbursement rate of \$1.25 for each active registered voter for the Presidential Preference Election costs. This would allow the Legislature to determine the level of reimbursement for the 2020 Presidential Preference Election.

FY 2019 Supplemental / FY 2020 Adjustment**EORP Contribution Adjustment**

The Baseline includes an FY 2019 supplemental appropriation of \$1,500 from the General Fund to pay for FY 2019 employer contribution increases related to the Elected Officials Retirement Plan (EORP). The FY 2019 General Appropriation Act underestimated the total cost of the increase. The Baseline also includes the same amount from the General Fund in FY 2020. Both the supplemental and the FY 2020 amount would be distributed as a statewide adjustment and are not reflected in the agency table above. *(See the Consolidated Retirement Report for more information.)*

Statewide Voter Registration System Operating Costs

The SOS's new statewide voter registration system will be operational in FY 2020. This database will serve as the primary database for 13 counties and will connect to the self-run databases of Maricopa County and Pima County. Currently, the SOS and all counties currently pay a share of the operational costs of about \$800,000.

A.R.S. § 16-168 states that the Secretary of State shall provide for the maintenance of the voter registration database and approve the databases of each county for compatibility but does not specify the level of support. Under the prior statewide voter registration system, the counties and SOS had agreements to share these costs. The state paid 25% of the total costs and the counties' covered the remaining 75%. For FY 2019, the SOS proposed covering 50% of the costs from the Other HAVA Monies line item at the June 2018 JLBC meeting. The

General Appropriation Act required JLBC to review the Secretary of State's proposed expenditure plan for this line item.

The JLBC favorably reviewed the FY 2019 spending plan, but included a provision that the SOS only pay 25% of the operating costs of the existing voter registration system in FY 2019 so that the full Legislature could consider the appropriate cost sharing arrangement for future years in the next Regular Session. For FY 2019, SOS subsequently decided to continue with their 50% cost sharing proposal. The SOS reports allocating half their share from the HAVA monies and the other half from their operating budget.

The FY 2020 cost sharing arrangement has not been determined and the Legislature may consider the appropriate cost sharing agreement. The annual operational costs of the new system are estimated at \$680,000.

As permanent law, the Baseline proposes establishing a fund for the counties' contributions to the operating costs of the state's system. Under current practice, state costs for the voter registration database are paid with HAVA monies (Elections System Improvement Fund). However, the SOS has also deposited county contributions for the system into this fund as well.

The Baseline change would more clearly delineate the state's costs for the system and increase transparency in the state's use of HAVA funds for tracking and maintaining the statewide voter registration system.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169)		Non-Appropriated
Source of Revenue: An assessment of \$50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.		
Purpose of Fund: To administer the Address Confidentiality Program. This program allows the Secretary of State to establish an alternate public address to protect victims of domestic violence, stalking, and sexual offenses.		
Funds Expended	406,100	407,700
Year-End Fund Balance	224,700	210,600
Arizona Blue Book Revolving Fund (STA2006/A.R.S. § 41-131 [REPEALED])		Non-Appropriated
Source of Revenue: Proceeds from the sales of Arizona Blue Books and legislative appropriations.		
Purpose of Fund: To publish the Arizona Blue Book, which contains information about the state's Executive, Legislative, and Judicial Branches. Laws 2018, Chapter 178 repeals the fund, and transfers the balance of \$11,200 to the General Fund in FY 2019.		
Funds Expended	0	0
Year-End Fund Balance	11,200	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Data Processing Acquisition Fund (STA2265/A.R.S. § 18-441)	Partially-Appropriated	
Source of Revenue: A special recording fee on Uniform Commercial Code and other filings.		
Purpose of Fund: To defray the cost of improving data processing within the Office of the Secretary of State. Any uncommitted monies in excess of \$250,000 at the close of the calendar year revert to the General Fund. The FY 2019 Budget Procedures Budget Reconciliation Bill allows this fund to be used for election services. The FY 2019 General Appropriation Act appropriates \$115,500 for this purpose.		
Appropriated Funds Expended	0	115,500
Non-Appropriated Funds Expended	31,800	0
Year-End Fund Balance	246,500	131,000
Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)	Appropriated	
Source of Revenue: Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations.		
Purpose of Fund: To implement the provisions of the Help America Vote Act (HAVA) (P.L. 107-252). HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections, implementation of a statewide voter registration database, and implementation of a voting system that meets federal standards. In FY 2018, Arizona received \$7,463,700 from a new allocation from the federal government for these purposes and for election security improvements.		
Funds Expended	1,599,400	7,463,700
Year-End Fund Balance	7,619,800	0
Election Training Fund (STA2521/A.R.S. § 16-407)	Non-Appropriated	
Source of Revenue: Receives money from cities and towns whose employees take election training courses.		
Purpose of Fund: To provide election training to officials from cities and towns.		
Funds Expended	3,400	20,000
Year-End Fund Balance	2,200	7,200
Federal Grants (LAA2000/A.R.S. § 41-151.06)	Non-Appropriated	
Source of Revenue: Federal grants awarded to the state for library purposes.		
Purpose of Fund: Prescribed by the federal grantor for statewide library purposes.		
Funds Expended	3,533,100	3,771,800
Year-End Fund Balance	893,200	1,018,400
IGA and ISA Fund (STA2500/A.R.S. § 35-142)	Non-Appropriated	
Source of Revenue: Intergovernmental Agreements and Internal Service Agreements with other state agencies.		
Purpose of Fund: To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	479,800	600,000
Year-End Fund Balance*	(422,700)	(1,022,700)
Museum Gift Shop Revolving Fund (LAA4008/A.R.S. § 41-151.24)	Non-Appropriated	
Source of Revenue: Proceeds from the sale of merchandise at the Capitol Museum Gift Shop.		
Purpose of Fund: To provide for state-related inventory to be sold at the Capitol Museum Gift Shop.		
Funds Expended	69,400	13,500
Year-End Fund Balance	0	0
Notary Bond Fund (STA2387/A.R.S. § 41-314)	Non-Appropriated	
Source of Revenue: The fund receives a portion of the fee collected from the processing of notary bonds.		
Purpose of Fund: To defray the cost associated with the processing and administration of notary bonds.		
Funds Expended	125,200	82,800
Year-End Fund Balance	135,900	243,600

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)		Appropriated
Source of Revenue: Professional Employer Organization (PEO) registration and renewal fees.		
Purpose of Fund: To pay the costs of administering PEO registration and investigating any allegations of malfeasance. The FY 2014 Government Budget Reconciliation Bill delayed the implementation of the PEO registration program until the end of FY 2023.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Records Services Fund (LAA2431/A.R.S. § 41-151.12)		Appropriated
Source of Revenue: Fees collected from state agencies, political subdivisions, and other governmental units for records storage services.		
Purpose of Fund: To help defray costs of preserving and managing the state of Arizona's public records. The FY 2019 Budget Procedures Budget Reconciliation Bill allows this fund to be used for election services. The FY 2019 General Appropriation Act appropriates \$500,000 for this purpose.		
Funds Expended	664,000	1,244,400
Year-End Fund Balance	683,400	230,200
Standing Political Committee Administrative Fund (STA2426/A.R.S. § 41-128)		Non-Appropriated
Source of Revenue: Filing fees paid by standing political committees.		
Purpose of Fund: To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
Funds Expended	0	0
Year-End Fund Balance	78,700	78,700
State Library Fund (LAA2115/A.R.S. § 41-151.06)		Non-Appropriated
Source of Revenue: Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
Purpose of Fund: To improve statewide library service.		
Funds Expended	233,300	222,500
Year-End Fund Balance	1,065,700	844,500

*As reported by the agency. Actual ending balance will not be negative.

State Board of Tax Appeals

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	170,200	179,000	179,000
Employee Related Expenditures	54,100	57,400	57,400
Travel - In State	300	400	400
Other Operating Expenditures	43,000	43,500	43,500
Equipment	100	100	100
AGENCY TOTAL	267,700	280,400	280,400 ^{1/}

FUND SOURCES

General Fund	267,700	280,400	280,400
SUBTOTAL - Appropriated Funds	267,700	280,400	280,400
TOTAL - ALL SOURCES	267,700	280,400	280,400

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 Baseline includes \$280,400 and 4 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

State Board of Technical Registration

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	984,500	1,106,400	1,106,400
Employee Related Expenditures	458,300	456,400	456,400
Professional and Outside Services	52,400	293,600	293,600
Travel - In State	3,500	5,000	5,000
Travel - Out of State	17,800	17,200	17,200
Other Operating Expenditures	401,700	413,100	413,100
Equipment	1,700	0	0
AGENCY TOTAL	1,919,900	2,291,700	2,291,700 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Technical Registration Fund	1,919,900	2,291,700	2,291,700
SUBTOTAL - Other Appropriated Funds	1,919,900	2,291,700	2,291,700
SUBTOTAL - Appropriated Funds	1,919,900	2,291,700	2,291,700
Other Non-Appropriated Funds	16,900	0	0
TOTAL - ALL SOURCES	1,936,800	2,291,700	2,291,700
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 Baseline includes \$2,291,700 and 25 FTE Positions from the Technical Registration Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Technical Registration Fund (TEA2070/A.R.S. § 32-109)		Appropriated
Source of Revenue: Monies collected by the board from examinations and licensing of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, landscape architects, and home inspectors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.		
Funds Expended	1,919,900	2,291,700
Year-End Fund Balance	3,127,000	3,425,300

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Technical Registration Board of Investigations Fund (TEA2072/A.R.S. § 32-128)		Non-Appropriated
Source of Revenue: Court assessments, fines, forfeitures and other penalties.		
Purpose of Fund: To fund the cost of disciplinary investigations relating to fraudulent or misrepresented certifications, gross negligence or other similar misconduct.		
Funds Expended	16,900	0
Year-End Fund Balance	139,300	173,300

Office of Tourism

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	28.0	28.0	28.0
Personal Services	1,753,400	1,857,100	1,857,100
Employee Related Expenditures	612,200	616,400	616,400
Professional and Outside Services	2,691,000	2,162,900	2,162,900
Travel - In State	14,400	11,800	11,800
Travel - Out of State	174,300	150,200	150,200
Other Operating Expenditures	2,852,200	2,213,300	2,213,300
Equipment	95,800	100,300	100,300
AGENCY TOTAL	8,193,300	7,112,000	7,112,000 ^{1/}
FUND SOURCES			
General Fund	8,193,300	7,112,000	7,112,000
SUBTOTAL - Appropriated Funds	8,193,300	7,112,000	7,112,000
Other Non-Appropriated Funds	13,820,800	15,151,900	15,151,900
TOTAL - ALL SOURCES	22,014,100	22,263,900	22,263,900

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 a Lump Sum in the form of a deposit to the Tourism Fund.

Operating Budget

The Baseline includes \$7,112,000 and 28 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Other Issues

Funding Sources

The Office of Tourism receives funding from 3 primary sources: 1) a General Fund appropriation to fund the agency's operating budget; 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 Baseline's 3-year spending plan, 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. As of December 2018, ISM Raceway has not requested certification of its expenditures.

In FY 2022, the Baseline includes the \$1.5 million distribution under the assumption that the JLBC certification occurs by that time.

Table 1

Office of Tourism Revenues ^{1/}

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</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 ^{2/}	\$7,112,000	\$7,112,000
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	8,344,800	8,672,000 ^{3/}	9,152,200 ^{3/}
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>6,712,100</u>	<u>6,809,400 ^{3/}</u>	<u>6,809,400 ^{3/}</u>
Total		\$22,168,900	\$22,593,400	\$23,073,600

^{1/} The numbers displayed represent revenues to the agency and may not correspond directly with the agencies' actual expenditure or appropriation amounts.

^{2/} In FY 2018, the department's total expenditure amount exceeded its total revenue amount because the department used monies received in prior fiscal years and deposited into the non-appropriated Tourism Fund. Monies deposited into the Tourism Fund are continuously appropriated as part of the Tourism Fund's cash balance.

^{3/} The Sports and Tourism Authority amounts and the Tribal Gaming amounts for FY 2019 and FY 2020 are JLBC estimates.

SUMMARY OF FUNDS

**FY 2018
Actual** **FY 2019
Estimate**

Tourism Fund (TOA2236/A.R.S. § 41-2306)

Non-Appropriated

Source of Revenue: The Tourism Fund receives a transfer from the Arizona Sports and Tourism Authority (AZSTA) to be used for tourism promotion in Maricopa County. AZSTA receives revenue derived from a 1% increase in the bed tax and a 3.25% increase in the car rental tax. Of this amount, AZSTA transferred \$8,344,800 in FY 2018 to the Tourism Fund. This transfer increases each year by 5%. The fund also receives a portion of tribal gaming contributions, pursuant to Proposition 202 from 2002. Finally, A.R.S. § 41-2306 allows the Tourism Fund to receive General Fund appropriations. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. A.R.S. § 41-2308 provides for an annual General Fund appropriation of \$1,500,000 to the State Treasurer to be deposited into the Tourism Fund beginning in FY 2022 through FY 2051. The funding is to be used to promote an auto racing sporting event conditional upon the event spending at least \$100 million on land acquisitions, constructions, improvements or renovations of the event facilities.

Purpose of Fund: To pay for all costs associated with Office of Tourism activities.

Funds Expended	13,820,800	15,151,900
Year-End Fund Balance	3,761,600	3,761,500

Department of Transportation

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	4,552.0	4,552.0	4,552.0 ^{1/}
Personal Services	102,779,700	112,105,000	112,105,000
Employee Related Expenditures	48,272,700	50,666,500	50,666,500
Professional and Outside Services	6,520,200	8,477,400	8,477,400
Travel - In State	811,500	819,800	819,800
Travel - Out of State	203,900	234,000	234,000
Other Operating Expenditures	25,442,200	24,651,800	24,651,800
Equipment	18,136,200	8,289,200	7,355,000
OPERATING SUBTOTAL	202,166,400	205,243,700	204,309,500
SPECIAL LINE ITEMS			
Attorney General Legal Services	3,577,700	3,623,700	3,623,700 ^{2/}
Authorized Third Parties	0	2,013,700	2,013,700
Driver Safety and Livestock Control	2,356,500	800,000	800,000
Flagstaff Building Equipment	1,400	0	0
Fraud Investigation	752,500	0	0
Highway Damage Recovery Account	0	4,000,000	4,000,000
Highway Maintenance	133,372,100	164,867,900	163,367,900 ^{3/4/}
New Third Party Funding	624,600	0	0
Northwest Valley Transit System Planning	0	65,000	0
Phoenix Area Freeway Lighting	1,500,000	0	0
Statewide Drainage Structures	4,179,500	0	0
Vehicle Replacement	0	15,300,000	15,300,000 ^{5/}
Vehicles and Heavy Equipment	17,250,400	18,609,300	18,609,300
Grand Canyon Airport Projects	261,900	0	0
AGENCY TOTAL	366,043,000	414,523,300	412,024,100 ^{6/-11/}
FUND SOURCES			
General Fund	49,600	65,000	0
<u>Other Appropriated Funds</u>			
Air Quality Fund	128,900	324,100	324,100
Driving Under the Influence Abatement Fund	148,300	153,100	153,100
Highway Damage Recovery Account	1,403,100	4,000,000	4,000,000
Highway User Revenue Fund	640,400	654,400	654,400
Ignition Interlock Device Fund	0	150,000	150,000
Motor Vehicle Liability Insurance Enforcement Fund	1,312,900	1,720,600	1,720,600
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	1,582,100	1,482,000	1,482,000
State Aviation Fund	1,797,700	1,829,000	1,829,000
State Highway Fund	340,280,500	384,073,200	381,639,000
Transportation Department Equipment Fund	17,250,400	18,609,300	18,609,300
Vehicle Inspection and Certificate of Title Enforcement Fund	1,449,100	1,462,600	1,462,600
SUBTOTAL - Other Appropriated Funds	365,993,400	414,458,300	412,024,100
SUBTOTAL - Appropriated Funds	366,043,000	414,523,300	412,024,100
Other Non-Appropriated Funds	20,103,400	44,213,400	32,609,700
Federal Funds	22,335,200	26,990,000	27,415,200
TOTAL - ALL SOURCES	408,481,600	485,726,700	472,049,000

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 2020.
- 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, \$163,367,900 in FY 2020 for Highway Maintenance is exempt from the provisions of A.R.S. § 35-190, 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 A.R.S. § 28-6991 or the Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount established by A.R.S. § 28-6547, on August 31, 2020. (General Appropriation Act footnote)
- 4/ In accordance with A.R.S. § 35-142.01, 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 A.R.S. § 28-6994. (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/ It is the intent of the Legislature that the department 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 FY 2020 from all funds to the Department of Administration for its Risk Management payment. (General Appropriation Act footnote)
- 8/ The Department of Transportation 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, 2020 for FY 2020. (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, 2020, the independent third-party consultant shall submit an annual progress report for review by the Joint Legislative Budget Committee. The annual report shall 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. The report shall also address any potential project deficiencies as well as the incorporation of the Auditor General's April 2015 recommendations. (General Appropriation Act footnote)
- 10/ On or before August 1, 2019, 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 Baseline includes \$204,309,500 and 3,400 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
Air Quality Fund	\$324,100
Driving Under the Influence (DUI) Abatement Fund	153,100
Highway User Revenue Fund	455,900
Ignition Interlock Device Fund	150,000
Motor Vehicle Liability Insurance Enforcement Fund	1,621,200

Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	922,000
State Aviation Fund	1,829,000
State Highway Fund	197,479,300
Vehicle Inspection and Certificate of Title Enforcement Fund	1,374,900

FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(528,500) from the State Highway Fund in FY 2020 for the elimination of one-time funding for equipment and furnishings at the

department's Ehrenburg Port of Entry administrative building.

Remove One-Time Funding

The Baseline includes a decrease of \$(405,700) from the State Highway Fund in FY 2020 for the elimination of one-time funding for security improvements to 6 ports of entry statewide.

Attorney General Legal Services

The Baseline includes \$3,623,700 from the State Highway Fund in FY 2020 for Attorney General Legal Services. This amount is unchanged from FY 2019.

This line item funds 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 Baseline includes \$2,013,700 and 20 FTE Positions in FY 2020 for Authorized Third Parties. These amounts consist of:

Highway User Revenue Fund	198,500
Motor Vehicle Liability Insurance Enforcement Fund	99,400
State Highway Fund	1,628,100
Vehicle Inspection and Certificate of Title Enforcement Fund	87,700

These amounts are unchanged from FY 2019.

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 2018, ATPs retained \$22.2 million in fees that otherwise would have been deposited to HURF and \$31.9 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 Baseline includes \$800,000 from the State Highway Fund in FY 2020 for Driver Safety and Livestock Control. This amount is unchanged from FY 2019.

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.

Flagstaff Building Equipment

The Baseline includes no funding in FY 2020 for Flagstaff Building Equipment. This amount is unchanged from FY 2019.

This line item provided funding for furnishing and equipment at ADOT's new Northcentral District Regional Office in Flagstaff. Through an agreement with the City of Flagstaff and a real-estate developer, ADOT exchanged its existing Northcentral office and regional lab located on Milton Road for a private sector building on University Drive, which will be renovated as the department's new office and regional lab.

Due to rezoning issues for the real-estate developer's planned development on Milton Road, final contract negotiations have been delayed. The FY 2019 General Appropriation Act extended the lapsing date of the FY 2018 appropriation to the end of FY 2019 to account for that delay. The department is now projecting a project completion date in mid-FY 2020.

Highway Damage Recovery Account

The Baseline includes \$4,000,000 from the Highway Damage Recovery Account in FY 2020 for the Highway Damage Recovery Account. This amount is unchanged from FY 2019.

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 to repair that damage.

Highway Maintenance

The Baseline includes \$163,367,900 and 932 FTE Positions in FY 2020 for Highway Maintenance. These amounts consist of:

Safety Enforcement and Transportation	560,000
Infrastructure Fund - Department of Transportation Subaccount	
State Highway Fund	162,807,900

FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,500,000) from the State Highway Fund in FY 2020 for the elimination of one-time funding for equipment upgrades to the department's statewide intelligent traffic system. The FY 2019 budget included the one-time increase in the operating lump sum. However, under A.R.S. § 35-173, the department transferred the spending authority to the Highway Maintenance line item.

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 \$163,367,900 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$13,700,000 available in FY 2020 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Northwest Valley Transit System Planning

The Baseline includes no funding in FY 2020 for Northwest Valley transit system planning. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(65,000) from the General Fund in FY 2020 for the elimination of one-time funding for a distribution to the Maricopa Association of Governments to establish and maintain a cooperative agreement for the administration and planning of a Northwest Valley transit system.

Vehicle Replacement

The Baseline includes \$15,300,000 from the State Highway Fund in FY 2020 for Vehicle Replacement. This amount is unchanged from FY 2019.

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. This amount will be spent from the non-appropriated IGA and ISA Fund.

Vehicles and Heavy Equipment

The Baseline includes \$18,609,300 and 200 FTE Positions from the Transportation Department Equipment Fund in FY 2020 for Vehicles and Heavy Equipment. These amounts are unchanged from FY 2019.

This line item funds the maintenance and repair of the department's vehicle and equipment fleet. Prior to FY 2019, the Transportation Department Equipment Fund also had a non-appropriated portion, which was used to provide maintenance and repairs to other agencies and local governments through ISAs and IGAs. Beginning in FY 2019, those agreements were shifted to the IGA and ISA Fund.

Other Issues

Statutory Changes

The Baseline would, as permanent law, modify existing statute to provide greater legislative oversight of ADOT's expenditure of state funds for its authorized third-party electronic service partner. Under existing law, ADOT was able to allow its ServiceArizona vendor to retain certain transaction fees. The vendor used some of these funds for its own purposes and set aside other monies for ADOT automation projects. With this mechanism in place, ADOT was able to implement a \$57.6 million MVD automation project without legislative oversight of the project. Like the amount that brick-and-mortar ATPs retain, the ServiceArizona retainage is an amount that otherwise would flow to the state and local governments for statewide highway construction.

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 roughly half of all transaction fees 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 in FY 2020. ADOT has an annual option to sign a 1-year extension for the ServiceArizona agreement with the vendor. The maximum contract extension date is the end of FY 2021. The agreement terminates once the project reaches completion, currently projected for the end of FY 2020. At that point, any monies in the balance of ADOT's account with the ServiceArizona vendor will be turned over to ADOT.

Upon completion of the project, ADOT will contract for support of AZMVDNow and ServiceArizona. AZMVDNow is the online customer portal that will take on the vast majority of ServiceArizona functionality, while ServiceArizona will maintain functions associated with its business suite and financial services. The new agreement will be negotiated under the same statute as the current agreement, where compensation structure is negotiated between ADOT and the vendor.

At its September 2018 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 plans for the new agreement by February 1, 2019. As of September 2018, \$41.6 million had been spent on the project out of a \$57.6 million budget.

Highway Safety Fee

Laws 2018, Chapter 265 implemented a highway safety fee to be paid at the time of annual vehicle registration and renewal. The fee will raise revenues equal to 110% of the Department of Public Safety highway patrol budget. The fee is expected to generate \$92 million in FY 2019 and \$185 million annually starting in FY 2020. Fee revenues are deposited into the Highway Patrol Fund. *(Please see the Department of Public Safety narrative for more information.)*

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, 2020.

Special Plates

In order to establish a special plate, a statutorily designated entity must pay a \$32,000 implementation fee. In general, of the \$25 annual fee for the special plate, \$8 is deposited in the State Highway Fund and \$17 is a donation to the specified charity. In FY 2018, the special plate program generated \$3,440,600 for charities, \$7,170,500 for state agencies including universities, \$5,800 for HURF and \$3,948,800 for the State Highway Fund, for total revenues of \$14,565,700.

As shown in *Table 1*, there are 57 special plate types with 495,983 vehicles supporting special plate charities. Revenue for many of the special plates is combined in ADOT's Statewide Special Plates Fund. Financial information for the rest of the special plates not included in ADOT's Statewide Special Plates Fund is found in individual agencies. When a state agency oversees a special plate fund, it appears in that agency's budget. If not, it appears in ADOT's Statewide Special Plate Fund.

There were no special plates added in 2018.

Table 1

Special License Plates ^{1/2/}Included in Statewide Special Plates FundNot Included in Statewide Special Plates Fund

<u>Name</u>	<u>Number of Plates Issued in FY 2018</u>	<u>Name</u>	<u>Number of Plates Issued in FY 2018</u>
Arizona Professional Football Club	74,092	Veteran	92,115
Military Support/Scholarship	38,842	Arizona Highways Magazine	32,148
First Responder	29,963	Collegiate - University of Arizona	24,057
Arizona Professional Baseball Club	12,046	Collegiate - Arizona State University	21,133
Historic Federal Highway	11,313	Families of Fallen Police Officers	14,964
Arizona Centennial	9,867	Spaying and Neutering of Animals	13,620
Agricultural Youth Organization	9,798	Child Abuse Prevention	12,408
Transplantation Awareness	5,101	Golden Rule	11,918
Arizona Professional Basketball Club	4,451	In God We Trust	11,169
Arizona Professional Hockey Club	2,938	Breast & Cervical Cancer	10,471
Extraordinary Educators	2,514	Arizona Sportsmen for Wildlife	9,347
Keep Arizona Beautiful (anti-litter)	1,868	Environmental	8,379
Childhood Cancer Research	1,384	Fire Fighter	4,327
Volunteer Firefighters	1,167	Collegiate - Northern Arizona University	2,823
Arizona Motorsports Commemorative	1,008	Navajo Nation	2,329
Hunger Relief	928	Women Veteran	2,098
Regionally Accredited Institution	911	Science Education	2,035
Arizona Professional Golf	810	Character Education	1,600
Arizona Masonic Fraternity	777	Choose Life	1,314
Play Unified	690	Amateur Radio Operator	1,145
Global Graduate Management	459	Military Installation Support	1,110
Youth Development Organization	359	Fraternal Order of Police	838
Arizona Public Broadcast Television	356	White Mountain Apache Tribe	534
Health Sciences Educational	162	San Carlos Apache	528
Girls' Youth Organization	130	Gold Star Family	493
Collegiate - Community College	0	Collector Car Auction	453
		Farm Vehicle	366
		Arizona Historical Society	112
		National Guard	111
		University of Phoenix	101
		Legion of Valor	3
Total	211,934	Total	284,049

^{1/} Excludes 129,488 off-highway vehicle decals.

^{2/} Other special plates excluded: Personalized Street Rod, Former Prisoner of War, Purple Heart Medal Recipient, Disability, Hearing Impaired, Classic Car, Congressional Medal of Honor, Energy Efficient (alternative fuel), Historic Vehicle, Honorary Foreign Consul, Horseless Carriage, Midwestern University, Pearl Harbor Survivor, and U.S. Marine Corps.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Abandoned Vehicle Administration Fund (DTA2150/A.R.S. § 28-4804)		Non-Appropriated
Source of Revenue: Abandoned vehicle fees, of which the amounts are determined by the ADOT Director. Currently, for vehicles on private or local land, the owner pays a fee of \$500 and for vehicles abandoned on state or federal land, the owner pays a fee of \$600.		
Purpose of Fund: Established by Laws 2017, Chapter 249, the fund partially reimburses towing companies for abandoned vehicle removal. Chapter 249 modified the reimbursement to the towing company from a flat \$100 for fees from vehicles abandoned on state or federal land to a 20% reimbursement regardless of location. After that disbursement, to statutorily distribute remaining fee revenues to the State Highway Fund and General Fund, with a 90/10 split, respectively, for fees from vehicles abandoned on private or local land and a 60/40 split for fees from vehicles abandoned on state or federal land.		
Funds Expended	96,000	686,200
Year-End Fund Balance	89,200	89,200
Air Quality Fund (DTA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: An annual \$1.50 air quality fee collected for each vehicle at the time of registration.		
Purpose of Fund: Implementation of programs that reduce emissions and improve air quality.		
Funds Expended	128,900	324,100
Year-End Fund Balance	105,600	105,600
Arizona Highways Magazine Fund (DTA2031/A.R.S. § 28-7315)		Non-Appropriated
Source of Revenue: Sales of subscriptions, maps, pamphlets, and other materials, Arizona Highways special plate donations, and interest earnings. The fund can also consist of monies appropriated by the Legislature from the State Highway Fund, not to exceed \$500,000 annually. There are no current appropriations.		
Purpose of Fund: For production and sales of subscriptions, maps, pamphlets, etc. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General or State Highway Fund and expenditures are exempt from statutory allotment provisions.		
Funds Expended	4,932,900	5,274,700
Year-End Fund Balance	2,067,800	1,645,400
Cash Deposits Fund (DTA2266/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Deposits from individuals either bidding at auction on department property or renting department property.		
Purpose of Fund: To hold deposits from individuals bidding on excess land and property for sale at auction, which are either applied against their purchase price or are returned to the individual if their bid is unsuccessful. Also, to hold deposits from individuals who rent department property. Their money is either refunded at the end of their tenancy or is used to offset repairs, if needed.		
Funds Expended	800	0
Year-End Fund Balance	283,400	0
Contract Counsel Fund (DTA4212/A.R.S. § 28-6925)		Non-Appropriated
Source of Revenue: An amount of \$30,000 was originally appropriated from the State Highway Fund to the Contract Counsel Fund. The Arizona Department of Administration replenishes expended monies from State Highway Fund monies appropriated for construction of state highways, as ADOT submits itemized statements detailing their expenditures from the Contract Counsel Fund.		
Purpose of Fund: To reimburse the Attorney General for attorneys' services for rights-of-way condemnation cases on federal aid projects.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Driving Under the Influence Abatement Fund (DTA2422/A.R.S. § 28-1304)		Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater. Another portion of monies is from civil penalties against an ignition interlock manufacturer or installer who fails to properly report ignition interlock data to the ADOT Director.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments for enforcement purposes and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. ADOT and the Department of Public Safety (DPS) receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes.		
Funds Expended	148,300	153,100
Year-End Fund Balance	49,800	49,800
Economic Strength Project Fund (DTA2244/A.R.S. § 28-7282)		Non-Appropriated
Source of Revenue: The fund receives \$1,000,000 each June 15 from the Highway User Revenue Fund and interest from investment of inactive balances.		
Purpose of Fund: For "economic strength" highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board. These are projects that will retain or increase a significant number of jobs, lead to significant capital investment, or make a significant contribution to the economy of this state or within a local authority. Monies remaining in the Economic Strength Project Fund at the end of a fiscal year do not revert to the General Fund. Figures exclude expenditures for capital highway construction projects. <i>(See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)</i>		
Funds Expended	0	0
Year-End Fund Balance	1,534,500	1,566,500
Federal Grants (DTA2097/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Federal grants not part of the federal highway aid program.		
Purpose of Fund: For federal programs not part of the federal aid highway program including assistance to elderly and handicapped; rural public transit; technical studies; rail planning and rehabilitation; other planning; highway statistical reporting; fatal accident reporting; safety; commercial driver's license; library updates; and fuel tax evasion.		
Funds Expended	22,335,200	26,990,000
Year-End Fund Balance	473,600	473,600
Highway Damage Recovery Account (DTA2044/A.R.S. § 28-6994)		Appropriated
Source of Revenue: Reimbursements for highway damage repair expenses paid by liable third parties.		
Purpose of Fund: For maintenance of state highways. The FY 2018 Budget Procedures Budget Reconciliation Bill created the subaccount for ADOT to deposit all highway damage repair reimbursements. A General Appropriation Act footnote prevents ADOT from crediting these reimbursements as negative expenditures.		
Funds Expended	1,403,100	4,000,000
Year-End Fund Balance	4,345,300	4,624,600
Highway Expansion and Extension Loan Program Fund (DTA2417/A.R.S. § 28-7674)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; monies received from the federal government, state agencies, political subdivisions and Indian tribes; interest; and public or private gifts, grants or donations.		
Purpose of Fund: To create a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects. The fund makes loans to ADOT, cities, and other entities to accelerate highway construction projects. The loans are repaid from future programmed funds for those projects. The fund may be used to pay costs to administer the fund and shall pay costs of an annual financial audit of the fund. The FY 2018 Capital Outlay Bill included a one-time appropriation of \$30.0 million from the fund in each of FY 2018 and FY 2019 for local highway construction. The FY 2019 Capital Outlay Bill eliminated the FY 2019 appropriation.		
Funds Expended	0	0
Year-End Fund Balance	30,520,600	749,600

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Highway User Revenue Fund (DTA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, interest earnings, and others.		
Purpose of Fund: For various highway related purposes in the state, including distributions to the State Highway Fund which is the primary source for the department's operating budget and to political subdivisions for highway purposes. Figures exclude expenditures for capital highway construction projects.		
Funds Expended	640,400	654,400
Year-End Fund Balance	116,561,200	117,889,400
IGA and ISA Fund (DTA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements. Primarily for an agreement with DEQ for administration of Underground Storage Tank funds. Beginning in FY 2019, the department uses the fund for its equipment services interagency agreements, which were previously funded through a non-appropriated portion of the Transportation Department Equipment Fund. The fund received a \$12,523,500 deposit from Volkswagen Settlement monies in FY 2019 to finance purchases of efficient diesel fuel vehicles over a multi-year period.		
Funds Expended	242,400	21,535,500
Year-End Fund Balance	246,900	247,800
Ignition Interlock Device Fund (DTA2208/A.R.S. § 28-1469)		Appropriated
Source of Revenue: An ignition interlock installation fee charged by service providers and then remitted to ADOT.		
Purpose of Fund: Established by Laws 2017, Chapter 331, the fund provides for administration of ADOT's Ignition Interlock Device program, including compliance measures, audits and investigating complaints related to devices and providers.		
Funds Expended	0	150,000
Year-End Fund Balance	5,748,300	5,778,300
Local Agency Deposits Fund (DTA3701/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Monies received from local jurisdictions.		
Purpose of Fund: To pay for locally sponsored secondary road construction projects. Any money left after the project is closed out is returned to the local entity. Figures exclude expenditures for capital highway construction projects. <i>(See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)</i>		
Funds Expended	0	0
Year-End Fund Balance	9,303,400	9,303,100
Maricopa Regional Area Road Fund (DTA2029/A.R.S. § 28-6302)		Non-Appropriated
Source of Revenue: The fund consists of all transportation excise taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 that are designated for deposit in the Regional Area Road Fund in Maricopa County, plus proceeds from the sale of bonds, rents, and interest earnings.		
Purpose of Fund: For bond related expenses and for the design, purchase of right-of-way or construction of controlled access highways which are included in the county's regional transportation plan and accepted into the state highway system. Figures exclude expenditures for capital highway construction projects. <i>(See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)</i>		
Funds Expended	12,079,900	13,500,000
Year-End Fund Balance	443,192,800	277,336,200
Motor Carrier Safety Revolving Fund (DTA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material; and monies received from private grants or donations.		
Purpose of Fund: To carry out the provisions of A.R.S. Title 28, Chapter 14 (motor carrier safety). DPS conducts investigations, the Motor Vehicle Division administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	11,600	5,000
Year-End Fund Balance	13,800	15,300

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Motor Vehicle Dealer Enforcement Fund (DTA2609/A.R.S. § 28-4504)		Appropriated
Source of Revenue: Civil penalties between \$1,000 and \$3,000 for licensed and unlicensed motor vehicle dealer violations. Any unexpended and unencumbered monies in the fund over \$250,000 are deposited to the State Highway Fund.		
Purpose of Fund: Established by Laws 2018, Chapter 308, the fund is used to enforce the provisions of A.R.S. Title 28, Chapter 10 (vehicle dealers, automotive recyclers and transporters).		
Funds Expended	0	0
Year-End Fund Balance	0	0
Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: To enforce mandatory motor vehicle liability insurance laws.		
Funds Expended	1,312,900	1,720,600
Year-End Fund Balance	7,741,000	9,386,300
Rental Tax and Bond Deposit Fund (DTA3737/A.R.S. § 28-371)		Non-Appropriated
Source of Revenue: Cash deposits from motor carrier and use fuel taxpayers, and portions of rent that the department collects.		
Purpose of Fund: To hold cash deposits from motor carrier and use fuel taxpayers who choose to make cash deposits instead of providing surety bonds to guarantee their fee payments. Any money remaining in a taxpayer's account would be returned to the taxpayer. To hold the county property tax portion of rent on department properties, which is forwarded to the appropriate county tax office. Also, to hold the privilege tax portion of rent on the department's commercial properties, which is forwarded to the Department of Revenue.		
Funds Expended	900	0
Year-End Fund Balance	320,900	0
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount (DTA2108/A.R.S. § 28-6547)		Appropriated
Source of Revenue: Fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: To enforce vehicle safety requirements by DPS and ADOT, and maintain and construct transportation facilities within 25 miles of the Arizona-Mexico border. To improve vehicle congestion at Mexican border ports of entry, and obtain Federal Funds for Safety Enforcement and Transportation Infrastructure Fund (SETIF) purposes. Also to maintain and construct transportation facilities in the Canada to Mexico (CANAMEX) trucking and trade corridor, which came about as a result of the North American Free Trade Agreement (NAFTA) between Canada, the United States and Mexico. In addition, ADOT may provide SETIF monies to the Arizona-Mexico Commission, Arizona Department of Homeland Security, and AIDA for certain SETIF-related purposes. The FY 2017 Government Budget Reconciliation Bill creates the ADOT subaccount and the DPS subaccount within the fund. A total of 55% of SETIF revenues will be deposited into the ADOT subaccount and 45% in the DPS subaccount.		
Funds Expended	1,582,100	1,482,000
Year-End Fund Balance	39,700	35,300
Shared Location and Advertising Agreements Expense Fund (DTA2414/A.R.S. § 28-409)		Non-Appropriated
Source of Revenue: The fund consists of monies received from agreements with public and private entities for services located in department offices or to advertise those entities' goods and services.		
Purpose of Fund: To partially offset the department's cost of providing a location or advertising. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	4,900	28,000
Year-End Fund Balance	75,400	64,400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
State Aviation Fund (DTA2005/A.R.S. § 28-8202)		Appropriated
Source of Revenue: Flight property tax, aircraft registration fees, license taxes, fuel taxes, the sale of abandoned aircraft, receipts from airports operated by the department, and interest earnings.		
Purpose of Fund: For the administration of aviation laws, the operation and maintenance of state-owned airports, and capital projects at publicly-owned and operated airports of political subdivisions, which includes Indian reservations. Figures exclude expenditures for capital aviation construction projects.		
Funds Expended	1,797,700	1,829,000
Year-End Fund Balance*	11,641,600	(14,601,800)
State Highway Fund (DTA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies distributed from the Highway User Revenue Fund, certain vehicle fees which are deposited directly to the State Highway Fund, interest earnings, appropriations by the Legislature, and donations.		
Purpose of Fund: For the department's operating budget, the acquisition of right-of-way, construction and maintenance of state highways and roads, and other highway related projects. The expended funds only reflect operating expenses. <i>(Please see the Highway User Revenue Fund Distribution chart in the ADOT Capital section for non-operating expenditures.)</i>		
Funds Expended	340,280,500	384,073,200
Year-End Fund Balance	663,745,900	682,808,600
Statewide Employee Recognition Gifts/Donations Fund (DTA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	13,400	13,000
Year-End Fund Balance	21,900	18,100
Statewide Special Plates Fund (DTA2650/A.R.S. § 35-131)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the special plate fees, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue special plates. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a statutorily designated entity.		
Funds Expended	2,720,600	3,171,000
Year-End Fund Balance	1,361,800	1,361,800
Transportation Department Equipment Fund (DTA2071/A.R.S. § 28-7006)		Appropriated
Source of Revenue: Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance).		
Purpose of Fund: For maintenance, service or repair of equipment and consumable material including administrative expenses.		
Funds Expended	17,250,400	18,609,300
Year-End Fund Balance	3,645,700	3,645,600
Underground Storage Tank Revolving Fund (DTA3728/A.R.S. § 28-6007)		Non-Appropriated
Source of Revenue: The fund consists of Underground Storage Tank taxes paid by persons liable for motor/aviation fuel taxes; or persons who refine, manufacture or produce compounds, blend or import diesel (liquid petroleum).		
Purpose of Fund: For department administrative expenses. The department retains only administrative costs as determined by an intergovernmental agreement between ADOT and DEQ.		
Funds Expended	0	0
Year-End Fund Balance	601,900	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Vehicle Inspection and Certificate of Title Enforcement Fund (DTA2272/A.R.S. § 28-2012)		Appropriated
Source of Revenue: Fees of \$20 and \$50 for performing more detailed level 2 and level 3 inspections of vehicle identification numbers, before issuing restored salvage titles on repaired salvage and similar vehicles.		
Purpose of Fund: To defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement and other enforcement related issues. A portion of the revenues are transferred to DPS for investigations concerning automobile theft.		
Funds Expended	1,449,100	1,462,600
Year-End Fund Balance	873,500	580,900

* As reported by the agency. Actual ending balance will not be negative.

State Treasurer

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	31.4	31.4	31.4
Personal Services	2,030,300	2,101,000	2,101,000
Employee Related Expenditures	757,000	826,000	826,000
Professional and Outside Services	20,400	21,000	21,000
Travel - In State	1,000	2,000	2,000
Travel - Out of State	9,000	12,000	12,000
Other Operating Expenditures	236,400	263,800	263,800
Equipment	24,000	20,000	20,000
OPERATING SUBTOTAL	3,078,100	3,245,800	3,245,800
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	1,200,000	1,205,100	1,205,100
Law Enforcement/Boating Safety Fund Grants	1,938,200	2,183,800	2,183,800
AGENCY TOTAL	6,216,300	6,634,700	6,634,700 ^{1/}

FUND SOURCES

General Fund	1,200,000	1,205,100	1,205,100
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	1,938,200	2,183,800	2,183,800
State Treasurer Empowerment Scholarship Account Fund	304,400	304,400	304,400
State Treasurer's Management Fund	295,600	295,600	295,600
State Treasurer's Operating Fund	2,478,100	2,645,800	2,645,800
SUBTOTAL - Other Appropriated Funds	5,016,300	5,429,600	5,429,600
SUBTOTAL - Appropriated Funds	6,216,300	6,634,700	6,634,700
Other Non-Appropriated Funds	4,007,100	4,022,100	4,022,100
TOTAL - ALL SOURCES	10,223,400	10,656,800	10,656,800

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.

Operating Budget

The Baseline includes \$3,245,800 and 31.4 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
State Treasurer Empowerment Scholarship Account (ESA) Fund	\$304,400
State Treasurer's Management Fund	295,600
State Treasurer's Operating Fund	2,645,800

These amounts are unchanged from FY 2019.

The State Treasurer ESA Fund is funded with monies retained from students' ESAs pursuant to A.R.S. § 15-2402C. That law allows the Arizona Department of Education (ADE) to retain 5% of each student's ESA funding for program administration, which for FY 2020 is estimated to be as much as \$4,529,900 (an estimated \$90,598,800 ESA cost for the year X 5%). A.R.S. § 15-2402C requires ADE to transfer one-fifth of the 5%, estimated to be \$906,000 in FY 2020, to the State

Treasurer ESA Fund for the costs of ESA fund processing. The actual expenditure, however, is subject to legislative appropriation. *(Please see the Arizona Department of Education narrative for more information on ESAs.)*

Justice of the Peace Salaries

The Baseline includes \$1,205,100 from the General Fund in FY 2020 for Justice of the Peace (JP) salaries. This amount is unchanged from FY 2019.

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 Baseline includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2020 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2019.

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 2018 and year-to-date FY 2019 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 2018	FY 2019 Thru October 14th
Apache	\$ 64,000	\$ 22,900
Coconino	215,600	64,700
Gila	164,200	41,700
La Paz	327,800	94,400
Maricopa	398,800	112,400
Mohave	511,200	142,100
Navajo	58,800	11,800
Yuma	<u>197,800</u>	<u>52,800</u>
Total	\$1,938,200	\$542,800

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. 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 Yuma County Sheriff's Office);
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.

(Please see the Department of Public Safety section and Supreme Court section for more information.)

The State Treasurer administers the fund and disburses the monies to the recipients listed above. The appropriations will be made in the above order as revenue is received in the fund.

The fund earns revenues from a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.

The fees take effect January 1, 2019 and are estimated to generate yearly revenues of \$2,747,000. By the end of FY 2020, the fund is projected to have earned \$4,120,500 in revenue. This amount would fund the one-time appropriation of \$3,073,000 and result in an estimated available fund balance of \$1,047,500. Once the appropriations are completed, the Peace Officer Training Equipment Advisory Commission (Commission) will make annual recommendations on how the funding should be spent. The Commission's first recommendation is due December 1, 2019.

Long-Term Budget Impacts

Special Sporting Event Promotion

As part of the Baseline's 3-year spending plan, 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. As of December 2018, ISM Raceway has not requested certification of its expenditures.

In FY 2022, the Baseline includes the \$1.5 million distribution under the assumption that the JLBC certification occurs by that time.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Border Security Trust Fund (TRA2549/A.R.S. § 41-113 [REPEALED])		Appropriated
Source of Revenue: Public and private donations.		
Purpose of Fund: To provide funding for the construction of a physical or virtual fence along the Arizona-Mexico border. Laws 2018, Chapter 188 repealed the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Criminal Justice Enhancement Fund (TRA3702/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: The fund receives 13.34% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For distribution to counties for the training of detention officers and county jail operational enhancement.		
Funds Expended	3,922,100	3,922,100
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona Fallen Firefighter Memorial Fund (TRA3033/A.R.S. § 41-1863)		Non-Appropriated
Source of Revenue: Private and public donations.		
Purpose of Fund: The establishment of the Arizona Fallen Firefighter Memorial in Wesley Bolin Plaza, as determined by the Arizona Fallen Firefighter Memorial Committee. Laws 2017, Chapter 121 changed the fund's name from the Arizona Firefighters and Emergency Paramedics Memorial Fund to its current title.		
Funds Expended	0	0
Year-End Fund Balance	300	300
Law Enforcement and Boating Safety Fund (TRA2111/A.R.S. § 5-383)		Appropriated
Source of Revenue: A portion of watercraft licensing taxes and fines for operating motorized watercraft while under the influence.		
Purpose of Fund: To provide grants to county law enforcement agencies for water and boating safety programs. The Treasurer distributes grants based on a formula determined by the Arizona Game and Fish Commission.		
Funds Expended	1,938,200	2,183,800
Year-End Fund Balance	0	0
Peace Officer Training Equipment Fund (TRA8888/A.R.S. § 41-1731)		Appropriated
Source of Revenue: The fund consists of a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.		
Purpose of Fund: Established by Laws 2018, Chapter 312, the fund distributes monies to the Department of Public Safety and the Supreme Court. The State Treasurer administers the fund. <i>(Please see the Department of Public Safety and Judiciary - Supreme Court Summary of Funds sections for more information.)</i>		
Funds Expended	0	0
Year-End Fund Balance	0	0
Public Deposit Administration Fund (TRA2574/A.R.S. § 35-1212)		Non-Appropriated
Source of Revenue: Pro Rata fees assessed to participants in the Statewide Collateral Pool and interest.		
Purpose of Fund: Funds the administration of the Statewide Collateral Pool. The Statewide Collateral Pool serves as a centralized fund for collateral that banks hold against public deposits in the event of a default.		
Funds Expended	85,000	100,000
Year-End Fund Balance	316,300	317,500
Arizona Public School Credit Enhancement Fund (TRA2675/A.R.S. § 15-2154)		Non-Appropriated
Source of Revenue: Revenues include fees paid by participating schools, repayments of monies used to make payments of principal and interest on guaranteed financings, proceeds of program funding obligations, gifts, grants, and donations. The FY 2017 Credit Enhancement Budget Reconciliation Bill (Laws 2016, Chapter 129) provided a one-time transfer of \$23,900,000 from the Access Our Best Public Schools Fund in FY 2017 to the Arizona Public School Credit Enhancement Fund.		
Purpose of Fund: To make payments of principal or interest on guaranteed financings. <i>(See "Arizona Public School Credit Enhancement Fund" in the Summary of Funds for the School Facilities Board for information on other uses of this fund.)</i>		
Funds Expended	0	0
Year-End Fund Balance	24,457,700	25,000,000
State Treasurer Empowerment Scholarship Account Fund (TRA2570/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
Purpose of Fund: To fund the State Treasurer's cost of administering the Empowerment Scholarship Accounts program authorized by A.R.S. § 15-2402. The Arizona Department of Education (ADE) also transfers monies to the State Treasurer each quarter for funding Empowerment Scholarship Accounts for individual students. Those monies are not displayed to avoid double counting of the General Fund <i>(also see the "Department of Education Empowerment Scholarship Account Fund" in the Summary of Funds for ADE).</i>		
Funds Expended	304,400	304,400
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
State Treasurer's Management Fund (TRA3799/A.R.S. § 35-326.01)		Appropriated
Source of Revenue: A portion of management fees paid by the General Fund, state agencies, cities, towns, tribal governments, counties and political subdivisions of the state, not to exceed the amount appropriated by the Legislature.		
Purpose of Fund: To provide funding for the administrative expenses associated with managing LGIP.		
Funds Expended	295,600	295,600
Year-End Fund Balance	320,300	320,300
State Treasurer's Operating Fund (TRA3795/A.R.S. § 35-316)		Appropriated
Source of Revenue: A portion of management fee collections not to exceed 0.06% from the earnings on investment pools other than permanent endowment funds.		
Purpose of Fund: To provide funding for the operating expenses of the agency.		
Funds Expended	2,478,100	2,645,800
Year-End Fund Balance	1,163,800	1,163,800

Governor's Office on Tribal Relations

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	26,400	29,500	29,500
Employee Related Expenditures	12,300	13,700	13,700
Travel - In State	300	500	500
Other Operating Expenditures	16,800	17,200	17,200
Equipment	1,600	0	0
AGENCY TOTAL	57,400	60,900	60,900 ^{1/}

FUND SOURCES

General Fund	57,400	60,900	60,900
SUBTOTAL - Appropriated Funds	57,400	60,900	60,900
Other Non-Appropriated Funds	15,500	18,500	18,500
TOTAL - ALL SOURCES	72,900	79,400	79,400

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 Baseline includes \$60,900 and 3 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona Indian Town Hall Fund (IAA4014/A.R.S. § 41-545)		Non-Appropriated
Source of Revenue: Monies collected or received at Indian town halls as fees for administration.		
Purpose of Fund: To defray administrative costs related to Indian town halls.		
Funds Expended	0	0
Year-End Fund Balance	2,400	2,400
Statewide Donations Fund (IAA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from booth space at Indian Nations and Tribes Legislative Day. Additional funds are obtained from outside sources such as the 22 tribes and nations of Arizona, as well as private corporations.		
Purpose of Fund: To pay for expenses incurred for Indian Nations and Tribes Legislative Day. The Governor's Office on Tribal Relations is required by statute to facilitate this day on the first Wednesday of each regular legislative session.		
Funds Expended	15,500	18,500
Year-End Fund Balance	6,600	6,600

Arizona Board of Regents

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,233,800	1,436,300	1,436,300
Employee Related Expenditures	796,900	548,500	548,500
Professional and Outside Services	23,900	38,500	38,500
Other Operating Expenditures	318,800	338,800	338,800
Equipment	1,200	1,300	1,300
OPERATING SUBTOTAL	2,374,600	2,363,400	2,363,400
SPECIAL LINE ITEMS			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Western Interstate Commission Office	149,000	153,000	153,000
WICHE Student Subsidies	4,082,000	4,078,000	4,078,000
AGENCY TOTAL	6,909,300	6,898,100	6,898,100 ^{1/2/3/}
FUND SOURCES			
General Fund	6,909,300	6,898,100	6,898,100
SUBTOTAL - Appropriated Funds	6,909,300	6,898,100	6,898,100
Other Non-Appropriated Funds	5,861,300	8,675,400	6,974,700
Federal Funds	356,500	700	0
TOTAL - ALL SOURCES	13,127,100	15,574,200	13,872,800

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/ Within 10 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)
- 2/ 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)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,363,400 and 25.9 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Arizona Teachers Incentive Program

The Baseline includes \$90,000 from the General Fund in FY 2020 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2019.

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. In FY 2018, ATIP distributed \$50,000 in loans among 10 students, as well as \$40,000 to the UA College of Education for deaf and blind instructional resources.

Arizona Transfer Articulation Support System

The Baseline includes \$213,700 from the General Fund in FY 2020 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2019.

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.

Western Interstate Commission Office

The Baseline includes \$153,000 from the General Fund in FY 2020 for the Western Interstate Commission Office. This amount is unchanged from FY 2019.

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 Baseline includes \$4,078,000 from the General Fund in FY 2020 for WICHE student subsidies. This amount is unchanged from FY 2019.

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, podiatry, or veterinary medicine, PSEP allows interested students to enroll in these programs at private in-state institutions or other public western universities.

ABOR estimates it will provide subsidies to 163 Arizona students in FY 2020, which is (1) fewer than FY 2019. 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
- Arizona Teacher Academy
- Cost Containment Report
- Land Trust Funds
- Arizona Financial Aid Trust
- Tuition Revenues
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- One-Time Funding
- Intellectual Property & Technology Transfer Royalties
- University System Summary Tables

Statutory Changes

The Baseline would, as session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited to the Arizona Financial Aid Trust (AFAT). *(Please see Arizona Financial Aid Trust for more information.)*

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, universitywide General Fund costs are projected to decrease by \$(465,500) in FY 2021 below FY 2020, and increase by \$712,800 in FY 2022 above FY 2021.

These estimates are based on:

- A \$(1,016,300) decrease in FY 2021 and a \$150,900 increase in FY 2022 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*

- Increases of \$550,800 and \$561,900 in FY 2021 and FY 2022, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation by 2% each year. (The GDP inflator is currently projected at 2.5% for FY 2021 and 2.7% for FY 2022; 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.)*

Arizona Teacher Academy

The FY 2018 Higher Education Budget Reconciliation Bill (BRB) established A.R.S. § 15-1655, which instructed ABOR and the universities to develop an Arizona Teacher Academy. The academy is intended to encourage more Arizona residents to enter the teaching profession and commit to teach in Arizona public schools.

The academy grants an annual waiver for all tuition and fees associated with enrollees' program of study in exchange for subsequently teaching in an Arizona public school 1 year for each year they received a tuition waiver.

The law does not establish the number of participants or provide additional funding to the universities for the program, but requires ABOR to annually submit a report on the number of students enrolled in the academy, the number subsequently teaching to fulfill their waiver agreement, and the number who subsequently fail to satisfy their teaching requirements.

ABOR reports that 221 enrolled in the Teacher Academy in FY 2018 and anticipates enrollment to increase to 478 students in FY 2019.

The FY 2019 Higher Education BRB made the statutory authorization for the Teachers Academy ongoing.

Cost Containment Report

Pursuant to A.R.S. § 15-1650.03B, ABOR is required to annually report cost containment information for each of the universities. In October 2018, ABOR reported the following:

Tuition and Fees Increases (FY 2009 - FY 2018)

- ASU: 68.3%
- NAU: 70.9%
- UA: 80.4%

Growth in Faculty and Staff Salaries (FY 2009 - FY 2018)

- ASU: 52.6% salary increase per FTE;
24.9% increase in faculty FTEs

- NAU: 46.4% salary increase per FTE;
23.2% increase in faculty FTEs
- UA: 40.3% salary increase per FTE;
5.3% increase in faculty FTEs

Changes in Credit Hour Requirements (FY 2009 - FY 2018)

ASU reported no changes in credit hour requirements, NAU reported a 1 credit hour increase for Civil Engineering, and UA reported 10 program changes that increased credit hour completion requirements by up to 9 credit hours.

Faculty Time Allocation

The universities report that either 40% (ASU and UA) or 50% (NAU) of faculty time is allocated to teaching, 20% is allocated to other activities – administrative duties, personal growth, services – and the remainder of faculty time is allocated to research and scholarship.

Non-Traditional and Low-Cost Degree Options

All 3 universities report community college pathway programs, and NAU and UA offer tuition freezes for incoming freshman, which freezes tuition rates for 8 consecutive semesters. In addition, the universities offer the following options:

- ASU: 3-year bachelor's degree programs, 10% tuition reductions for select programs in the College of Interdisciplinary Arts, and accelerated degree programs for obtaining a bachelor's and master's degree.
- NAU: Personalized learning and concurrent enrollment programs to obtain select associate's and bachelor's degrees in 2.5 years.
- UA: Accelerated master's programs and degree obtainment through distance campus networks

Cost Containment Actions

All 3 universities report utilizing contract renegotiations, refinancing of outstanding debt, and organizational restructuring to contain costs. In addition, the universities reported the following actions:

- ASU: Energy and water usage reductions, and eliminating jobs through layoffs, early retirement, and elimination of vacant positions.
- NAU: Low numbers of faculty and staff per student, low faculty and staff salary rates, shared services, and activity consolidations.
- UA: Low costs per degree and energy efficiency programs.

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 2020. The funds will have estimated revenues of \$11,846,400 in FY 2020. (Please see the Land Department narrative for more information.)

Table 1

State Land Trust Revenues: Universities ^{1/}

	<u>FY 2015</u>	<u>FY 2020</u>
Military Institute	\$ 83,800	\$ 59,000
Normal Schools	296,600	565,200
A&M Colleges	445,100	1,050,900
School of Mines ^{2/}	499,800	1,017,400
Universities Land Fund	3,834,800	9,153,900
University Land Code	2,175,400	2,137,800
U of A Land - 1881	<u>1,659,400</u>	<u>7,016,100</u>
Total	\$ 5,160,100	\$ 11,846,400

^{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.

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 \$62-\$110 in FY 2019 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 Baseline continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2020. The Baseline also maintains each university's allocation of General Fund AFAT appropriations at their FY 2019 level, which appears in the individual university budgets.

Based on student fees contributed to AFAT in FY 2018, the state's match would be \$35,798,200, or an increase of \$25,757,000 over the \$10,041,200 Baseline appropriation in FY 2020.

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 FY 2018, AFAT disbursed \$26,568,100. (Please see Table 6 for additional information on financial aid.)

Tuition Revenues

The FY 2017 Higher Education BRB amended A.R.S. § 15-1626A to require the universities to deposit tuition and fee revenues into separate tuition and fee revenue subaccounts for each university beginning in FY 2019.

Currently, statute allows the universities to retain a portion of tuition collections for expenditures, as approved by ABOR pursuant to A.R.S. § 15-1626A. These “locally” retained tuition monies are considered non-appropriated and are deposited into accounts labeled as “Designated” funds. The Designated Fund for each university includes the retained tuition and fees as well as monies from other sources.

Any remaining tuition collections are remitted to the Treasurer before being disbursed back to the universities into “Collections” funds as part of the appropriated budget. As with the non-appropriated tuition monies in the Designated Funds, tuition revenues in the appropriated Collections Funds are mixed with other revenue sources such as state land trust monies and

miscellaneous receipts. While Financial Aid and Debt Service are primarily non-appropriated, general operating expenses appear in both appropriated and non-appropriated budgets.

By requiring that the universities keep tuition and fee monies separate from other revenue sources, the FY 2017 Higher Education BRB was intended to make the university funding structure more transparent. The FY 2017 Higher Education BRB also amended A.R.S. § 35-146 to eliminate the requirement that the universities remit appropriated tuition revenues to the Treasurer, also effective beginning FY 2019. This provision does not change the current split between appropriated and non-appropriated tuition monies.

The July 2018 tuition revenue report projects FY 2019 gross tuition and fees to be \$3.1 billion systemwide. Of this amount, \$1.3 billion is appropriated while \$1.8 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 \$749.6 million in tuition waivers and awards in FY 2019, for a total net tuition of \$2.3 billion.

A FY 2019 General Appropriation Act footnote modifies the reporting requirements that govern ABOR's annual tuition revenue report. Rather than reporting on the incremental use of only appropriated tuition, beginning in FY 2019, ABOR must account for the expenditure of *all* tuition monies using the following categories: operating expenses, plant fund, debt service, and financial aid. ABOR is required to report on the total amount of tuition monies spent on each category as well as any change in each category versus the prior year.

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 Baseline includes a decrease of \$(19,900) from the General Fund in FY 2020 to adjust appropriations for research infrastructure lease-purchase payments to the universities' actual debt service obligations.

The \$(19,900) decrease in the FY 2020 Baseline reflects the lower costs in FY 2020 compared to FY 2019. Of this amount, the General Fund appropriations are adjusted \$(22,400) for ASU, \$3,300 for NAU, and \$(800) for UA. Since this funding appears in A.R.S. § 15-1670, this funding does not appear in the FY 2019 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 FY 2020 appropriations are allocated to each university as follows:

- ASU: \$12,165,900
- NAU: \$4,611,300
- UA: \$10,762,700
- TOTAL: \$ 27,539,900

The original FY 2019 allocated amounts are based on each university's share of the systemwide transaction privilege tax (TPT) collections in FY 2016. *(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

One-Time Funding

Section 131 of the FY 2019 General Appropriation Act appropriated \$8.0 million to the universities from the General Fund in FY 2019 for one-time operating expenditures or capital improvements. Of this amount, \$4.2 million was appropriated to ASU, \$1.6 million to NAU, and \$2.2 million to UA.

This one-time allocation was also funded in FY 2017 and FY 2018. Of the total \$19.0 million FY 2017 allocation, \$7.0 million was appropriated to ASU, \$4.0 million to NAU and \$8.0 million to UA. Of the total \$13.0 million FY 2018 allocation, \$6.6 million was appropriated to ASU, \$3.2 million to NAU, and \$3.2 million to UA.

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.

Section 132 of the FY 2019 General Appropriation Act also appropriated \$2.5 million to the universities for one-time operating expenditures of the School of Civic and Economic Thought and Leadership (ASU), the Economic Policy Institute (NAU), and the Center for the Philosophy of Freedom (UA). Of the total, \$1.0 million was appropriated to each of ASU and UA, and \$500,000 was appropriated to NAU.

Intellectual Property & Technology Transfer Royalties

In conjunction with annual General Fund appropriations that fund university research facilities (*please see 2003 Research Infrastructure Refinancing section above for more information*), A.R.S. § 15-1670 required the universities to deposit into the General Fund 20% of income from licensure and royalty payments and 25% of income from the sale or transfer of intellectual property during the preceding fiscal year (not to exceed the state's annual General Fund appropriation for the research facilities).

The universities have previously interpreted "income" as gross royalties net of expenditures on legal fees (required to secure patents, etc.), the costs of managing the technology transfer process, and distributions of revenues to the inventors and their laboratories.

Laws 2017, Chapter 328 amended A.R.S. § 15-1670 to clarify the university technology transfer sale and royalty income sharing policy by requiring that for all new

agreements entered into after April 30, 2017, the universities shall annually deposit:

- For the first 3 years of each licensure or royalty contract, 20% of the net income generated in the prior fiscal year.
- After the third year of each contract, 20% of the gross annual revenues generated by the contract.
- For any sale or transfer of intellectual property, 25% of the gross revenues generated by the transaction.

The law clarified that the universities may not deduct past years' cumulative losses from the amount of revenue or income subject to deposit into the General Fund.

The law also made permanent the technology transfer income sharing provisions, which would otherwise have expired in FY 2031. However, because the universities are not required to distribute more to the General Fund than they receive in capital appropriations under A.R.S. § 15-1670 and A.R.S. § 15-1671 in any given year, the income sharing will effectively cease in 2043, when the final appropriations under A.R.S. § 15-1671 are made.

In terms of FY 2018 gross royalty revenues, ASU reported \$760,700 of licensing and royalty revenues, NAU reported \$36,200, and UA reported \$4.1 million.

All 3 universities reported \$0 net income on agreements entered into before April 30, 2017. For agreements entered into after this date, ASU reported \$1,800, NAU

reported \$600, and UA reported \$13,900. These amounts are to be deposited to the General Fund.

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 2020 is \$6.63 billion, including \$712.3 million from the General Fund and \$3.1 billion of tuition/fee collections. This latter amount is not adjusted for any FY 2020 tuition rate changes. *Table 3* summarizes the FY 2020 expenditure authority amounts for the Arizona University System.

Tuition Distribution

A.R.S. § 15-1626 authorizes ABOR to allocate tuition monies between the appropriated operating budgets, under legislative control, and non-appropriated funds, locally retained by the universities. The latter includes financial aid, facilities (plant fund), debt service, and some of their operating budget. Total gross tuition collections for the Arizona University System equal an estimated \$3.1 billion in FY 2019. Net tuition equals an estimated \$2.3 billion in FY 2019 (*see Table 4*).

Tuition Rates

ABOR approved FY 2019 tuition rates on April 5, 2018.

- 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

did institute an annual \$150 mandatory athletics fee on all students at the Flagstaff campus. NAU increased tuition and mandatory fees by 4.0% - 4.6% for new resident and nonresident undergraduate students, and 6.4% - 6.9% for new resident and nonresident graduate students at the Flagstaff campus.

- UA began a similar tuition guarantee program in FY 2015. UA increased tuition and fees 1.8% for incoming resident students and 1.9% for incoming nonresident students.
- ASU did not increase tuition for resident undergraduates, but did increase the annual mandatory health and wellness fee by \$30 for all students, for a 0.3% increase in overall tuition and mandatory fees for resident undergraduates. ASU increased overall tuition and fees by 1.6% for resident graduate students and by 3.5% for all nonresident undergraduate and graduate students. ASU's total tuition and fees for all resident students includes \$270 for the partial continuation of a temporary surcharge first levied in FY 2016.

Table 5 only includes major tuition categories. A comprehensive list can be found on the [ABOR website](#).

Financial Aid

The Arizona University System distributed \$2.7 billion in financial aid in FY 2018. Of the \$2.7 billion total financial aid distributions in FY 2018, the federal government financed \$1.2 billion and university institutional sources provided \$974 million. The latter includes \$767 million of foregone tuition collections in the form of waivers and awards. (*Please see Table 6 for details.*)

Enrollment

Between fall 2017 and fall 2018, university enrollment increased from 172,389 FTE to 178,432, or 3.5%, as displayed in *Table 7*. Spring enrollment is traditionally lower than the fall.

Table 3

FY 2020 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	\$ 6,898,100	\$ 0	\$ 0	\$ 0	\$ 6,974,700	\$ 13,872,800
ASU	323,496,900	660,074,600	3,600,000	493,743,300	1,778,088,200	3,259,003,000
NAU	107,099,200	160,958,900	0	103,299,500	336,395,000	707,752,600
UA-Main	205,881,800	385,101,700	0	272,407,300	1,115,343,400	1,978,734,200
UA-Health Sciences	<u>68,897,700</u>	<u>53,623,800</u>	<u>0</u>	<u>130,485,900</u>	<u>416,941,600</u>	<u>669,949,000</u>
Total	\$712,273,700	\$1,259,759,000	\$3,600,000	\$999,936,000	\$3,653,742,900	\$6,629,311,600

^{1/} This amount excludes FY 2020 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 \$1,810,820,400 based on FY 2019 amounts, as reflected in *Table 4*. This amount excludes FY 2020 enrollment growth and tuition rate changes.

^{3/} Total universitywide funding includes gross tuition revenues.

Table 4

Use of FY 2019 Tuition/Fees by University ^{1/}

	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
<u>Appropriated</u>				
Operating Budget ^{2/}	\$ 660,074,400	\$160,958,900	\$438,725,500	\$1,259,758,800
<u>Non-Appropriated</u>				
Operating Budget ^{3/}	\$ 632,392,100	\$ 86,160,300	\$213,905,200	\$ 932,457,600
Financial Aid ^{4/}	401,779,500	132,894,800	214,948,100	749,622,400
Plant Fund	20,000,000	1,000,000	4,000,000	25,000,000
Debt Service	<u>59,588,000</u>	<u>16,000,000</u>	<u>28,152,400</u>	<u>103,740,400</u>
Subtotal	\$1,113,759,600	\$236,055,100	\$ 461,005,700	\$1,810,820,400
Total Gross Tuition ^{5/}	\$1,773,834,000	\$397,014,000	\$899,731,200	\$3,070,579,200
Net Tuition ^{5/}	\$1,372,054,500	\$264,119,200	\$684,783,100	\$2,320,956,800

^{1/} As reported in FY 2019 Tuition Revenue Report submitted by ABOR in July 2018.

^{2/} Appropriated tuition includes \$(44.1) million adjustment made by ABOR to the amounts originally included as part of the FY 2019 state budget to reflect estimated revenue adjustments resulting from the tuition setting process in spring 2018.

^{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.

Table 5

Arizona University System
FY 2019 Undergraduate and Graduate Tuition ^{1/}

	<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	\$10,822 ^{2/}	0.3%	\$12,114	1.6%	\$28,336 ^{3/}	3.5%	\$30,906	3.5%
NAU	\$11,564	4.6%	\$10,970	6.9%	\$25,828	4.0%	\$24,056	6.4%
UA	\$12,447	1.8%	\$12,980	1.8%	\$36,346	1.9%	\$33,329	1.9%

^{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/} Includes temporary surcharge first levied in FY 2016 at \$320, which was reduced to \$270 in FY 2017 and is continued at that level in FY 2019.

^{3/} ABOR approved a rate of \$30,552 for international undergraduate students at ASU.

Table 6

FY 2018 Financial Aid Distribution by Source
(\$ in Thousands) ^{1/}

	<u>Federal</u>	<u>State</u> ^{2/}	<u>Institutional</u> ^{3/}	<u>Private/Other</u> ^{4/}	<u>Total</u>
Grants	\$311,773.1	\$807.3	\$767,265.7	\$231,152.9	\$1,310,999.0
Loans	828,296.1	268.0	0.0	355,500.3	1,184,064.4
Employment	10,777.0	0.0	206,715.5	0.0	217,492.5
Total	\$1,150,846.2	\$1,075.3	\$973,981.2	\$586,653.2	\$2,712,555.9

^{1/} Information from ABOR FY 2018 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 7

Arizona University System 45th Day Enrollment ^{1/}

	<u>Fall</u> <u>2017</u>	<u>Spring</u> <u>2018</u>	<u>Fall</u> <u>2018</u>	<u>Fall 2017</u> <u>To Fall 2018</u>	<u>Fall 2018</u> <u>Residents</u>
ASU-Tempe	63,342	61,830	66,521	5.0%	34,999
ASU-DPC	18,080	18,039	19,299	6.7%	10,601
ASU-East	7,384	7,126	7,568	2.5%	4,042
ASU-West	9,044	9,033	10,346	14.4%	5,036
ASU Subtotal	97,850	96,028	103,734	6.0%	54,678
NAU	29,289	28,092	29,274	-0.1%	19,559
UA-Main	39,374	37,282	39,632	0.7%	23,999
UA-Health Sciences	5,876	5,060	5,792	-1.4%	4,485
UA Subtotal ^{2/}	45,250	42,342	45,424	0.4%	28,484
Total	172,389	166,462	178,432	3.5%	102,721

^{1/} Adjusted FTE counts as reported by ABOR 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).

^{2/} The University of Arizona revised fall 2017 and spring 2018 FTE counts from prior year reports.

SUMMARY OF FUNDS

FY 2018
Actual

FY 2019
Estimate

Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-572)

Non-Appropriated

Source of Revenue: Lottery proceeds.

Purpose of Fund: To provide funding for the 5 Arizona Area Health Education Centers, which work to improve healthcare access for rural and underserved communities. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting. Pass-through funds totaled \$4,937,900 in FY 2018 and are expected to remain at \$4,937,900 in FY 2019 and FY 2020.

Funds Expended

0 0

Year-End Fund Balance

0 0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Federal Funds (BRA2000/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Grants from the United States Department of Education.		
Purpose of Fund: To support pre-service, retraining, and in-service educational programs improving the instructional and management skills of K-12 and vocational school teachers and administrators, with an emphasis on core subjects.		
Funds Expended	356,500	700
Year-End Fund Balance	700	0
Regents Local Fund (BRA1/A.R.S. § 15-1626)		Non-Appropriated
Source of Revenue: Contributions of retained tuition from the 3 universities.		
Purpose of Fund: To supplement the ABOR operating budget.		
Funds Expended	4,224,700	5,069,500
Year-End Fund Balance	4,256,800	1,947,800
Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)		Non-Appropriated
Source of Revenue: A portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute. Total receipts were \$77,395,600 in FY 2018 and are estimated to be \$74,504,400 in FY 2019 and \$78,102,000 in FY 2020.		
Purpose of Fund: To provide grants for university technology and research initiatives, with preference given to federal or private partnerships, as well as to programs for non-traditional students; also, for up to 20% of fund monies, to support capital projects, including debt service, relating to technology and research. The displayed expenditures represent only that portion of tax receipts utilized by ABOR. The board transfers all other receipts to university Restricted Funds, which reflect those monies.		
Funds Expended	1,636,600	3,605,900
Year-End Fund Balance	0	0
Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)		Non-Appropriated
Source of Revenue: Monies derived from the lease, sale, or other disposition of lands granted to the state by the United States for the use and benefit of the universities. Land funds are allocated for Agricultural and Mechanical Colleges, Military Institutes, Universities, and Normal Schools, respectively.		
Purpose of Fund: To operate agricultural and mechanical colleges, to support university Reserve Officers' Training Corps programs, to match private funds attracting distinguished faculty, and to operate teacher training programs, respectively. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona State University

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	8,123.1	7,699.9	7,699.9 ^{1/}
Personal Services	494,273,100	519,254,900	519,254,900
Employee Related Expenditures	142,095,100	151,250,000	151,250,000
Professional and Outside Services	56,267,400	49,981,500	49,981,500
Travel - In State	180,100	89,500	89,500
Travel - Out of State	3,085,200	526,000	526,000
Other Operating Expenditures	94,606,900	98,505,200	98,505,200
Equipment	27,027,500	2,403,700	2,403,700
OPERATING SUBTOTAL	817,535,300	822,010,800	822,010,800
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	13,481,700	13,478,700	13,456,300 ^{2/}
2017 Capital Infrastructure Funding	0	11,927,400	12,165,900 ^{3/}
Arizona Financial Aid Trust	5,985,800	5,985,800	5,985,800
Biomedical Informatics	3,770,300	3,716,800	3,716,800
Downtown Phoenix Campus	145,386,300	123,212,100	123,212,100
Economic Development	0	250,000	0
One-Time Funding	6,639,500	4,245,000	0
School of Civic and Economic Thought and Leadership	4,030,800	4,023,800	3,023,800 ^{4/}
TRIF - Lease Purchase Payment	3,466,300	3,600,000	3,600,000
AGENCY TOTAL	1,000,296,000	992,450,400	987,171,500 ^{5/6/7/}
FUND SOURCES			
General Fund	320,256,600	328,775,800	323,496,900 ^{8/9/10/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	3,466,300	3,600,000	3,600,000
University Collections Fund	676,573,100	660,074,600	660,074,600 ^{11/}
SUBTOTAL - Other Appropriated Funds	680,039,400	663,674,600	663,674,600
SUBTOTAL - Appropriated Funds	1,000,296,000	992,450,400	987,171,500
Other Non-Appropriated Funds	1,559,507,200	1,718,779,100	1,778,088,200
Federal Funds	432,140,400	493,743,300	493,743,300
TOTAL - ALL SOURCES	2,991,943,600	3,204,972,800	3,259,003,000

AGENCY DESCRIPTION — Established in 1885, Arizona State University (ASU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, ASU had 103,734 full-time equivalent students at its campuses in fall 2018.

FOOTNOTES

- ^{1/} Includes 150.0 GF and 684.3 OF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} A.R.S. § 15-1670 appropriates \$13,456,300 to ASU from the General Fund in FY 2020 to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$12,165,900 to ASU from the General Fund in FY 2020 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. 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 on or before October

1, 2019. The report shall include 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 the 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 2020 General Fund Baseline is \$323,496,900. This amount would include \$297,874,700 in ASU's individual section of the FY 2020 General Appropriation Act, \$13,456,300 in A.R.S. § 15-1670 lease-purchase appropriations, \$12,165,900 in A.R.S. § 15-1671 capital infrastructure appropriations, and elimination of prior year one-time funding for capital appropriations and operating expenditures and the School of Civic and Economic Thought and Leadership.
- 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, 2019 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 Baseline includes \$822,010,800 and 6,865.6 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$273,199,400
University Collections Fund	548,811,400

These amounts are unchanged from FY 2019.

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 Baseline includes \$13,456,300 from the General Fund in FY 2020 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2020 adjustments are as follows:

Refinance Adjustment

The Baseline includes a decrease of \$(22,400) from the General Fund in FY 2020 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 would not appear in the FY 2020 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 narrative in the ABOR section for more information.)

2017 Capital Infrastructure Funding

The Baseline includes \$12,165,900 from the General Fund in FY 2020 for the 2017 Capital Infrastructure Funding line item. FY 2020 adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$238,500 from the General Fund in FY 2020 for a 2% 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 would not appear in the FY 2020 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 Baseline includes \$5,985,800 from the General Fund in FY 2020 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2019. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

Biomedical Informatics

The Baseline includes \$3,716,800 and 23.3 FTE Positions in FY 2020 for the Biomedical Informatics Department. These amounts consist of:

General Fund	1,878,200
University Collections Fund	1,838,600

These amounts are unchanged from FY 2019.

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 Baseline includes \$123,212,100 and 783.6 FTE Positions in FY 2020 for programs headquartered at the Downtown Phoenix Campus. These amounts consist of:

General Fund	13,804,200
University Collections Fund	109,407,900

These amounts are unchanged from FY 2019.

The DPC offers undergraduate and graduate programs in disciplines including health, nursing, journalism, mass communication, teaching and public programs. The campus opened in 2006 with 2,700 students and had a full-time student enrollment of 19,299 in FY 2019.

Economic Development

The Baseline includes no funding from the General Fund in FY 2020 for the Economic Development line item. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2020 for the elimination of one-time funding for economic development. FY 2019 was the first year of funding.

The FY 2019 General Appropriation Act specified that appropriation be used to establish, in cooperation with a public university located in Guanajuato, Mexico, an office in Guanajuato, Mexico, to develop collaborative efforts between the states of Arizona and Guanajuato, including stimulating bilateral trade and economic development, enhancing cultural exchange opportunities, expanding public service capacity, enhancing innovation and improving public policy development.

One-Time Funding

The Baseline includes no funding in FY 2020 from the General Fund for the One-Time Funding line item. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(4,245,000) from the General Fund in FY 2020 for the elimination of one-time funding.

The FY 2019 budget included \$4,245,000 of one-time funding for ASU for capital improvements or operating expenditures. ASU used its FY 2019 one-time funding for faculty salaries and benefits.

This one-time allocation was also funded in FY 2017 (\$7,000,000) and FY 2018 (\$6,639,500).

School of Civic and Economic Thought and Leadership

The Baseline includes \$3,023,800 and 27.4 FTE Positions in FY 2020 for the School of Civic and Economic Thought and Leadership (SCETL) line item. These amounts consist of:

General Fund	3,007,100
University Collections Fund	16,700

FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2020 for the elimination of one-time funding for operating expenditures. The school budgeted the one-time monies to hire visiting professors and order printing of numerous historical documents for distribution (pocket-sized U.S. Constitution, Gettysburg Address, among others). Of the \$1,000,000 appropriation, \$100,000 was required to be used to support research on the Arizona Constitution and development of a civics and constitutionalism curriculum for K-12 and postsecondary education institutions.

SCETL also received a one-time allocation of \$1,000,000 in FY 2018, which ASU used to support its public affairs series and speakers, funded internships, organized a student learning trip to India, and funded the acquisition of historical works.

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 Baseline includes \$3,600,000 from the Technology and Research Initiative Fund (TRIF) in FY 2020 for lease-purchase payment requirements. This amount is unchanged from FY 2019.

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
- University Collections and FTE Positions Adjustments

Summary

ASU's FY 2020 General Fund Baseline is \$323,496,900. Of this amount:

- \$297,874,700 would be included in ASU's individual section of the FY 2020 General Appropriation Act.
- \$13,456,300 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$12,165,900 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ASU's General Fund costs are projected to increase by \$245,700 in FY 2021 above FY 2020, and increase by \$241,400 in FY 2022 above FY 2021.

These estimates are based on:

- A \$2,400 increase and \$(6,800) decrease in FY 2021 and FY 2022, respectively, to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$243,300 and \$248,200 in FY 2021 and FY 2022, respectively, to increase the university's annual Capital Infrastructure Funding appropriation by 2% each year. (The GDP inflator is currently projected at 2.50% for FY 2021 and 2.70% for FY 2022; 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.)*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2019 General Appropriation Act appropriated \$684,347,600 from the University Collections Fund to ASU in FY 2019. 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 2019 to the Joint Legislative Budget Committee in July 2018, and ASU incorporated the adjusted FY 2019 amounts as part of their FY 2020 budget submission. Accordingly, the estimated FY 2019 amount has been adjusted downward by \$(24,273,000) to \$660,074,600.

The FY 2019 FTE Position count has also been adjusted. The FY 2019 General Appropriation Act originally appropriated 8,123.1 FTE Positions in FY 2019 for ASU. The General Fund accounted for 2,450.8 FTE Positions and the University Collections Fund accounted for the remaining 5,672.3 FTE Positions. The estimated number of FY 2019 FTE Positions has been adjusted by (423.2) to 7,699.9. The General Fund accounts for 2,431.9 FTE Positions and the University Collections Fund accounts for the remaining 5,268.0 FTE Positions.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	187,599,900	251,077,400
Year-End Fund Balance	23,123,600	25,851,200
Capital Infrastructure Fund - ASU (UNI3001/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. ASU will receive a General Fund appropriation of \$11,927,400 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, projects funded by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. <i>(Please see the Capital Outlay ABOR Building System narrative for more information).</i> Expenditures are not displayed to avoid double counting of: 1) Annual General Fund appropriations which are deposited into the fund; and 2) University system revenues which are used as matching funds for debt service. These amounts are displayed elsewhere in the University's budget.		
Funds Expended	0	0
Year-End Fund Balance	0	11,495,100
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into subaccounts for specific purposes. Indirect Cost Recovery, a Designated Fund subaccount, is presented separately.		
Funds Expended	1,163,537,000	1,239,119,100
Year-End Fund Balance	372,567,400	414,734,300
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	1,808,100	750,000
Year-End Fund Balance	138,108,600	145,808,600

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	369,662,000	431,216,000
Year-End Fund Balance	3,659,600	380,300
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	62,478,400	62,527,300
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	7,107,100	10,636,500
Year-End Fund Balance	197,800	34,100
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	318,800	0
Year-End Fund Balance	13,722,700	13,722,700
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	187,211,200	205,281,400
Year-End Fund Balance	45,273,900	37,483,900
Technology and Research Initiative Fund (UNI2472/A.R.S. § 15-1648)		Appropriated
Source of Revenue: Automatic appropriations of a portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute.		
Purpose of Fund: To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
Funds Expended	3,466,300	3,600,000
Year-End Fund Balance	166,300	166,300
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (<i>Please see the Capital Outlay ABOR Building System narrative for more information</i>).		
Funds Expended	11,925,100	11,914,700
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of summer session and university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	676,573,100	660,074,600
Year-End Fund Balance	0	0

Northern Arizona University

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,316.5	2,316.5	2,316.5 ^{1/}
Personal Services	157,751,700	160,464,200	160,464,200
Employee Related Expenditures	49,990,400	51,847,800	51,847,800
Professional and Outside Services	12,074,200	8,677,100	8,677,100
Travel - In State	345,000	540,600	540,600
Travel - Out of State	447,700	0	0
Other Operating Expenditures	26,137,800	28,868,800	28,868,800
Equipment	405,400	459,700	459,700
OPERATING SUBTOTAL	247,152,200	250,858,200	250,858,200
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	5,896,500	5,896,200	5,899,500 ^{2/}
2017 Capital Infrastructure Funding	0	4,520,900	4,611,300 ^{3/}
Arizona Financial Aid Trust	1,326,000	1,326,000	1,326,000
Biomedical Research	3,000,000	3,000,000	0
Economic Policy Institute	0	500,000	0
NAU - Yuma	3,025,600	3,071,400	3,071,400
One-Time Funding	3,202,800	1,590,200	0
Teacher Training	2,440,700	2,291,700	2,291,700 ^{4/}
AGENCY TOTAL	266,043,800	273,054,600	268,058,100 ^{5/6/}
FUND SOURCES			
General Fund	108,612,700	112,095,700	107,099,200 ^{7/8/9/}
<u>Other Appropriated Funds</u>			
University Collections Fund	157,431,100	160,958,900	160,958,900 ^{10/}
SUBTOTAL - Other Appropriated Funds	157,431,100	160,958,900	160,958,900
SUBTOTAL - Appropriated Funds	266,043,800	273,054,600	268,058,100
Other Non-Appropriated Funds	299,691,200	317,175,800	336,395,000
Federal Funds	101,264,000	102,276,700	103,299,500
TOTAL - ALL SOURCES	666,999,000	692,507,100	707,752,600

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. NAU had 29,274 full-time equivalent students at its campuses in fall 2018.

FOOTNOTES

- ^{1/} Includes 37.9 GF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} A.R.S. § 15-1670 appropriates \$5,899,500 to NAU from the General Fund in FY 2020 to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$4,611,300 to NAU from the General Fund in FY 2020 for capital infrastructure projects.
- ^{4/} 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)
- ^{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 2020 General Fund Baseline is \$107,099,200. This amount includes \$96,588,400 from the FY 2020 General Appropriation Act, the \$5,899,500 in A.R.S. § 15-1670 lease-purchase appropriations, and \$4,611,300 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 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, 2019 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 Baseline includes \$250,858,200 and 2,278.6 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	89,899,300
University Collections Fund	160,958,900

These amounts are unchanged from FY 2019.

2003 Research Infrastructure Lease-Purchase Payment

The Baseline includes \$5,899,500 from the General Fund in FY 2020 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2020 adjustments are as follows:

Refinance Adjustment

The Baseline includes an increase of \$3,300 from the General Fund in FY 2020 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 would not appear in the FY 2019 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 Baseline includes \$4,611,300 from the General Fund in FY 2020 for the 2017 Capital Infrastructure Funding line item. FY 2020 adjustments are as follows.

Inflation Adjustment

The Baseline includes an increase of \$90,400 from the General Fund in FY 2020 for a 2% 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 would not appear in the FY 2020 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 Baseline includes \$1,326,000 from the General Fund in FY 2020 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2019. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

Biomedical Research

The Baseline includes no funding from the General Fund in FY 2020 for the Biomedical Research line item. FY 2020 adjustments are as follows:

Remove Multi-Year Funding

The Baseline includes a decrease of \$(3,000,000) from the General Fund in FY 2020 for the elimination of Biomedical Research funding.

Section 132 of the FY 2015 General Appropriation Act appropriated \$3,000,000 annually to NAU from FY 2015 to FY 2019 for biotechnology.

Funding was allocated to a nonprofit medical research foundation that specializes in biotechnology and that collaborates with universities, hospitals, biotechnology and health science research centers. 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 no funding from the General Fund in FY 2020 for the Economic Policy Institute line item. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2020 for the elimination of one-time funding for the Economic Policy Institute.

The funding for the Economic Policy Institute was used to support the institute's mission of rural economic development, financial literacy, and entrepreneurialism. This was the first year of state funding being allocated to the institute.

The FY 2019 General Appropriation Act also specifies that the state appropriations and all private and external donations to the institute must be deposited into a separate account.

NAU - Yuma

The Baseline includes \$3,071,400 and 29.4 FTE Positions from the General Fund in FY 2020 for NAU-Yuma. These amounts are unchanged from FY 2019.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

One-Time Funding

The Baseline includes no funding in FY 2020 for the One-Time Funding line item. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,590,200) from the General Fund in FY 2020 for the elimination of one-time funding.

The FY 2019 budget included \$1,590,200 of one-time funding for NAU for capital improvements or operating expenditures. As reviewed at the April 2018 JCCR meeting, NAU reported that it is using its one-time funds in FY 2019 toward the cost of renovating its Science Annex building.

This one-time allocation was also funded in FY 2017 (\$4,000,000) and FY 2018 (\$3,202,800).

Teacher Training

The Baseline includes \$2,291,700 and 8.5 FTE Positions from the General Fund in FY 2020 for Teacher Training. This amount is unchanged from FY 2019.

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
- University Collections and FTE Positions Adjustments

Summary

NAU's FY 2020 General Fund Baseline is \$107,099,200. Of this amount:

- \$96,588,400 would be included in NAU's individual section of the FY 2020 General Appropriation Act.
- \$5,899,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$4,611,300 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, NAU's General Fund costs are projected to decrease by \$(927,800) in FY 2021 below FY 2020 and by \$(254,400) in FY 2022 below 2021.

These estimates are based on:

- A \$(1,020,000) decrease in 2021 and a \$160,300 increase in FY 2022 to adjust for university debt

service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*

- Increases of \$92,200 in FY 2021 and \$94,100 in FY 2022, to increase the university's annual Capital Infrastructure Funding appropriation by 2% each year. (The GDP inflator is currently projected at 2.50% for FY 2021 and 2.70% for FY 2022; 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.)*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2019 General Appropriation Act appropriated \$157,620,700 from the University Collections Fund to NAU in FY 2019. 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 2019 to the Joint Legislative Budget Committee in July 2018, and NAU incorporated the adjusted FY 2019 amounts as part of their FY 2020 budget submission. Accordingly, the estimated FY 2019 amount has been adjusted upward by \$3,338,200 to \$160,958,900.

The FY 2019 FTE Position count has also been adjusted. The FY 2019 General Appropriation Act originally appropriated 2,316.5 FTE Positions in FY 2019 for NAU. The General Fund accounted for 865.1 FTE Positions and the University Collections Fund accounted for the remaining 1,451.4 FTE Positions. The total appropriated FTE Positions remains 2,316.5; however, the General Fund accounts for 852.2 FTE Positions and the University Collections Fund accounts for the remaining 1,464.3 FTE Positions.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	103,370,600	110,203,500
Year-End Fund Balance	29,989,500	27,610,800
Capital Infrastructure Fund - NAU (UNI3002/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. NAU will receive a General Fund appropriation of \$4,520,900 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, projects funded by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. <i>(Please see the Capital Outlay ABOR Building System narrative for more information.)</i> Expenditures are not displayed to avoid double counting of: 1) Annual General Fund appropriations which are deposited into the fund; and 2) University system revenues which are used as matching funds for debt service. These amounts are displayed elsewhere in the University's budget.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into subaccounts for specific purposes. Indirect Cost Recovery, a Designated Fund subaccount, is presented separately.		
Funds Expended	158,941,400	169,546,900
Year-End Fund Balance	89,431,200	85,624,600

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	30,938,000	31,588,000
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	91,744,900	92,662,500
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	9,519,100	9,614,200
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	368,900	798,300
Year-End Fund Balance	9,101,400	9,145,800
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	764,500	700,000
Year-End Fund Balance	37,936,300	38,211,300
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	25,172,400	24,854,600
Year-End Fund Balance	13,323,300	13,323,300
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (<i>Please see the Capital Outlay ABOR Building System narrative for more information</i>).		
Funds Expended	11,073,400	11,072,500
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
University Collections Fund (NAA1421/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of summer session and university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	157,431,100	160,958,900
Year-End Fund Balance	0	0

University of Arizona - Main Campus

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6,064.5	6,092.5	6,092.5 ^{1/}
Personal Services	310,997,700	320,031,400	320,031,400
Employee Related Expenditures	107,904,800	111,234,700	111,234,700
Professional and Outside Services	6,919,700	1,406,700	1,406,700
Travel - In State	109,700	49,300	49,300
Travel - Out of State	905,400	45,500	45,500
Other Operating Expenditures	62,453,400	57,581,100	57,581,100
OPERATING SUBTOTAL	489,290,700	490,348,700	490,348,700
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	14,249,300	14,251,000	14,250,200 ^{2/}
2017 Capital Infrastructure Funding	0	10,551,700	10,762,700 ^{3/}
Agriculture	49,255,600	44,951,900	44,951,900
Arizona Cooperative Extension	14,955,000	16,462,300	16,462,300
Arizona Financial Aid Trust	2,729,400	2,729,400	2,729,400
Arizona Geological Survey	908,300	948,500	948,500
Center for the Philosophy of Freedom	3,500,000	3,526,500	2,526,500 ^{4/}
Mining, Mineral and Natural Resources Educational Museum	109,000	428,800	428,800
One-Time Funding	3,157,700	2,164,800	0
Sierra Vista Campus	8,242,100	7,574,500	7,574,500
AGENCY TOTAL	586,397,100	593,938,100	590,983,500 ^{5/6/}
FUND SOURCES			
General Fund	199,600,900	208,836,400	205,881,800 ^{7/8/9/}
<u>Other Appropriated Funds</u>			
University Collections Fund	386,796,200	385,101,700	385,101,700 ^{10/}
SUBTOTAL - Other Appropriated Funds	386,796,200	385,101,700	385,101,700
SUBTOTAL - Appropriated Funds	586,397,100	593,938,100	590,983,500
Other Non-Appropriated Funds	1,060,868,900	1,078,505,200	1,115,343,400
Federal Funds	255,529,200	263,195,500	272,407,300
TOTAL - ALL SOURCES	1,902,795,200	1,935,638,800	1,978,734,200

AGENCY DESCRIPTION — Established in 1885, The University of Arizona (UA) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, UA had 39,632 full-time equivalent students at its campuses (excluding the Health Sciences Center) in fall 2018. 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 898.4 GF and 386.1 OF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} A.R.S. § 15-1670 appropriates \$14,250,200 to UA-Main from the General Fund to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$10,762,700 to UA-Main from the General Fund in FY 2020 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. 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 on or before October 1, 2019. The report shall include 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 2020 General Fund Baseline is \$205,881,800. This amount includes \$180,868,900 that would be included in UA - Main's individual section of the FY 2020 General Appropriation Act, \$14,250,200 in A.R.S. § 15-1670 lease-purchase appropriations, \$10,762,700 in A.R.S. § 15-1671 capital infrastructure appropriations, and elimination of prior year one-time funding.
- 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, 2019 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 Baseline includes \$490,348,700 and 4,808 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	128,320,900
University Collections Fund	362,027,800

These amounts are unchanged from FY 2019.

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 Baseline includes \$14,250,200 from the General Fund in FY 2020 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2020 adjustments are as follows:

Refinance Adjustment

The Baseline includes a decrease of \$(800) from the General Fund in FY 2020 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 would not appear in the FY 2020 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 Baseline includes \$10,762,700 from the General Fund in FY 2020 for the 2017 Capital Infrastructure Funding line item. FY 2020 adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$211,000 from the General Fund in FY 2020 for a 2% 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 would not appear in the FY 2020 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 Baseline includes \$44,951,900 and 814.9 FTE Positions in FY 2020 for the Agriculture Programs. These amounts consist of:

General Fund	28,592,600
University Collections Fund	16,359,300

These amounts are unchanged from FY 2019.

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 Baseline includes \$16,462,300 and 354.8 FTE Positions in FY 2020 for the Arizona Cooperative Extension. These amounts consist of:

General Fund	14,562,300
University Collection Fund	1,900,000

These amounts are unchanged from FY 2019.

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 Baseline includes \$2,729,400 from the General Fund in FY 2020 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2019. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information).*

Arizona Geological Survey

The Baseline includes \$948,500 from the General Fund in FY 2020 for the Arizona Geological Survey. This amount is unchanged from FY 2019.

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.

(Please see Geological Survey Transfer in Other Issues in the University of Arizona section of the FY 2018 Baseline Book for more information.)

Center for the Philosophy of Freedom

The Baseline includes \$2,526,500 and 37.4 FTE Positions from the General Fund in FY 2020 for the Center for the Philosophy of Freedom (CPF). FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2020 for the elimination of one-time funding for operating expenditures. The Center budgeted the one-time monies to support faculty salaries and several initiatives, which include: a personal finance curriculum, a scholarly network that promotes best practices in teaching philosophy and politics, and a dual enrollment course for high school students in Ethics, Economy, and Entrepreneurship.

The CPF also received a one-time allocation of \$1,000,000 in FY 2018, which the Center used for faculty salaries and to support its initiatives.

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 Baseline includes \$428,800 and 1 FTE Position from the General Fund in FY 2020 for the Mining, Mineral, and Natural Resources Educational Museum. These amounts are unchanged from FY 2019.

This line item funds a curator and monies that will be used by the University to pay for repairs to the building.

(Please see the FY 2018 Baseline Book and FY 2018 Appropriations Report for more information).

One-Time Funding

The Baseline includes no funding in FY 2020 from the General Fund for the One-Time Funding line item. FY 2020 adjustments are as follows.

Remove One-Time Funding

The Baseline includes a decrease of \$(2,164,800) from the General Fund in FY 2020 for the elimination of one-time funding.

The FY 2019 budget included \$2,164,800 of one-time funding for UA for capital improvements or operating expenditures. UA used its FY 2019 one-time funding on information technology infrastructure and security projects.

This one-time allocation was also funded in FY 2017 (\$8,000,000) and FY 2018 (\$3,157,700).

Sierra Vista Campus

The Baseline includes \$7,574,500 and 76.4 Positions in FY 2020 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,759,900
University Collections Fund	4,814,600

These amounts are unchanged from FY 2019.

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
- University Collections and FTE Positions Adjustments

Summary

UA - Main's FY 2020 General Fund Baseline is \$205,881,800. Of this amount:

- \$180,868,900 would be included in UA - Main's individual section of the FY 2019 General Appropriation Act.
- \$14,250,200 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$10,762,700 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, UA - Main's General Fund costs are projected to increase by \$216,600 in FY 2021 above FY 2020, and increase by \$217,000 in FY 2022 above FY 2021.

These estimates are based on:

- A \$1,300 increase in FY 2021 and a \$(2,600) decrease in FY 2022 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$215,300 and \$219,600 in FY 2021 and FY 2022, respectively, to increase the university's annual Capital Infrastructure Funding appropriation by 2% each year. (The GDP inflator is currently projected at 2.50% for FY 2021 and 2.70% for FY 2022; 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.)*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2019 General Appropriation Act appropriated \$412,085,600 from the University Collections Fund to UA - Main in FY 2019. 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 2019 to the Joint Legislative Budget Committee in July 2018, and UA incorporated the adjusted FY 2019 amounts as part of their FY 2020 budget submission. Accordingly, the estimated FY 2019 amount has been adjusted downward by \$(26,983,900) to \$385,101,700.

The FY 2019 FTE Position count has also been adjusted. The FY 2019 General Appropriation Act originally appropriated 6,064.5 FTE Positions in FY 2019 for UA - Main. The General Fund accounted for 2,084.4 FTE Positions and the University Collections Fund accounted for the remaining 3,980.1 FTE Positions. The estimated number of FY 2019 FTE Positions has been adjusted by 28 to 6,092.5. The General Fund accounts for 2,156.6 FTE Positions and the University Collections Fund accounts for the remaining 3,935.9 FTE Positions.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	291,637,600	290,787,300
Year-End Fund Balance	33,736,000	30,595,100
Capital Infrastructure Fund - UA (UNI3003/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. UA will receive a General Fund appropriation of \$10,551,700 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, projects funded by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. <i>(Please see the Capital Outlay ABOR Building System narrative for more information.)</i> Expenditures are not displayed to avoid double counting of: 1) Annual General Fund appropriations which are deposited into the fund; and 2) University system revenues which are used as matching funds for debt service. These amounts are displayed elsewhere in the University's budget.		
Funds Expended	0	0
Year-End Fund Balance	0	9,674,200
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into subaccounts for specific purposes. Indirect Cost Recovery, a Designated Fund subaccount, is presented separately.		
Funds Expended	638,542,900	643,845,900
Year-End Fund Balance	263,243,200	271,043,100
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	1,674,100	1,724,300
Year-End Fund Balance	169,637,900	173,002,800

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	208,548,300	215,005,400
Year-End Fund Balance	33,534,000	41,640,600
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	45,979,100	47,358,500
Year-End Fund Balance	0	0
Geological Survey Fund (UNI3030/A.R.S. § 27-107)		Non-Appropriated
Source of Revenue: Indirect cost recovery funds, and other state and local grants, fees, contracts, agreements, MOUs and other university funds. The FY 2017 Agency Consolidation Budget Reconciliation Bill established this fund and placed the Geological Survey under the University of Arizona.		
Purpose of Fund: To investigate and describe Arizona's geologic setting and to finance map publication and production expenses.		
Funds Expended	361,200	380,000
Year-End Fund Balance	547,400	394,400
Geological Survey Fund - Federal Grants (UNI3031/A.R.S. § 27-107)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To carry out federal grants and contracts awarded to the Arizona Geological Survey.		
Funds Expended	1,001,800	831,600
Year-End Fund Balance	0	0
Geological Survey Fund – Mining, Mineral and Natural Resources Educational Museum Account (UNI9999/A.R.S. § 27-107)		Non-Appropriated
Source of Revenue: Ongoing revenues from the Arizona Centennial Special Fund established by A.R.S. § 28-2448 are deposited in this account of the Geological Survey Fund. Donations or other financial contributions can be deposited into this account.		
Purpose of Fund: Monies in this account are to be used exclusively for the restoration, maintenance, and operations of the Mining, Mineral, and Natural Resources Educational Museum. The FY 2017 Agency Consolidation Budget Reconciliation Bill established this account and transferred all unexpended and unencumbered monies in the Arizona Centennial Special Plate Fund to it.		
Funds Expended	28,600	70,000
Year-End Fund Balance	946,400	1,036,400
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	9,817,000	10,111,400
Year-End Fund Balance	0	0
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	55,200	56,800
Year-End Fund Balance	26,097,700	28,515,100

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	91,861,500	104,655,500
Year-End Fund Balance	55,138,100	56,540,400
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (<i>Please see the Capital Outlay ABOR Building System narrative for more information</i>).		
Funds Expended	26,890,800	26,874,000
Year-End Fund Balance	0	0
University Collections Fund (UAA1402/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of summer session and university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	386,796,200	385,101,700
Year-End Fund Balance	0	0

University of Arizona - Health Sciences Center

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,176.3	1,226.3	1,226.3 ^{1/}
Personal Services	52,078,200	55,563,900	55,563,900
Employee Related Expenditures	17,049,800	18,255,500	18,255,500
Professional and Outside Services	571,800	0	0
Travel - In State	46,200	24,800	24,800
Travel - Out of State	190,100	6,700	6,700
Other Operating Expenditures	4,850,900	5,198,200	5,198,200
OPERATING SUBTOTAL	74,787,000	79,049,100	79,049,100
SPECIAL LINE ITEMS			
Clinical Rural Rotation	328,800	353,600	353,600
Clinical Teaching Support	8,513,000	8,587,000	8,587,000
Liver Research Institute	430,200	440,400	440,400
Phoenix Medical Campus	31,934,600	32,421,400	32,421,400
Telemedicine Network	1,669,000	1,670,000	1,670,000
AGENCY TOTAL	117,662,600	122,521,500	122,521,500 ^{2/3/}
FUND SOURCES			
General Fund	69,437,700	68,897,700	68,897,700 ^{4/5/}
<u>Other Appropriated Funds</u>			
University Collections Fund	48,224,900	53,623,800	53,623,800 ^{6/}
SUBTOTAL - Other Appropriated Funds	48,224,900	53,623,800	53,623,800
SUBTOTAL - Appropriated Funds	117,662,600	122,521,500	122,521,500
Other Non-Appropriated Funds	387,316,400	402,834,900	416,941,600
Federal Funds	122,401,500	126,073,400	130,485,900
TOTAL - ALL SOURCES	627,380,500	651,429,800	669,949,000

AGENCY DESCRIPTION — The University of Arizona's Health Sciences (UAHS) includes its Colleges of Medicine Tucson and Phoenix, Nursing, Pharmacy, and Public Health. UAHS also currently operates a medical campus in Phoenix that opened in FY 2006. The UAHS had 5,792 full-time equivalent non-medical students and approximately 819 medical students at its campuses in fall 2018.

FOOTNOTES

- ^{1/} Includes 381.4 GF and 54.8 OF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} 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)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{4/} The state General Fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- ^{5/} The increased state General Fund appropriation from Laws 2014, Chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- ^{6/} Any unencumbered balances remaining in the University Collections Fund on June 30, 2019 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 Baseline includes \$79,049,100 and 790.1 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$34,576,900
University Collections Fund	44,472,200

These amounts are unchanged from FY 2019.

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 Baseline includes \$353,600 and 6.2 FTE Positions from the General Fund in FY 2020 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2019.

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 Baseline includes \$8,587,000 and 214.2 FTE Positions from the General Fund in FY 2020 for Clinical Teaching Support. These amounts are unchanged from FY 2019.

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 Baseline includes \$440,400 and 6.6 FTE Positions from the General Fund in FY 2020 for the Liver Research Institute. These amounts are unchanged from FY 2019.

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 Baseline includes \$32,421,400 and 193.9 FTE Positions in FY 2020 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	23,269,800
University Collections Fund	9,151,600

These amounts are unchanged from FY 2019.

The Phoenix Medical Campus currently has approximately 320 medical students and 80 Master of Public Health students. By FY 2025, UA envisions developing a campus of approximately 1,200,000 square feet incorporating research, instruction, and clinical facilities to serve a planned population of 480 medical students, 250 graduate students, and 1,660 science students.

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 \$276,245,000. *(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 Baseline includes \$1,670,000 and 15.3 FTE Positions from the General Fund in FY 2020 for the Telemedicine Network. These amounts are unchanged from FY 2019.

Telemedicine is the use of computers, video imaging, broadband Internet, and other telecommunication technologies to diagnose and treat patients in rural communities.

Other Issues

University Collections Adjustments

Including statewide adjustments, the FY 2019 General Appropriation Act appropriated \$49,776,300 from the University Collections Fund to UA - HSC in FY 2019. 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 2019 to the Joint Legislative Budget Committee in July 2018, and UA incorporated the adjusted FY 2019 amounts as part of their FY 2020 budget submission. Accordingly, the estimated FY 2019 amount has been adjusted upward by \$3,847,500 to \$53,623,800.

The FY 2019 FTE Position count has also been adjusted. The FY 2019 General Appropriations Act originally appropriated 1,176.3 FTE Positions in FY 2019 for the UA - HSC. The General Fund accounted for 724.8 FTE Positions and the University Collections Fund accounted for the remaining 451.5 FTE Positions. The estimated number of FY 2019 FTE Positions has been adjusted by 50 to 1,226.3. The General Fund accounts for 727 FTE Positions and the University Collections Fund accounts for the remaining 499.3 FTE Positions.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	8,327,700	8,626,800
Year-End Fund Balance	384,900	421,700
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into subaccounts for specific purposes. Indirect Cost Recovery, a Designated Fund subaccount, is presented separately.		
Funds Expended	266,093,300	287,925,500
Year-End Fund Balance	199,569,800	205,644,100
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	19,919,600	20,517,200
Year-End Fund Balance	168,203,800	172,732,700
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	89,839,700	92,534,900
Year-End Fund Balance	40,840,600	40,795,100
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	32,561,800	33,538,500
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	4,859,600	5,005,300
Year-End Fund Balance	0	0
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	88,116,200	80,760,100
Year-End Fund Balance	74,334,400	74,488,800
University Collections Fund (UAA1403/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	48,224,900	53,623,800
Year-End Fund Balance	0	0

Department of Veterans' Services

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	512.3	497.3	497.3 ^{1/}
Personal Services	1,155,100	1,187,100	1,187,100
Employee Related Expenditures	406,100	445,000	445,000
Professional and Outside Services	10,400	50,000	50,000
Travel - In State	15,600	25,000	25,000
Travel - Out of State	9,200	7,000	7,000
Other Operating Expenditures	414,000	559,700	559,700
Equipment	84,000	50,000	50,000
OPERATING SUBTOTAL	2,094,400	2,323,800	2,323,800
SPECIAL LINE ITEMS			
Arizona State Veterans' Cemeteries	898,400	930,800	930,800
Arizona State Veterans' Homes	31,358,600	35,414,100	35,414,100
Hyperbaric Oxygen Therapy Fund Deposit	0	25,000	0 ^{2/}
Veterans' Benefit Counseling	2,670,000	2,841,000	2,841,000
AGENCY TOTAL	37,021,400	41,534,700	41,509,700 ^{3/}
FUND SOURCES			
General Fund	5,662,800	6,120,600	6,095,600
<u>Other Appropriated Funds</u>			
State Home for Veterans' Trust Fund	31,358,600	35,414,100	35,414,100
SUBTOTAL - Other Appropriated Funds	31,358,600	35,414,100	35,414,100
SUBTOTAL - Appropriated Funds	37,021,400	41,534,700	41,509,700
Other Non-Appropriated Funds	3,060,600	3,462,900	3,440,100
Federal Funds	1,653,500	4,979,500	4,979,500
TOTAL - ALL SOURCES	41,735,500	49,977,100	49,929,300

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 381 OF FTE Positions funded from Special Line Items in FY 2020.
- ^{2/} Laws 2018, Chapter 98 appropriated \$25,000 from the General Fund in FY 2019 and \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund in FY 2023 for hyperbaric oxygen therapy.
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,323,800 and 46.8 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

Arizona State Veterans' Cemeteries

The Baseline includes \$930,800 and 12.5 FTE Positions from the General Fund in FY 2020 for the Arizona State

Veterans' Cemeteries. These amounts are unchanged from FY 2019.

Monies in this line item are used to partially offset the operating and maintenance costs for the 3 veteran cemeteries in the state. 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 Baseline includes \$35,414,100 and 381 FTE Positions from the State Home for Veterans' Trust Fund in FY 2020 for the Arizona State Veterans' Homes. These amounts are unchanged from FY 2019.

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.

Hyperbaric Oxygen Therapy Fund Deposit

The Baseline includes no funding in FY 2020 for the Hyperbaric Oxygen Therapy Fund. FY 2020 Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(25,000) from the General Fund in FY 2020 for a one-time deposit to the Hyperbaric Oxygen Therapy for Military Veterans Fund.

Monies in the 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.

The bill also appropriated \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund to the General Fund in FY 2023.

Veterans' Benefit Counseling

The Baseline includes \$2,841,000 and 57 FTE Positions from the General Fund in FY 2020 for Veterans' Benefit Counseling. These amounts are unchanged from FY 2019.

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.

Other Issues

Status of Veterans' Home Construction

The FY 2015 budget appropriated \$9.2 million in non-lapsing General Fund monies for the state's share of the construction and establishment of a veterans' home facility in Yuma. The FY 2017 budget included \$10.0 million from the General Fund for the construction of a similar home in Flagstaff. The amount appropriated reflects 35% of the estimated cost of each home. The department received a commitment for the other 65% share of the cost from the federal government in FY 2018.

The Department of Veterans' Services reports that construction costs have increased since initial estimates were made in 2015. The federal government allows a one-time 10% increase in construction costs for both homes after the funding commitment has been made. The state is required to pay 35% of this increase, or \$1.9 million, before the federal government commits to the other 65%, or \$5.5 million.

The FY 2019 Capital Outlay Bill appropriated an additional \$4.0 million for the Yuma Veterans' Home and \$4.0 million for the Flagstaff Veterans' Home from the State Home for Veterans' Trust Fund in FY 2019. These appropriations cover the state's share of the one-time 10% cost increase, and allow the department to increase the size of both facilities from 60 beds to 80 beds.

The department submitted a report of the scope, purpose, and estimate cost for the new facilities to the Joint Committee on Capital Review at the September 2018 meeting. The request received a favorable review from the Committee. Construction is expected to begin in May or June of 2019.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Federal Funds (VSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: U.S. Department of Veterans' Affairs and Department of Defense Grants.		
Purpose of Fund: To supervise and qualify educational and training programs which receive Federal Government Issued (GI) Bill monies, provide assistance for military personnel transitioning to a career as a public school teacher, and to construct veterans' homes facilities in Yuma and Flagstaff.		
Funds Expended	1,653,500	4,979,500
Year-End Fund Balance	306,700	306,900
Hyperbaric Oxygen Therapy for Military Veterans Fund (VSA3219/A.R.S. § 41-610.01)		Non-Appropriated
Source of Revenue: Donations, grants and bequests.		
Purpose of Fund: To provide financial assistance to veterans for hyperbaric oxygen therapy. Laws 2018, Chapter 98 established the fund and appropriated \$25,000 from the General Fund. The bill also appropriates \$25,000 from the fund to the General Fund in FY 2023.		
Funds Expended	0	0
Year-End Fund Balance	0	25,000
Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04)		Non-Appropriated
Source of Revenue: Donations, bequests, or other contributions from public or private sources. This fund is established through December 31, 2026; any funds remaining unencumbered as of that date are transferred to the Veterans' Donation Fund.		
Purpose of Fund: To provide financial assistance to family members of veterans who became deceased, wounded or injured, or became seriously ill and been deployed from an Arizona military base, claimed this state as the service member's home of record, or were a member of the Arizona National Guard at the time of deployment. Laws 2018, Chapter 258 established the Pre-9/11 and Post-9/11 subaccounts of the fund to provide assistance based on member's service dates.		
Funds Expended	1,189,300	1,209,500
Year-End Fund Balance	6,052,800	5,978,300
Post-9/11 Veteran Education Relief Fund (VSA2645/A.R.S. § 41-612)		Non-Appropriated
Source of Revenue: Private donations, grants, and bequests.		
Purpose of Fund: To provide tuition assistance to qualifying military veterans for universities under the jurisdiction of Arizona Board of Regents and a veteran supportive campus as defined in A.R.S. § 41-609.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Home for Veterans' Trust Fund (VSA2355/A.R.S. § 41-608.01)		Appropriated
Source of Revenue: Charges for services, fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.		
Purpose of Fund: To operate and maintain state-operated nursing homes for Arizona veterans.		
Funds Expended	31,358,600	35,414,100
Year-End Fund Balance	18,237,900	21,346,500
Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	3,100	4,000
Year-End Fund Balance	6,500	5,000
Veterans' Cemetery Fund (VSA2481/A.R.S. § 41-608.02)		Non-Appropriated
Source of Revenue: Federal grants for the construction of veterans' cemeteries. Construction of the Flagstaff and Marana Cemeteries was completed in FY 2017. The department continues construction expenditures for federal grant reimbursements through FY 2019.		
Purpose of Fund: To acquire property for and to establish state veterans' cemeteries.		
Funds Expended	21,000	346,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Arizona State Veterans' Cemetery Trust Fund (VSA2499/A.R.S. § 41-608.03)		Non-Appropriated
Source of Revenue: Monies, grants, gifts, and contributions from any public or private source.		
Purpose of Fund: To manage and maintain 3 Arizona veterans' cemeteries located in Sierra Vista, Marana, and Flagstaff.		
Funds Expended	309,300	271,800
Year-End Fund Balance	1,367,300	1,891,000
State Veterans' Conservatorship Fund (VSA2077/A.R.S. § 14-5414.01)		Appropriated
Source of Revenue: Fees collected from veterans, or a veteran's surviving spouse, or minor child, or the incapacitated spouse of a protected veteran, for whom the agency serves as a conservator.		
Purpose of Fund: To operate the Fiduciary Division of the Department of Veterans' Services. The department eliminated this division in FY 2018 and transferred all cases to other non-state entities.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Veterans' Donations Fund (VSA2441/A.R.S. § 41-608)		Non-Appropriated
Source of Revenue: Donations from private individuals, corporations and organizations. Donations are made by designating a portion of one's tax refund, purchasing a license plate, or other means. Sales from the Veterans, Freedom, Gold Star, Women Veteran, and Military Scholarship license plates go into this fund. Of the \$25 license plate fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Veterans' Donation Fund.		
Purpose of Fund: To benefit veterans within the state of Arizona. Separate subaccounts of this fund are used for 1) the construction and maintenance of the Enduring Freedom Memorial, 2) grants to benefit women veterans in Arizona including providing shelter to homeless women veterans and 3) higher education scholarships for veterans and their dependents.		
Funds Expended	1,443,400	1,539,500
Year-End Fund Balance	4,293,600	5,119,100
Veterans' Income Tax Settlement Fund (VSA1601/Laws 2016, Chapter 125)		Non-Appropriated
Source of Revenue: Appropriation of \$2,000,000 from the General Fund.		
Purpose of Fund: To be distributed to Native American Veterans for state Individual Income Tax incorrectly withheld from military pay. DOR and the Department of Veterans' Services may use up to 5% of the \$2,000,000 transfer for administrative costs. Monies in the fund revert to the General Fund on June 30, 2021. DOR plans to expend \$91,400 in FY 2019, but this amount is not displayed to avoid double counting.		
Funds Expended	94,500	91,800
Year-End Fund Balance	3,100	0

Arizona State Veterinary Medical Examining Board

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	224,000	359,200	359,200
Employee Related Expenditures	71,200	114,300	114,300
Professional and Outside Services	25,500	52,100	37,700
Travel - In State	3,800	4,500	4,500
Travel - Out of State	1,100	1,600	1,600
Other Operating Expenditures	63,000	72,300	72,300
Equipment	2,500	1,500	1,500
AGENCY TOTAL	391,100	605,500	591,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Veterinary Medical Examining Board Fund	391,100	605,500	591,100
SUBTOTAL - Other Appropriated Funds	391,100	605,500	591,100
SUBTOTAL - Appropriated Funds	391,100	605,500	591,100
TOTAL - ALL SOURCES	391,100	605,500	591,100

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 Baseline includes \$591,100 and 6 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2020 for the operating budget. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(14,400) from the Veterinary Medical Examining Board Fund in FY 2020 for the removal of a one-time FY 2019 increase to add features to the board's online licensing system.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Veterinary Medical Examining Board Fund (VTA2078/A.R.S. § 32-2205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of veterinarians, veterinary technicians, and veterinary premises. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.		
Funds Expended	391,100	605,500
Year-End Fund Balance	1,709,500	2,250,900

Department of Water Resources

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	139.0	139.0	139.0 ^{1/}
Personal Services	4,657,700	5,214,600	5,214,600
Employee Related Expenditures	1,742,700	1,954,300	1,954,300
Professional and Outside Services	147,700	148,100	148,100
Travel - In State	74,500	70,100	70,100
Travel - Out of State	57,300	51,400	51,400
Other Operating Expenditures	1,579,200	1,965,700	1,965,700
Equipment	377,900	225,900	225,900
OPERATING SUBTOTAL	8,637,000	9,630,100	9,630,100
SPECIAL LINE ITEMS			
Adjudication Support	1,724,400	1,740,100	1,740,100 ^{2/}
Assured and Adequate Water Supply Administration	1,849,600	1,992,400	1,992,400 ^{3/}
Automated Groundwater Monitoring	296,200	411,500	411,500
Colorado River Legal Expenses	20,700	500,000	500,000 ^{4/5/}
Conservation and Drought Program	216,700	410,200	410,200
Drought Contingency Program	2,000,000	2,000,000	2,000,000 ^{5/6/}
Northwest Basins Groundwater Study	0	100,000	0
Rural Water Studies	1,102,000	1,162,600	1,162,600 ^{2/}
AZ Water Protection Fund Deposit	250,000	650,000	250,000
AGENCY TOTAL	16,096,600	18,596,900	18,096,900 ^{8/}
FUND SOURCES			
General Fund	15,315,500	16,169,800	15,669,800
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	222,000	268,500	268,500
Water Banking Fund	400,000	1,212,200	1,212,200
Water Resources Fund	159,100	946,400	946,400
SUBTOTAL - Other Appropriated Funds	781,100	2,427,100	2,427,100
SUBTOTAL - Appropriated Funds	16,096,600	18,596,900	18,096,900
Other Non-Appropriated Funds	12,818,500	12,443,600	12,443,600
Federal Funds	253,300	371,100	371,100
TOTAL - ALL SOURCES	29,168,400	31,411,600	30,911,600

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 2020.
- ^{2/} Monies in the Adjudication Support line item may be used only for the exclusive purposes prescribed in A.R.S. § 45-256 and A.R.S. § 45-257B4. 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 A.R.S. § 45-108 and A.R.S. § 45-576 through A.R.S. § 45-579. 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 A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 6/ Laws 2017, Chapter 305, Section 132 appropriated \$2,000,000 from the General Fund in each of FY 2018, FY 2019, and FY 2020 to the Department of Water Resources to use for this state's financial contributions to efforts by Arizona's Colorado River water users to conserve water in Lake Mead to reduce the likelihood of lake elevations dropping to levels that could result in reductions to Arizona's Colorado River reduction.
- 7/ It is the intent of the Legislature 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)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$9,630,100 and 79 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	FY 2020
General Fund	\$7,971,500
Water Banking Fund	1,212,200
Water Resources Fund	446,400

These amounts are unchanged from FY 2019.

Adjudication Support

The Baseline includes \$1,740,100 and 21 FTE Positions from the General Fund in FY 2020 for Adjudication Support. These amounts are unchanged from FY 2019.

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 Baseline includes \$1,992,400 and 21 FTE Positions in FY 2020 for the Assured and Adequate Water Supply (AAWS) Administration Program. These amounts consist of:

General Fund	1,723,900
AAWS Administration Fund	268,500

These amounts are unchanged from FY 2019.

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 Baseline includes \$411,500 and 2 FTE Positions from the General Fund in FY 2020 for Automated Groundwater Monitoring. These amounts are unchanged from FY 2019.

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.

Colorado River Legal Expenses

The Baseline includes \$500,000 from the Water Resources Fund in FY 2020 for Colorado River Legal Expenses. This amount is unchanged from FY 2019.

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. As of December 2018, the litigation continues.

Conservation and Drought Program

The Baseline includes \$410,200 and 5 FTE Positions from the General Fund in FY 2020 for the Conservation and Drought Program. These amounts are unchanged from FY 2019.

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.

Drought Contingency Program

The Baseline includes \$2,000,000 from the General Fund in FY 2020 for the Drought Contingency Program line item. This amount is unchanged from FY 2019.

These monies are to be used for the state's financial contributions to efforts by Arizona Colorado River water users to conserve water in Lake Mead. This would reduce the likelihood of lake elevations dropping to levels that could result in reductions to Arizona's Colorado River allocation.

The monies in this line item are non-lapsing. The FY 2018 General Appropriation Act included 3 years of one-time \$2,000,000 appropriations for FY 2018, FY 2019, FY 2020. As a result of this advance appropriation, the FY 2020 amount will not appear in the FY 2020 General Appropriation Act.

In FY 2018, ADWR spent \$2,000,000 for their share of a one-time transaction with other parties to conserve water in Lake Mead to prevent the water from dropping below 1,075 feet. The \$2,000,000 along with \$4,000,000 from

other parties, was used to pay the Gila River Indian Community to forego delivery of their share of Colorado River water in CY 2017.

Background - The Colorado River system supplies water to 7 states and to Mexico. The use of water from the river is 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; this is measured by the water level in Lake Mead. As of December 2018, Lake Mead is at 1,078 feet. The first trigger set for reduction to Arizona's annual share of the waters is if the water level falls below 1,075 feet.

Currently, Arizona is negotiating with other states a Lower Basin Drought Contingency Plan to minimize the risk of the water levels falling below 1,025 feet. At that level, 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. The plan would 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.

The department and stakeholders are currently determining how to execute and mitigate the proposed reductions in an Arizona specific plan. The Governor has proposed spending \$30,000,000 towards protecting water levels in Lake Mead.

The Legislature would need to adopt a joint resolution to allow the Director of DWR to enter into any new agreement. The Legislature may be asked to pass additional legislation to facilitate the plan or allow for changes to the water delivery, storage, and conservation plans of water users in the state.

Northwest Basins Groundwater Study

The Baseline includes no funding from the General Fund in FY 2020 for a Northwest Basins Groundwater Study. FY 2020 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2020 to remove one-time funding for an independent study of groundwater in the Northwest Basins Planning Area.

This line item funds a contracted independent study to estimate 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 was required to issue a Request For Proposals for the study. The department will provide data for the contractor, and ADWR is required to submit a report of the study's findings on or before December 31, 2019.

Rural Water Studies

The Baseline includes \$1,162,600 and 11 FTE Positions from the General Fund in FY 2020 for Rural Water Studies. These amounts are unchanged from FY 2019.

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 9 studies.

Arizona Water Protection Fund Deposit

The Baseline includes \$250,000 from the General Fund in FY 2020 for the Arizona Water Protection Fund Deposit line item.

FY 2020 adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(400,000) from the General Fund in FY 2020 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 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.

Other Issues

Statutory Changes

The Baseline would:

- As session law, continue to allow the department's Water Protection Fund Commission to spend up to \$336,000 on administrative functions from their unobligated balances in FY 2020.
- As session law, continue to allow the Director to maintain prior year fees in FY 2020 with the provision that the fee revenue be deposited in the Water Resources Fund with the intent that the fees are not to exceed \$100,200.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)		Appropriated
Source of Revenue: Fees for applications relating to adequate and assured water supply regulations for newly-created subdivisions.		
Purpose of Fund: To support the costs and expenses incurred when determining and declaring compliance with assured and adequate water supply regulations.		
Funds Expended	222,000	268,500
Year-End Fund Balance	454,900	518,200
Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
Purpose of Fund: Generally, to support water supply augmentation projects, such as groundwater recharge, as well as AMA conservation programs. By law, each AMA has its own subaccount within the fund. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.		
Funds Expended	617,200	750,000
Year-End Fund Balance	2,438,100	2,253,400

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Colorado River Water Use Fee Clearing Account (WCA2538/A.R.S. § 45-333)		Non-Appropriated
Source of Revenue: Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
Purpose of Fund: Monies are transferred to the Lower River Multispecies Conservation Program.		
Funds Expended	23,900	24,000
Year-End Fund Balance	3,400	0
Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)		Non-Appropriated
Source of Revenue: Legislative appropriations, dam safety inspection fees, and filing fees.		
Purpose of Fund: Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
Funds Expended	53,000	50,000
Year-End Fund Balance	4,803,200	4,693,200
Federal Grants (WCA2000/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants from the federal government.		
Purpose of Fund: To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
Funds Expended	253,300	371,100
Year-End Fund Balance	678,800	674,600
Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation, and maintenance of flood warning systems.		
Funds Expended	20,300	20,300
Year-End Fund Balance	377,200	372,900
General Adjudications Fund (WCA2191/A.R.S. § 45-260)		Non-Appropriated
Source of Revenue: Court fees paid by water claimants and from legislative appropriations.		
Purpose of Fund: To cover postage and other costs of serving legal notices to water rights claimants and of publicizing court proceedings. Also to remit filing fees to the courts.		
Funds Expended	11,600	11,600
Year-End Fund Balance	32,100	30,000
Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)		Non-Appropriated
Source of Revenue: Cost allocation transfers of federal and other non-appropriated funds.		
Purpose of Fund: To provide various indirect administrative services, including security and cashing.		
Funds Expended	117,700	141,400
Year-End Fund Balance	2,362,500	1,593,300
Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collections from other state and local agencies.		
Purpose of Fund: To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	296,300	293,600
Year-End Fund Balance	439,600	331,000

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Production and Copying Fund (WCA2411/A.R.S. § 45-115)		Non-Appropriated
Source of Revenue: From monies received for department publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To produce and distribute department publications, as well as to copy department records.		
Funds Expended	6,300	0
Year-End Fund Balance	3,700	3,700
Publication and Mailing Fund (WCA2410/A.R.S. § 45-116)		Non-Appropriated
Source of Revenue: From monies received for the publication and mailing of legal notices as required by law. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To publish and mail legal notices.		
Funds Expended	0	0
Year-End Fund Balance	7,100	8,100
Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in AMAs.		
Purpose of Fund: To purchase and retire grandfathered groundwater rights, those entitlements legally owned or used before the creation of an AMA in a given area. By law, each AMA has its own sub-account within the fund.		
Funds Expended	0	0
Year-End Fund Balance	142,000	143,000
Statewide Donations Fund (WCA2025/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants, gifts or donations of money or other property from any source.		
Purpose of Fund: Funds may be used for any purpose consistent with the duties and powers of the Director of the Department of Water Resources as described in statute.		
Funds Expended	33,800	34,000
Year-End Fund Balance	210,300	364,800
Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Partially-Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. Revenue also comes from a portion of the 4% property tax collected by CAWCD to pay for water storage. By law, each AMA has its own sub-account within the fund. This fund operates on the calendar year. Because fees and taxes are collected at the end of the fiscal year, the Year-End Fund Balances are not reflective of the calendar year-end balances. Appropriations from this fund may include monies received through agreements with Nevada.		
Purpose of Fund: To purchase and store the unused portion of Arizona's Colorado River water allotment. The department provides administrative support for this fund, but control of expenditures is vested with AWBA. In addition, pursuant to an interstate water banking agreement with Nevada, to obtain, store, and retrieve water for Nevada.		
Appropriated Funds Expended	400,000	1,212,200
Non-Appropriated Funds Expended	11,340,200	10,637,500
Year-End Fund Balance	7,062,700	9,742,500
Water Protection Fund (WCA1302/A.R.S. § 45-2111)		Non-Appropriated
Source of Revenue: From purchases or leases of CAP water and legislative appropriations. Since FY 2018, the fund receives a \$250,000 appropriation from the General Fund. Laws 2018, Chapter 330 provided a one-time appropriation of \$400,000 to the fund.		
Purpose of Fund: To provide 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 determines annual recipients. The department provides administrative support for this fund, but control of expenditures is vested with the commission. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid. The FY 2019 Environment Budget Reconciliation Bill continues to allow the Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2019.		
Funds Expended	177,500	309,600
Year-End Fund Balance	2,589,600	3,010,300

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
Water Quality Fund (WCA2304/A.R.S. § 45-618)		Non-Appropriated
Source of Revenue: From annual Water Quality Assurance Revolving Fund (WQARF) transfers negotiated with the Arizona Department of Environmental Quality (ADEQ), as well as from legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To inspect wells for groundwater contamination and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with the ADEQ WQARF program.		
Funds Expended	40,200	86,300
Year-End Fund Balance	463,700	642,200
Water Resources Fund (WCA2398/A.R.S. § 45-117)		Appropriated
Source of Revenue: Consists of monies from legislative appropriations, donations, and fees collected by ADWR to carry out its statutory functions, as well as existing fees that had been deposited into the General Fund. The FY 2019 Environment Budget Reconciliation Bill allows the director to maintain prior year fees and requires that these revenues be deposited into the fund with the intent that the fee increases do not exceed \$100,200.		
Purpose of Fund: Fees deposited in the Water Resources Fund are to be held in trust and only used to carry out its statutory responsibilities, including managing the state's water supplies, enforcing groundwater laws, and representing the state's water rights.		
Funds Expended	159,100	946,400
Year-End Fund Balance	4,487,500	4,513,600
Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)		Non-Appropriated
Source of Revenue: Well-drilling filing and permit fees.		
Purpose of Fund: To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
Funds Expended	80,500	85,300
Year-End Fund Balance	1,325,600	1,707,900

CAPITAL OUTLAY ESTIMATES

Capital Outlay Summary

	FY 2020 BASELINE
BUILDING RENEWAL	
ADOA Building System	17,642,100
ADOT Building System	5,492,000
ABOR Building System	0
SUBTOTAL	23,134,100
INDIVIDUAL PROJECTS	
ADOA Building System	0
ADOT Building System	416,552,000
ABOR Building System	0
SUBTOTAL	416,552,000
DEBT AND LEASE-PURCHASE FINANCING	
2010 Leaseback Financing	84,108,500
LOCAL ASSISTANCE	
Phoenix Convention Center	23,500,000
Rio Nuevo District	14,000,000
SUBTOTAL	37,500,000
TOTALS	
ADOA Building System	17,642,100
ADOT Building System	422,044,000
ABOR Building System	0
Other Funding (Lease-Purchase/Local Assistance)	121,608,500
TOTAL - ALL PROJECTS	561,294,600
FUND SOURCES	
General Fund	121,608,500
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	11,000,000
Department of Corrections Building Renewal Fund	5,464,300
Game and Fish Fund	1,043,700
State Aviation Fund	23,362,000
State Highway Fund	398,682,000
State Lottery Fund	134,100
SUBTOTAL - Other Appropriated Funds	439,686,100
SUBTOTAL - Appropriated Funds	561,294,600
Other Non-Appropriated Funds	589,087,000
Federal Funds	990,843,000
TOTAL - ALL SOURCES	2,141,224,600

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.

The following amounts are one-time appropriations:

Summary

The Baseline includes a total of \$561,294,600 from Appropriated Funds in FY 2020. Of the total, \$121,608,500 is from the General Fund and \$439,686,100 is from Other Appropriated Funds. The Baseline 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 Baseline includes total funding of \$23,134,100 in FY 2020 for Building Renewal, which consists of Other Appropriated Funds. These amounts include:

	<u>FY 2020</u>
Arizona Department of Administration	\$11,000,000
Capital Outlay Stabilization Fund	
@ 21.9% (excludes ADC,	
Game and Fish, Lottery buildings)	
Department of Corrections	
ADC Building	5,464,300
Renewal Fund @ 22.5%	
Game and Fish Department	
Game and Fish Fund @ 100%	1,043,700
State Lottery Commission	
State Lottery Fund @ 100%	<u>134,100</u>
Subtotal - ADOA	\$17,642,100
Arizona Department of Transportation	
State Highway Fund @ 37.9%	\$5,250,000
State Aviation Fund @ 85.9%	<u>242,000</u>
Subtotal - ADOT	\$5,492,000

(See the individual building systems' section for more information.)

Individual Projects

The Baseline includes total funding of \$416,552,000 in FY 2020 for individual capital projects, which consists of \$416,552,000 from Other Appropriated Funds. (See the individual building systems' sections for more information.)

Debt and Lease-Purchase Financing

The Baseline includes \$84,108,500 from the General Fund in FY 2020 for payments related to prior year lease-purchase agreements to resolve budget shortfalls. (See the Debt and Lease-Purchase Financing section for more information.)

Local Assistance

The Baseline includes \$37,500,000 from the General Fund in FY 2020 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 2020
BASELINE

BUILDING RENEWAL

Department of Administration ^{1/2/}	11,000,000
Department of Corrections ^{3/}	5,464,300
Game and Fish Department ^{4/}	1,043,700
Arizona State Lottery Commission	134,100
TOTAL - ALL PROJECTS	17,642,100

FUND SOURCES

Other Appropriated Funds

Capital Outlay Stabilization Fund	11,000,000
Department of Corrections Building Renewal Fund	5,464,300
Game and Fish Fund	1,043,700
State Lottery Fund	134,100
SUBTOTAL - Other Appropriated Funds	17,642,100
SUBTOTAL - Appropriated Funds	17,642,100

TOTAL - ALL SOURCES ^{5/6/7/8/9/10/}

17,642,100

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 2020 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 A.R.S. § 41-792.01 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, 2020 and May 30, 2020, the Department of Administration shall report to the Joint Legislative Budget Committee Staff on the status of all capital projects and capital project expenditures. (Capital Outlay Appropriation Act footnote)
- ^{3/} On or before January 31, 2020 and July 31, 2020, the State Department of Corrections shall report to the Joint Legislative Budget Committee Staff on the status of all capital projects and capital project expenditures. The department may not spend any of this appropriation on Personal Services or overhead expenses related to managing of the funded projects. (Capital Outlay Appropriation Act footnote)
- ^{4/} On or before January 31, 2020 and July 31, 2020, the Arizona Game and Fish Department shall report to the Joint Legislative Budget Committee Staff on the status of all capital projects and capital project expenditures. (Capital Outlay Appropriation Act footnote)
- ^{5/} **NEW** On or before January 31, 2020 and July 31, 2020, the Arizona State Parks Board shall report to the Joint Legislative Budget Committee Staff on the status of all capital projects and capital project expenditures. (Capital Outlay Appropriation Act footnote)
- ^{6/} Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2020 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 5 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)

- 7/ Pursuant to A.R.S. § 41-1252, 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)
- 8/ 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)
- 9/ Except as provided in subsection ___ of this section and notwithstanding A.R.S § 35-190D, the appropriations made in this act for FY 2020 that are unexpended on June 30, 2021 revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 10/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

Building Renewal

Building Renewal

The Baseline includes \$17,642,100 from Other Appropriated Funds in FY 2020 for Building Renewal within the ADOA Building System. These amounts consist of:

- \$11,000,000 to ADOA from the Capital Outlay Stabilization Fund (COSF). This amount funds 21.9% of the ADOA building renewal formula and was determined based on the FY 2019 structural balance of COSF (*See COSF Balance section for more information*). The FY 2019 appropriation of \$11,000,000 from COSF represented 24.5% of the ADOA formula.
- \$5,464,300 to the Arizona Department of Corrections (ADC) from the ADC Building Renewal Fund, which funds 22.5% of the ADC building renewal formula. The FY 2019 appropriation of \$5,464,300 from the ADC Building Renewal Fund represented 24.5% of the ADC formula.
- \$1,043,700 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 2019 appropriation of \$981,400 from the Game and Fish Fund represented 100% of the Game and Fish formula.
- \$134,100 to the Arizona State Lottery Commission from the State Lottery Fund, which funds 100% of the Lottery building renewal formula. The FY 2019 appropriation of \$126,300 from the State Lottery Fund 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 Baseline 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 Baseline continues the footnote requiring that unused building renewal monies revert after 2 fiscal years at the end of FY 2021. In addition, the Baseline adds a footnote requiring the Arizona State Parks Board to submit a semi-annual report on capital expenditures consistent with footnotes requiring this for ADOA, ADC, and the Arizona Game and Fish Department.

Other Issues

Lease-Purchase

In FY 2020, lease-purchase payments will decrease by \$(2,874,300), of which \$(3,060,800) is from the General Fund, \$166,900 from Other Appropriated Funds, and \$19,600 from Non-Appropriated Funds. The \$(3,500) change in the ADOA sale/leaseback is excluded as that item is separately budgeted. These adjustments are not included in the Baseline.

Rent Adjustments

In FY 2020, state building rent payments will increase by \$2,800 which consists of \$(205,400) from the General Fund, \$112,200 from Other Appropriated Funds, and \$96,000 from Non-Appropriated Funds. These adjustments are not included in the Baseline.

The increase in rent payments is primarily due to agency space allocation adjustments in multiple state buildings.

The Baseline includes an updated Summary of Rent Charges, which reflects updated space utilization amounts when applying the current rental rates of state building space (Office - \$16.08 per sq. ft./Storage - \$5.79 per sq. ft.). (*Please see Summary of Rent Charges for additional information.*)

COSF Balance

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 actual expenditure information for FY 2018, and provides estimates for FY 2019 and FY 2020.

The \$11,000,000 FY 2020 Baseline appropriation for ADOA building renewal was determined based on the projected FY 2020 COSF structural balance. COSF is projected to have a balance of \$18,128,500 at the end of FY 2020, with a structural balance of \$11,684,400.

Table 1

COSF Revenues and Expenditures
(in millions)

	FY 2018 Actuals	FY 2019 Estimate	FY 2020 Baseline
Beginning Balance	\$10.0	\$8.4	\$13.3
Revenue	<u>28.4</u>	<u>30.4</u>	<u>29.8</u>
Total Available	\$38.4	\$38.8	\$43.1
Expenditures			
COSF Operating	\$15.4	\$18.1	\$18.1
Capital Projects			
FY '17 Building Renewal	10.5	0	0
FY '18 Building Renewal	1.4	1.2	0
FY '19 Building Renewal	0	5.4	6.6
Department of Health Services	1.6	0.2	0.2
Admin. Adjustments	<u>1.1</u>	<u>0.6</u>	<u>0</u>
Total Expenditures	\$30.0	25.5	\$24.9
Ending Balance	\$ 8.4	\$13.3	\$18.2

LEASE-PURCHASE APPROPRIATIONS 1/ Department of Administration Building System

	Fiscal Year 2019 - Appropriations Report				Fiscal Year 2020 - Baseline				Difference FY 2020 - FY 2019			
	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	\$84,112,000			\$84,112,000	\$84,108,500			\$84,108,500	(\$3,500)			(\$3,500)
Arizona Department of Administration Buildings												
Accountancy, State Board of		\$115,900		115,900		\$118,600		118,600		\$2,700		2,700
Administration, Arizona Department of	536,200	1,381,900	\$144,400	2,062,500	544,700	1,403,600	\$146,600	2,094,900	8,500	21,700	\$2,200	32,400
Deaf and the Hard of Hearing, Commission for the		222,400		222,400		227,600		227,600		5,200		5,200
Economic Opportunity, Office of	49,300	24,700	200,100	274,100	50,500	25,200	204,800	280,500	1,200	500	4,700	6,400
Equalization, State Board of	90,700			90,700	92,800			92,800	2,100			2,100
Financial Institutions, Department of	226,900	43,200		270,100	239,300	45,600		284,900	12,400	2,400		14,800
Insurance, Department of	293,300		97,800	391,100	299,600		99,900	399,500	6,300		2,100	8,400
Real Estate Department, State	190,300			190,300	184,500			184,500	(5,800)			(5,800)
Tax Appeals, State Board of	34,900			34,900	35,700			35,700	800			800
Subtotal - ADOA Building	\$1,421,600	\$1,788,100	\$442,300	\$3,652,000	\$1,447,100	\$1,820,600	\$451,300	\$3,719,000	\$25,500	\$32,500	\$9,000	\$67,000
Corrections, Arizona Department of												
4,000 Public Prison Beds	\$15,803,200			\$15,803,200	\$15,712,600			\$15,712,600	(\$90,600)			(\$90,600)
Water and Wastewater Projects	649,200			649,200	641,400			641,400	(7,800)			(7,800)
1,000 Public Prison Beds - Refinance	3,072,900			3,072,900				-	(3,072,900)			(3,072,900)
Kingman - Refinance	17,465,400			17,465,400	17,466,700			17,466,700	1,300			1,300
Subtotal - AZ Department of Corrections	\$36,990,700	\$0	\$0	\$36,990,700	\$33,820,700	\$0	\$0	\$33,820,700	(\$3,170,000)	\$0	\$0	(\$3,170,000)
Department of Environmental Quality Building												
Automobile Theft Authority		\$43,800		\$43,800		\$44,600		\$44,600		\$800		\$800
Administration, Arizona Department of	\$55,900	144,000	\$15,100	215,000	\$57,100	147,000	15,400	219,500	\$1,200	3,000	\$300	4,500
Criminal Justice Commission, Arizona		11,000	172,000	183,000		11,200	175,100	186,300		200	3,100	3,300
Environmental Quality, Department of		3,277,100		3,277,100		3,336,500		3,336,500		59,400		59,400
Forestry and Fire Management, AZ Department of	229,200		34,200	263,400	233,300		34,900	268,200	4,100		700	4,800
Gaming, Department of		568,900		568,900		579,200		579,200		10,300		10,300
Housing, AZ Department of	67,300	22,400	358,900	448,600	68,500	22,800	365,400	456,700	1,200	400	6,500	8,100
Residential Utility Consumer Office		109,600		109,600		111,600		111,600		2,000		2,000
Technical Registration, State Board of		179,000		179,000		182,200		182,200		3,200		3,200
Water Resources, Department of	778,300			778,300	792,500			792,500	14,200			14,200
Subtotal - ADEQ Building	\$1,130,700	\$4,355,800	\$580,200	\$6,066,700	\$1,151,400	\$4,435,100	\$590,800	\$6,177,300	\$20,700	\$79,300	\$10,600	\$110,600
Health Services, Department of												
Health Services Building - Refinance	\$2,058,300	\$1,372,200		\$3,430,500	\$2,133,600	\$1,422,400		\$3,556,000	\$75,300	\$50,200		\$125,500
Health Lab - Refinance		2,032,300		2,032,300		2,037,200		2,037,200		4,900		4,900
Arizona State Hospital Forensic Unit	3,060,000			3,060,000	3,047,700			3,047,700	(12,300)			(12,300)
Subtotal - Department of Health Services	\$5,118,300	\$3,404,500	\$0	\$8,522,800	\$5,181,300	\$3,459,600	\$0	\$8,640,900	\$63,000	\$55,100	\$0	\$118,100
GRAND TOTAL	\$128,773,300	\$9,548,400	\$1,022,500	\$139,344,200	\$125,709,000	\$9,715,300	\$1,042,100	\$136,466,400	(\$3,064,300)	\$166,900	\$19,600	(\$2,877,800)

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.

SUMMARY OF RENT CHARGES 1/ 2/

	Fiscal Year 2019 Appropriations Report				Fiscal Year 2020 Baseline				Difference FY 2020 - FY 2019			
	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		6,500		6,500		10,000		10,000		3,500		3,500
Administration, AZ Department of												
1510 W Adams		434,600		434,600		434,700		434,700		100		100
1520 W Adams		239,900		239,900	36,000	203,800		239,800	36,000	(36,100)		(100)
1537 W Jackson		106,400		106,400		106,400		106,400				
1616 W Adams		95,000		95,000		95,000		95,000				
1802 W Jackson		21,600	53,600	75,200		21,500	53,600	75,100		(100)		(100)
1840 W Jackson		79,000		79,000		79,000		79,000				
1850 W Jackson		54,500		54,500		54,500		54,500				
1700 W Washington	41,900	101,100		143,000		143,000		143,000	(41,900)	41,900		
1740 W Adams		77,300		77,300		32,700		32,700		(44,600)		(44,600)
1501 W Madison		74,100		74,100		74,100		74,100				
1801 W Madison		26,300		26,300		26,300		26,300				
1805 W Madison		30,400		30,400		30,400		30,400				
400 W Congress, Tucson		58,700		58,700		58,600		58,600		(100)		(100)
402 W Congress, Tucson		69,500		69,500		69,500		69,500				
416 W Congress, Tucson		3,400		3,400		3,400		3,400				
Subtotal - AZ Dept of Administration	41,900	1,471,800	53,600	1,567,300	36,000	1,432,900	53,600	1,522,500	(5,900)	(38,900)		(44,800)
Administrative Hearings, Office of												
1740 W Adams	62,000		115,000	177,000	77,800		99,000	176,800	15,800		(16,000)	(200)
400 W Congress, Tucson		14,000		14,000			14,000	14,000		(14,000)	14,000	
Subtotal - Office of Administrative Hearings	62,000	14,000	115,000	191,000	77,800		113,000	190,800	15,800	(14,000)	(2,000)	(200)
African American Affairs, AZ Commission of												
1700 W Washington	7,300			7,300	7,300			7,300				
Agriculture, AZ Department of												
1520 W Adams	132,100			132,100	132,100			132,100				
1688 W Adams	243,200	56,900	273,800	573,900	269,700		304,100	573,800	26,500	(56,900)	30,300	(100)
400 W Congress, Tucson	39,500	4,800	5,700	50,000	43,500		6,500	50,000	4,000	(4,800)	800	
Subtotal - AZ Dept of Agriculture	414,800	61,700	279,500	756,000	445,300		310,600	755,900	30,500	(61,700)	31,100	(100)
AZ Health Care Cost Containment System												
Kingman Building	8,300		8,100	16,400	8,200		8,200	16,400	(100)		100	
Arts, AZ Commission on the												
417 W Roosevelt			61,100	61,100			61,100	61,100				
Attorney General - Department of Law												
400 W Congress, Tucson	49,700	39,000	29,100	117,800			117,800	117,800	(49,700)	(39,000)	88,700	
402 W Congress, Tucson	162,300	127,100	94,100	383,500	153,400	49,900	180,200	383,500	(8,900)	(77,200)	86,100	
416 W Congress, Tucson			141,900	141,900			141,900	141,900				
Capitol Center	1,219,400	428,400		1,647,800	537,500	952,200	46,100	1,535,800	(681,900)	523,800	46,100	(112,000)
Subtotal - Attorney General - Dept of Law	1,431,400	594,500	265,100	2,291,000	690,900	1,002,100	486,000	2,179,000	(740,500)	407,600	220,900	(112,000)
Barbers, Board of												
1740 W Adams		22,100		22,100		22,600		22,600		500		500
Behavioral Health Examiners, Board of												
1740 W Adams		84,000		84,000		65,200		65,200		(18,800)		(18,800)
Charter Schools, State Board for												
1616 W Adams	86,600			86,600	86,600			86,600				
Child Safety, Department of												
Kingman Building	23,100	47,400	31,800	102,300	102,300			102,300	79,200	(47,400)	(31,800)	
400 W Congress, Tucson	22,200	20,800	9,900	52,900	52,900			52,900	30,700	(20,800)	(9,900)	
Capitol Center	141,500	39,400	81,200	262,100	262,100			262,100	120,600	(39,400)	(81,200)	
Subtotal - Department of Child Safety	186,800	107,600	122,900	417,300	417,300			417,300	230,500	(107,600)	(122,900)	
Chiropractic Examiners, State Board of												

	Fiscal Year 2019 Appropriations Report				Fiscal Year 2020 Baseline				Difference FY 2020 - FY 2019			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1740 W Adams	-	20,000	-	20,000	-	23,400	-	23,400	-	3,400	-	3,400
Citizens Clean Elections Commission												
1616 W Adams	-	-	66,800	66,800	-	-	66,800	66,800	-	-	-	-
Contractors, Registrar of												
400 W Congress, Tucson	-	46,700	-	46,700	-	44,400	2,300	46,700	-	(2,300)	2,300	-
1700 W Washington	-	347,900	-	347,900	-	330,400	17,400	347,800	-	(17,500)	17,400	(100)
Subtotal - Registrar of Contractors	-	394,600	-	394,600	-	374,800	19,700	394,500	-	(19,800)	19,700	(100)
Corporation Commission												
1200 W Washington	-	649,300	-	649,300	-	649,300	-	649,300	-	-	-	-
1300 W Washington	-	866,600	-	866,600	-	866,500	-	866,500	-	(100)	-	(100)
400 W Congress, Tucson	6,800	58,900	3,800	69,500	4,200	61,100	4,200	69,500	(2,600)	2,200	400	-
Subtotal - Corporation Commission	6,800	1,574,800	3,800	1,585,400	4,200	1,576,900	4,200	1,585,300	(2,600)	2,100	400	(100)
Corrections, State Department of												
1601 W Jefferson	922,000	-	-	922,000	921,900	-	-	921,900	(100)	-	-	(100)
1645 W Jefferson	821,700	-	-	821,700	821,700	-	-	821,700	-	-	-	-
1831 W Jefferson	327,300	-	-	327,300	327,300	-	-	327,300	-	-	-	-
Subtotal - State Dept of Corrections	2,071,000	-	-	2,071,000	2,070,900	-	-	2,070,900	(100)	-	-	(100)
Cosmetology, Board of												
1740 W Adams	-	101,600	-	101,600	-	104,600	-	104,600	-	3,000	-	3,000
Dental Examiners, State Board of												
1740 W Adams	-	42,000	-	42,000	-	50,700	-	50,700	-	8,700	-	8,700
Economic Security, Department of												
1624 W Adams	78,800	35,900	28,700	143,400	54,500	-	88,900	143,400	(24,300)	(35,900)	60,200	-
1700 W Washington	12,800	5,900	4,700	23,400	5,900	-	17,500	23,400	(6,900)	(5,900)	12,800	-
1789 W Jefferson (DES West)	1,771,500	441,500	585,600	2,798,600	1,707,100	419,800	671,700	2,798,600	(64,400)	(21,700)	86,100	-
Kingman Building	39,200	80,500	54,100	173,800	29,500	114,800	29,500	173,800	(9,700)	34,300	(24,600)	-
400 W Congress, Tucson	245,700	231,400	111,300	588,400	117,700	282,400	188,300	588,400	(128,000)	51,000	77,000	-
DES Group Homes	171,100	245,900	-	417,000	171,100	245,900	-	417,000	-	-	-	-
Capitol Center	99,100	27,600	56,900	183,600	130,200	29,400	23,900	183,500	31,100	1,800	(33,000)	(100)
Subtotal - Department of Economic Security	2,418,200	1,068,700	841,300	4,328,200	2,216,000	1,092,300	1,019,800	4,328,100	(202,200)	23,600	178,500	(100)
Education, Department of												
1535 W Jefferson	370,100	126,500	688,700	1,185,300	426,600	118,500	640,000	1,185,100	56,500	(8,000)	(48,700)	(200)
400 W Congress, Tucson	-	23,000	81,400	104,400	-	-	-	-	-	(23,000)	(81,400)	(104,400)
416 W Congress, Tucson	-	-	-	-	-	9,400	95,000	104,400	-	9,400	95,000	104,400
Subtotal - Department of Education	370,100	149,500	770,100	1,289,700	426,600	127,900	735,000	1,289,500	56,500	(21,600)	(35,100)	(200)
Education, State Board of												
1535 W Jefferson	39,200	-	-	39,200	39,200	-	-	39,200	-	-	-	-
1700 W Washington	66,700	-	-	66,700	66,700	-	-	66,700	-	-	-	-
Subtotal - State Board of Education	105,900	-	-	105,900	105,900	-	-	105,900	-	-	-	-
Emergency and Military Affairs, Department of												
400 W Congress St	-	-	7,200	7,200	7,200	-	-	7,200	7,200	-	(7,200)	-
Environmental Quality, Department of												
400 W Congress, Tucson	-	122,900	-	122,900	-	122,900	-	122,900	-	-	-	-
416 W Congress, Tucson	-	-	6,500	6,500	-	6,500	-	6,500	-	6,500	(6,500)	-
Subtotal - Dept. of Environmental Quality	-	122,900	6,500	129,400	-	129,400	-	129,400	-	6,500	(6,500)	-
Equalization, State Board of												
400 W Congress, Tucson	24,400	-	-	24,400	24,400	-	-	24,400	-	-	-	-
416 W Congress, Tucson	1,800	-	-	1,800	1,800	-	-	1,800	-	-	-	-
Subtotal - Board of Equalization	26,200	-	-	26,200	26,200	-	-	26,200	-	-	-	-
Executive Clemency, Board of												
1645 W Jefferson	105,900	-	-	105,900	105,900	-	-	105,900	-	-	-	-
Funeral Directors & Embalmers, State Board of												
1740 W Adams	-	14,100	-	14,100	-	17,700	-	17,700	-	3,600	-	3,600
Gaming, Department of												
400 W Congress, Tucson	-	17,300	-	17,300	-	17,300	-	17,300	-	-	-	-
Governor, Office of the												

	Fiscal Year 2019 Appropriations Report				Fiscal Year 2020 Baseline				Difference FY 2020 - FY 2019			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1700 W Washington	625,600	-	147,200	772,800	772,600	-	-	772,600	147,000	-	(147,200)	(200)
1700 W Washington (Office of Highway Safety)	-	-	90,700	90,700	-	-	90,700	90,700	-	-	-	-
400 W Congress, Tucson	36,900	-	-	36,900	36,900	-	-	36,900	-	-	-	-
Subtotal - Office of the Governor	662,500	-	237,900	900,400	809,500	-	90,700	900,200	147,000	-	(147,200)	(200)
Gov's Ofc of Strategic Planning & Budgeting												
1700 W Washington	160,600	-	-	160,600	160,600	-	-	160,600	-	-	-	-
Health Services, Department of												
1740 W Adams	-	-	-	-	4,300	-	-	4,300	4,300	-	-	4,300
1818 W Adams	257,700	-	-	257,700	257,700	-	-	257,700	-	-	-	-
400 W Congress, Tucson	103,500	61,900	-	165,400	165,400	-	-	165,400	61,900	(61,900)	-	-
402 W Congress, Tucson	-	4,100	-	4,100	4,100	-	-	4,100	4,100	(4,100)	-	-
Subtotal - Department of Health Services	361,200	66,000	-	427,200	431,500	-	-	431,500	70,300	(66,000)	-	4,300
Homeland Security, AZ Dept of												
1700 W Washington	-	-	163,700	163,700	-	-	163,700	163,700	-	-	-	-
Homeopathic & Integrated Medicine Examiners, Board of												
1740 W Adams	-	6,600	-	6,600	-	10,100	-	10,100	-	3,500	-	3,500
Judiciary - Court of Appeals												
400 W Congress, Tucson	468,500	-	-	468,500	468,500	-	-	468,500	-	-	-	-
Judiciary - Supreme Court												
1501 W Washington	3,515,600	-	-	3,515,600	3,515,600	-	-	3,515,600	-	-	-	-
400 W Congress, Tucson	103,200	-	-	103,200	103,200	-	-	103,200	-	-	-	-
Subtotal - Supreme Court	3,618,800	-	-	3,618,800	3,618,800	-	-	3,618,800	-	-	-	-
Subtotal - Judiciary	4,087,300	-	-	4,087,300	4,087,300	-	-	4,087,300	-	-	-	-
Juvenile Corrections, Department of												
1624 W Adams	448,300	-	-	448,300	448,300	-	-	448,300	-	-	-	-
Land Department, State												
1616 W Adams	-	958,400	-	958,400	958,400	-	-	958,400	958,400	(958,400)	-	-
Liquor Licenses and Control, Department of												
400 W Congress, Tucson	-	14,400	-	14,400	-	14,400	-	14,400	-	-	-	-
Massage Therapy, Board of												
1740 W Adams	-	21,800	-	21,800	-	26,200	-	26,200	-	4,400	-	4,400
Medical Board, AZ												
1740 W Adams	-	184,600	-	184,600	-	191,300	-	191,300	-	6,700	-	6,700
Mine Inspector, State												
1700 W Washington	92,300	-	-	92,300	92,300	-	-	92,300	-	-	-	-
Naturopathic Physicians Medical Board												
1740 W Adams	-	8,200	-	8,200	-	11,700	-	11,700	-	3,500	-	3,500
Navigable Stream Adjudication Commission, AZ												
1700 W Washington	12,400	-	-	12,400	12,400	-	-	12,400	-	-	-	-
Nursing, State Board of												
1740 W Adams	-	186,500	-	186,500	-	172,200	-	172,200	-	(14,300)	-	(14,300)
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.												
1740 W Adams	-	17,600	-	17,600	-	21,700	-	21,700	-	4,100	-	4,100
Occupational Therapy Examiners, State Board of												
1740 W Adams	-	11,500	-	11,500	-	11,800	-	11,800	-	300	-	300
Opticians, State Board of Dispensing												
1740 W Adams	-	7,400	-	7,400	-	10,900	-	10,900	-	3,500	-	3,500
Optometry, State Board of												
1740 W Adams	-	9,100	-	9,100	-	12,500	-	12,500	-	3,400	-	3,400
Osteopathic Examiners in Medicine and Surgery, AZ Board of												
1740 W Adams	-	28,100	-	28,100	-	34,200	-	34,200	-	6,100	-	6,100
Parks Board, AZ State												
1100 W Washington	-	11,600	47,100	58,700	-	-	58,700	58,700	-	(11,600)	11,600	-
Personnel Board												
1740 W Adams	-	8,200	-	8,200	-	11,700	-	11,700	-	3,500	-	3,500

	Fiscal Year 2019 Appropriations Report				Fiscal Year 2020 Baseline				Difference FY 2020 - FY 2019			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Pharmacy, AZ State Board of												
1616 W Adams		144,800		144,800		144,800		144,800				
Physical Therapy, Board of												
1740 W Adams		16,900		16,900		20,400		20,400		3,500		3,500
Podiatry Examiners, State Board of												
1740 W Adams		6,400		6,400		9,900		9,900		3,500		3,500
Private Postsecondary Education, State Board for												
1740 W Adams		19,300	4,800	24,100		19,200	5,100	24,300		(100)	300	200
Psychologist Examiners, State Board of												
1740 W Adams		16,300		16,300		20,300		20,300		4,000		4,000
Public Safety, Department of												
14 N 18th Avenue	24,700	6,500	6,900	38,100		38,100		38,100	(24,700)	31,600	(6,900)	
1700 W Washington	60,800	15,900	16,700	93,400	60,800	15,900	16,700	93,400				
400 W Congress, Tucson	13,400	3,400	3,600	20,400	13,300	3,400	3,700	20,400	(100)		100	
Subtotal - Department of Public Safety	98,900	25,800	27,200	151,900	74,100	57,400	20,400	151,900	(24,800)	31,600	(6,800)	
Respiratory Care Examiners, Board of												
1740 W Adams		11,900		11,900		15,900		15,900		4,000		4,000
Revenue, Department of												
402 W Congress, Tucson	144,700	73,600		218,300	87,300	131,000		218,300	(57,400)	57,400		
1600 W Monroe	1,845,000	950,400		2,795,400	1,118,000	1,677,100		2,795,100	(727,000)	726,700		(300)
Subtotal - Department of Revenue	1,989,700	1,024,000		3,013,700	1,205,300	1,808,100		3,013,400	(784,400)	784,100		(300)
Rio Nuevo Board												
400 W Congress, Tucson			13,800	13,800			13,800	13,800				
School Facilities Board												
1700 W Washington	94,800		38,900	133,700	133,700			133,700	38,900		(38,900)	
Secretary of State - Dept of State												
1700 W Washington	452,300			452,300	452,400			452,400	100			100
400 W Congress, Tucson	7,400			7,400	7,400			7,400				
Records Management Addition	371,400			371,400	371,400			371,400				
Polly Rosenbaum Building	1,958,300			1,958,300	1,958,300			1,958,300				
Subtotal - Secretary of State - Dept of State	2,789,400			2,789,400	2,789,500			2,789,500	100			100
Transportation, Department of												
Capitol Center						112,000		112,000		112,000		112,000
Treasurer, State												
1700 W Washington		173,700		173,700		173,600		173,600		(100)		(100)
Tribal Relations, Governor's Office on												
1700 W Washington	16,200			16,200	16,200			16,200				
Veterinary Medical Examining Board, AZ State												
1740 W Adams		29,700		29,700		30,600		30,600		900		900
Water Resources, Department of												
1802 W Jackson	30,400			30,400	30,400			30,400				
GRAND TOTAL	18,187,200	8,876,500	3,134,400	30,198,100	17,981,800	8,988,700	3,230,400	30,200,900	(205,400)	112,200	96,000	2,800

1/ Reflects the FY 2019 rental rates enacted by Laws 2018, Chapter 279, Section 39, with an office square footage rental rate of \$16.08 and storage square footage rental rate of \$5.79.

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 2020
BASELINE

BUILDING RENEWAL

ADOT Building Renewal ^{1/2/3/}

5,492,000

SUBTOTAL

5,492,000

INDIVIDUAL PROJECTS

Airport Planning and Development ^{3/4/5/6/}

23,120,000

Controlled Access Highways ^{4/7/}

113,442,000

Debt Service ^{4/7/}

150,502,000

Statewide Highway Construction ^{4/7/}

129,488,000

SUBTOTAL

416,552,000

TOTAL - ALL PROJECTS ^{3/4/10/11/12/}

422,044,000

FUND SOURCES

Other Appropriated Funds

State Aviation Fund

23,362,000

State Highway Fund

398,682,000

SUBTOTAL - Other Appropriated Funds

422,044,000

SUBTOTAL - Appropriated Funds

422,044,000

Other Non-Appropriated Funds

589,087,000

Federal Funds

990,843,000

TOTAL - ALL SOURCES

2,001,974,000

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 A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2020 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 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall 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 A.R.S. § 35-190D, the appropriations made in this act for FY 2020 that are unexpended on June 30, 2021 revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 3/ On or before January 31, 2020 and July 31, 2020, the Department of Transportation shall report to the Joint Legislative Budget Committee Staff on the status of all non-highway construction capital projects and non-highway construction capital project expenditures. (Capital Outlay Appropriation Act footnote)
- 4/ The appropriations do not lapse until the purpose for which the respective 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)
- 5/ The amount is appropriated from the State Aviation Fund established by A.R.S. § 28-8202 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 Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph.~~ (Capital Outlay Appropriation Act footnote)
- 6/ **NEW** On or before October 1, 2019, 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. This report shall delineate

projects by individual airport and fiscal year, including any future year commitments. (Capital Outlay Appropriation Act footnote)

- 7/ The amount appropriated for highway construction is from the State Highway Fund established by A.R.S. § 28-6991 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)
- 8/ On or before November 1, 2019, 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)
- 9/ On or before November 1, 2019, the Department of Transportation shall report the department's estimated outstanding debt principal balance at the end of FY 2021 and the estimated debt service payment amount for each of FY 2021, FY 2022, FY 2023 and FY 2024 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 *FY 2019 Appropriations Report*. (Capital Outlay Appropriation Act footnote)
- 10/ On or before November 1, 2019, the Department of Transportation shall report capital outlay information for FY 2019, FY 2020 and FY 2021 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 2, 3 and 6, as found in the *FY 2019 Appropriations Report*. (Capital Outlay Appropriation Act footnote)
- 11/ 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)
- 12/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

The following reflects one-time appropriations:

Building Renewal

Building Renewal

The Baseline includes \$5,492,000 in FY 2020 for Building Renewal within ADOT's Building System. This amount consists of \$5,250,000 from the State Highway Fund (SHF) and \$242,000 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 37.9% funding of the highway building renewal formula and 85.9% funding of the aviation building renewal formula. A footnote in the FY 2020 Baseline requires ADOT to biannually report on the status of all building renewal projects. A modification to the footnote requires ADOT to provide the same information on non-highway

construction capital projects, such as spreader rack bays and deicer buildings.

Individual Projects

Besides debt service, the Baseline figures in the *Individual Projects* section would fund projects based on estimated revenue available from their respective fund sources.

Airport Planning and Development

The Baseline includes \$23,120,000 from the State Aviation Fund (SAF) in FY 2020 for ADOT's airport construction 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 2019-2023 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.

The Baseline makes 2 footnote changes:

- Deletes a portion of a footnote that appropriates any additional monies in SAF above the appropriation to ADOT for aviation construction.
- Requires an annual report on ADOT aviation grants spending.

Citing a \$15.0 million transfer from the State Aviation Fund to the General Fund in FY 2016 and grant management issues, the department suspended a major portion of its grant program in FY 2017, FY 2018 and FY 2019. The first footnote modification is included to ensure that the department is appropriated an amount corresponding to the amount they plan to award and not any excess amount.

The second footnote is included to have the department report on its current grant awards and how those funds will be distributed in future years. This may improve understanding of cash on hand and future commitments.

Table 1

**State Highway Fund
FY 2020 Highway Construction & Debt Service**

	<u>Capital Outlay Bill</u>
Controlled Access	\$ 113,442,000
Debt Service	150,502,000
Highway Construction	<u>129,488,000</u>
Total	\$393,432,000

Controlled Access Highways

The Baseline includes an estimated urban freeway controlled access funding level of \$113,442,000 from SHF in FY 2020. 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 Baseline includes \$150,502,000 from SHF in FY 2020 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,176,714,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2020 debt service payments. *(Please see Table 5 for more information on debt service.)*

Statewide Highway Construction

The Baseline includes \$129,488,000 from SHF in FY 2020 for highway construction. Only a small portion of the state's total \$1,997,600,000 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 2020 Baseline 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 develops a 5-year plan.

Highway construction monies represent the amount that is available for the discretionary SHF to fund the State Transportation Board's 5-year plan 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 Baseline related to highway construction.

As noted in the HURF distribution table *(please see Table 6)*, an additional amount of \$424,880,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2020. The Statewide Transportation Acceleration Account (STAN) is estimated to have a depleted balance.

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 \$1.1 billion in FY 2018 to \$1.5 billion in FY 2019 and level at \$1.6 billion in FY 2020.

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2020 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 2.

Table 2

Non-Appropriated Capital Fund Expenditures
(\$ in Thousands)

	FY 2018	FY 2019	FY 2020
	Actual	Estimate	Estimate
Aviation Federal Funds	\$1,375	\$2,160	\$2,629
Federal Grants	<u>801,837</u>	<u>636,958</u>	<u>988,214</u>
Subtotal - Federal Funds	\$803,212	\$639,118	\$990,843
Bond Proceeds	\$54,407	\$386,981	\$120,783
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	10,342	10,000	10,000
Maricopa Regional Area Road Fund	<u>272,208</u>	<u>487,883</u>	<u>457,304</u>
Subtotal - Other Non-Appropriated Funds	\$337,957	885,864	589,087
Total	\$1,141,169	\$1,524,982	\$1,579,930

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 18, 2018 includes monies from SHF, Federal Funds, MRARF, SHF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals \$989,723,000 for FY 2020. (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 2020 Baseline includes \$393,432,000 for highway construction, including \$129,488,000 of net SHF monies for statewide highway construction.

Table 5 summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2018 through FY 2020 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 2020 by category of construction. Table 5 also includes monies from the Local Agency Deposits Fund, while Table 3 does not.

For FY 2018, Table 5 shows that total cash highway construction expenditures were \$1.1 billion while \$252.9 million was spent on debt service. In FY 2019, total estimated cash highway construction expenditures are \$1.4 billion with total debt service of \$314.8 million.

Table 3

State Highway Fund
Highway Construction Projects Beginning in FY 2020
(\$ in Thousands)

	FY 2020 ^{1/}
Construction	\$90,015
Urban Controlled Access ^{2/}	550,991
Pavement Preservation Maintenance	297,490
Other ^{3/}	<u>51,227</u>
Total	\$989,723

^{1/} Data from ADOT's 2019-2023 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.

In FY 2020, total estimated cash highway construction expenditures are \$1.7 billion with total debt service of \$330.7 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 \$133.4 million in FY 2018, \$164.9 million in FY 2019, and \$163.4 million in FY 2020. Of the \$330.7 million total FY 2020 debt service amount in Table 5, only \$150.5 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 2018 through FY 2020. The line in Table 6 showing net SHF Available for Statewide Highway Construction, which totals \$129,488,000 for FY 2020, 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 Plan.

Total FY 2018 HURF collections of \$1,455,779,000 were 2.8% above FY 2017 collections. As of November 2018, HURF year-to-date collections were 5.6% higher than the prior year collections.

The gas tax is the largest source of HURF collections, accounting for 36% of HURF revenue in FY 2018. The average price per gallon of regular gasoline in Arizona is \$2.74 in December 2018, or 38 cents per gallon higher 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 2014 to FY 2018, the gas tax share of total collections has decreased by (1.1)% while VLT's share has increased by 2.7%.

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.

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.

Table 5

Highway Construction and Debt Service Expenditures by Fund Source
(\$ in Millions)

<u>Sources</u>	<u>FY 2018 Actual</u>	<u>FY 2019 Estimate</u>	<u>FY 2020 Estimate</u>
State Highway Fund (SHF)			
<i>Appropriated</i>			
HURF - Statewide Debt Service	\$ 90.7	\$ 100.0	\$ 112.5
HURF - MAG Debt Service	39.6	43.0	38.0
MAG/PAG 15.2% Controlled Access - Construction	51.8	71.5	228.0
Net SHF Funds Available for Statewide Highway	107.9	32.1	129.5
Total SHF - Appropriated	\$ 290.0	\$ 246.6	\$ 508.0
<i>Non-Appropriated</i>			
SHF Highway Construction 1/	\$ 0.4	\$ 0.3	\$ -
Total SHF - Non-Appropriated	\$ 0.4	\$ 0.3	\$ -
Total SHF Highway Construction Expenditures	\$ 290.4	\$ 246.9	\$ 508.0
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 801.9	\$ 637.0	\$ 988.2
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 125.9	\$ 258.5	\$ 226.2
MRARF Debt Service	99.1	142.5	143.7
Total Maricopa Regional Area Road Fund Highway	\$ 225.0	\$ 401.0	\$ 369.9
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 4.4	\$ 32.0	\$ 47.8
MRARF - Highway Construction Expenditures	0.0	291.7	0.0
GAN - Highway Construction Expenditures	50.0	63.3	73.0
Total Bond Proceeds Highway Construction	\$ 54.4	\$ 387.0	\$ 120.8
Local Agency Deposits Fund			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	10.3	10.0	10.0
Total Local Agency Deposits Fund Highway	\$ 10.3	\$ 10.0	\$ 10.0
Total Highway Construction Expenditures	\$ 1,382.0	\$ 1,681.9	\$ 1,996.9
Total Debt Service			
SHF	\$ 130.3	\$ 143.0	\$ 150.5
Federal Aid	23.5	29.3	36.5
MRARF	99.1	142.5	143.7
Total Debt Service	\$ 252.9	\$ 314.8	\$ 330.7 2/
Total Cash Highway Construction Expenditures			
SHF	\$ 160.1	\$ 103.9	\$ 357.5
Federal Aid	778.4	607.7	951.7
MRARF	125.9	258.5	226.2
Bond Proceeds	54.4	387.0	120.8
Local Agency Deposits Fund	10.3	10.0	10.0
Total Cash Highway Construction Expenditures	\$ 1,129.1	\$ 1,367.1	\$ 1,666.2
Total Highway Construction Expenditures	\$ 1,382.0	\$ 1,681.9	\$ 1,996.9

1/ Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

2/ Information provided by the department. Includes \$150,502,000 for HURF bonds (\$112,545,000 for statewide program and \$37,957,000 MAG program); \$36,533,000 for Grant Anticipation Notes; and \$143,713,000 for MRARF bonds.

Table 6

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate
Total HURF Collections Before Authorized Third-Party (ATP) Expenses	\$1,477,967	\$1,512,969	\$1,571,515
Less: ServiceArizona ATP Fee Retention	6,574	6,824	7,042
Brick and Mortar ATP Fee Retention	6,357	6,257	6,458
ServiceArizona ATP Credit Card Fee Reimbursements	8,337	8,766	9,047
Brick and Mortar ATP Credit Card Fee Reimbursements	920	922	951
Total HURF Collections	\$1,455,779	\$1,490,200	\$1,548,017
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	656	654	654
Dept. of Public Safety Transfer from HURF	99,399	15,509	0
Reversions from DPS	(115)	(100)	(100)
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	11,338	11,565	11,732
Cities ^{2/}	16,003	16,003	16,003
Counties ^{2/}	9,969	9,969	9,969
Controlled Access ^{2/}	4,028	4,028	4,028
Net HURF Collections	\$1,313,501	\$1,431,572	\$1,504,731
Less: Cities ^{3/}	400,618	436,629	458,943
Counties ^{3/}	249,565	271,999	285,899
VLT Transfer to General Fund ^{4/}	0	42,365	0
VLT Transfer to Parity Compensation Fund ^{5/}	3,340	3,554	3,811
VLT Transfer to General Fund (5-Year VLT) ^{6/}	1,807	1,950	2,100
VLT Transfer to General Fund (Abandoned Vehicle) ^{7/}	6,251	7,000	7,650
Controlled Access ^{8/}	99,092	101,547	113,442
Net SHF (Discretionary)	\$ 552,828	\$ 566,528	\$ 632,886
Plus: Other Income ^{9/}	69,697	80,492	76,445
Less: Operating Budget	340,281	384,073	381,639
Dept of Public Safety Transfer from Highway Fund	8,714	8,169	686
Capital Outlay	5,340	6,560	0
Building Renewal	4,500	5,250	5,250
ServiceArizona ATP VLT Retention ^{10/}	19,059	20,129	20,773
Brick and Mortar ATP VLT Retention ^{10/}	12,789	12,929	13,343
Miscellaneous	3,519	800	650
HURF Exchange Program ^{11/}	2,148	6,500	7,000
Debt Service ^{12/}	130,317	142,971	150,502
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{13/}	\$ 95,858	\$ 59,639	\$ 129,488
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	420,255	425,197	424,880
STAN Account Beginning Balance	614	257	0
Total SHF Available for Statewide Highway Construction	\$ 516,727	\$ 485,093	\$ 554,368

^{1/} Provides monies for economic strength highway projects recommended by the Commerce Authority and approved by the State Transportation Board.

^{2/} The FY 2017 Revenue Budget Reconciliation Bill (BRB) requires, as session law, \$30 million of HURF revenues in FY 2018 to be allocated directly to local governments in percentages reflecting current non-state distribution of HURF revenues. The legislation also specifies that those revenues may only be spent on direct construction/repair and right-of-way expenditures. The FY 2018 Revenue BRB requires, as session law, \$30 million in FY 2019 and \$60 million in FY 2020 to be allocated to local governments in the same manner. 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.

^{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.

^{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 and abandoned vehicle fees.

^{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/} Beginning in October 2017, ADOT has reinstated its HURF Exchange Program, where 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 2020
BASELINE

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 \$33,606,000 to the universities from the General Fund in FY 2020 to finance lease-purchase payments for research infrastructure projects.
- 2/ A.R.S. § 15-1671 appropriates \$27,539,900 to the universities from the General Fund in FY 2020 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

2020, ABOR reports funding 100% of the building renewal formula would be \$161.5 million. The Baseline includes no funding for Building Renewal in the ABOR Building System.

One-Time Funding

Section 131 of the FY 2019 General Appropriation Act appropriated \$8,000,000 to the universities from the General Fund in FY 2019 for one-time operating expenditures or capital improvements. Of this amount, \$4,245,000 is appropriated to ASU, \$1,590,200 is appropriated to NAU, and \$2,164,800 is appropriated to UA.

A General Appropriation Act footnote requires JCCR review for any of these monies that are used for capital projects.

These monies are included in the General Fund budget of each university's individual agency section. *(Please see the individual university sections for more information.)*

Summary of University Debt

ABOR estimates that as of the end of FY 2020, the universities' outstanding principal balances for bonds and lease-purchase agreements will total \$3,618,989,000. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$1,851,949,000
NAU	472,605,000
UA (all campuses)	<u>1,294,435,000</u>
Total	\$3,618,989,000

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2020 will be \$339,425,800. The debt service payments made by each of the universities would be as follows:

ASU (all campuses)	\$155,373,500
NAU	45,876,100
UA (all campuses)	<u>138,176,200</u>
Total	\$339,425,800

Of the total FY 2020 debt service payments, \$40,924,200 would be paid by Lottery monies, \$33,299,600 would be paid by the General Fund for 2003 research infrastructure projects, and \$2,802,500 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 \$3,618,989,000 in FY 2020 university debt, ABOR is projected to have \$505,189,000 in outstanding lease-purchase balances, with an overall debt service payment of \$81,473,000. The FY 2020 General Fund share of the debt service is \$33,299,600. 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 \$3,618,989,000 in FY 2020 university debt, ABOR is projected to have \$3,113,800,000 in outstanding bond balances, including both system revenue and lottery bonds. The projected debt service is \$257,637,700.

University Lottery Bonds

One component of the \$2.8 billion balance is university lottery revenue (Stimulus Plan for Economic and Educational Development (SPEED)) bonds (Laws 2008, Chapter 287 as amended by Laws 2009, 1st Special Session, Chapter 6 and Laws 2009, 3rd Special Session, Chapter 9). These statutory provisions authorized ABOR to enter into bond transactions up to a maximum of \$800,000,000 to pay for new facilities. The bonds are to be paid with 80% Lottery monies and 20% university system revenues.

ABOR is required to allocate \$376,000,000 of the \$800,000,000 for the Phoenix Biomedical Campus. ABOR also decided to allocate \$16,000,000 to Arizona State University's (ASU) School of Construction. With the Phoenix Biomedical Campus and School of Construction set-asides, \$408,000,000 remained to be allocated. ABOR then initially split this amount evenly to each of the 3 universities (\$136,000,000 each) for building renewal, deferred maintenance, and new construction projects.

Including the Phoenix Biomedical Campus, the ASU School of Construction and other projects, \$710,963,000 of the Chapter 287 authority has been reviewed *(see Table 1)*. Of that amount, \$668,710,000 has been issued, which will

Table 1

University Lottery Bond Issuances

<u>Purpose</u>	<u>University</u>	<u>Statutory Distribution</u>	<u>Reviewed Issuance</u>	<u>Actual Issuance</u>	<u>Remaining Authority</u>	<u>Planned Issuance</u>
Phoenix Biomedical Campus	ASU	\$ 94,000,000	0	0	\$ 94,000,000	0
	UA	266,960,000	\$268,045,000	\$251,545,000	15,415,000	\$15,400,000
	NAU	<u>15,040,000</u>	<u>8,200,000</u>	<u>7,475,000</u>	<u>7,565,000</u>	0
Subtotal		\$376,000,000	\$276,245,000	\$259,020,000	\$116,980,000	\$15,400,000
School of Construction	ASU	\$ 16,000,000	\$ 16,000,000	\$ 14,520,000	\$ 1,480,000	0
Building Renewal/ New Construction	ASU	\$136,000,000	\$137,653,000 ^{1/}	\$127,835,000	\$ 8,165,000	0
	NAU	136,000,000	136,015,000 ^{1/}	132,500,000	3,500,000	0
	UA	<u>136,000,000</u>	<u>145,050,000 ^{1/}</u>	<u>134,835,000</u>	<u>1,165,000</u>	<u>1,100,000</u>
Subtotal		\$408,000,000	\$418,718,000	\$395,170,000	\$ 12,830,000	\$ 1,100,000
TOTAL		\$800,000,000	\$710,963,000	\$668,710,000	\$131,290,000	\$16,500,000

^{1/} Actual issuances will not exceed statutory distribution

Table 2

University Lottery Bonding Projects ^{1/}

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Maximum Lottery Revenue to UCI Fund ^{2/3/}	\$ 54,446,500	\$ 70,556,200	\$ 71,655,500	\$ 86,040,500	\$ 93,083,200
Total Debt Service	\$ 49,889,300	\$ 49,861,200	\$ 51,155,300	\$ 49,855,300	\$ 49,855,300
Total Lottery Share at 80% ^{4/5/}	\$ 39,911,400	\$ 39,889,000	\$ 40,924,200	\$ 39,884,200	\$ 39,884,200
Projected University Cost at 20% ^{4/5/}	\$ 9,977,900	\$ 9,972,200	\$ 10,231,100	\$ 9,971,100	\$ 9,971,100
Lottery Funds Remaining for General Fund - Part 3 ^{3/}	\$ 14,535,100	\$ 30,667,200	\$ 30,731,300	\$ 46,156,300	\$ 53,199,000

- ^{1/} Represents JCCR reviewed projects and issuances, and UA planned issuances. The debt service amounts displayed above reflect estimates made in October 2018 based on available information from ABOR.
- ^{2/} Revenue estimates are based on a 7.3% increase in annual Lottery revenues in FY 2019, a 6.5% increase in FY 2020 and 5.0% annual increases thereafter. Represents the maximum amount of revenue available to the UCI Fund. UCI Fund revenues would not exceed the actual total lottery share of debt service in a given year. (See *Total Lottery Share at 80% line.*)
- ^{3/} Lottery revenues that remain after payment of the 80% share of university debt service are transferred to the General Fund.
- ^{4/} Due to savings from the UA Health Sciences Education Building shell space coming in under budget, a portion of the project's bond proceeds are available to pay down debt service in FY 2018 and FY 2019. As a result, the reported FY 2018 and FY 2019 total debt service costs will be reduced by \$(376,600) and \$(86,900), respectively. ABOR would allocate 80% of the savings to the required lottery-funded payment, and 20% to the university funded share.
- ^{5/} The sum of Total Lottery Share at 80% and Projected University Cost at 20% represents the total debt service for the bond issuances. (See the *Capital Debt and Lease-Purchase section for more information.*)

result in a total debt service payment of \$51,155,300 in FY 2020, with 80% of debt service being paid from lottery revenues. At this time a total of \$131,290,000 in remaining authority is available for university lottery bonding projects, including \$116,980,000 for Phoenix Biomedical Campus expansion. In FY 2019, UA reports its planned issuance of \$15,400,000 to complete 3rd and 4th floor shell space in the Biomedical Sciences Partnership Building. (Please see Table 1 for the statutory distribution amounts, the reviewed and planned issuances, and the remaining bonding authority by university, and the FY 2018 Baseline for more historical information.)

After all lottery revenue beneficiaries receive their statutory distributions, the University Capital Improvement (UCI) Fund receives its distribution before any remaining monies are deposited to the General Fund. The Joint Legislative Budget Committee (JLBC) Staff estimates that the UCI Fund could receive as much as \$71,655,500 in FY 2020. This estimate solely reflects the total available after other lottery distributions and does not reflect planned usage. Since the maximum 80% lottery portion of the debt service is assumed to be \$40,924,200 in FY 2020, the budget assumes the remaining \$30,731,200 will be deposited to the General Fund. The 20% share of the university payment, which will be paid for with university system revenues, is projected to be \$10,231,100 in FY 2020.

Chapter 287 also provided that the monies distributed from the UCI Fund would be exempt from the university debt limit calculations. However, each university is required to submit their debt limit calculations with and

without this bonding package as part of their annual Capital Improvement Plans.

Table 2 shows the current projections for UCI Fund revenues and the total combined debt service for the Phoenix Biomedical Campus, ASU School of Construction and building renewal projects if the maximum of 80% of the debt service was paid from Lottery funds. These amounts are based on the FY 2020 Baseline lottery revenue forecast and ABOR debt service estimates from October 2018.

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 2.0% or the rate of inflation, whichever is less. The FY 2020 Baseline appropriations assume a 2% increase and are allocated to each university as follows:

• ASU:	\$12,165,900
• NAU:	\$4,611,300
• UA:	<u>\$10,762,700</u>
• Total:	\$27,539,900

The universities may use these monies for debt service on infrastructure long-term financing and for cash construction costs. New debt issued under this program may not exceed \$1.0 billion.

Table 3

2017 University Capital Infrastructure Funding (CIF) Approved and Proposed Projects ^{1/}

Project	Principal	Average Annual Debt Payment ^{2/}	50% General Fund Portion ^{3/}	Financing Through
Durham Language & Literature Building Renovation	\$45,000,000	--	--	--
Hayden Library Renovation ^{4/ 5/}	35,000,000	\$ 2,362,200	\$ 1,181,100	FY 2043
Health Solutions Innovation Center (Mayo) ^{5/}	80,000,000	5,354,600	2,677,300	FY 2043
Interdisciplinary Science/Technology Building (ISTB) ^{7 5/}	175,000,000	11,742,900	5,871,500	FY 2043
Building Infrastructure ^{5/}	32,000,000	2,115,400	1,057,600	FY 2043
ASU Subtotal	\$367,000,000	\$21,575,100	\$10,787,500	
Multi-Discipline STEM Academic/Research Building	\$139,000,000	--	--	--
Science Annex Renovation ^{5/}	17,400,000	N/A	N/A	N/A
NAU Subtotal	\$156,400,000			
Animal/Biomedical Sciences Building 90 Renovation ^{5/}	\$ 18,000,000	\$ 1,214,100	\$607,100	FY 2043
Applied Research Building	50,000,000	--	--	--
Grand Challenges Research Building	150,000,000	--	--	--
Steward Observatory Renovation ^{5/}	11,000,000	N/A	N/A	N/A
Deferred Maintenance	155,000,000	--	--	--
UA Subtotal	\$384,000,000	\$1,214,100	\$607,100	
Universities Total	\$907,400,000	\$22,789,200	\$11,394,600	

^{1/} Includes projects listed in the universities' Capital Development Plans (CDP) as approved by ABOR for FY 2019.

^{2/} Debt payments for project vary each fiscal year. These amounts represent the average annual debt payment over the financing period.

^{3/} The General Fund and other university resources will split the debt service payments evenly.

^{4/} CIF monies will pay the debt service on \$35 million of the total \$90 million of bonds issued for the Hayden Library Renovation project.

^{5/} Projects that have been approved by JCCR. JCCR approval is required for debt-financed projects.

^{6/} Projects that have been reviewed by JCCR. JCCR review is required for cash-funded projects. NAU and UA determined the Science Annex renovation and Deferred Maintenance projects would be funded using cash, rather than debt-financing.

Under the law, each university's General Fund appropriation are deposited into a newly-created capital infrastructure fund (CIF). Each university must match any General Fund contributions to its fund that are used for debt service payments at a 1:1 rate.

Debt service payments made on CIF funded projects are included in the statutory debt limit. (Please see *University Debt Ratio Policy* for more information.)

Any cash-based capital projects funded with CIF monies must be reviewed by the Joint Committee on Capital Review, and any debt-financed projects funded with CIF monies must be approved by the Committee. The Committee must hear and review, approve, or disapprove, as applicable, each CIF funded project by its second meeting after the request date.

Table 3 shows the projects that the universities have included in their Capital Development and Capital Improvement Plans for FY 2019 that are scheduled to be funded by CIF monies. The list of projects is subject to revisions or additions.

The universities have received JCCR review for 2 projects and JCCR approval for 5 CIF funded projects (see Table 3).

The approved projects are the only CIF funded projects incorporated into ABOR's estimates of systemwide FY 2020 debt and debt service totals. The debt service payments for all planned CIF funded projects, however, are included in the universities' projected future debt ratios. (Please see the *University Debt Ratio Policy* section.)

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. As noted previously, the university lottery bonds (otherwise known as SPEED) are exempt from the debt ratio calculations.

The universities' FY 2018 Debt Capacity Reports project expected debt ratios through FY 2026. 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: 5.5% (5.9% with SPEED) in FY 2021
- NAU: 6.1% (7.8% with SPEED) in FY 2020
- UA: 5.4% (6.6% with SPEED) in FY 2020

These ratios incorporate the debt service impact of planned construction projects, including projects approved in the universities' Capital Development and Capital Improvement plans that will be financed by the 2017 University Capital Infrastructure Funding program.

The universities estimate that they have the capacity to issue \$2.0 billion in additional debt beyond the planned projects based on these debt service ratios.

Capital Outlay

Debt and Lease-Purchase Financing

	FY 2020 BASELINE
LEASE-PURCHASE PAYMENTS AND DISTRIBUTIONS*	
Arizona Department of Administration - 2010 Leaseback Financing ^{1/2/3/}	84,108,500
TOTAL - ALL PROJECTS	84,108,500

* 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 2.)*

FUND SOURCES	
General Fund	84,108,500
TOTAL - ALL SOURCES	84,108,500

DESCRIPTION — This section summarizes the state's debt and lease-purchase obligations.

FOOTNOTES

- 1/ The sum of \$60,098,700 is appropriated from the State General Fund in FY 2020 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, 3rd Special Session, Chapter 6, Section 32. (General Appropriation Act footnote)
- 2/ The sum of \$24,009,800 is appropriated from the State General Fund in FY 2020 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 2010, 6th Special Session, Chapter 4, Section 2. (General Appropriation Act footnote)
- 3/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

2010 Leaseback Financing

2010 Leaseback Financing

The budget includes \$84,108,500 from the General Fund in FY 2020 for lease-purchase payments related to the \$1,035,419,300 state building sale/leaseback agreements.

The FY 2010 Criminal Justice Budget Reconciliation Bill and Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to enter into sale/leaseback agreements in FY 2010 for existing state-owned facilities, requiring the funds to be deposited to the General Fund to subsidize state operating expenses. ADOA sold the issuances in 2 series (January 2010 and June 2010) at an average tax-exempt interest rate ranging from 4.37% to 4.57%, with an effective yield of approximately 4%. These issuances range up to 20 years in period of time, however, optional prepayment by the state is prohibited by the agreements until FY 2020. *(Please see the Debt and Lease-Purchase Financing narrative pages in the FY 2013 Appropriations Report for more information.)*

The sale/leaseback agreements were issued as a tax-exempt deficit financing mechanism in which the proceeds were used for state operational expenses. In this circumstance, the federal government essentially required the state to agree to 1 of 2 requirements.

The state ultimately chose the "Investment Yield Restriction," which limits the investment return on the state's operating balance to the interest rate paid on the outstanding tax-exempt financing (approximately 4%). The state is required to restrict the yield on investments with a value equal to the current level of outstanding financing – which at the end of FY 2020 is expected to be \$904,945,000. This amount includes both the 2010 Leaseback as well as the Lottery Revenue Bonds. The yield restriction exists for the entire term of the operating financing. *(Please see the FY 2017 Appropriations Report for more background on this issue.)*

A.R.S. § 41-707 requires the Department of Administration to report to the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSPB) by October 1 of each year on any costs associated with the Investment Yield Restriction, including whether the policy has reduced the yield of investments or required the state to pay any associated penalties to the federal government.

In October 2018, ADOA reported that there were no costs associated with meeting the Investment Yield Restriction requirements. ADOA stated the requirements have not reduced the yield of investments and there have been no penalties paid to the federal government.

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. AA represents the agency's third highest rating. Using Standard & Poor's credit ratings as of December 2018, in comparison to other states, 25 states have a higher rating, 15 states have the same rating, and 9 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 May 2015, when Arizona's credit rating was increased, its outlook was changed to stable. The credit rating agencies have maintained a stable outlook for Arizona.

In adopting its credit ratings for Arizona in May 2015, the credit agencies listed some of the following concerns: 1) K-12 inflation litigation (now resolved); 2) narrow budget reserves; 3) absence of authority for mid-year reductions; and 4) reduced financial flexibility due to restrictions enacted by Proposition 105 and Proposition 108. While noting these challenges, the agencies also indicated Arizona's comparably moderate debt levels, below median pension liabilities, and stabilized financial position as positive trends. Additionally, in a November 2018 report by Moody's, the rating agency noted the strengthening of Arizona's economy.

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 2020, the outstanding balance of lease-purchase agreements is expected to be \$1.9 billion.

Table 2 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 2020 bond payment will be \$34,511,900. This results in the General Fund receiving \$(34,511,900) less in Lottery revenues in FY 2020. However, since this is not a General Fund appropriation, it does not appear in the General Fund Balance and Payment columns in Table 2.

The federal requirements pertaining to operating financing also apply to the Lottery Revenue Bonds. *(Please see the 2010 Leaseback Financing section in the earlier part of this narrative for more information on these requirements.)*

Table 2 provides information related to the state's current outstanding bonds.

2019 Lottery Revenue Bonds Refinance

In December 2018, the Arizona Department of Administration (ADOA) refinanced the 2010 Lottery Revenue Bonds.

Laws 2010, Sixth Special Session, Chapter 4 required ADOA to issue Lottery Revenue Bonds in CY 2010 and authorizes ADOA to refinance any these bonds in later years without additional legislative approval.

This refinancing will result in annual savings of approximately \$3.0 million throughout the term of the bonds for a total savings of \$29.9 million. This includes a payment reduction of \$(2,988,500) in FY 2020 compared to the previously scheduled FY 2020 payment under the 2010 bonds. This savings will result in additional General Fund revenues, since a reduction in the amounts paid for debt service increases the amount of Lottery revenues deposited into the General Fund. This savings was achieved due to lower bond market interest rates, a shorter bond duration than the original 20-year bonds, and a higher bond rating.

In November 2018, Moody's upgraded the rating on the prospective 2019 refinancing bonds to Aa3 from the original A1 rating on the 2010 Lottery Revenue Bonds. According to Moody's, the rating upgrade reflects steady

growth of pledged lottery revenues and the state's improving economy, strong coverage of debt service, and the absence of future borrowing plans.

Table 1 shows the impact of the refinancing on the Lottery Revenue Bond Payments from FY 2020 – FY 2029. The refinancing did not extend the term of the bonds, so the 2019 refinancing bonds will be paid off at the end of FY 2029, which is the same year as the original 2010 Lottery Bond issuance.

Table 1 Lottery Revenue Bond Payments			
Fiscal Year	Pre- Refinancing Payments	Post- Refinancing Payments	Increase/ (Savings)
FY 2020	\$ 37,500,400	\$ 34,511,900	\$ (2,988,500)
FY 2021	37,498,400	34,509,800	(2,988,600)
FY 2022	37,504,400	34,512,500	(2,991,900)
FY 2023	37,499,400	34,509,500	(2,989,900)
FY 2024	37,500,600	34,508,300	(2,992,300)
FY 2025	37,500,800	34,510,800	(2,990,000)
FY 2026	37,500,800	34,508,800	(2,992,000)
FY 2027	37,502,100	34,514,300	(2,987,800)
FY 2028	37,501,100	34,513,500	(2,987,600)
FY 2029	<u>37,500,800</u>	<u>34,508,300</u>	<u>(2,992,500)</u>
TOTAL	\$375,008,800	\$345,107,700	\$(29,901,100)

Table 2

Lease-Purchase and Bonding Summary

<u>Lease-Purchase Summary</u>	<u>Overall Balance</u>	<u>1/ GF Balance</u>	<u>Overall FY 20 Payment</u>	<u>2/ FY 20 GF Payment</u>	<u>Retirement FY</u>
<u>ADOA Building System</u>					
2008 A Issuance					
ADC 4000 Prison Beds, Wastewater and DHS Forensic Lab	\$ 4,050,000	\$ 4,050,000	\$ 14,199,100	\$ 14,199,100	FY 28
2010 A/B Issuance					
Sale/Leaseback	\$ 659,650,000	\$ 659,650,000	\$ 84,108,500	\$ 84,108,500	FY 30
2013 A Issuance					
PLTO Refinance - DHS Building	\$ 16,860,000	\$ -	\$ 3,556,000	\$ 2,133,600	FY 29
2013 B Issuance					
Refinance - 2002A Health Lab	\$ 5,400,000	\$ -	\$ 2,037,200	\$ -	FY 23
2015 Issuance					
Refinance - 2008A ADC and DHS	\$ 107,515,000	\$ 107,515,000	\$ 5,309,900	\$ 5,309,900	FY 28
2015 A Issuance					
PLTO Refinance - Capitol Mall	\$ 38,705,000	\$ 38,705,000	\$ 9,896,300	\$ 2,598,500	FY 28
2016 Issuance					
ADC Kingman Refinance	\$ 74,155,000	\$ 74,155,000	\$ 17,466,700	\$ 17,466,700	FY 25
Subtotal - ADOA	\$ 906,335,000	\$ 884,075,000	\$ 136,573,700	\$ 125,816,300	
<u>School Facilities Board</u>					
Federal Bonds	40,231,100	40,231,100	9,938,100 3/	9,938,100 3/	FY 28
2011 Refinance	0	0	41,633,400	41,633,400	FY 20
2013 Refinance	0	0	4,817,500	4,817,500	FY 20
2014 Refinance	0	0	18,244,400	18,244,400	FY 20
2015 Refinance	210,890,000	210,890,000	57,237,200	57,237,200	FY 24
Subtotal - SFB	\$ 251,121,100	\$ 251,121,100	\$ 131,870,600	\$ 131,870,600	
<u>ABOR Building System</u>					
Arizona State University	\$ 249,204,000	\$ 121,925,000	\$ 29,962,500	\$ 13,456,300	FY 39
Northern Arizona University	42,210,000	42,210,000	5,899,500	5,899,500	FY 31
University of Arizona	213,775,000	116,600,000	45,611,000	13,943,800	FY 72
Subtotal - ABOR	\$ 505,189,000	\$ 280,735,000	\$ 81,473,000	\$ 33,299,600	
Phoenix Convention Center 4/	\$ 254,350,400	\$ 254,350,400	\$ 23,500,000	\$ 23,500,000	FY 44
TOTAL - Lease-Purchase	\$ 1,916,995,500	\$ 1,670,281,500	\$ 373,417,300	\$ 314,486,500	
<u>Bonding Summary</u>					
<u>School Facilities Board</u>					
Proposition 301	\$ -	\$ -	\$ 64,125,400	\$ -	FY 20
Department of Transportation 5/	\$ 1,552,299,000	\$ -	\$ 187,035,000	\$ -	FY 14 - 38
<u>ABOR Building System</u>					
Arizona State University	\$ 1,273,665,000	\$ -	\$ 108,981,300	\$ -	FY 48
Northern Arizona University	309,400,000	-	27,928,000	-	FY 44
University of Arizona	728,030,000	-	64,283,200	-	FY 48
University Lottery Bond (SPEED)	576,435,000 6/	-	51,155,300	-	FY 48
University Infrastructure (2017) 7/	226,270,000	-	5,605,000	2,802,500	FY 43
Subtotal - ABOR	\$ 3,113,800,000	\$ -	\$ 257,952,800	\$ 2,802,500	
Lottery Revenue Bond Refinance (2019)	\$ 245,295,000	\$ -	\$ 34,511,900 8/	\$ -	FY 29
TOTAL - Bonding	\$ 4,911,394,000	\$ -	\$ 543,625,100	\$ 2,802,500	
TOTAL - Lease-Purchase & Bonding	\$ 6,828,389,500	\$ 1,670,281,500	\$ 917,042,400	\$ 317,289,000	

- 1/ Represents principal balances as of June 30, 2020. 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 20 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 2020 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 \$1,286,743,000 for Highway User Revenue Fund bonds and \$265,556,000 for Grant Anticipation Notes.
- 6/ Represents outstanding balance as of the end of FY 2020 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/ Based on expected issuance amounts, which includes the \$18,000,000 issuance for the UA Building 90 project, the \$35,000,000 issuance to fund a portion of the ASU Hayden Library renovation, and the \$175,000,000 issuance for the ASU Interdisciplinary Science and Technology Building (ISTB) 7 project. The universities will receive \$27,539,900 from the General Fund in FY 2020 under the 2017 Capital Infrastructure Funding Program. Of this amount, \$2,802,500 is expected to be for General Fund debt service. This does not include projects reviewed by JCCR in December 2018.
- 8/ These obligations will be repaid with foregone General Fund revenues.

Capital Outlay

Local Assistance

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
DISTRIBUTIONS			
Phoenix Convention Center	22,499,000	22,996,300	23,500,000 ^{1/}
Rio Nuevo District	13,562,700	14,000,000	14,000,000 ^{2/}
TOTAL - ALL DISTRIBUTIONS	36,061,700	36,996,300	37,500,000 ^{3/}
FUND SOURCES			
General Fund	36,061,700	36,996,300	37,500,000
TOTAL - ALL SOURCES	36,061,700	36,996,300	37,500,000

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 A.R.S. § 9-602, \$23,499,950 of state General Fund revenue is allocated in FY 2020 to the Arizona Convention Center Development Fund established by A.R.S. § 9-601. (General Appropriation Act footnote)
- ^{2/} Pursuant to A.R.S. § 42-5031, 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 \$14,000,000 in FY 2020. The actual amount of the distribution will be made pursuant to A.R.S. § 42-5031. (General Appropriation Act footnote)
- ^{3/} Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Phoenix Convention Center

The Baseline includes \$23,500,000 from the General Fund in FY 2020 for state participation in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. FY 2020 adjustments are as follows:

Distribution Increase

The Baseline includes an increase of \$503,700 from the General Fund in FY 2020 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 \$23,500,000 in FY 2020 to \$29,998,900 by FY 2044.

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 Baseline includes \$14,000,000 from the General Fund in FY 2020 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 2019.

Although the FY 2019 General Appropriation Act displays a \$14,000,000 estimated distribution in FY 2019, the actual amount distributed to the district will reflect allocations required by A.R.S. § 42-5031.

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.

Laws 1999, Chapter 162 allowed the district to retain the state's share of TPT from sales of secondary businesses that are deemed "necessary or beneficial" to the development of the primary component multipurpose facility. This law also limited the district's TPT revenues to the lesser of: (1) 50% of collections or (2) revenues net of those received prior to the year of the election authorizing the district. Laws 1999, Chapter 172 required the district's municipality to spend a matching amount on projects by the district's expiration date in order to receive state TPT revenues.

Prior to Laws 2018, Chapter 138, the district was permitted to operate and receive TPT distributions until July 1, 2025, or until the date all authorized debt service payments are completed, whichever date is earlier. Chapter 138 extends this due date to July 1, 2035, or upon the completion of authorized debt service payments, whichever occurs later.

Prior to Chapter 138, the district was authorized to use state TPT distributions to service bonds issued by the district before January 1, 2009. The same authority applied to contractual obligations incurred by the district before June 1, 2009. Chapter 138 extends such authority to bonds issued before January 1, 2025 and contractual obligations incurred before June 1, 2025.

Chapter 138 provides specific requirements with respect to how the district's property must be disposed following its dissolution, including how the proceeds will be distributed. Moreover, for district-owned properties, Chapter 138 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.

The Rio Nuevo's current debt obligations derive from \$92,560,000 in bonds issued in 2008 and 2009 to finance development projects in the district. In 2016, Rio Nuevo refinanced a portion of these bonds. The debt is secured by a lien on state TPT distributions. Based on these debt service schedules, the remaining balance owed for the debt was \$54,245,000 at the end of FY 2019, which is scheduled to be paid off at the end of FY 2025.

Through FY 2018, Rio Nuevo has received a total of \$165,974,500 in TPT distributions from the state. Actual payments to the district decreased from \$13,988,500 in FY 2017 to \$13,562,700 in FY 2018. The actual amount distributed in future years will reflect the TPT allocation to the district required by statute. (See Table 1.)

Rio Nuevo district distributions were originally accounted for as a reduction of state TPT revenue. Beginning in

FY 2016, these payments are displayed as a state expenditure.

Table 1

State TPT Payments to the Rio Nuevo District

Fiscal Year	Distributions
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	\$165,974,523

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 \$46,472,000 through CY 2017 (see Table 2). As a result, the state has not reduced payments to the City of Phoenix during this time. The cumulative net increase was largely due to the one-time revenue associated with construction in CY 2004 to CY 2008 and the state's low introductory debt service payments. In CY 2017, \$18,595,000 in estimated revenues from the project was \$(3,904,000) below the \$22,499,000 in debt service payments.

Table 2

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>
2017	\$18.6	\$22.5	\$(3.9)	\$46.5
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 (2018)*

REVENUE FORECAST

GENERAL FUND REVENUE

FY 2019

FY 2019 General Fund Baseline revenues are projected to be \$11.3 billion. As indicated in *Table 1*, the revised FY 2019 revenue estimate is \$714.1 million above the estimate from the FY 2019 budget enacted in May 2018.

Table 1

**FY 2019 Revenue Forecast
(\$ in Millions)**

Adopted FY 2019 Revenue Estimate	\$ 10,625.5
Revision to Revenue Forecast	\$ 714.1
Revised FY 2019 Revenue Estimate	\$ 11,339.6

The Baseline Revenue projection is \$714.1 million above the original forecast primarily due to:

- An increase of \$484.0 million in ongoing revenues under the updated January consensus forecast.
- A decrease of \$(15.0) million associated with one-time transfers.
- A \$245.1 million increase in the balance forward from FY 2018. The original budget assumed an ending balance of \$204.5 million for FY 2018 while the actual balance carried forward was \$449.6 million.

Current year ongoing revenue estimates are based on the consensus forecasting process (see *FY 2020 section below*). "Ongoing Revenues" reflect the underlying growth in the economy, including the impact of previously enacted tax law changes, but exclude one-time adjustments and Urban Revenue Sharing. *Table 2* shows the ongoing revenue growth rates in FY 2019 through FY 2022 for the "Big 4" General Fund revenue sources (sales, individual income, corporate income and insurance premium tax) provided by each of the components comprising the 4-sector consensus forecast.

In FY 2018, ongoing revenues grew by 6.9% and were \$212.3 million above the FY 2019 enacted budget forecast. Through December, preliminary FY 2019 year-to-date ongoing revenues are 6.8% above the prior year and are \$200 million above the budget forecast.

Based on the weighted average of the components of the 4-sector consensus forecast, "Big 4" General Fund revenue would grow by 6.4% in FY 2019. After adjusting for small revenue categories, ongoing revenue growth is 7.0%. After including one-time revenues, Urban Revenue

Sharing, and the carry-forward balance, overall revenues are projected to increase 10.5% in FY 2019.

In preparing prior 4-sector consensus forecasts, the various inputs reflected base revenue growth, which excluded the impact of enacted tax legislation. The Baseline forecast, however, was prepared on a net basis, which means that projected General Fund revenue includes the impact of previously enacted tax law changes. The net revenue estimates continue to exclude Urban Revenue Sharing and one-time financing sources (such as fund transfers and the beginning balance). This change in methodology was implemented because the magnitude of tax reductions (difference between base and net revenues) are estimated to be significantly smaller during most of the forecast period than in prior years.

The individual revenue detail for FY 2019 is found in *Table 6* at the end of this section.

FY 2020 and Beyond

The FY 2020 Baseline forecasted total net revenues of \$12.1 billion, which represents 6.9% growth above FY 2019. Ongoing net revenue, which excludes one-time revenues and Urban Revenue Sharing, is projected to be \$11.9 billion. This amount reflects a revenue increase of 3.9% compared to FY 2019. Net revenue growth, which includes the impact of previously enacted tax legislation, is projected at 4.3% for sales, 4.8% for individual income, (0.4)% for corporate income and 0.6% for insurance premium tax.

The FY 2020 Baseline also incorporates revenue planning estimates for FY 2021 and FY 2022, which are shown in *Table 7*. Under the consensus estimates, ongoing net revenue would increase by 3.4% in FY 2021 and 3.8% in FY 2022.

The Baseline estimated 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 of January 2019. Consisting of 12 public and private sector economists, this independent panel meets 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.

Table 2

**4-Sector Estimates
Forecast Percentages (FY 2019 - FY 2022)
Ongoing Revenue**

	FY 2019					FY 2020				
	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax	6.4%	5.7%	6.3%	6.0%	6.1%	4.9%	2.4%	5.1%	4.7%	4.3%
Individual Income Tax	8.3%	5.9%	6.6%	5.7%	6.6%	6.1%	4.0%	5.3%	3.8%	4.8%
Corporate Income Tax	25.8%	8.8%	9.1%	25.0%	17.2%	4.1%	1.1%	3.7%	(9.8)%	(0.4)%
Insurance Premium Tax	(0.1)%	0.1%	0.2%	0.5%	0.2%	1.4%	0.3%	(0.2)%	1.0%	0.6%
Overall ^{1/}	8.1%	6.2%	6.8%	6.9%	7.0%	4.9%	2.8%	4.6%	3.3%	3.9%
	FY 2021					FY 2022				
	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax	3.9%	0.4%	4.7%	4.1%	3.3%	4.0%	3.2%	4.5%	3.8%	3.9%
Individual Income Tax	4.2%	1.8%	4.9%	3.6%	3.6%	5.0%	3.1%	4.8%	3.3%	4.1%
Corporate Income Tax	1.6%	(0.6)%	2.6%	2.1%	1.5%	5.3%	3.9%	4.7%	2.6%	4.2%
Insurance Premium Tax	1.6%	1.9%	2.0%	2.0%	1.9%	1.5%	0.6%	1.8%	1.3%	1.3%
Overall ^{1/}	3.9%	1.3%	4.6%	3.8%	3.4%	4.3%	3.0%	4.4%	3.3%	3.8%

^{1/} The growth rates for each sector represent the weighted average of Big-4 revenue estimates plus JLBC Staff estimates of other revenue categories.

- 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 growth rates from each sector of the forecast for FY 2019 through FY 2022 are detailed in *Table 2*.

Risks to the Revenue Forecast

Growth in state revenue always faces uncertainty. Much of the large upside and downside risks to the forecast continue to reflect the uncertainty regarding the future strength of the overall economy and the timing of the next recession, as described below.

The recent strength of the national economy drove robust revenue growth in FY 2018, which has continued thus far in FY 2019. The Chairman of the Federal Reserve (Fed) indicated in statements made in October 2018 that the economy was in a "remarkably positive" period that pairs "steady, low inflation and very low unemployment". Historically, sustained low unemployment has typically been associated with inflation. However, as of December 2018, the national unemployment rate was 3.9%, the lowest rate since 1970. Core inflation, which excludes food and energy prices, stood at 1.9% in November 2018, which is slightly below the Fed's 2% inflation target.

As noted above, the strong performance of the national economy has been the primary driver of the significant ongoing state revenue growth in FY 2018 (6.9%) and the first half of FY 2019 (6.8%). In addition, Arizona's economy continues to perform well relative to the nation as a whole. According to the State Policy Report's index

of state economic momentum, which ranks states based on their performance in 3 key measures of economic vitality, Arizona currently ranks 14th in personal income growth, 4th in population growth, and 2nd in employment growth.

There are, however, several risk factors that urge caution moving forward. These risks have increased the chances of a recession occurring during the upcoming years. In recent *Wall Street Journal* surveys, approximately two-thirds of 60+ leading economists predicted a recession would occur by the end of calendar year 2020

Unforeseen Natural Disasters and Geopolitical Events – Hurricanes Florence, Michael, and the destructive wild fires across California are recent examples of events that would affect the national economy during the forecast cycle.

International Economics – According to the Organization for Economic Co-operation and Development (OECD); "global economic growth remains strong but has passed its recent peak and faces escalating risks". Among these risks are "tightening financial conditions" and increased global trade tensions, highlighted by recent tariffs against products from China and other countries.

Monetary Policy Uncertainty – The Federal Reserve Bank (Fed) could face challenges in pursuing its dual mandates of promoting full employment and moderate inflation. As discussed above, the U.S. unemployment rate remains at historically low levels while inflation is near the Fed's target level. In order to keep inflation at acceptable levels, however, the Fed raised its short-term interest rate 4 times in 2018. This policy is aimed at averting asset bubbles and excessive risk-taking. The Federal Reserve has indicated that more rate hikes are likely in 2019.

There is a risk that if the timing and pace of further hikes to short-term interest rates are poorly executed, the current economic expansion could stall, and the economy could go into recession.

Federal Health Policy Uncertainty – Changes to the federal Affordable Care Act (ACA) could reduce state insurance premium tax collections. The recently enacted federal tax reform bill included a provision to eliminate the federal penalty levied on individuals that do not have health insurance. Without a penalty, some currently insured individuals will not obtain insurance.

Following the January 1, 2014 effective date for most ACA provisions, the share of Arizona's population with health insurance increased from 82.9% in 2013 to 89.9% in 2017. State insurance premium tax revenues grew 30.4% from

FY 2013 to FY 2017, with most gains coming from health insurance lines.

Average Length of Expansion – Since 1945, the average length of a U.S. economic expansion has been approximately 5 years and the longest has been 10 years. The current expansion has lasted over 9 years, which makes it the second longest expansion during that time. While there is no natural length of time for sustained periods of economic activity, if historical averages were to hold true, the U.S. economic expansion will end at some point within the forecast range.

NAFTA Renegotiations – The level of U.S. and Arizona trade with Canada and Mexico may be impacted by the outcome of renegotiations of the North American Free Trade Agreement (NAFTA). Following over a year of negotiations, the presidents of the 3 countries signed what is formally known as the United States-Mexico-Canada Trade Agreement (USMCA). The agreement would need to be ratified by the legislative branch of all 3 countries in order to become effective.

If the treaty were to be ratified, it would make several changes from NAFTA. Among other changes, USMCA would require that 75% of car or truck components be produced in North America (up from 62.5%). The deal is also expected to give American farmers additional access to Canadian dairy markets and would align Canadian copyright protections with the U.S. laws.

While many of the proposed changes under USMCA are relatively minor departure from NAFTA, the agreement could still have impacts on Arizona's economy. Of Arizona's \$20.9 billion in exports in 2017, \$9.7 billion (47%) were shipped to NAFTA members.

Federal Tax Policy Uncertainty – Major federal tax reforms known as the Tax Cuts and Jobs Act (TCJA) were enacted on December 22, 2017. The changes reduced the overall federal tax burden to businesses and individuals through reductions to federal income tax rates, partly offset by a net expansion of the federal income tax base. Federal reforms have the potential to impact state revenues through tax code conformity and economic activity.

State Conformity

State definitions of income and various deductions used in determining state individual income and corporate income tax largely conform to federal definitions. When the federal government changes these definitions, the state needs to determine whether to adopt the federal changes. Thus far, no legislation to conform to the recent federal tax law changes has been enacted.

The effective date for most provisions of the recently enacted federal reform was January 1, 2018. While taxpayers may begin adjusting their tax payments for the federal changes during the second half of FY 2018, much of the state impact is not expected to occur until FY 2019. The timing of impacts to state collections will also depend on the timing of Arizona conformity to federal provisions.

If the state were to conform to the federal tax law changes, the JLBC Staff estimates that Arizona would collect an additional \$133.5 million of General Fund revenues in FY 2019, and \$184.0 million in additional revenues in FY 2020. The revenue forecast discussed above does not include this additional revenue.

In January 2018, the Department of Revenue released an estimate that conformity would generate between \$50 million and \$250 million of General Fund revenues in FY 2019, with a point-estimate of \$236 million. In December 2018, the Executive stated that conformity would generate between \$180 million and \$200 million of General Fund revenues.

Dynamic Impacts

Increased economic activity due to the federal tax law changes could be having a “dynamic impact” in the sense of increasing state tax dollars. Expansionary fiscal policy in the form of reduced federal taxes has likely boosted economic growth in the short run. The extent of this growth will depend on how tax reductions are allocated among taxpayers and how they use the additional income. Over time, the stimulus will also likely increase federal budget deficits and inflation. This could require contractionary fiscal and monetary policies that slow economic growth in later years.

Due to the factors described above, the dynamic impact that federal tax changes will continue to have on the national economy (and the related impact on the state economy and state revenue collections) is highly uncertain. Depending on the source of the estimates, the projected dynamic impact varies widely. Given the outsized burden of federal compared to state income taxes, most dynamic impacts will occur regardless of state conformity decisions.

The federal tax changes could impact state revenues through income shifting behavior. The TCJA decreased both federal individual and corporate tax rate beginning in TY 2018. The decrease was especially large for the corporate income tax rate, which went from 35% to 21%. As a result, taxpayers had an incentive to shift income from TY 2017 to TY 2018 in order to take advantage of the lower rates at the federal level. If this type of behavior

was common, revenues associated with TY 2018 could be artificially inflated. The extent to which this behavior has occurred is unclear.

Other Non-Baseline Revenue Issues

Two recent U.S. Supreme Court rulings could also affect state revenue collections. The Baseline does not incorporate the impact of either ruling.

Taxation of Out-of-State Vendors – On June 21, 2018, the Supreme Court of the United States (SCOTUS) overruled in *South Dakota v. Wayfair Inc.* previous decisions made by the same court in 1967 (*National Bellas Hess, Inc. v. Illinois Department of Revenue*) and 1992 (*Quill Corp. v. North Dakota*), which both had held that only businesses with a physical presence inside a state can be required to collect that state's sales tax. While SCOTUS overruled the physical presence (“nexus”) requirement under *Quill*, it retained the nexus test under its 1977 ruling on *Complete Auto Transit v. Brady*. Under the *Complete Auto* ruling, SCOTUS outlined the conditions to determine whether a state violates the U.S. Commerce Clause. This is effectively a 4-part test that requires the following elements:

1. Substantial nexus (there must be sufficient connection between a taxpayer and the state).
2. Fair apportionment (the state must not tax more than its fair share of the income of the taxpayer).
3. No discrimination (the state must not treat out-of-state taxpayers differently than in-state taxpayers).
4. Services (the tax must be fairly related to the services provided to the taxpayer by the state).

In its June 21 *Wayfair* ruling, SCOTUS noted that South Dakota’s Senate Bill (SB) 106 satisfied the substantial nexus requirement under *Complete Auto*. (South Dakota's SB 106 expanded the state's sales tax nexus beyond the physical presence requirements set forth in *Quill* and it was the legal challenge of this bill that was brought before SCOTUS in *South Dakota v. Wayfair Inc.*) Although the *Wayfair* ruling did not directly address all the Commerce Clause tests under *Complete Auto* (as it relates to SB 106), the Court noted that “South Dakota's tax system includes several features that appear designed to prevent discrimination against or undue burden upon interstate commerce.” Specifically, the Court referenced: (1) SB 106’s “safe harbor” provision under which annual sales in South Dakota must exceed \$100,000 or include 200 or more transactions for substantial nexus to exist, (2) no retroactive tax clause included in the legislation, and (3) that South Dakota has adopted the Streamlined Sales and Use Tax Agreement (SSUTA), under which states agree to a set of “ground rules” to standardize the imposition and administration of sales and use taxes, including a single,

state-level administration of taxes, a simplified tax rate structure, and uniform definitions and rules.

The potential revenue gain for the state from the *Wayfair* ruling is uncertain. The U.S. Government Accountability Office (GAO) estimated in November 2017 that if all remote sellers were required to collect and remit sales tax, state and local governments nationwide could gain an estimated \$8.5 billion to \$13.4 billion annually. Based on Arizona's share of the U.S. economy, GAO estimated that the combined sales tax gain for Arizona's state and local governments could be between \$190 million and \$293 million annually, of which an estimated \$85 million to \$130 million would be for the General Fund. However, since the Arizona estimate was not based on state-specific data but rather the proration of a national estimate, which GAO acknowledged was uncertain, the JLBC Staff believes that it is more fiscally prudent to use the lower-range estimate of \$85 million as the potential General Fund revenue gain.

Apart from the uncertainty associated with the magnitude of the revenue gain resulting from the *Wayfair* ruling, there is also considerable uncertainty as to when Arizona would start collecting the revenues. Currently, there is no nexus test provided in statutes. Absent such state statutes, it is unclear whether the state has the legal authority to collect tax from remote vendors, including certain internet retailers. Furthermore, it is also unclear whether the Department of Revenue (DOR) has the legal authority to start collecting sales tax from remote sellers based on its own tax rulings. To our knowledge, DOR has not taken any such actions to date. For this reason, the potential revenue gain from the *Wayfair* ruling is not included in the Baseline.

Taxation of Sports Betting – On May 14, 2018, the U.S. Supreme Court ruled the federal Professional and Amateur Sports Protection Act (PASPA) of 1992 to be unconstitutional. PASPA prohibited states from authorizing sports-gambling. As a result of this ruling, states (including Arizona) are now allowed to impose a tax on sports betting. The potential revenue gain for Arizona is uncertain, as it would depend on several factors, including whether sports betting would be limited to Tribal-owned casinos only or be expanded to include retail locations (e.g. off-track betting locations) and online betting. In addition, the net revenue gain would also depend on the tax rate and to what extent sports betting would displace other forms of gambling. Due to these uncertainties, the Baseline does not include any tax revenues from sports betting.

Revenue Adjustments

Table 3 provides an overview of ongoing and actual revenue growth for FY 2019 and FY 2020. Ongoing revenue represents net General Fund revenue, including the impact of previously enacted tax legislation but excluding Urban Revenue Sharing and one-time financing sources. Under the January Baseline, ongoing revenue is projected to grow by 7.0% in FY 2019 and 3.9% in FY 2020. Actual revenue, which represents all General Fund revenue sources, including the beginning balance, is estimated to increase by 10.5% in FY 2019 and 6.9% in FY 2020.

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 indicated in footnote 1 of Table 3, ongoing revenue includes the impact of previously enacted budget legislation.

	FY 2019	%	FY 2020	%
Ongoing Revenue ^{1/}	\$11,464.1	7.0%	\$11,913.3	3.9%
Urban Revenue Sharing	(674.8)		(737.6)	
One-Time Financing Sources:				
Balance Forward	449.6		945.0	
Fund Transfers	<u>100.7</u>		<u>1.8</u>	
Subtotal	550.3		946.8	
Actual Revenue	<u>\$11,339.6</u>	10.5%	<u>\$12,122.6</u>	6.9%
^{1/} Ongoing revenue represents net General Fund revenue, including the impact of previously enacted tax law changes. It excludes Urban Revenue Sharing and one-time financing sources.				

The following section provides a detailed description of prior year budget legislation included in ongoing revenue collections in FY 2019 through FY 2022 (see Table 4 for a complete list of each of the tax law and revenue changes included in ongoing revenue collections in FY 2019 through FY 2022). As shown in Table 4, ongoing budget legislation enacted prior to the 2019 Regular Session is

estimated to reduce ongoing revenue by \$(78.8) million in FY 2019, followed by an additional reduction of \$(26.2) million in FY 2020, \$(27.2) million in FY 2021, and \$(30.3) million in FY 2022. All revenue impacts in *Table 4* 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 5*.

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.)

In terms of credit history, credit donations were made up to the cap within the first few weeks of each fiscal year from FY 2013 through FY 2017. The FY 2018 credit cap of \$74.3 million was reached in December 2017 whereas the FY 2019 credit cap of \$89.2 million was reached less than 3 weeks into the fiscal year.

Under Laws 2006, Chapter 325 the credit cap will increase to \$107.0 million in FY 2020, \$128.4 million in FY 2021, and \$154.1 million in FY 2022. At current time, the JLBC Staff estimates that the cap will be reached in each of the next 3 fiscal years for the following reasons. First, the credit cap has been reached in each of the last 6 fiscal years despite increasing by 20% annually. Credit history suggests that this trend could continue 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 half of total credit use in FY 2017 and FY 2018 was attributable to C corporations. This suggests that there is enough combined corporate, individual, and insurance premium tax liability for the credit to be fully utilized through FY 2022. Therefore, the credit is expected to reduce General Fund revenue by \$(14.9) million in FY 2019, followed by reductions of

\$(17.8) million in FY 2020, \$(21.4) million in FY 2021, and \$(25.7) million in FY 2022.

2) Phase-Down of Corporate Income Tax Rate – Laws 2011, 2nd Special Session, Chapter 1 reduced the corporate income tax rate from 6.968% to 4.9% over 4 years, beginning in TY 2014. The final phase-in of the rate reduction is estimated to reduce corporate income tax collections by \$(32.1) million in FY 2019.

3) Phase-In of Single Corporate Sales Factor – Laws 2011, 2nd Special Session, Chapter 1 increased the optional sales factor, which is used to calculate the apportionment of taxable income for multi-state corporations, from 80% to 100% over 4 years, beginning in TY 2014. The final phase-in of this provision is estimated to reduce corporate income tax collections by \$(11.6) million in FY 2019.

4) Qualified Facility Tax Credit – Laws 2012, Chapter 343 created a new individual and corporate income tax credit for businesses that expand or locate qualified facilities in the state, beginning in TY 2013. The credit is 10% of the lesser of (1) the capital investment in the facility or (2) \$200,000 for each net new employee hired at the facility. To qualify for the credit, a company is required to devote at least 80% of its property and payroll at the facility to manufacturing, research, or a national or regional headquarter. There are also certain minimum requirements with respect to wage and health insurance coverage for new employees at the facility. Laws 2016, Chapter 372 modified the credit by reducing some of the minimum requirements for new employees and extended the credit program by 3 years, from TY 2019 to TY 2022. The credit is refundable but no single taxpayer can claim more than \$30 million per calendar year. The credit must be taken in equal installments over 5 years. The qualified facility credit is subject to an annual aggregate cap of \$70 million. Prior to 2018, the \$70 million cap was shared with the renewable energy investment credit (which was repealed after December 31, 2017 pursuant to Laws 2017, Chapter 299). The qualified facility credit is estimated to reduce General Fund revenue by \$(2.8) million in FY 2019.

5) 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 \$(4.3) million in FY 2019, followed by

further decreases of \$(4.7) million in FY 2020, \$(5.0) million in FY 2021, and \$(5.4) million in FY 2022.

6) ADA Retrofits Subtraction – Laws 2017, Chapter 278 permits a business to subtract for income tax purposes the entire amount of business access expenditures incurred in the taxable year to retrofit property in order to comply with the federal Americans with Disabilities Act of 1990 (ADA). For state income tax purposes, Chapter 278 has the effect of accelerating the depreciation of such property to 1 year rather than expensing it over several years. The income tax subtraction, which is effective from TY 2018, applies to property that was originally placed in service 10 years prior to the retrofitting. Chapter 278 is estimated to reduce General Fund revenue by \$(1.3) million annually, beginning in FY 2019.

7) Inflation Indexing of Personal Exemption – Laws 2017, Chapter 299 increased the personal exemption amount allowed by individual income taxpayer in TY 2017 from:

- \$2,100 to \$2,150 for single filers
- \$4,200 to \$4,300 for head of household filers
- \$4,200 to \$4,300 for married couples filing joint returns with no dependents
- \$6,300 to \$6,450 for married couples filing joint returns with at least 1 dependent.

For TY 2018, the personal exemption amounts were further increased to:

- \$2,200 for single filers
- \$4,400 for head of household filers
- \$4,400 for married couples filing joint returns with no dependents
- \$6,600 for married couples filing joint returns with at least 1 dependent.

Beginning in TY 2019, the personal exemption amounts are adjusted annually for inflation.

In addition to the increase of the personal exemption amounts, Chapter 299 repeals several tax credits, beginning in TY 2018. Since these tax credits have either not been claimed at all or claimed in negligible amounts to date, the elimination of the credits is not expected to have any significant revenue impact. Subject to certain requirements contained in the legislation, Chapter 299 provides that any tax credit, beginning in TY 2018, which is unclaimed for 4 consecutive years be eliminated. The personal exemption changes are estimated to reduce individual income tax revenue by \$(6.7) million in FY 2019. Beyond FY 2019, future revenue losses from indexing are incorporated into base revenue.

8) 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 2019, followed by an additional reduction of \$(0.8) million in FY 2020. While Chapter 319 is estimated to have no revenue impact in FY 2021, it is projected to increase individual income tax revenue by \$0.8 million in FY 2022 relative to FY 2021.

9) 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 \$(0.8) million in FY 2019, followed by additional reductions of \$(0.9) million in FY 2020, and \$(0.8) million in FY 2021.

10) Elimination of Ongoing Judiciary Fund Transfers – The FY 2018 General Appropriation Act (Laws 2017, Chapter 305) authorized total transfers of \$2.6 million from various Judiciary funds to the General Fund, beginning in FY 2018. Beginning in FY 2019, the FY 2019 General Appropriation Act (Laws 2018, Chapter 276) eliminates the \$2.6 million in ongoing transfers provided by Laws 2017, Chapter 305. Therefore, Chapter 276 has the effect of reducing General Fund revenue by \$(2.6) million annually, beginning in FY 2019. (Chapter 276 includes a one-time transfer of \$2.0 million in FY 2019 from various Judiciary funds to the General Fund.)

11) Reduction of Liquor Licenses Fund Transfer – Pursuant to A.R.S. § 4-120, 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. Laws 2018, Chapter 276 provided various changes to the Department of Liquor Licenses and Control's operating budget, which resulted in the appropriation from the Liquor Licenses Fund to the department being increased by \$91,100 in FY 2019. Since these changes reduce the excess fund balance by the same amount, Chapter 276 has the effect of reducing General Fund revenue by \$(91,100) annually, beginning in FY 2019.

12) 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.

13) Boxing/MMA Fees Shifts from General Fund – Laws 2018, Chapter 283 directed all boxing and mixed martial arts-related revenues, excluding licensing fees, to be deposited into the Unarmed Combat Subaccount within the Racing Regulation Fund in FY 2019. These monies were previously deposited into the General Fund. As a result, General Fund revenues are reduced by \$(45,100) annually, beginning in FY 2019.

14) Cap on Radiation Regulatory Fees Shift from General Fund – The FY 2019 Health BRB (Laws 2018, Chapter 284) requires that the first \$300,000 in radiation regulatory fees be deposited in the General Fund while remaining fees be allocated using the "90/10" agency model. (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.) Chapter 284 is estimated to reduce General Fund revenue by \$(773,400) annually, beginning in FY 2019.

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 individual and corporate income tax collections from 2 years prior.

As indicated in *Table 6*, total URS distributions will increase from \$674.8 million in FY 2019 to \$737.6 million in FY 2020. This URS increase results in a FY 2020 General Fund revenue loss of \$(62.8) million relative to FY 2019. As shown in *Table 7*, URS distributions are estimated to

increase to \$792.3 million in FY 2021 and \$827.0 million in FY 2022, which will result in net General Fund revenue losses of \$(54.7) million and \$(34.7) million in FY 2021 and FY 2022, respectively.

One-Time Financing

As shown in *Table 5*, one-time financing sources are included in the budget for FY 2019. The following is a discussion of the one-time financing sources.

FY 2019

The \$550.3 million in one-time financing sources for FY 2019 includes:

Fund Transfers

The FY 2019 General Appropriation Act (Laws 2018, Chapter 276) authorized a total of \$120.7 million in fund transfers to the General Fund in FY 2019. This amount included an anticipated General Fund deposit of \$20.0 million in FY 2019 obtained by the Attorney General from a settlement with the Volkswagen group in May 2018. The monies from this settlement, however, were deposited into the General Fund in FY 2018 rather than in FY 2019. As a result, total fund transfers in FY 2019 will be \$(20.0) million less than originally anticipated, or \$100.7 million.

Balance Forward

The FY 2018 General Fund ending balance carried forward into FY 2019 was \$449.6 million.

FY 2020

The \$946.8 million in one-time financing sources for FY 2020 includes:

Fund Transfers

As a result of the aforementioned 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.

Balance Forward

The FY 2019 General Fund ending balance carried into FY 2020 is projected to be \$945.0 million.

FY 2021

The \$150.0 million in one-time financing sources for FY 2021 includes:

Balance Forward

The Baseline assumes that \$150.0 million will be reserved in the FY 2020 ending balance, while the remainder of the

projected FY 2020 cash balance is presumed to be allocated as part of the FY 2020 budget process. Therefore, the FY 2020 General Fund ending balance carried into FY 2021 is assumed to be \$150.0 million.

FY 2022

As shown in *Table 5*, no one-time financing sources are currently included for FY 2022. The projected FY 2021 ending balance of \$239.4 million is presumed to be allocated as part of the FY 2021 budget process.

Table 4

Prior Year Budget Legislation with Ongoing Revenue Impact in FY 2019 through FY 2022
(\$ Millions) ^{1/ 2/}

<u>Prior Year Legislation / Description of Provision</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<u>Laws 2006, Ch. 14 & Ch. 325</u>				
1) Corporate school tuition credit for low-income students	\$(14.9)	\$(17.8)	\$(21.4)	\$(25.7)
<u>Laws 2011, 2nd SS, Ch. 1</u>				
2) Phases down corporate tax rate from 6.968% to 4.9% over 4 years, beginning in TY 2014	(32.1)	0.0	0.0	0.0
3) Phases in corporate sales factor from 80% to 100% over 4 years, beginning in TY 2014	(11.6)	0.0	0.0	0.0
<u>Laws 2012, Ch. 343</u>				
4) Creates an income tax credit for capital investments in new or expanded manufacturing facilities, commercial headquarters, or research facilities ^{3/}	(2.8)	0.0	0.0	0.0
<u>Laws 2015, Ch. 220 & Laws 2016, Ch. 358</u>				
5) Phases down insurance premium tax rate from 2.0% to 1.7% over 6 years, beginning in FY 2017	(4.3)	(4.7)	(5.0)	(5.4)
<u>Laws 2017, Ch. 278</u>				
6) Provides income tax subtraction for ADA retrofits	(1.3)	0.0	0.0	0.0
<u>Laws 2017, Ch. 299</u>				
7) Inflation-indexing of personal exemption amounts	(6.7)	0.0	0.0	0.0
<u>Laws 2017, Ch. 319</u>				
8) Adds a total of \$10 million in new angel investment credits	(0.8)	(0.8)	0.0	0.8
<u>Laws 2017, Ch. 340</u>				
9) Modifies eligibility requirements for job tax credit and extends credit through FY 2025 ^{4/}	(0.8)	(0.9)	(0.8)	0.0
<u>Laws 2018, Ch. 276</u>				
10) Eliminates ongoing Judiciary Fund transfers to General Fund ^{5/}	(2.6)	0.0	0.0	0.0
<u>Laws 2017, Ch. 276</u>				
11) Reduces Liquor Licenses Fund transfers to General Fund	(0.1)	0.0	0.0	0.0
<u>Laws 2018, Ch. 283</u>				
12) Increases military pension exemption from \$2,500 to \$3,500, beginning in TY 2019	0.0	(2.0)	0.0	0.0
<u>Laws 2018, Ch. 283</u>				
13) Shifts boxing and mixed martial arts fees from General Fund to Racing Regulation Fund	(0.1)	0.0	0.0	0.0
<u>Laws 2018, Ch. 284</u>				
14) Caps radiation regulatory fees shift from General Fund	<u>(0.8)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Revenue Impact over Prior Year	\$(78.8)	\$(26.2)	\$(27.2)	\$(30.3)

^{1/} Represents marginal pricing: All revenue impacts are stated relative to the prior year.

^{2/} Some provisions have been revised since the enactment of the FY 2019 budget in May 2018.

- 3/ Impact began in FY 2014.
- 4/ Includes impact of Laws 2012, Chapter 343, which eliminated individual company cap of 400 eligible employees. In addition, Laws 2012, Chapter 343 provided that the credit be available to insurers through TY 2019. The TY 2019 deadline for insurers to claim the credit was subsequently eliminated by Laws 2016, Chapter 360. The imposition and subsequent removal of the TY 2019 deadline is not expected to have any fiscal impact. Laws 2017, Chapter 340 extended the credit from FY 2017 through FY 2025 and modified the minimum investment and wage requirements.
- 5/ Transfers authorized by Laws 2016, Chapter 117 and Laws 2017, Chapter 305 were eliminated by Laws 2018, Chapter 276.

Table 5

FY 2019 through FY 2022 One-Time Financing Sources
(\$ in Millions)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Balance Forward	\$ 449.6	\$ 945.0	\$ 150.0	
Fund Transfers	<u>100.7</u>	<u>1.8</u>	<u>0.0</u>	<u>0.0</u>
Total One-Time Financing	<u>\$550.3</u>	<u>\$946.8</u>	<u>\$150.0</u>	<u>\$0.0</u>

Table 6

GENERAL FUND REVENUE - FY 2018 - FY 2020

FORECAST REVENUE GROWTH								
	(\$ in Thousands)							
	ACTUAL FY 2018	% CHANGE PRIOR YR	FORECAST FY 2019	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2020	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	4,787,647.2	6.2%	5,079,394.4	6.1%	291,747.3	5,295,915.1	4.3%	216,520.6
Income - Individual	4,544,081.2	10.0%	4,844,700.5	6.6%	300,619.4	5,077,888.1	4.8%	233,187.6
- Corporate	373,076.4	1.3%	437,175.6	17.2%	64,099.2	435,480.3	-0.4%	(1,695.3)
Property	38,719.6	19.0%	36,598.5	-5.5%	(2,121.1)	36,094.5	-1.4%	(504.1)
Luxury - Tobacco	21,978.2	-4.2%	21,206.9	-3.5%	(771.3)	20,445.3	-3.6%	(761.5)
- Liquor	36,019.7	3.8%	36,976.3	2.7%	956.6	37,951.3	2.6%	975.0
Insurance Premium	509,276.0	1.0%	510,175.2	0.2%	899.2	513,425.8	0.6%	3,250.6
Other Taxes	7,650.5	179.1%	11,878.3	55.3%	4,227.9	12,548.7	5.6%	670.3
Subtotal - Taxes	10,318,448.8	7.5%	10,978,105.8	6.4%	659,657.1	11,429,749.1	4.1%	451,643.2
Other Non-Tax Revenues:								
Lottery	68,425.4	-13.0%	92,804.3	35.6%	24,378.9	95,859.4	3.3%	3,055.1
Licenses, Fees and Permits	37,969.9	-1.2%	34,206.9	-9.9%	(3,763.0)	35,130.4	2.7%	923.5
Interest	22,013.1	29.5%	35,000.0	59.0%	12,986.9	42,378.6	21.1%	7,378.6
Sales and Services	34,120.9	-18.9%	44,895.9	31.6%	10,775.0	38,722.4	-13.8%	(6,173.5)
Other Miscellaneous	108,311.8	29.1%	82,185.8	-24.1%	(26,126.0)	84,611.5	3.0%	2,425.7
Transfers and Reimbursements	40,598.6	-36.7%	113,269.4	179.0%	72,670.8	103,028.4	-9.0%	(10,240.9)
Disproportionate Share Revenue	83,704.7	-11.3%	83,604.0	-0.1%	(100.7)	83,868.1	0.3%	264.1
Subtotal - Other Non-Tax	395,144.3	-5.6%	485,966.2	23.0%	90,821.9	483,599	-0.5%	(2,367.4)
Net Ongoing Revenue	10,713,593.0	6.9%	11,464,072.0	7.0%	750,479.0	11,913,347.9	3.9%	449,275.9
Urban Revenue Sharing (URS)	(680,770.1)	N/A	(674,804.4)	N/A	5,965.6	(737,573.6)	N/A	(62,769.2)
Net Ongoing Revenue w/ URS	10,032,822.9	7.2%	10,789,267.6	7.5%	756,444.6	11,175,774.3	3.6%	386,506.7
One-Time Financing Sources:								
Fund Transfers	74,391.7	-48.7%	100,681.7	35.3%	26,290.0	1,840.7	-98.2%	(98,841.0)
Subtotal - One-Time Financing Sources	74,391.7	-48.7%	100,681.7	35.3%	26,290.0	1,840.7	-98.2%	(98,841.0)
Subtotal - Revenues	10,107,214.6	6.4%	10,889,949.3	7.7%	782,734.6	11,177,615.0	2.6%	287,665.7
Balance Forward	150,871.0	-46.9%	449,632.0	198.0%	298,761.0	945,002.3	110.2%	495,370.3
Total - Resources	10,258,085.6	4.8%	11,339,581.3	10.5%	1,081,495.6	12,122,617.3	6.9%	783,036.0

Table 7

GENERAL FUND REVENUE - FY 2021 - FY 2022

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2021	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2022	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	5,470,005.7	3.3%	174,090.6	5,683,049.2	3.9%	213,043.5
Income - Individual	5,263,079.3	3.6%	185,191.2	5,477,218.4	4.1%	214,139.1
- Corporate	441,815.1	1.5%	6,334.8	460,252.9	4.2%	18,437.8
Property	37,307.4	3.4%	1,212.9	36,845.6	-1.2%	(461.8)
Luxury - Tobacco	19,882.9	-2.8%	(562.5)	19,349.0	-2.7%	(533.8)
- Liquor	38,929.6	2.6%	978.3	39,937.8	2.6%	1,008.2
Insurance Premium	523,006.9	1.9%	9,581.1	529,805.2	1.3%	6,798.2
Other Taxes	13,257.1	5.6%	708.4	14,005.8	5.6%	748.7
Subtotal - Taxes	11,807,284.0	3.3%	377,534.9	12,260,463.9	3.8%	453,179.9
Other Non-Tax Revenues:						
Lottery	114,999.1	20.0%	19,139.7	118,326.6	2.9%	3,327.5
Licenses, Fees and Permits	36,095.0	2.7%	964.6	37,103.0	2.8%	1,008.0
Interest	47,118.5	11.2%	4,739.9	48,738.3	3.4%	1,619.9
Sales and Services	38,173.5	-1.4%	(548.9)	37,735.2	-1.1%	(438.3)
Other Miscellaneous	86,335.5	2.0%	1,724.0	88,880.4	2.9%	2,544.9
Transfers and Reimbursements	105,955.6	2.8%	2,927.2	108,786.6	2.7%	2,831.1
Disproportionate Share Revenue	83,717.3	-0.2%	(150.8)	83,629.2	-0.1%	(88.1)
Subtotal - Other Non-Tax	512,394.5	6.0%	28,795.6	523,199.4	2.1%	10,805.0
Net Ongoing Revenue	12,319,678.4	3.4%	406,330.6	12,783,663.4	3.8%	463,984.9
Urban Revenue Sharing (URS)	(792,281.4)	N/A	(54,707.8)	(827,005.3)	N/A	(34,723.8)
Net Ongoing Revenue w/ URS	11,527,397.0	3.1%	351,622.8	11,956,658.1	3.7%	429,261.1
One-Time Financing Sources:						
Fund Transfers	0.0	-100.0%	(1,840.7)	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	0.0	-100.0%	(1,840.7)	0.0	N/A	0.0
Subtotal - Revenues	11,527,397.0	3.1%	349,782.1	11,956,658.1	3.7%	429,261.1
Balance Forward	150,000.0	-84.1%	(795,002.3)		-100.0%	(150,000.0)
Total - Resources	11,677,397.0	-3.7%	(445,220.2)	11,956,658.1	2.4%	279,261.1

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 7.0% of the current year's General Fund revenues, excluding the beginning balance.
- 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 2017

In CY 2016, Arizona adjusted personal income increased by 3.17%, with a trend growth rate of 2.26%. Since the CY 2016 "excess" growth rate was 0.91%, the formula recommended a BSF deposit of \$84.3 million in FY 2017. The Legislature did not authorize the deposit.

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. The State Forester's outstanding unreimbursed claims balance may not exceed \$10.0 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 2017, the State Forester's outstanding balance increased by \$2.9 million. Combined with the FY 2016 year-end outstanding balance of \$587,800, the FY 2017 year-end outstanding balance was \$3.5 million. The State Forester reimbursed that amount to the Treasurer upon federal payment on the claims.

Laws 2016, Chapter 117 appropriated \$1.5 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2017.

The FY 2018 General Appropriation Act (Laws 2017, Chapter 305) 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 2017. Chapter 305 required the BSF to be fully reimbursed by September 1, 2017. DES withdrew \$25.0 million in July 2017 and reimbursed the State Treasurer for that amount in September 2017.

FY 2018

In CY 2017, Arizona adjusted personal income increased by 2.61%, with a trend growth rate of 3.15%. Since the CY 2017 growth rate was (0.54)% lower than the trend growth rate, but still higher than 2.0%, the formula did not recommend a withdrawal. 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.

In FY 2018, the State Forester'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 \$10.0 million. The Forester is effectively at the statutory \$10.0 million cap. The State Forester will reimburse that amount to the Treasurer upon federal payment on the claims.

Laws 2017, Chapter 305 appropriated \$1.5 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2018.

Additionally, Laws 2017, Chapter 305 appropriated \$2.6 million from BSF interest earnings to the Department of Education for financial assistance to school districts and charter schools located in counties with a population of less than 500,000. The distribution also applies to school districts and charter schools that primarily serve homeless or special needs students, regardless of location. The distribution is proportionally allocated based on average daily membership counts from the 2016-2017 school year.

The FY 2019 General Appropriation Act (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.

FY 2019

The University of Arizona's Economic and Business Research Center (EBR) currently projects that Arizona real adjusted personal income will grow by 2.40% in CY 2018. Since this is (0.47)% below the estimated trend growth rate of 2.87%, but still higher than 2.0%, the formula is projected to recommend no withdrawal in FY 2019.

In FY 2019, we assume that the State Forester will continue to draw down funds as claims are repaid, effectively leaving their usage at \$10.0 million.

Laws 2018, Chapter 276 appropriates \$2.0 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2019.

Laws 2018, Chapter 276 also allows 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. As of January 2019, DPS has not yet reimbursed the State Treasurer.

FY 2020

EBR currently projects that Arizona real adjusted income will grow by 3.00% in CY 2019. Since this is 0.28% above the estimated trend growth rate of 2.72%, the formula is projected to recommend a BSF deposit of \$30.2 million in FY 2020.

STATUTORY CHANGES

The Baseline would, as session law, continue to notwithstanding the requirements for any deposit to or withdrawals from the Budget Stabilization Fund through FY 2022.

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

	Actual FY 2017	Actual FY 2018	Estimate FY 2019	Estimate FY 2020
General Fund Revenues				
Adjusted Revenues	\$9,358,542.0 ^{2/}	\$10,032,822.9	\$10,789,267.6	\$11,175,774.2
Statutory Limit of Revenues	7.0%	7.0%	7.0%	7.0%
Maximum Balance	655,097.9	702,297.6	755,248.7	782,304.2
Arizona Personal Income in Prior CY				
Real Adjusted Annual Income Growth	3.17%	2.61%	2.40%	3.00%
7-Year Average Income Growth	<u>2.26%</u>	<u>3.15%</u>	<u>2.87%</u>	<u>2.72%</u>
Annual Difference	0.91%	(0.54)%	(0.47)%	0.28%
BSF Transactions				
Beginning BSF Balance	460,846.5	461,446.9	457,786.0	439,986.0
BSF Formula Recommendation	84,319.5	0	0	30,209.9
Actual Transfer In				
None	0.0	0.0	0.0	0.0
Actual Transfer Out				
State Forester Claims ^{3/4/}	(2,902.0)	(6,498.3)	0.0	0.0
Arts Commission ^{5/6/7/}	(1,500.0)	(1,500.0)	(2,000.0)	0.0
ADE Rural Assistance ^{8/}	0.0	(2,600.0)	0.0	0.0
DPS Operating Funding ^{9/}	0.0	0.0	(23,300.0)	23,300.0
DES Funding for Reimbursement Grants ^{10/11/12/}	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	(4,402.0)	(10,598.3)	(25,300.0)	23,300.0
Balance	456,444.5	450,848.6	432,486.0	463,286.0
Interest Earnings & Equity Gains/Losses ^{13/}	5,002.4	6,937.4	7,500.0	8,000.0
Ending BSF Balance	\$461,446.9	\$457,786.0	\$439,986.0	\$471,286.0
Percent of Revenues	4.9%	4.6%	4.1%	4.2%

^{1/} BSF history prior to FY 2017 can be found on the JLBC website.

^{2/} Actual General Fund revenue for FY 2017, as determined by the Economic Estimates Commission.

^{3/} 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.

^{4/} The cumulative transfers out through FY 2018 is \$10.0 million. The FY 2019 and FY 2020 projections assume that the outstanding balance will continue to be \$10.0 million as new funds are drawn down, as old claims are repaid.

^{5/} Laws 2016, Chapter 117 appropriated \$1.5 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2017.

^{6/} Laws 2017, Chapter 305 appropriated \$1.5 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2018.

^{7/} Laws 2018, Chapter 276 appropriates \$2.0 million from BSF interest earnings to the Arizona Commission on the Arts in FY 2019.

^{8/} Laws 2017, Chapter 305 appropriated \$2.6 million from BSF interest earnings to the Department of Education for rural assistance in FY 2018.

^{9/} 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 must reimburse this amount by September 2019.

^{10/} Laws 2016, Chapter 117 authorized the Department of Economic Security (DES) and the Department of Child Safety (DCS) to use up to \$35.0 million each from the BSF to provide funding for reimbursement grants in FY 2016. Chapter 117 required the BSF to be fully reimbursed by September 1, 2016. This loan authority was used only by DES, which withdrew \$35.0 million in July 2016 and reimbursed the State Treasurer for that amount in August 2016.

^{11/} Laws 2017, Chapter 305 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 2017. Chapter 305 required the BSF to be fully reimbursed by September 1, 2017. DES withdrew \$25.0 million in July 2017 and reimbursed the State Treasurer for that amount in September 2017.

^{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/} Estimated interest earnings for FY 2019 and FY 2020 were 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 Officer 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 enroll 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 2020 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 2020 is \$220.4 million and the Total State Funds cost is \$570.5 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.

ASRS

The General Fund cost associated with ASRS in FY 2020 is estimated to be \$71.1 million and the Total State Funds cost is \$287.9 million.

At its November 2018 meeting, the ASRS Board of Trustees increased the pension contribution rate to 11.94% of Personal Services in FY 2020. The FY 2019 rate was 11.64%. The employer contribution rate for disability insurance increased from 0.16% to 0.17%, for a total

Table 1

Arizona Public Retirement FY 2020 System Employer Cost

	<u>FY 2020 Total Cost 1/</u>		
	<u>General Fund</u>	<u>All Other Funds 2/</u>	<u>Total</u>
Arizona State Retirement System	\$ 71,079,000	\$ 216,814,800	\$ 287,893,800
Public Safety Personnel Retirement System	19,488,200	82,343,200	101,831,400
Corrections Officer Retirement Plan	99,877,200	4,908,200	104,785,400
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	14,281,100	287,200	14,568,300
University Optional Retirement Plan	15,628,100	45,792,200	61,420,300
Grand Total	\$ 220,353,600	\$ 350,145,600	\$ 570,499,200

1/ Represents the JLBC estimate of the total cost of the system, including estimated county probation officer and additional Maricopa County judicial salaries, but does not reflect any other appropriated FY 2020 Baseline change in Personal Services costs.

2/ Includes both Other Appropriated Funds and Non-Appropriated Funds (including Federal Funds).

overall employer contribution rate of 12.11% (compared to 11.80% 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. *(Please see Table 2 for historical ASRS contribution rates, excluding disability.)*

PSPRS

The PSPRS system consists of numerous state and local subgroups, each with its own contribution rate *(see Table 3)*.

The General Fund cost associated with PSPRS in FY 2020 is estimated to be \$19.5 million and the Total State Funds cost is \$101.8 million.

Most of the rate increase in the PSPRS system for the state groups is because the state pension cost is still amortized over a 20-year time horizon. Several Employer groups switched to a 30-year amortization period in FY 2018, which makes the increase in the PSPRS aggregate contribution rate in FY 2020 minimal. While the aggregate change in PSPRS systemwide is 0.37%, several state entities will see a larger increase in their contribution rate. For example, the Department of Public Safety's Tier 1 and 2 rate will increase from 95.35% in FY 2019 to 102.58% in FY 2020. *(Please see Table 4 for reasons behind contribution rate changes.)*

Table 2

ASRS Contribution Rates (Excludes Disability)

<u>Fiscal Year</u>	<u>Rate 1/</u>	<u>Fiscal Year</u>	<u>Rate 1/</u>
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

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.

Table 3

PSPRS/CORP State Employer Group Retirement Rates (Excludes Health and Disability Program)

<u>Retirement System</u>	<u>Employer</u>				<u>Employee</u>		
	<u>FY 2019</u>		<u>FY 2020</u>		<u>FY 2020</u>		
	<u>Tier 1 and 2</u>	<u>Tier 3</u>	<u>Tier 1 and 2</u>	<u>Tier 3 1/</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3 1/</u>
<u>Public Safety Personnel Ret. System</u>							
Liquor License Investigators	86.34	83.40	94.15	94.05	7.65	11.65	9.80
Department of Public Safety 2/	95.35	85.87	102.58	92.95	2.65	6.65	5.02
Northern Arizona University Police	62.43	60.23	65.61	63.28	7.65	11.65	9.80
University of Arizona Police	47.20	42.81	48.52	44.47	7.65	11.65	9.80
Arizona State University Police	42.06	37.09	43.79	38.82	7.65	11.65	9.80
Game and Fish Department	105.93	103.65	116.28	114.33	7.65	11.65	9.80
Attorney General Investigators	74.55	71.23	63.58	60.10	7.65	11.65	9.80
DEMA Firefighters	34.74	32.57	35.66	33.40	7.65	11.65	9.80
Parks Police	66.95	64.00	87.88	84.64	7.65	11.65	9.80
<u>Corrections Officer Ret. Plan</u>							
Corrections Officer - ADC	28.38	26.36	27.51	25.53	8.40	8.40	7.00
Corrections Officer - DJC	47.20	44.86	44.65	42.61	8.41	8.41	7.00
DPS Dispatchers 3/	38.95	N/A	40.41	N/A	7.96	7.96	N/A
Probation Officers	28.36	N/A	28.36	27.59	8.41	8.41	9.90

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 \$99.9 million in FY 2020 and the Total State Funds cost is \$104.8 million.

In aggregate, the employer contribution rate is (1.19)% lower. The largest reason for the decrease in CORP costs is the changes brought about by Laws 2017, Chapter 163. This legislation replaced the Permanent Benefit Increase (PBI) structure for current CORP employees with annual retirement benefit increases based on the change in the Phoenix-Mesa Consumer Price Index, capped at 2% annually. In November 2018, voters approved Proposition 125, which allowed this change to go into effect. PSPRS has incorporated this benefit change into the FY 2020 valuation. *(Please see Table 4 for reasons behind contribution rate changes.)*

As part of the Chapter 163 change, as of July 1, 2018, new CORP members in the Arizona Department of Corrections (DOC) and Department of Juvenile Corrections (DJC) will be enrolled in a defined contribution (DC) plan rather than a traditional defined benefit plan.

EORP and EODCRS System

The General Fund cost associated with EORP and the EODCRS in FY 2020 is estimated to be \$14.3 million and the Total State Funds cost is \$14.6 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 is 61.43%.

For EODCRS members, the total employer contribution rate is the same, 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.

Additional Judicial Salaries

The FY 2019 Criminal Justice Budget Reconciliation Bill phased 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. These changes are reflected in the estimated total cost of EORP contributions.

While the enacted budget included funding for the FY 2019 EORP rate increase, cost projections for the change in the contribution rate, which utilized data provided by

PSPRS, understated the fiscal impact. The statewide allocation for General Fund EORP costs was \$4,727,200 in the budget, however, the actual General Fund cost of the adjustment is now estimated to be \$5,015,000. *(Please see FY 2019 EORP Supplemental / FY 2020 Adjustment for more additional information.)*

UORP

The General Fund cost associated with UORP in FY 2020 is estimated to be \$15.6 million and the Total State Funds cost is \$61.4 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 2020.

FY 2019 EORP Supplemental / FY 2020 Adjustment

The Baseline includes an FY 2019 supplemental appropriation of \$287,800 from the General Fund to pay for FY 2019 employer contribution increases related to the Elected Officials' Retirement Fund (EORP). The FY 2019 General Appropriation Act underestimated the total cost of the increase. The supplemental only affects agencies that pay EORP employer contributions from the

Table 4

Reasons for Change in the Employer Contribution Rate ^{1/}			
	ASRS	PSPRS	CORP
FY 2019 Contribution Rate	11.80%	52.10%	28.78%
Asset (Gain)/Loss	0.30%	0.47%	0.33%
Payroll ^{2/}	0.00%	1.16%	1.15%
Disability Rate Change	0.01%	N/A	N/A
Tier 2 Employee Benefits	0.00%	-0.04%	-0.28%
PBI/ COLA Effect ^{3/}	0.00%	0.11%	-0.50%
Benefit Changes	N/A	0.00%	-2.35%
Assumption Changes	N/A	0.00%	0.00%
Amortization Change	N/A	-1.30%	N/A
Other	0.00%	-0.03%	0.46%
FY 2020 Contribution Rate	12.11%	52.47%	27.59%
Net Change	0.31%	0.37%	-1.19%

^{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 4.0%, requiring a higher employer contribution rate on the smaller than projected salary base.

^{3/} There was no PBI increase in FY 2020, compared to an assumed PBI level of 2.0%, therefore the reduction in liabilities is reflected in a slightly decreased employer rate. PSPRS now uses a Cost of Living Adjustment, which is reflected in the valuation.

General Fund; agencies using other funds (Treasurer and the Corporation Commission) were allocated the correct amount. The Baseline also includes the same amount from the General Fund in FY 2020. *Table 5* outlines the total supplemental distribution by agency.

Table 5

EORP Supplemental Adjustment for FY 2019

<u>Agency</u>	<u>Cost</u>
Attorney General	\$ 2,000
ADE	1,900
Governor's Office	2,100
Judiciary - Supreme Court	24,500
Judiciary - Court of Appeals	74,100
Judiciary - Superior Court	133,500
Legislature - House	31,400
Legislature - Senate	15,700
Mine Inspector	1,100
Secretary of State	1,500
Total	\$287,800

CORP/EORP Cost of Living Adjustment

In November 2018, voters approved Proposition 125, which replaced the PBI retired members of CORP and EORP receive with an annual cost-of-living adjustment (COLA) based on the average annual change in the Phoenix-Mesa Consumer Price Index, capped at 2% annually. In 2016, a similar change was passed within PSPRS.

Based on historical investment return data, during the annual valuation process PSPRS actuaries used to assume the existing PBI structure would generate average benefit increases of approximately 3% per year. The PBI has now been replaced with a COLA adjustment which cannot exceed 2% in any year, which will reduce the overall level of future EORP liabilities. As noted in *Table 4*, the benefit changes from Proposition 125 reduced the aggregate CORP employer contribution rate by (2.35)% in FY 2020.

Funded Status

As of June 30, 2018, there were 654,060 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.)*

Table 6 also shows each plan's assets and liabilities. To calculate the unfunded liability of each plan, actuaries use a modified amount for asset values to reflect certain plan assumptions. *Table 5* reflects current market values for assets and not the actuarial value. The funded status, or

the amount of market assets relative to the amount of liabilities, of each plan is:

- 73.4% for ASRS;
- 44.8% for PSPRS;
- 53.0% for CORP; and
- 30.4% 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 9* shows information on each retirement system and employer tier.

Table 6

Arizona Public Retirement System Valuation Data as of June 30, 2018

	ASRS		PSPRS		CORP		EORP	
Membership	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>
Active (working and contributing)	206,055	207,199	19,010	18,698	13,958	14,335	600	579
State Active Members	25,950	25,909	1,425	1,331	8,329	8,498	89	89
Other Active Members <u>1/</u>	180,105	181,290	17,585	17,367	5,629	5,837	511	490
Inactive	228,490	232,568	2,113	2,523	2,942	3,001	162	150
Retired Members, Disabled and Survivor Beneficiaries	142,117	153,908	12,399	12,823	5,091	5,395	1,196	1,203
Deferred Retirement Option Plan	<u>N/A</u>	<u>N/A</u>	<u>1,409</u>	<u>1,678</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total	576,662	593,675	34,931	35,722	21,991	22,731	1,958	1,932
Funding Status (dollar values in millions) <u>2/</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Market Value of Assets	\$37,783	\$38,491	\$6,841	\$7,286	\$1,742	\$1,857	\$298	\$275
Total Actuarial Liability	\$52,189	\$52,438	\$15,579	\$16,276	\$3,624	\$3,506	\$1,012	\$905
Unfunded Actuarial Liability <u>3/</u>	\$14,406	\$13,947	\$8,738	\$8,990	\$1,882	\$1,649	\$714	\$630
Funded Status <u>3/</u>	72.4%	73.4%	43.9%	44.8%	48.1%	53.0%	29.4%	30.4%

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.

Table 7

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%	12.43%	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%	12.43%	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%	24.85%	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%	51.88%	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%	59.53%	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%	63.53%	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%	27.37%	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%	35.78%	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%	N/A	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%	N/A	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%	N/A	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 2028 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 (in FY 2020, that rate is 0.32%).

4/ PSPRS, CORP and EORP projected employer and employee contribution rates reflect those published in the FY 2020 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.

Table 8

State Retirement Plan Summary

	PSPRS			CORP			EORP			ASRS
	Tier 1	Tier 2	Tier 3/DC	Tier 1	Tier 2	Tier 3/DC ^{2/}	Tier 1	Tier 2	DC Plan	DB Plan
Hire Date	Before 1/1/12	1/1/12 thru 7/1/17	After 7/1/17	Before 1/1/12	1/1/12 thru 7/1/18	After 7/1/18	Before 1/1/12	1/1/12 thru 1/1/14	After 1/1/14	Present
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	Not Applicable	None	62	Not Applicable	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 ^{1/}	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%		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%	8.00%	12.11%
Aggregate Employer Rate	52.47%	52.47%	DB 47.75% (Normal+Legacy Costs) DC: 9.00%+Legacy Costs	27.59%	27.59%	5%+Legacy Cost	61.43%	61.43%	61.43% (6.00% to employer account)	12.11%

^{1/} CORP and EORP COLA for Tier 1 and 2 dependent upon November 2018 election outlined in HCR 2032, current beneficiaries still receive a PBI.

^{2/} CORP reforms include a Tier 3 Defined Benefit plan, however essentially all state workers in CORP would only be eligible for the Defined Contribution Plan.

LONG TERM GENERAL FUND ESTIMATES

LONG TERM GENERAL FUND ESTIMATES

Summary

A.R.S. § 35-125 requires the annual General Appropriation Act to include a 3-year revenue and expenditure projection. To assist in this effort, the JLBC Staff has developed General Fund Baseline estimates through FY 2022, as shown in *Table 2*. Based on the assumptions described below, the Baseline ending balance is estimated to be \$239 million in FY 2021 and \$220 million in FY 2022.

These estimates exclude the Budget Stabilization Fund (BSF) monies. The BSF is estimated to have a fund balance of about \$470 million by the end of FY 2020.

Given the multiple year forecast, 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 2020 through FY 2022 would change the ending balance calculations by \$725 million in the third year.

Baseline Revenues

The Baseline revenue estimates are based on a consensus forecasting process. As with FY 2020 revenues, the long run estimates average 4 different forecasts. This process is described in more detail in the *General Fund Revenue* section.

The “4-sector” consensus projected an average General Fund base revenue growth of 3.9% in FY 2020, 3.4% in FY 2021 and 3.8% in FY 2022. *Table 1* includes the individual forecast components in FY 2021 and FY 2022. These growth rates reflect revenue growth prior to Urban Revenue Sharing, but after previously enacted tax laws.

The FY 2021 and FY 2022 forecasts include comparatively small adjustments for the effects of previously-enacted multi-year tax reductions. In FY 2021, these adjustments are projected to reduce revenue by \$(27) million relative to FY 2020. There would be a further reduction of \$(30) million in FY 2022 relative to FY 2021. The details of the tax reductions are in *Table 4* of the *General Fund Revenue* section.

General Fund revenues are projected to grow significantly from FY 2019 to FY 2020, with modest ongoing revenue growth supplemented by an increase in the balance forward. Ongoing revenues will grow slightly slower in FY 2021 and FY 2022. The projected level of total General Fund revenue would increase from \$11.34 billion in FY 2019 to \$12.12 billion in FY 2020. General Fund revenue would then decrease to \$11.68 billion in FY 2021 as a result of a significant decrease in the balance forward,

then increase to \$11.96 billion in FY 2022. The Baseline presumes that \$150 million of the FY 2020 ending balance will be reserved as a balance forward. The *General Fund Revenue* section also details the potential risks to the forecast.

Table 1

4-Sector Consensus Forecast Percentages

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
<u>FY 2021</u>					
Sales Tax	3.9%	0.4%	4.7%	4.1%	3.3%
Individual Income Tax	4.2%	1.8%	4.9%	3.6%	3.6%
Corporate Income Tax	1.6%	(0.6)%	2.6%	2.1%	1.5%
Insurance Premium Tax	1.6%	1.9%	2.0%	2.0%	1.9%
Wgt Avg ^{1/}					3.4%
<u>FY 2022</u>					
Sales Tax	4.0%	3.2%	4.5%	3.8%	3.9%
Individual Income Tax	5.0%	3.1%	4.8%	3.3%	4.1%
Corporate Income Tax	5.3%	3.9%	4.7%	2.6%	4.2%
Insurance Premium Tax	1.5%	0.6%	1.8%	1.3%	1.3%
Wgt Avg ^{1/}					3.8%

^{1/} Rates include adjustments for small revenue categories.

Baseline Spending

The long term General Fund expenditures reflect the requirements of existing statutory funding formulas and other obligations. This spending is projected to increase by \$654 million in FY 2021 (6.1%) above FY 2020 and \$298 million in FY 2022 (2.6%) above FY 2021.

These spending adjustments include normal caseload growth in caseload-driven agencies such as the Arizona Department of Education (ADE) and AHCCCS, including continued implementation of adjustments for teacher pay and school additional assistance authorized in the FY 2019 budget. The FY 2021 number also includes \$98 million in one-time monies for a 27th pay period in that year. Because state employees are paid biweekly, roughly once every decade the fiscal year includes a 27th pay period in addition to the standard 26; the last time the state paid for a 27th pay period was FY 2012. The FY 2021 figure is also higher than normal due to the restoration of one-time FY 2020 reductions in AHCCCS associated with surplus prescription drug rebate monies.

Overall spending would be \$11.44 billion in FY 2021 and \$11.74 billion in FY 2022. *(See Table 3 for the projected ongoing spending levels of agencies. Total spending by agency, including one-time spending, is displayed in Table 4.)*

In addition, the long-term estimates assume the continued annual suspension of funding formula requirements permanently authorized in law and the continued non-funding of \$219 million in non-statutory funding formulas for building renewal (*see Table 5*). Of the permanently authorized funding formula requirements totaling \$259 million in FY 2020, however, the FY 2019 budget reduces the suspensions of the additional assistance components in the Department of Education to \$203 million in FY 2020, \$136 million in FY 2021, \$68 million in FY 2022, and \$0 in FY 2023.

Baseline Balances

Under the Baseline assumptions, there would be an FY 2021 cash surplus of \$239 million and an FY 2022 cash balance of \$220 million. The structural balances are projected to be \$258 million and \$249 million, respectively.

The Baseline balance estimates probably overstate the availability of funds in FY 2021 and FY 2022 for 2 reasons:

- The Baseline eliminates \$92 million of spending that was labeled as "one-time" in the FY 2019 budget. There may be legislative interest in retaining some of this spending. Of the \$92 million, \$81 million in spending has been labeled as one-time in multiple years. If these items were funded through FY 2021 and FY 2022, the balances in those years would be lower than the Baseline estimates.
- The Baseline assumes no increase in discretionary spending, which is unlikely to occur. Any discretionary increases will make balances in FY 2021 and FY 2022 lower than the Baseline estimates.

The Baseline assumes that \$150 million of the projected FY 2020 ending cash balance will be reserved, with the remainder of the balance allocated as part of the FY 2020 budget process. To the extent the FY 2020 budget allocates the FY 2020 cash balance differently, the FY 2021 and FY 2022 balances will also differ.

In addition, this projection assumes that the economy does not enter a recession during this time period. If this turns out to be true, it would mean the national economy had experienced 156 months of economic expansion. The current record for longest expansion is 120 months.

Table 2

JANUARY BASELINE
STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 1/
WITH ONE-TIME FINANCING SOURCES

	FY 2019 Baseline	FY 2020 Baseline	FY 2021 Baseline	FY 2022 Baseline
REVENUES				
Ongoing Revenues	\$11,464,072,000	\$11,913,347,900	\$12,319,678,400	\$12,783,663,400
Urban Revenue Sharing	(674,804,400)	(737,573,600)	(792,281,400)	(827,005,300)
Net Ongoing Revenues	\$10,789,267,600	\$11,175,774,300	\$11,527,397,000	\$11,956,658,100
One-time Financing Sources				
Balance Forward	\$449,632,000	\$945,002,300	\$150,000,000 <u>4/</u>	
Fund Transfers	100,681,700	1,840,700		
Subtotal One-time Revenues	\$550,313,700	\$946,843,000	\$150,000,000	\$0
Total Revenues	\$11,339,581,300	\$12,122,617,300	\$11,677,397,000	\$11,956,658,100
EXPENDITURES				
Operating Budget Appropriations	\$10,200,028,900	\$10,652,528,200	\$11,296,630,700	\$11,730,661,600
FY 2019 Supplementals/Ex-Approp.	(28,405,400)			
Administrative Adjustments	143,000,000	150,000,000	156,000,000	165,000,000
Revertments	(167,000,000)	(173,000,000)	(183,000,000)	(188,000,000)
Subtotal Ongoing Expenditures	\$10,147,623,500	\$10,629,528,200	\$11,269,630,700	\$11,707,661,600
One-time Expenditures				
Capital Outlay	\$4,959,000			
Operating One-Time Spending	241,996,500	154,881,700	70,402,700	28,533,700
Additional (27th) Pay Period			98,000,000	
Subtotal One-time Expenditures	\$246,955,500	\$154,881,700	\$168,402,700	\$28,533,700
Total Expenditures	\$10,394,579,000	\$10,784,409,900	\$11,438,033,400	\$11,736,195,300
Ending Balance <u>2/</u>	<u>\$945,002,300</u>	<u>\$1,338,207,400 <u>4/</u></u>	<u>\$239,363,600</u>	<u>\$220,462,800</u>
Structural Balance <u>3/</u>	<u>\$641,644,100</u>	<u>\$546,246,100</u>	<u>\$257,766,300</u>	<u>\$248,996,500</u>

- 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 expenditures and excludes one-time adjustments. Excludes any Budget Stabilization Fund balance.
- 4/ The Baseline assumes that \$150 million will be reserved in the FY 2020 cash balance, and the remainder of the projected FY 2020 cash balance is presumed to be allocated as part of the FY 2020 budget process. The \$150 million allocation results in a \$200+ million FY 2021 cash balance being available for permanent initiatives.

Table 3

GENERAL FUND SPENDING BY BUDGET UNITS EXCLUDING ONE-TIME SPENDING IN INDIVIDUAL AGENCIES 1/

	FY 2019 Baseline	FY 2020 \$ Above FY 2019	FY 2020 Baseline	FY 2021 \$ Above FY 2020	FY 2021 Baseline	FY 2022 \$ Above FY 2021	FY 2022 Baseline
EXPENDITURES							
Operating Budget							
-- Department of Administration	\$7,887,900		\$7,887,900		\$7,887,900		\$7,887,900
-- ADOA - Automation Projects Fund	5,000,000		5,000,000	(5,000,000)			
-- Office of Administrative Hearings	864,600		864,600		864,600		864,600
-- African-American Affairs Commission	126,700		126,700		126,700		126,700
-- Arizona Department of Agriculture	9,579,100		9,579,100		9,579,100		9,579,100
-- AHCCCS	1,776,890,400	3,865,700	1,780,756,100	200,789,500	1,981,545,600	114,737,100	2,096,282,700
-- Attorney General	24,327,500		24,327,500		24,327,500		24,327,500
-- State Board for Charter Schools	1,204,000		1,204,000		1,204,000		1,204,000
-- Department of Child Safety	375,763,700		375,763,700		375,763,700		375,763,700
-- Commerce Authority	21,800,000	(6,000,000)	15,800,000		15,800,000		15,800,000
-- Community Colleges	57,205,500	1,431,400	58,636,900	2,583,100	61,220,000	2,802,900	64,022,900
-- Corporation Commission	613,900		613,900		613,900		613,900
-- Department of Corrections	1,094,790,700	(3,072,900)	1,091,717,800		1,091,717,800		1,091,717,800
-- County Funding	7,650,700		7,650,700		7,650,700		7,650,700
-- Schools for the Deaf and the Blind	21,421,200	1,600,000	23,021,200		23,021,200		23,021,200
-- Office of Economic Opportunity	485,300		485,300		485,300		485,300
-- Department of Economic Security	636,289,200	50,962,300	687,251,500	46,933,000	734,184,500	50,006,300	784,190,800
-- State Board of Education	1,144,600		1,144,600		1,144,600		1,144,600
-- Department of Education	4,639,488,200	429,963,900	5,069,452,100	458,587,200	5,528,039,300	263,958,000	5,791,997,300
-- Dept. of Emergency & Military Affairs	11,079,100		11,079,100		11,079,100		11,079,100
-- State Board of Equalization	650,300		650,300		650,300		650,300
-- Board of Executive Clemency	1,133,700		1,133,700		1,133,700		1,133,700
-- Department of Financial Institutions	1,967,600		1,967,600		1,967,600		1,967,600
-- Dept. of Forestry and Fire Management	11,128,800		11,128,800		11,128,800		11,128,800
-- Department of Gaming	1,779,500		1,779,500		1,779,500		1,779,500
-- Office of the Governor	7,008,800		7,008,800		7,008,800		7,008,800
-- Gov's Ofc of Strategic Planning and Budgeting	2,013,900		2,013,900		2,013,900		2,013,900
-- Department of Health Services	89,540,400		89,540,400		89,540,400		89,540,400
-- Arizona Historical Society	3,179,200	(120,000)	3,059,200		3,059,200		3,059,200
-- Prescott Historical Society	826,100		826,100		826,100		826,100
-- Independent Redistricting Commission				500,000	500,000	3,200,000	3,700,000
-- Department of Insurance	5,599,600		5,599,600		5,599,600		5,599,600
-- Judiciary	116,367,400	7,109,500	123,476,900	6,019,400	129,496,300		129,496,300
-- Department of Juvenile Corrections	22,518,200		22,518,200		22,518,200		22,518,200
-- State Land Department	11,678,900	(128,300)	11,550,600		11,550,600		11,550,600
-- Legislature							
Auditor General	19,607,000	497,500	20,104,500		20,104,500		20,104,500
House of Representatives	13,746,600		13,746,600		13,746,600		13,746,600
Joint Legislative Budget Committee	2,494,900		2,494,900		2,494,900		2,494,900
Legislative Council	8,279,800		8,279,800		8,279,800		8,279,800
Senate	9,687,300		9,687,300		9,687,300		9,687,300
SUBTOTAL - Legislature	\$53,815,600	\$497,500	\$54,313,100	\$0	\$54,313,100	\$0	\$54,313,100
-- State Mine Inspector	1,249,900		1,249,900		1,249,900		1,249,900
-- Navigable Stream Adjudication Commission	126,600		126,600		126,600		126,600
-- Commission for Postsecondary Education	1,646,800		1,646,800		1,646,800		1,646,800
-- Department of Public Safety	103,918,600	(30,000,000)	73,918,600		73,918,600		73,918,600
-- Public Safety Personnel Retirement System	6,000,000	(1,000,000)	5,000,000		5,000,000		5,000,000

Table 3

GENERAL FUND SPENDING BY BUDGET UNITS EXCLUDING ONE-TIME SPENDING IN INDIVIDUAL AGENCIES 1/

	FY 2019 Baseline	FY 2020 \$ Above FY 2019	FY 2020 Baseline	FY 2021 \$ Above FY 2020	FY 2021 Baseline	FY 2022 \$ Above FY 2021	FY 2022 Baseline
-- State Real Estate Department	2,898,900		2,898,900		2,898,900		2,898,900
-- Department of Revenue	30,935,600		30,935,600		30,935,600		30,935,600
-- School Facilities Board	152,650,400	(2,416,800)	150,233,600	(64,692,700)	85,540,900	(1,000)	85,539,900
-- Secretary of State	15,517,100	1,650,000	17,167,100	(1,650,000)	15,517,100	(3,384,500)	12,132,600
-- Tax Appeals, State Board of	279,300		279,300		279,300		279,300
-- Office of Tourism	7,112,000		7,112,000		7,112,000	1,500,000	8,612,000
-- State Treasurer	1,205,100		1,205,100		1,205,100		1,205,100
-- Governor's Office on Tribal Relations	60,600		60,600		60,600		60,600
-- Universities	712,671,900	(2,480,000)	710,191,900	(465,500)	709,726,400	712,800	710,439,200
-- Department of Veterans' Services	6,067,200		6,067,200		6,067,200		6,067,200
-- Department of Water Resources	13,609,300		13,609,300		13,609,300		13,609,300
-- Phoenix Convention Center Payment	22,996,300	503,700	23,500,000	497,900	23,997,900	500,600	24,498,500
-- Rio Nuevo District	14,000,000		14,000,000		14,000,000		14,000,000
-- Asset Sale/Lease-Back Debt Service	84,112,000	(3,500)	84,108,500	600	84,109,100	(1,300)	84,107,800
-- Continue FY 19 EORP Supplemental		287,800	287,800		287,800		287,800
-- Unallocated IT Pro-Rata Charge Increase	500	(500)					
-- Unallocated Retirement Rate Adjustment	150,500	(150,500)					
Total - Operating Budget	\$10,200,028,900	\$452,499,300	\$10,652,528,200	\$644,102,500	\$11,296,630,700	\$434,030,900	\$11,730,661,600
-- Capital Outlay	4,959,000	(4,959,000)					
-- Operating One-Time Spending	241,996,500	(87,114,800)	154,881,700	(84,479,000)	70,402,700	(41,869,000)	28,533,700
-- Additional (27th) Pay Period				98,000,000	98,000,000	(98,000,000)	
-- FY 2019 Supplementals/Ex-Appropriation	(28,405,400)	28,405,400					
-- Administrative Adjustments	143,000,000	7,000,000	150,000,000	6,000,000	156,000,000	9,000,000	165,000,000
-- Revertments	(167,000,000)	(6,000,000)	(173,000,000)	(10,000,000)	(183,000,000)	(5,000,000)	(188,000,000)
Total Spending	\$10,394,579,000	\$389,830,900	\$10,784,409,900	\$653,623,500	\$11,438,033,400	\$298,161,900	\$11,736,195,300

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 page S-8.

Table 4

GENERAL FUND SPENDING BY BUDGET UNITS INCLUDING ONE-TIME SPENDING 1/

	FY 2019 Baseline w/ One-Times	FY 2020 \$ Above FY 2019 w/ One-Times	FY 2020 Baseline w/ One-Times	FY 2021 \$ Above FY 2020 w/ One-Times	FY 2021 Baseline w/ One-Times	FY 2022 \$ Above FY 2021 w/ One-Times	FY 2022 Baseline w/ One-Times
EXPENDITURES							
Operating Budget							
-- Department of Administration	\$7,939,100		\$7,939,100		\$7,939,100		\$7,939,100
-- ADOA - Automation Projects Fund	5,000,000		5,000,000	(5,000,000)			
-- Office of Administrative Hearings	868,900		868,900		868,900		868,900
-- African-American Affairs Commission	127,200		127,200		127,200		127,200
-- Arizona Department of Agriculture	9,640,000	750,000	10,390,000	(750,000)	9,640,000		9,640,000
-- AHCCCS	1,777,093,500	3,865,700	1,780,959,200	200,789,500	1,981,748,700	114,737,100	2,096,485,800
-- Attorney General	25,940,300		25,940,300	(1,500,000)	24,440,300		24,440,300
-- State Board for Charter Schools	1,209,800		1,209,800		1,209,800		1,209,800
-- Department of Child Safety	375,838,700		375,838,700		375,838,700		375,838,700
-- Commerce Authority	21,800,000	(6,000,000)	15,800,000		15,800,000		15,800,000
-- Community Colleges	57,205,500	1,431,400	58,636,900	2,583,100	61,220,000	2,802,900	64,022,900
-- Corporation Commission	814,600	(196,600)	618,000		618,000		618,000
-- Department of Corrections	1,099,670,000	(3,072,900)	1,096,597,100		1,096,597,100		1,096,597,100
-- County Funding	20,566,200	(12,915,500)	7,650,700		7,650,700		7,650,700
-- Schools for the Deaf and the Blind	21,659,300	1,600,000	23,259,300		23,259,300		23,259,300
-- Office of Economic Opportunity	488,800		488,800		488,800		488,800
-- Department of Economic Security	650,936,900	36,562,300	687,499,200	46,933,000	734,432,200	50,006,300	784,438,500
-- State Board of Education	1,146,300		1,146,300		1,146,300		1,146,300
-- Department of Education	4,704,652,000	429,463,900	5,134,115,900	408,087,200	5,542,203,100	249,858,000	5,792,061,100
-- Dept. of Emergency & Military Affairs	11,098,200		11,098,200		11,098,200		11,098,200
-- State Board of Equalization	652,000		652,000		652,000		652,000
-- Board of Executive Clemency	1,137,000		1,137,000		1,137,000		1,137,000
-- Department of Financial Institutions	1,984,800		1,984,800		1,984,800		1,984,800
-- Dept. of Forestry and Fire Management	11,156,700		11,156,700		11,156,700		11,156,700
-- Department of Gaming	1,779,500		1,779,500		1,779,500		1,779,500
-- Office of the Governor	8,538,800	(1,500,000)	7,038,800		7,038,800		7,038,800
-- Gov's Ofc of Strategic Planning and Budgeting	2,022,100		2,022,100		2,022,100		2,022,100
-- Department of Health Services	89,931,200		89,931,200		89,931,200		89,931,200
-- Arizona Historical Society	3,195,000	(120,000)	3,075,000		3,075,000		3,075,000
-- Prescott Historical Society	832,700		832,700		832,700		832,700
-- Independent Redistricting Commission				500,000	500,000	3,200,000	3,700,000
-- Department of Insurance	5,628,400		5,628,400		5,628,400		5,628,400
-- Judiciary	116,577,000	7,109,500	123,686,500	6,019,400	129,705,900		129,705,900
-- Department of Juvenile Corrections	22,734,500		22,734,500		22,734,500		22,734,500
-- State Land Department	11,733,400	(128,300)	11,605,100		11,605,100		11,605,100
-- Legislature							
Auditor General	19,709,600	497,500	20,207,100		20,207,100		20,207,100
House of Representatives	13,835,000		13,835,000		13,835,000		13,835,000
Joint Legislative Budget Committee	2,504,800		2,504,800		2,504,800		2,504,800
Legislative Council	8,304,900		8,304,900		8,304,900		8,304,900
Senate	9,747,200		9,747,200		9,747,200		9,747,200
SUBTOTAL - Legislature	\$54,101,500	\$497,500	\$54,599,000	\$0	\$54,599,000	\$0	\$54,599,000
-- State Mine Inspector	1,255,800		1,255,800		1,255,800		1,255,800
-- Navigable Stream Adjudication Commission	127,400		127,400		127,400		127,400
-- Commission for Postsecondary Education	1,646,800		1,646,800		1,646,800		1,646,800
-- Department of Public Safety	104,241,700	(30,000,000)	74,241,700		74,241,700		74,241,700
-- Public Safety Personnel Retirement System	7,000,000	(2,000,000)	5,000,000		5,000,000		5,000,000
-- State Real Estate Department	2,911,700		2,911,700		2,911,700		2,911,700

Table 4

GENERAL FUND SPENDING BY BUDGET UNITS INCLUDING ONE-TIME SPENDING ^{1/}

	FY 2019 Baseline w/ One-Times	FY 2020 \$ Above FY 2019 w/ One-Times	FY 2020 Baseline w/ One-Times	FY 2021 \$ Above FY 2020 w/ One-Times	FY 2021 Baseline w/ One-Times	FY 2022 \$ Above FY 2021 w/ One-Times	FY 2022 Baseline w/ One-Times
-- Department of Revenue	31,063,800		31,063,800		31,063,800		31,063,800
-- School Facilities Board	274,700,300	(38,429,500)	236,270,800	(94,421,700)	141,849,100	(27,770,000)	114,079,100
-- Secretary of State	15,568,800	1,650,000	17,218,800	(1,650,000)	15,568,800	(3,384,500)	12,184,300
-- Tax Appeals, State Board of	280,400		280,400		280,400		280,400
-- Office of Tourism	7,112,000		7,112,000		7,112,000	1,500,000	8,612,000
-- Department of Transportation	65,000	(65,000)					
-- State Treasurer	1,205,100		1,205,100		1,205,100		1,205,100
-- Governor's Office on Tribal Relations	60,900		60,900		60,900		60,900
-- Universities	725,503,700	(13,230,000)	712,273,700	(465,500)	711,808,200	712,800	712,521,000
-- Department of Veterans' Services	6,120,600	(25,000)	6,095,600		6,095,600		6,095,600
-- Department of Water Resources	16,169,800	(500,000)	15,669,800	(2,000,000)	13,669,800		13,669,800
-- Phoenix Convention Center Payment	22,996,300	503,700	23,500,000	497,900	23,997,900	500,600	24,498,500
-- Rio Nuevo District	14,000,000		14,000,000		14,000,000		14,000,000
-- Asset Sale/Lease-Back Debt Service	84,112,000	(3,500)	84,108,500	600	84,109,100	(1,300)	84,107,800
-- Continue FY 19 EORP Supplemental		287,800	287,800		287,800		287,800
-- Unallocated IT Pro-Rata Charge Increase	500	(500)					
-- Unallocated Retirement Rate Adjustment	150,500	(150,500)					
-- Unallocated Health Insurance Adjustment	32,400	(32,400)					
Total - Operating Budget	\$10,442,025,400	\$375,352,100	\$10,817,377,500	\$559,623,500	\$11,377,001,000	\$392,161,900	\$11,769,162,900
-- Capital Outlay	4,959,000	(4,959,000)					
-- Remove One-Time Health Insurance Adj.		(9,967,600)	(9,967,600)		(9,967,600)		(9,967,600)
-- Additional (27th) Pay Period				98,000,000	98,000,000	(98,000,000)	
-- FY 2019 Supplementals/Ex-Appropriation	(28,405,400)	28,405,400					
-- Administrative Adjustments	143,000,000	7,000,000	150,000,000	6,000,000	156,000,000	9,000,000	165,000,000
-- Revertments	(167,000,000)	(6,000,000)	(173,000,000)	(10,000,000)	(183,000,000)	(5,000,000)	(188,000,000)
Total Spending	\$10,394,579,000	\$389,830,900	\$10,784,409,900	\$653,623,500	\$11,438,033,400	\$298,161,900	\$11,736,195,300

^{1/} Individual agency spending amounts listed above include "Operating One-Time Spending" amounts.

Table 5

FY 2020 FUNDING FORMULA SUSPENSIONS 1/

	FY 2020 Formula Requirement
<u>Statutory</u>	
Community Colleges - STEM and Workforce Programs	\$ 13,854,200 <u>2/</u>
Community Colleges - Operating State Aid	N/A <u>3/</u>
Department of Education - District Additional Assistance	193,102,400 <u>4/</u>
Department of Education - Charter School Additional Assistance	10,221,600 <u>5/</u>
Department of Environmental Quality - Water Quality Assurance Revolving Fund (WQARF)	15,000,000 <u>6/</u>
Department of Health Services - Restoration to Competency (RTC)	900,000 <u>7/</u>
Universities - Arizona Financial Aid Trust	25,757,000 <u>8/ 9/</u>
Total - FY 2020 Statutory Funding Formula Suspensions	\$ 258,835,200
<u>Non-Statutory</u>	
Department of Administration - Building Renewal	\$ 39,168,500 <u>9/</u>
Department of Corrections - Building Renewal	18,799,100 <u>9/</u>
Universities - Building Renewal	161,500,000 <u>9/</u>
Total - FY 2020 Non-Statutory Funding Formula Suspensions	\$ 219,467,600

- 1/ Represents the General Fund cost of funding formulas that are currently suspended on an annual basis.
- 2/ Represents partial suspension of Pinal STEM and Workforce Programs formula amounts and full suspension of the Maricopa and Pima STEM and Workforce Programs formula amounts.
- 3/ The dollar value of the suspensions of the Operating State Aid for Maricopa and Pima Community Colleges is unknown because the 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 2019.
- 4/ Represents 46.1% of the formula requirement that is unfunded. Excludes approximately \$14,497,600 suspended in non-state aid districts, which are not funded through the state budget. The FY 2019 budget requires phase out of the suspension by FY 2023.
- 5/ Represents 2.5% of the formula requirement that is unfunded. The FY 2019 budget requires phase out of the suspension by FY 2023.
- 6/ In lieu of General Fund, the FY 2020 Baseline provides a total of \$15,552,000 in total appropriated and non-appropriated funds in FY 2020, compared to the statutory allocation of \$15,000,000.
- 7/ Excludes costs that counties incur to treat RTC patients in alternative (non-Arizona State Hospital) facilities.
- 8/ Based on the required 2:1 match of state funds for student fees levied by the universities, the total FY 2020 General Fund contribution would be \$35,798,200. Of this amount, the Baseline assumes the continuation of \$10,041,200 in General Fund support.
- 9/ Based on agency estimates.

TECHNICAL BUDGET ASSUMPTIONS

TECHNICAL BUDGET ASSUMPTIONS

Baseline

This book reflects General Fund baseline revenue and spending estimates. The revenue projections are based on a consensus economic forecast while the spending estimates represent currently-funded formula requirements and other obligations. The Baseline does not represent a budget proposal. By providing an estimate of available resources after statutory requirements, however, the Baseline will help members of the Legislature evaluate the availability of resources for these discretionary adjustments. As such, the Baseline is only a starting point for discussion on the FY 2020 budget.

FY 2020 Budget

Prior to FY 2019, previous budgets suspended biennial budgeting, which otherwise would have required all but 15 state agencies to receive biennial appropriations with the dollar amounts itemized for each fiscal year. The FY 2019 budget permanently repealed the biennial budgeting process and requires all agencies to only submit an annual budget request.

The Baseline includes only FY 2020 for all budget units. The Baseline also includes supplemental FY 2019 funding for selected budget units. All FY 2020 changes are referenced to the original FY 2019 appropriated amount.

In addition, A.R.S. § 35-125 requires the annual General Appropriation Act to include a 3-year revenue and expenditure projection. To assist in this effort, the JLBC Staff has developed General Fund Baseline estimates through FY 2022. *(Please see the Long Term General Fund Estimates narrative for more information.)*

Changes from Prior Year

The Baseline includes adjustments for one-time appropriations, annualization of any items funded for a partial year, and funding formula requirements.

The individual agency descriptions in this volume provide further narrative detail on these changes. In addition, the book provides the line item detail for individual agency budgets. The major technical issues pertaining to each of these line items are described below.

The individual agency descriptions also include the following years of budget data:

- *FY 2018 Actual* - This dollar amount represents the FY 2018 expenditures as reported by the agency. The amount may include administrative adjustments, or payments for obligations incurred in FY 2017 but for which the state was not billed until FY 2018.
- *FY 2019 Estimate* - This dollar amount represents the FY 2019 appropriations as of the end of the 53rd Legislature, 2nd Regular Session.
- *FY 2020 Baseline* - This dollar amount represents the FY 2020 Baseline spending estimate.

Each budget summary includes the level of non-appropriated and Federal Funds available to the agency. The detail for these funds can be found in the "Summary of Funds" section at the end of each individual agency's narrative pages.

Statewide and Standard Changes

Personal Services - This category includes salaries paid to state employees. The Baseline does not include a state employee pay adjustment for FY 2020.

ERE Rates - This category typically represents changes in the state's cost of employee benefits. The rates have been held constant from FY 2019 to FY 2020 in the Baseline.

Medical and Dental Insurance - The Baseline includes no changes to agency budgets for medical and dental insurance costs. *(Please see the HITF discussions in the Arizona Department of Administration (ADOA) narrative for further details on HITF balances.)*

Life Insurance - \$17.94 per employee per year, unchanged from the FY 2019 rate set by ADOA.

Unemployment Insurance - 0.10% of Personal Services for each agency, unchanged from the FY 2019 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 2019 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)

Information Technology Planning - 0.30% of Personal Services for each agency, unchanged from the FY 2019 rate established in statute. The government information technology review function in the ADOA budget is funded from an assessment on the payroll of all state agencies except the Universities.

Retiree Accumulated Sick Leave - 0.40% of Personal Services for each agency, unchanged from the FY 2019 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.

Attorney General Legal Services - \$1,798,500 in charges to selected state agencies for Attorney General services, unchanged from the FY 2019 amount set in the FY 2019 budget. *(Please see the Attorney General narrative for details.)*

Workers' Compensation - The rates calculated by ADOA vary by individual agency and are changed from the FY 2019 workers' compensation rates. ADOA estimates the average statewide rate is 0.97% in FY 2020, an increase from the average statewide FY 2019 rate of 0.78%. The Baseline does not adjust agency budgets for changes in these rates.

Federal Insurance Contributions Act (FICA) - Effective January 1, 2019, Social Security employer taxes are paid at a rate of 6.20% up to \$132,900, an increase from the previous maximum of \$128,400. The rate is unchanged. The Baseline 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 2019. 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.

Retirement - Most FY 2020 rates as determined by the state's retirement systems have changed from the FY 2019 rates. The total contribution from ASRS employees and employers combined will be 23.88%, an increase from the FY 2019 rate of 23.28%; both employers and employees will see their rates increase in FY 2020 to 11.94% from 11.64% in FY 2019. These rates exclude disability insurance (*see below*).

Employer contribution rates for other retirement systems including the Public Safety Personnel Retirement Plan, the Corrections Officers Retirement Plan, and the Elected Officials' Retirement Plan also changed. The Baseline does not adjust agency budgets for changes in retirement rates. *(Please see the Consolidated Retirement Report for more details on retirement contribution rates, enrollment and funded status, and litigation impacts.)*

Disability Insurance - For Arizona State Retirement Systems (ASRS) employees, the employer will pay 0.17% of Personal Services for disability insurance, an increase of 0.01% from the FY 2019 rate of 0.16%. The employee rate will also be 0.17%.

Rates for disability insurance for PSPRS and CORP employers are unchanged from FY 2019. The PSPRS rate is 2.14% for employees in defined-benefit plans and 1.51% for defined-contribution employees. The CORP rate is 0.32% for defined-benefit employees and 0.70% for employees in defined-contribution plans.

Risk Management - Individual agency budgets' Other Operating Expenditures include funding for Risk Management charges determined and billed by ADOA. The billings vary by individual agency and are slightly higher overall from the FY 2019 rates. The Baseline does not adjust agency budgets for changes in these rates.

Rent - Individual agency budgets' Other Operating Expenditures include monies to pay rent for state-owned or lease-purchase space, as well as for privately-owned space.

As required by statute, ADOA charges \$16.08 per square foot for all state agencies occupying state-owned space and \$5.79 per square foot for state-owned storage space in FY 2019. These rates are based upon usable square feet. The Baseline assumes no changes to these rates for FY 2020. *(Please see the Capital Outlay - ADOA Building System narrative for more details.)*

The Baseline does not address increases in rent for privately-owned space.

Format

Each agency section in this book includes the proposed agency budget format. Any changes from the prior year format are noted. The format governs how an agency's appropriation will appear in the General Appropriation Act. The most common budget formats are as follows:

- *Lump Sum by Agency*
- *Lump Sum by Program*
- *Modified Lump Sum by Agency*
- *Detailed Line Item by Agency*

A less detailed format will provide an agency with more discretion in implementing the budget at the expense of legislative oversight for that agency. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds to a purpose different from that originally intended by the Legislature.

Details on each of these common formats are below:

Lump Sum by Agency - The appropriation consists of a single dollar amount, thereby allowing the agency to shift funds among line items and programs without further legislative review. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Lump sum appropriation	\$100,000

Within this format, the Legislature will need to determine whether Special Line Items (funds generally granted to entities or individuals outside of state government, or which merit special attention) will be included in the Lump Sum or listed separately. If Special Line Items are listed separately, transfers to or from those lines must receive prior ADOA approval.

Lump Sum by Program - The appropriation consists of a single dollar amount for each agency program. Agencies must receive ADOA approval prior to shifting monies from one program to another. Any Special Line Items would be listed under the program with which they are associated. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Program A	\$30,000
Program B	30,000
Program C	<u>40,000</u>
Total Appropriations - Agency X	\$100,000

Modified Lump Sum - The appropriation consists of at least 3 lines: Personal Services, Employee Related Expenditures, and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, an agency must seek the recommendation of the Joint Legislative Budget Committee and approval by ADOA before moving any funds into or out of the Personal Services or ERE line items (A.R.S. § 35-173(e)). In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
All Other Operating Expenditures	<u>25,000</u>
Total Appropriations - Agency X	\$100,000

Detailed Line Item - The appropriation consists of each line item listed in this book, including Personal Services, Employee Related Expenditures, Professional and Outside Services, Travel, Other Operating Expenditures, and Equipment. Any Special Line Items would be listed separately. While the same rules govern Personal Services/ERE transfers as noted in the Modified Lump Sum description, the detailed line item appropriation requires the agency to seek ADOA approval before transferring monies between any other line items.

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
Professional & Outside Services	3,000
Travel - In State	7,500
Travel - Out of State	2,500
Other Operating Expenditures	5,000
Equipment	2,000
Local Grants	<u>5,000</u>
Total Appropriations - Agency X	\$100,000

Footnotes

The individual agency sections of this book include proposed footnotes, which are narrative statements in the General Appropriation Act that establish conditions for expenditures, reporting requirements, and legislative intent. A footnote, however, cannot be used to modify an existing program's authorizing law.

Agency footnotes are shown after the number table at the start of an agency's narrative. Most footnotes are unchanged from FY 2019 or updated for technical reasons (e.g., fiscal year references). Non-technical changes are indicated with strike-through font for deletions and all-capital text for new language. Proposed new footnotes

will include the word "**NEW**" at the start of the footnote. Footnotes proposed for deletion will be footnoted with a "D" and the entire text struck-through.

(Please see the Major Footnote Changes section for a listing of major footnote changes from FY 2019.)

Statewide Footnotes

In addition to individual agency footnotes, the Baseline would include several footnotes applying to statewide issues to the General Appropriation Act. All the following footnotes are unchanged from FY 2019 unless noted.

Expenditure Reporting - 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.

FTE Position Reporting - The FTE Positions in the General Appropriation Act are subject to appropriation. The ADOA Director shall compile an FTE Position utilization report for FY 2020 for submission to the JLBC Director by October 1, 2020. This report shall include both appropriated and non-appropriated positions. The Universities are exempt from the ADOA report but are to report in a comparable manner. In addition, each agency shall submit a report to the JLBC Director by October 1, 2019 on the number of filled, appropriated and non-appropriated FTE Positions by fund source as of September 1, 2019.

Transfer Authority - ADOA shall provide a monthly report to JLBC Staff on agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements - ADOA shall provide to the JLBC a preliminary estimate of the FY 2018 General Fund ending balance by September 15, 2019. The JLBC Staff shall report to JLBC by October 15, 2019 as to whether FY 2020's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections.

Long-Term Budget Estimates - 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 to be based on existing statutory funding requirements. A.R.S. § 35-125 requires the Legislature to discuss the estimates in a public hearing before the adoption of the General Appropriation Act. *(Please see the Long-Term General Fund Estimates section for details on the FY 2020 - FY 2022 revenue and expenditure estimates.)*

Non-Lapsing Appropriations - The General Appropriation Act will designate certain appropriations with "*", meaning that the appropriation is exempt from lapsing.

Expenditure Authority - For the 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 - For the 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.

Statutory Changes

The individual agency sections of this book include proposed statutory changes related to the budget. These changes will be introduced in Budget Reconciliation Bills (BRBs). *(Please see the FY 2020 Budget Reconciliation Bill Provisions section for a complete listing of proposed statutory changes.)*

In addition to agency-specific statutory changes, the Baseline would, as session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.

Other Issues

This section may also include other information of general interest, including FY 2019 supplementals.

Statewide Expenditure Adjustments

In addition to changes in individual agency budgets, the Baseline includes 2 "balance sheet" expenditure items not discussed elsewhere: Administrative Adjustments, Revertments, and Statutory Revertments.

Administrative Adjustments - The Baseline assumes that state agencies will have expenditures totaling \$143,000,000 in FY 2019 for FY 2018 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2018, but for which the state was unbilled until FY 2019. An agency's administrative adjustments cannot exceed its prior year revertment, or unused appropriation authority. The \$143,000,000 is an increase of \$43,000,000 from the originally-budgeted FY 2019 total. The revised figure is based on revertments through November 2018 (\$64 million) and estimates for larger caseload-driven agencies such as the Arizona Department of Education (ADE) and AHCCCS based on prior-year experience.

In addition to the FY 2019 figure, the Baseline assumes a FY 2020 administrative adjustment total of \$150,000,000, an increase of \$7,000,000 from the revised FY 2019 total. The FY 2020 amount reflects 90% of prior-year revertments (*see Revertments discussion below*).

Revertments - The Baseline assumes that state agencies will revert \$(167,000,000) of FY 2019 appropriations back to the General Fund because the agencies will not spend their entire appropriation. Agencies will be permitted to make administrative adjustments totaling no more than this amount in FY 2019. This amount is an increase of \$(22,000,000) from the originally-budgeted FY 2019 total of \$(145,000,000).

In addition to the FY 2019 estimate, the Baseline also assumes a FY 2020 revertment total of \$(173,000,000), an increase of \$(6,000,000) from the revised FY 2019 total. The FY 2019 and FY 2020 amounts reflect 1.6% of non-capital-related appropriated spending. The 3-year revertment average of 1.66% of appropriations through FY 2018 was reduced to 1.6% for FY 2019 through FY 2022 to account for some one-time revertments in the FY 2018 budget.

***JLBC STAFF
AND
AGENCY DIRECTORY LISTINGS***

**DIRECTORY OF JLBC ANALYSTS
AND AGENCY/DEPARTMENT HEADS
(As of January 18, 2019)**

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of	Ben Murphy	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/ Morgan Dorcheus	Gilbert Davidson [Acting Director]	602-542-1500
Administrative Hearings, Office of	Elizabeth Dagle	Greg Hanchett [Interim Director]	602-542-9830
African-American Affairs, Arizona Commission of	Elizabeth Dagle	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	Patrick Moran/Adam Golden	Jami Snyder [Director]	602-417-4111
Arizona State University	Morgan Dorcheus	Michael Crow, Ph.D. [President]	480-965-8972
Arts, Arizona Commission on the	Elizabeth Dagle	Jaime Dempsey [Executive Director]	602-771-6520
Athletic Training, Board of	Henry Furtick	Karen Whiteford [Executive Director]	602-589-8353
Attorney General - Department of Law	Adam Golden	Honorable Mark Brnovich [Attorney General]	602-542-5025
Auditor General	Steve Grunig	Lindsey Perry [Auditor General]	602-553-0333
Automobile Theft Authority	Jordan Johnston	Frederick Zumbo [Executive Director]	602-364-2888
Barbers, Board of	Ben Murphy	Sam Barcelona [Executive Director]	602-542-4498
Behavioral Health Examiners, Board of	Jordan Johnston	Tobi Zavala [Executive Director]	602-542-1882
Charter Schools, State Board for	Elizabeth Dagle	Ashley Berg [Executive Director]	602-364-3080
Child Safety, Department of	Patrick Moran	Greg McKay [Director]	602-542-5844
Chiropractic Examiners, State Board of	Elizabeth Dagle	Justin Bohall [Executive Director]	602-864-5088
Citizens Clean Elections Commission	Ben Murphy	Thomas M. Collins [Executive Director]	602-364-3477
Commerce Authority, Arizona	Sam Beres	Sandra Watson [President and CEO]	602-845-1252
Community Colleges, Arizona	Micaela Larkin		
Constable Ethics Standards and Training Board	Josh Hope	Mike Cobb [Chairman]	602-343-6280
Contractors, Registrar of	Jordan Johnston	Jeffrey Fleetham [Director]	602-771-6802
Corporation Commission	Jeremy Gunderson	Honorable Bob Burns [Chairman]	602-542-3682
Corrections, State Department of	Geoffrey Paulsen	Charles L. Ryan [Director]	602-542-5225
Cosmetology, Board of	Ben Murphy	Kim Scoplitte [Director]	480-784-4539
Court of Appeals, Division I	Geoffrey Paulsen	Honorable Samuel Anderson Thumma [Chief Judge]	602-452-6790
Court of Appeals, Division II	Geoffrey Paulsen	Honorable Peter Eckerstrom [Chief Judge]	520-628-6950
Criminal Justice Commission, Arizona	Josh Hope	Andrew LeFevre [Executive Director]	602-364-1146
Deaf and the Blind, Arizona State Schools for the	Henry Furtick	Annette Reichman [Superintendent]	520-770-3704
Deaf and the Hard of Hearing, Commission for the	Elizabeth Dagle	Sherri L. Collins [Executive Director]	602-542-3383
Dental Examiners, State Board of	Jordan Johnston	Nancy Chambers [Interim Executive Director]	602-542-4451
Early Childhood Development and Health Board, Arizona	Elizabeth Dagle	Marilee Dal Pra [Executive Director]	602-771-5100
Economic Opportunity, Office of	Sam Beres	Sandra Watson [Director]	602-771-2222
Economic Security, Department of	Chris Gustafson/Elizabeth Dagle/Patrick Moran	Michael Traylor [Director]	602-542-5757
Education, State Board of	Elizabeth Dagle	Alicia Williams [Executive Director]	602-542-5057
Education, Department of	Steve Schimpp/ Adam Golden	Honorable Kathy Hoffman [Superintendent of Public Instruction]	602-542-3710
Emergency and Military Affairs, Department of	Josh Hope	Michael McGuire [Adjutant General]	602-267-2710
Environmental Quality, Department of	Josh Hope	Misael Cabrera [Director]	602-771-2204
Equal Opportunity, Governor's Office of	Elizabeth Dagle	Barry Wong [Executive Director]	602-542-3711
Equalization, State Board of	Adam Golden	George R. Shook [Interim Chairman]	602-364-1611
Executive Clemency, Board of	Jordan Johnston	Kathryn Blades [Executive Director]	602-542-5656
Exposition and State Fair Board, Arizona	Chris Gustafson/Henry Furtick	Wanell Costello [Executive Director]	602-252-6771
Financial Institutions, Department of	Jeremy Gunderson	Bob Charlton [Superintendent]	602-771-2800
Forestry and Fire Management, Arizona Department of	Henry Furtick	David Tenney [Interim 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	Ben Murphy	Ty Gray [Director]	602-942-3000
Gaming, Department of	Henry Furtick	Ted Vogt [Director]	602-255-3885
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

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Health Services, Department of Historical Society, Arizona Historical Society of Arizona, Prescott Homeland Security, Arizona Department of Homeopathic and Integrated Medicine Examiners, Board of	Morgan Dorcheus Elizabeth Dagle Elizabeth Dagle Josh Hope Steve Grunig	Dr. Cara Christ [Director] W. James Burns [Executive Director] Fred Veil [Executive Director] Gilbert M. Orrantia [Director] Susie Myers [Executive Director]	602-542-1025 480-929-0292 928-445-3122 602-542-7013 602-542-3095
House of Representatives	Steve Grunig	Honorable Russell "Rusty" Bowers [Speaker of the House]	602-926-3312
Housing, Arizona Department of Industrial Commission of Arizona Insurance, Department of Joint Legislative Budget Committee	Henry Furtick Jordan Johnston Jeremy Gunderson Steve Grunig	Carol Dittmore [Director] James Ashley [Director] Keith Schraad [Interim Director] Richard Stavneak [Director]	602-771-1007 602-542-4411 602-364-3471 602-926-5491
Juvenile Corrections, Department of Land Department, State Legislative Council Liquor Licenses and Control, Department of Lottery Commission, Arizona State	Chris Gustafson/Josh Hope Henry Furtick Steve Grunig Jeremy Gunderson Jeremy Gunderson	Jeff Hood [Director] Lisa Atkins [Land Commissioner] Mike E. Braun [Executive Director] John Cocca [Director] Gregory Edgar [Executive Director]	602-364-4051 602-542-4621 602-926-4236 602-542-9020 480-921-4505
Massage Therapy, Board of Medical Board, Arizona Mine Inspector, State Naturopathic Physicians Medical Board Navigable Stream Adjudication Commission, Arizona	Steve Grunig Adam Golden Henry Furtick Steve Grunig Henry Furtick	Ryan Edmonson [Executive Director] Patricia McSorley [Executive Director] Honorable Joe Hart [State Mine Inspector] Gail Anthony [Director] George Mehnert [Executive Director]	602-542-8804 480-551-2700 602-542-5971 602-542-8242 602-542-9214
Northern Arizona University Nursing, State Board of Nursing Care Institution Administrators and Assisted Living Facility Managers, Board of Examiners of Occupational Therapy Examiners, Board of Opticians, State Board of Dispensing	Elizabeth Dagle Adam Golden Steve Grunig Steve Grunig Steve Grunig	Rita Cheng, Ph.D. [President] Jo Elizabeth Ridenour [Executive Director] Allen Imig [Executive Director] Karen Whiteford [Executive Director] Megan Darian [Executive Director]	928-523-3232 602-771-7800 602-542-8156 602-589-8352 602-542-8158
Optometry, State Board of Osteopathic Examiners, Arizona Board of Parents Commission on Drug Education and Prevention, AZ Parks Board, Arizona State Personnel Board, State	Steve Grunig Jordan Johnston Jordan Johnston Micaela Larkin Elizabeth Dagle	Margaret Whelan [Executive Director] Amber Brake [Executive Director] Maria Fuentes [Director] Robert Broscheid [Executive Director] Robin Van Staeyen [Interim Executive Director]	602-542-8155 480-657-7703 602-542-1773 602-542-4174 602-542-3822
Pharmacy, Arizona State Board of Physical Therapy, Board of Pioneers' Home, Arizona Podiatry Examiners, State Board of Postsecondary Education, Commission for	Henry Furtick Steve Grunig Elizabeth Dagle Steve Grunig Elizabeth Dagle	Kamlesh Gandhi [Executive Director] Karen Donahue [Executive Director] Philip Schlotter [Superintendent] Kristina Gomez [Executive Director] April L. Osborn [Executive Director]	602-771-2740 602-542-8157 928-277-2750 602-542-8151 602-258-2435
Power Authority, Arizona Private Postsecondary Education, State Board for Psychologist Examiners, State Board of Public Safety, Department of Public Safety Personnel Retirement System	Josh Hope Elizabeth Dagle Steve Grunig Jordan Johnston Josh Hope	Edward A. Gerak [Executive Director] Teri R. Stanfill [Executive Director] Jenna Jones Director] Frank Milstead [Director] Jared Smout [Administrator]	602-368-4265 602-542-2399 602-542-8162 602-223-2359 602-255-5575
Real Estate Department, State Regents, Arizona Board of Residential Utility Consumer Office Respiratory Care Examiners, Board of Retirement System, Arizona State	Jordan Johnston Morgan Dorcheus Jeremy Gunderson Steve Grunig Josh Hope	Judy Lowe [Commissioner] John Arnold [Executive Director] David Tenney [Director] Jack Confer [Director] Paul Matson [Director]	602-771-7799 602-229-2507 602-364-4835 602-542-5995 602-240-2000
Revenue, Department of School Facilities Board Secretary of State, Department of State Senate Superior Court	Jeremy Gunderson Rebecca Perrera Micaela Larkin Steve Grunig Geoffrey Paulsen	Carlton Woodruff [Interim Director] Paul Bakalis [Director] Honorable Katie Hobbs [Secretary of State] Honorable Karen Fann [President of the Senate] David K. Byers [Director]	602-716-6090 602-542-6504 602-542-4285 602-926-4371 602-452-3301
Supreme Court Tax Appeals, State Board of Technical Registration, State Board of Tourism, Office of Transportation, Department of	Geoffrey Paulsen Adam Golden Jordan Johnston Henry Furtick Ben Murphy	Scott Bales [Chief Justice] Karen Rice-Brogdon [Chairperson] Melissa Cornelius [Executive Director] Debbie Johnson [Director] John Halikowski [Director]	602-452-3534 602-364-1102 602-364-4930 602-364-3717 602-712-7227

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Treasurer, State	Ben Murphy	Honorable Kimberly Yee [State Treasurer]	602-542-7800
Tribal Relations, Governor's Office on	Elizabeth Dagle	Kristine FireThunder [Executive Director]	602-542-4421
University of Arizona	Sam Beres	Robert Robbins, M.D. [President]	520-621-5511
Veterans' Services, Department of	Elizabeth Dagle	Colonel Wanda Wright [Director]	602-255-3373
Veterinary Medical Examining Board, Arizona State	Steve Grunig	Victoria Whitmore [Executive Director]	602-542-8150
Water Resources, Department of	Micaela Larkin	Thomas Buschatzke [Director]	602-771-1301
<u>OTHER ASSIGNMENTS</u>			
Capital Review	Jack Brown		
Economic and Revenue Forecast	Hans Olofsson		
Federal/Non-Appropriated Funds	Stefan Shepherd		
Fiscal Note Manager	Stefan Shepherd		

[] Denotes Title for Information Purposes

**STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE**

• 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